ENTERPRISE FINANCIAL SERVICES CORP
Form 10-Q/A
April 23, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q/A
(Amendment No. 1)

[X]	Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended September 30, 2011.
[ ]	Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from ______ to ______
	Commission file number 001-15373

ENTERPRISE FINANCIAL SERVICES CORP

Incorporated in the State of Delaware
I.R.S. Employer Identification # 43-1706259
Address: 150 North Meramec, Clayton, MO 63105
Telephone: (314) 725-5500

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

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

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

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

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

As of November 4, 2011, the Registrant had 17,749,550 shares of outstanding common stock.

This document is also available through our website at http://www.enterprisebank.com.

EXPLANATORY NOTE

In January 2012, while converting to a new system designed to address the complex accounting requirements of acquired loans under Accounting Standards Codification ("ASC") Topic 310-30, “Loans and Debt Securities Acquired with Deteriorated Credit Quality”, the Company discovered an error in its process used to record income on these loans. ASC 310-30 is utilized to account for the loans acquired by the Company under loss sharing agreements with the Federal Deposit Insurance Corporation (the “FDIC”). Under ASC 310-30, these acquired loans are initially recorded at fair value (as determined by the present value of expected future cash flows) with no valuation allowance. The difference between the undiscounted cash flows expected at acquisition and the investment in the loans, or the "accretable yield", is recognized as interest income on a level-yield method over the life of the loans. In accounting for income from the acquired loans, the Company recorded both the accretable yield and contractually required interest payments. The Company should not have recognized the contractually required interest payments. As a result, both interest income and the carrying value of the acquired loans were overstated. This affected income reported on the loans acquired in FDIC assisted transactions since December 2009.

The Company is filing this Amendment to our Quarterly Report on Form 10-Q/A (the “Amended Filing” or “Form 10-Q/A”) to restate our unaudited consolidated financial statements and related disclosures for the quarter and year-to-date period ended September 30, 2011 (the "Restatement"). The Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 (the "Original Filing") was filed with the Securities and Exchange Commission (“SEC”) on November 8, 2011.

The previously issued unaudited condensed financial statements for the quarter ended September 30, 2011 in the Original Filing should no longer be relied upon.

Internal Control Considerations
In conjunction with this finding, management identified control deficiencies in its internal controls over financial reporting associated with the reversal of contractual interest on acquired loans that constitute a material weakness, as discussed in Part I, Item 4 of this Form 10-Q/A. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim consolidated financial statements will not be prevented or detected. For a discussion of management’s consideration of our disclosure controls and procedures and material weaknesses identified, see Part I, Item 4 included in this Amended Filing.

Adjustments
In addition to the adjustments relating to the acquired loan contractual interest described above, the Company has corrected other errors that had been previously identified but not corrected because they were not material, individually or in the aggregate, to the consolidated financial results. These items included changes in accrual estimates and financial statement reclassifications. Adjustments, identified subsequent to the date of the Original Filing, have also been made to the preliminary fair values related to the Company's FDIC-assisted transactions.

Additional information on the effect of the adjustments in our financial statements are contained in Item 8, Note 13 - Restatement of Consolidated Financial Results.

For convenience of the reader, this Amended Filing sets forth the Original Filing in its entirety. The sections of the Original Filing which were not amended are unchanged and continue in full force and effect as originally filed. This Amended Filing speaks as of the date of the Original Filing on the Form 10-Q, and has not been updated to reflect events occurring subsequent to the Original Filing date other than those associated with the correction of the error and other adjustments specifically noted. The Items in this Form 10-Q/A which are amended and restated as a result of the foregoing are:

- Part I, Item 1. - Restated Financial Statements;
- Part I, Item 2. - Management's Discussion and Analysis of Financial Condition and Results of Operations;
- Part I, Item 4. - Controls and Procedures; and
- Part II - Item 6. Exhibits

In accordance with applicable SEC rules, this Amended Filing includes certifications from our Chief Executive Officer and Chief Financial Officer dated as of the date of this Amended Filing.

ENTERPRISE FINANCIAL SERVICES CORP
FORM 10-Q/A - 3RD QUARTER 2011
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PART 1 – ITEM 1 – FINANCIAL STATEMENTS
ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (Unaudited)

(In thousands, except share and per share data)	As Restated(1) September 30, 2011	As Restated(1) December 31, 2010
Assets		
Cash and due from banks	$26,015	$23,413
Federal funds sold	2,371	3,153
Interest-bearing deposits (including $2,780 and $1,520 pledged as collateral)	238,987	267,102
Total cash and cash equivalents	267,373	293,668
Interest-bearing deposits greater than 90 days	1,501	1,751
Securities available for sale	462,483	361,546
Mortgage loans held for sale	5,076	5,640
Portfolio loans not covered under FDIC loss share	1,867,956	1,766,351
Portfolio loans covered under FDIC loss share at fair value	326,942	121,570
Less: Allowance for loan losses	45,451	42,759
Portfolio loans, net	2,149,447	1,845,162
Other real estate not covered under FDIC loss share	21,370	25,373
Other real estate covered under FDIC loss share	51,193	10,835
Other investments, at cost	14,648	12,278
Fixed assets, net	18,976	20,499
Accrued interest receivable	8,702	7,464
State tax credits, held for sale, including $29,494 and $31,576 carried at fair value, respectively	56,278	61,148
FDIC loss share receivable	194,216	87,792
Goodwill	30,334	2,064
Intangibles, net	9,471	1,223
Other assets	57,716	63,756
Total assets	$3,348,784	$2,800,199
Liabilities and Shareholders' Equity		
Demand deposits	$557,290	$366,086
Interest-bearing transaction accounts	241,815	204,687
Money market accounts	1,065,053	855,522
Savings	52,179	10,181
Certificates of deposit:		
$100 and over	615,067	543,898
Other	285,858	317,347
Total deposits	2,817,262	2,297,721
Subordinated debentures	85,081	85,081
Federal Home Loan Bank advances	102,000	107,300
Other borrowings	100,729	119,333
Accrued interest payable	1,892	1,488
Other liabilities	7,349	9,475
Total liabilities	3,114,313	2,620,398
Shareholders' equity:		
Preferred stock, $0.01 par value; 5,000,000 shares authorized; 35,000 shares issued and outstanding	33,094	32,519

Common stock, $0.01 par value; 30,000,000 shares authorized; 17,819,113 and 14,965,401 shares issued, respectively	178	150
Treasury stock, at cost; 76,000 shares	(1,743)	(1,743)
Additional paid in capital	168,764	133,673
Retained earnings	29,460	15,775
Accumulated other comprehensive income (loss)	4,718	(573)
Total shareholders' equity	234,471	179,801
Total liabilities and shareholders' equity	$3,348,784	$2,800,199

(1) See Note 13 - Restatement of Consolidated Financial Statements for more information.
The accompanying notes are an integral part of the consolidated financial statements.

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ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES
Condensed Consolidated Statements of Operations (Unaudited)

	As Restated(1) Three months ended September 30,		As Restated(1) Nine months ended September 30,	
(In thousands, except per share data)	2011	2010	2011	2010
Interest income:				
Interest and fees on loans	$30,983	$28,738	$93,565	$78,201
Interest on debt securities:				
Taxable	2,853	1,626	8,666	5,306
Nontaxable	184	48	449	97
Interest on federal funds sold	—	—	1	9
Interest on interest-bearing deposits	166	73	427	255
Dividends on equity securities	99	89	269	255
Total interest income	34,285	30,574	103,377	84,123
Interest expense:				
Interest-bearing transaction accounts	211	194	606	649
Money market accounts	2,004	1,598	6,210	4,445
Savings	35	9	53	26
Certificates of deposit:				
$100 and over	2,297	2,223	6,959	7,547
Other	855	1,306	2,708	4,625
Subordinated debentures	1,128	1,261	3,375	3,730
Federal Home Loan Bank advances	881	1,081	2,669	3,288
Notes payable and other borrowings	105	70	316	192
Total interest expense	7,516	7,742	22,896	24,502
Net interest income	26,769	22,832	80,481	59,621
Provision for loan losses	8,072	7,650	16,247	30,410
Net interest income after provision for loan losses	18,697	15,182	64,234	29,211
Noninterest income:				
Wealth Management revenue	1,832	1,561	5,173	4,647
Service charges on deposit accounts	1,332	1,208	3,663	3,594
Other service charges and fee income	464	308	1,105	823
Gain on sale of other real estate	517	144	1,039	434
Gain on state tax credits, net	1,368	884	2,510	2,253
Gain on sale of investment securities	768	124	1,448	1,206
Miscellaneous income	2,445	666	2,969	1,522
Total noninterest income	8,726	4,895	17,907	14,479
Noninterest expense:				
Employee compensation and benefits	9,329	7,363	26,282	20,996
Occupancy	1,306	901	3,586	3,171
Furniture and equipment	431	341	1,216	1,035
Data processing	642	539	1,872	1,670
FDIC and other insurance	828	1,147	3,183	3,212
Loan legal and other real estate expense	1,576	2,694	7,267	5,635
Other	4,190	2,708	10,885	8,262
Total noninterest expense	18,302	15,693	54,291	43,981
Income (loss) before income tax expense (benefit)	9,121	4,384	27,850	(291)

Income tax expense (benefit)	3,289	1,183	9,633	(878)
Net income	$5,832	$3,201	$18,217	$587
Net income (loss) available to common shareholders	$5,200	$2,583	$16,329	$(1,258)
Earnings (loss) per common share				
Basic	$0.29	$0.17	$1.00	$(0.09)
Diluted	0.29	0.17	0.98	(0.09)

(1) See Note 13 - Restatement of Consolidated Financial Statements for more information.
The accompanying notes are an integral part of the consolidated financial statements.

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ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES
Condensed Consolidated Statements of Shareholders' Equity (Unaudited)

(in thousands, except per share data)	Preferred Stock	Common Stock	Treasury Stock	Additional paid in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance January 1, 2011 (Restated)(1)	$32,519	$ 150	$ (1,743)	$ 133,673	$ 15,775	$ (573)	$ 179,801
Net income (Restated)(1)	—	—	—	—	18,217	—	18,217
Change in fair value of available for sale securities, net of tax	—	—	—	—	—	6,302	6,302
Reclassification adjustment for realized gain on sale of securities included in net income, net of tax	—	—	—	—	—	(926)	(926)
Reclassification of cash flow hedge, net of tax	—	—	—	—	—	(85)	(85)
Total comprehensive income							23,508
Cash dividends paid on common shares, $0.1575 per share	—	—	—	—	(2,644)	—	(2,644)
Cash dividends paid on preferred stock	—	—	—	—	(1,313)	—	(1,313)
Preferred stock accretion of discount	575	—	—	—	(575)	—	—
Issuance under equity compensation plans, net, 109,812 shares	—	1	—	1,368	—	—	1,369
Issuance under public stock offering 2,743,900 shares	—	27	—	32,581	—	—	32,608
Share-based compensation	—	—	—	1,120	—	—	1,120
Excess tax benefit related to equity compensation plans	—	—	—	22	—	—	22
Balance September 30, 2011 (Restated)(1)	$33,094	$ 178	$ (1,743)	$ 168,764	$ 29,460	$ 4,718	$ 234,471

(in thousands, except per share data)	Preferred Stock	Common Stock	Treasury Stock	Additional paid in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance January 1, 2010	$31,802	$ 130	$ (1,743)	$ 117,000	$ 15,790	$ 933	$ 163,912
Net income (Restated)(1)	—	—	—	—	587	—	587
Change in fair value of available for sale securities, net of tax	—	—	—	—	—	2,091	2,091
Reclassification adjustment for realized gain on sale of securities included in net income, net of tax	—	—	—	—	—	(772)	(772)
Reclassification of cash flow hedge, net of tax	—	—	—	—	—	(119)	(119)
Total comprehensive income							1,787

Cash dividends paid on common shares, $0.1575 per share	—	—	—	—	(2,341)	—	(2,341)
Cash dividends paid on preferred stock	—	—	—	—	(1,312)	—	(1,312)
Preferred stock accretion of discount	533	—	—	—	(533)	—	—
Issuance under equity compensation plans, net, 39,482 shares	—	—	—	365	—	—	365
Issuance under private stock offering 1,931,610 shares	—	19	—	14,863	—	—	14,882
Share-based compensation	—	—	—	1,440	—	—	1,440
Excess tax expense related to equity compensation plans	—	—	—	(260)	—	—	(260)
Balance September 30, 2010 (Restated)(1)	$32,335	$ 149	$(1,743)	$133,408	$12,191	$ 2,133	$ 178,473

(1) See Note 13 - Restatement of Consolidated Financial Statements for more information.
The accompanying notes are an integral part of the consolidated financial statements.

ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited)

	As Restated[1]	
	Nine months ended September 30,	
(in thousands)	2011	2010
Cash flows from operating activities:		
Net income	$18,217	$587
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	2,057	2,211
Provision for loan losses	16,247	30,410
Deferred income taxes	5,091	(4,811)
Net amortization of debt securities	3,983	2,433
Amortization of intangible assets	490	321
Gain on sale of investment securities	(1,448)	(1,206)
Mortgage loans originated for sale	(48,772)	(60,268)
Proceeds from mortgage loans sold	49,147	58,292
Gain on sale of other real estate	(1,039)	(434)
Gain on state tax credits, net	(2,510)	(2,253)
Excess tax (benefit) expense of share-based compensation	(22)	260
Share-based compensation	1,120	1,440
Valuation adjustment on other real estate	3,261	3,328
Net accretion of loan discount and indemnification asset	(10,964)	(2,369)
Changes in:		
Accrued interest receivable	165	178
Accrued interest payable	(501)	(734)
Prepaid FDIC insurance	2,336	2,241
Other assets	(6,294)	(1,524)
Other liabilities	(5,558)	6,145
Net cash provided by operating activities	25,006	34,247
Cash flows from investing activities:		
Cash received from sale of Millennium Brokerage Group	—	4,000
Cash paid for acquisition of Home National Bank	—	(224,471)
Cash received from acquisition of Legacy Bank	8,926	—
Cash received from acquisition of The First National Bank of Olathe	112,778	—
Net increase in loans	(84,022)	(420)
Net cash proceeds received from FDIC loss share receivable	35,932	5,009
Proceeds from the sale of debt and equity securities, available for sale	84,456	98,340
Proceeds from the maturity of debt and equity securities, available for sale	122,934	95,319
Proceeds from the redemption of other investments	5,774	5,375
Proceeds from the sale of state tax credits held for sale	8,045	5,100
Proceeds from the sale of other real estate	27,429	9,991
Payments for the purchase/origination of:		
Available for sale debt and equity securities	(255,210)	(172,001)
Other investments	(1,361)	(5,403)
Bank owned life insurance	—	(20,000)
State tax credits held for sale	—	(10,779)
Fixed assets	(416)	(805)
Net cash provided by (used in) investing activities	65,265	(210,745)

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(in thousands)	As Restated[1] Nine months ended September 30, 2011	2010
Cash flows from financing activities:		
Net increase in noninterest-bearing deposit accounts	101,351	14,562
Net (decrease) increase in interest-bearing deposit accounts	(204,372)	83,891
Proceeds from Federal Home Loan Bank advances	—	52,780
Repayments of Federal Home Loan Bank advances	(23,254)	(58,580)
Net proceeds from federal funds purchased	—	5,000
Net (decrease) increase in other borrowings	(20,332)	18,857
Cash dividends paid on common stock	(2,645)	(2,341)
Excess tax benefit (expense) benefit of share-based compensation	22	(260)
Cash dividends paid on preferred stock	(1,313)	(1,312)
Issuance of common stock	32,608	14,882
Proceeds from the issuance of equity instruments	1,369	365
Net cash (used in) provided by financing activities	(116,566)	127,844
Net decrease in cash and cash equivalents	(26,295)	(48,654)
Cash and cash equivalents, beginning of period	293,668	106,966
Cash and cash equivalents, end of period	$267,373	$58,312
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$23,442	$25,236
Income taxes	16,871	1,324
Noncash transactions: (also refer to Note 3 - Acquisitions)		
Transfer to other real estate owned in settlement of loans	$20,287	$24,173
Sales of other real estate financed	2,135	6,771

(1) See Note 13 - Restatement of Consolidated Financial Statements for more information.

The accompanying notes are an integral part of the consolidated financial statements.

ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used by Enterprise Financial Services Corp (the “Company” or “Enterprise”) in the preparation of the condensed consolidated financial statements are summarized below:

Business and Consolidation

Enterprise is a financial holding company that provides a full range of banking and wealth management services to individuals and corporate customers located in the St. Louis, Kansas City and Phoenix metropolitan markets through its banking subsidiary, Enterprise Bank & Trust (the “Bank”).

The Company entered into the following acquisitions in 2011. For more information on these transactions, see Note 3 - Acquisitions and Note 12 - Subsequent Events in this report.

- On January 7, 2011, the Bank entered into a purchase and assumption agreement with the Federal Deposit Insurance Corporation (“FDIC”) and acquired certain assets and assumed certain liabilities of Legacy Bank, a full service community bank that was headquartered in Scottsdale, Arizona.

- On June 24, 2011, the Bank entered into a purchase and assumption agreement with BankLiberty of Liberty, Missouri. On October 21, 2011, the Bank purchased certain furniture and equipment, leasehold improvements and assumed certain deposit liabilities associated with the BankLiberty branch located at 11401 Olive Boulevard, in the St. Louis suburb of Creve Coeur, Missouri.

- On August12, 2011, the Bank entered into a purchase and assumption agreement with the FDIC and acquired certain assets and assumed certain liabilities of The First National Bank of Olathe, a full service community bank that was headquartered in Olathe, Kansas.

Operating results for the nine months ended September 30, 2011 are not necessarily indicative of the results that may be expected for any other interim period or for the year ending December 31, 2011. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K/A for the year ended December 31, 2010.

Basis of Financial Statement Presentation

The condensed consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all information and footnotes required by U.S. GAAP for annual financial statements. The condensed consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All intercompany accounts and transactions have been eliminated. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

NOTE 2 - EARNINGS PER SHARE

Basic earnings per common share data is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common share gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and the if-converted method for convertible securities related to the issuance of trust preferred securities.

The following table presents a summary of per common share data and amounts for the periods indicated.

	Three months ended September 30,		Nine months ended September 30,	
(in thousands, except per share data)	2011	2010	2011	2010
Net income as reported	$5,832	$3,201	$18,217	$587
Preferred stock dividend	(437)	(437)	(1,313)	(1,312)
Accretion of preferred stock discount	(195)	(181)	(575)	(533)
Net income available to common shareholders	$5,200	$2,583	$16,329	$(1,258)
Impact of assumed conversions				
Interest on 9% convertible trust preferred securities, net of income tax	371	—	1,113	—
Net income available to common shareholders and assumed conversions	$5,571	$2,583	$17,442	$(1,258)
Weighted average common shares outstanding	17,741	14,854	16,322	14,710
Incremental shares from assumed conversions of convertible trust preferred securities	1,439	—	1,439	—
Additional dilutive common stock equivalents	22	—	20	—
Diluted common shares outstanding	19,202	14,854	17,781	14,710
Basic earnings per common share:	$0.29	$0.17	$1.00	$(0.09)
Diluted earnings per common share:	$0.29	$0.17	$0.98	$(0.09)

For the three months ended September 30, 2011 and 2010, there were 421,000 and 2.4 million of weighted average common stock equivalents excluded from the per share calculations because their effect was anti-dilutive. For the nine months ended September 30, 2011 and 2010, there were 565,000 and 2.4 million of weighted average common stock equivalents excluded from the per share calculations because their effect was anti-dilutive. In addition, at September 30, 2011 and 2010, the Company had outstanding warrants issued to the United States Treasury under the U.S. Treasury Capital Purchase Program to purchase 324,074 shares of common stock which were excluded from the per common share calculation because their effect was also anti-dilutive.

NOTE 3 - ACQUISITIONS

Acquisition of Legacy Bank

On January 7, 2011, the Bank entered into a purchase and assumption agreement with the FDIC and acquired certain assets and assumed certain liabilities of Legacy Bank (“Legacy”), a full service community bank that was headquartered in Scottsdale, Arizona. The acquisition consisted of tangible assets with fair values of approximately $128.0 million and liabilities with fair values of approximately $130.4 million. The Bank acquired the assets at a discount of 7.6% and approximately $43.5 million of the deposits were assumed at a premium of 1%. The Bank also acquired approximately $55.6 million of discretionary and $13.6 million of non-discretionary trust assets.

As part of the acquisition, the Company granted the FDIC a Value Appreciation Instrument (“VAI”) whereby 372,500 units were awarded to the FDIC at an exercise price of $10.63 per unit. The units were exercisable at any time from January 14, 2011 until January 6, 2012. The FDIC exercised the units on January 20, 2011 at a settlement price of $11.8444 per unit. A cash payment of $452,364 was made to the FDIC on January 21, 2011.

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In connection with the acquisition, the Bank also entered into a shared-loss agreement whereby the FDIC will reimburse the Bank for 80% of all losses incurred on certain loans and other real estate covered under the agreement ("Covered Assets"). The shared-loss agreement is subject to the servicing procedures as specified in the agreement with the FDIC.

The reimbursable losses from the FDIC are based on the book value of the Covered Assets as determined by the FDIC as of the date of the acquisition. A majority of these loans were valued based on the liquidation value of the underlying collateral because the future cash flows are primarily based on the liquidation of underlying collateral. The expected reimbursements under the shared-loss agreement were recorded as a FDIC loss share receivable at their estimated fair value.

The loans and other real estate acquired are recorded at estimated fair value. As such, there was no allowance for credit losses established related to the acquired loans at January 7, 2011 and no carryover of the related allowance from Legacy. The loans are accounted for in accordance with guidance for certain loans acquired in a transfer, when the loans have evidence of credit deterioration and it is probable at the date of acquisition that the acquirer will not collect all contractually required principal and interest payments. The difference between contractually required payments and the cash flows expected to be collected at acquisition is referred to as the non-accretable difference. Subsequent decreases to the expected cash flows will generally result in a provision for loan losses. Subsequent increases in cash flows result in a reversal of the provision for loan losses to the extent of prior charges and an adjustment in accretable yield, which will have a positive impact on interest income.

The table below summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. These fair value estimates are considered preliminary, and are subject to change for up to one year after the closing date of the acquisition as additional information relative to closing date fair values becomes available.

(in thousands)	Preliminary January 7, 2011 Amount	Refinements	Adjusted January 7, 2011 Amount
Cash and cash equivalents	$8,926	$—	$8,926
Securities available for sale	9,569	—	9,569
Other investments	1,969	—	1,969
Portfolio loans	73,214	—	73,214
Other real estate	8,612	—	8,612
FDIC loss share receivable	24,963	257	25,220
Goodwill	1,815	(257)	1,558
Core deposit intangible	833	—	833
Other assets	466	—	466
Total deposits	(113,620)	—	(113,620)
Federal Home Loan Bank Advances	(16,256)	—	(16,256)
Other liabilities	(491)	—	(491)

Management concluded that it is impracticable to present pro forma financial results due to the lack of documentation and objective information about significant estimates and management's intent in prior periods.

Acquisition of The First National Bank of Olathe

On August 12, 2011, the Bank entered into a purchase and assumption agreement with the FDIC and acquired certain assets and assumed certain liabilities of The First National Bank of Olathe ("FNBO") headquartered in Olathe, Kansas, a national bank chartered by the Office of the Comptroller of the Currency. The acquisition consisted of tangible assets with a fair value of approximately $481.6 million, including $171.5 million of loans, $73.5 million of cash and cash

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equivalents, $39.1 million of other real estate owned ("OREO"), $37.9 million of investment securities, $9.2 million of other assets and $150.4 million of receivables from the FDIC. Liabilities with a fair value of approximately $516.2 million were also assumed, including $508.9 million of insured and uninsured deposits, $1.7 million of Federal Home Loan Bank ("FHLB") advances, and $5.6 million of other liabilities.

In conjunction with the acquisition, the Bank granted the FDIC a VAI whereby 1.0 million units were awarded to the FDIC at an exercise price of $13.59 per unit. The units are exercisable at any time from August 19, 2011 until August 10, 2012. The units were exercised on October 31, 2011 at a settlement price of $15.8393. A cash payment of approximately $2.2 million was made to the FDIC on November 1, 2011.

In connection with the acquisition, the Bank entered into shared-loss agreements with the FDIC that cover approximately $388.2 million in loans and other real estate owned, including single family residential mortgage and construction loans, as well as commercial loans ("Covered Assets"). Pursuant to the terms of the shared-loss agreements, the FDIC will reimburse the Bank for 80% of losses up to $112.6 million, 0% of losses between $112.6 million and $148.9 million and 80% of losses in excess of $148.9 million with respect to Covered Assets. The Bank will reimburse the FDIC for 80% of recoveries with respect to losses for which the FDIC has reimbursed the Bank under the shared-loss agreements. The shared-loss agreement applicable to single-family residential mortgage loans has a term of ten (10) years, while the shared-loss agreement applicable to all other Covered Assets provides for the sharing of losses for five (5) years, while requiring the Bank to reimburse the FDIC for any recoveries of such shared losses for a period of eight (8) years.

The reimbursable losses from the FDIC are based on the book value of the Covered Assets as determined by the FDIC as of the date of the acquisition. A majority of these loans were valued based on the liquidation value of the underlying collateral because the future cash flows are primarily based on the liquidation of underlying collateral. The expected reimbursements under the shared-loss agreement were recorded as a FDIC loss share receivable at their estimated fair value.

The loans and other real estate acquired are recorded at estimated fair value. As such, there was no allowance for credit losses established related to the acquired loans at August 12, 2011 and no carryover of the related allowance from FNBO. The loans are accounted for in accordance with guidance for certain loans acquired in a transfer, when the loans have evidence of credit deterioration and it is probable at the date of acquisition that the acquirer will not collect all contractually required principal and interest payments. The difference between contractually required payments and the cash flows expected to be collected at acquisition is referred to as the non-accretable difference. Subsequent decreases to the expected cash flows will generally result in a provision for loan losses. Subsequent increases in cash flows result in a reversal of the provision for loan losses to the extent of prior charges and an adjustment in accretable yield, which will have a positive impact on interest income.

The table below summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. The table includes adjustments subsequent to the date of the Original Filing on Form 10-Q. These fair value estimates are considered preliminary, and are subject to change for up to one year after the closing date of the acquisition as additional information relative to closing date fair values becomes available.

(in thousands)	Preliminary August 12, 2011 Amount	Refinements	Refined August 12, 2011 Amount
Cash and cash equivalents	$73,478		$73,478
Securities available for sale	37,932		37,932
Other investments	4,563		4,563
Portfolio loans	171,037	415	171,452
Other real estate	44,179	(5,055)	39,124
FDIC receivable	36,674	12,544	49,218
FDIC loss share receivable	96,477	4,743	101,220
Goodwill	43,930	(17,218)	26,712
Core deposit intangible	7,905		7,905
Other assets	3,557	1,052	4,609
Total deposits	(508,941)		(508,941)
Federal Home Loan Bank Advances	(1,699)		(1,699)
Other liabilities	(9,092)	3,519	(5,573)

NOTE 4 - INVESTMENTS

The following table presents the amortized cost, gross unrealized gains and losses and fair value of securities available-for-sale:

(in thousands)	September 30, 2011 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale securities:				
Obligations of U.S. Government sponsored enterprises	$29,636	$34	$ (13)	$29,657
Obligations of states and political subdivisions	34,999	1,321	(380)	35,940
Residential mortgage-backed securities	390,505	6,597	(216)	396,886
	$455,140	$7,952	$ (609)	$462,483

(in thousands)	December 31, 2010 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale securities:				
Obligations of U.S. Government agencies	$444	$9	$ —	$453
Obligations of U.S. Government sponsored enterprises	32,880	9	(770)	32,119
Obligations of states and political subdivisions	18,486	45	(855)	17,676
Residential mortgage-backed securities	310,636	2,656	(1,994)	311,298
	$362,446	$2,719	$ (3,619)	$361,546

At September 30, 2011 and December 31, 2010, there were no holdings of securities of any one issuer in an amount greater than 10% of shareholders' equity, other than the U.S. government agencies and sponsored enterprises. The residential mortgage-backed securities are all issued by U.S. government sponsored enterprises. Available for sale securities having a carrying value of $243.4 million and $249.6 million at September 30, 2011 and December 31, 2010, respectively, were pledged as collateral to secure deposits of public institutions and for other purposes as required by law or contract provisions.

The amortized cost and estimated fair value of debt securities classified as available for sale at September 30, 2011, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. The weighted average life of the mortgage-backed securities is approximately 4 years.

(in thousands)	Amortized Cost	Estimated Fair Value
Due in one year or less	$7,644	$7,667
Due after one year through five years	25,097	25,361
Due after five years through ten years	26,703	27,611
Due after ten years	5,191	4,958
Mortgage-backed securities	390,505	396,886
	$455,140	$462,483

The following table represents a summary of available-for-sale investment securities that had an unrealized loss:

	September 30, 2011					
	Less than 12 months		12 months or more		Total	
(in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Obligations of U.S. government sponsored enterprises	$8,104	$13	$—	$—	$8,104	$13
Obligations of the state and political subdivisions	2,077	5	3,025	375	5,102	380
Residential mortgage-backed securities	58,813	216	—	—	58,813	216
	$68,994	$234	$3,025	$375	$72,019	$609

	December 31, 2010					
	Less than 12 months		12 months or more		Total	
(in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Obligations of U.S. government sponsored enterprises	$27,100	$770	$—	$—	$27,100	$770
Obligations of the state and political subdivisions	11,329	420	2,965	435	14,294	855
Residential mortgage-backed securities	133,893	1,994	—	—	133,893	1,994
	$172,322	$3,184	$2,965	$435	$175,287	$3,619

The unrealized losses at both September 30, 2011 and December 31, 2010, were attributable to changes in market interest rates since the securities were purchased. Management systematically evaluates investment securities for other-than-temporary declines in fair value on a quarterly basis. This analysis requires management to consider various factors, which include (1) the present value of the cash flows expected to be collected compared to the amortized cost of the security, (2) duration and magnitude of the decline in value, (3) the financial condition of the issuer or issuers, (4) structure of the security and (5) the intent to sell the security or whether it is more likely than not that the Company would be required to sell the security before its anticipated recovery in market value. At September 30, 2011, management performed its quarterly analysis of all securities with an unrealized loss and concluded no individual securities were other-than-temporarily impaired.

The gross gains and gross losses realized from sales of available-for-sale investment securities were as follows:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	2011	2010	2011	2010
Gross gains realized	$768	$124	$1,448	$1,206
Gross losses realized	—	—	—	—
Proceeds from sales	49,033	3,258	84,456	98,340

NOTE 5 - GOODWILL AND INTANGIBLE ASSETS

Goodwill is tested for impairment annually and more frequently if events or changes in circumstances indicate that the asset might be impaired.

Below is a summary of the goodwill in the Banking segment.

(in thousands)	Goodwill
Balance at January 1, 2011	$2,064
Goodwill from purchase of Legacy Bank	1,558
Goodwill from purchase of The First National Bank of Olathe	$26,712
Balance at September 30, 2011	$30,334

The table below summarizes the changes to core deposit intangible asset balances in the Banking segment.

(in thousands)	Core Deposit Intangible
Balance at January 1, 2011	$1,223
Intangibles from purchase of Legacy Bank	833
Intangibles from purchase of The First National Bank of Olathe	7,905
Amortization expense	(490)
Balance at September 30, 2011	$9,471

The following table reflects the expected amortization schedule for the core deposit intangibles.

Year	Core Deposit Intangible
2011	$500
2012	1,822
2013	1,601
2014	1,380
2015	1,159
After 2015	3,009
	$9,471

NOTE 6 - PORTFOLIO LOANS

Below is a summary of loans by category at September 30, 2011 and December 31, 2010:

	September 30, 2011		
(in thousands)	Portfolio Loans not Covered under FDIC loss share	Portfolio Loans Covered under FDIC loss share	Total
Real Estate Loans:			
Construction and land development	$152,464	$63,976	$216,440
Commercial real estate - Investor Owned	481,021	80,603	561,624
Commercial real estate - Owner Occupied	337,557	64,678	402,235
Residential real estate	177,871	64,431	242,302
Total real estate loans	$1,148,913	$273,688	$1,422,601
Commercial and industrial	706,117	46,620	752,737
Consumer & other	12,881	6,634	19,515
Portfolio Loans	$1,867,911	$326,942	$2,194,853
Unearned loan costs, net	45	—	45
Portfolio loans, including unearned loan costs	$1,867,956	$326,942	$2,194,898

	December 31, 2010		
(in thousands)	Portfolio Loans not Covered under FDIC loss share	Portfolio Loans Covered under FDIC loss share	Total
Real Estate Loans:			
Construction and land development	$190,285	$32,374	$222,659
Commercial real estate - Investor Owned	444,724	39,850	484,574
Commercial real estate - Owner Occupied	331,544	29,803	361,347
Residential real estate	189,484	9,589	199,073
Total real estate loans	$1,156,037	$111,616	$1,267,653
Commercial and industrial	593,938	9,477	603,415
Consumer & other	16,308	477	16,785
Portfolio Loans	$1,766,283	$121,570	$1,887,853
Unearned loan costs, net	68	—	68
Portfolio loans, including unearned loan costs	$1,766,351	$121,570	$1,887,921

The Company grants commercial, residential, and consumer loans primarily in the St. Louis, Kansas City and Phoenix metropolitan areas. The Company has a diversified loan portfolio, with no particular concentration of credit in any one economic sector; however, a substantial portion of the portfolio is concentrated in and secured by real estate. The ability of the Company’s borrowers to honor their contractual obligations is partially dependent upon the local economy and its effect on the real estate market.

A summary of the year-to-date activity in the allowance for loan losses and the recorded investment in loans by portfolio class and category based on impairment method through September 30, 2011 and at December 31, 2010 is as follows:

(in thousands)	Commercial & Industrial	Commercial Real Estate Owner Occupied	Commercial Real Estate Investor Owned	Construction Real Estate	Residential Real Estate	Consumer & Other	Unallocated	Portfolio loans covered under FDIC loss share	Total
Allowance for Loan Losses:									
Balance at December 31, 2010	$ 12,727	$ 5,060	$ 5,629	$ 8,407	$ 5,485	$ 93	$ 5,358	$ —	$ 42,759
Provision charged to expense	(62)	691	1,524	2,964	(361)	9	(1,165)	—	3,600
Losses charged off	400	378	360	2,716	111	—	—	—	3,965
Recoveries	125	—	15	178	89	21	—	—	428
Balance at March 31, 2011	$ 12,390	$ 5,373	$ 6,808	$ 8,833	$ 5,102	$ 123	$ 4,193	$ —	$ 42,822
Provision charged to expense	421	(105)	234	2,736	785	(81)	309	276	4,575
Losses charged off	504	11	544	4,120	495	5	—	276	5,955
Recoveries	16	274	263	93	56	13	—	—	715
Balance at June 30, 2011	$ 12,323	$ 5,531	$ 6,761	$ 7,542	$ 5,448	$ 50	$ 4,502	$ —	$ 42,157
Provision charged to expense	2,227	1,358	700	1,913	(639)	(28)	(130)	2,671	8,072
Losses charged off	2,038	158	59	2,040	664	—	—	102	5,061
Recoveries	154	1	20	11	72	25	—	—	283
Balance at September 30, 2011	$ 12,666	$ 6,732	$ 7,422	$ 7,426	$ 4,217	$ 47	$ 4,372	$ 2,569	$ 45,451
Balance September 30, 2011 Allowance for Loan Losses -									

Ending Balance:									
Individually evaluated for impairment	$ 3,118	$ 1,337	$ 2,706	$ 3,492	$ 1,778	$—	$ —	$—	$ 12,431
Collectively evaluated for impairment	9,548	5,395	4,716	3,934	2,439	47	4,372	2,569	33,020
Loans acquired with deteriorated credit quality	—	—	—	—	—	—	—	—	—
Total	$ 12,666	$ 6,732	$ 7,422	$ 7,426	$ 4,217	$ 47	$ 4,372	$ 2,569	$ 45,451
Loans - Ending Balance:									
Individually evaluated for impairment	$ 5,428	$ 4,203	$ 12,414	$ 14,666	$ 11,327	$—	$ —	$—	$ 48,038
Collectively evaluated for impairment	700,689	333,354	468,607	137,798	166,544	12,926	—	7,535	1,827,453
Loans acquired with deteriorated credit quality	—	—	—	—	—	—	—	319,407	319,407
Total	$ 706,117	$ 337,557	$ 481,021	$ 152,464	$ 177,871	$ 12,926	$ —	$ 326,942	$ 2,194,898

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(in thousands)	Commercial & Industrial	Commercial Real Estate Owner Occupied	Commercial Real Estate Investor Owned	Construction Real Estate	Residential Real Estate	Consumer & Other	Unallocated	Portfolio loans covered under FDIC loss share	Total
Balance at December 31, 2010									
Allowance for Loan Losses - Ending Balance:									
Individually evaluated for impairment	$ 4,434	$ 219	$ 1,457	$ 650	$ 2,368	$—	$ —	$—	$ 9,128
Collectively evaluated for impairment	8,293	4,841	4,172	7,757	3,117	93	5,358	—	33,631
Loans acquired with deteriorated credit quality	—	—	—	—	—	—	—	—	—
Total	$ 12,727	$ 5,060	$ 5,629	$ 8,407	$ 5,485	$ 93	$ 5,358	$—	$ 42,759
Loans - Ending Balance:									
Individually evaluated for impairment	$ 11,276	$ 2,024	$ 10,935	$ 9,934	$ 12,188	$—	$ —	$—	$ 46,357
Collectively evaluated for impairment	582,662	329,520	433,789	180,351	177,296	16,376	—	350	1,720,344
Loans acquired with deteriorated credit quality	—	—	—	—	—	—	—	121,220	121,220
Total	$ 593,938	$ 331,544	$ 444,724	$ 190,285	$ 189,484	$ 16,376	$ —	$ 121,570	$ 1,887,921

A summary of loans individually evaluated for impairment by category at September 30, 2011 and December 31, 2010 is as follows:

	September 30, 2011					
(in thousands)	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Commercial & Industrial	$6,448	$134	$5,294	$5,428	$3,118	$7,120
Real Estate:						
Commercial - Owner Occupied	4,544	369	3,835	4,204	1,337	2,353
Commercial - Investor Owned	16,503	316	12,097	12,413	2,706	10,199
Construction	19,587	2,282	12,383	14,665	3,492	16,691
Residential	12,113	1,722	9,606	11,328	1,778	9,781
Consumer & Other	—	—	—	—	—	1
Total	$59,195	$4,823	$43,215	$48,038	$12,431	$46,145

	December 31, 2010					
(in thousands)	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Commercial & Industrial	$11,591	$412	$10,864	$11,276	$4,434	$5,848
Real Estate:						
Commercial - Owner Occupied	2,668	1,044	980	2,024	219	3,890
Commercial - Investor Owned	15,024	1,960	8,975	10,935	1,457	15,122
Construction	13,391	5,388	4,546	9,934	650	16,898
Residential	12,390	2,650	9,538	12,188	2,368	5,721
Consumer & Other	—	—	—	—	—	92
Total	$55,064	$11,454	$34,903	$46,357	$9,128	$47,571

There were not any loans over 90 days past due and still accruing interest at September 30, 2011. If interest on impaired loans would have been accrued based upon the original contractual terms, such income would have been $1.2 million and $2.7 million, for the three and nine months ended September 30, 2011, respectively. The cash amount collected and recognized as interest income on impaired loans was $144,000 and $347,000 for the three and nine months ended September 30, 2011, respectively. The amount recognized as interest income on impaired loans continuing to accrue interest was $119,000 and $332,000 for the three and nine months ended September 30, 2011, respectively. At September 30, 2011, there were $1.2 million of unadvanced commitments on impaired loans. Other Liabilities include approximately $244,000 for estimated losses attributable to the unadvanced commitments on impaired loans.

The recorded investment in impaired loans by category at September 30, 2011 and December 31, 2010 is as follows:

	September 30, 2011			
(in thousands)	Non-accrual	Restructured	Loans over 90 days past due and still accruing interest	Total
Commercial & Industrial	$5,428	$—	$—	$5,428
Real Estate:				
Commercial - Investor Owned	8,045	4,369	—	12,414
Commercial - Owner Occupied	2,861	1,342	—	4,203
Construction	12,925	1,741	—	14,666
Residential	6,439	4,888	—	11,327
Consumer & Other	—	—	—	—
Total	$35,698	$12,340	$—	$48,038

	December 31, 2010			
(in thousands)	Non-accrual	Restructured	Loans over 90 days past due and still accruing interest	Total
Commercial & Industrial	$11,276	$—	$—	$11,276
Real Estate:				
Commercial - Investor Owned	10,516	419	—	10,935
Commercial - Owner Occupied	2,024	—	—	2,024
Construction	9,352	582	—	9,934
Residential	5,309	6,879	—	12,188
Consumer & Other	—	—	—	—
Total	$38,477	$7,880	$—	$46,357

The recorded investment by category for the loans that have been restructured for the three and nine months ended September 30, 2011 is as follows:

	Three months ended September 30, 2011			Nine months ended September 30, 2011		
(in thousands, except for number of loans)	Number of Loans	Pre-Modification Outstanding Recorded Balance	Post-Modification Outstanding Recorded Balance	Number of Loans	Pre-Modification Outstanding Recorded Balance	Post-Modification Outstanding Recorded Balance
Commercial & Industrial	—	$ —	$ —	—	$ —	$ —
Real Estate:						
Commercial - Owner Occupied	3	1,342	1,342	3	1,342	1,342
Commercial - Investor Owned	—	—	—	1	4,365	4,369
Construction	—	—	—	1	1,800	1,741
Residential	1	959	956	3	6,002	4,888
Consumer & Other	—	—	—	—	—	—
Total	4	$ 2,301	$ 2,298	8	$ 13,509	$ 12,340

The restructured loans primarily resulted from interest rate concessions. As of September 30, 2011, the Company has allocated $2.5 million of specific reserves to the loans that have been restructured. At September 30, 2011, the Company has a commitment to lend an additional $1.2 million to a customer with an outstanding loan that has been classified as restructured.

The recorded investment by category for the loans that have been restructured and subsequently defaulted for the three and nine months ended September 30, 2011 is as follows:

	Three months ended September 30, 2011		Nine months ended September 30, 2011	
(in thousands, except for number of loans)	Number of Loans	Recorded Balance	Number of Loans	Recorded Balance
Commercial & Industrial	—	$—	—	$—
Real Estate:				
Commercial - Owner Occupied	—	—	—	—
Commercial - Investor Owned	—	—	1	418
Construction	1	203	2	597
Residential	1	563	1	563
Consumer & Other	—	—	—	—
Total	2	$766	4	$1,578

The aging of the recorded investment in past due loans by portfolio class and category at September 30, 2011 and December 31, 2010 is shown below.

(in thousands)	September 30, 2011 30-89 Days Past Due	90 or More Days Past Due	Total Past Due	Current	Total
Portfolio loans not covered under FDIC loss share					
Commercial & Industrial	$2,268	$845	$3,113	$703,004	$706,117
Real Estate:					
Commercial - Owner Occupied	—	2,862	2,862	334,695	337,557
Commercial - Investor Owned	4,187	3,646	7,833	473,188	481,021
Construction	634	10,401	11,035	141,429	152,464
Residential	2,080	3,355	5,435	172,436	177,871
Consumer & Other	—	—	—	12,926	12,926
Total	$9,169	$21,109	$30,278	$1,837,678	$1,867,956
Portfolio loans covered under FDIC loss share					
Commercial & Industrial	$3,084	$9,297	$12,381	$34,239	$46,620
Real Estate:					
Commercial - Owner Occupied	1,958	6,901	8,859	55,819	64,678
Commercial - Investor Owned	2,629	5,408	8,037	72,566	80,603
Construction	1,578	20,841	22,419	41,557	63,976
Residential	1,242	3,774	5,016	59,415	64,431
Consumer & Other	31	4	35	6,599	6,634
Total	$10,522	$46,225	$56,747	$270,195	$326,942
Portfolio loans, total					
Commercial & Industrial	$5,352	$10,142	$15,494	$737,243	$752,737
Real Estate:					
Commercial - Owner Occupied	1,958	9,763	11,721	390,514	402,235
Commercial - Investor Owned	6,816	9,054	15,870	545,754	561,624
Construction	2,212	31,242	33,454	182,986	216,440
Residential	3,322	7,129	10,451	231,851	242,302
Consumer & Other	31	4	35	19,525	19,560
Total	$19,691	$67,334	$87,025	$2,107,873	$2,194,898

(in thousands)	December 31, 2010 30-89 Days Past Due	90 or More Days Past Due	Total Past Due	Current	Total
Portfolio loans not covered under FDIC loss share					
Commercial & Industrial	$5,938	$3,557	$9,495	$584,443	$593,938
Real Estate:					
Commercial - Owner Occupied	914	1,583	2,497	329,047	331,544
Commercial - Investor Owned	2,692	4,348	7,040	437,684	444,724
Construction	802	6,876	7,678	182,607	190,285
Residential	2,496	2,518	5,014	184,470	189,484
Consumer & Other	3	—	3	16,373	16,376
Total	$12,845	$18,882	$31,727	$1,734,624	$1,766,351
Portfolio loans covered under FDIC loss share					
Commercial & Industrial	$777	$258	$1,035	$8,442	$9,477
Real Estate:					
Commercial - Owner Occupied	56	5,550	5,606	24,197	29,803
Commercial - Investor Owned	3,471	1,888	5,359	34,491	39,850
Construction	—	25,844	25,844	6,530	32,374
Residential	679	735	1,414	8,175	9,589
Consumer & Other	190	—	190	287	477
Total	$5,173	$34,275	$39,448	$82,122	$121,570
Portfolio loans, total					
Commercial & Industrial	$6,715	$3,815	$10,530	$592,885	$603,415
Real Estate:					
Commercial - Owner Occupied	970	7,133	8,103	353,244	361,347
Commercial - Investor Owned	6,163	6,236	12,399	472,175	484,574
Construction	802	32,720	33,522	189,137	222,659
Residential	3,175	3,253	6,428	192,645	199,073
Consumer & Other	193	—	193	16,660	16,853
Total	$18,018	$53,157	$71,175	$1,816,746	$1,887,921

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, such as current financial information, historical payment experience, credit documentation, and current economic factors among other factors. This analysis is performed on a quarterly basis. The Company uses the following definitions for risk ratings:

- Grades 1, 2, and 3 - These grades include loans to borrowers with a continuous record of strong earnings, sound balance sheet condition and capitalization, ample liquidity with solid cash flow and whose management team has experience and depth within their industry.
- Grade 4 – This grade includes loans to borrowers with positive trends in profitability, satisfactory capitalization and balance sheet condition, and sufficient liquidity and cash flow.
- Grade 5 – This grade includes loans to borrowers that may display fluctuating trends in sales, profitability, capitalization, liquidity, and cash flow.

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- Grade 6 – This grade includes loans to borrowers where an adverse change or perceived weakness has occurred, but may be correctable in the near future. Alternatively, this rating category may also include circumstances where the company is starting to reverse a negative trend or condition, or have recently been upgraded from a 7, 8, or 9 rating.
- Grade 7 – Watch credits are companies that have experienced financial setback of a nature that are not determined to be severe or influence ‘ongoing concern’ expectations. Borrowers within this category are expected to turnaround within a 12-month period of time. Although possible, no loss is anticipated, due to strong collateral and/or guarantor support.
- Grade 8 – Substandard credits will include those companies that are characterized by significant losses and sustained downward trends in balance sheet condition, liquidity, and cash flow. Repayment reliance may have shifted to secondary sources. Collateral exposure may exist and additional reserves may be warranted.
- Grade 9 – Doubtful credits include borrowers that may show deteriorating trends that are unlikely to be corrected. Collateral values may appear insufficient for full recovery, therefore requiring a partial charge-off, or debt renegotiation with the borrower. Borrower may have declared bankruptcy or bankruptcy is likely in the near term. All doubtful rated credits will be on non-accrual.

Acquired loans are also subject to the Company’s internal and external credit review and are risk rated using the same criteria as loans originated by the Company. However, risk ratings are not always a clear indicator of the Company's losses on acquired loans as a majority of the losses are recoverable from the FDIC under the loss-sharing agreements.

The recorded investment by risk category of the loans by portfolio class and category at September 30, 2011, which is based upon the most recent analysis performed, and December 31, 2010 is as follows:

	September 30, 2011						
(in thousands)	Commercial & Industrial	Commercial Real Estate Owner Occupied	Commercial Real Estate Investor Owned	Construction Real Estate	Residential Real Estate	Consumer & Other	Total
Portfolio loans not covered under FDIC loss share							
Outstanding (1-3)	$93,566	$9,563	$6,700	$1,538	$2,048	$2,779	$116,194
Above Average (4)	67,263	60,512	37,424	8,379	13,916	1,818	189,312
Average (5)	353,843	165,906	279,079	54,490	123,664	8,014	984,996
Below Average (6)	105,788	42,579	83,352	33,787	13,220	184	278,910
Watch (7)	52,214	40,604	58,129	27,958	4,807	4	183,716
Substandard (8)	28,655	16,855	16,126	25,960	18,724	127	106,447
Doubtful (9)	4,788	1,538	211	352	1,492	—	8,381
Total	$706,117	$337,557	$481,021	$152,464	$177,871	$12,926	$1,867,956
Portfolio loans covered under FDIC loss share							
Outstanding (1-3)	$3,742	$689	$548	$1,419	$8,557	$2,711	$17,666
Above Average (4)	3,023	3,485	356	759	3,228	89	10,940
Average (5)	20,283	18,716	36,703	21,678	33,038	3,653	134,071
Below Average (6)	3,578	6,307	1,304	904	2,091	59	14,243
Watch (7)	164	3,211	6,423	3,282	3,961	3	17,044
Substandard (8)	15,830	32,216	33,226	34,004	13,046	119	128,441
Doubtful (9)	—	54	2,043	1,930	510	—	4,537
Total	$46,620	$64,678	$80,603	$63,976	$64,431	$6,634	$326,942
Portfolio loans, total							
Outstanding (1-3)	$97,308	$10,252	$7,248	$2,957	$10,605	$5,490	$133,860
Above Average (4)	70,286	63,997	37,780	9,138	17,144	1,907	200,252
Average (5)	374,126	184,622	315,782	76,168	156,702	11,667	1,119,067
Below Average (6)	109,366	48,886	84,656	34,691	15,311	243	293,153
Watch (7)	52,378	43,815	64,552	31,240	8,768	7	200,760
Substandard (8)	44,485	49,071	49,352	59,964	31,770	246	234,888
Doubtful (9)	4,788	1,592	2,254	2,282	2,002	—	12,918
Total	$752,737	$402,235	$561,624	$216,440	$242,302	$19,560	$2,194,898

(in thousands)	December 31, 2010 Commercial & Industrial	Commercial Real Estate Owner Occupied	Commercial Real Estate Investor Owned	Construction Real Estate	Residential Real Estate	Consumer & Other	Total
Portfolio loans not covered under FDIC loss share							
Outstanding (1-3)	$92,940	$19,139	$6,846	$1,142	$1,522	$5,930	$127,519
Above Average (4)	48,745	68,443	31,826	8,549	17,400	2,264	177,227
Average (5)	252,938	149,773	259,937	80,400	127,587	7,722	878,357
Below Average (6)	135,174	46,080	91,385	27,931	10,900	117	311,587
Watch (7)	26,549	33,374	38,680	32,519	8,272	9	139,403
Substandard (8)	34,512	14,634	15,812	39,744	23,759	334	128,795
Doubtful (9)	3,080	101	238	—	44	—	3,463
Total	$593,938	$331,544	$444,724	$190,285	$189,484	$16,376	$1,766,351
Portfolio loans covered under FDIC loss share							
Outstanding (1-3)	$—	$—	$—	$—	$—	$77	$77
Above Average (4)	—	—	—	—	105	—	105
Average (5)	3,902	8,287	13,951	1,253	4,047	357	31,797
Below Average (6)	4,719	7,486	7,485	1,483	2,584	43	23,800
Watch (7)	62	3,219	6,943	337	1,351	—	11,912
Substandard (8)	794	10,811	9,209	22,160	1,142	—	44,116
Doubtful (9)	—	—	2,262	7,141	360	—	9,763
Total	$9,477	$29,803	$39,850	$32,374	$9,589	$477	$121,570
Portfolio loans, total							
Outstanding (1-3)	$92,940	$19,139	$6,846	$1,142	$1,522	$6,007	$127,596
Above Average (4)	48,745	68,443	31,826	8,549	17,505	2,264	177,332
Average (5)	256,840	158,060	273,888	81,653	131,634	8,079	910,154
Below Average (6)	139,893	53,566	98,870	29,414	13,484	160	335,387
Watch (7)	26,611	36,593	45,623	32,856	9,623	9	151,315
Substandard (8)	35,306	25,445	25,021	61,904	24,901	334	172,911
Doubtful (9)	3,080	101	2,500	7,141	404	—	13,226
Total	$603,415	$361,347	$484,574	$222,659	$199,073	$16,853	$1,887,921

Portfolio loans covered under FDIC loss share

Purchased loans acquired in a business combination, including loans purchased in our FDIC-assisted transactions, are recorded at estimated fair value on their purchase date without a carryover of the related allowance for loan losses. Purchased credit-impaired loans are loans that have evidence of credit deterioration since origination and it is probable at the date of acquisition that the Company will not collect all contractually required principal and interest payments. Evidence of credit quality deterioration as of the purchase date may include factors such as past due and non-accrual status. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the non-accretable yield. Subsequent decreases to the expected cash flows will generally result in a provision for loan losses. Subsequent increases in cash flows result in a reversal of the provision for loan losses to the extent of prior charges or a reclassification of the difference from non-accretable to accretable with a positive impact on interest income. Further, any excess of cash flows expected at acquisition over the estimated fair value is referred to as the accretable yield and is recognized into interest income over the remaining life of the loan when there is a reasonable expectation about the amount and timing of such cash flows.

Changes in the accretable yield for purchased loans were as follows for the nine months ended September 30, 2011 and 2010:

(in thousands)	September 30, 2011	September 30, 2010
Balance at beginning of period	$46,460	$3,708
Additions	40,380	50,027
Accretion	(15,337)	(3,678)
Other	$(29,068)	$—
Balance at end of period	$42,435	$50,057

Outstanding balances on purchased loans from the FDIC were $537.2 million as of September 30, 2011 and $219.5 million at December 31, 2010, respectively. In the third quarter of 2011, the Bank received payments of $13.3 million for loss share claims under the terms of the FDIC shared-loss agreements.

The following tables present information regarding the contractually required payments receivable, the cash flows expected to be collected, and the estimated fair value of the loans acquired in the following acquisitions, at the closing date of the transaction:

Legacy acquisition

(In thousands)	January 7, 2011 Purchased Credit-Impaired Loans
Contractually required payments (principal and interest):	$106,286
Cash flows expected to be collected (principal and interest):	84,089
Fair value of loans acquired:	73,214

The First National Bank of Olathe acquisition

(In thousands)	August 12, 2011 Purchased Credit-Impaired Loans
Contractually required payments (principal and interest):	$358,085
Cash flows expected to be collected (principal and interest):	200,957
Fair value of loans acquired:	171,452

These amounts were determined based upon the estimated remaining life of the underlying loans, which includes the effects of estimated prepayments. The majority of the purchased credit-impaired loans were valued based on the liquidation value of the underlying collateral. There was no allowance for credit losses on purchased loans related to FDIC-assisted transactions at September 30, 2011.

The determination of the initial fair value of loans and other real estate acquired in the transaction and the initial fair value of the related FDIC loss share receivable involve a high degree of judgment and complexity. The carrying value of the acquired loans and other real estate and the FDIC indemnification asset reflect management's best estimate of the fair value of each of these assets as of the date of acquisition. However, the amount that the Bank realizes on these assets could differ materially from the carrying value reflected in these financial statements, based upon the timing

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and amount of collections on the acquired loans in future periods. To the extent the actual values realized for the acquired loans are different from the estimate, the FDIC loss share receivable will generally be affected in an offsetting manner due to the indemnification obligations of the FDIC, thus limiting the Bank's loss exposure.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

The Company issues financial instruments with off balance sheet risk in the normal course of the business of meeting the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments may involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated balance sheets.

The Company's extent of involvement and maximum potential exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of these instruments.

The Company uses the same credit policies in making commitments and conditional obligations as it does for financial instruments included on its consolidated balance sheets. At September 30, 2011 there were $1.2 million of unadvanced commitments on impaired loans. Other liabilities include approximately $244,000 for estimated losses attributable to the unadvanced commitments on impaired loans.

The contractual amounts of off-balance-sheet financial instruments as of September 30, 2011 and December 31, 2010 are as follows:

(in thousands)	September 30, 2011	December 31, 2010
Commitments to extend credit	$512,724	$429,411
Standby letters of credit	46,753	42,113

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments usually have fixed expiration dates or other termination clauses and may require payment of a fee. Of the total commitments to extend credit at September 30, 2011 and December 31, 2010, approximately $77.1 million and $67.0 million, respectively, represent fixed rate loan commitments. Since certain of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but may include accounts receivable, inventory, premises and equipment, and real estate.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. These standby letters of credit are issued to support contractual obligations of the Company's customers. The credit risk involved in issuing letters of credit is essentially the same as the risk involved in extending loans to customers. The approximate remaining term of standby letters of credit range from 6 months to 5 years at September 30, 2011.

Contingencies

The Bank, along with other co-defendants has been named as a defendant in two lawsuits filed by persons alleging to be clients of the Bank's Trust division who invested in promissory notes issued by Distinctive Properties (UK) Limited ("Distinctive Properties"), a company involved in the purchase and development of real estate in the United Kingdom. Plaintiffs allege that the promissory notes were part of a multi-million dollar Ponzi scheme. Plaintiffs allege to hold such promissory notes in accounts with the Trust division and that, among other things, the Bank was negligent, breached its fiduciary duties and breached its contracts. Plaintiffs also allege that the Bank violated the Racketeer Influenced and Corrupt Organizations Act (“RICO”). Plaintiffs, in the aggregate, are seeking damages from defendants, including the Bank, of approximately $27.0 million as well as their costs and attorneys’ fees and trebled damages under RICO. The Company is unable to estimate a reasonably possible loss for the cases described above because the proceedings are in early stages and there are significant factual issues to be determined and resolved. The Company denies Plaintiffs’ allegations and intends to vigorously defend the lawsuits.

The following litigation was filed subsequent to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, which was filed with the Securities and Exchange Commission (“SEC”) on November 8, 2011. On April 10, 2012, a putative class action was filed in the United States District Court for the Eastern District of Missouri captioned William Mark Scott v. Enterprise Financial Services Corp, Peter F. Benoist, and Frank H. Sanfilippo. The complaint asserts claims for violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 on behalf of a putative class of purchasers of the Company's stock between April 20, 2010 and January 25, 2012, inclusive. The complaint alleges, among other things, that defendants allegedly made false and misleading statements and allegedly "failed to disclose that the Company was improperly recording income on loans covered under loss share agreements with the FDIC" and that, as a result, "the Company's financial statements were materially false and misleading at all relevant times." The action seeks unspecified damages and costs and expenses. The Company denies plaintiffs’ allegations and intends to vigorously defend the lawsuit.

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS

The Company is a party to various derivative financial instruments that are used in the normal course of business to meet the needs of its clients and as part of its risk management activities. These instruments include interest rate swaps and option contracts. The Company does not enter into derivative financial instruments for trading or speculative purposes.

Interest rate swap contracts involve the exchange of fixed and floating rate interest payment obligations without the exchange of the underlying principal amounts. The Company enters into interest rate swap contracts on behalf of its clients and also utilizes such contracts to reduce or eliminate the exposure to changes in the cash flows or fair value of hedged assets or liabilities due to changes in interest rates. Interest rate option contracts consist of caps and provide for the transfer or reduction of interest rate risk in exchange for a fee.

All derivative financial instruments, whether designated as hedges or not, are recorded on the consolidated balance sheet at fair value within Other assets or Other liabilities. The accounting for changes in the fair value of a derivative in the consolidated statement of operations depends on whether the contract has been designated as a hedge and qualifies for hedge accounting. At September 30, 2011 and December 31, 2010, the Company did not have any derivatives designated as cash flow or fair value hedges.

Using derivative instruments means assuming counterparty credit risk. Counterparty credit risk relates to the loss the Company could incur if a counterparty were to default on a derivative contract. Notional amounts of derivative financial instruments do not represent credit risk, and are not recorded in the consolidated balance sheet. They are used merely to express the volume of this activity. The overall credit risk and exposure to individual counterparties is monitored. The Company does not anticipate nonperformance by any counterparties. The amount of counterparty credit exposure is the unrealized gains, if any, on such derivative contracts. At September 30, 2011, the Company had $1.1 million of unrealized gains. At September 30, 2011, the Company had pledged cash of $2.8 million. At December 31, 2010, the Company had accepted cash of $530,000, pledged cash of $1.5 million, and accepted pledged securities of $2.2 million as collateral in connection with our interest rate swap agreements.

Risk Management Instruments. The Company enters into certain derivative contracts to economically hedge state tax credits and certain loans.

- Economic hedge of state tax credits. In November 2008, the Company paid $2.1 million to enter into a series of interest rate caps in order to economically hedge changes in fair value of the State tax credits held for sale. In February 2010, the Company paid $751,000 for an additional series of interest rate caps. See Note 10—

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Fair Value Measurements for further discussion of the fair value of the state tax credits.

- Economic hedge of prime based loans. Previously, the Company had two outstanding interest rate swap agreements whereby the Company paid a variable rate of interest equivalent to the prime rate and received a fixed rate of interest. The swaps were designed to hedge the cash flows associated with a portion of prime based loans and had been designated as cash flow hedges. However, in December 2008, due to a variable rate differential, the Company concluded the cash flow hedges would not be prospectively effective and the hedges were dedesignated. The swaps were terminated in February 2009. The unrealized gain prior to dedesignation was included in Accumulated other comprehensive income and is being amortized over the expected life of the related loans. At September 30, 2011, the amount remaining in Accumulated other comprehensive income is $19,000. For the three months ended September 30, 2011 and 2010, $44,000 and $62,000 was reclassified into Miscellaneous income, respectively. For the nine months ended September 30, 2011 and 2010, $132,000 and $186,000 was reclassified into Miscellaneous income, respectively. The Company expects to reclassify $29,000 of remaining derivative gains from Accumulated other comprehensive income and deferred taxes to earnings over the next five months.

The table below summarizes the notional amounts and fair values of the derivative instruments used to manage risk.

(in thousands)	Notional Amount		Asset Derivatives (Other Assets) Fair Value		Liability Derivatives (Other Liabilities) Fair Value	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
Non-designated hedging instruments						
Interest rate cap contracts	$99,300	$314,300	$118	$528	$—	$—

The following table shows the location and amount of gains and losses related to derivatives used for risk management purposes that were recorded in the condensed consolidated statements of operations for the three and nine months ended September 30, 2011 and 2010.

(in thousands)	Location of Gain or (Loss) Recognized in Operations on Derivative	Amount of Gain or (Loss) Recognized in Operations on Derivative Three months ended September 30,		Amount of Gain or (Loss) Recognized in Operations on Derivative Nine months ended September 30,	
		2011	2010	2011	2010
Non-designated hedging instruments					
Interest rate cap contracts	Gain on state tax credits, net	$(176)	$(324)	$(410)	$(1,565)
Interest rate swap contracts	Miscellaneous income	44	62	132	186

Client-Related Derivative Instruments. As an accommodation to certain customers, the Company enters into interest rate swaps to economically hedge changes in fair value of certain loans. The table below summarizes the notional amounts and fair values of the client-related derivative instruments.

(in thousands)	Notional Amount	Asset Derivatives (Other Assets) Fair Value	Liability Derivatives (Other Liabilities) Fair Value

	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
Non-designated hedging instruments						
Interest rate swap contracts	$66,012	$109,012	$1,087	$1,514	$1,926	$2,607

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Changes in the fair value of client-related derivative instruments are recognized currently in operations. The following table shows the location and amount of gains and losses recorded in the condensed consolidated statements of operations for the three and nine months ended September 30, 2011 and 2010.

(in thousands)	Location of Gain or (Loss) Recognized in Operations on Derivative	Amount of Gain or (Loss) Recognized in Operations on Derivative Three months ended September 30, 2011	2010	Amount of Gain or (Loss) Recognized in Operations on Derivative Nine months ended September 30, 2011	2010
Non-designated hedging instruments					
Interest rate swap contracts	Interest and fees on loans	$(160)	$(132)	$(451)	$(455)

NOTE 9 - COMPENSATION PLANS

The Company maintains a number of share-based incentive programs, which are discussed in more detail in Note 16 of the Company's Annual Report on Form 10-K for the year ended December 31, 2010. There were no stock options, stock-settled stock appreciation rights, or restricted stock units granted in the first nine months of 2011. The share-based compensation expense was $380,000 and $501,000 for the three months ended September 30, 2011 and 2010, respectively. The share-based compensation expense was $1.3 million and $1.6 million for the nine months ended September 30, 2011 and 2010, respectively.

Employee Stock Options and Stock-settled Stock Appreciation Rights ("SSAR")

At September 30, 2011, there was $1.1 million of total unrecognized compensation costs related to SSAR's which is expected to be recognized over a weighted average period of 2.3 years. Following is a summary of the employee stock option and SSAR activity for the first nine months of 2011.

(Dollars in thousands, except share data)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2011	902,932	$15.71		
Granted	—	—		
Exercised	(68,612)	13.43		
Forfeited	(27,476)	13.89		
Outstanding at September 30, 2011	806,844	$15.97	5.1 years	$—
Exercisable at September 30, 2011	586,581	$16.32	4.1 years	$—
Vested and expected to vest at September 30, 2011	716,225	$15.50	5.1 years	$—

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Restricted Stock Units (“RSU”)

At September 30, 2011, there was $411,000 of total unrecognized compensation costs related to the RSU’s, which is expected to be recognized over a weighted average period of 1.1 years. A summary of the Company's restricted stock unit activity for the first nine months of 2011 is presented below.

	Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2011	36,173	$22.14
Granted	—	—
Vested	(200)	10.69
Forfeited	(1,512)	21.58
Outstanding at September 30, 2011	34,461	$22.23

Stock Plan for Non-Management Directors

Shares are issued twice a year and compensation expense is recorded as the shares are earned, therefore, there is no unrecognized compensation expense related to this plan. The Company recognized $0 and $0 of share-based compensation expense for the directors for the three months ended September 30, 2011 and 2010, respectively. The Company recognized $167,000 and $158,000 of share-based compensation expense for the directors for the nine months ended September 30, 2011 and 2010, respectively. Pursuant to this plan, the Company issued 13,900 and 16,823 shares in the first nine months of 2011 and 2010, respectively.

Employee Stock Issuance

Restricted stock was issued to certain key employees as part of their compensation. The restricted stock may be in a form of a one-time award or paid in pro rata installments. The stock is restricted for 2 years and upon issuance may be fully vested or vest over five years. The Company recognized $8,000 and $5,000 of share-based compensation expense related to these awards for the three months ended September 30, 2011 and 2010, respectively. The Company recognized $20,000 and $47,000 of share-based compensation related to these awards and issued 6,724 and 8,999 shares in the nine months ended September 30, 2011 and 2010, respectively.

In conjunction with the Company’s short-term incentive plan, the Company issued 14,329 and 13,660 restricted shares to certain key employees in the nine months ended September 30, 2011 and 2010, respectively. The compensation expense related to these shares was expensed in 2010 and 2009, respectively. For further information on the short-term incentive plan, refer to the Compensation Discussion and Analysis in the Company’s Proxy Statement for the 2011 Annual Meeting of Stockholders.

Moneta Plan

As of December 31, 2006, the fair value of all Moneta options had been expensed. As a result, there have been no option-related expenses for Moneta in 2011 or 2010. Following is a summary of the Moneta stock option activity for the first nine months of 2011.

(Dollars in thousands, except share data)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2011	26,105	$13.58		
Granted	—	—		
Exercised	(6,125)	13.77		
Forfeited	(8,792)	15.50		
Outstanding at September 30, 2011	11,188	$13.06	1.3 years	$6
Exercisable at September 30, 2011	11,188	$13.06	1.3 years	$6

NOTE 10 - FAIR VALUE MEASUREMENTS

Below is a description of certain assets and liabilities measured at fair value.

The following table summarizes financial instruments measured at fair value on a recurring basis as of September 30, 2011, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value.

	September 30, 2011			
(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets				
Securities available for sale				
Obligations of U.S. Government sponsored enterprises	$—	$29,657	$—	$29,657
Obligations of states and political subdivisions	—	32,915	3,025	35,940
Residential mortgage-backed securities	—	391,929	4,957	396,886
Total securities available for sale	$—	$454,501	$7,982	$462,483
Portfolio loans	—	14,786	—	14,786
State tax credits held for sale	—	—	29,494	29,494
Derivative financial instruments	—	1,205	—	1,205
Total assets	$—	$470,492	$37,476	$507,968
Liabilities				
Derivative financial instruments	$—	$1,926	$—	$1,926
Total liabilities	$—	$1,926	$—	$1,926

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Securities available for sale. Securities classified as available for sale are reported at fair value utilizing Level 2 and Level 3 inputs. The Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions. Through September 30, 2011, Level 3 securities available for sale include three Auction Rate Securities, a municipal bond issued by a school district and a newly issued residential mortgage-backed security.

- Portfolio Loans. Certain fixed rate portfolio loans are accounted for as trading instruments and reported at fair value. Fair value on these loans is determined using a third party valuation model with observable Level 2 market data inputs.
- State tax credits held for sale. At September 30, 2011, of the $56.3 million of state tax credits held for sale on the condensed consolidated balance sheet, approximately $29.5 million were carried at fair value. The remaining $26.8 million of state tax credits were accounted for at cost.

The fair value of the state tax credits carried at fair value increased $975,000 for the quarter ended September 30, 2011 compared to a $1.1 million increase for the same period in 2010. These fair value changes are included in Gain on State tax credits, net in the condensed consolidated statements of operations.

The Company is not aware of an active market that exists for the 10-year streams of state tax credit financial instruments. However, the Company's principal market for these tax credits consists of Missouri state residents who buy these credits and from local and regional accounting firms who broker them. As such, the Company employed a discounted cash flow analysis (income approach) to determine the fair value.

The fair value measurement is calculated using an internal valuation model with observable market data including discounted cash flows based upon the terms and conditions of the tax credits. Assuming that the underlying project remains in compliance with the various federal and state rules governing the tax credit program, each project will generate about 10 years of tax credits. The inputs to the fair value calculation include: the amount of tax credits generated each year, the anticipated sale price of the tax credit, the timing of the sale and a discount rate. The discount rate is defined as the LIBOR swap curve at a point equal to the remaining life in years of credits plus a 205 basis point spread. With the exception of the discount rate, the other inputs to the fair value calculation are observable and readily available. The discount rate is considered a Level 3 input because it is an "unobservable input" and is based on the Company's assumptions. Given the significance of this input to the fair value calculation, the state tax credit assets are reported as Level 3 assets.

- Derivatives. Derivatives are reported at fair value utilizing Level 2 inputs. The Company obtains counterparty quotations to value its interest rate swaps and caps. In addition, the Company validates the counterparty quotations with third party valuation sources. Derivatives with negative fair values are included in Other liabilities in the consolidated balance sheets. Derivatives with positive fair value are included in Other assets in the consolidated balance sheets.

Level 3 financial instruments

The following table presents the changes in Level 3 financial instruments measured at fair value on a recurring basis as of September 30, 2011.

- Purchases, sales, issuances and settlements, net. Purchases of Level 3 financial instruments during the quarter ended September 30, 2011 include a newly issued residential mortgage-backed security.
- Transfers in and/or out of Level 3. The transfer out of Level 3 is related to two newly issued mortgage-backed securities purchased in the fourth quarter of 2010 which were originally priced using Level 3 assumptions. In the first quarter of 2011, a third party pricing service became available.

	Securities available for sale, at fair value			
	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	2011	2010	2011	2010
Beginning balance	$2,994	$3,018	$7,520	$2,830
Total gains (losses):				
Included in other comprehensive income	5	(68)	34	20
Purchases, sales, issuances and settlements:				
Purchases	4,983	10,730	4,983	10,830
Transfer in and/or out of Level 3	—	—	(4,555)	—
Ending balance	$7,982	$13,680	$7,982	$13,680
Change in unrealized gains relating to assets still held at the reporting date	$5	$(68)	$34	$20

	State tax credits held for sale			
	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	2011	2010	2011	2010
Beginning balance	$29,247	$32,622	$31,576	$32,485
Total gains:				
Included in earnings	1,211	1,082	2,020	2,947
Purchases, sales, issuances and settlements:				
Sales	(964)	(12)	(4,102)	(1,740)
Ending balance	$29,494	$33,692	$29,494	$33,692
Change in unrealized gains relating to assets still held at the reporting date (1)	$975	$1,079	$1,009	$2,516

(1) Correction of Prior Period Fair Value Disclosures - The Company has corrected an error in the fair value disclosure for level 3 state tax credit investments. In the "State Tax Credits held for sale" table included in Note 9 to the Company's Notes to Condensed Consolidated Financial Statements for the quarter ended September 30, 2010, the Company inadvertently included the three month ended amount of $1,079 instead of nine month ended amount of $2,516. The correction had no effect on the balance sheet, statement of operations, cash flows or shareholders' equity.

From time to time, the Company measures certain assets at fair value on a nonrecurring basis. These include assets that are measured at the lower of cost or fair value that were recognized at fair value below cost at the end of the period. The following table presents financial instruments and non-financial assets measured at fair value on a non-recurring basis as of September 30, 2011.

(in thousands)	(1) Total Fair Value	(1) Quoted Prices in Active Markets for Identical Assets (Level 1)	(1) Significant Other Observable Inputs (Level 2)	(1) Significant Unobservable Inputs (Level 3)	Total (losses) gains for the three months ended September 30, 2011	Total (losses) gains for the nine months ended September 30, 2011
Impaired loans	$8,869	$—	$—	$8,869	$(5,061)	$(14,981)
Other real estate	16,713	—	—	16,713	(618)	(3,261)
Total	$25,582	$—	$—	$25,582	$(5,679)	$(18,242)

(1) The amounts represent only balances measured at fair value during the period and still held as of the reporting date.

Impaired loans are reported at the fair value of the underlying collateral. Fair values for impaired loans are obtained from current appraisals by qualified licensed appraisers or independent valuation specialists. Other real estate owned is adjusted to fair value upon foreclosure of the underlying loan. Subsequently, foreclosed assets are carried at the lower of carrying value or fair value less costs to sell. Fair value of other real estate is based upon the current appraised values of the properties as determined by qualified licensed appraisers and the Company's judgment of other relevant market conditions. Certain state tax credits are reported at cost.

Following is a summary of the carrying amounts and fair values of the Company's financial instruments on the consolidated balance sheets at September 30, 2011 and December 31, 2010.

	September 30, 2011		December 31, 2010	
(in thousands)	Carrying Amount	Estimated fair value	Carrying Amount	Estimated fair value
Balance sheet assets				
Cash and due from banks	$26,015	$26,015	$23,413	$23,413
Federal funds sold	2,371	2,371	3,153	3,153
Interest-bearing deposits	240,488	240,488	268,853	268,853
Securities available for sale	462,483	462,483	361,546	361,546
Other investments, at cost	14,648	14,648	12,278	12,278
Loans held for sale	5,076	5,076	5,640	5,640
Derivative financial instruments	1,205	1,205	2,042	2,042
Portfolio loans, net	2,149,447	2,155,695	1,845,162	1,850,197
State tax credits, held for sale	56,278	56,278	61,148	61,148
Accrued interest receivable	8,702	8,702	7,464	7,464
Balance sheet liabilities				
Deposits	2,817,262	2,826,565	2,297,721	2,301,387
Subordinated debentures	85,081	45,861	85,081	44,866
Federal Home Loan Bank advances	102,000	110,922	107,300	118,602

Other borrowings	100,729	100,739	119,333	119,366
Derivative financial instruments	1,926	1,926	2,607	2,607
Accrued interest payable	1,892	1,892	1,488	1,488

For information regarding the methods and assumptions used to estimate the fair value of each class of financial instruments for which it is practical to estimate such value, refer to Note 19-–Fair Value Measurements in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

NOTE 11 - SEGMENT REPORTING

The Company has two primary operating segments, Banking and Wealth Management, which are delineated by the products and services that each segment offers. The segments are evaluated separately on their individual performance, as well as their contribution to the Company as a whole.

The Banking operating segment consists of a full-service commercial bank, with locations in St. Louis, Kansas City, and Phoenix. The majority of the Company's assets and income result from the Banking segment. All banking locations have the same product and service offerings, have similar types and classes of customers and utilize similar service delivery methods. Pricing guidelines and operating policies for products and services are the same across all regions.

The Wealth Management segment includes the Trust division of the Bank and the state tax credit brokerage activities. The Trust division provides estate planning, investment management, and retirement planning as well as consulting on management compensation, strategic planning and management succession issues. State tax credits are part of a fee initiative designed to augment the Company's wealth management segment and banking lines of business.

The Corporate segment's principal activities include the direct ownership of the Company's banking subsidiary and the issuance of debt and equity. Its principal source of liquidity is dividends from its subsidiaries and stock option exercises.

The financial information for each business segment reflects that information which is specifically identifiable or which is allocated based on an internal allocation method. There were no material intersegment revenues among the three segments. Management periodically makes changes to methods of assigning costs and income to its business segments to better reflect operating results. When appropriate, these changes are reflected in prior year information presented below.

Following are the financial results for the Company's operating segments.

(in thousands)	Banking	Wealth Management	Corporate and Intercompany	Total
Balance Sheet Information	September 30, 2011			
Portfolio loans	$2,194,898	$—	$—	$2,194,898
Goodwill	30,334	—	—	30,334
Intangibles, net	9,471	—	—	9,471
Deposits	2,835,547	—	(18,285)	2,817,262
Borrowings	154,405	50,824	82,581	287,810
Total assets	3,282,473	56,457	9,854	3,348,784
	December 31, 2010			
	Banking	Wealth Management	Corporate and Intercompany	Total
Portfolio loans	$1,887,921	$—	$—	$1,887,921
Goodwill	2,064	—	—	2,064
Intangibles, net	1,223	—	—	1,223
Deposits	2,313,117	—	(15,396)	2,297,721
Borrowings	172,431	56,702	82,581	311,714
Total assets	2,724,289	61,770	14,140	2,800,199
Income Statement Information	Three months ended September 30, 2011			
Net interest income (expense)	$28,105	$(304)	$(1,032)	$26,769
Provision for loan losses	8,072	—	—	8,072
Noninterest income	5,105	3,201	420	8,726
Noninterest expense	15,454	2,016	832	18,302
Income (loss) before income tax expense (benefit)	9,684	881	(1,444)	9,121
Income tax expense (benefit)	3,510	304	(525)	3,289
Net income (loss)	$6,174	$577	$(919)	$5,832
	Three months ended September 30, 2010			
Net interest income (expense)	$24,373	$(380)	$(1,161)	$22,832
Provision for loan losses	7,650	—	—	7,650
Noninterest income	2,354	2,446	95	4,895
Noninterest expense	12,941	1,846	906	15,693
Income (loss) before income tax expense (benefit)	6,136	220	(1,972)	4,384
Income tax expense (benefit)	1,876	81	(774)	1,183
Net income (loss)	$4,260	$139	$(1,198)	$3,201
Income Statement Information	Nine months ended September 30, 2011			
Net interest income (expense)	$84,511	$(941)	$(3,089)	$80,481
Provision for loan losses	16,247	—	—	16,247
Noninterest income	9,721	7,683	503	17,907
Noninterest expense	45,639	5,914	2,738	54,291
Income (loss) before income tax expense (benefit)	32,346	828	(5,324)	27,850

Income tax expense (benefit)	11,159	313	(1,839)	9,633
Net income (loss)	$21,187	$515	$(3,485)	$18,217
	Nine months ended September 30, 2010			
Net interest income (expense)	$64,078	$(1,024)	$(3,433)	$59,621
Provision for loan losses	30,410	—	—	30,410
Noninterest income	7,437	6,901	141	14,479
Noninterest expense	35,344	5,687	2,950	43,981
Income (loss) before income tax expense (benefit)	5,761	190	(6,242)	(291)
Income tax expense (benefit)	1,803	70	(2,751)	(878)
Net income (loss)	$3,958	$120	$(3,491)	$587

NOTE 12 - SUBSEQUENT EVENTS

On October 21, 2011, the Bank purchased certain assets and assumed certain deposit liabilities from BankLiberty of Liberty, Missouri. The Bank assumed $43.0 million in deposits associated with the BankLiberty branch located at 11401 Olive Boulevard, in the St. Louis suburb of Creve Coeur, Missouri. The deposits consisted of $2.6 million in demand deposits, $21.9 million in money market and other interest bearing deposits, and $18.6 million in certificates of deposit. The Bank also paid a deposit premium of $323,000 on these deposits and purchased $150,000 of personal property in the branch. The Bank executed a full-service sublease on approximately 6,556 square feet at the above address. Enterprise will operate the location as a full-service branch of the Bank. The results of this business combination will be included in the Company's fourth quarter 2011 Consolidated financial statements.
As part of the acquisition of FNBO, the Bank provided the FDIC a VAI whereby $1.0 million units were awarded to the FDIC at an exercise price of $13.59 per unit. The units were exercisable any time from August 19, 2011 until August 10, 2012. The units were exercised on October 31, 2011 at a settlement price of $15.8393. A cash payment of approximately $2.2 million was made to the FDIC on November 1, 2011.

NOTE 13 - RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

Background of the Restatement
In January 2012, while converting to a new system designed to address the complex accounting requirements of acquired loans under Accounting Standards Codification ("ASC") Topic 310-30, “Loans and Debt Securities Acquired with Deteriorated Credit Quality”, the Company discovered an error in its process used to record income on these loans. ASC 310-30 is utilized to account for the loans acquired by the Company under loss sharing agreements with the Federal Deposit Insurance Corporation (the “FDIC”). Under ASC 310-30, these acquired loans are initially recorded at fair value (as determined by the present value of expected future cash flows) with no valuation allowance. The difference between the undiscounted cash flows expected at acquisition and the investment in the loans, or the "accretable yield", is recognized as interest income on a level-yield method over the life of the loans. In accounting for income from the acquired loans, the Company recorded both the accretable yield and contractually required interest payments. The Company should not have recognized the contractually required interest payments. As a result, both interest income and the carrying value of the acquired loans were overstated. This affected income reported on the loans acquired in FDIC assisted transactions since December 2009.

Other Adjustments
In addition to the adjustments relating to the acquired loan contractual interest described above, the Company has corrected other errors that had been previously identified but not corrected because they were not material, individually or in the aggregate, to the consolidated financial results. These items included changes in accrual estimates and financial statement reclassifications.Adjustments, identified subsequent to the date of the Original Filing, have also been made to the preliminary fair values related to the Company's FDIC-assisted transactions.

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The following tables present the impact of the restatement on the Company's previously issued unaudited interim Consolidated Statement of Operations for the three and nine months ended September 30, 2011 and 2010, unaudited interim Consolidated Balance Sheet as of September 30, 2011 and unaudited interim Consolidated Statement of Cash Flows as of September 30, 2011 and 2010.

	For the Three months ended September 30, 2011			
(in thousands, except per share data)	As Previously Reported	Restatement Adjustments	Other Adjustments	As Restated
Consolidated Statement of Operations				
Interest income:				
Interest and fees on loans	$36,748	$ (4,522)	$(1,243)	$30,983
Total interest income	40,050	(4,522)	(1,243)	34,285
Total interest expenses	7,658	—	(142)	7,516
Net interest income	32,392	(4,522)	(1,101)	26,769
Provision for loan losses	5,557	2,515	—	8,072
Net interest income after provision for loan losses	26,835	(7,037)	(1,101)	18,697
Noninterest income:				
Miscellaneous income	281	1,287	877	2,445
Total noninterest income	6,562	1,287	877	8,726
Noninterest expense:				
Total noninterest expense	18,302	—	—	18,302
Income before income tax	15,095	(5,750)	(224)	9,121
Income tax expense	5,394	(2,073)	(32)	3,289
Net income	9,701	(3,677)	(192)	5,832
Net income available to common shareholders	9,069	(3,677)	(192)	5,200
Net income available to common shareholders and assumed conversions	9,440	(3,677)	(192)	5,571
Basic earnings per share	$0.51	$ (0.21)	$(0.01)	$0.29
Diluted earnings per share	0.49	(0.19)	(0.01)	0.29

(in thousands, except per share data)	For the Three months ended September 30, 2010 As Previously Reported	Restatement Adjustments	Other Adjustments	As Restated
Consolidated Statement of Operations				
Interest income:				
Interest and fees on loans	$30,196	$(2,502)	$1,044	$28,738
Total interest income	32,032	(2,502)	1,044	30,574
Total interest expenses	7,742	—	—	7,742
Net interest income	24,290	(2,502)	1,044	22,832
Provision for loan losses	7,650	—	—	7,650
Net interest income after provision for loan losses	16,640	(2,502)	1,044	15,182
Noninterest income:				
Wealth Management revenue	1,326	—	235	1,561
Miscellaneous income	2,057	—	(1,391)	666
Total noninterest income	6,051	—	(1,156)	4,895
Noninterest expense:				
Other	2,473	—	235	2,708
Total noninterest expense	15,458	—	235	15,693
Income before income tax	7,233	(2,502)	(347)	4,384
Income tax expense	2,262	(948)	(131)	1,183
Net income	4,971	(1,554)	(216)	3,201
Net income available to common shareholders	4,353	(1,554)	(216)	2,583
Net income available to common shareholders and assumed conversions	4,724	(1,925)	(216)	2,583
Basic earnings per share	$0.29	$(0.11)	$(0.01)	$0.17
Diluted earnings per share	0.29	(0.11)	(0.01)	0.17

(in thousands, except per share data)	At or for the Nine months ended September 30, 2011			
	As Previously Reported	Restatement Adjustments	Other Adjustments	As Restated
Consolidated Statement of Operations				
Interest income:				
Interest and fees on loans	$104,829	$(11,715)	$451	$93,565
Total interest income	114,641	(11,715)	451	103,377
Total interest expenses	23,038	—	(142)	22,896
Net interest income	91,603	(11,715)	593	80,481
Provision for loan losses	13,732	2,515	—	16,247
Net interest income after provision for loan losses	77,871	(14,230)	593	64,234
Noninterest income:				
Miscellaneous income	1,713	1,287	(31)	2,969
Total noninterest income	16,651	1,287	(31)	17,907
Noninterest expense:				
Other	10,385	—	500	10,885
Total noninterest expense	53,791	—	500	54,291
Income before income tax	40,731	(12,943)	62	27,850
Income tax expense	14,069	(4,479)	43	9,633
Net income	26,662	(8,464)	19	18,217
Net income available to common shareholders	24,774	(8,464)	19	16,329
Net income available to common shareholders and assumed conversions	25,887	(8,464)	19	17,442
Basic earnings per share	$1.52	$(0.52)	$—	$1.00
Diluted earnings per share	1.46	(0.48)	—	0.98
Consolidated Balance Sheet				
Portfolio loans covered under FDIC loss share at fair value	$343,101	$(15,897)	$(262)	$326,942
Allowance for loan losses	42,882	2,515	54	45,451
Portfolio loans, net	2,168,175	(18,412)	(316)	2,149,447
Other real estate covered under FDIC loss share	56,248	—	(5,055)	51,193
Accrued interest receivable	8,978	(958)	682	8,702
FDIC loss share receivable	175,674	1,288	17,254	194,216
Goodwill	47,552	—	(17,218)	30,334
Other assets	56,664	—	1,052	57,716
Total assets	3,370,467	(18,082)	(3,601)	3,348,784
Total deposits	2,817,405	—	(143)	2,817,262
Other liabilities	16,897	(5,987)	(3,561)	7,349
Total liabilities	3,124,004	(5,987)	(3,704)	3,114,313
Retained earnings	41,452	(12,095)	103	29,460
Total shareholders' equity	246,463	(12,095)	103	234,471
Total liabilities and shareholders' equity	3,370,467	(18,082)	(3,601)	3,348,784

Consolidated Statement of Cash Flows

Net income	$26,662	$(8,464)	$19	$18,217
Provision for loan losses	13,732	2,515	—	16,247
Net accretion of loan discount and indemnification asset	(22,227)	11,714	(451)	(10,964)
Other assets	(5,040)	(1,285)	31	(6,294)
Other liabilities	(1,621)	(4,480)	543	(5,558)
Net increase in interest-bearing deposit accounts	(204,230)	—	(142)	(204,372)

(in thousands, except per share data)	At or for the Nine months ended September 30, 2010 As Previously Reported	Restatement Adjustments	Other Adjustments	As Restated
Consolidated Statement of Operations				
Interest income:				
Interest and fees on loans	$80,095	$(2,938)	$ 1,044	$78,201
Total interest income	86,017	(2,938)	1,044	84,123
Total interest expenses	24,502	—	—	24,502
Net interest income	61,515	(2,938)	1,044	59,621
Provision for loan losses	30,410	—	—	30,410
Net interest income after provision for loan losses	31,105	(2,938)	1,044	29,211
Noninterest income:				
Wealth Management revenue	3,925	—	722	4,647
Miscellaneous income	2,913	—	(1,391)	1,522
Total noninterest income	15,148	—	(669)	14,479
Noninterest expense:				
Other	7,540	—	722	8,262
Total noninterest expense	43,259	—	722	43,981
Income before income tax	2,994	(2,938)	(347)	(291)
Income tax expense (benefit)	300	(1,047)	(131)	(878)
Net income	2,694	(1,891)	(216)	587
Net income (loss) available to common shareholders	849	(1,891)	(216)	(1,258)
Net income available to common shareholders and assumed conversions	849	(1,891)	(216)	(1,258)
Basic earnings (loss) per share	$0.06	$(0.14)	$ (0.01)	$(0.09)
Diluted earnings (loss) per share	0.06	(0.14)	(0.01)	(0.09)
Consolidated Statement of Cash Flows				
Net income	$2,694	$(1,891)	$ (216)	$587
Net accretion of loan discount and indemnification asset	(5,307)	2,938	—	(2,369)
Other assets	(693)	(1,047)	216	(1,524)
Other liabilities	6,145	—	—	6,145

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As discussed in the Explanatory Note and Note 12 - Restatement of Consolidated Financial Statements of this Amended Filing, the Company has restated our previously issued unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2011 and 2010. Management's Discussion and Analysis of Financial Condition and Results of Operations have been revised for the effects of the Restatement.

Some of the information in this report contains "forward-looking statements" within the meaning of and are intended to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements typically are identified with use of terms such as "may," "might," "should," "expect," "plan," "anticipate," "believe, "estimate," "predict," "potential," "could," "continue" and the negative of these terms and similar words, although some forward-looking statements are expressed differently. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. You should be aware that our actual results could differ materially from those contained in the forward-looking statements due to a number of factors, including, but not limited to: credit risk; changes in the appraised valuation of real estate securing impaired loans; outcomes of litigation and other contingencies; exposure to general and local economic conditions; risks associated with rapid increases or decreases in prevailing interest rates; consolidation within the banking industry; competition from banks and other financial institutions; our ability to attract and retain relationship officers and other key personnel; burdens imposed by federal and state regulation; changes in accounting regulation or standards applicable to banks; and other risks discussed under the caption “Risk Factors” of our most recently filed Form 10-K/A and in Part II, 1A of this Form 10-Q/A, all of which could cause the Company’s actual results to differ from those set forth in the forward-looking statements.

Readers are cautioned not to place undue reliance on our forward-looking statements, which reflect management’s analysis and expectations only as of the date of such statements. Forward-looking statements speak only as of the date they are made, and the Company does not intend, and undertakes no obligation, to publicly revise or update forward-looking statements after the date of this report, whether as a result of new information, future events or otherwise, except as required by federal securities law. You should understand that it is not possible to predict or identify all risk factors. Readers should carefully review all disclosures we file from time to time with the Securities and Exchange Commission which are available on our website at www.enterprisebank.com.

Introduction

The following discussion describes the significant changes to the financial condition of the Company that have occurred during the first nine months of 2011 compared to the financial condition as of December 31, 2010. In addition, this discussion summarizes the significant factors affecting the results of operations, liquidity and cash flows of the Company for the three and nine months ended September 30, 2011, compared to the same periods in 2010. This discussion should be read in conjunction with the accompanying consolidated financial statements included in this report and our Annual Report on Form 10-K/A for the year ended December 31, 2010.

Executive Summary

The Company reported net income of $5.8 million for the three months ended September 30, 2011, compared to net income of $3.2 million for the same period in 2010. After deducting dividends on preferred stock, the Company reported net income per fully diluted share of $0.29, compared to net income of $0.17 per fully diluted share for the prior year period.

Net income for the nine months ended September 30, 2011 was $18.2 million compared to net income of $0.6 million for the same period in 2010. After deducting dividends on preferred stock, the Company reported net income per share of $0.98, compared to a net loss of $0.09 per share for the prior year period.

On May 24, 2011, the Company issued $35.0 million in common stock through a public offering. The shares in the offering were issued pursuant to a prospectus supplement filed with the Securities and Exchange Commission ("SEC") as part of the Company's effective registration statement. At June 30, 2011, approximately $20.0 million of the offering proceeds were injected into the Bank to support expected growth. On September 16, 2011, the Company filed a shelf registration statement on Form S-3 registering for offer and sale for up to $45.0 million of certain types of securities. Proceeds from any offering would be used for capital expenditures, repayment or refinancing of indebtedness or other securities from time to time, working capital, to make acquisitions, or for general corporate purposes. The registration became effective on September 29, 2011. See Capital Resources for more information.

Acquisitions

On January 7, 2011, the Bank entered into a purchase and assumption agreement with the FDIC and acquired certain assets and assumed certain liabilities of Legacy Bank, a full service community bank that was headquartered in Scottsdale, Arizona. The acquisition consisted of assets with an estimated fair value of approximately $128.0 million and liabilities with an estimated fair value of approximately $130.4 million.

On August 12, 2011, the Bank entered into a purchase and assumption agreement with the FDIC and acquired certain assets and assumed certain liabilities of The First National Bank of Olathe ("FNBO"), a full service community bank that was headquartered in Olathe, Kansas. The acquisition consisted of tangible assets with an estimated fair value of approximately $481.6 million and liabilities with an estimated fair value of approximately $516.2 million. The Bank acquired the assets at a discount of 11.8% and approximately $457.1 million of the deposits were assumed at a premium of 1.5%. In addition, the Bank also acquired $19.4 million of trust assets. The Bank provided the FDIC a Value Appreciation Instrument whereby $1.0 million units were awarded to the FDIC at an exercise price of $13.59 per unit. The units were exercisable any time from August 19, 2011 until August 10, 2012. The units were exercised on October 31, 2011 at a settlement price of $15.8393. A cash payment of approximately $2.2 million was made to the FDIC on November 1, 2011. In conjunction with the acquisition, the Bank entered into a shared-loss agreement whereby the FDIC will reimburse the Bank for 80% of all losses up to $112.6 million, 0% losses between $112.6 million and $148.9 million and 80% of losses in excess of $148.9 million incurred on certain loans and other real estate covered under the agreement. The Bank will reimburse the FDIC for 80% of recoveries with respect to losses for which the FDIC has reimbursed the Bank under the loss sharing agreements. The six branches of FNBO opened as branches of the Bank. See Form 8K/A filed with the SEC on October 28, 2011 for more information.

On October 21, 2011, the Bank purchased certain furniture and equipment, leasehold improvements and assumed certain deposit liabilities associated with the BankLiberty branch located at 11401 Olive Boulevard, in the St. Louis suburb of Creve Coeur, Missouri. The results of this business combination will be included in the Company's fourth quarter 2011 Consolidated financial statements.

See Note 3 – Acquisitions, Note 6 – Portfolio Loans and Note 12 - Subsequent Events for more information on the above acquisitions.

Pre-tax, pre-provision income

The Company's pre-tax, pre-provision income for the third quarter of 2011 was $16.5 million, a 12% decrease from the linked quarter and a 22%, increase compared to the third quarter of 2010. The third quarter decrease in pre-tax, pre-provision operating income was primarily attributable to lower yields on covered assets relative to the second quarter.

Pre-tax, pre-provision income, which is a non-GAAP (accounting principles generally accepted in the United States of America) financial measure, is presented because the Company believes adjusting its results to exclude loan loss provision expense, sales and fair value writedowns of other real estate, and sales of securities provides shareholders with a more comparable basis for evaluating period-to-period operating results. A schedule reconciling GAAP pre-tax income to pre-tax, pre-provision income is provided in the table below.