FIRST BUSINESS FINANCIAL SERVICES, INC.
Form 424B4
December 05, 2012

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Registration No. 333-184690

FIRST BUSINESS FINANCIAL SERVICES, INC.

1,100,000 Shares of
Common Stock

This prospectus describes the public offering of 1,100,000 shares of common stock of First Business Financial Services, Inc., a bank holding company headquartered in Madison, Wisconsin. Our common stock is listed on the NASDAQ Global Market under the symbol "FBIZ." On December 4, 2012, the last reported sale price of our common stock was $23.40 per share.

Investing in our common stock involves risks. For additional information, see the section of this prospectus captioned "RISK FACTORS" beginning on page 16 for a discussion of the factors you should consider before you make your decision to invest in our common stock.

	Per Share	Total
Public offering price of common stock	$ 23.00	$ 25,300,000.00
Underwriting discounts and commissions	$ 1.3225	$ 1,454,750.00
Proceeds to us before expenses	$ 21.6775	$ 23,845,250.00

We have granted the underwriters a 30-day option to purchase up to 165,000 additional shares of our common stock at the public offering price, less underwriting discounts and commissions, to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The securities are not savings accounts, deposits, or other obligations of any bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

The underwriters expect to deliver the shares of common stock in book-entry form through the facilities of the Depository Trust Company, against payment on or about December 10, 2012.

Stifel Nicolaus Weisel

Sole Book-Running Manager

Raymond James

FIG Partners, LLC

The date of this prospectus is December 4, 2012

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ABOUT THIS PROSPECTUS

You should rely only on the information contained in or incorporated by reference in this prospectus or in any free writing prospectus that we may authorize to be delivered and made available to you. We have not, and the underwriters have not, authorized anyone to provide you with additional or inconsistent information. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell, and seeking offers to buy, our common stock only in jurisdictions where those offers and sales are permitted. The information contained in or incorporated by reference in this prospectus or any free writing prospectus is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

This prospectus describes the specific details regarding this offering and the terms and conditions of the common stock being offered hereby and the risks of investing in our common stock. To the extent information in this prospectus is inconsistent with any of the documents incorporated by reference into this prospectus, you should rely on this prospectus. You should read this prospectus, the documents incorporated by reference in this prospectus, any free writing prospectus and the additional information about us described in the section entitled "WHERE YOU CAN FIND MORE INFORMATION" before making your investment decision.

Neither we, nor any of our officers, directors, agents or representatives or any of the underwriters, make any representation to you about the legality of an investment in our common stock. You should not interpret the contents of this prospectus or any free writing prospectus to be legal, business, investment or tax advice. You should consult with your own advisors for that type of advice and consult with them about the legal, tax, business, financial and other issues that you should consider before investing in our common stock.

No action is being taken in any jurisdictions outside the United States to permit a public offering of our common stock or possession or distribution of this prospectus in those jurisdictions. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about, and to observe, any restrictions that apply in those jurisdictions to this offering or the distribution of this prospectus.

In this prospectus, the terms "First Business," "Company," "we," "us" and "our" refer to First Business Financial Services, Inc. and its consolidated subsidiaries, collectively, unless the context requires otherwise. References in this prospectus to "FBB" and "FBB Milwaukee" mean First Business Bank and First Business Bank Milwaukee, respectively, and references to "the Banks" mean FBB and FBB Milwaukee, collectively. Each of the Banks is a Wisconsin state-chartered, nonmember bank and is a wholly-owned banking subsidiary of First Business. The main offices of FBB and FBB Milwaukee are located in Madison, Wisconsin and Brookfield, Wisconsin, respectively.

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SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

When used in this prospectus and the documents incorporated herein the words or phrases "may," "could," "should," "hope," "might," "believe," "expect," "plan," "assume," "intend," "estimate," "anticipate," "project," "likely," or similar expressions are intended to identify "forward-looking statements" within the meaning of such term in the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties, including, without limitation, changes in economic conditions in the market areas of the Banks, changes in policies by regulatory agencies, fluctuations in interest rates, demand for loans in the market areas of the Banks, borrowers defaulting in the repayment of loans and competition. These risks could cause actual results to differ materially from what we have anticipated or projected. These risk factors and uncertainties should be carefully considered by potential investors. See the "RISK FACTORS" section of this prospectus and Part II, Item 1A "RISK FACTORS" in our Quarterly Report on Form 10-Q for the nine months ended September 30, 2012, as well as elsewhere in our periodic and current reports filed with the Securities and Exchange Commission (the "SEC"), for discussion relating to risk factors impacting us. Investors should not place undue reliance on any such forward-looking statement, which speaks only as of the date on which it was made. The factors described within this prospectus could affect our financial performance and could cause actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods.

Where any such forward-looking statement includes a statement of the assumptions or bases underlying such forward-looking statement, we caution that, while our management believes such assumptions or bases are reasonable and are made in good faith, assumed facts or bases can vary from actual results, and the differences between assumed facts or bases and actual results can be material, depending on the circumstances. Where, in any forward-looking statement, an expectation or belief is expressed as to future results, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the statement of expectation or belief will be achieved or accomplished.

We do not intend to, and specifically disclaim any obligation to, update any forward-looking statements.

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PROSPECTUS SUMMARY

*This summary highlights information contained elsewhere or incorporated by reference in this prospectus and may not contain all of the information you should consider in making your investment decision. You should read this summary together with the more detailed information incorporated by reference or included elsewhere in this prospectus. You should carefully consider, among other things, the matters discussed in the section entitled "*RISK FACTORS*" and our consolidated financial statements and related notes.*

General

We are a registered bank holding company originally incorporated in 1986 under the laws of the State of Wisconsin and engaged in the commercial banking business through our two wholly-owned bank subsidiaries, First Business Bank, headquartered in Madison, Wisconsin, and First Business Bank Milwaukee, headquartered in Brookfield, Wisconsin. All of our operations are conducted through the Banks and certain subsidiaries of FBB. The Banks operate as business banks focusing on delivering a full line of commercial banking products, including commercial loans and commercial real estate loans, and services tailored to meet the specific needs of small- and medium-sized businesses, business owners, executives, professionals and high net worth individuals. The Banks generally target businesses with annual sales between $2.0 million and $50.0 million. Because of their focus on business banking, the Banks do not utilize branch networks to attract retail clients and, to supplement their business banking deposit base, the Banks utilize wholesale funding alternatives to fund a portion of their assets. As of September 30, 2012, on a consolidated basis, we had total assets of $1.2 billion, total deposits of $1.1 billion and total stockholders' equity of $70.5 million.

This offering is our first underwritten registered public offering of our common stock.

Our Business Lines

Commercial Lending

We strive to meet the specific commercial-lending needs of small- to medium-sized companies in our target market areas of Wisconsin, primarily through lines of credit for working capital needs and term loans to businesses with annual sales between $2.0 million and $50.0 million. Through FBB, we have a strong presence in Madison and its surrounding areas. In 2000, we opened FBB Milwaukee to take advantage of the strong commercial base located in Milwaukee and the surrounding communities. In 2006, FBB opened a loan production office in Appleton to take advantage of the strong commercial environment in Northeast Wisconsin. Since then, we have opened offices in Oshkosh and Green Bay and we believe that there are significant growth opportunities in commercial lending in Northeastern Wisconsin.

Our commercial loans are typically secured by various types of business assets, including inventory, receivables and equipment. We also originate loans secured by commercial real estate, including non-residential owner-occupied commercial facilities, multi-family housing, office buildings, retail centers, and, to a lesser extent, commercial real estate construction loans. In very limited cases, we may originate loans on an unsecured basis. As of September 30, 2012, our commercial real estate and commercial loans, excluding asset-based lending and equipment financing, represented approximately 79.7% of our total gross loans and leases receivable.

Asset-Based Lending

First Business Capital Corp., a wholly-owned subsidiary of FBB, is focused on asset-based lending to small- to medium-sized companies with credit requirements of $1.0 million to over $7.0 million. With

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its seven sales offices throughout the Midwest and Colorado, First Business Capital Corp. does not limit itself to conducting business in Wisconsin.

First Business Capital Corp. primarily provides revolving lines of credit and term loans for financial and strategic acquisitions (e.g., leveraged or management buyouts), capital expenditures, rapid growth, bank debt refinancing, debt restructuring, corporate turnaround strategies, and debtor obligations in the course of bankruptcy proceedings or the exit therefrom. As a bank-owned, asset-based lender with strong underwriting standards, First Business Capital Corp. is positioned to provide cost-effective financing solutions to companies with borrowing needs that do not have the established stable cash flows necessary to facilitate a more traditional commercial lending product. Asset-based lending is generally more profitable than traditional commercial lending, and this line of business complements our traditional commercial loan portfolio and provides us with more diverse income opportunities. We recently started First Business Factors as a division of First Business Capital Corp. which offers factoring products as additional financing options to our clients. As of September 30, 2012, our asset-based lending line represented approximately 15.1% of our total gross loans and leases receivable.

Equipment Financing

First Business Equipment Finance, LLC, a wholly-owned subsidiary of FBB, delivers a broad range of equipment finance products, including leases and loans, to address the financing needs of commercial clients in a variety of industries. First Business Equipment Finance's focus includes manufacturing equipment, industrial assets, construction and transportation equipment, and drilling and oil field equipment, in addition to a wide variety of other commercial equipment. These financings generally range between $2.0 million and $10.0 million with terms of 36 to 84 months. We believe that we can continue to grow this business through our existing offices in Wisconsin and our recently opened office in Kansas City, Kansas. As of September 30, 2012, our equipment financing business line represented approximately 3.3% of our total gross loans and leases receivable.

Treasury Management Services

The Banks provide comprehensive services for commercial clients to manage their cash and liquidity, including lock box, accounts receivable collection services, electronic payment solutions, fraud protection, information reporting, reconciliation and data integration solutions. The Banks also offer demand deposit account and balance optimization solutions. As we continue to seek to diversify our income and increase our non-interest income, we have focused on increasing these services and have emphasized these offerings with new and existing business clients.

Trust and Investment Services

FBB, through its First Business Trust & Investments division, acts as fiduciary and investment manager for individual and corporate clients, creating asset allocation strategies tailored to each client's unique situation while using third-party investment managers to execute overarching strategies. For managed assets, First Business Trust & Investments offers financial advice and acts either in a trustee or agency capacity. First Business Trust & Investments also provides custody services, for which it administers and safeguards assets but does not provide financial advice. At September 30, 2012, First Business Trust & Investments had $746.1 million of assets under management and administration.

Our Strategy and Competitive Strengths

We are first and foremost a financial institution focused on providing superior, full-service support and product offerings to small- to medium-sized business in our core Wisconsin markets. We offer a wide range of sophisticated products and technology solutions designed for business clients that have

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enabled us to effectively compete with larger financial institutions in an efficient, cost-effective manner. While we focus on traditional commercial lending products, we also have a diverse set of complementary product offerings, including asset-based lending and equipment financing.

Our business strategy and strong leadership have enabled us to successfully steer through the recent difficult economic climate that has affected the global, the national and our local economies. Given the economic conditions throughout the past several years, there were limited opportunities to grow the loan and lease portfolios of the Banks while maintaining a high level of credit quality. Thus, we have placed an emphasis on reducing the amount of our nonperforming assets, generating in-market core deposits, increasing our net interest margin and generating additional fee income.

We expect to continue our focus on improving our asset quality through the remainder of 2012 and into 2013. We are also planning to grow our loan and lease portfolio more significantly than we have in the past few years. We believe that we can achieve meaningful growth as the economy continues to show signs of gradual improvement and as a result of the significant disruption in our competitors' businesses throughout our Wisconsin market areas. Several of our competitors have either been acquired by other financial institutions, face difficulties in positioning themselves to make new loans due to their credit quality issues or have turned their focus away from small- to medium-sized businesses. This change is allowing us an opportunity to add new business development officers, obtain new commercial lending relationships, and increase the full banking relationships with our clients to continue to increase our in-market deposits and our fee income. We believe there is significant opportunity for this type of organic growth in our commercial business lines, particularly within our Milwaukee and Northeast Wisconsin markets.

While we remain committed to organic growth, we would also consider certain acquisition opportunities if the right situation were to arise, especially with respect to niche lending businesses. However, we will continue to remain prudent in our pursuit for growth, and as we have always done we will emphasize high asset quality in our portfolios, improvement in our core earnings through improved efficiency and increases to our overall return on assets.

In addition to our strong executive management team, the following competitive strengths position us well to execute on our business strategy:

Client Relationship Focus with High Touch Service. As a business bank, we are uniquely positioned in that we deliver the breadth of big bank products and expertise, with a high level of personal attention to each client. Our current level of $8.5 million in assets per full-time equivalent employee means that we have fewer client relationships and higher average client balances than other banks our size, which allows for greater personalized attention to each client as well as client access to top decision-makers. In addition, our niche focus allows us to hire banking and trust specialists who have higher levels of expertise to better serve our client base of small- to medium-sized businesses and their executives and owners. Low levels of employee turnover and multiple personal relationships between clients and our staff, including senior management, provide a level of continuity and depth of relationships that is crucial to maintaining a high level of service.

Entrepreneurial Culture and Structure. Our culture promotes a healthy tension between strong sales and marketing efforts and a disciplined credit culture. Our structure is one whereby client-facing interaction takes place as close to the client as possible, while non-client-facing activities are centralized for efficiency and leverage. Our culture promotes entrepreneurial operating units, providing a sense of ownership of our business and a desire to best serve our client base.

Efficient Operating Model. We employ an efficient business bank operating model that leverages highly skilled employees equipped with existing and emerging technologies to reach a broad geographic client base and deliver a full complement of business banking products and services.

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Our model allows us to achieve this with limited commitments to fixed cost operations, such as a retail branch network. Leveraging this service delivery model also results in faster turnaround on loan decisions.

Scalable Specialty Lending Business Lines. We have established scalable platforms in higher margin businesses of asset-based lending and equipment finance. These products help diversify our portfolio and income, allow us to compete with larger regional/national banks and provide a long-term pipeline of prospects for the Banks. We recently entered the factoring business and will continue to evaluate entering into other lines of business which complement our traditional commercial offerings.

Our Market Area

Although certain of our business lines are marketed throughout the Midwest and beyond, our primary market areas lie in Wisconsin. Specifically, our three target market areas consist of Madison and Milwaukee, Wisconsin and their surrounding communities, and Northeastern Wisconsin, including Appleton, Green Bay and Oshkosh, Wisconsin and their surrounding communities. Each of our primary markets provides a unique set of economic and demographic characteristics which provide us with a variety of strategic opportunities. A brief description of each of our primary markets is as follows:

Madison

As the capital city of Wisconsin and home of the University of Wisconsin Madison, our Madison market, specifically Dane County, offers an appealing economic environment populated by a highly educated workforce (more than 45% of the population of Dane County age 25 or older holds a bachelor's degree or higher degree according to the U.S. Census Bureau, as compared to 26% for the State of Wisconsin as a whole). While the economy of the Madison market is driven in large part by the government and education sectors, there is also a diverse array of industries outside of these segments, including a significant concentration of insurance companies (one of which, American Family Insurance Group, is a Fortune 500 Company) and agricultural-related industries. Madison is also home to a concentration of research and development related companies, which benefit from the area's strong governmental and academic ties, as well as the University of Wisconsin Hospital, which provides healthcare services to the Southcentral Wisconsin market.

According to the U.S. Census Bureau, as of April 1, 2010 (the 2010 Census Date), the Madison metropolitan statistical area ("MSA"), consisting of Dane County, Columbia County and Iowa County, had a total population of 568,593 and 229,033 total households. Since 2000, the Madison MSA has experienced population growth of 13%, compared to the State of Wisconsin's population growth rate of 6%. Due to the composition of its workforce and major economic drivers, the Madison area has generally experienced fewer adverse economic effects resulting from the recent economic downturn than many other areas of the country. As of April, 2010, the five-year average median household income level in Dane County the largest county within the Madison MSA was $60,519, which compares favorably to the average median household income levels in the United States and the State of Wisconsin of $51,914 and $51,598, respectively. According to preliminary Bureau of Labor Statistics data, as of September, 2012, the unadjusted unemployment rate in the Madison MSA was 4.6%, compared to the national unemployment rate of 7.6% and an unemployment rate in the State of Wisconsin of 6.2%. The unemployment rate in the Madison MSA improved 1.5% from September, 2009, compared to the improvement in the national and Wisconsin averages, which was 1.9% and 2.1%, respectively, over the same period.

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Milwaukee

Our Milwaukee market, as the primary commercial and industrial hub for Southeastern Wisconsin, provides a diverse economic base, with both a highly skilled labor force and significant manufacturing base. The most prominent economic sectors in the Milwaukee market include manufacturing, financial services, health care, diversified service companies and education. The metropolitan area ranks among the top manufacturing centers in the United States. Milwaukee's percentage of its workforce in the manufacturing sector is one of the highest of any MSA. In addition to this strong manufacturing base, Milwaukee is home to several major hospitals, providing health services to the greater Southeastern Wisconsin market, several large academic institutions including the University of Wisconsin Milwaukee and Marquette University, and a wide variety of small- to medium-size firms with representatives in nearly every industrial classification. The Milwaukee area is also the home to six Fortune 500 companies, including Johnson Controls, Inc., Harley Davidson, Inc., Kohl's Corporation, Rockwell Automation, Inc., ManPower Group and Northwestern Mutual.

According to the U.S. Census Bureau, as of April 1, 2010 (the 2010 Census Date), the Milwaukee MSA, consisting of Milwaukee County, Ozaukee County, Washington County, and Waukesha County, had a total population of 1,555,908 and 615,847 total households. Since 2000, the Milwaukee MSA has experienced population growth of 4%, compared to the State of Wisconsin's population growth rate of 6%. As of April, 2010, the five-year average median household income level in Waukesha County our primary market within the Milwaukee area was $75,064, which compares favorably to the average median household income levels in the United States and the State of Wisconsin of $51,914 and $51,598, respectively. Despite the economic downturn of recent years, the Milwaukee area has recently seen some improvement in its economic metrics. As of September, 2012, the preliminary unadjusted unemployment rate in the Milwaukee MSA was 6.9%, compared to the national unemployment rate of 7.6% and an unemployment rate in the State of Wisconsin generally of 6.2%. The unemployment rate in the Milwaukee MSA improved 2.1% from September, 2009, compared to the improvement in the national and Wisconsin averages, which was 1.9% and 2.1%, respectively, over the same period.

Northeastern Wisconsin

The cities of Appleton, Green Bay, and Oshkosh, Wisconsin serve as the primary population centers in our Northeast Wisconsin market and provide an attractive market with a variety of industries, including transportation, utilities, packaging and diversified services, with the most significant economic drivers being the manufacturing, packaging and paper goods industries. The most significant individual employers in this market include Bemis Company, Inc., a packaging company, and Oshkosh Corporation, a specialty truck manufacturer, each of which is a Fortune 500 company. As the home of the Green Bay Packers NFL franchise, tourism is also a meaningful industry in this market.

According to the U.S. Census Bureau, as of April 1, 2010 (the 2010 Census Date), the three major MSAs in our Northeast Wisconsin market (Appleton, Green Bay and Oshkosh-Neenah) had a total population of 698,901 and 275,674 total households. Since 2000, these MSAs have experienced a population growth of 9%, compared to the State of Wisconsin's population growth rate of 6%. As of April, 2010, the five-year average median household income level in Outagamie County where our primary loan production office in this region is located was $55,914, compared to the average median household income levels in the United States and the State of Wisconsin of $51,914 and $51,598, respectively. According to the Bureau of Labor Statistics, as of September, 2012, the preliminary unemployment rate in the three major MSAs in this market ranged from 5.5% to 5.7%, compared to the national unemployment rate of 7.6% and an unemployment rate in the State of Wisconsin of 6.2%. These unemployment rates improved between 1.9% and 2.4% from September, 2009, compared to the improvement in the national and Wisconsin averages, which was 1.9% and 2.1%, respectively, over the same period.

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Management

One of our key strengths is our executive management team, as this group of nine executives brings an average of over 25 years in financial services experience to First Business and the Banks. Further, our executive team's experience provides a beneficial mix of experience not only within First Business and the Banks, but also experience with larger institutions. Supported by our strong credit culture and experienced lending management, the executive management team has successfully managed our credit risks through recent challenging economic conditions. The leadership provided by our executive team and our strong credit culture have resulted in First Business experiencing a significantly lower level of charge-offs than the banking industry as a whole through the recent credit cycle. From the beginning of 2008 through September 30, 2012 we experienced aggregate net charge-offs of approximately 2.9% of gross loans as of December 31, 2007. This compares favorably to the aggregate net charge-offs experienced through June 30, 2012 by all insured depository institutions of approximately 8.0% of December 31, 2007 gross loans (aggregate industry data as reported by the FDIC). Additionally, as of September 30, 2012, our nonaccrual loans represented 1.5% of total loans as compared to 2.2% of total loans being nonaccrual for all depository institutions. We believe this positions us well to execute on our strategic plans. We also benefit from an involved board of directors, which is composed of accomplished business executives with a wide array of leadership skills and experience beneficial to our organization.

The interests of our executive management team and directors are aligned with those of our stockholders through common stock ownership. At September 30, 2012, our directors and officers beneficially owned approximately 16.0% of our outstanding common stock. We do not expect our directors or executive officers to participate in this offering, except in a de minimis amount, and the group's ownership percentage will decrease after the offering.

The table below highlights the key members of our management team and their positions with First Business:

Name	Positions with First Business
Corey A. Chambas	Chief Executive Officer, President and Director of First Business; Director of First Business Capital Corp. and First Madison Investment Corp.
James F. Ropella	Senior Vice President and Chief Financial Officer of First Business; Chief Financial Officer of FBB and FBB Milwaukee; Director of FBB Milwaukee and First Madison Investment Corp.
Michael J. Losenegger	Chief Credit Officer of First Business; Senior Credit Officer of FBB and FBB Milwaukee; Director of First Business Capital Corp., First Business Equipment Finance, LLC, and First Madison Investment Corp.
Barbara M. Conley	General Counsel, Senior Vice President and Corporate Secretary of First Business, FBB and FBB Milwaukee; Director of First Business Capital Corp.
Jodi A. Chandler	Senior Vice President Human Resources & Administration of First Business
Mark J. Meloy	President, Chief Executive Officer and Director of FBB; Director of First Business Equipment Finance, LLC
Joan A. Burke	President of First Business Trust & Investments, a division of FBB
Charles H. Batson	President, Chief Executive Officer and Director of First Business Capital Corp.
David J. Vetta	President, Chief Executive Officer and Director of FBB Milwaukee

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Recent Opportunities in Our Market Areas

We believe that disruption in the financial services industry has created great opportunities for us to grow and compete in our primary market areas by gaining new clients that are dissatisfied with their existing banking relationships or no longer fall within their existing bank's preferred customer base. In Wisconsin, our primary geographic market, the largest commercial bank was acquired by a foreign bank holding company in 2011 and is now headquartered out of state. We believe the conversion to their new name and the integration of operations in the fall of 2012 have led to a certain level of confusion and dissatisfaction among some of their clients and employees. As a locally headquartered business bank, with deep ties to the community, we believe we have a competitive advantage over institutions headquartered out of state in maintaining and creating relationships with our targeted clients. Additionally, several of our other Wisconsin competitors have faced significant financial issues in recent years, forcing them to slow lending to small- to medium-sized businesses. These factors, coupled with our strong earnings and asset quality, provide us with an opportunity to grow our organization by providing a stable, attractive, local alternative for our competitors' clients and their most talented employees.

Loan Portfolio

We are focused on serving commercial clients and our loan portfolio is focused on commercial business and commercial real estate loans. At September 30, 2012, over 98% of our loan portfolio was comprised of commercial loans, as set forth below. This focus allows us to provide greater expertise in attracting and working with high quality borrowers and serve the diverse industries in our markets. As a result, we have a diversified loan portfolio.

	As of September 30, 2012	
	Amount	**Percent of Total**
	(Dollars in Thousands)	
Commercial real estate loans:		
Owner-occupied	$ 153,534	17.48%
Non-owner-occupied	295,852	33.66
Construction and land development	50,158	5.71
Multi-family	57,565	6.55
1-4 family	33,602	3.82
Total commercial real estate loans	590,711	67.22
Commercial and industrial loans	255,202	29.04
Direct financing leases, net	16,462	1.87
Consumer and other loans:		
Home equity and second mortgage	4,670	0.53
Other	11,789	1.34
Total consumer and other loans	16,459	1.87
Gross loans and leases receivable	$ 878,834	100.00%

Credit underwriting through a committee process is a key component of our operating philosophy. Business development officers have relatively low individual lending authority limits, and thus a significant portion of our new credit extensions require approval from a loan approval committee regardless of the type of loan or lease, amount of the credit, or the related complexities of each proposal. In addition, we make every effort to ensure that there is appropriate collateral at the time of origination to protect our interest in the related loan or lease. To monitor the ongoing credit quality of our loans and leases, each credit is evaluated for proper risk rating using a nine grade risk rating system at the time of origination, subsequent renewal, evaluation of updated financial information from our borrowers, or as other circumstances dictate.

Risk Factors

An investment in our common stock involves certain risks. You should carefully consider the risks described in the section entitled "RISK FACTORS," as well as other information included or incorporated by reference into this prospectus, including our consolidated financial statements and the notes thereto, before making an investment decision.

Corporate Information

Our principal executive offices are located at 401 Charmany Drive, Madison, Wisconsin 53719 and our telephone number is (608) 238-8008. We maintain an Internet website at www.firstbusiness.com. Neither this website nor the information on this website is included or incorporated in, or is a part of, this prospectus.

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The Offering

Common stock offered	1,100,000 shares (1,265,000 shares if the underwriters exercise their over-allotment option in full).
Common stock outstanding after the offering(1)(2)	3,756,102 shares (3,921,102 shares if the underwriters exercise their over-allotment option in full). The common stock to be issued pursuant to this offering represents approximately 41.4% of the total number of the currently outstanding shares of common stock (approximately 47.6% if the underwriters exercise their over-allotment option in full).
Net proceeds	The net proceeds of this offering to us will be approximately $23.5 million after deducting underwriting discounts and commissions and the offering expenses payable by us. The amount of net proceeds will be approximately $27.1 million if the underwriters exercise their over-allotment option in full.
Use of proceeds	We expect that the net proceeds from this offering will support the future growth of our organization by allowing us to accelerate our organic growth in existing or new markets and to potentially pursue opportunistic acquisitions of similar or complementary financial services organizations. The immediate use of our net proceeds from this offering will be to repay a portion of two tranches of existing subordinated debt. As of September 30, 2012, these tranches consisted of: (i) $1.8 million of subordinated debt due June 30, 2015, bearing interest at a rate equal to one-month LIBOR plus 4.25% (the "2015 Subordinated Debt"); and (ii) $31.0 million of subordinated debt due May 15, 2018, bearing interest at a rate equal to one-month LIBOR plus 4.75% (the "2018 Subordinated Debt") with a floor of 7.00%. As of September 30, 2012, the interest rates of the 2015 Subordinated Debt and the 2018 Subordinated Debt were 4.48% and 7.00%, respectively. Pursuant to the rules of the Board of Governors of the Federal Reserve System, or the Federal Reserve, in each of the five years preceding the maturity of subordinated debt issued by a bank holding company, one-fifth of the amount of such subordinated debt originally issued becomes ineligible for treatment as Tier 2 capital. Accordingly, the amount of the 2015 Subordinated Debt eligible for Tier 2 capital treatment has decreased in recent years and will continue to do so. Thus, our board of directors anticipates using the net proceeds from this offering, which will qualify for Tier 1 capital treatment, to first pay down $1.8 million of our 2015 Subordinated Debt with the remainder, approximately $21.7 million or $25.3 million if the underwriters exercise their over-allotment option in full, being used to pay down a portion of the outstanding balance of our 2018 Subordinated Debt.

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	We expect the prepayment of a portion of our subordinated debt to benefit us in a number of ways, including by: (i) reducing our interest expense; (ii) reducing holding company leverage; (iii) enhancing our regulatory capital position by replacing funds qualifying as Tier 2 capital with funds qualifying as Tier 1 capital; and (iv) supporting the future growth of our organization by freeing additional resources that may be used to accelerate organic growth in our existing or new markets or to potentially pursue opportunistic acquisitions of similar or complementary financial services organizations.
	We do not have any agreements or commitments with respect to the acquisition of any other financial services organizations at this time. See "USE OF PROCEEDS."
Dividend policy	It has been our policy to pay a dividend to our common stockholders. Dividends historically have been paid in the month following the end of each calendar quarter. Our third quarter dividend payment was $0.07 and was paid on October 15, 2012. However, the timing and amount of future dividends are at the discretion of our board of directors and will depend upon the consolidated earnings, financial condition, liquidity and capital requirements of us and our subsidiaries, the amount of cash dividends paid to us by our subsidiaries, contractual restrictions, applicable government regulations and policies, supervisory actions and other factors considered relevant by our board. See "DESCRIPTION OF CAPITAL STOCK Common Stock *Dividends Payable on Shares of Common Stock*," "SUPERVISION AND REGULATION First Business *Dividend Payments*" and "SUPERVISION AND REGULATION The Banks *Dividend Payments*" for a more detailed description of the limitations on our ability to pay dividends to our stockholders and the Banks' ability to pay dividends to us. We currently anticipate that we will continue to pay dividends as appropriate based on the above factors.
NASDAQ Global Market symbol	FBIZ

(1) The number of shares outstanding immediately after the closing of this offering is based on 2,656,102 shares outstanding as of September 30, 2012.

(2) Unless otherwise indicated, the number of shares of common stock presented in this prospectus does not include: (i) 165,000 shares of common stock issuable pursuant to the exercise of the underwriters' over-allotment option; and (ii) 125,034 shares reserved for issuance upon exercise of stock options with a weighted-average exercise price per share of $22.43 which have been granted and remained outstanding as of September 30, 2012.

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SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA

The following tables set forth summary consolidated financial data for us at and for each of the years in the five-year period ended December 31, 2011 and at and for the nine month periods ended September 30, 2012 and 2011. The income statement data for the years ended December 31, 2011 and 2010, and the balance sheet data as of December 31, 2011 and 2010, have been derived from our audited consolidated financial statements and notes thereto which are incorporated by reference into this prospectus. The income statement data for the years ended December 31, 2009, 2008 and 2007, and the balance sheet data as of December 31, 2009, 2008 and 2007, have been derived from our audited consolidated financial statements and notes thereto which are not included in or incorporated by reference into this prospectus. The summary financial data at and for the nine months ended September 30, 2012 and 2011 have been derived from our unaudited interim consolidated financial statements included elsewhere in this prospectus. In the opinion of our management, these consolidated financial statements reflect all necessary adjustments (consisting only of normal recurring adjustments) for a fair presentation of the data for those periods.

Historical results are not necessarily indicative of future results and the results for the nine months ended September 30, 2012 are not necessarily indicative of our expected results for the full year ending December 31, 2012 or any other period. See "RISK FACTORS" and the notes to our consolidated financial statements. The selected historical consolidated financial data should be read in conjunction with, and are qualified in their entirety by, our financial statements, the accompanying notes and the other information included elsewhere in this prospectus.

	As of and for the Nine Months Ended September 30,		As of and for the Year Ended December 31,				
(Dollars in thousands)	**2012**	**2011**	**2011**	**2010**	**2009**	**2008**	**2007**
Balance Sheet Data							
Total assets	$ 1,192,135	$ 1,135,599	$ 1,177,165	$ 1,107,057	$ 1,117,436	$ 1.010,786	$ 918,438
Loans and leases receivable, net	863,486	846,663	836,687	860,935	839,807	840,546	771,633
Securities available-for-sale	202,805	168,307	170,386	153,379	122,286	109,124	97,378
Total deposits	1,061,258	1,013,128	1,051,312	988,298	984,374	838,874	776,060
Non-interest-bearing deposits	140,831	118,595	132,230	88,529	87,687	55,388	47,124
Federal Home Loan Bank and other borrowings	482	495	1,292	2,504	18,515	55,526	50,986
Subordinated notes	39,000	39,000	39,000	39,000	39,000	39,000	31,000
Junior subordinated notes	10,315	10,315	10,315	10,315	10,315	10,315	
Total stockholders' equity	70,549	61,750	64,214	55,335	54,393	53,006	48,552
Tangible common equity(1)	70,549	61,731	64,214	55,303	51,653	50,244	45,765
Average stockholders' equity/average assets	5.76%	5.26%	5.32%	5.11%	5.19%	5.27%	5.64%
Tangible common equity/tangible assets(1)	5.92%	5.44%	5.45%	5.00%	4.63%	4.98%	5.00%
Income Statement Data							
Interest income	$ 41,608	$ 42,364	$ 56,217	$ 56,626	$ 56,356	$ 59,773	$ 59,488
Interest expense	13,158	15,807	20,756	24,675	28,322	33,515	36,280
Net interest income	28,450	26,557	35,461	31,951	28,034	26,258	23,208
Provision for loan and lease losses	3,399	3,313	4,250	7,044	8,225	4,299	2,904
Net interest income after provision for loan and lease losses	25,051	23,244	31,211	24,907	19,809	21,959	20,304
Non-interest income	6,003	5,145	7,060	6,743	6,450	5,105	4,383
Non-interest expense	21,215	20,148	26,397	28,360	24,501	21,884	19,624
Income tax expense	3,442	2,201	3,449	2,349	717	2,056	1,807
Net income	$ 6,397	$ 6,040	$ 8,425	$ 941	$ 1,041	$ 3,124	$ 3,256
Less: Earnings allocated to participating securities	239	230	325	24	35	118	83
Net income available to common shareholders	$ 6,158	$ 5,810	$ 8,100	$ 917	$ 1,006	$ 3,006	$ 3,173
Core earnings(1)	$ 13,466	$ 11,712	$ 16,544	$ 13,229	$ 10,352	$ 10,522	$ 7,967

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(Dollars in thousands, except per share data)	As of and for the Nine Months Ended September 30, 2012	2011	As of and for the Year Ended December 31, 2011	2010	2009	2008	2007
Per Share Data							
Basic earnings per share	$ 2.43	$ 2.32	$ 3.23	$ 0.37	$ 0.41	$ 1.24	$ 1.29
Diluted earnings per share	2.43	2.32	3.23	0.37	0.41	1.24	1.29
Book value per common share	26.56	23.49	24.46	21.30	21.42	20.82	19.35
Tangible book value per common share(1)	26.56	23.48	24.46	21.29	20.34	19.74	18.24
Basic weighted average common shares outstanding	2,533,436	2,502,991	2,507,826	2,483,650	2,456,257	2,431,083	2,457,126
Diluted weighted average common shares outstanding	2,535,188	2,502,991	2,507,826	2,483,650	2,456,257	2,431,502	2,460,288
Selected Operating Ratios							
Return on average assets	0.72%	0.72%	0.75%	0.09%	0.10%	0.32%	0.39%
Return on average equity	12.57%	13.67%	14.03%	1.67%	1.90%	6.11%	6.86%
Operating return on average assets(1)(2)	0.72%	0.72%	0.75%	0.33%	0.08%	0.32%	0.39%
Operating return on average equity(1)(2)	12.57%	13.67%	14.03%	6.46%	1.55%	6.11%	6.86%
Net interest margin	3.38%	3.31%	3.29%	3.04%	2.77%	2.81%	2.87%
Noninterest expense/average assets	2.37%	2.40%	2.34%	2.58%	2.33%	2.26%	2.34%
Efficiency ratio(1)	60.91%	63.01%	61.02%	65.76%	68.22%	66.37%	71.02%
Dividend payout ratio	8.64%	9.05%	8.67%	75.68%	68.29%	22.58%	20.15%
Selected Asset Quality Data and Asset Quality Ratios							
Nonperforming loans	$ 12,846	$ 27,015	$ 21,766	$ 38,406	$ 27,825	$ 16,285	$ 8,864
Nonperforming assets	15,033	29,058	24,002	40,156	29,496	19,296	9,524
Allowance for loan and lease losses	14,706	14,141	14,155	16,271	14,124	11,846	9,854
Nonperforming loans/total loans	1.46%	3.14%	2.56%	4.37%	3.26%	1.91%	1.13%
Nonperforming assets/total loans plus foreclosed properties	1.71%	3.37%	2.81%	4.57%	3.45%	2.26%	1.22%
Nonperforming assets/total assets	1.26%	2.56%	2.04%	3.63%	2.64%	1.91%	1.04%
Allowance for loan and lease losses/total loans	1.67%	1.64%	1.66%	1.85%	1.65%	1.39%	1.26%
Allowance for loan and lease losses/nonperforming loans	114.48%	52.34%	65.03%	42.37%	50.76%	72.74%	111.17%
Net annualized charge-offs (recoveries)/average loans	0.44%	0.84%	0.74%	0.57%	0.69%	0.28%	0.19%
Texas ratio(1)	17.6%	38.3%	30.6%	56.1%	44.8%	31.1%	17.1%
Capital Ratios (Consolidated)							
Total capital to risk weighted assets	13.33%	12.66%	13.11%	11.23%	11.16%	10.97%	9.29%
Tier 1 capital to risk weighted assets	8.12%	7.60%	7.91%	6.65%	6.61%	6.48%	5.42%
Tier 1 capital to average assets	6.58%	6.21%	6.22%	5.68%	5.53%	5.94%	5.12%

(1) These measures are not measures recognized under generally accepted accounting principles (United States) ("GAAP"), and are therefore considered to be non-GAAP financial measures. See " Non-GAAP Financial Measures" for a reconciliation of these measure to their most comparable GAAP measures.

(2) Operating ROAA and ROAE exclude the impact of the goodwill impairment and gains on sales of securities. Realized gains are tax-effected at 39.214%

Non-GAAP Financial Measures

The information set forth above contains certain financial information determined by methods other than in accordance with GAAP. These non-GAAP financial measures are "core earnings," "efficiency ratio," "operating return on average assets," "operating return on average equity," "tangible common equity," "tangible common equity to tangible assets," "tangible book value per common share" and "Texas ratio." Although we believe that these non-GAAP financial measures provide a greater understanding of our business, these measures are not necessarily comparable to similar measures that may be presented by other companies.

"Core earnings" is defined as pre-tax income plus provision for loan and leases losses, other identifiable costs of credit and other discrete items that are unrelated to core business activities. In our judgment, the presentation of core earnings allows our management team, investors and analysts to better assess the growth of our core business by removing the volatility that is associated with costs of credit and other discrete items that are unrelated to our core business and facilitates a more streamlined comparison of core growth to our benchmark peers.

"Efficiency ratio" is defined as non-interest expense less loss on foreclosed properties, FDIC special assessments, goodwill impairment and amortization of other intangible assets divided by our operating revenue, which is equal to net interest income plus non-interest income less realized gains on securities. In our judgment, the adjustments made to non-interest expense and operating revenue allow investors and analysts to better assess our operating expenses in relation to our core operating revenue by removing the volatility that is associated with certain one-time items and other discrete items that are unrelated to our core business.

"Operating return on average assets," or "Operating ROAA," is defined as our operating net income which consists of net income less realized gains on securities and goodwill impairment divided by average assets. In our judgment, the comparison of operating return to average assets allows our management team, investors and analysts to better assess the performance of our core business by removing the volatility that is associated with discrete items that are unrelated to our core business and facilitates a more streamlined comparison of our performance to our benchmark peers.

"Operating return on average equity," or "Operating ROAE," is defined as our operating net income which consists of net income less realized gains on securities and goodwill impairment divided by average equity. In our judgment, the comparison of operating return to average equity allows our management team, investors and analysts to better assess the performance of our core business by removing the volatility that is associated with discrete items that are unrelated to our core business and facilitates a more streamlined comparison of our performance to our benchmark peers.

"Tangible common equity" is defined as common stockholders' equity reduced by goodwill and other intangible assets. We believe that this measure is important to many investors in the marketplace who are interested in changes from period to period in common stockholders' equity exclusive of changes in intangible assets. Goodwill, an intangible asset that is recorded in a purchase business combination, has the effect of increasing total common stockholders' equity while not increasing our tangible common stockholders' equity.

"Tangible common equity to tangible assets" is defined as the ratio of common equity reduced by goodwill and other intangible assets divided by total assets reduced by goodwill and other intangible assets. We believe that this measure is important to many investors in the marketplace who are interested in the relative changes from period to period in common equity and total assets, each exclusive of changes in intangible assets. Goodwill, an intangible asset that is recorded in a purchase business combination, has the effect of increasing both total common equity and assets while not increasing our tangible common equity or tangible assets.

"Tangible book value per common share" is defined as tangible common stockholders' equity divided by total common shares outstanding. We believe that this measure is important to many investors in the marketplace who are interested in changes from period to period in book value per common share exclusive of changes in intangible assets. Goodwill, an intangible asset that is recorded in a purchase business combination, has the effect of increasing total book value while not increasing our tangible book value.

"Texas ratio" is defined as nonperforming assets divided by the sum of the allowance for loan and lease losses and tangible total equity. We believe that this ratio is important to many investors in the marketplace who are interested in evaluating the level of a company's nonperforming loans compared with the company's ability to absorb potential losses on loans and leases with the company's current capital base and allowance for loan and lease losses.

The limitations associated with non-GAAP financial measures are the risks that persons might disagree as to the appropriateness of items comprising these measures and that different companies might calculate these measures differently. These disclosures should not be considered an alternative to

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GAAP. The information provided below reconciles each non-GAAP measure to its most comparable GAAP measure.

(Dollars in thousands, except per share data)	As of and for the Nine Months Ended September 30, 2012	2011	As of and for the Year Ended December 31, 2011	2010	2009	2008	2007
Efficiency Ratio							
Non-interest expense	$ 21,215	$ 20,148	$ 26,397	$ 28,360	$ 24,501	$ 21,884	$ 19,624
Loss on foreclosed properties	(228)	(158)	(420)	(206)	(691)	(1,043)	
FDIC special assessment					(481)		
Goodwill impairment				(2,689)			
Amortization of other intangible assets		(13)	(32)	(19)	(22)	(25)	(30)
Adjusted non-interest expense (numerator)	$ 20,987	$ 19,977	$ 25,945	$ 25,446	$ 23,307	$ 20,816	$ 19,594
Net interest income	$ 28,450	$ 26,557	$ 35,461	$ 31,951	$ 28,034	$ 26,258	$ 23,208
Non-interest income	6,003	5,145	7,060	6,743	6,450	5,105	4,383
Realized gain on securities					(322)		
Adjusted operating revenue (denominator)	$ 34,453	$ 31,702	$ 42,521	$ 38,694	$ 34,162	$ 31,363	$ 27,591
Efficiency ratio	60.91%	63.01%	61.02%	65.76%	68.22%	66.37%	71.02%
Tangible Common Equity and Tangible Common Equity/Tangible Assets							
Total common equity	$ 70,549	$ 61,750	$ 64,214	$ 55,335	$ 54,393	$ 53,006	$ 48,552
Effects of intangible assets		(19)		(32)	(2,740)	(2,762)	(2,787)
Tangible common equity	$ 70,549	$ 61,731	$ 64,214	$ 55,303	$ 51,653	$ 50,244	$ 45,765
Total assets	$ 1,192,135	$ 1,135,599	$ 1,177,165	$ 1,107,057	$ 1,117,436	$ 1,010,786	$ 918,438
Effects of intangible assets		(19)		(32)	(2,740)	(2,762)	(2,787)
Tangible assets	$ 1,192,135	$ 1,135,580	$ 1,177,165	$ 1,107,025	$ 1,114,696	$ 1,008,024	$ 915,651
Tangible common equity/tangible assets	5.92%	5.44%	5.45%	5.00%	4.63%	4.98%	5.00%
Tangible Book Value per Common Share							
Book value per common share	$ 26.56	$ 23.49	$ 24.46	$ 21.30	$ 21.42	$ 20.82	$ 19.35
Effects of intangible assets		(0.01)		(0.01)	(1.08)	(1.08)	(1.11)
Tangible book value per common share	$ 26.56	$ 23.48	$ 24.46	$ 21.29	$ 20.34	$ 19.74	$ 18.24
Operating ROAA and Operating ROAE							
Net income	$ 6,397	$ 6,040	$ 8,425	$ 941	$ 1,041	$ 3,124	$ 3,256
Realized gain on securities					(196)		
Goodwill impairment				2,689			
Operating net income	$ 6,397	$ 6,040	$ 8,425	$ 3,630	$ 845	$ 3,124	$ 3,256

Average assets	$ 1,177,989	$ 1,119,335	$ 1,129,051	$ 1,099,429	$ 1,053,316	$ 969,360	$ 840,738
Operating return on average assets	0.72%	0.72%	0.75%	0.33%	0.08%	0.32%	0.39%
Average equity	$ 67,874	$ 58,908	$ 60,061	$ 56,217	$ 54,688	$ 51,104	$ 47,457
Operating return on average equity	12.57%	13.67%	14.03%	6.46%	1.55%	6.11%	6.86%
Core Earnings							
Earnings before tax	$ 9,839	$ 8,241	$ 11,874	$ 3,290	$ 1,758	$ 5,180	$ 5,063
Provision for loan and lease losses	3,399	3,313	4,250	7,044	8,225	4,299	2,904
Loss on foreclosed properties	228	158	420	206	691	1,043	
Realized gain on securities					(322)		
Goodwill impairment				2,689			
Core earnings	$ 13,466	$ 11,712	$ 16,544	$ 13,229	$ 10,352	$ 10,522	$ 7,967

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(Dollars in thousands, except per share data)	As of and for the Nine Months Ended September 30, 2012	2011	As of and for the Year Ended December 31, 2011	2010	2009	2008	2007
Texas Ratio							
Nonaccrual loans and leases	$ 12,846	$ 27,015	$ 21,766	$ 38,406	$ 27,825	$ 16,285	$ 8,864
90+days past due loans							
Other real estate owned	2,187	2,043	2,236	1,750	1,671	3,011	660
Nonperforming assets (numerator)	$ 15,033	$ 29,058	$ 24,002	$ 40,156	$ 29,496	$ 19,296	$ 9,524
Allowance for loan and lease losses	$ 14,706	$ 14,141	$ 14,155	$ 16,271	$ 14,124	$ 11,846	$ 9,854
Total equity	$ 70,549	$ 61,750	$ 64,214	$ 55,335	$ 54,393	$ 53,006	$ 48,552
Intangible assets		(19)		(32)	(2,740)	(2,762)	(2,787)
Tangible total equity	$ 70,549	$ 61,731	$ 64,214	$ 55,303	$ 51,653	$ 50,244	$ 45,765
Denominator	$ 85,255	$ 75,872	$ 78,369	$ 71,574	$ 65,777	$ 62,090	$ 55,619
Texas ratio	17.6%	38.3%	30.6%	56.1%	44.8%	31.1%	17.1%

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RISK FACTORS

Investing in our common stock involves a number of risks. You should carefully consider all of the information contained or incorporated by reference in this prospectus, including the risk factors set forth below, before investing in the common stock offered by this prospectus. We may encounter risks in addition to those described below, including risks and uncertainties not currently known to us or that we currently deem to be immaterial. The risks described below, as well as such additional risks and uncertainties, may impair or adversely affect our business, results of operations and financial condition. In such case, you may lose all or part of your original investment.

Risks Related to Our Business

If we do not effectively manage our credit risk, we may experience increased levels of nonperforming loans, charge-offs and delinquencies, which would require additional increases in our provision for loan and lease losses.

There are risks inherent in making any loan or lease, including risks inherent in dealing with individual borrowers, risks of nonpayment, risks resulting from uncertainties as to the future value of collateral and cash flows available to service debt and risks resulting from changes in economic and market conditions. We cannot assure you that our credit risk approval and monitoring procedures will reduce these credit risks, and they cannot be expected to completely eliminate our credit risks. If the overall economic climate in the United States, generally, or our market areas, specifically, fails to improve, or even if it does improve, our borrowers may experience difficulties in repaying their loans and leases, and the level of nonperforming loans and leases, charge-offs and delinquencies could rise and require further increases in the provision for loan and lease losses, which would cause our net income and return on equity to decrease.

Our allowance for loan and lease losses may not be adequate to cover actual losses.

We establish our allowance for loan and lease losses and maintain it at a level considered appropriate by management based on an analysis of our portfolio and market environment. The allowance for loan and lease losses represents our estimate of probable losses inherent in the portfolio at each balance sheet date and is based upon relevant information available to us. The allowance contains provisions for probable losses that have been identified relating to specific relationships, as well as probable losses inherent in our loan and lease portfolio and credit undertakings that are not specifically identified. Additions to the allowance for loan and lease losses, which are charged to earnings through the provision for loan and lease losses, are determined based on a variety of factors, including an analysis of our loan and lease portfolio by segment, historical loss experience and an evaluation of current economic conditions in our market areas. The actual amount of loan and lease losses is affected by changes in economic, operating and other conditions within our markets, which may be beyond our control, and such losses may exceed current estimates.

At September 30, 2012, our allowance for loan and lease losses as a percentage of total loans and leases was 1.67% and as a percentage of total nonperforming loans and leases was 114.48%. Although management believes that the allowance for loan and lease losses is appropriate, we may be required to take additional provisions for losses in the future to further supplement the allowance, either due to management's decision to do so or requirements by our banking regulators. In addition, bank regulatory agencies will periodically review our allowance for loan and lease losses and the value attributed to nonaccrual loans or to properties acquired through foreclosure. Such regulatory agencies may require us to adjust our determination of the value for these items. Any significant increases to the allowance for loan and lease losses may materially decrease our net income, which may adversely affect our business, financial condition and results of operations.

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A significant portion of our loan and lease portfolio is comprised of commercial real estate loans, which involve risks specific to real estate values and the real estate markets in general, all of which have experienced significant weakness in the past several years.

At September 30, 2012, we had $590.7 million of commercial real estate loans, which represented 67.2% of our total loan portfolio. Because payments on such loans are often dependent on the successful operation or development of the property or business involved, repayment of such loans is often more sensitive than other types of loans to adverse conditions in the real estate market or the general economy, which are outside the borrower's control. In the event that the cash flow from the property is reduced, the borrower's ability to repay the loan could be negatively impacted. The deterioration of one or a few of these loans could cause a material increase in our level of nonperforming loans, which would result in a loss of revenue from these loans and could result in an increase in the provision for loan and lease losses and an increase in charge-offs, all of which could have a material adverse impact on our net income. Additionally, many of these loans have real estate as a primary or secondary component of collateral. The market value of real estate can fluctuate significantly in a short period of time as a result of economic conditions. Adverse developments affecting real estate values in one or more of our markets could impact collateral coverage associated with the commercial real estate segment of our portfolio, possibly leading to increased specific reserves or charge-offs, which would adversely affect profitability.

A large portion of our loan and lease portfolio is comprised of commercial loans secured by equipment or other collateral, the deterioration in value of which could increase our exposure to future probable losses.

At September 30, 2012, approximately 29.0% of our loan portfolio was comprised of commercial loans to businesses collateralized by general business assets including accounts receivable, inventory, and equipment. Our commercial loans are typically larger in amount than loans to individual consumers and, therefore, have the potential for larger losses on an individual loan basis. Additionally, asset-based borrowers are usually highly leveraged and/or have inconsistent historical earnings. Significant adverse changes in various industries could cause rapid declines in values and collectability associated with those business assets resulting in inadequate collateral coverage that may expose us to future losses. An increase in specific reserves and charge-offs may have a material adverse impact on our results of operations.

Nonperforming assets take significant time to resolve and adversely affect our results of operations and financial condition, and could result in further losses in the future.

At September 30, 2012, our nonperforming loans totaled $12.8 million, or 1.46% of our loan and lease portfolio, and our nonperforming assets (which include nonperforming loans plus foreclosed properties) totaled $15.0 million, or 1.26% of total assets. In addition, we had $4.1 million in accruing loans that were 30-89 days delinquent as of September 30, 2012.

Our nonperforming assets adversely affect our net income in various ways. We do not record interest income on nonaccrual loans or foreclosed properties, thereby adversely affecting our net income and returns on assets and equity, increasing our loan administration costs and adversely affecting our efficiency ratio. When we take collateral in foreclosure and similar proceedings, we are required to mark the collateral to its then fair market value, less estimated selling costs, which may result in a loss. These nonperforming loans and foreclosed properties also increase our risk profile and the capital our regulators believe is appropriate in light of such risks. The resolution of nonperforming assets requires significant time commitments from management and can be detrimental to the performance of their other responsibilities. If we experience increases in nonperforming loans and nonperforming assets, our net interest income may be negatively impacted and our loan administration costs could increase, each of which could have an adverse effect on our net income and related ratios, such as return on assets and equity.

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Real estate construction and land development loans are based upon estimates of costs and values associated with the complete project. These estimates may be inaccurate, and we may be exposed to significant losses on loans for these projects.

Real estate construction and land development loans comprised approximately 5.7% of our total loan portfolio as of September 30, 2012, and such lending involves additional risks because funds are advanced upon the as-completed value of the project, which is uncertain prior to its completion, and costs may exceed realizable values in declining real estate markets. Because of the uncertainties inherent in estimating construction costs and the realizable market value of the completed project and the effects of governmental regulation of real property, it is relatively difficult to evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. As a result, construction loans often involve the disbursement of substantial funds with repayment dependent, in part, on the success of the ultimate project and the ability of the borrower to sell or lease the property, rather than the ability of the borrower or guarantor to repay principal and interest. If our appraisal of the value of the completed project proves to be overstated or market values or rental rates decline, we may have inadequate security for the repayment of the loan upon completion of construction of the project. If we are forced to foreclose on a project prior to or at completion due to a default, we may not be able to recover all of the unpaid balance of, and accrued interest on, the loan as well as related foreclosure and holding costs. In addition, we may be required to fund additional amounts to complete the project and may have to hold the property for an unspecified period of time while we attempt to dispose of it.

Our business has been and may continue to be adversely affected by conditions in the financial markets and economic conditions generally.

Since late 2007, the U.S. economy has generally experienced challenging economic conditions. Business activity across a range of industries and regions remains reduced from historical levels, and some businesses have experienced difficulty in remaining profitable. Likewise, many local governments have been experiencing lower tax revenues, impacting their ability to cover costs. Unemployment also generally increased during this period and remains at elevated levels. For the past few years, the financial services industry has generally been affected by significant declines in the values of many significant asset classes, reduced levels of liquidity and the lack of opportunities to originate new loans.

As a result of these economic conditions, many lending institutions, including the Banks, have experienced declines in the performance of their loans from historical norms. Moreover, competition among depository institutions for deposits and quality loans has increased significantly. In addition, the values of real estate collateral supporting many loans have declined and may continue to decline. Bank and bank holding company stock prices have generally been negatively affected over this time period, and the ability of banks and bank holding companies to raise capital or borrow in the debt markets has become more difficult than it had been prior to 2007. There have been significant new laws and regulations regarding lending and funding practices and liquidity standards, with a potential for further regulation in the future, and bank regulatory agencies in general have been diligent in responding to concerns and trends identified in examinations, and have increased the issuance of many formal or informal enforcement actions or orders. The impact of new legislation in response to these developments may negatively impact our operations by restricting our business operations, including our ability to originate or sell loans, and adversely impact our financial performance or our stock price.

In addition, if the overall economic climate in the United States, generally, or our market areas, specifically, fails to continue to improve or declines further, this may affect consumer confidence levels and may cause adverse changes in payment patterns, causing increases in delinquencies and default rates, which may impact our charge-offs and provisions for credit losses. A worsening of these conditions likely would exacerbate the adverse effects of the recent market conditions on us and others in the financial services industry.

Our business is concentrated in and largely dependent upon the continued growth and welfare of the general geographical markets in which we operate.

Our operations are heavily concentrated in the South Central region of Wisconsin and to a lesser extent the Southeastern and Northeastern regions of Wisconsin, and, as a result, our financial condition, results of operations and cash flows are significantly impacted by changes in the economic conditions in those areas. Our success depends to a significant extent upon the business activity, population, income levels, deposits and real estate activity in these markets. Although our customers' business and financial interests may extend well beyond these market areas, adverse economic conditions that affect these market areas could reduce our growth rate, affect the ability of our customers to repay their loans to us, affect the value of collateral underlying loans and generally affect our financial condition and results of operations. Because of our geographic concentration, we are less able than other regional or national financial institutions to diversify our credit risks across multiple markets. Although, in general, the Wisconsin economy and real estate market have not been affected as severely as other areas of the United States in recent years, they are not immune to challenging economic conditions that affect the United States and world economies.

Our financial condition and results of operations could be negatively affected if we fail to effectively execute our strategic plan or manage the growth called for in our strategic plan.

Among other things, our strategic plan currently calls for reducing the amount of our nonperforming assets, generating in-market core deposits to improve our net interest margin and increasing fee income. Our ability to increase profitability in accordance with this plan will depend on a variety of factors including the identification of desirable business opportunities, competitive responses from financial institutions in our market areas and our ability to manage liquidity and funding sources. While we believe we have the management resources and internal systems in place to successfully manage our strategic plan, there can be no assurances that opportunities will be available and that the strategic plan will be successful or effectively managed.

Although we do not have any current definitive plans to do so, in implementing our strategic plan we may expand into additional communities or attempt to strengthen our position in our current markets through opportunistic acquisitions of similar or complementary financial services organizations. To the extent that we open new offices or undertake acquisitions, we are likely to experience the effects of higher operating expenses relative to operating income from the new operations, which may have an adverse effect on our levels of reported net income, return on average equity and return on average assets. Other effects of engaging in such growth strategies may include potential diversion of our management's time and attention and general disruption to our business.

To the extent that we grow through additional office openings, we cannot assure you that we will be able to adequately and profitably manage this growth. Acquiring other banks and businesses will involve similar risks to those commonly associated with branching, but may also involve additional risks, including potential exposure to unknown or contingent liabilities of banks and businesses we acquire and exposure to potential asset quality issues of the acquired bank or related business.

Monetary policies and regulations of the Federal Reserve could adversely affect our business, financial condition and results of operations.

In addition to being affected by general economic conditions, our earnings and growth are affected by the policies of the Federal Reserve. An important function of the Federal Reserve is to regulate the money supply and credit conditions. Among the instruments used by the Federal Reserve to implement these objectives are open market operations in U.S. government securities, adjustments of the discount rate and changes in reserve requirements against bank deposits. These instruments are used in varying

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combinations to influence overall economic growth and the distribution of credit, bank loans, investments and deposits. Their use also affects interest rates charged on loans or paid on deposits.

The monetary policies and regulations of the Federal Reserve have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future. The effects of such policies upon our business, financial condition and results of operations cannot be predicted.

We operate in a highly regulated industry and the laws and regulations that govern our operations, corporate governance, executive compensation and accounting principles, or changes in them, or our failure to comply with them, may adversely affect us.

We are subject to extensive regulation and supervision that govern almost all aspects of our operations. Intended to protect customers, depositors and deposit insurance funds, these laws and regulations, among other matters, prescribe minimum capital requirements, impose limitations on our business activities, limit the dividends or distributions that we can pay, restrict the ability of institutions to guarantee our debt and impose certain specific accounting requirements that may be more restrictive and may result in greater or earlier charges to earnings or reductions in our capital than generally accepted accounting principles. Compliance with laws and regulations can be difficult and costly and changes to laws and regulations often impose additional compliance costs. Further, our failure to comply with these laws and regulations, even if the failure was inadvertent or reflects a difference in interpretation, could subject us to restrictions on our business activities, fines and other penalties, any of which could adversely affect our results of operations, capital base and the price of our securities.

Recent legislative and regulatory reforms applicable to the financial services industry may have a significant impact on our business, financial condition and results of operations.

In the wake of the global financial crisis of 2008-2009, Congress enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which significantly changed the regulation of financial institutions and the financial services industry. The Dodd-Frank Act, together with the regulations developed and to be developed thereunder, includes provisions affecting large and small financial institutions alike, including several provisions that will affect how community banks, thrifts and small bank and thrift holding companies will be regulated in the future.

Among other things, the Dodd-Frank Act changes deposit insurance coverage and assessments and impacts the products and services offered by financial institutions. It changes the base for FDIC insurance assessments to a bank's average consolidated total assets minus average tangible equity, rather than its deposit base, permanently raises the current standard deposit insurance limit to $250,000, and expands the FDIC's authority to raise insurance premiums. The legislation also calls for the FDIC to raise the ratio of reserves to deposits from 1.15% to 1.35% for deposit insurance purposes by September 30, 2020 and to "offset the effect" of increased assessments on insured depository institutions with assets of less than $10 billion. The Dodd-Frank Act limits interchange fees payable on debit card transactions for larger banks, allows financial institutions to pay interest on business checking accounts, contains provisions on mortgage-related matters (such as steering incentives, determinations as to a borrower's ability to repay and prepayment penalties) and establishes the Bureau of Consumer Financial Protection (the "Bureau") as an independent entity within the Federal Reserve. This entity will have broad rulemaking, supervisory and enforcement authority over consumer financial products and services, including deposit products, residential mortgages, home-equity loans and credit cards. Moreover, the Dodd-Frank Act includes provisions that affect corporate governance and executive compensation at all publicly traded companies.

In addition, the Dodd-Frank Act, together with initiatives of the Basel Committee on Banking Supervision discussed below, is raising the capital levels required to be maintained by bank and thrift holding companies and financial institutions and is changing the rules with respect to the kinds of capital instruments that must be held. The Collins Amendment to the Dodd-Frank Act requires bank holding companies to maintain capital on the same basis as banks and, because banks may not hold capital in the form of trust preferred securities, eliminates trust preferred securities from Tier 1 capital, except that certain trust preferred securities issued prior to May 19, 2010 by bank holding companies with total consolidated assets of $15 billion or less may continue to be includible in Tier 1 capital.

The Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, adopted Basel III in September 2010, which constitutes a strengthened set of capital requirements for banking organizations in the United States and around the world. Basel III is currently the subject of notices of proposed rulemakings released in June of 2012 by the respective U.S. federal banking agencies. The comment period for these notices of proposed rulemakings ended on October 22, 2012, but final regulations have not yet been released. Basel III was intended to be implemented beginning January 1, 2013 and to be fully-phased in on a global basis on January 1, 2019. However, on November 9, 2012, the U.S. Federal bank regulatory agencies announced that the implementation of the proposed rules to effect Basel III in the United States was indefinitely delayed. Basel III would require capital to be held in the form of tangible common equity, generally increase the required capital ratios, phase out certain kinds of intangibles treated as capital and certain types of instruments, like trust preferred securities, and change the risk weightings of assets used to determine required capital ratios.

These provisions, as well as any other aspects of current or proposed regulatory or legislative changes to laws applicable to the financial industry, may impact the profitability of our business activities and may change certain of our business practices, including the ability to offer new products, obtain financing, attract deposits, make loans, and achieve satisfactory interest spreads, and could expose us to additional costs, including increased compliance costs. These changes also may require us to invest significant management attention and resources to make any necessary changes to operations in order to comply, and could therefore also materially and adversely affect our business, financial condition and results of operations. Our management is actively reviewing the provisions of the Dodd-Frank Act, many of which are to be phased-in over the next several months and years, and Basel III, the implementation of which has been delayed, and assessing the probable impact on our operations. However, the ultimate effect of these changes on the financial services industry in general, and us in particular, is uncertain at this time.

We are periodically subject to examination and scrutiny by a number of banking agencies and, depending upon the findings and determinations of these agencies, we may be required to make adjustments to our business that could adversely affect us.

Federal and state banking agencies periodically conduct examinations of our business, including compliance with applicable laws and regulations. If, as a result of an examination, a federal banking agency was to determine that the financial condition, capital resources, asset quality, asset concentration, earnings prospects, management, liquidity, sensitivity to market risk or other aspects of any of our operations has become unsatisfactory, or that we or our management is in violation of any law or regulation, it could take a number of different remedial actions as it deems appropriate. These actions include the power to enjoin "unsafe or unsound" practices, to require affirmative actions to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in our capital, to restrict our growth, to change the asset composition of our portfolio or balance sheet, to assess civil monetary penalties against our officers or directors, to remove officers and directors and, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate our deposit insurance. If we become subject to such regulatory actions, our business, results of operations and reputation may be negatively impacted.

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The recent repeal of federal prohibitions on payment of interest on demand deposits could increase our interest expense.

On July 21, 2011, all federal prohibitions on the ability of financial institutions to pay interest on demand deposit accounts were repealed as part of the Dodd-Frank Act. As a result, some financial institutions have commenced offering interest on these demand deposits to compete for customers. If competitive pressures require us to pay interest on these demand deposits to attract and retain business customers, our interest expense would increase and our net interest margin would decrease. This could have a material adverse effect on our business, financial condition and results of operations. Further, the effect of the repeal of the prohibition could be more significant in a higher interest rate environment, as business customers would have a greater incentive to seek interest on demand deposits.

Liquidity risks could affect operations and jeopardize our business, financial condition, and results of operations.

Our ability to implement our business strategy will depend on our liquidity and ability to obtain funding for loan originations, working capital and other general purposes. An inability to raise funds through deposits, borrowings, the sale of loans and other sources could have a substantial negative effect on our liquidity. Our preferred source of funds consists of customer deposits, which we supplement with other sources such as brokered deposits. Such account and deposit balances can decrease when customers perceive alternative investments as providing a better risk/return tradeoff. If customers move money out of bank deposits and into other investments, we may increase our utilization of brokered deposits, Federal Home Loan Bank ("FHLB") advances and other wholesale funding sources necessary to fund desired growth levels. Because these funds generally are more sensitive to interest rate changes than our core deposits, they are more likely to move to the highest rate available. In addition, the use of brokered deposits without regulatory approval is limited to banks that are "well capitalized" according to regulation. As of September 30, 2012, 42.8% of FBB's total deposits and 9.4% of FBB Milwaukee's total deposits were brokered deposits. If the Banks are unable to maintain their capital levels at "well capitalized" minimums, we could lose a significant source of funding, which would force us to utilize additional wholesale funding or potentially sell assets at a time when pricing may be unfavorable, increasing our funding costs and reducing our net interest income and net income.

Our access to funding sources in amounts adequate to finance or capitalize our activities or on terms that are acceptable to us could be impaired by factors that affect us directly or the financial services industry or economy in general, such as disruptions in the financial markets or negative views and expectations about the prospects for the financial services industry. Regional and community banks generally have less access to the capital markets than do national and super-regional banks because of their smaller size and limited analyst coverage. Since mid-2007, the financial services industry and the credit markets generally have been materially and adversely affected by significant declines in asset values and by a lack of liquidity. The liquidity issues have been particularly acute for regional and community banks, as many of the larger financial institutions have significantly curtailed their lending to regional and community banks to reduce their exposure to the risks of other banks. In addition, many of the larger correspondent lenders have reduced or even eliminated federal funds lines for their correspondent customers.

As a result, we rely on our ability to generate deposits and effectively manage the repayment and maturity schedules of our loans and investment securities, respectively, to ensure that we have adequate liquidity to fund our operations. Any decline in available funding could adversely impact our ability to originate loans, invest in securities, meet our expenses, pay dividends to our stockholders or fulfill obligations such as repaying our borrowings or meeting deposit withdrawal demands, any of which could have a material adverse impact on our liquidity, business, financial condition and results of operations.

The proposed December 31, 2012 expiration of the FDIC's Transaction Account Guarantee Program could negatively impact the Banks' liquidity and cost of funds.

Under the FDIC's Transaction Account Guarantee Program, certain non-interest-bearing transaction accounts, including those of consumers and businesses, are insured by the FDIC over and above the customary $250,000 limit. This program is set to expire on December 31, 2012 and, unless extended by the FDIC, the expiration of this program could cause depositors of the Banks to withdraw deposits in excess of FDIC-insured levels. The withdrawal of these deposits could negatively impact the Banks' liquidity. Furthermore, the withdrawal of these deposits could negatively impact the Banks' cost of funds by potentially reducing their levels of core deposits and increasing their need to rely on wholesale funding sources, which typically represent higher cost funds.

We rely on our management, and the loss of one or more of those managers may harm our business.

Our success has been and will be greatly influenced by our continuing ability to retain the services of our existing senior management and, if we expand, to attract and retain additional qualified senior and middle management. The unexpected loss of key management personnel or the inability to recruit and retain qualified personnel in the future could have an adverse effect on our business and financial results. In addition, our failure to develop and/or maintain an effective succession plan will impede our ability to quickly and effectively react to unexpected loss of key management and in turn may have an adverse effect on our business.

Interest rate shifts may reduce net interest income and otherwise negatively impact our financial condition and results of operations.

Shifts in short-term interest rates may reduce net interest income, which is the principal component of our earnings. Net interest income is the difference between the amounts received by us on our interest-earning assets and the interest paid by us on our interest-bearing liabilities. In certain scenarios, when interest rates rise, the rate of interest we pay on our liabilities may rise more quickly than the rate of interest that we receive on our interest-bearing assets, which could cause our profits to decrease. Currently, because of the continuing period of low interest rates, we have structured our balance sheet so that the interest we receive on our interest-earning assets will increase more quickly than the interest we pay on our interest-bearing liabilities. However, the structure of our balance sheet and resultant sensitivity to interest rates in various scenarios may change in the future.

Additionally, interest rate increases often result in larger payment requirements for our borrowers, which increases the potential for default. At the same time, the marketability of underlying collateral may be adversely affected by any reduced demand resulting from higher interest rates. In a declining interest rate environment, there may be an increase in prepayments on certain loans as borrowers refinance at lower rates.

Changes in interest rates also can affect the value of loans. An increase in interest rates that adversely affects the ability of borrowers to pay the principal or interest on loans may lead to an increase in nonperforming assets and a reduction of income recognized, which could have a material adverse effect on our results of operations and cash flows. Further, when we place a loan on nonaccrual status, we reverse any accrued but unpaid interest receivable, which decreases interest income. Subsequently, we continue to have a cost to fund the loan, which is reflected as interest expense, without any interest income to offset the associated funding expense. Thus, an increase in the amount of nonperforming assets would have an adverse impact on net interest income.

Rising interest rates may also result in a decline in value of our fixed-rate debt securities. The unrealized losses resulting from holding these securities would be recognized in other comprehensive income and reduce total stockholders' equity. If debt securities in an unrealized loss position are sold, such losses become realized and will reduce our regulatory capital ratios.

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If short-term interest rates remain at their historically low levels for a prolonged period, and assuming longer term interest rates fall further, we could experience net interest margin compression if our interest-earning assets reprice downward while our interest-bearing liability rates fail to decline in tandem. This may have a material adverse effect on our net interest income and our results of operations.

We could recognize losses on securities held in our securities portfolio, particularly if interest rates increase or economic and market conditions deteriorate.

As of September 30, 2012, the fair value of our securities portfolio was approximately $202.8 million. Factors beyond our control can significantly influence the fair value of securities in our portfolio and can cause potential adverse changes to the fair value of these securities. For example, fixed-rate securities acquired by us are generally subject to decreases in market value when interest rates rise. Additional factors include, but are not limited to, rating agency downgrades of the securities, defaults by the issuer or individual mortgagors with respect to the underlying securities, and continued instability in the credit markets. Any of the foregoing factors could cause an other-than-temporary impairment in future periods and result in realized losses. The process for determining whether impairment is other-than-temporary usually requires difficult, subjective judgments about the future financial performance of the issuer and any collateral underlying the security in order to assess the probability of receiving all contractual principal and interest payments on the security. Because of changing economic and market conditions affecting interest rates, the financial condition of issuers of the securities and the performance of the underlying collateral, we may recognize realized and/or unrealized losses in future periods, which could have an adverse effect on our financial condition and results of operations.

The Company is a bank holding company and its sources of funds necessary to meet its obligations are limited.

The Company is a bank holding company, and its operations are primarily conducted by the Banks, which are subject to significant federal and state regulation. Cash available to pay dividends to our stockholders, pay our obligations and meet our debt service requirements is derived primarily from our existing cash flow sources, our third party line of credit, dividends received from the Banks, or a combination thereof. Future dividend payments by the Banks to us will require generation of future earnings by the Banks and are subject to certain regulatory guidelines. If the Banks are unable to pay dividends to us, we may not have the resources or cash flow to pay or meet all of our obligations.

Competition from other financial institutions could adversely affect our profitability.

We encounter heavy competition in attracting commercial loan, equipment finance and deposit clients as well as trust and investment clients. We believe the principal factors that are used to attract core deposit accounts and that distinguish one financial institution from another include value-added relationships, rates of return, types of accounts, service fees, convenience of office locations and hours and quality of service to the depositors. We believe the primary factors in competing for commercial loans are value-added relationships, interest rates, loan fee charges, loan structure and timeliness and quality of service to the borrower.

Our competition includes banks, savings institutions, mortgage banking companies, credit unions, finance companies, equipment finance companies, mutual funds, insurance companies, brokerage firms and investment banking firms. We also compete with regional and national financial institutions that have a substantial presence in our market areas, many of which have greater liquidity, higher lending limits, greater access to capital, more established market recognition and more resources and collective experience than us. In addition, some larger financial institutions that have not historically competed with us directly have substantial excess liquidity and have sought, and may continue to seek, smaller

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lending relationships in our target markets. Furthermore, tax-exempt credit unions operate in most of our market areas and aggressively price their products and services to a large portion of the market. Our profitability depends, in part, upon our ability to successfully maintain and increase market share.

We may be adversely affected by the soundness of other financial institutions.

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. We have exposure to many different industries and counterparties and routinely execute transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks, and other institutional clients. Many of these transactions expose us to credit risk in the event of a default by a counterparty or client. Any such losses could have a material adverse effect on our financial condition and results of operations.

Our framework for managing risks may not be effective in mitigating risk and loss to us.

Our risk management framework seeks to mitigate risk and loss to us. We have established processes and procedures intended to identify, measure, monitor, report and analyze the types of risk to which we are subject, including liquidity risk, credit risk, market risk, interest rate risk, operational risk, legal and compliance risk, and reputational risk, among others. However, as with any risk management framework, there are inherent limitations to our risk management strategies as there may exist, or develop in the future, risks that we have not appropriately anticipated or identified. Our ability to successfully identify and manage risks facing us is an important factor that can significantly impact our results. If our risk management framework proves ineffective, we could suffer unexpected losses and could be materially adversely affected.

FBB has recently crossed the threshold for internal control reporting under FDIC regulations and, if it cannot favorably assess the effectiveness of its internal controls over financial reporting or if its independent registered public accounting firm is unable to provide an unqualified attestation report on FBB's internal controls, we may be subject to additional regulatory scrutiny.

As of January 1, 2012, FBB had total assets of $1.0 billion and, as a result of surpassing $1.0 billion in assets, will be subject to further reporting requirements under the rules of the FDIC as of December 31, 2012. Pursuant to these rules, management will prepare a report that contains an assessment by management of FBB's effectiveness of internal control structure and procedures for financial reporting as of the end of the fiscal year. FBB will also be required to obtain an independent public accountant's attestation report concerning its internal control structure over financial reporting that includes the call report and/or the FR Y-9C report. The rules that must be met for management to assess FBB's internal controls over financial reporting are complex, and require significant documentation, testing and possible remediation. FBB currently is in the process of reviewing, documenting and testing its internal controls over financial reporting. The continuing effort to comply with regulatory requirements relating to internal controls will likely cause us to incur increased expenses and will cause a diversion of management's time and other internal resources. We also may encounter problems or delays in completing the implementation of any changes necessary to make a favorable assessment of FBB's internal controls over financial reporting. In addition, in connection with the attestation process, FBB may encounter problems or delays in completing the implementation of any requested improvements or receiving a favorable attestation from its independent registered public accounting firm. If FBB cannot favorably assess the effectiveness of its internal controls over financial reporting, or if its independent registered public accounting firm is unable to provide an unqualified attestation report on FBB's internal controls, investor confidence and the price of our common stock could be adversely affected and we may be subject to additional regulatory scrutiny.

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We are subject to certain operational risks, including, but not limited to, customer or employee fraud and data processing system failures and errors.

Employee errors and employee and customer misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. Misconduct by our employees could include hiding unauthorized activities from us, improper or unauthorized activities on behalf of our customers or improper use of confidential information. It is not always possible to prevent employee errors and misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Employee errors could also subject us to financial claims for negligence.

We maintain a system of internal controls and insurance coverage to mitigate against operational risks, including data processing system failures and errors and customer or employee fraud. If our internal controls fail to prevent or detect an occurrence, or if any resulting loss is not insured or exceeds applicable insurance limits, it could have a material adverse effect on our business, financial condition and results of operations.

If we are unable to keep pace with technological advances in our industry, our ability to attract and retain clients could be adversely affected.

The banking industry is constantly subject to technological changes with frequent introductions of new technology-driven products and services. In addition to better serving clients, the effective use of technology increases our efficiency and enables us to reduce costs. Our future success will depend in part on our ability to address the needs of our clients by using technology to provide products and services that will satisfy client demands for convenience as well as create additional efficiencies in our operations. A number of our competitors have substantially greater resources to invest in technological improvements, as well as significant economies of scale. There can be no assurance that we will be able to implement and offer new technology-driven products and services to our clients. If we fail to do so, our ability to attract and retain clients may be adversely affected.

A breach in security of our systems or our third-party service providers' communications and information technologies, including with respect to our internet banking activities, could have a material adverse effect on our business.

We rely heavily on communications and information technology to conduct our business and internet banking activities. Any failure or interruption due to a breach in security, denial of service attack, virus, worm, "phishing" scheme or other disruptive activity by hackers could result in failures or disruptions in our general ledger, deposit, loan, investment management, electronic banking and other systems or those of our internet banking customers. In addition, advances in computer capabilities or other developments could result in a breach of our systems designed to protect client data. We have policies and procedures designed to prevent or limit the effect of such a failure or interruption due to a security breach of our information systems; however, there can be no assurance that any such events will not occur or, if they do, that they will be adequately addressed. The occurrence of any failures, interruptions or security breaches of our or our internet banking clients' information systems could damage our reputation, result in a loss of clients, subject us to additional regulatory scrutiny, or expose us to litigation and possible financial liability which could have an adverse effect on our operating results and financial condition. Failure in any of these situations subjects us to risks that may vary in size and scope.

In addition, we rely on third-party service providers for a substantial portion of our communications, information, operating and financial control systems technology. While we have selected these third-party vendors carefully, we do not control their actions. If any of these third-party service providers experience financial, operational or technological difficulties, security breaches, or if there is any disruption in our relationships with them, we may be required to locate alternative sources for these services. There can be no assurance that we could negotiate terms as favorable to us or obtain services with similar functionality as we currently have without the expenditure of substantial resources. Any of these circumstances could have a material adverse effect on our business.

Our business continuity plans could prove to be inadequate, resulting in a material interruption in or disruption to, our business and a negative impact on our results of operations.

We rely heavily on communications and information systems to conduct our business, and our operations are dependent on our ability to protect our systems against damage from fire, power loss or telecommunication failure. The computer systems and network infrastructure we use could be vulnerable to unforeseen problems. These problems may arise in both our internally developed systems and the systems of our third-party service providers. Any failure or interruption of these systems, whether due to severe weather, natural disasters, acts of war or terrorism, criminal activity or other factors, could result in failures or disruptions in general ledger, deposit, loan, client relationship management and other systems. While we have a business continuity plan and other policies and procedures designed to prevent or limit the effect of a failure, interruption or security breach of our information systems, there can be no assurance that any such failures or interruptions will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures or interruptions of our information systems could damage our reputation, result in a loss of clients, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our results of operations.

Our trust and investment services operations may be negatively impacted by changes in economic and market conditions.

Our trust and investment services operations may be negatively impacted by changes in general economic conditions and the conditions in the financial and securities markets, including the values of assets held under management. Our management contracts generally provide for fees payable for services based on the market value of assets under management. Because most of our contracts provide for a fee based on market values of securities, fluctuations in securities prices will have an adverse effect on our results of operations from this business. If the financial and securities markets were to experience a significant decline, such as what occurred during the second half of 2008 and the first half of 2009, the values of the assets that we manage generally would decline and result in a corresponding decline in the performance of our customers' portfolios. Market declines and reductions in the value of our customers' trust and investment services accounts could result in us losing trust and investment services customers, including those who are also banking customers.

We are subject to claims and litigation pertaining to our fiduciary responsibilities.

Some of the services we provide, such as trust and investment services, require us to act as fiduciaries for our customers and others. From time to time, third parties make claims and take legal action against us pertaining to the performance of our fiduciary responsibilities. If these claims and legal actions are not resolved in a manner favorable to us, we may be exposed to significant financial liability and/or our reputation could be damaged. Either of these results may adversely impact demand for our products and services or otherwise have a harmful effect on our business and, in turn, on our financial condition and results of operations.

Negative publicity could damage our reputation and adversely impact our business and financial results.

Reputation risk, or the risk to our earnings and capital due to negative publicity, is inherent in our business. Negative publicity can result from our actual or alleged conduct in a number of activities, including lending practices, corporate governance, and actions taken by government regulators and community organizations in response to those activities. Negative publicity can adversely affect our

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ability to keep and attract customers, and can expose us to the litigation and regulatory action, all of which could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Investing in Our Common Stock

There is a limited trading market for our common shares, and you may not be able to resell your shares at or above the price you paid for them.

Although our common shares are listed for trading on the NASDAQ Global Market, the trading in our common shares has less liquidity than the shares of many other companies quoted on the NASDAQ Global Market. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the market of willing buyers and sellers of our common shares at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control. We cannot assure you that the volume of trading in our common shares will increase in the future. Additionally, general market forces may have a negative effect on our stock price, independent of factors affecting our stock specifically.

Our stock is thinly traded and our stock price can fluctuate.

Low volume of trading activity and volatility in the price of our common stock and the NASDAQ Global Market, where our common stock is listed, may make it difficult for you to resell your common stock when you want and at prices you find attractive. Our stock price can fluctuate significantly in response to a variety of factors including, among other things:

- actual or anticipated variations in our quarterly results of operations;
- recommendations by securities analysts;
- operating and stock price performance of other companies that investors deem comparable to us;
- news reports relating to trends, concerns and other issues in the financial services industry, including the failures of other financial institutions in the current economic downturn;
- perceptions in the marketplace regarding us or our competitors and other financial services companies;
- new technology used, or services offered, by competitors; and
- changes in government regulations.

General market fluctuations, industry factors and general economic and political conditions and events, such as economic slowdowns or recessions, interest rate changes or credit loss trends, could also cause our stock price to decrease regardless of our operating results as evidenced by the current volatility and disruption of capital and credit markets.

We will retain broad discretion in using the resources newly available to us as a result of using the net proceeds from this offering to pay down debt, and may not use such resources effectively.

We intend to use the net proceeds of this offering to repay a portion of our existing subordinated debt. We believe that ultimately the repayment of a significant portion of our outstanding subordinated debt with the proceeds of this offering will benefit us in a number of ways, including by: (i) reducing our interest expense; (ii) reducing holding company leverage; (iii) enhancing our regulatory capital position by replacing funds qualifying as Tier 2 capital with funds qualifying as Tier 1 capital; and (iv) supporting the future growth of our organization by freeing additional resources that may be used

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to accelerate organic growth in our existing or new markets or to potentially pursue opportunistic acquisitions of similar or complementary financial services organizations.

Funds made available to us for other uses as a result of the repayment of a portion of our subordinated debt may be applied in ways with which you and other investors in the offering may not agree. Moreover, our management may use the funds made available to us for other uses as a result of the repayment of a portion of our subordinated debt for corporate purposes that may not increase our market value or make us more profitable. Management's failure to use such funds effectively could have an adverse effect on our business, results of operations and financial condition.

To maintain adequate capital levels, we may be required to raise additional capital in the future, but that capital may not be available when it is needed and could be dilutive to our existing stockholders.

We are required by regulatory authorities to maintain adequate levels of capital to support our operations. In order to ensure our ability to support the operations of the Banks we may need to limit or terminate cash dividends that can be paid to our stockholders. In addition, we may need to raise capital in the future. Our ability to raise capital, if needed, will depend in part on our financial performance and conditions in the capital markets at that time, and accordingly, we cannot provide assurance of our ability to raise capital on terms acceptable to us. In addition, if we decide to raise equity capital in the future, the interest of our stockholders could be diluted. Any issuance of common stock at prices below tangible book value would dilute the ownership of our current stockholders. In addition, the market price of our common stock could decrease as a result of the sale of a large number of shares or similar securities, or the perception that such sales could occur. If we cannot raise capital when needed, our ability to serve as a source of strength to the Banks, pay dividends, maintain adequate capital levels and liquidity, or further expand our operations could be materially impaired.

If equity research analysts publish research or reports about our business with unfavorable commentary or downgrade our common stock, the price and trading volume of our common stock could decline.

The trading market for our common stock could be affected by whether equity research analysts publish research or reports about us and our business and what is included in such research or reports. If equity analysts publish research reports about us containing unfavorable commentary, downgrade our stock or cease publishing reports about our business, the price of our stock could decline If any analyst electing to cover us downgrades our stock, our stock price would likely decline rapidly. If any analyst electing to cover us ceases coverage of us, we could lose visibility in the market, which in turn could cause our common stock price or trading volume to decline and our common stock to be less liquid.

An investment in our common stock is not an insured deposit.

Our common stock is not a bank deposit and, therefore, is not insured against loss by the FDIC, any other deposit insurance fund or by any other public or private entity. Investment in our common stock is inherently risky for the reasons described in this "RISK FACTORS" section and elsewhere in this prospectus and is subject to the same market forces that affect the price of common stock in any company. As a result, if you acquire our common stock, you may lose some or all of your investment.

Our ability to pay dividends is limited, and we may be unable to pay future dividends.

Our ability to pay dividends is limited by Wisconsin law, as well as regulatory restrictions and the need to maintain sufficient consolidated capital. The ability of the Banks to pay dividends to us is limited by their obligations to maintain sufficient capital and liquidity and by other general restrictions on dividends that are applicable to the Banks. The FDIC and other bank regulators have proposed guidelines regarding the payment of dividends by banks, and have been discussing increasing capital requirements which may limit future dividend payments. If current or any future regulatory

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requirements are not met, the Banks will not be able to pay dividends to us, and we may be unable to pay dividends on our common stock.

Additionally, as a Wisconsin corporation, we may only pay dividends if, after such dividend, we would be able to pay our debts as they become due in the ordinary course of business and our total assets would be more than the sum of our total liabilities plus any amount that would be needed if we were to be dissolved at the time of the dividend payment. Moreover, as a bank holding company, our ability to declare and pay dividends is subject to the guidelines of the Federal Reserve regarding capital adequacy and dividends. The Federal Reserve guidelines generally require us to review the effects of the cash payment of dividends on common stock and other Tier 1 capital instruments (i.e., perpetual preferred stock and trust preferred debt) in light of our earnings, capital adequacy and financial condition. As a general matter, the Federal Reserve indicates that the board of directors of a bank holding company should eliminate, defer or significantly reduce the dividends if:

- the company's net income available to stockholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends;

- the prospective rate of earnings retention is inconsistent with the company's capital needs and overall current and prospective financial condition; or

- the company will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios.

Furthermore, in the future if we default on certain of our outstanding debts or elect to defer interest payments on our junior subordinated notes we will be prohibited from making dividend payments on our common stock until such payments have been brought current.

There may be future sales or other dilutions of our equity, which may adversely affect the market price of our common stock.

Except as described under "UNDERWRITING" and except as our authorized capital stock may be limited by our amended and restated articles of incorporation, we are not restricted from issuing additional common stock, including securities that are convertible into or exchangeable for, or that represent the right to receive our common stock. The issuance of any additional shares of common stock or convertible securities could dilute the ownership interest of our existing common stockholders. The market price of our common stock could decline as a result of this offering, as well as other sales of a large block of shares of our common stock in the market after this offering, or the perception that such sales could occur.

Our common stock is equity and is subordinate to our and our subsidiaries' indebtedness and any preferred stock.

Shares of the common stock are equity interests in us and do not constitute indebtedness. As such, shares of our common stock rank junior to all current and future indebtedness and other nonequity claims on us with respect to assets available to satisfy claims on us, including in a liquidation of our company. We may incur additional indebtedness from time to time and may increase our aggregate level of outstanding indebtedness. Additionally, holders of our common stock are subject to the prior dividend and liquidation rights of any holders of our preferred stock, if any, then outstanding.

Our board of directors is authorized to cause us to issue preferred stock, in one or more series, without any action on the part of our stockholders. If we issue shares of preferred stock that have a preference over our common stock with respect to the payment of dividends or upon liquidation, or if we issue shares of preferred stock with voting rights that dilute the voting power of the common stock, then the rights of holders of our common stock or the market price of our common stock could be adversely affected.

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Certain provisions of our amended and restated articles of incorporation, as well as Wisconsin and federal law and our rights agreement, may discourage, delay or prevent transactions you might favor, including our sale or merger.

As described more fully under "DESCRIPTION OF CAPITAL STOCK Common Stock *Anti-Takeover Provisions*," certain provisions included in our amended and restated articles of incorporation and bylaws, as well as certain provisions of Wisconsin and federal law, may discourage, delay or prevent potential acquisitions of control of us, particularly when attempted in a transaction that is not negotiated directly with, and approved by, our board of directors, despite possible benefits to our stockholders. Furthermore, with certain limited exceptions, federal regulations prohibit a person or company or a group of persons deemed to be "acting in concert" from, directly or indirectly, acquiring more than 10% (5% if the acquirer is a bank holding company) of any class of our voting stock or obtaining the ability to control in any manner the election of a majority of our directors or otherwise direct the management or policies of our company without prior notice or application to and the approval of the Federal Reserve. Accordingly, prospective investors need to be aware of and comply with these requirements, if applicable, in connection with any purchase of shares of our common stock. Moreover, the combination of these provisions effectively inhibits certain mergers or other business combinations, which, in turn, could adversely affect the market price of our common stock.

Additionally, pursuant to the terms of the Rights Agreement (the "Rights Agreement"), dated June 5, 2008, between us and Computershare Investor Services, Inc., as Rights Agent, until June 5, 2018, each share of our common stock, including those to be issued in conjunction with the offering of common stock described in this prospectus, has attached to it one common share purchase right (a "Right") entitling the registered holder to purchase from us one-half of one share of common stock at a price of $42.50, subject to certain adjustments (the "Purchase Price"). As described more fully under "DESCRIPTION OF CAPITAL STOCK Common Stock *Anti-Takeover Provisions*," these Rights are not currently exercisable, but will become so in the event that any other person or group of affiliated or associated persons acquires beneficial ownership of 15% or more of our outstanding common stock or commences, or announces an intention to make, a tender offer or exchange offer which would result in the beneficial ownership by such person or group of 15% or more of our outstanding common stock. The Rights may have certain anti-takeover effects. If exercised, the Rights will cause substantial dilution to a person or group that attempts to acquire us without conditioning the offer on redemption of the Rights or the termination of the Rights Agreement. The Rights could have the effect of delaying, deferring or preventing a change of control, which, in turn, could adversely affect the market price of our common stock.

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USE OF PROCEEDS

We estimate that the net proceeds to us, after underwriting discounts and estimated offering expenses, from the sale of the shares of our common stock offered hereby will be approximately $23.5 million (or approximately $27.1 million if the underwriters exercise in full their option to purchase additional shares). We expect that the net proceeds from this offering will support the future growth of our organization by allowing us to accelerate our organic growth in existing or new markets and to potentially pursue opportunistic acquisitions of similar or complementary financial services organizations. The immediate use of our net proceeds from this offering will be to repay a portion of two tranches of our existing subordinated debt. As of September 30, 2012, these tranches consisted of: (i) $1.8 million of 2015 Subordinated Debt, bearing interest at a rate equal to one-month LIBOR plus 4.25%; and (ii) $31.0 million of 2018 Subordinated Debt, bearing interest at a rate equal to one-month LIBOR plus 4.75% with a floor of 7.00%. As of September 30, 2012, the interest rates of the 2015 Subordinated Debt and the 2018 Subordinated Debt were 4.48% and 7.00%, respectively.

Pursuant to the rules of the Federal Reserve, in each of the five years preceding the maturity of subordinated debt issued by a bank holding company, one-fifth of the amount of such subordinated debt originally issued becomes ineligible for treatment as Tier 2 capital. Accordingly, the amount of the 2015 Subordinated Debt eligible for Tier 2 capital treatment has decreased in recent years and will continue to do so. Thus, our board of directors anticipates using the net proceeds from this offering, which will qualify for Tier 1 capital treatment, to first pay down $1.8 million of our 2015 Subordinated Debt with the remainder, approximately $21.7 million or $25.3 million if the underwriters exercise their over-allotment option in full, being used to pay down a portion of the outstanding balance of our 2018 Subordinated Debt.

We expect the prepayment of a portion of our subordinated debt to benefit us in a number of ways, including by: (i) reducing our interest expense; (ii) reducing our holding company leverage; (iii) enhancing our regulatory capital position by replacing funds qualifying as Tier 2 capital with funds qualifying as Tier 1 capital; and (iv) supporting the future growth of our organization by freeing additional resources that may be used to accelerate organic growth in our existing or new markets and to potentially pursue opportunistic acquisitions of similar or complementary financial services organizations.

We do not have any agreements or commitments with respect to any acquisitions at this time.

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CAPITALIZATION

The following table sets forth our unaudited consolidated capitalization as of September 30, 2012:

- on an actual basis; and
- on an adjusted basis giving effect to the sale of 1,100,000 shares of our common stock in this offering at an offering price of $23.00 per share, after payment of our expenses related to this offering and underwriting discounts and commissions.

You should read the information included in the table in conjunction with our consolidated financial statements and the related notes included elsewhere in this prospectus.

	As of September 30, 2012	
	Actual	As Adjusted(1)
	(unaudited) (Dollars in thousands, except per share data)	
Indebtedness:		
Subordinated Notes, due June 30, 2015	$ 1,785	$
Subordinated Notes, due May 15, 2018	31,000	9,305
Subordinated Notes, due January 15, 2022	6,215	6,215
Junior Subordinated Notes, due September 26, 2038	10,315	10,315
Stockholders' Equity:		
Preferred stock: 2,500,000 shares authorized, $0.01 par value; none issued or outstanding		
Common stock: 25,000,000 shares authorized, $0.01 par value; 2,745,750 shares issued and 2,656,102 outstanding as of September 30, 2012 (actual); 3,845,750 shares issued and 3,756,102 outstanding as of September 30, 2012 (as adjusted)	27	38
Additional paid-in capital	26,217	49,686
Retained earnings	43,343	43,343
Accumulated other comprehensive income	2,632	2,632
Treasury stock, at cost	(1,670)	(1,670)
Total stockholders' equity	70,549	94,029
Total Capitalization	$ 119,864	$ 119,864
Per Share Data:		
Book value per common share	$ 26.56	$ 25.03
Tangible book value per common share(2)	26.56	25.03
Capital Ratios (Consolidated):		
Total capital to risk weighted assets	13.33%	13.44%
Tier 1 capital to risk weighted assets	8.12%	10.57%
Tier 1 capital to average assets	6.58%	8.56%
Other Ratios:		
Total common equity to total assets	5.92%	7.89%
Holding company debt(3) to total common equity	69.90%	27.48%

(1) Does not include the effect of the sale of up to an additional 165,000 shares of our common stock that may be sold pursuant to the underwriters' over-allotment option. If the underwriters' over-allotment option is exercised in full, "Additional paid-in capital" will increase to $53,261.

(2)

This measure is not a measure recognized under GAAP, and is therefore considered a non-GAAP financial measure. See "PROSPECTUS SUMMARY Non-GAAP Financial Measures" for a reconciliation of this measure to its most comparable GAAP measure.

(3) Holding company debt represents long term debt and includes junior subordinated debt and subordinated debt outstanding.

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PRICE RANGE OF COMMON STOCK AND DIVIDEND INFORMATION

Price Range and Dividends Declared

Our common stock is listed on the NASDAQ Global Market under the symbol "FBIZ." The table below presents the high and low sale prices per share of our common stock on the NASDAQ Global Market and the dividends declared per share of our common stock for the indicated periods. As of September 30, 2012, we had 2,656,102 shares of common stock issued and outstanding, held by approximately 410 record holders. We estimate that we have approximately 835 stockholders in total, including beneficial holders.

	Sale Price		Cash Dividend
	High	Low	Declared
Year Ended December 31, 2010			
First Quarter	$ 10.47	$ 9.47	$ 0.07
Second Quarter	11.25	9.43	0.07
Third Quarter	10.35	8.67	0.07
Fourth Quarter	14.90	8.80	0.07
Year Ended December 31, 2011			
First Quarter	$ 13.50	$ 11.19	$ 0.07
Second Quarter	15.00	11.48	0.07
Third Quarter	17.23	13.32	0.07
Fourth Quarter	17.24	13.76	0.07
Year Ending December 31, 2012			
First Quarter	$ 19.00	$ 14.81	$ 0.07
Second Quarter	23.50	16.20	0.07
Third Quarter	24.51	20.00	0.07
Fourth Quarter (through December 4, 2012)	26.30	22.38	

Dividend Policy

It has been our policy to pay a dividend to our common stockholders. Dividends historically have been paid in the month following the end of each calendar quarter. However, the timing and amount of future dividends are at the discretion of our board of directors and will depend upon the consolidated earnings, financial condition, liquidity and capital requirements of us and our subsidiaries, the amount of cash dividends paid to us by our subsidiaries, contractual restrictions, applicable government regulations, policies and guidelines, supervisory actions and other factors considered relevant by our board. See "DESCRIPTION OF CAPITAL STOCK Common Stock *Dividends Payable on Shares of Common Stock*," "SUPERVISION AND REGULATION First Business *Dividend Payments*" and "SUPERVISION AND REGULATION The Banks *Dividend Payments*" for a more detailed description of the limitations on our ability to pay dividends to our stockholders and the Banks' ability to pay dividends to us. We currently anticipate that we will continue to pay dividends as appropriate based on the above factors.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this prospectus. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Certain risks, uncertainties and other factors, including but not limited to those set forth under "*SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS*," "*RISK FACTORS*" and elsewhere in this prospectus, may cause actual results to differ materially from those projected in the forward-looking statements. We assume no obligation to update any of these forward-looking statements.*

Overview

Our principal business is conducted by FBB and FBB Milwaukee and certain subsidiaries of FBB and consists of a full range of commercial banking products and services tailored to meet the financial service needs of small- to medium-sized businesses, business owners, executives, professionals, and high net worth individuals. Products include commercial lending, asset-based lending, equipment financing, trust and investment services, treasury management services and a broad range of deposit products. Our operating philosophy is focused on prompt decision making and local client service from each of our primary banking locations in Madison, Brookfield and Appleton, Wisconsin combined with the efficiency of centralized administrative functions such as support for information technology, credit administration, loan support and deposit support, finance and accounting and human resources. We have a unique niche business banking model and we consistently operate within this niche. This allows us to provide a great deal of expertise in offering financial solutions to our clients with an experienced staff who serve our clients on an ongoing basis.

Beginning in 2007 and continuing through today, the U.S. and world economies have experienced unprecedented changes in the capital and credit markets that have adversely affected the U.S. banking industry. The turmoil in the credit and capital markets has adversely impacted real estate values, businesses and the demand for credit, and the overall economic climate. Many financial institutions have sought merger partners or buyers, been forced to raise additional capital or been forced into FDIC receivership by their primary regulator. The U.S. government has instituted several programs to stabilize the U.S. financial system and/or stimulate the U.S. economy that, among other things, were directed at increasing the capital bases of financial institutions.

The economic environment presents significant challenges for us and our industry. We believe that our historic conservative loan and investment policies and underwriting practices left us relatively well-positioned in the economic climate as compared to many U.S. financial institutions.

Our profitability depends on our ability to execute our strategic plan. Our strategic plan in 2011 and thus far in 2012 has emphasized improving the overall credit quality of our loan and lease portfolios, generating organic growth in our loan and lease portfolios, increasing our market share of in-market core deposits and increasing fee income. Given the economic conditions of the past few years, there were limited opportunities to grow the loan and lease portfolios of the Banks with appropriate credit quality; however, we have been successful in reducing the amount of our nonperforming assets, generating in-market core deposits, and increasing fee income. We expect that for the remainder of 2012 and into 2013 we will continue to focus on improving our asset quality as well as increasing full banking relationships with commercial and industrial clients in order to increase our in-market deposits, enhance our loan portfolio and grow our non-interest income. We intend to add business development officers as appropriate to continue revenue growth and ongoing core earnings improvement. We believe this strategy will create opportunities to capitalize on any economic expansion as well as any current disruption to our competitors' businesses in our core Wisconsin market areas.

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Highlights of Year-to-Date Results

- Total assets were $1.192 billion as of September 30, 2012 compared to $1.177 billion as of December 31, 2011.

- Net income for the nine months ended September 30, 2012 was $6.4 million compared to net income of $6.0 million for the nine months ended September 30, 2011. Net income for the nine months ended September 30, 2011 included a substantial one-time tax benefit resulting from a change in Wisconsin tax law during the second quarter of 2011.

- Diluted earnings per common share for the nine months ended September 30, 2012 were $2.43 compared to diluted earnings per common share of $2.32 for the nine months ended September 30, 2011.

- Net interest margin increased by seven basis points to 3.38% for the nine months ended September 30, 2012 compared to 3.31% for the nine months ended September 30, 2011.

- Top line revenue, the sum of net interest income and non-interest income, increased 8.7% to $34.5 million for the nine months ended September 30, 2012 compared to $31.7 million for the nine months ended September 30, 2011.

- Provision for loan and lease losses was $3.4 million for the nine months ended September 30, 2012 compared to $3.3 million for the comparable period of 2011. Allowance for loan and lease losses as a percentage of gross loans and leases was 1.67% at September 30, 2012 and 1.66% at December 31, 2011.

- The effective tax rate was 35.0% for the nine months ended September 30, 2012 compared to an effective tax rate of 26.7% for the nine months ended September 30, 2011. The effective tax rate for the nine months ended September 30, 2011 included a substantial one-time tax benefit resulting from a change in Wisconsin tax law during the second quarter of 2011.

- Nonperforming assets as a percentage of total assets were 1.26% at September 30, 2012 compared to 2.04% at December 31, 2011.

- Non-accrual loans declined by $8.9 million, or 41.0%, to $12.8 million at September 30, 2012 from $21.8 million at December 31, 2011.

- Annualized return on average equity ("ROAE") and annualized return on average assets ("ROAA") were 12.57% and 0.72%, respectively for the nine month period ended September 30, 2012, compared to 13.67% and 0.72%, respectively for the nine month period ended September 30, 2011. ROAE and ROAA for the nine months ended September 30, 2011 were positively impacted by a substantial one-time tax benefit resulting from a change in Wisconsin tax law during the second quarter of 2011.

Operating Results

For the nine months ended September 30, 2012, we recorded net income of $6.4 million compared to net income of $6.0 million for the nine months ended September 30, 2011. Net income for the nine months ended September 30, 2011 included a substantial one-time tax benefit resulting from a change in Wisconsin tax law. The increase in net income for the first nine months of 2012 was primarily attributable to a $1.9 million increase in net interest income resulting from lower interest expense on deposits and increases in each significant source of non-interest income totaling $858,000. These increases were partially offset by a $1.1 million increase in non-interest expense, primarily attributable to higher compensation expense and professional fees, and a $1.2 million increase in tax expense.

For the year ended December 31, 2011, we recorded net income of $8.4 million compared to $941,000 for the year ended December 31, 2010. During the year ended December 31, 2010, we had

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recorded an impairment of goodwill in an amount of $2.7 million, which was an accounting adjustment that did not affect our cash flows, liquidity, regulatory capital, regulatory capital ratios, or future operations. Net income excluding the impact of goodwill impairment for the year ended December 31, 2010 was $3.6 million. The increase in net income for 2011 was primarily attributable to a $3.5 million increase in net interest income and a decrease in provision for loan and lease losses of $2.8 million.

Comparison of the Nine Month Periods Ended September 30, 2012 and 2011

Top Line Revenue. Top line revenue is comprised of net interest income and non-interest income. This measurement is also commonly referred to as operating revenue. Top line revenue grew 8.7% for the nine months ended September 30, 2012, as compared to the same period in the prior year. The components of top line revenue were as follows:

	For the Nine Months Ended September 30,		
	2012	**2011**	**Change**
	(Dollars In Thousands)		
Net interest income	$ 28,450	$ 26,557	7.1%
Non-interest income	6,003	5,145	16.7
Total top line revenue	$ 34,453	$ 31,702	8.7

Core Earnings. Core earnings is comprised of our pre-tax income adding back our provision for loan and lease losses, other identifiable costs of credit and other discrete items that are unrelated to our core business activities. In our judgment, the presentation of core earnings allows our management team, investors and analysts to better assess the growth of our core business by removing the volatility that is associated with costs of credit and other discrete items that are unrelated to our core business and facilitates a more streamlined comparison of core growth to our benchmark peers. Core earnings is a non-GAAP financial measure that does not represent and should not be considered as an alternative to net income derived in accordance with GAAP. Our core earnings metric improved by 15.0% when comparing the nine months ended September 30, 2012 to the nine months ended September 30, 2011.

	For the Nine Months Ended September 30,		
	2012	**2011**	**Change**
	(Dollars in Thousands)		
Net income before taxes	$ 9,839	$ 8,241	19.4%
Add back:			
Provision for loan and lease losses	3,399	3,313	2.6
Net loss on foreclosed properties	228	158	44.3
Core earnings	$ 13,466	$ 11,712	15.0

Return on Average Assets and Return on Average Equity. ROAA for the nine months ended September 30, 2012 and September 30, 2011 was 0.72%. ROAA remained flat for this period despite improvement in net income due to the recognition of a substantial tax benefit recognized during the second quarter of 2011 as a result of the enactment of a new Wisconsin tax law which was not a recurring benefit. ROAA is a critical metric used by us to measure the profitability of our organization and how efficiently our assets are deployed. ROAA is a measurement that allows us to better benchmark our profitability to our peers without the need to consider different degrees of leverage which can ultimately influence return on equity measures.

ROAE for the nine months ended September 30, 2012 was 12.57% compared to 13.67% for the nine months ended September 30, 2011. The annualized ROAE for the nine month period of 2012

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decreased as a result of an increase in our average equity which outpaced the increase in our net income over the comparable periods. The increase in our average equity is primarily driven by continued quarterly profits between the measurement periods. In addition, we recognized a substantial tax benefit during the second quarter of 2011 caused by the enactment of a new Wisconsin tax law which was not a recurring benefit. We view ROAE to be an important measure of profitability, and we continue to focus on improving our return to our shareholders by enhancing the overall profitability of our client relationships, controlling our expenses and minimizing our costs of credit.

Net Interest Income. Net interest income depends on the amounts of and yields on interest-earning assets as compared to the amounts of and rates paid on interest-bearing liabilities. Net interest income is sensitive to changes in market rates of interest and the asset/liability management procedures to prepare for and respond to such changes.

The following table provides information with respect to (i) the change in interest income attributable to changes in rate (changes in rate multiplied by prior volume), (ii) the change in interest income attributable to changes in volume (changes in volume multiplied by prior rate) and (iii) the change in interest income attributable to changes in rate/volume (changes in rate multiplied by changes in volume) for the nine months ended September 30, 2012 compared to the same period of 2011.

	Increase (Decrease) for the Nine Months Ended September 30, 2012 Compared to 2011			
	Rate	Volume	Rate/ Volume	Net
	(In Thousands)			
Interest-Earning Assets				
Commercial real estate and other mortgage loans	$ 248	$ (1,399)	$ (14)	$ (1,165)
Commercial and industrial loans	(409)	1,626	(53)	1,164
Direct financing leases	(48)	(59)	4	(103)
Consumer and other loans	(6)	(48)	1	(53)
Total loans and leases receivable	(215)	120	(62)	(157)
Mortgage-related securities	(982)	198	(60)	(844)
Investment securities		176	(28)	148
FHLB Stock	2	(1)		1
Short-term investments	12	73	11	96
Total net change in income on interest-earning assets	(1,183)	566	(139)	(756)
Interest-Bearing Liabilities				
Interest-bearing transaction accounts	5	16	1	22
Money market	(372)	716	(126)	218
Certificates of deposit	(115)	51	(7)	(71)
Brokered certificates of deposit	(1,634)	(1,746)	282	(3,098)
Total deposits	(2,116)	(963)	150	(2,929)
FHLB advances	(24)	79	(61)	(6)
Other borrowings	320	(32)	(5)	283
Junior subordinated notes	3			3
Total net change in expense on interest-bearing liabilities	(1,817)	(916)	84	(2,649)
Net change in net interest income	$ 634	$ 1,482	$ (223)	$ 1,893

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The following table shows our average balances, interest, average rates, net interest margin and the spread between the combined average rates earned on interest-earning assets and average cost of interest-bearing liabilities for the nine months ended September 30, 2012 and 2011. The average balances are derived from average daily balances.

	For the Nine Months Ended					
	September 30, 2012			September 30, 2011		
(Dollars in Thousands)	**Average balance**	**Interest**	**Average yield/cost**	**Average balance**	**Interest**	**Average yield/cost**
Interest-earning assets						
Commercial real estate and other mortgage loans(1)	$ 578,798	$ 23,790	5.48%	$ 613,175	$ 24,955	5.43%
Commercial and industrial loans(1)	241,967	13,884	7.65	214,548	12,720	7.90
Direct financing leases(1)	15,980	685	5.72	17,262	788	6.09
Consumer and other loans	17,301	500	3.85	18,930	553	3.90
Total loans and leases receivable(1)	854,046	38,859	6.07	863,915	39,016	6.02
Mortgage-related securities(2)	170,975	2,426	1.89	161,224	3,270	2.70
Other investment securities(3)	13,599	149	1.46	77	1	2.47
Federal Home Loan Bank stock	1,669	3	0.25	2,367	2	0.10
Short-term investments	81,952	171	0.28	41,599	75	0.24
Total interest-earning assets	1,122,241	41,608	4.94	1,069,182	42,364	5.28
Non-interest-earning assets	55,748			50,153		
Total assets	$ 1,177,989			$ 1,119,335		
Interest-bearing liabilities						
Transaction accounts	$ 34,263	77	0.30	$ 26,682	55	0.27
Money market	384,488	2,326	0.81	286,980	2,108	0.98
Certificates of deposit	84,907	764	1.20	80,064	835	1.39
Brokered certificates of deposit	409,393	7,011	2.28	494,894	10,109	2.72
Total interest-bearing deposits	913,051	10,178	1.49	888,620	13,107	1.97
FHLB advances	2,520	25	1.32	709	31	5.83
Other borrowings	41,371	2,120	6.83	42,099	1,837	5.82
Junior subordinated notes	10,315	835	10.79	10,315	832	10.75
Total interest-bearing liabilities	967,257	13,158	1.81	941,743	15,807	2.24
Non-interest-bearing demand deposit accounts	131,761			108,293		
Other non-interest-bearing liabilities	11,097			10,391		
Total liabilities	1,110,115			1,060,427		
Stockholders' equity	67,874			58,908		
Total liabilities and stockholders' equity	$ 1,177,989			$ 1,119,335		
Net interest income		$ 28,450			$ 26,557	
Interest rate spread			3.13%			3.04%
Net interest-earning assets	$ 154,984			$ 127,439		
Net interest margin			3.38%			3.31%
Average interest-earning assets to average interest-bearing liabilities	116.02%			113.53%		
Return on average assets	0.72			0.72		
Return on average equity	12.57			13.67		
Average equity to average assets	5.76			5.26		
Non-interest expense to average assets	2.37			2.40		

(1)

The average balances of loans and leases include nonperforming loans and leases. Interest income related to nonperforming loans and leases is recognized when collected.

(2) Includes amortized cost basis of assets available for sale.

(3) Yields on tax-exempt municipal obligations are not presented on a tax-equivalent basis in this table.

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Net interest income increased by $1.9 million, or 7.13%, during the nine months ended September 30, 2012 compared to the same period in 2011. The increase in net interest income during the nine month period is primarily attributable to favorable rate and volume variances from lower cost and lower average balance of brokered certificates of deposit, partially offset by unfavorable rate variances affiliated with mortgage-related securities portfolio.

The yield on average earning assets for the nine months ended September 30, 2012 was 4.94% compared to 5.28% for the nine months ended September 30, 2011. The decline in the yield on average earning assets is related to the overall decline in the yield on the mortgage-related securities portfolio and an elevated amount of short-term investments as a percentage of total earning assets. We have invested in collateralized mortgage obligations with structured cash flow payments. The cash flows generated from these expected prepayments are primarily reinvested in additional collateralized mortgage obligations and to a lesser extent tax-exempt obligations and other agency securities. Given the continued low rate environment, the overall rate on the new purchases has typically been lower than the rates on securities that experience prepayments. The year-to-date average balance of short-term investments increased by approximately $40.4 million while its yield improved only modestly to 0.28% from 0.24% in the 2011 period. The increase in earning assets at this low yield has negatively impacted the overall yield on average earning assets. We continue to evaluate ways to redeploy the excess liquidity at a risk level prudent to the successful management of our balance sheet. In addition, the overall yield on the loan and lease portfolio will be influenced by a change in mix of loan and lease types. As we continue to focus on growing and originating more commercial and industrial loans, we expect that the yield on earning assets will continue to improve in the current low interest rate environment.

The overall weighted average rate paid on interest-bearing liabilities was 1.81% for the nine months ended September 30, 2012, a decrease of 43 basis points from 2.24% for the nine months ended September 30, 2011. The decrease in the overall rate on the interest-bearing liabilities was primarily caused by the replacement of certain maturing certificates of deposit, including brokered certificates of deposit, at lower current market rates and a lower rate paid on our money market accounts. The continued low rate environment coupled with the maturity structure of our brokered certificates of deposit portfolio has provided us the opportunity to be able to manage our liability structure in both terms of composition and rate to assist in providing an enhanced net interest margin.

Net interest margin increased approximately seven basis points to 3.38% for the nine months ended September 30, 2012 compared to 3.31% for the nine months ended September 30, 2011. Reducing our overall cost of funds and shifting the mix of the loan and lease portfolio has positively influenced our net interest margin; however, the significant increase in the average size of our short-term investment portfolio and an increased investment portfolio at lower rates due to the current ongoing low rate environment has primarily offset any benefit of net interest margin improvement in this period, resulting in a relatively stable net interest margin. The overall level of our margin is negatively impacted by the sizable amount of excess liquidity on our balance sheet. As we employ initiatives to reduce our overall short-term cash position, assuming all other factors remain constant, we expect that our margin will improve as we invest excess liquidity in higher yielding alternatives, such as approved investment securities and loan and lease growth.

Provision for Loan and Lease Losses. The provision for loan and lease losses totaled $3.4 million and $3.3 million for the nine months ended September 30, 2012 and 2011, respectively. We determine our provision for loan and lease losses based upon credit risk and other subjective factors pursuant to our allowance for loan and lease loss methodology, the magnitude of current and historical net charge-offs recorded in the period and the amount of reserves established for impaired loans that present collateral shortfall positions.

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During the nine months ended September 30, 2012 and 2011, the factors influencing the provision for loan and lease losses were the following:

	For the Nine Months Ended September 30, 2012	For the Nine Months Ended September 30, 2011
Changes in the provision for loan and lease losses associated with:		
Establishment/modification of specific reserves on impaired loans, net	$ 1,290	$ (230)
Subjective factor changes		61
Charge-offs in excess of specific reserves	2,030	4,127
Recoveries	(394)	(796)
Change in inherent risk of the loan and lease portfolio	473	151
Total provision for loan and lease losses	$ 3,399	$ 3,313

The establishment/modification of specific reserves on impaired loans represents new specific reserves established on impaired loans where, although collateral shortfalls are present, we believe that we will be able to recover our principal and/or it represents the release of previously established reserves that are no longer required. Charge-offs in excess of specific reserves represent an additional provision for loan and lease losses required to maintain the allowance for loan and leases at a level deemed appropriate by management. This amount is net of the release of any specific reserve that may have already been provided. Charge-offs in excess of specific reserves can occur in situations where: (i) a loan has previously been partially written down to its estimated fair value and continues to decline, (ii) rapid deterioration of a credit requires an immediate partial or full charge-off, or (iii) the specific reserve was not adequate to cover the amount of the required charge-off. Change in the inherent risk of the portfolio can be influenced by growth or migration in and out of an impaired loan classification where a specific evaluation of a particular credit may be required rather than the application of a general reserve ratio. Refer to "Financial Condition *Allowance for Loan and Lease Losses*" in this section for further information regarding our allowance for potential losses in our portfolio.

Non-Interest Income. Non-interest income, consisting primarily of fees earned for trust and investment services, service charges on deposits, income from bank-owned life insurance and loan fees increased $858,000, or 16.7%, to $6.0 million for the nine months ended September 30, 2012 from $5.1 million for the nine months ended September 30, 2011. The increase was primarily due to an increase in trust and investment services fee income and service charges on deposits.

Trust and investment services fee income increased by $260,000, or 13.6%, to $2.2 million for the nine months ended September 30, 2012 from $1.9 million for the nine months ended September 30, 2011. Trust and investment services fee income is driven by the amount of assets under management and administration and can be positively or negatively influenced by the timing and magnitude of volatility within the equity markets.

At September 30, 2012, we had $581.8 million of trust assets under management compared to $532.6 million at December 31, 2011 and $458.0 million at September 30, 2011. Assets under administration were $164.3 million at September 30, 2012 compared to $129.7 million at December 31, 2011 and $123.9 million at September 30, 2011. The growth in assets under management is primarily due to establishing new relationships. A significant amount of growth occurred during the fourth quarter of 2011, when a large client utilized our expertise in handling a substantial transaction as part of its business succession plan. During the third quarter of 2012, this client made its final determination to diversify its assets with various asset managers and as a result a substantial portion of these assets are no longer managed by us. In accordance with our operating philosophy, we focus on obtaining and managing larger than average client relationships. Accordingly, our assets under management and administration can be meaningfully influenced by the addition or loss of a client relationship.

Service charges on deposits increased by $289,000, or 23.8%, to $1.5 million for the nine months ended September 30, 2012 from $1.2 million for the nine months ended September 30, 2011. The increase of deposit service charge income in the nine month period of 2012 was primarily related to an increase in deposit relationships associated with commercial and industrial clients, who tend to have higher transaction volumes resulting in the generation of service charge income.

Loan fees increased by $166,000, or 15.4%, to $1.2 million for the nine months ended September 30, 2012 from $1.1 million for the nine months ended September 30, 2011. The increase is due to an increase in letter of credit fees and loan administration fees collected per existing client contracts upon the exit of certain loan relationships.

Other non-interest income increased by $117,000, or 44.0%, to $383,000 for the nine months ended September 30, 2012 from $266,000 for the nine months ended September 30, 2011. The increase in other non-interest income is primarily due to increased gains on sales of leased assets due to lease terminations and a $144,000 one-time gain we recognized on the sale of our credit card portfolio during the third quarter of 2012. Prior to the sale, outstanding credit card balances were approximately $968,000. Subsequent to our deconversion date, we will not have any further on-going involvement with this portfolio. These increases were partially offset by a decrease on rental income, as we are no longer subleasing a component of our office space.

Non-Interest Expense. Non-interest expense increased by $1.1 million, or 5.3%, to $21.2 million for the nine months ended September 30, 2012 from $20.1 million for the comparable period of 2011. The increase in non-interest expense was primarily caused by an increase in compensation expense and professional fees, and was partially offset by a decline in FDIC insurance and collateral liquidation costs.

Compensation expense increased by $1.0 million, or 9.1%, to $12.5 million for the nine months ended September 30, 2012 from $11.4 million for the nine months ended September 30, 2011. The increase was due to increased salary expense, which was primarily the result of new positions filled in support of strategic initiatives and annual merit increases. Other increased ancillary compensation costs include amounts associated with higher health insurance premiums and larger accruals for individual incentive compensation programs.

Collateral liquidation costs decreased by $123,000, or 21.4%, to $451,000 for the nine months ended September 30, 2012 from $574,000 for the nine months ended September 30, 2011. Collateral liquidation costs are expenses incurred by us to facilitate resolution of certain problem commercial loans. The amount of collateral liquidation costs recorded in any particular period are influenced by the timing and level of effort required for the liquidation of collateral underlying each such individual loan. Our ability to recoup these costs from our clients is uncertain and therefore we have expensed them as incurred through our consolidated results of operations. To the extent we are successful in recouping these expenses from our clients, the recovery of expense is shown as a net reduction to this line item. We have been successful in reducing our levels of nonperforming loans and therefore incurred a lower level of collateral liquidation costs year over year. The amount of collateral liquidation costs recorded in any particular period is influenced by the timing and level of effort required for the liquidation of collateral underlying each such individual loan.

Professional fees increased by $138,000, or 12.1%, to $1.3 million for the nine months ended September 30, 2012 from $1.1 million for the nine months ended September 30, 2011. The increase in professional fees was primarily due to increased audit and tax fees associated with new compliance requirements for 2012, fees incurred for regulatory examinations and recruiting expenses incurred to hire new business development officers in support of our strategic initiatives.

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FDIC insurance expense decreased by $355,000, or 18.7%, to $1.5 million for the nine months ended September 30, 2012 from $1.9 million for the nine months ended September 30, 2011. Effective April 1, 2011, the FDIC amended the Federal Deposit Insurance Act to implement revisions required by the Dodd-Frank Act, including, among other changes, modifying the definition of an institution's deposit insurance assessment base from a deposit-based calculation to an average assets less average tangible equity-based calculation and changing the assessment rate adjustments. This amendment resulted in a reduced FDIC insurance cost for our Banks.

Income Taxes. Income tax expense was $3.4 million for the nine months ended September 30, 2012, with an effective tax rate of 35.0% compared to income tax expense of $2.2 million for the nine months ended September 30, 2011, with an effective tax rate of 26.7%. The effective tax rate differs from the federal statutory corporate tax rate as follows:

	For the Nine Months Ended September 30,	
	2012	**2011**
Statutory federal tax rate	34.0%	34.0%
State taxes, net of federal benefit	4.8	10.8
FIN 48 expense, net of federal benefit	0.4	
Bank owned life insurance	(1.8)	(2.1)
Tax-exempt security and loan income, net of TEFRA adjustments	(3.0)	(2.7)
Release of valuation allowance		(15.2)
Discrete items		1.1
Other	0.6	0.8
	35.0%	26.7%

The primary difference between the effective tax rate for the nine months ended September 30, 2012 and 2011 was due to the recognition of two discrete items affecting state income taxes and release of valuation allowance that were recognized in the second quarter of 2011 that had a net positive impact on the effective tax rate. In June 2011, FBB and First Business Capital Corp entered into a confidential net settlement with the Wisconsin Department of Revenue. The net settlement of this matter with the Wisconsin Department of Revenue did not result in a liability materially different than that which had been previously accrued. In addition, on June 26, 2011, the State of Wisconsin 2011-2013 Budget Bill, Assembly Bill 40, was signed into law. The bill provided that, starting with the first taxable year beginning after December 31, 2011, and thereafter for the next 19 years, a combined group member that has pre-2009 net business loss carryforwards can, after first using such net business loss carryforwards to offset its own income for the taxable year and after using shared losses, use up to five percent of the pre-2009 net business loss carryforwards to offset the Wisconsin income of other group members on a proportionate basis to the extent the income is attributable to the group's unitary business. If the five percent cannot fully be used, the remainder can be added to the portion that may offset the Wisconsin income of all other combined group members in a subsequent year, until it is completely used or expired. We evaluated the potential utilization of the outstanding Wisconsin net operating losses under the provisions of this new law and determined that it is more likely than not the net operating losses will be realized. As a result, in 2011 we released the valuation allowance previously associated with these net operating losses.

Generally, the provision for income taxes is determined by applying an estimated annual effective income tax rate to income before taxes and adjusting for discrete items. Typically, the rate is based on the most recent annualized forecast of pretax income, book versus tax differences and tax credits, if any. If we conclude that a reliable estimated annual effective tax rate cannot be determined, the actual effective tax rate for the year-to-date period may be used. We re-evaluate the income tax rates each quarter. Therefore, the current projected effective tax rate for the entire year may change.

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Comparison of the Years Ended December 31, 2011 and 2010

Top Line Revenue. Top line revenue grew by approximately 9.9% for the year ended December 31, 2011 as compared to the year ended December 31, 2010. The components of top line revenue were as follows:

	For the Year Ended December 31,		
	2011	**2010**	**Change**
	(Dollars In Thousands)		
Net interest income	$ 35,461	$ 31,951	11.0%
Non-interest income	7,060	6,743	4.7
Total top line revenue	$ 42,521	$ 38,694	9.9

Core Earnings. Our core earnings metric, which is a non-GAAP measure as set forth above, improved by 25.1% when comparing the year ended December 31, 2011 to the year ended December 31, 2010, as shown in the following table.

	For the Year Ended December 31,		
	2011	**2010**	**Change**
	(Dollars in Thousands)		
Net income before taxes	$ 11,874	$ 3,290	260.9%
Add back:			
Provision for loan and lease losses	4,250	7,044	(39.7)
Loss on foreclosed properties	420	206	103.9
Goodwill impairment		2,689	(100.0)
Gain on sale of securities			
Core earnings	$ 16,544	$ 13,229	25.1

Return on Average Equity and Return on Average Assets. ROAE for the year ended December 31, 2011 was 14.03% compared to 1.67% for the year ended December 31, 2010. The increase in ROAE was directly related to the increase in net income, specifically an increase in net interest income, a reduction in the provision for loan and lease loss and the absence of goodwill impairment in the year ended December 31, 2011. The goodwill impairment in 2010 was an accounting adjustment that did not affect our cash flows, liquidity, regulatory capital, regulatory capital ratios, or future operations. Management has primarily focused its attention on the comparison of ROAE excluding the $2.7 million goodwill impairment to analyze the improvement in our profitability from the comparable reporting periods of the prior year. Excluding the $2.7 million goodwill impairment charge, ROAE for the year ended December 31, 2010 was 6.46%.

ROAA for the year ended December 31, 2011 was 0.75% compared to 0.09% for the year ended December 31, 2010. The increase in ROAA was primarily due to the improvement in net income, specifically an increase in net interest income and a reduction in the provision for loan and lease loss, as well as the absence of goodwill impairment in 2011. Excluding the goodwill impairment, ROAA for the year ended December 31, 2010 was 0.33%. ROAA excluding goodwill impairment is a non-GAAP metric. For a reconciliation of this metric to its nearest GAAP measure, please see "PROSPECTUS SUMMARY Non-GAAP Financial Measures."

Net Interest Income. Similar to the nine month comparative information above, the table below provides information with respect to: (i) the change in interest income attributable to changes in rate (changes in rate multiplied by prior volume), (ii) the change in interest income attributable to changes in volume (changes in volume multiplied by prior rate) and (iii) the change in rate/volume (changes in

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rate multiplied by changes in volume) for the year ended December 31, 2011 compared to the year ended December 31, 2010.

	Increase (Decrease) for the Year Ended December 31, 2011 Compared to 2010			
	Rate	Volume	Rate/ Volume	Net
	(In Thousands)			
Interest-Earning Assets				
Commercial real estate and other mortgage loans	$ (876)	$ 593	$ (15)	$ (298)
Commercial and industrial loans	639	(117)	(4)	518
Direct financing leases	(53)	(410)	15	(448)
Consumer and other loans	101	57	10	168
Total loans and leases receivable	(189)	123	6	(60)
Mortgage-related securities	(974)	787	(170)	(357)
Investment securities	2		8	10
FHLB Stock	2			2
Short-term investments	(1)	(3)		(4)
Total net change in income on interest-earning assets	(1,160)	907	(156)	(409)
Interest-Bearing Liabilities				
Interest-bearing transaction accounts	(54)	(172)	36	(190)
Money market	(250)	457	(41)	166
Certificates of deposit	(553)	(92)	30	(615)
Brokered certificates of deposit	(3,149)	195	(39)	(2,993)
Total deposits	(4,006)	388	(14)	(3,632)
FHLB advances	136	(610)	(129)	(603)
Other borrowings	167	138	11	316
Junior subordinated notes				
Total net change in expense on interest-bearing liabilities	(3,703)	(84)	(132)	(3,919)
Net change in net interest income	$ 2,543	$ 991	$ (24)	$ 3,510

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The table below shows our average balances, interest, average rates, net interest margin and the spread between combined average rates earned on our interest-earning assets and cost of interest-bearing liabilities for the periods indicated. The average balances are derived from average daily balances.

	For the Year Ended December 31,								
	2011			2010			2009		
	Average balance	Interest	Average yield/cost	Average balance	Interest	Average yield/cost	Average balance	Interest	Average yield/cost
	(Dollars In Thousands)								
Interest-Earning Assets									
Commercial real estate and other mortgage loans	$ 608,665	$ 33,192	5.45%	$ 598,068	$ 33,490	5.60%	$ 595,885	$ 32,794	5.50%
Commercial and industrial loans	219,754	16,959	7.72	221,323	16,441	7.43	214,212	15,822	7.39
Direct financing leases	16,974	1,039	6.12	23,429	1,487	6.35	29,577	1,847	6.24
Consumer and other loans	18,591	742	3.99	16,914	574	3.39	21,583	1,005	4.66
Total loans and leases receivable(1)	863,984	51,932	6.01	859,734	51,992	6.05	861,257	51,468	5.98
Mortgage-related securities(2)	162,817	4,156	2.55	138,637	4,513	3.26	114,151	4,803	4.21
Investment securities(3)	410	10	2.36						
Federal Home Loan Bank stock	2,367	2	0.10	2,367			2,367		
Short-term investments	48,395	117	0.24	49,878	121	0.24	34,762	85	0.24
Total interest-earning assets	1,077,973	56,217	5.22	1,050,616	56,626	5.39	1,012,537	56,356	5.57
Non-interest-earning assets	51,078			48,813			40,779		
Total assets	$ 1,129,051			$ 1,099,429			$ 1,053,316		
Interest-Bearing Liabilities									
Interest-bearing transaction accounts	$ 25,389	70	0.28	$ 74,784	260	0.35	$ 67,061	266	0.40
Money market	300,652	2,971	0.99	258,569	2,805	1.08	214,751	2,953	1.38
Certificates of deposit	80,323	1,108	1.38	84,828	1,723	2.03	121,801	2,847	2.34
Brokered certificates of deposit	486,594	12,966	2.66	480,709	15,959	3.32	460,691	18,332	3.98
Total interest-bearing deposits	892,958	17,115	1.92	898,890	20,747	2.31	864,304	24,398	2.82
FHLB advances	656	38	5.83	13,414	641	4.78	18,873	880	4.66
Other borrowings	41,488	2,491	6.00	39,010	2,175	5.58	40,738	1,932	4.74
Junior subordinated notes	10,315	1,112	10.78	10,315	1,112	10.78	10,315	1,112	10.78
Total interest-bearing liabilities	945,417	20,756	2.20	961,629	24,675	2.57	934,230	28,322	3.03
Demand deposits	112,899			68,430			51,665		
Non-interest-bearing liabilities	10,674			13,153			12,733		
Total liabilities	1,068,990			1,043,212			998,628		
Stockholders' equity	60,091			56,217			54,688		
Total liabilities and stockholders' equity	$ 1,129,051			$ 1,099,429			$ 1,053,316		
Net interest income		$ 35,461			$ 31,951			$ 28,034	
Net interest spread			3.02%			2.82%			2.53%
Net interest-earning assets	$ 132,556			$ 88,987			$ 78,307		
Net interest margin			3.29%			3.04%			2.77%
Average interest-earning assets to average interest-bearing liabilities	114.02%			109.25%			108.38%		
Return on average assets	0.75			0.09			0.10		
Return on average equity	14.03			1.67			1.90		
Average equity to average assets	5.32			5.11			5.19		

Non-interest expense to average assets	2.34	2.58	2.33

(1) The average balances of loans and leases include nonperforming loans and leases. Interest income related to nonperforming loans and leases is recognized when collected.

(2) Includes amortized cost basis of assets available for sale.

(3) Yields on tax-exempt municipal obligations are not presented on a tax-equivalent basis in this table.

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Net interest income increased by $3.5 million, or 11.0%, during the year ended December 31, 2011 compared to the same period in 2010. The increase in net interest income was primarily attributable to favorable rate variances from lower cost of deposits. The Federal Reserve held interest rates constant throughout 2010 and 2011. Therefore, the majority of the increase in net interest income associated with rate variances reflected pricing deposits commensurate with market conditions and demand along with replacing higher yielding maturing brokered certificates of deposits at lower market rates.

The yield on average earning assets for the year ended December 31, 2011 was 5.22% compared to 5.39% for the year ended December 31, 2010. The yield on average earning assets was negatively affected by the declining interest rates associated with our investment portfolio. We have invested in collateralized mortgage obligations with structured cash flow payments. The cash flows generated from these expected prepayments were reinvested in additional collateralized mortgage obligations or tax-exempt municipal obligations. Given the low interest rate environment in 2011, the overall coupon on new security purchases was typically lower than the rates on securities that experienced prepayments. This caused the investment yield to decline by approximately 71 basis points. The total loans and leases receivable yield was 6.01% for the year ended December 31, 2011 compared to 6.05% for the year ended December 31, 2010.

The overall weighted average rate paid on interest-bearing liabilities was 2.20% for the year ended December 31, 2011, a decrease of 37 basis points from 2.57% for the year ended December 31, 2010. The decrease in the overall rate on the interest-bearing liabilities was primarily caused by the replacement of maturing certificates of deposits, including brokered certificates of deposits, at lower current market rates and a lower rate paid on our money market accounts. The low rate environment in 2011 coupled with our maturity structure of our brokered certificate of deposit portfolio provided us the opportunity to manage our liability structure in both terms of composition and rate to assist in providing an enhanced net interest margin.

Net interest margin increased 25 basis points to 3.29% for the year ended December 31, 2011 from 3.04% for the year ended December 31, 2010. The improvement in net interest margin correlated with a 20-basis-point increase in the net interest rate spread coupled with an increase in the value of the net free funds. Average demand deposits increased $44.5 million to $112.9 million for the year ended December 31, 2011 compared to $68.4 million for the year ended December 31, 2010. This increase was partially caused by the change in the regulations under which these types of accounts qualify for unlimited FDIC insurance coverage.

Provision for Loan and Lease Losses. The provision for loan and lease losses totaled $4.3 million and $7.0 million for the years ended December 31, 2011 and 2010, respectively. While we made no significant changes to our loan and lease underwriting standards in 2011 or 2010, continued economic conditions caused us to maintain additional rigor to our underwriting and monitoring processes. During the years ended December 31, 2011 and 2010, the factors influencing the provision for loan and lease losses were the following:

	For the Year Ended December 31,	
	2011	**2010**
Changes in the provision for loan and lease losses associated with:		
Establishment/modification of specific reserves on impaired loans, net	$ (365)	$ 3,323
Subjective factor changes	62	213
Charge-offs in excess of specific reserves	5,025	3,499
Recoveries	(864)	(313)
Change in inherent risk of the loan and lease portfolio	392	322
Total provision for loan and lease losses	$ 4,250	$ 7,044

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Refer to "Financial Condition *Allowance for Loan and Lease Losses*" in this section for further information regarding our allowance for potential losses in our portfolio.

Non-Interest Income. Non-interest income, consisting primarily of fees earned for trust and investment services, service charges on deposits, loan fee income and income from bank-owned life insurance, increased by $317,000, or 4.7%, to $7.1 million for the year ended December 31, 2011, from $6.7 million for the year ended December 31, 2010.

Trust and investment services fee income increased by $198,000, or 8.5%, to $2.5 million for the year ended December 31, 2011 compared to $2.3 million for the year ended December 31, 2010. At December 31, 2011, our trust assets under management grew 33.4%, to $532.6 million from $399.4 million at December 31, 2010, while our assets under administration totaling $129.7 million at December 31, 2011 remained relatively flat compared to $127.5 million at December 31, 2010. The growth in the assets under management was primarily due to establishing new relationships. A significant amount of this growth occurred during the fourth quarter of 2011, when a large client utilized our expertise in handling a substantial transaction as part of its business succession plan.

Loan fees increased by approximately $243,000, or 19.6%, to $1.5 million for the year ended December 31, 2011 from $1.2 million for the year ended December 31, 2010. Loan fees generally represented nondeferrable fees earned on loan activity and the revenue generated through the collateral audit process we perform to ensure the integrity of the collateral associated with our asset-based loans. The increase in loan fees was primarily related to additional collateral audits performed and additional other asset based loan fees collected.

Other non-interest income decreased by $181,000, or 29.3%, to $436,000 for the year ended December 31, 2011 from $617,000 for the year ended December 31, 2010 primarily due to a decrease in the volume and magnitude of gains associated with lease end termination activity in the comparable periods.

Non-Interest Expense. Non-interest expense decreased by $2.0 million, or 6.9%, to $26.4 million for the year ended December 31, 2011 from $28.4 million for the comparable period of 2010, primarily due to the absence of goodwill impairment in 2011, a decrease in FDIC insurance costs, and a decrease in collateral liquidation costs partially offset by increases in compensation expense, loss on foreclosed properties, and marketing expenses.

In June 2010, we recorded an impairment of goodwill of $2.7 million as we concluded at that time that the implied fair value of our reporting unit's goodwill was less than the current carrying value of the reporting unit's goodwill. We wrote-off the entire carrying value of the goodwill in 2010.

FDIC insurance expense decreased by $644,000, or 20.6%, to $2.5 million for the year ended December 31, 2011 compared to $3.1 million for the year ended December 31, 2010, primarily due to the amendment to the definition of an institution's deposit insurance assessment base required by the Dodd-Frank Act that became effective April 1, 2011.

Compensation expense increased by $1.6 million, or 12.1%, to $14.9 million for the year ended December 31, 2011 from $13.3 million for the year ended December 31, 2010. The overall increase in compensation expense was primarily caused by an additional accrual to record the appropriate level of compensation expense arising from our non-equity incentive compensation program. Based upon established targets for 2011, we accrued for a higher level of performance in the program's established criteria as compared to the prior year. Merit increases and additional expense associated with our employer-provided health insurance plans also contributed to the increase in compensation expense.

Collateral liquidation costs decreased by $381,000, or 32.6%, to $786,000 for the year ended December 31, 2011 from $1.2 million for the year ended December 31, 2010, as we continued to

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successfully reduce our levels of nonperforming loans and therefore incurred a lower level of collateral liquidation costs year over year.

During the year ended December 31, 2011, we recognized a net loss on foreclosed properties of $420,000 compared to a loss of $206,000 for the year ended December 31, 2010. During 2011, we continued to experience further declines in real estate values and, as a result, we recorded impairment adjustments totaling $621,000 for the year ended December 31, 2011. Partially offsetting the valuation adjustments for foreclosed properties was the recognition of gains totaling $201,000 on properties that we have sold to independent third parties.

Marketing expense increased by $245,000, or 32.7%, to $994,000 for the year ended December 31, 2011 from $749,000 for the year ended December 31, 2010. The increase in marketing expense was a direct result of the timing associated with the execution of certain marketing strategies and a renewed corporate-wide marketing effort.

Income Taxes. Income tax expense was $3.4 million for the year ended December 31, 2011 compared to $2.3 million, for the year ended December 31, 2010. The overall increase in tax expense was primarily due to the increased level of pre-tax income in comparison to the prior year, when taking into consideration the nondeductibility of goodwill in 2010. The effective tax rate for the year ended December 31, 2011 was 29.1%. The impact of discrete items recorded during the year provided a net benefit of approximately 5.9%. These discrete items primarily consisted of the release of valuation allowance and additional state expense recognized as a result of the completed filings of our state income tax returns. As described above, in June 2011, FBB and FBCC entered into a confidential settlement with the Wisconsin Department of Revenue. This settlement did not result in a liability materially different than that which had been previously accrued. Additionally, as described above, on June 26, 2011, the State of Wisconsin 2011-2013 Budget Bill, Assembly Bill 40, was signed into law, addressing the use of certain net business loss carryforwards by combined group members. We evaluated the potential utilization of the outstanding Wisconsin net operating losses under the provisions of this new law and determined that it is more likely than not the net operating losses will be realized. As a result, we released the valuation allowance previously associated with these net operating losses.

During the year ended December 31, 2010, we recorded a goodwill impairment of $2.7 million. The goodwill impairment is treated as a permanent difference and is not deductible for income tax purposes which created a significant tax expense in relation to the pre-tax income.

Financial Condition

General

Our total assets remained relatively stable at $1.192 billion as of September 30, 2012 compared to $1.177 billion at December 31, 2011.

Short-term investments

Short-term investments decreased by $43.0 million to $70.3 million at September 30, 2012 from $113.4 million at December 31, 2011. Our short-term investments primarily consist of interest-bearing deposits held at the Federal Reserve Bank. The level of our short-term investments will be influenced by the timing of deposit gathering, scheduled maturities of brokered deposits, funding of loan growth when opportunities are presented, and the level of our available-for-sale securities portfolio. We value the safety and soundness provided by the Federal Reserve Bank and therefore we incorporate short-term investments in our on-balance-sheet liquidity program. Please refer to " Liquidity and Capital Resources" for further discussion. During the second quarter of 2012, the Banks also began investing in commercial paper. The commercial paper instruments have durations generally between

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30-60 days and provide a higher yielding alternative to the rate paid by the Federal Reserve Bank. The overall decline in short-term investments is primarily due to reducing excess liquidity by allowing maturing brokered certificates of deposit to run off, increasing the size of our available-for-sale investment portfolio and supporting the growth in our loan and lease receivables portfolio.

Securities

Securities available-for-sale increased by $32.4 million to $202.8 million at September 30, 2012 compared to $170.4 million at December 31, 2011. During this time period, we reinvested cash flows received from our securities through purchases of additional securities. Our available-for-sale investment portfolio primarily consists of collateralized mortgage obligations and agency obligations and is used to provide a source of liquidity, including the ability to pledge securities for possible future cash advances, while contributing to the earnings potential of the Banks. We purchase investment securities intended to protect our net interest margin while maintaining an acceptable risk profile. In addition, we will purchase investments to utilize our cash position effectively within appropriate policy guidelines and estimates of future cash demands. While collateralized mortgage obligations present prepayment risk and extension risk, we believe the overall credit risk associated with these investments is minimal, as substantially all of the obligations we hold were issued by the Government National Mortgage Association ("GNMA"), a U.S. government agency. The estimated prepayment streams associated with this portfolio also allow us to better match our short-term liabilities. The Banks' investment policies allow for various types of investments, including tax-exempt municipal securities. The addition of tax-exempt municipal securities provides for further opportunity to improve our overall yield on our investment portfolio. We evaluate the credit risk of the municipal obligations prior to purchase and limit our exposure of obligations to general obligation issuances from municipalities primarily in Wisconsin.

As we continue to evaluate the level of on-balance-sheet liquidity, we have started purchasing U.S. Government agency obligations, primarily those obligations issued by Federal Home Loan Mortgage Corporation ("FHLMC") and Federal National Mortgage Association ("FNMA"). We have structured these purchases to have bullet maturities within two to four years from the issue date. Certain of the securities contain either quarterly or one-time call features. The maturity structure of our securities portfolio allows us to effectively manage the cash flows of these securities along with the collateralized mortgage obligations to be able to meet loan demand in the near future without the need to immediately borrow funds from our various funding sources and proactively adjust the portfolio should interest rates rise within the next two to four years. Our management deems these investments to be creditworthy and believes that these investments exhibit appropriate market yields for the risks assumed. As additional appropriate investment securities are available in the marketplace, we expect that additional investments will be purchased.

During the nine months ended September 30, 2012, we recognized unrealized holding gains of $227,000 through other comprehensive income. The majority of the securities we hold have active trading markets, and we are not currently experiencing difficulties in pricing our securities. We use a third party pricing service as our primary source of market prices for our investment portfolio. On a quarterly basis, we validate the reasonableness of prices received from this source through independent verification on a representative sample of the portfolio, data integrity validation through comparison of current prices to prior period prices, and overall analytical expectation of movement in prices based upon the changes in the related yield curves and other market factors. On a periodic basis, we review the third party pricing vendor's pricing methodology for pricing relevant securities and results of internal control assessments. Our portfolio is sensitive to fluctuations in the interest rate environment and has limited sensitivity to credit risk due to the nature of the issuers of our securities as previously discussed. If interest rates decline and the credit quality of the securities remains constant or improves, the market value of our debt securities portfolio would likely improve, thereby increasing our total

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comprehensive income. If interest rates increase or the credit quality of the securities decline, the market value of our debt securities portfolio would likely decline and therefore decrease our total comprehensive income. No securities within our portfolio were deemed to be other-than-temporarily impaired as of September 30, 2012.

Risks associated with our mortgage-related securities portfolio are prepayment risk, extension risk and interest rate risk. Should general interest rates decline, the mortgage-related securities portfolio would be subject to prepayments caused by borrowers seeking lower financing rates. Conversely, an increase in general interest rates could cause the mortgage-related securities portfolio to be subject to a longer term to maturity caused by borrowers being less likely to prepay their loans. Such a rate increase could also cause the fair value of the mortgage-related securities portfolio to decline. Given the economic environment and current elevated foreclosure rates, prepayment activities have become less predictable.

Investment objectives are formed to meet liquidity requirements and generate a favorable return on investments without compromising other business objectives and levels of interest rate risk and credit risk. Consideration is also given to investment portfolio concentrations. Federal and state chartered banks are allowed to invest in various types of assets, including U.S. Treasury obligations, securities of various federal agencies, state and municipal obligations, mortgage-related securities, certain time deposits of insured financial institutions, repurchase agreements, loans of federal funds, and, subject to certain limits, corporate debt and equity securities, commercial paper and mutual funds. Our investment policy provides that we will not engage in any practice that the Federal Financial Institutions Examination Council considers an unsuitable investment practice. These objectives are formalized and documented in our investment policy, which is approved by the Banks' boards of directors on an annual basis. Management, as authorized by the boards, implements this policy. The boards review investment activity on a monthly basis.

At September 30, 2012 and December 31, 2011, $22.9 million and $19.6 million of our mortgage-related securities were pledged to secure our various obligations, respectively, including outstanding advances with the FHLB and interest rate swap contracts. Securities pledged also provide for future availability for additional advances from the FHLB.

The following table sets forth information regarding the amortized cost and fair values of our investments and mortgage-related securities at the dates indicated.

	As of September 30,		As of December 31,					
	2012		2011		2010		2009	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)							
Securities available-for-sale								
Municipal obligations	$ 9,954	$ 10,056	$ 2,736	$ 2,831	$	$	$	$
U.S. Government agency obligations government-sponsored enterprises	16,177	16,237						
Collateralized mortgage obligations government issued	159,846	163,886	161,443	165,401	149,948	152,776	116,109	118,509
Collateralized mortgage obligations government sponsored enterprises	12,563	12,626	2,169	2,154	591	603	3,729	3,777
	$ 198,540	$ 202,805	$ 166,348	$ 170,386	$ 150,539	$ 153,379	$ 119,838	$ 122,286

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The following table sets forth the contractual maturity and weighted average yield characteristics of the fair value of our debt securities at September 30, 2012 and December 31, 2011, classified by remaining contractual maturity. Actual maturities may differ from contractual maturities because issuers have the right to call or prepay obligations without call or prepayment penalties. Yields on tax-exempt obligations have not been computed on tax equivalent basis.

	As of September 30, 2012								
	Less than One Year		One to Five Years		Five to Ten Years		Over Ten Years		
	Balance	Weighted Average Yield	Balance	Weighted Average Yield	Balance	Weighted Average Yield	Balance	Weighted Average Yield	Total
	(Dollars In Thousands)								
Available-for-sale									
Municipal obligations	$	%	$	%	$ 6,361	2.20%	$ 3,695	2.44%	$ 10,056
U.S. Government agency obligations government-sponsored enterprises			13,180	0.88	3,057	0.98			16,237
Collateralized mortgage obligations government issued	83	5.14			2,348	3.90	161,455	2.47	163,886
Collateralized mortgage obligations government sponsored enterprises					4,997	1.13	7,629	2.44	12,626
	$ 83		$ 13,180						