

FIRST BUSINESS FINANCIAL SERVICES, INC.

Form 10-Q

October 26, 2012

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the quarterly period ended September 30, 2012

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number 001-34095

FIRST BUSINESS FINANCIAL SERVICES, INC.

(Exact name of registrant as specified in its charter)

Wisconsin

39-1576570

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

401 Charmany Drive Madison, WI

53719

(Address of Principal Executive Offices)

(Zip Code)

(608) 238-8008

Registrant's telephone number, including area code

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data Field required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the registrant's sole class of common stock, par value \$0.01 per share, on October 19, 2012 was 2,656,102 shares.

Table of Contents

FIRST BUSINESS FINANCIAL SERVICES, INC.

INDEX — FORM 10-Q

PART I. Financial Information

Item 1. Financial Statements

Consolidated Balance Sheets

Consolidated Statements of Income (Unaudited)

Consolidated Statements of Comprehensive Income (Unaudited)

Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

Consolidated Statements of Cash Flows (Unaudited)

Notes to Unaudited Consolidated Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Item 4. Controls and Procedures

PART II. Other Information

Item 1. Legal Proceedings

Item 1A. Risk Factors

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Item 3. Defaults Upon Senior Securities

Item 4. Mine Safety Disclosures

Item 5. Other Information

Item 6. Exhibits

Signatures

Exhibit 4.1

Exhibit 31.1

Exhibit 31.2

Exhibit 32

EX-101 INSTANCE DOCUMENT

EX-101 SCHEMA DOCUMENT

EX-101 CALCULATION LINKBASE DOCUMENT

EX-101 LABELS LINKBASE DOCUMENT

EX-101 PRESENTATION LINKBASE DOCUMENT

EX-101 DEFINITION LINKBASE DOCUMENT

2
2
2
3
4
5
6
7
33
52
53
53
53
54
64
64
64
64
64
64
64
66

Table of Contents

PART I. Financial Information

Item 1. Financial Statements

First Business Financial Services, Inc.

Consolidated Balance Sheets

| | (unaudited) | |
|---|-----------------------------------|----------------------|
| | September 30, 2012 | December 31, 2011 |
| | (In Thousands, Except Share Data) | |
| Assets | | |
| Cash and due from banks | \$17,494 | \$16,707 |
| Short-term investments | 70,348 | 113,386 |
| Cash and cash equivalents | 87,842 | 130,093 |
| Securities available-for-sale, at fair value | 202,805 | 170,386 |
| Loans and leases receivable, net of allowance for loan and lease losses of \$14,706 and \$14,155, respectively | 863,486 | 836,687 |
| Leasehold improvements and equipment, net | 965 | 999 |
| Foreclosed properties | 2,187 | 2,236 |
| Cash surrender value of bank-owned life insurance | 18,068 | 17,660 |
| Investment in Federal Home Loan Bank stock, at cost | 1,144 | 2,367 |
| Accrued interest receivable and other assets | 15,638 | 16,737 |
| Total assets | \$1,192,135 | \$1,177,165 |
| Liabilities and Stockholders' Equity | | |
| Deposits | | |
| Federal Home Loan Bank and other borrowings | \$1,061,258 | \$1,051,312 |
| Junior subordinated notes | 39,482 | 40,292 |
| Accrued interest payable and other liabilities | 10,315 | 10,315 |
| Total liabilities | 10,531 | 11,032 |
| Commitments and contingencies | 1,121,586 | 1,112,951 |
| Stockholders' equity: | | |
| Preferred stock, \$0.01 par value, 2,500,000 shares authorized, none issued or outstanding | — | — |
| Common stock, \$0.01 par value, 25,000,000 shares authorized, 2,745,750 and 2,714,985 shares issued, 2,656,102 and 2,625,569 shares outstanding at September 30, 2012 and December 31, 2011, respectively | 27 | 27 |
| Additional paid-in capital | 26,217 | 25,843 |
| Retained earnings | 43,343 | 37,501 |
| Accumulated other comprehensive income | 2,632 | 2,491 |
| Treasury stock (89,648 and 89,416 shares at September 30, 2012 and December 31, 2011, respectively), at cost | (1,670 |) (1,648 |
| Total stockholders' equity | 70,549 | 64,214 |
| Total liabilities and stockholders' equity | \$1,192,135 | \$1,177,165 |

See accompanying Notes to Unaudited Consolidated Financial Statements.

Table of ContentsFirst Business Financial Services, Inc.
Consolidated Statements of Income (Unaudited)

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|-----------|--|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| | (In Thousands, Except Share Data) | | | |
| Interest income: | | | | |
| Loans and leases | \$ 13,095 | \$ 13,047 | \$ 38,859 | \$ 39,016 |
| Securities income | 890 | 1,048 | 2,575 | 3,272 |
| Short-term investments | 47 | 24 | 174 | 76 |
| Total interest income | 14,032 | 14,119 | 41,608 | 42,364 |
| Interest expense: | | | | |
| Deposits | 3,102 | 4,107 | 10,178 | 13,107 |
| Notes payable and other borrowings | 735 | 628 | 2,145 | 1,868 |
| Junior subordinated notes | 280 | 280 | 835 | 832 |
| Total interest expense | 4,117 | 5,015 | 13,158 | 15,807 |
| Net interest income | 9,915 | 9,104 | 28,450 | 26,557 |
| Provision for loan and lease losses | 850 | 435 | 3,399 | 3,313 |
| Net interest income after provision for loan and lease losses | 9,065 | | | |