



FS Investment Corporation

QUARTER ENDED SEPTEMBER 30, 2017 FINANCIAL INFORMATION

Important Disclosure Notice

This presentation may contain certain forward-looking statements, including statements with regard to the future performance of FS Investment Corporation (FSIC, the Company, we or us). Words such as “believes,” “expects,” “projects” and “future” or similar expressions are intended to identify forward-looking statements. These forward-looking statements are subject to the inherent uncertainties in predicting future results and conditions. Certain factors could cause actual results to differ materially from those projected in these forward-looking statements. Factors that could cause actual results to differ materially include changes in the economy, risks associated with possible disruption in FSIC's operations or the economy due generally to terrorism or natural disasters, future changes in laws or regulations and conditions in FSIC's operating area, and the price at which shares of common stock may trade on the New York Stock Exchange LLC (NYSE). Certain of these factors are enumerated in the filings FSIC makes with the Securities and Exchange Commission (SEC). FSIC undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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This presentation contains certain financial measures that have not been prepared in accordance with U.S. generally accepted accounting principles (GAAP). FSIC uses these non-GAAP financial measures internally in analyzing financial results and believes that the presentation of these non-GAAP financial measures is useful to investors as an additional tool to evaluate ongoing results and trends and in comparing FSIC's financial results with other business development companies.

Non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP financial measures, and should be read only in conjunction with FSIC's consolidated financial statements prepared in accordance with GAAP. A reconciliation of non-GAAP financial measures to the most directly comparable GAAP measures has been provided in the table on page 15 included in this presentation and investors are encouraged to review the reconciliation in the table and the related footnotes.

Dollar amounts herein (except for per share amounts) are presented in thousands. Certain figures in this presentation have been rounded.

Financial and Portfolio Highlights

Financial Highlights

(all per share amounts are basic and diluted) ¹	Q3-17	Q2-17	Q3-16	9ME-17	9ME-16
Net investment income per share	\$ 0.21	\$ 0.19	\$ 0.20	\$ 0.61	\$ 0.64
Adjusted net investment income per share ^{2*}	\$ 0.21	\$ 0.19	\$ 0.20	\$ 0.61	\$ 0.64
Total net realized and unrealized gain (loss) per share	\$ 0.14	\$ (0.11)	\$ 0.27	\$ 0.07	\$ 0.36
Net increase (decrease) in net assets resulting from operations (Earnings per Share)	\$ 0.35	\$ 0.08	\$ 0.47	\$ 0.68	\$ 1.00
Stockholder distributions per share ³	\$ 0.22275	\$ 0.22275	\$ 0.22275	\$ 0.66825	\$ 0.66825
Net asset value per share at period end	\$ 9.43	\$ 9.30	\$ 9.42	\$ 9.43	\$ 9.42
Weighted average shares outstanding	245,678,745	245,107,405	243,488,590	245,117,823	243,257,941
Shares outstanding, end of period	245,725,416	245,153,010	243,488,590	245,725,416	243,488,590

Portfolio Highlights

(in thousands)	Q3-17	Q2-17	Q3-16	9ME-17	9ME-16
Purchases	\$ 183,384	\$ 298,682	\$ 217,337	\$ 1,021,755	\$ 662,756
Sales and Redemptions	(225,483)	(310,569)	(290,764)	(900,360)	(872,931)
Net Portfolio Activity	\$ (42,099)	\$ (11,887)	\$ (73,427)	\$ 121,395	\$ (210,175)
Total fair value of investments	\$ 3,911,399	\$ 3,899,777	\$ 3,937,526	\$ 3,911,399	\$ 3,937,526
Total assets	\$ 4,135,463	\$ 4,110,120	\$ 4,128,618	\$ 4,135,463	\$ 4,128,618

*See page 15 hereof for reconciliations between net investment income per share and adjusted net investment income per share.

Endnotes begin on page 16.

Select Historical Information

	As of				
(dollar amounts in thousands)	9/30/2017	6/30/2017	3/31/2017	12/31/2016	9/30/2016
Investments, at fair value	\$ 3,911,399	\$ 3,899,777	\$ 3,924,168	\$ 3,726,816	\$ 3,937,526
Portfolio Data					
Number of Portfolio Companies	104	107	108	102	103
Average Annual EBITDA of Portfolio Companies	\$ 91,700	\$ 88,600	\$ 86,100	\$ 100,000	\$ 104,100
Weighted Average Purchase Price of Debt Investments (as a % of par)	97.5%	97.2%	97.2%	98.6%	98.2%
% of Investments on Non-Accrual (based on fair value) ⁴	0.3%	0.0%	0.0%	0.2%	0.7%
Asset Class (based on fair value)					
Senior Secured Loans—First Lien	61%	60%	57%	52%	52%
Senior Secured Loans—Second Lien	5%	7%	9%	16%	16%
Senior Secured Bonds	5%	4%	4%	4%	4%
Subordinated Debt	14%	15%	15%	12%	11%
Collateralized Securities	1%	1%	2%	2%	2%
Equity/Other	14%	13%	13%	14%	15%
Portfolio Composition by Strategy (based on fair value)⁵					
Direct Originations	90%	88%	87%	88%	85%
Opportunistic	9%	10%	10%	9%	12%
Broadly Syndicated/Other	1%	2%	3%	3%	3%
Interest Rate Type (based on fair value)					
% Variable Rate	65.3%	66.5%	65.5%	67.0%	65.2%
% Fixed Rate	21.0%	20.6%	21.8%	19.4%	20.4%
% Income Producing Equity/Other Investments	2.7%	2.5%	2.7%	2.7%	3.7%
% Non-Income Producing Equity/Other Investments	11.0%	10.4%	10.0%	10.9%	10.7%
Yields (based on amortized cost)⁶					
Gross Portfolio Yield Prior to Leverage	9.4%	9.4%	9.3%	9.1%	9.2%
Gross Portfolio Yield Prior to Leverage—Excluding Non-Income Producing Assets	10.3%	10.4%	10.2%	10.1%	10.2%

Select Direct Origination Information

	Three Months Ended				
(dollar amounts in thousands)	9/30/2017	6/30/2017	3/31/2017	12/31/2016	9/30/2016
New Direct Originations					
Total Commitments (including unfunded commitments)	\$ 199,157	\$ 197,084	\$ 429,407	\$ 526,589	\$ 144,226
Exited Investments (including partial paydowns)	(169,035)	(218,280)	(322,068)	(598,468)	(198,010)
Net Direct Originations	\$ 30,122	\$ (21,196)	\$ 107,339	\$ (71,879)	\$ (53,784)
New Direct Originations by Asset Class (including unfunded commitments)					
Senior Secured Loans—First Lien	85%	97%	81%	88%	94%
Senior Secured Loans—Second Lien	2%	—	1%	5%	5%
Senior Secured Bonds	—	1%	2%	1%	—
Subordinated Debt	13%	—	15%	2%	—
Collateralized Securities	—	—	—	—	—
Equity/Other	—	2%	1%	4%	1%
Average New Direct Origination Commitment Amount	\$ 49,789	\$ 15,160	\$ 35,784	\$ 29,255	\$ 20,604
Weighted Average Maturity for New Direct Originations	5/5/2023	12/17/2022	3/2/2023	6/20/2023	12/11/2021
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of New Direct Originations Funded during Period ⁶	9.6%	9.6%	9.8%	8.8%	9.3%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of New Direct Originations Funded during Period—Excluding Non-Income Producing Assets ⁶	9.6%	9.7%	10.0%	9.1%	9.3%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of Direct Originations Exited during Period ⁶	12.0%	9.9%	9.1%	8.0%	8.6%

	As of	
Characteristics of All Direct Originations held in Portfolio	9/30/2017	12/31/2016
Direct Originations, at fair value	\$ 3,507,097	\$ 3,264,395
Number of Portfolio Companies	74	67
Average Annual EBITDA of Portfolio Companies	\$ 70,700	\$ 64,600
Average Leverage Through Tranche of Portfolio Companies—Excluding Equity/Other and Collateralized Securities	4.8x	4.8x
% of Investments on Non-Accrual (based on fair value)	—	0.1%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of Funded Direct Originations ⁶	9.3%	9.1%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of Funded Direct Originations—Excluding Non-Income Producing Assets ⁶	10.2%	10.1%

Quarterly Operating Results

Three Months Ended

(dollar amounts in thousands, except per share amounts)	9/30/2017	6/30/2017	3/31/2017	12/31/2016	9/30/2016
Total investment income	\$ 103,691	\$ 98,695	\$ 106,064	\$ 108,978	\$ 100,557
Net expenses	(53,043)	(52,235)	(53,474)	(51,882)	(51,554)
Net investment income before taxes	\$ 50,648	\$ 46,460	\$ 52,590	\$ 57,096	\$ 49,003
Excise taxes	—	—	—	(5,554)	—
Net investment income	\$ 50,648	\$ 46,460	\$ 52,590	\$ 51,542	\$ 49,003
Total net realized and unrealized gain (loss) on investments	34,750	(28,018)	10,803	320	65,366
Net increase (decrease) in net assets resulting from operations	\$ 85,398	\$ 18,442	\$ 63,393	\$ 51,862	\$ 114,369
Per share¹					
Net investment income	\$ 0.21	\$ 0.19	\$ 0.22	\$ 0.21	\$ 0.20
Adjusted net investment income ²	\$ 0.21	\$ 0.19	\$ 0.22	\$ 0.23	\$ 0.20
Net increase (decrease) in net assets resulting from operations (Earnings per Share)	\$ 0.35	\$ 0.08	\$ 0.26	\$ 0.21	\$ 0.47
Stockholder distributions ³	\$ 0.22275	\$ 0.22275	\$ 0.22275	\$ 0.22275	\$ 0.22275
Weighted average shares outstanding	245,678,745	245,107,405	244,554,969	244,016,474	243,488,590
Shares outstanding, end of period	245,725,416	245,153,010	244,599,661	244,063,357	243,488,590

Nine Months Ended

(dollar amounts in thousands, except per share amounts)	9/30/2017	9/30/2016
Total investment income	\$ 308,450	\$ 313,831
Net expenses	(158,752)	(158,050)
Net investment income before taxes	\$ 149,698	\$ 155,781
Excise taxes	—	—
Net investment income	\$ 149,698	\$ 155,781
Total net realized and unrealized gain (loss) on investments	17,535	86,648
Net increase (decrease) in net assets resulting from operations	\$ 167,233	\$ 242,429
Per share¹		
Net investment income	\$ 0.61	\$ 0.64
Adjusted net investment income ²	\$ 0.61	\$ 0.64
Net increase (decrease) in net assets resulting from operations (Earnings per Share)	\$ 0.68	\$ 1.00
Stockholder distributions ³	\$ 0.66825	\$ 0.66825
Weighted average shares outstanding	245,117,823	243,257,941
Shares outstanding, end of period	245,725,416	243,488,590

Quarterly Operating Results Detail

	Three Months Ended				
(in thousands)	9/30/2017	6/30/2017	3/31/2017	12/31/2016	9/30/2016
Investment income					
From non-controlled/unaffiliated investments:					
Interest income	\$ 82,349	\$ 74,928	\$ 72,838	\$ 79,922	\$ 86,569
Paid-in-kind interest income	8,430	7,588	6,881	8,085	6,811
Fee income	5,005	9,546	19,530	14,350	4,214
Dividend income	21	—	—	2,727	—
From non-controlled/affiliated investments:					
Interest income	3,448	3,353	3,684	2,431	1,851
Paid-in-kind interest income	550	699	606	301	162
Fee income	1,232	2	29	119	—
From controlled/affiliated investments:					
Interest income	966	939	1,502	(132)	100
Paid-in-kind interest income	1,690	1,640	994	1,175	850
Total investment income	\$ 103,691	\$ 98,695	\$ 106,064	\$ 108,978	\$ 100,557
Operating expenses					
Management fees	\$ 18,038	\$ 18,367	\$ 18,367	\$ 18,022	\$ 17,872
Subordinated income incentive fees	12,662	11,617	13,147	12,885	12,250
Administrative services expenses	750	742	734	629	750
Accounting and administrative fees	254	255	265	260	243
Interest expense	19,885	19,617	19,439	18,817	18,283
Directors' fees	277	274	271	359	277
Other general and administrative expenses	1,177	1,363	1,251	910	1,879
Total operating expenses	\$ 53,043	\$ 52,235	\$ 53,474	\$ 51,882	\$ 51,554
Net investment income before taxes	\$ 50,648	\$ 46,460	\$ 52,590	\$ 57,096	\$ 49,003
Excise taxes	—	—	—	(5,554)	—
Net investment income	\$ 50,648	\$ 46,460	\$ 52,590	\$ 51,542	\$ 49,003

Quarterly Gain/Loss Information

	Three Months Ended				
(in thousands)	9/30/2017	6/30/2017	3/31/2017	12/31/2016	9/30/2016
Realized gain/loss					
Net realized gain (loss) on investments:					
Non-controlled/unaffiliated investments	\$ (24,767)	\$ (14,147)	\$ (48,447)	\$ (44,471)	\$ 2,363
Non-controlled/affiliated investments	6,551	—	305	—	—
Controlled/affiliated investments	—	—	(52,879)	—	(26)
Net realized gain (loss) on foreign currency	(19)	61	123	66	86
Total net realized gain (loss)	\$ (18,235)	\$ (14,086)	\$ (100,898)	\$ (44,405)	\$ 2,423
Unrealized gain/loss					
Net change in unrealized appreciation (depreciation) on investments:					
Non-controlled/unaffiliated investments	\$ 29,820	\$ (9,458)	\$ 129,260	\$ 42,461	\$ 64,039
Non-controlled/affiliated investments	16,951	(5,602)	(12,328)	4,696	(4,463)
Controlled/affiliated investments	7,408	4,132	(4,499)	(5,239)	4,354
Net change in unrealized appreciation (depreciation) on secured borrowing	3	—	(10)	(16)	(33)
Net change in unrealized gain (loss) on foreign currency	(1,197)	(3,004)	(722)	2,823	(954)
Total net unrealized gain (loss)	\$ 52,985	\$ (13,932)	\$ 111,701	\$ 44,725	\$ 62,943
Total net realized and unrealized gain (loss)	\$ 34,750	\$ (28,018)	\$ 10,803	\$ 320	\$ 65,366

Quarterly Balance Sheets

	As of				
(in thousands, except per share amounts)	9/30/2017	6/30/2017	3/31/2017	12/31/2016	9/30/2016
Assets					
Investments, at fair value	\$ 3,911,399	\$ 3,899,777	\$ 3,924,168	\$ 3,726,816	\$ 3,937,526
Cash	176,445	141,387	53,015	264,594	112,648
Foreign currency, at fair value	2,546	1,321	669	4	1,013
Receivable for investments sold and repaid	1,896	30,555	252,782	75,921	27,160
Income receivable	38,811	28,609	47,044	36,106	49,014
Deferred financing costs	3,712	7,708	8,246	5,828	573
Prepaid expenses and other assets	654	763	427	802	684
Total assets	\$ 4,135,463	\$ 4,110,120	\$ 4,286,351	\$ 4,110,071	\$ 4,128,618
Liabilities					
Payable for investments purchased	\$ 606	\$ 10,800	\$ 40,000	\$ 5,748	\$ 6,984
Credit facilities payable	637,669	634,914	755,128	619,932	81,286
Unsecured notes payable	1,072,714	1,071,983	1,071,263	1,070,701	990,333
Repurchase agreement payable	—	—	—	—	650,000
Secured borrowing, at fair value	2,891	2,893	2,891	2,880	2,863
Stockholder distributions payable	54,733	54,607	54,485	54,364	54,236
Management fees payable	18,038	18,367	18,367	18,022	17,872
Subordinated income incentive fees payable	12,662	11,617	13,147	12,885	12,250
Administrative services expense payable	495	559	346	516	714
Interest payable	17,463	22,288	17,463	20,144	16,113
Directors' fees payable	267	266	270	281	204
Other accrued expenses and liabilities	1,232	1,122	1,356	7,221	1,308
Total liabilities	\$ 1,818,770	\$ 1,829,416	\$ 1,974,716	\$ 1,812,694	\$ 1,834,163
Stockholders' equity					
Preferred stock, \$0.001 par value	—	—	—	—	—
Common stock, \$0.001 par value	\$ 246	\$ 245	\$ 245	\$ 244	\$ 243
Capital in excess of par value	2,276,946	2,271,623	2,266,389	2,261,040	2,270,010
Accumulated undistributed net realized gains on investments and gain/loss on foreign currency	(237,493)	(219,258)	(205,172)	(104,274)	(64,574)
Accumulated undistributed (distributions in excess of) net investment income	133,899	137,984	146,131	148,026	141,160
Net unrealized appreciation (depreciation) on investments and secured borrowing and gain/loss on foreign currency	143,095	90,110	104,042	(7,659)	(52,384)
Total stockholders' equity	\$ 2,316,693	\$ 2,280,704	\$ 2,311,635	\$ 2,297,377	\$ 2,294,455
Total liabilities and stockholders' equity	\$ 4,135,463	\$ 4,110,120	\$ 4,286,351	\$ 4,110,071	\$ 4,128,618
Net asset value per share of common stock at period end	\$ 9.43	\$ 9.30	\$ 9.45	\$ 9.41	\$ 9.42

Financing Arrangements

Financing Arrangements as of September 30, 2017	Type of Financing Arrangement	Rate	Amount Outstanding	Amount Available	Maturity Date
(in thousands)					
Hamilton Street Credit Facility	Revolving Credit Facility	L+2.50%	\$ 150,000	\$ —	December 15, 2021
ING Credit Facility	Revolving Credit Facility	L+2.25%	\$ 66,131*	\$ 261,369	March 16, 2021
Locust Street Credit Facility	Term Loan Credit Facility	L+2.68%	\$ 425,000	\$ —	November 1, 2020
4.000% Notes due 2019	Unsecured Notes	4.00%	\$ 400,000	\$ —	July 15, 2019
4.250% Notes due 2020	Unsecured Notes	4.25%	\$ 405,000	\$ —	January 15, 2020
4.750% Notes due 2022	Unsecured Notes	4.75%	\$ 275,000	\$ —	May 15, 2022
Partial Loan Sale	Secured Borrowing	L+4.50% (1% floor)	\$ 2,857	\$ —	July 29, 2022

* Amount includes borrowings in Euros and Canadian dollars. Euro balance outstanding of €41,780 has been converted to U.S. dollars at an exchange rate of €1.00 to \$1.18 as of September 30, 2017 to reflect total amount outstanding in U.S. dollars. Canadian dollar balance outstanding of CAD \$20,987 has been converted to U.S. dollars at an exchange rate of CAD \$1.00 to \$0.80 as of September 30, 2017 to reflect total amount outstanding in U.S. dollars.

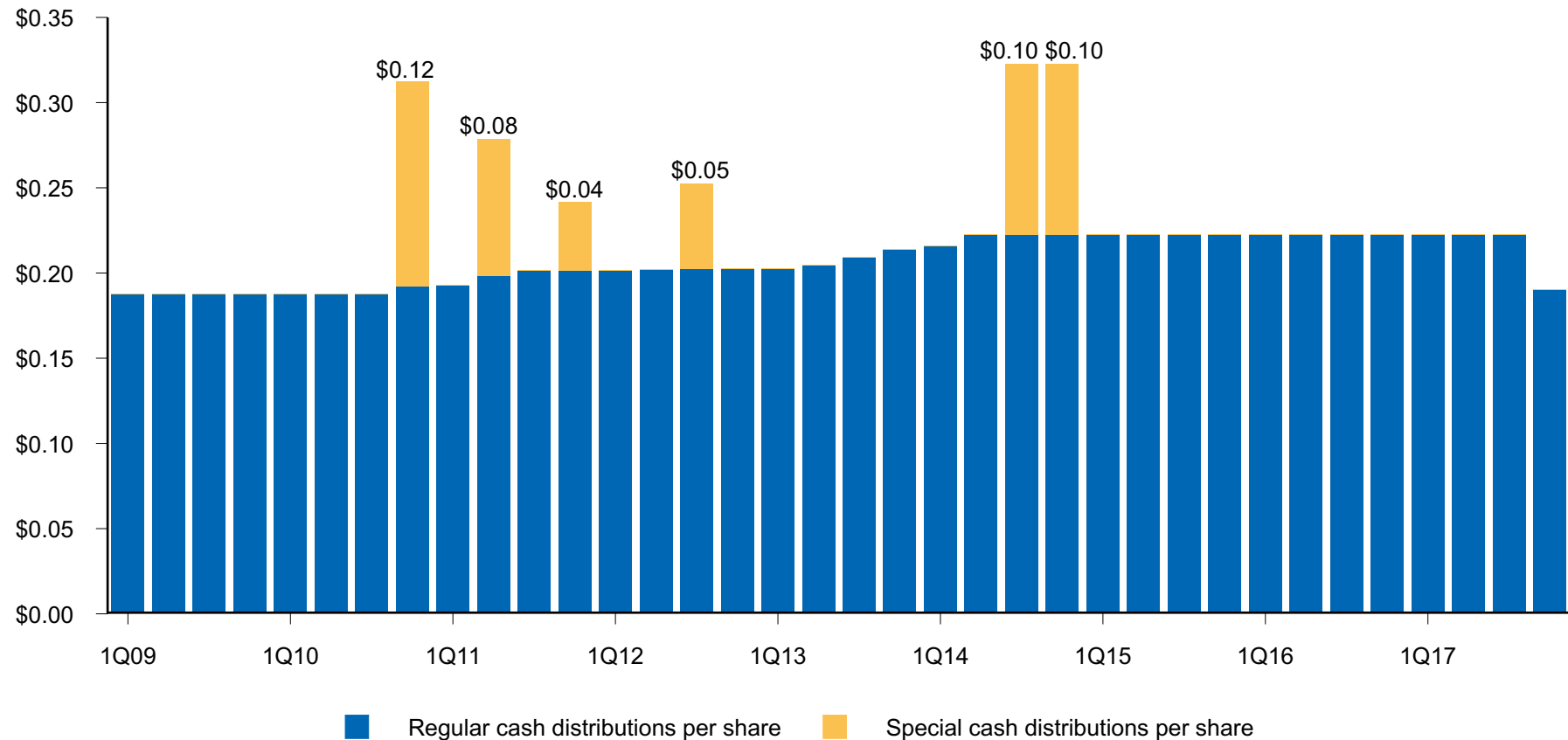
Total debt outstanding under financing arrangements	\$1,723,988
Debt/equity ratio ⁷	74.4%
Weighted average effective interest rate on borrowings (including non-usage fees)	4.2%
% of debt outstanding at fixed interest rates	62.6%
% of debt outstanding at variable interest rates	37.4%

Financing Arrangements as of June 30, 2017	Type of Financing Arrangement	Rate	Amount Outstanding	Amount Available	Maturity Date
(in thousands)					
Hamilton Street Credit Facility	Revolving Credit Facility	L+2.50%	\$ 150,000	\$ —	December 15, 2021
ING Credit Facility	Revolving Credit Facility	L+2.25%	\$ 59,914**	\$ 267,586	March 16, 2021
Locust Street Credit Facility	Term Loan Credit Facility	L+2.68%	\$ 425,000	\$ —	November 1, 2020
4.000% Notes due 2019	Unsecured Notes	4.00%	\$ 400,000	\$ —	July 15, 2019
4.250% Notes due 2020	Unsecured Notes	4.25%	\$ 405,000	\$ —	January 15, 2020
4.750% Notes due 2022	Unsecured Notes	4.75%	\$ 275,000	\$ —	May 15, 2022
Partial Loan Sale	Secured Borrowing	L+4.50% (1% floor)	\$ 2,857	\$ —	July 29, 2022

** Amount includes borrowings in U.S. dollars and Euros. Euro balance outstanding of €41,984 has been converted to U.S. dollars at an exchange rate of €1.00 to \$1.14 as of June 30, 2017 to reflect total amount outstanding in U.S. dollars.

Total debt outstanding under financing arrangements	\$1,717,771
Debt/equity ratio ⁷	75.3%
Weighted average effective interest rate on borrowings (including non-usage fees)	4.2%
% of debt outstanding at fixed interest rates	62.9%
% of debt outstanding at variable interest rates	37.1%

Distribution History⁸

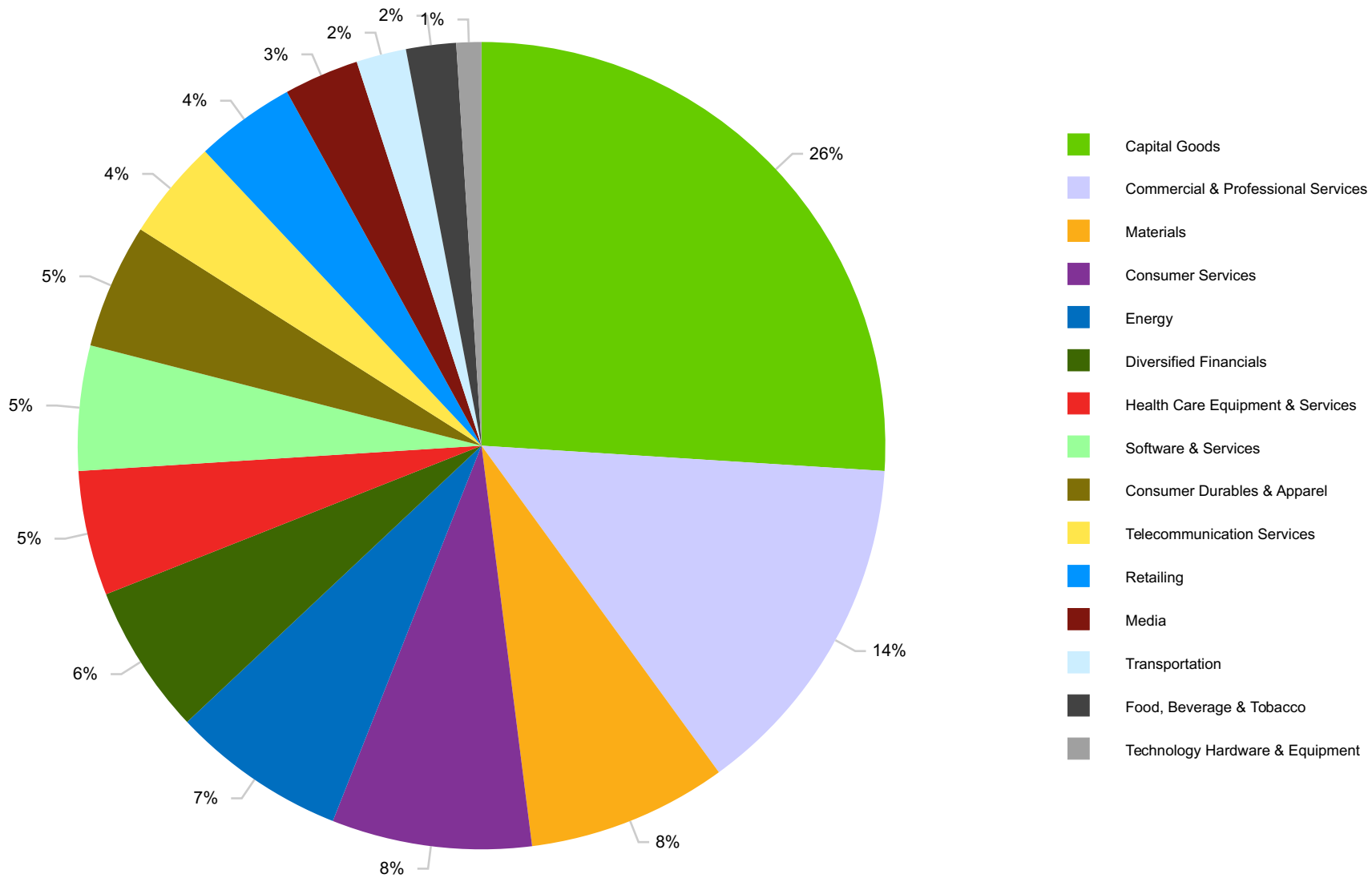


- On November 9, 2017, the Company announced a regular quarterly cash distribution of \$0.19 per share, which will be paid on or about January 3, 2018 to stockholders of record as of the close of business on December 20, 2017.
- As of September 30, 2017, FSIC had approximately \$133.7 million (\$0.55 per share based on shares outstanding) of undistributed net investment income and approximately \$180.0 million (\$0.73 per share based on shares outstanding) of accumulated capital losses on a tax basis.

Investment Portfolio

Industry Diversification

As of September 30, 2017, based on fair value

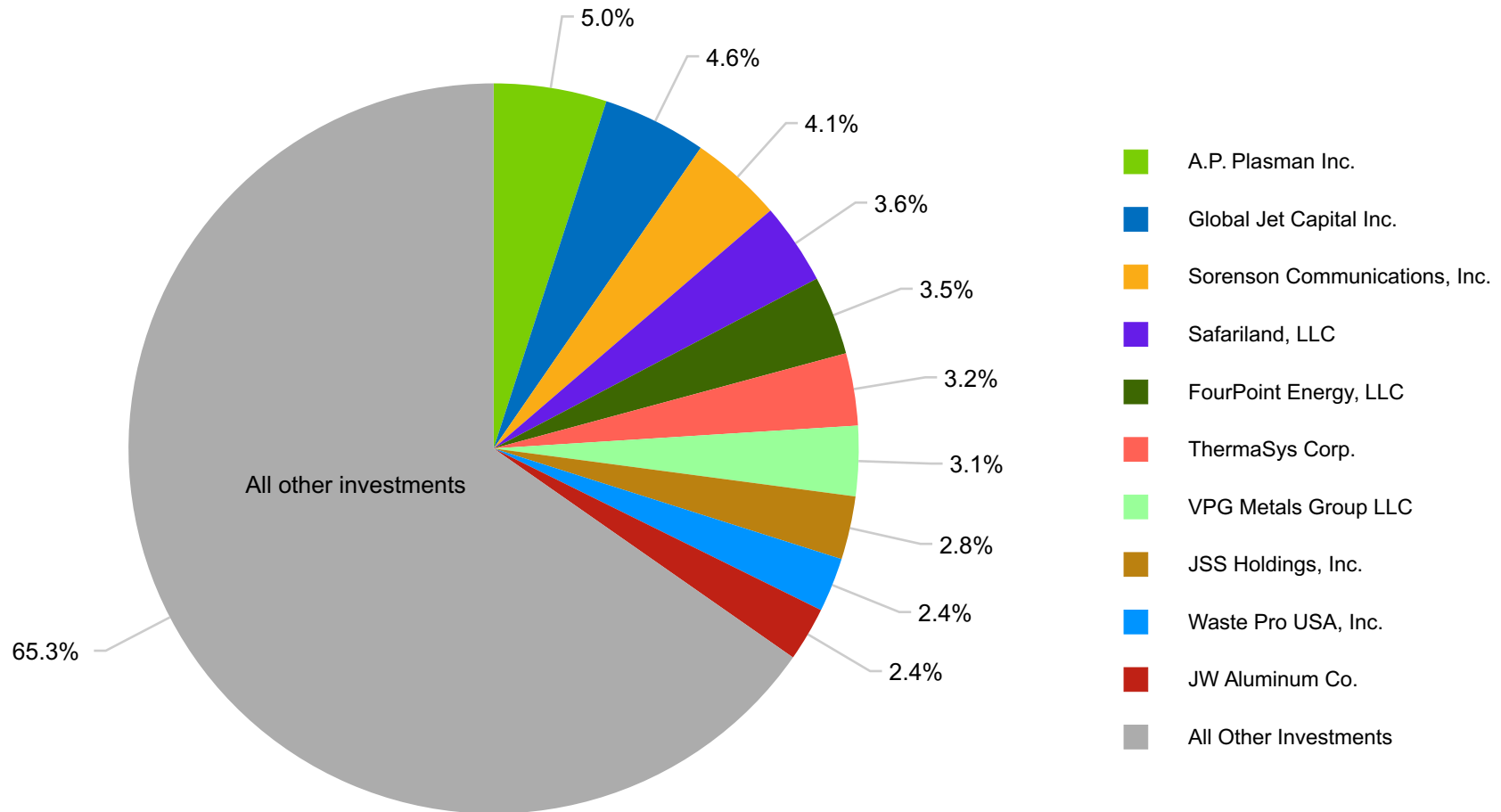


- As of September 30, 2017, FSIC's three largest industry concentrations based on fair value were Capital Goods (26%); Commercial & Professional Services (14%); and Materials (8%).
- As of September 30, 2017, FSIC's portfolio assets in Automobiles & Components and Semiconductors & Semiconductor Equipment amounted to less than 1% based on fair value.

Issuer Concentration

Issuer Concentration

Top ten portfolio companies as of September 30, 2017, based on fair value and excluding unfunded commitment amounts



- FSIC's top ten portfolio companies by fair value represent 34.7% of the Company's total portfolio as of September 30, 2017.

Portfolio Asset Quality

As of

Investment Rating ⁹	September 30, 2017		June 30, 2017		September 30, 2016	
	Fair Value	% of Portfolio	Fair Value	% of Portfolio	Fair Value	% of Portfolio
1	\$ 444,424	11%	\$ 309,333	8%	\$ 431,575	11%
2	3,204,381	82%	3,350,996	86%	2,950,447	75%
3	212,817	6%	228,351	6%	471,146	12%
4	—	—	—	—	26,289	1%
5	49,777	1%	11,097	0%	58,069	1%
Total	\$ 3,911,399	100%	\$ 3,899,777	100%	\$ 3,937,526	100%

Investment Rating⁹ Summary Description

1	Investment exceeding expectations and/or capital gain expected.
2	Performing investment generally executing in accordance with the portfolio company's business plan—full return of principal and interest expected.
3	Performing investment requiring closer monitoring.
4	Underperforming investment—some loss of interest or dividend possible, but still expecting a positive return on investment.
5	Underperforming investment with expected loss of interest and some principal.

Reconciliation of Non-GAAP Financial Measures¹

	Three Months Ended									
	9/30/2017		6/30/2017		3/31/2017		12/31/2016		9/30/2016	
GAAP net investment income per share	\$	0.21	\$	0.19	\$	0.22	\$	0.21	\$	0.20
Plus capital gains incentive fees per share		—		—		—		—		—
Plus excise taxes per share		—		—		—		0.02		—
Plus one-time expenses per share		—		—		—		—		—
Adjusted net investment income per share ²	\$	0.21	\$	0.19	\$	0.22	\$	0.23	\$	0.20

	Nine Months Ended			
	9/30/2017		9/30/2016	
GAAP net investment income per share	\$	0.61	\$	0.64
Plus capital gains incentive fees per share		—		—
Plus excise taxes per share		—		—
Plus one-time expenses per share		—		0.00
Adjusted net investment income per share ²	\$	0.61	\$	0.64

Endnotes

- 1) The per share data was derived by using the weighted average shares of our common stock outstanding during the applicable period. Per share numbers may not sum due to rounding.
- 2) Adjusted net investment income is a non-GAAP financial measure. We present adjusted net investment income for all periods as GAAP net investment income excluding (i) the accrual for the capital gains incentive fee for realized and unrealized gains; (ii) excise taxes; and (iii) certain non-recurring operating expenses that are one-time in nature and are not representative of ongoing operating expenses incurred during FSIC's normal course of business (referred to herein as one-time expenses). We use this non-GAAP financial measure internally in analyzing financial results and believe that the use of this non-GAAP financial measure is useful to investors as an additional tool to evaluate ongoing results and trends and in comparing our financial results with other business development companies. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP. Reconciliations of GAAP net investment income to adjusted net investment income can be found on page 15 of this presentation.
- 3) The per share data for distributions reflects the actual amount of distributions paid per share of our common stock during each applicable period.
- 4) We record interest income on an accrual basis. Generally, investments are placed on non-accrual when the collection of future interest and principal payments is uncertain.
- 5) We have identified and intend to focus on the following investment categories, which we believe will allow us to generate an attractive total return with an acceptable level of risk.

Direct Originations: We intend to leverage our relationship with GSO / Blackstone Debt Funds Management LLC and its global sourcing and origination platform to directly source investment opportunities. Such investments are originated or structured for us or made by us and are not generally available to the broader market. These investments may include both debt and equity components, although we do not generally make equity investments independent of having an existing credit relationship. We believe directly originated investments may offer higher returns and more favorable protections than broadly syndicated transactions.

Opportunistic: We intend to seek to capitalize on market price inefficiencies by investing in loans, bonds and other securities where the market price of such investment reflects a lower value than deemed warranted by our fundamental analysis. We believe that market price inefficiencies may occur due to, among other things, general dislocations in the markets, a misunderstanding by the market of a particular company or an industry being out of favor with the broader investment community. We seek to allocate capital to these securities that have been misunderstood or mispriced by the market and where we believe there is an opportunity to earn an attractive return on our investment. Such opportunities may include event driven investments, anchor orders and collateralized securities.

Broadly Syndicated/Other: Although our primary focus is to invest in directly originated transactions and opportunistic investments, in certain circumstances we will also invest in the broadly syndicated loan and high yield markets. Broadly syndicated loans and bonds are generally more liquid than our directly originated investments and provide a complement to our less liquid strategies. In addition, and because we typically receive more attractive financing terms on these positions than we do on our less liquid assets, we are able to leverage the broadly syndicated portion of our portfolio in such a way that maximizes the levered return potential of our portfolio.

For additional details on these investment categories, see FSIC's quarterly report on Form 10-Q for the quarter ended September 30, 2017, under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview".

Endnotes (Cont'd)

- 6) Gross portfolio yield represents the expected annualized yield to be generated on FSIC's investment portfolio based on the composition of the portfolio as of the applicable date. FSIC's estimated gross portfolio yield may be higher than an investor's yield on an investment in shares of FSIC's common stock because it does not reflect sales commissions or charges that may be incurred in connection with the purchase or sale of such shares, or operating expenses that may be incurred by FSIC. FSIC's estimated gross portfolio yield does not represent an actual investment return to stockholders, is subject to change and, in the future, may be greater or less than the rates set forth herein.
- 7) The debt/equity ratio is the ratio of total debt outstanding to stockholders' equity as of the applicable date.
- 8) The timing and amount of any future distributions on FSIC's shares of common stock are subject to applicable legal restrictions and the sole discretion of FSIC's board of directors.
- 9) In addition to various risk management and monitoring tools, FB Income Advisor, LLC uses an investment rating system to characterize and monitor the expected level of returns on each investment in FSIC's portfolio. For additional details, see FSIC's quarterly report on Form 10-Q for the quarter ended September 30, 2017, under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Portfolio Asset Quality."

Corporate Information

Board of Directors

Michael C. Forman

Chairman of the Board
Chief Executive Officer

David J. Adelman

Vice Chairman
President and Chief Executive Officer of Campus Apartments, Inc.

Michael J. Hagan

Lead Independent Director
Co-founder and Managing Director of Hawk Capital Partners

Gregory P. Chandler

Chief Financial Officer of Emtec, Inc.

Barry H. Frank

Partner with law firm of Archer & Greiner, P.C.

Thomas J. Gravina

Executive Chairman of GPX Enterprises, L.P.
Chief Executive Officer of Evolve IP, LLC

Jeffrey K. Harrow

Chairman of Sparks Marketing Group, Inc.

Michael Heller

President and Chief Executive Officer of Cozen O'Conner

Philip E. Hughes, Jr.

Vice Chairman of Keystone Industries
President of Sovereign Developers, LP

Pedro A. Ramos

President and Chief Executive Officer of The Philadelphia Foundation

Joseph P. Ujobai

Executive Vice President of SEI Investments Company
Managing Director of SEI Investments (Europe) Limited

Executive Officers

Michael C. Forman

Chairman of the Board
Chief Executive Officer

Gerald F. Stahlecker

President

Brad Marshall

Senior Portfolio Manager
Senior Managing Director, GSO / Blackstone

Zachary Klehr

Executive Vice President

Sean Coleman

Managing Director

William Goebel

Chief Financial Officer

James F. Volk

Chief Compliance Officer

Stephen S. Sypherd

Vice President, Treasurer and Secretary

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