Zacks Equity Research

November 4, 2010
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# First Business Financial Services, Inc. (FBIZ-NASDAQ)

## FBIZ: Third Quarter Results - OUTPERFORM

| | |
|---|---|
| **Current Recommendation** | **Outperform** |
| Prior Recommendation | N/A |
| Date of Last Change | 05/12/2010 |
| Current Price (11/03/10) | $10.25 |
| **Six- Month Target Price** | **$11.50** |

## OUTLOOK

We are maintaining our Outperform on First Business Financial Services, Inc. (FBIZ). FBIZ posted third quarter diluted EPS of $0.38, down 28% from the $0.53 earned last year and $0.06 shy of our $0.44 estimate, principally due to a larger-than-expected increase in the loan loss provision. This was the result of growth in the loan portfolio. Loans outstanding rose 4.1% sequentially to $880 million as the Company closed a few big loan deals near the end of the quarter. Partially offsetting the higher loss provision were positive variances in net interest income, stemming from a 24 basis-point year-over-year gain in the net interest margin to 3.12% on significantly reduced deposit costs and a modest gain in foreclosure costs versus our estimate of a $0.2 million loss. The 2010 quarter is better than it appears at first glance because 2009's third quarter included $0.3 million of gains on securities sales, while 2010's third quarter had none. We are increasing our diluted EPS estimates going forward, mainly due to stronger growth in net interest income, partially offset by higher loan loss provisions. For 2010, our new estimate is $1.50 versus $1.40 previously and for 2011, we have raised our estimate to $1.80 from $1.70. Near-term risks include a halt in the US economic recovery, greater-than-expected asset quality deterioration, and increased political risk, with longer term risks including reliance on the confidence-sensitive brokered deposit market and potential dilution from sale of additional common stock.

## SUMMARY DATA

| | |
|---|---|
| **52-Week High** | **$11.00** |
| **52-Week Low** | **$8.67** |
| **One-Year Return (%)** | **2.73** |
| **Beta** | **0.11** |
| **Average Daily Volume (sh)** | **2,401** |
| **Shares Outstanding (mil)** | **2.5** |
| **Market Capitalization ($mil)** | **$26** |
| **Short Interest Ratio (days)** | **0.24** |
| **Institutional Ownership (%)** | **3** |
| **Insider Ownership (%)** | **20** |
| **Annual Cash Dividend** | **$0.28** |
| **Dividend Yield (%)** | **2.73** |
| **5-Yr. Historical Growth Rates** | |
| **Net Revenue (%)** | **13.1** |
| **Earnings Per Share (%)** | **(29.6)** |
| **Dividend (%)** | **47.0** |
| **P/E using TTM EPS** | **9.8** |
| **P/E using 2010 Estimate** | **6.8** |
| **P/E using 2011 Estimate** | **5.7** |
| **Zacks Rank** | **N/A** |

| | |
|---|---|
| **Risk Level** | **Average** |
| **Type of Stock** | **Small-Value** |
| **Industry** | **Banks-Midwest** |
| **Zacks Rank in Industry** | **N/A** |

## ZACKS ESTIMATES

### Net Revenue

(in millions of $)

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 2008 | 7.2 A | 7.9 A | 7.9 A | 8.4 A | 31.4 A |
| 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 | 10.1 E | 38.8 E |
| 2011 | | | | | 40.9 E |

### Earnings per Share

(EPS is operating earnings before nonrecurring items)

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 2008 | 0.32 A | 0.44 A | 0.48 A | 0.05 A | 1.28 A |
| 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 | 0.30 E | 1.50 E |
| 2011 | | | | | 1.80 E |

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

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## SECOND QUARTER RESULTS

FBIZ posted third quarter diluted EPS of $0.38, down 28% from the $0.53 earned last year and $0.06 shy of our $0.44 estimate, principally due to a larger-than-expected increase in the loan loss provision. This was the result of growth in the loan portfolio. Loans outstanding rose 4.1% sequentially to $880 million as the Company closed a few big loan deals near the end of the quarter. Partially offsetting the higher loss provision were positive variances in net interest income, stemming from a 24 basis-point year-over-year gain in the net interest margin to 3.12% on significantly reduced deposit costs, and a modest gain in foreclosure costs versus our estimate of a $0.2 million loss. The 2010 quarter is better than it appears at first glance because 2009's third quarter included $0.3 million of gains on securities sales, while 2010's third quarter had none.

We are increasing our diluted EPS estimates going forward, mainly due to stronger growth in net interest income, partially offset by higher loan loss provisions. For 2010, our new estimate is $1.50 versus $1.40 previously and for 2011, we have raised our estimate to $1.80 from $1.70. Detailed quarterly and annual estimates are shown at the back of the report. Below we discuss third quarter results.

Net Interest Income

Net interest income increased 11% year over year to $8.2 million (and was above our $7.9 million estimate), largely the result of 24 basis-point increase in the net interest margin to 3.12% (versus our 3.00% estimate). The higher net interest margin was primarily due to lower deposit costs, which fell 44 basis points year over year to 2.52% as the Company replaced higher cost maturing CDs with those at current lower market rates. The Company's margins also benefitted from a 5 basis-point gain in the loan yield to 6.08%, aided by the shift into higher margin fixed rate loans and a greater number of variable-rate loans that have been priced with interest-rate floors in excess of current market rates. This was partly offset by a 95 basis-point decline in the yield on the mortgage securities portfolio to 3.14% as FBIZ invested cash flows from these obligations at current reduced market interest rates.

Noninterest Income

Noninterest income dropped 11% year over year to $1.7 million (in line with our estimate), largely due to three factors. First, there was no gain on securities sales as there was in the prior-year quarter, which added $0.3 million to noninterest income in 2009. Second, other miscellaneous noninterest income dropped 37%, or $0.1 million. Finally, loan fees declined 20%, or $64,000, as a fewer collateral audits were completed. Positively, the Company experienced solid growth in trust and investment services income (up 17% year over year to $0.6 million, aided by a 26% increase in assets under management to $375.1 million), card fees (up 14%), and service charges on deposits (up 5%).

Loan Loss Provision

The loan loss provision increased 42% year over year to $1.95 million (compared to our $1.2 million estimate) from $1.38 million, as net charge-offs, a key component in determining the amount of the loss provision, rose to $1.4 million, or 0.64% of average loans (annualized), from a $0.1 million recovery, or (0.04)% of average loans (annualized), in the comparable 2009 quarter.

Noninterest Expense

Noninterest expense rose 15% year over year to $6.4 million and was below our $6.6 million estimate, as we had estimated a $0.2 million loss on foreclosed properties compared to a small recovery experienced by the Company.

There were two primary contributors to the 15% year-over-year increase in noninterest expense: (1) a 14% rise in compensation expense to $3.4 million (though comp costs gained only 1% sequentially from the second quarter) and (2) a 99% jump in FDIC premiums to $0.8 million from $0.4 million, due to higher premium rates, a larger deposit base, and costs related to the temporary liquidity guarantee program.

Because the 15% growth in noninterest expense was more than the 7% gain in net revenue, the Company's efficiency ratio deteriorated, rising to 64.9% compared to 59.9% in 2009's third quarter.

Net Income

FBIZ posted net earnings of $1.0 million (or $0.38 per diluted share), down 28% from the $1.4 million ($0.14 per diluted share) earned in the year-ago quarter. This compares to our $1.1 million net income estimate ($0.44 per diluted share).

Profitability

FBIZ posted a 7.0% ROE and 0.35% ROA for the third quarter of 2010, compared to 9.1% and 0.48%, respectively, in the prior-year quarter, largely due to reduced net income.

Loans and Asset Quality

Loans increased $35 million, or 4%, sequentially to $880 million during the third quarter, primarily due to gains of 3% in commercial real estate, 4% in construction and land development, and 11% in commercial and industrial, as FBIZ closed on several larger loans toward the end of the quarter. The Company beat out competitors for some of these loans, in part a reflection of its stronger financial position.

Asset quality measures deteriorated on a year-over-year basis, with nonperforming assets (NPAs) increasing to 3.65% of loans and related assets from 2.78% at September 30, 2009 as NPAs rose $8 million, or 33%, to $32 million. However, on a sequential basis the NPA ratio improved, falling 22 basis points from 3.87% at June 30, 2010. This largely reflected growth in loans outstanding, though nonaccrual loans also decreased by a modest $0.6 million during the third quarter.

The loan loss allowance as a percent of nonperforming assets also dropped to 49% at the end of the quarter from 53% at the end of September 2009. This was the result of higher nonaccrual loans as the loan loss allowance actually increased to $15.7 million, or 1.78% of gross loans, from $12.8 million, or 1.47% of loans.

Liquidity and Funding

FBIZ increased cash by $2 ½ million during the third quarter and increased the mortgage securities portfolio by $11 million, thereby increasing total liquid assets about $14 million to $217 million. In addition, the Company used excess liquidity to reduce FHLB borrowings by $16 million, which were $2.5 million at September 30, 2010. As a result, liquid assets to purchased funds increased to 492% at the end of September from 337% at June 2010 quarterend.

The Company's 4% loan growth during the quarter was essentially financed with brokered deposits, which were $492 million and represented 49% of total deposits at September quarterend.

FBIZ's funding profile continues strong, and at least one year of maturities (an increase from 120 days previously) could be financed with borrowing from the FHLB or Fed. FBIZ intends to gradually increase this to 18 months of maturities going forward.

Capital Adequacy and Dividends

The Company's capital adequacy ratios deteriorated during the quarter. The Tier 1 capital ratio dropped 23 basis points to 6.59% at the end of 2010's third quarter from 6.82% at June 30, 2010, and the Total capital ratio fell 33 basis points to 11.15% from 11.48%, largely due to growth in the loan portfolio.

On September 17, 2010, FBIZ declared its regular quarterly $0.07 cash dividend, paid on October 15, 2010 to shareholders of record on October 1, 2010.

Basel III

The Company estimates that it will need an additional $12-14 million of common equity to satisfy the regulatory capital requirements under Basel III. FBIZ expects that a long period of implementation combined with growth in retained earnings may be sufficient to meet this goal, and does not intend to

shrink its balance sheet or issue dilutive common stock. However, FBIZ would consider a common share offering under the right circumstances.

## OVERVIEW

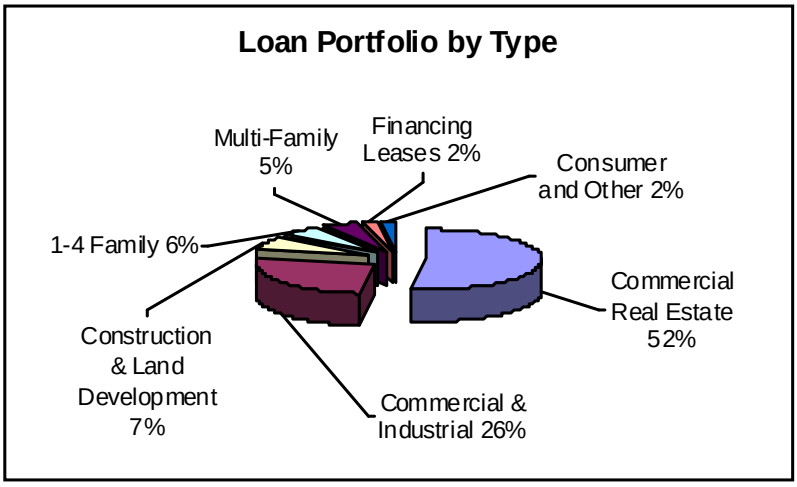
First Business Financial Services, Inc. (FBIZ or the Company) is a bank holding company headquartered in Madison, Wisconsin, with $1.1 billion in total assets at September 30, 2010. FBIZ specializes in business lending for small-medium-sized companies with sales ranging from $2-50 million. As an adjunct 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 five single-person business development offices, which are located in Minneapolis, Minnesota; Chicago, Illinois; St. Louis, Missouri; Detroit, Michigan; and Cleveland, Ohio. These subsidiaries include: First Business Capital Corp. (FBCC, with net income of $1.4 million in 2009), 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 a net loss of $25,000 in 2009), 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 an $8,000 net loss in 2009), and First Business Bank-Milwaukee Real Estate LCC (FBBMRE, owned by FBB-Milwaukee and posting net income of $8,000 in 2009), 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 $5.9 million in 2009), 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 $802,000 in 2009), 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 52% of total loans at September 30, 2010. The rest of the lending book consists of commercial and industrial (accounting for 26% of total gross loans), construction and land development (7%), 1-4 family

(6%), multi-family (5%), commercial 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, has increased on a relative basis, and is now a solid 19% of total assets (up from 17% a year ago). Transaction and money market accounts accounted for 42% of total deposits at September 30, 2010, with certificates of deposit (CDs) at 9%, and brokered CDs at 49% (down from 57%, about two years ago).

In 2009, net interest income contributed 81% of net revenue. Other significant net revenue sources include trust and investment services fee income (5 ½% 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 2010 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, and (4) increasing its market share of in-market core deposits.

## VALUATION

FBIZ stock has modestly outperformed the industry, with a year-to-date price gain of 6.5% compared to a median increase of 6.0% for the banks in the Zacks small-cap index, as shown in the following table. At its current price, FBIZ is trading at discounts to the industry median P/E of 55% in 2010 and 56% in 2011 (versus discounts of 57% and 58%, respectively, at the time of our last report on August 18, 2010), based upon our FBIZ EPS estimates. This is far in excess of the average 13% P/E discount for FBIZ, based upon 5-year historical P/E averages.

Turning to Price/Tangible Book Value, FBIZ is valued at 0.5X versus the industry median of 0.7X. This represents a 30% discount, or about the same as FBIZ's average historical discount of roughly 26% since the end of 2005. Applying the 0.5X ratio to our estimated book value for FBIZ six months out results in a price target of approximately $11.50. Combined with the dividend yield, this represents a total return of almost 14%.

## Industry Comparables- Small-cap Banks

| | | Price / Earnings Ratios | | | | | Return on Equity | | Return on Assets | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Pr Chg YTD | TTM* EPS | 2010E | 2011E | 5-Yr Avg | Price/ Tang Book | TTM* | 5-Yr Avg | TTM* | 5-Yr Avg | Div Yld |
| **FIRST BUS FINL** | **6.5** | **9.8** | **6.8** | **5.7** | **13.6** | **0.5** | **5.5** | **6.6** | **0.28** | **0.38** | **2.7** |
| S&P 500 | 7.4 | 21.1 | 14.9 | 13.2 | 18.2 | 3.5 | 24.0 | ----- | 9.4 | ----- | 1.9 |
| **Median** | **6.0** | **15.5** | **15.2** | **12.9** | **15.6** | **0.7** | **3.2** | **5.0** | **0.26** | **0.44** | **-----** |
| Average | 9.6 | 29.5 | 28.1 | 18.1 | 19.2 | 0.7 | (7.0) | 3.2 | (0.10) | 0.43 | 1.3 |
| High | 282.8 | 323.3 | 257.0 | 119.7 | 38.1 | 1.6 | 15.6 | 16.4 | 2.04 | 2.67 | 5.8 |
| Low | (62.9) | 5.2 | 7.3 | 6.0 | 10.4 | 0.2 | (142.1) | (24.3) | (5.13) | (1.46) | ----- |

*Trailing twelve months

# First Business Financial Services, Inc.

**Income Statement and Balance Sheet**

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

| Summary Financial Data | 12/05 | 12/06 | 12/07 | 12/08 | 12/09 | 12/10 E | 12/11 E |
|---|---|---|---|---|---|---|---|
| Net interest income | 17.7 | 18.9 | 23.2 | 26.3 | 28.1 | 32.1 | 34.0 |
| Non-interest income | 3.3 | 3.7 | 4.4 | 5.1 | 6.4 | 6.7 | 6.9 |
| Total net revenue | 21.0 | 22.6 | 27.6 | 31.4 | 34.5 | 38.8 | 40.9 |
| Loan loss provision | 0.4 | 1.5 | 2.9 | 4.3 | 8.2 | 6.8 | 6.4 |
| Non-interest expense | 14.4 | 15.7 | 19.7 | 21.9 | 24.5 | 25.9 | 26.9 |
| Income taxes & other | 2.1 | 1.7 | 1.7 | 2.1 | 0.8 | 2.3 | 3.0 |
| Zacks adjusted income before NRI | 4.1 | 3.7 | 3.3 | 3.1 | 1.0 | 3.8 | 4.6 |
| GAAP net income | 4.8 | 3.7 | 3.3 | 3.1 | 1.0 | 1.1 | 4.6 |
| Diluted EPS before NRI | 1.67 | 1.52 | 1.32 | 1.28 | 0.41 | 1.50 | 1.80 |
| Reported EPS | 1.93 | 1.52 | 1.32 | 1.28 | 0.41 | 0.41 | 1.80 |
| Dividends per share | 0.06 | 0.24 | 0.26 | 0.28 | 0.28 | 0.28 | 0.28 |
| | | | | | | | |
| Liquid assets | 108.5 | 119.3 | 114.9 | 132.8 | 235.0 | 217.1 | 218.4 |
| Loans & leases, gross | 539.7 | 648.3 | 781.6 | 852.8 | 854.5 | 888.7 | 933.9 |
| Total assets | 669.2 | 788.3 | 918.4 | 1,010.8 | 1,117.4 | 1,134.0 | 1,191.8 |
| Core deposits | 516.5 | 604.3 | 703.6 | 746.4 | 942.2 | 965.5 | 1,014.7 |
| Purchased funds | 73.2 | 88.4 | 105.0 | 129.5 | 58.2 | 45.0 | 45.0 |
| Long-term debt | 27.8 | 40.5 | 49.5 | 67.8 | 51.8 | 50.0 | 50.0 |
| Shareholders' equity | 41.8 | 45.8 | 48.6 | 53.0 | 54.4 | 56.1 | 60.0 |
| | | | | | | | |
| **Profitability** | | | | | | | |
| Return on avg assets | 0.67% | 0.54% | 0.39% | 0.32% | 0.10% | 0.35% | 0.40% |
| Return on avg equity | 10.19% | 8.65% | 6.86% | 6.11% | 1.90% | 6.80% | 8.01% |
| Net interest margin | 3.03% | 2.87% | 2.87% | 2.81% | 2.77% | 3.03% | 3.00% |
| Loan loss provision % avg assets | 0.07% | 0.22% | 0.35% | 0.44% | 0.78% | 0.61% | 0.55% |
| Noninterest income % avg assets | 0.54% | 0.53% | 0.53% | 0.53% | 0.61% | 0.61% | 0.59% |
| Noninterest expense % avg assets | 2.36% | 2.27% | 2.34% | 2.26% | 2.33% | 2.36% | 2.31% |
| Preprovision pretax income % avg assets | 1.09% | 1.00% | 0.95% | 0.98% | 0.95% | 1.17% | 1.20% |
| Tangible efficiency ratio | 68% | 69% | 71% | 70% | 72% | 67% | 66% |
| Payout ratio | 3% | 16% | 20% | 22% | 66% | 68% | 16% |
| | | | | | | | |
| **Asset Quality** | | | | | | | |
| Net charge-offs % avg loans | 0.00% | (0.00)% | 0.19% | 0.28% | 0.69% | 0.58% | 0.54% |
| Allowance % loans | 1.25% | 1.28% | 1.26% | 1.39% | 1.65% | 1.79% | 1.86% |
| NPAs % loans & related assets | 0.29% | 0.17% | 1.22% | 2.25% | 3.45% | 3.75% | 3.34% |
| Allowance % NPAs | 439% | 748% | 103% | 61% | 48% | 48% | 56% |
| | | | | | | | |
| **Liquidity & Funding** | | | | | | | |
| Liquid assets % purchased funds | 148% | 135% | 109% | 103% | 404% | 482% | 485% |
| Core deposits % loans | 96% | 93% | 90% | 88% | 110% | 109% | 109% |
| Liquid assets % assets | 16% | 15% | 13% | 13% | 21% | 19% | 18% |
| Loans % assets | 81% | 82% | 85% | 84% | 76% | 78% | 78% |
| | | | | | | | |
| **Capital Adequacy** | | | | | | | |
| Total equity % assets | 6.25% | 5.80% | 5.29% | 5.24% | 4.87% | 4.95% | 5.04% |
| Tangible equity % assets | 5.85% | 5.47% | 5.00% | 4.98% | 4.63% | 4.94% | 5.04% |
| Tier 1 capital ratio | 8.45% | 6.24% | 5.42% | 6.48% | 6.61% | | |
| Total capital ratio | 10.43% | 10.40% | 10.22% | 12.00% | 12.15% | | |
| | | | | | | | |
| **Parent Company Statistics** | | | | | | | |
| Interest coverage | (1.2)X | (0.9)X | (1.1)X | (0.9)X | 0.3X | 0.3X | 0.3X |
| Interest & dividend coverage | (1.1)X | (0.7)X | (0.9)X | (0.7)X | 0.2X | 0.3X | 0.3X |
| Short-term debt coverage | 8.7X | 19.2X | 16.9X | Lge | Lge | Lge | Lge |
| Total debt coverage | 1.3X | 1.4X | 1.1X | 0.9X | 1.0X | 1.0X | 1.1X |
| Double leverage | 144.0% | 150.2% | 169.1% | 185.6% | 187.0% | 183.3% | 179.0% |

# First Business Financial Services, Inc.

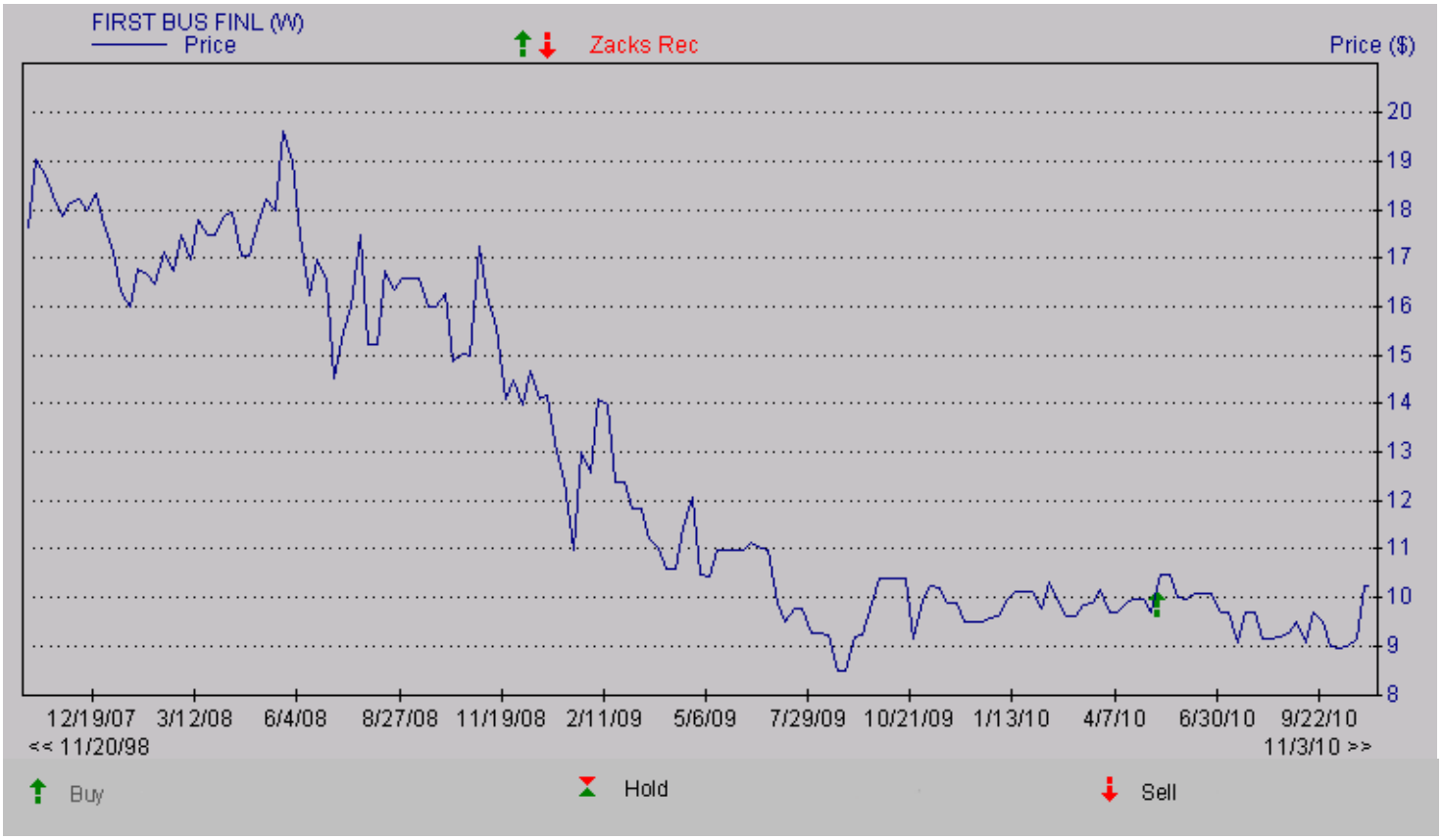
**Income Statement and Balance Sheet**

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

| | 2009 | | | | 2010 | | | |
|---|---|---|---|---|---|---|---|---|
| **Summary Financial Data** | **Q1 A** | **Q2 A** | **Q3 A** | **Q4 A** | **Q1 A** | **Q2 A** | **Q3 A** | **Q4 E** |
| Net interest income | 6.4 | 6.8 | 7.3 | 7.4 | 7.9 | 7.7 | 8.1 | 8.4 |
| Non-interest income | 1.6 | 1.5 | 1.9 | 1.5 | 1.6 | 1.7 | 1.7 | 1.7 |
| Total net revenue | 8.0 | 8.3 | 9.2 | 8.9 | 9.5 | 9.4 | 9.8 | 10.1 |
| Loan loss provision | 2.2 | 1.6 | 1.4 | 3.0 | 1.3 | 1.1 | 1.9 | 2.4 |
| Non-interest expense | 6.2 | 6.3 | 5.5 | 6.6 | 6.5 | 6.5 | 6.4 | 6.5 |
| Income taxes & other | (0.2) | 0.1 | 0.9 | (0.3) | 0.8 | 0.6 | 0.5 | 0.4 |
| Zacks adjusted income before NRI | (0.2) | 0.3 | 1.4 | (0.4) | 0.9 | 1.2 | 1.0 | 0.8 |
| GAAP net income | (0.2) | 0.3 | 1.4 | (0.4) | 0.9 | (1.5) | 1.0 | 0.8 |
| Diluted EPS before NRI | (0.08) | 0.10 | 0.53 | (0.14) | 0.35 | 0.46 | 0.38 | 0.30 |
| Reported EPS | (0.08) | 0.10 | 0.53 | (0.14) | 0.35 | (0.63) | 0.38 | 0.30 |
| Dividends per share | 0.07 | 0.07 | 0.07 | 0.07 | 0.07 | 0.07 | 0.07 | 0.07 |
| | | | | | | | | |
| Liquid assets | 139.6 | 172.6 | 178.1 | 235.0 | 219.0 | 203.0 | 217.3 | 217.1 |
| Loans & leases, gross | 861.9 | 858.9 | 871.1 | 854.5 | 855.2 | 845.0 | 879.9 | 888.7 |
| Total assets | 1,026.0 | 1,055.5 | 1,073.7 | 1,117.4 | 1,101.8 | 1,073.9 | 1,122.8 | 1,134.0 |
| Core deposits | 797.9 | 829.8 | 844.2 | 942.2 | 922.3 | 896.4 | 955.9 | 965.5 |
| Purchased funds | 92.5 | 92.5 | 108.5 | 58.2 | 60.2 | 60.2 | 44.2 | 45.0 |
| Long-term debt | 67.8 | 67.8 | 51.8 | 51.8 | 49.8 | 49.8 | 49.8 | 50.0 |
| Shareholders' equity | 53.4 | 53.5 | 55.1 | 54.4 | 55.5 | 54.3 | 55.5 | 56.1 |
| | | | | | | | | |
| **Profitability** | | | | | | | | |
| Return on avg assets* | (0.08)% | 0.10% | 0.51% | (0.14)% | 0.33% | 0.43% | 0.35% | 0.27% |
| Return on avg equity * | (1.43)% | 1.92% | 9.88% | (2.71)% | 6.46% | 8.22% | 6.96% | 5.53% |
| Net interest margin | 2.65% | 2.72% | 2.88% | 2.77% | 3.00% | 2.96% | 3.12% | 3.05% |
| Loan loss provision % avg assets* | 0.87% | 0.63% | 0.52% | 1.10% | 0.49% | 0.39% | 0.72% | 0.85% |
| Noninterest income % avg assets* | 0.62% | 0.56% | 0.71% | 0.56% | 0.59% | 0.62% | 0.61% | 0.60% |
| Noninterest expense % avg assets* | 2.43% | 2.40% | 2.09% | 2.40% | 2.39% | 2.40% | 2.33% | 2.30% |
| Preprovision pretax inc.% avg assets* | 0.74% | 0.78% | 1.39% | 0.86% | 1.07% | 1.05% | 1.26% | 1.29% |
| Tangible efficiency ratio | 77% | 75% | 62% | 74% | 69% | 70% | 65% | 64% |
| Payout ratio | (89)% | 66% | 13% | (46)% | 19% | (11)% | 18% | 23% |
| | | | | | | | | |
| **Asset Quality** | | | | | | | | |
| Net charge-offs % avg loans* | 0.52% | 0.88% | 0.58% | 0.78% | 0.06% | 0.62% | 0.64% | 1.00% |
| Allowance % loans | 1.50% | 1.48% | 1.47% | 1.65% | 1.79% | 1.79% | 1.78% | 1.79% |
| NPAs % loans & related assets | 2.53% | 2.75% | 2.78% | 3.45% | 3.85% | 3.87% | 3.65% | 3.75% |
| Allowance % NPAs | 59% | 54% | 53% | 48% | 47% | 46% | 49% | 48% |
| | | | | | | | | |
| **Liquidity & Funding** | | | | | | | | |
| Liquid assets % purchased funds | 151% | 187% | 164% | 404% | 364% | 337% | 492% | 482% |
| Core deposits % loans | 93% | 97% | 97% | 110% | 108% | 106% | 109% | 109% |
| Liquid assets % assets | 14% | 16% | 17% | 21% | 20% | 19% | 19% | 19% |
| Loans % assets | 84% | 81% | 81% | 76% | 78% | 79% | 78% | 78% |
| | | | | | | | | |
| **Capital Adequacy** | | | | | | | | |
| Total equity % assets | 5.20% | 5.07% | 5.13% | 4.87% | 5.04% | 5.06% | 4.94% | 4.95% |
| Tangible equity % assets | 4.95% | 4.82% | 4.88% | 4.63% | 4.80% | 5.05% | 4.94% | 4.94% |
| Tier 1 capital ratio | 6.34% | 6.52% | 6.62% | 6.61% | 6.71% | 6.82% | 6.59% | |
| Total capital ratio | 11.78% | 12.06% | 12.15% | 12.15% | 12.25% | 11.48% | 11.15% | |

*Annualized.

## HISTORICAL ZACKS RECOMMENDATIONS




## DISCLOSURES

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