Zacks Small-Cap Research

January 27, 2012
Ann H. Heffron, CFA, CPA
312-265-9428
aheffron@zacks.com

scr.zacks.com
111 North Canal Street • Chicago, IL 60606

# First Business Financial Services, Inc. (FBIZ-NASDAQ)

## FBIZ: Fourth Quarter Preview - Outperform

| | |
|---|---|
| **Current Recommendation** | **Outperform** |
| Prior Recommendation | Neutral |
| Date of Last Change | 11/01/2011 |
| Current Price (01/26/12) | $15.88 |
| **Twelve- Month Target Price** | **$19.00** |

## OUTLOOK

We are maintaining our Outperform recommendation on First Business Financial Services, Inc. (FBIZ), as well as our revised diluted EPS estimates of $2.90 for 2011 and $3.40 for 2012. Relative to our prior estimates, our revised projections incorporate a higher net interest margin, partially offset by reduced loan growth, a significant reduction in the loan loss provision, and a slight increase in the effective tax rate. We note that FBIZ had an exceptional third quarter, beating our estimate by $0.26 and posting diluted EPS of $0.83. This was more than double the prior-year quarter's $0.38 and well above our $0.57 EPS estimate. Third quarter results were boosted by a gain in net interest income from a higher net interest margin, strong growth in trust and investment services income and loan fees, a significantly reduced loan loss provision, and lower FDIC premium expense and collateral liquidation costs, partially offset by increased compensation from bonus accruals, higher marketing costs, and an increased effective tax rate. The Company made excellent progress in reducing problem assets and believes indications are that it has turned the corner regarding asset quality. Nonaccrual loans fell $7.6 million, or 22%, sequentially to $27.0 million, while foreclosed assets jumped $0.6 million, or 46%, to $2.0 million. As a percentage of total loans and OREO, nonperforming assets fell 81 basis points sequentially to 3.37% from 4.18% at the end of the second quarter and 140 basis points from the 4.77% at the end of the first quarter.

## SUMMARY DATA

| | |
|---|---|
| **52-Week High** | **$17.24** |
| **52-Week Low** | **$11.48** |
| **One-Year Return (%)** | **33.44** |
| **Beta** | **0.00** |
| **Average Daily Volume (sh)** | **1,573** |
| **Shares Outstanding (mil)** | **2.6** |
| **Market Capitalization ($mil)** | **$41** |
| **Short Interest Ratio (days)** | **1.26** |
| **Institutional Ownership (%)** | **12** |
| **Insider Ownership (%)** | **21** |
| **Annual Cash Dividend** | **$0.28** |
| **Dividend Yield (%)** | **1.76** |
| **5-Yr. Historical Growth Rates** | |
| **Net Revenue (%)** | **13.0** |
| **Earnings Per Share (%)** | **(3.1)** |
| **Dividend (%)** | **36.1** |
| **P/E using TTM EPS** | **7.0** |
| **P/E using 2011 Estimate** | **5.5** |
| **P/E using 2012 Estimate** | **4.7** |
| **Zacks Rank** | **3** |

| | |
|---|---|
| **Risk Level** | **Average** |
| **Type of Stock** | **Small-Value** |
| **Industry** | **Banks-Midwest** |
| **Zacks Rank in Industry** | **25 of 35** |

## ZACKS ESTIMATES

### Net Revenue

(in millions of $)

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 2009 | 8.0 A | 8.3 A | 9.2 A | 8.9 A | 34.5 A |
| 2010 | 9.5 A | 9.4 A | 9.8 A | 10.0 A | 38.7 A |
| 2011 | 10.2 A | 10.7 A | 10.8 A | 10.8 E | 42.5 E |
| 2012 | | | | | 43.7 E |

### Earnings per Share

(EPS is operating earnings before nonrecurring items)

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 2009 | (0.08) A | 0.10 A | 0.53 A | (0.14) A | 0.41 A |
| 2010 | 0.35 A | 0.46 A | 0.38 A | 0.24 A | 1.42 A |
| 2011 | 0.52 A | 0.68 A | 0.83 A | 0.87 E | 2.90 E |
| 2012 | | | | | 3.40 E |

Quarterly EPS may not add to total due to changes in shares outstanding.

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## RECENT NEWS

FBIZ is expected to report fourth quarter and 2011 full-year results in mid-March, as it typically does. We are maintaining our revised diluted EPS estimates of $2.90 for 2011 and $3.40 for 2012, representing year-over-year gains of 104% in 2011 and 17% in 2012. FBIZ posted diluted EPS before nonoperating items of $1.42 in 2010 and $0.41 in 2009.

Our revised EPS estimates incorporate:

- Higher net interest margin (NIM) estimates at 3.40% for 2011's fourth quarter (up 20 basis points from our prior estimate) and at 3.30% for 2012 (up 10 basis points), principally reflecting lower deposit costs. This compares to a NIM of 3.04% in 2010 and 2.77% in 2009.
- A significant reduction in our estimates for the loan loss provision for both 2011 and 2012. In 2011, our revised estimate is $3.9 million (down from $6.0 million) and for 2012, it is $2.2 million (compared to $5.7 million before), primarily reflecting three factors: (1) reduced expectations for loan growth; (2) a slowdown in the rate of growth in nonaccrual loans; and (3) an increase in nonaccrual loans exiting the bank. This compares to a loan loss provision of $7.0 million in 2010 and $8.2 million in 2009.
- An increased effective tax rate at 33%, up from 32%, as we now expect a higher level of total net income, which means a reduced percentage of income will benefit from the lower tax rates associated with the private purpose tax-exempt loans. FBIZ had an effective tax rate of 39.3% in 2010 and 40.8% in 2009.
- Reduced loan growth, with a year-over-year decline of 1% in 2011 (we had previously estimated loan growth of 2% and originally showed 2011 growing 6%) and a 3% advance in 2012, down from 7% before, largely due to greater competition and the lackluster economy. Loans outstanding edged up 2.8% in 2010 and 0.2% in 2009.

We note that FBIZ had an exceptional third quarter, beating our estimate by $0.26 and posting diluted EPS of $0.83. This was more than double the prior-year quarter's $0.38 and well above our $0.57 diluted EPS estimate.

Third quarter results were boosted by a gain in net interest income from a higher net interest margin, strong growth in trust and investment services income and loan fees, a significantly reduced loan loss provision, and lower FDIC premium expense and collateral liquidation costs, partially offset by increased compensation from bonus accruals, higher marketing costs, and an increased effective tax rate.

The Company made excellent progress in reducing problem assets and believes indications are that it has turned the corner regarding asset quality. Nonaccrual loans fell $7.6 million, or 22%, sequentially to $27.0 million, while foreclosed assets jumped $0.6 million, or 46%, to $2.0 million. As a percentage of total loans and OREO, nonperforming assets fell 81 basis points sequentially to 3.37% from 4.18% at the end of the second quarter and 140 basis points from the 4.77% at the end of the first quarter.

In other news, FBIZ declared its regular quarterly $0.07 cash dividend, paid on January 15, 2012 to shareholders of record at the close of business on January 1, 2012. In addition, Gerald L. Kilcoyne replaced Leland C. Bruce on the Board of Directors in early November, following his retirement. Mr. Kilcoyne, a private equity investor in businesses and an owner of commercial real estate in the Madison area, has been involved in mergers and acquisitions throughout the United States, Canada and Europe since 1980. Mr. Kilcoyne is currently Chair of the Board of First Business Bank, a subsidiary of First Business Financial Services, Inc. and the Managing Partner at Pinnacle Enterprises, LLC.

## OVERVIEW

First Business Financial Services, Inc. (FBIZ or the Company) is a bank holding company headquartered in Madison, Wisconsin, with $1.1 billion in total assets at September 30, 2011. FBIZ specializes in business lending for small-medium-sized companies with sales ranging from $2-50 million. As an adjunct to these services, FBIZ also offers banking services to business owners, executives, professionals, and high net worth individuals, though this is a less significant part of its business.

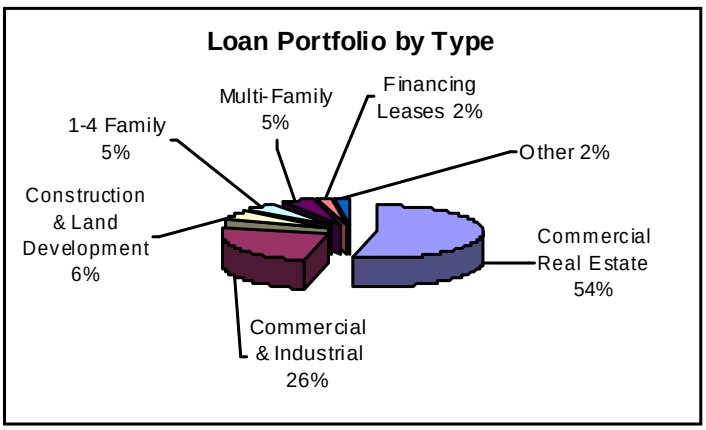
Banking operations are carried on through two banks, First Business Bank (FBB) located in Madison and First Business Bank-Milwaukee (FBB-Milwaukee), as well as First Business Trust & Investments (FBTI), a division of FBB that offers trust and investment services. FBB also has three loan production offices located in northeast Wisconsin in Appleton, Oshkosh, and Green Bay.

FBB owns two non-bank subsidiaries that engage in lending that is different than that typical for banks through six single-person business development offices, which are located in Minneapolis, Minnesota; Chicago, Illinois; St. Louis, Missouri; Detroit, Michigan; Cleveland, Ohio; and Denver, Colorado. These subsidiaries include: First Business Capital Corp. (FBCC, with net income of $3.2 million in 2010), which is an asset-based commercial lender that provides secured lines of credit and term loans on equipment and real estate assets, primarily to manufacturers and wholesale distribution companies located throughout the United States; and First Business Equipment Finance, LLC (FBEF, with net income of $659,000 in 2010), which is a commercial finance company that finances equipment for small and middle market companies.

In addition, the Company has four non-bank subsidiaries that help manage other aspects of its business. These include: First Business Real Estate LLC (FBBRE, owned by FBB and having a $19,000 net loss in 2010), and First Business Bank-Milwaukee Real Estate LCC (FBBMRE, owned by FBB-Milwaukee and posting a net loss of $212,000 in 2010), which are limited liability companies that dispose of real estate and other assets acquired through foreclosure; First Madison Investment Corp. (FMIC, owned by FBB, earning net income of $5.1 million in 2010), which is located in the state of Nevada and manages a portion of the Bank's investment portfolio; and First Madison Capital Corp Nevada Corp (FMCCNC, owned by FBCC and generating net earnings of $813,000 in 2010), which is domiciled in Nevada and invests in loans purchased from FBCC.

Unlike other banks, FBIZ does not have a retail branch network. Instead, the Company typically provides custom-tailored banking services to its approximately 2,000 clients at client offices. This has a couple of important implications. First, FBIZ does not have the overhead and expense connected with owning a branch network. Second, FBIZ lacks the in-market deposit base typically associated with a retail bank and must fund a significant part of its operations through the wholesale-brokered deposit market.

The loan portfolio has a concentration in commercial real estate (about one-third of which is owner occupied), accounting for 54% of total loans at September 30, 2011. The rest of the lending book consists of commercial and industrial (accounting for 26% of total gross loans), construction and land development (6%), 1-4 family (5%), multi-family (5%), direct financing leases (2%), and consumer and other (2%). Almost all loans are secured, usually by real estate, inventory, accounts receivable, equipment, machinery, or corporate assets.




The liquidity portfolio, consisting of cash, short-term investments, and US agency mortgage obligations, represents 22% of total assets. Transaction and money market accounts accounted for 45% of total deposits at

September 30, 2011, with certificates of deposit (CDs) at 7%, and brokered CDs at 48%.

In 2010, net interest income contributed 83% of net revenue. Other significant revenue sources include trust and investment services fee income (6% of net revenues), services charges on deposits (4 ½%), loan fees (3%), and increase in cash surrender value of bank-owned life insurance (2%).

FBIZ's 2011 business plan includes: (1) improving the overall quality of its loan portfolio, (2) minimizing loan loss specific reserves and charge-offs, (3) generating organic growth in the loan portfolio, (4) increasing its market share of in-market core deposits, and (5) increasing fee income.

## VALUATION

FBIZ stock has underperformed the industry in 2012, with a year-to-date price decline of 3.8% versus gains of 4.8% for the S&P 500 and 5.5% for banks in the Zacks Small-Cap Index. This follows a good year in 2011 when FBIZ's stock price rose 23.6%, compared to advances of 0.0% for the S&P 500 and of 0.0% for banks in the Zacks Small-Cap Index.

At its current price, FBIZ is trading at a discount to the industry median P/E of 57% in 2011 (versus a discount of 51% at the time of our last report on November 2, 2011) and of 56% in 2012 (versus a discount of 54% previously), based upon our FBIZ EPS estimates. This is far in excess of the average 23% P/E discount for FBIZ, based upon 5-year historical P/E averages.

Turning to Price/Tangible Book Value, FBIZ is valued at 0.68X versus the industry median of 0.78X. This represents a 13% discount, or about 10 points better than the FBIZ's average historical discount of 23% since the end of 2005.

We believe a higher valuation is justified for a few reasons: (1) the Company's earnings and profitability prospects are much improved, with its ROE significantly higher than the median for other banks in the Zacks small-cap index; (2) FBIZ has a superior dividend yield relative to the median for its small-cap peers; and (3) liquidity in the shares has increased following the addition of FBIZ shares to the Russell Microcap Index on June 24, 2011.

Applying the 0.68X ratio to our estimated book value for FBIZ one year out results in a price target of approximately $19.00. This compares to FBIZ's current stock price of $15.88. When combined with the Company's current dividend yield, our new target price for FBIZ represents a total return of over 21%, above our expectations for broader U.S. equity market gains during this period. Therefore, we are maintaining our recommendation on FBIZ shares at Outperform.

## Industry Comparables- Small-cap Banks

| | | Price / Earnings Ratios | | | | | Return on Equity | | Return on Assets | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Pr Chg YTD | TTM* EPS | 2012E | 2013E | 5-Yr Avg | Price/ Tang Book | TTM* | 5-Yr Avg | TTM* | 5-Yr Avg | Div Yld |
| **FIRST BUS FINL** | **(3.8)** | **5.5** | **4.7** | | **12.2** | **0.68** | **11.4** | **6.2** | **0.60** | **0.33** | **1.8** |
| S&P 500 | 4.8 | 13.9 | 12.9 | 12.3 | 17.3 | 3.9 | 23.5 | ----- | 9.1 | ----- | 2.2 |
| **Median** | **5.5** | **12.8** | **10.6** | **10.0** | **15.9** | **0.78** | **6.2** | **4.0** | **0.59** | **0.32** | **0.4** |
| Average | 12.1 | 19.2 | 10.7 | 9.7 | 20.6 | 0.7 | 4.7 | 2.2 | 0.57 | 0.30 | 1.5 |
| High | 184.8 | 107.5 | 16.8 | 14.3 | 41.8 | 1.5 | 23.2 | 11.9 | 2.31 | 2.35 | 6.8 |
| Low | (15.2) | 6.2 | 4.7 | 4.4 | 12.0 | 0.1 | (71.8) | (35.2) | (1.81) | (2.04) | ----- |

*Trailing twelve months

# First Business Financial Services, Inc.

**Income Statement and Balance Sheet**

*(Dollars in millions, except per share data)*

| Summary Financial Data | 12/06 | 12/07 | 12/08 | 12/09 | 12/10 | 12/11 E | 12/12E |
|---|---|---|---|---|---|---|---|
| Net interest income | 18.9 | 23.2 | 26.3 | 28.1 | 32.0 | 35.6 | 36.5 |
| Non-interest income | 3.7 | 4.4 | 5.1 | 6.4 | 6.7 | 6.9 | 7.2 |
| Total net revenue | 22.6 | 27.6 | 31.4 | 34.5 | 38.7 | 42.5 | 43.7 |
| Loan loss provision | 1.5 | 2.9 | 4.3 | 8.2 | 7.0 | 3.9 | 2.2 |
| Non-interest expense | 15.7 | 19.7 | 21.9 | 24.5 | 25.7 | 27.0 | 28.2 |
| Income taxes & other | 1.7 | 1.7 | 2.1 | 0.8 | 2.4 | 4.0 | 4.4 |
| Zacks adjusted income before NRI | 3.7 | 3.3 | 3.1 | 1.0 | 3.6 | 7.6 | 8.9 |
| GAAP net income | 3.7 | 3.3 | 3.1 | 1.0 | 0.9 | 8.3 | 8.9 |
| Diluted EPS before NRI | 1.52 | 1.32 | 1.28 | 0.41 | 1.42 | 2.90 | 3.40 |
| Reported EPS | 1.52 | 1.32 | 1.28 | 0.41 | 0.37 | 3.19 | 3.40 |
| Dividends per share | 0.24 | 0.26 | 0.28 | 0.28 | 0.28 | 0.28 | 0.28 |
| | | | | | | | |
| Liquid assets | 119.3 | 114.9 | 132.8 | 235.0 | 204.2 | 250.0 | 252.5 |
| Loans & leases, gross | 648.3 | 781.6 | 852.8 | 854.5 | 878.0 | 868.4 | 894.7 |
| Total assets | 788.3 | 918.4 | 1,010.8 | 1,117.4 | 1,107.1 | 1,141.3 | 1,176.5 |
| Core deposits | 604.3 | 703.6 | 746.4 | 942.2 | 949.1 | 993.4 | 1,054.4 |
| Purchased funds | 88.4 | 105.0 | 129.5 | 58.2 | 41.2 | 40.0 | 45.0 |
| Long-term debt | 40.5 | 49.5 | 67.8 | 51.8 | 49.8 | 50.0 | 50.0 |
| Shareholders' equity | 45.8 | 48.6 | 53.0 | 54.4 | 55.3 | 63.8 | 71.6 |
| | | | | | | | |
| **Profitability** | | | | | | | |
| Return on avg assets | 0.54% | 0.39% | 0.32% | 0.10% | 0.33% | 0.68% | 0.77% |
| Return on avg equity | 8.65% | 6.86% | 6.11% | 1.90% | 6.46% | 12.69% | 13.20% |
| Net interest margin | 2.87% | 2.87% | 2.81% | 2.77% | 3.04% | 3.33% | 3.30% |
| Loan loss provision % avg assets | 0.22% | 0.35% | 0.44% | 0.78% | 0.64% | 0.35% | 0.19% |
| Noninterest income % avg assets | 0.53% | 0.53% | 0.53% | 0.61% | 0.61% | 0.61% | 0.62% |
| Noninterest expense % avg assets | 2.27% | 2.34% | 2.26% | 2.33% | 2.33% | 2.40% | 2.44% |
| Preprovision pretax income % avg assets | 1.00% | 0.95% | 0.98% | 0.95% | 1.18% | 1.39% | 1.34% |
| Tangible efficiency ratio | 69% | 71% | 70% | 72% | 66% | 63% | 65% |
| Payout ratio | 16% | 20% | 22% | 66% | 75% | 9% | 8% |
| | | | | | | | |
| **Asset Quality** | | | | | | | |
| Net charge-offs % avg loans | (0.00)% | 0.19% | 0.28% | 0.69% | 0.57% | 0.78% | 0.50% |
| Allowance % loans | 1.28% | 1.26% | 1.39% | 1.65% | 1.85% | 1.55% | 1.26% |
| NPAs % loans & related assets | 0.17% | 1.22% | 2.25% | 3.45% | 4.56% | 3.10% | 2.49% |
| Allowance % NPAs | 748% | 103% | 61% | 48% | 41% | 50% | 50% |
| | | | | | | | |
| **Liquidity & Funding** | | | | | | | |
| Liquid assets % purchased funds | 135% | 109% | 103% | 404% | 496% | 625% | 561% |
| Core deposits % loans | 93% | 90% | 88% | 110% | 108% | 114% | 118% |
| Liquid assets % assets | 15% | 13% | 13% | 21% | 18% | 22% | 21% |
| Loans % assets | 82% | 85% | 84% | 76% | 79% | 76% | 76% |
| | | | | | | | |
| **Capital Adequacy** | | | | | | | |
| Total equity % assets | 5.80% | 5.29% | 5.24% | 4.87% | 5.00% | 5.59% | 6.09% |
| Tangible equity % assets | 5.47% | 5.00% | 4.98% | 4.63% | 5.00% | 5.59% | 6.09% |
| Tier 1 capital ratio | 6.24% | 5.42% | 6.48% | 6.61% | 6.65% | | |
| Total capital ratio | 10.40% | 10.22% | 12.00% | 12.15% | 11.23% | | |
| | | | | | | | |
| **Parent Company Statistics** | | | | | | | |
| Interest coverage | (0.9)X | (1.1)X | (0.9)X | 0.3X | 0.2X | 0.3X | 0.3X |
| Interest & dividend coverage | (0.7)X | (0.9)X | (0.7)X | 0.2X | 0.2X | 0.3X | 0.3X |
| Short-term debt coverage | 19.2X | 16.9X | Lge | Lge | Lge | Lge | Lge |
| Total debt coverage | 1.4X | 1.1X | 0.9X | 1.0X | 1.0X | 1.2X | 1.4X |
| Double leverage | 150.2% | 169.1% | 185.6% | 187.0% | 189.5% | 177.3% | 170.4% |

# First Business Financial Services, Inc.

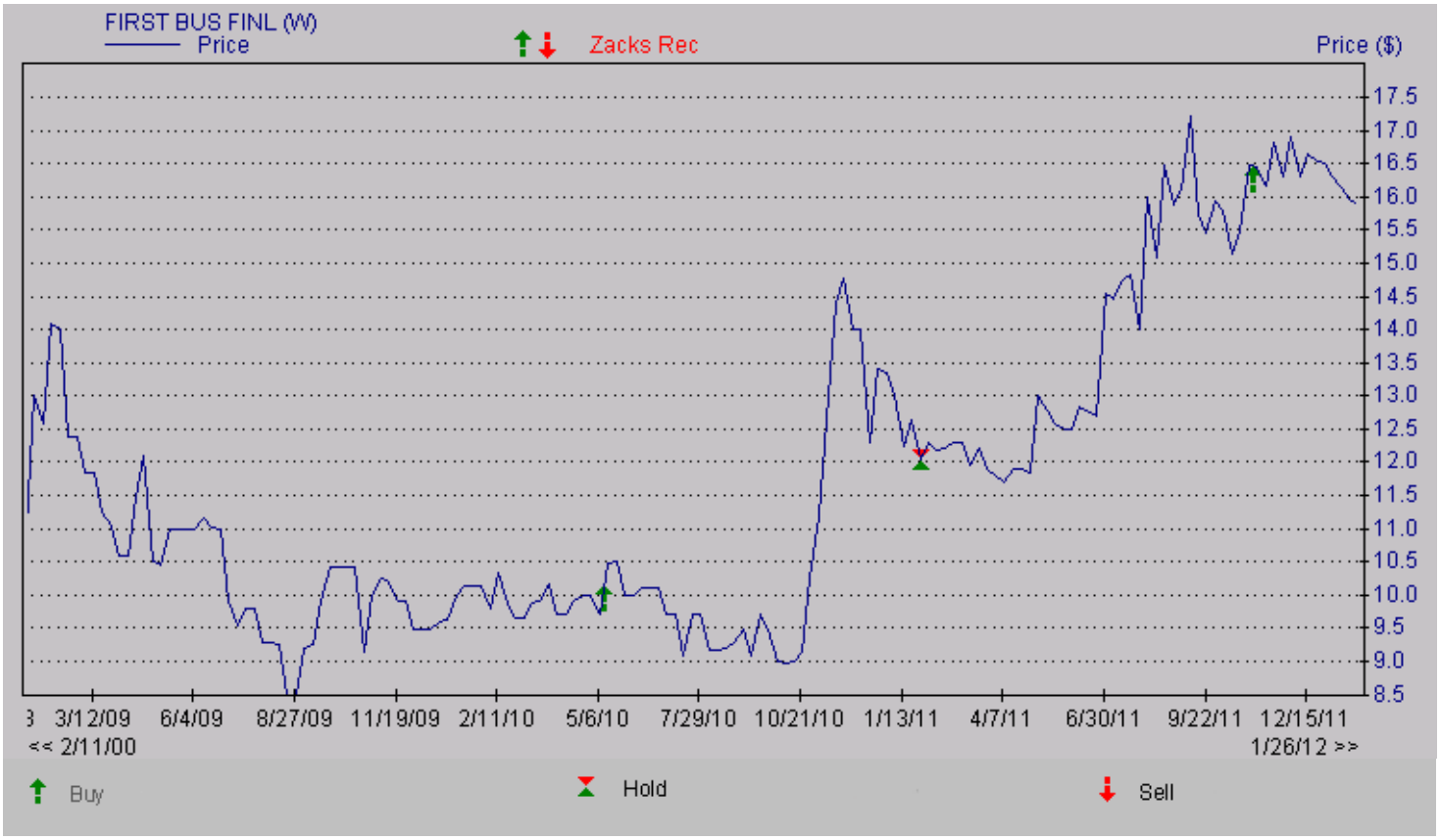
**Income Statement and Balance Sheet**

*(Dollars in millions, except per share data)*

| | 2010 | | | | 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| **Summary Financial Data** | **Q1 A** | **Q2 A** | **Q3 A** | **Q4 A** | **Q1 A** | **Q2 A** | **Q3 A** | **Q4 E** |
| Net interest income | 7.9 | 7.7 | 8.1 | 8.3 | 8.5 | 9.0 | 9.1 | 9.1 |
| Non-interest income | 1.6 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 |
| Total net revenue | 9.5 | 9.4 | 9.8 | 10.0 | 10.2 | 10.7 | 10.8 | 10.8 |
| Loan loss provision | 1.3 | 1.1 | 1.9 | 2.7 | 1.4 | 1.5 | 0.4 | 0.6 |
| Non-interest expense | 6.5 | 6.5 | 6.4 | 6.2 | 6.8 | 6.6 | 6.8 | 6.8 |
| Income taxes & other | 0.8 | 0.6 | 0.5 | 0.5 | 0.7 | 0.8 | 1.4 | 1.1 |
| Zacks adjusted income before NRI | 0.9 | 1.2 | 1.0 | 0.6 | 1.3 | 1.8 | 2.2 | 2.3 |
| GAAP net income | 0.9 | (1.5) | 1.0 | 0.6 | 1.3 | 2.5 | 2.2 | 2.3 |
| Diluted EPS before NRI | 0.35 | 0.46 | 0.38 | 0.24 | 0.52 | 0.68 | 0.83 | 0.87 |
| Reported EPS | 0.35 | (0.60) | 0.38 | 0.24 | 0.52 | 0.97 | 0.83 | 0.87 |
| Dividends per share | 0.07 | 0.07 | 0.07 | 0.07 | 0.07 | 0.07 | 0.07 | 0.07 |
| | | | | | | | | |
| Liquid assets | 219.0 | 203.0 | 217.3 | 204.2 | 220.1 | 211.2 | 248.8 | 250.0 |
| Loans & leases, gross | 855.2 | 845.0 | 879.9 | 878.0 | 868.7 | 861.4 | 861.5 | 868.4 |
| Total assets | 1,101.8 | 1,073.9 | 1,122.8 | 1,107.1 | 1,112.9 | 1,096.4 | 1,135.6 | 1,141.3 |
| Core deposits | 922.3 | 896.4 | 955.9 | 949.1 | 956.9 | 938.3 | 973.9 | 993.4 |
| Purchased funds | 60.2 | 60.2 | 44.2 | 41.2 | 39.2 | 39.2 | 39.2 | 40.0 |
| Long-term debt | 49.8 | 49.8 | 49.8 | 49.8 | 49.8 | 49.8 | 49.8 | 50.0 |
| Shareholders' equity | 55.5 | 54.3 | 55.5 | 55.3 | 56.3 | 59.8 | 61.8 | 63.8 |
| | | | | | | | | |
| **Profitability** | | | | | | | | |
| Return on avg assets* | 0.33% | 0.43% | 0.35% | 0.21% | 0.48% | 0.65% | 0.78% | 0.80% |
| Return on avg equity * | 6.46% | 8.22% | 6.96% | 4.21% | 9.62% | 12.27% | 14.02% | 14.49% |
| Net interest margin | 3.00% | 2.96% | 3.12% | 3.08% | 3.14% | 3.39% | 3.40% | 3.40% |
| Loan loss provision % avg assets* | 0.49% | 0.39% | 0.72% | 0.95% | 0.50% | 0.53% | 0.16% | 0.21% |
| Noninterest income % avg assets* | 0.59% | 0.62% | 0.61% | 0.63% | 0.59% | 0.63% | 0.62% | 0.62% |
| Noninterest expense % avg assets* | 2.39% | 2.40% | 2.33% | 2.21% | 2.39% | 2.40% | 2.41% | 2.39% |
| Preprovision pretax inc.% avg assets* | 1.07% | 1.05% | 1.26% | 1.35% | 1.20% | 1.48% | 1.46% | 1.41% |
| Tangible efficiency ratio | 69% | 70% | 65% | 62% | 67% | 62% | 62% | 63% |
| Payout ratio | 19% | (11)% | 18% | 30% | 13% | 7% | 8% | 8% |
| | | | | | | | | |
| **Asset Quality** | | | | | | | | |
| Net charge-offs % avg loans* | 0.06% | 0.62% | 0.64% | 0.95% | 0.40% | 1.09% | 1.04% | 0.60% |
| Allowance % loans | 1.79% | 1.79% | 1.78% | 1.85% | 1.93% | 1.85% | 1.64% | 1.55% |
| NPAs % loans & related assets | 3.85% | 3.87% | 3.65% | 4.56% | 4.77% | 4.18% | 3.37% | 3.10% |
| Allowance % NPAs | 47% | 46% | 49% | 41% | 40% | 44% | 49% | 50% |
| | | | | | | | | |
| **Liquidity & Funding** | | | | | | | | |
| Liquid assets % purchased funds | 364% | 337% | 492% | 496% | 561% | 539% | 634% | 625% |
| Core deposits % loans | 108% | 106% | 109% | 108% | 110% | 109% | 113% | 114% |
| Liquid assets % assets | 20% | 19% | 19% | 18% | 20% | 19% | 22% | 22% |
| Loans % assets | 78% | 79% | 78% | 79% | 78% | 79% | 76% | 76% |
| | | | | | | | | |
| **Capital Adequacy** | | | | | | | | |
| Total equity % assets | 5.04% | 5.06% | 4.94% | 5.00% | 5.06% | 5.46% | 5.44% | 5.59% |
| Tangible equity % assets | 4.80% | 5.05% | 4.94% | 5.00% | 5.06% | 5.46% | 5.44% | 5.59% |
| Tier 1 capital ratio | 6.71% | 6.82% | 6.59% | 6.65% | 6.92% | 7.29% | 7.60% | |
| Total capital ratio | 12.25% | 11.48% | 11.15% | 11.23% | 11.64% | 12.20% | 12.66% | |

*Annualized.

## HISTORICAL ZACKS RECOMMENDATIONS

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