

ENTERPRISE FINANCIAL SERVICES CORP
Form 10-Q
October 25, 2016

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2016.

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

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

As of October 19, 2016, the Registrant had 20,011,401 shares of outstanding common stock, \$0.01 par value.

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

ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES
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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)	September 30, 2016	December 31, 2015
Assets		
Cash and due from banks	\$ 56,789	\$ 47,935
Federal funds sold	488	91
Interest-bearing deposits (including \$1,870 and \$1,320 pledged as collateral)	61,222	46,131
Total cash and cash equivalents	118,499	94,157
Interest-bearing deposits greater than 90 days	1,980	1,000
Securities available for sale	479,609	451,770
Securities held to maturity	41,031	43,714
Loans held for sale	7,663	6,598
Portfolio loans	3,037,705	2,750,737
Less: Allowance for loan losses	37,498	33,441
Portfolio loans, net	3,000,207	2,717,296
Purchased credit impaired loans, net of the allowance for loan losses (\$6,433 and \$10,175, respectively)	41,016	64,583
Total loans, net	3,041,223	2,781,879
Other real estate	2,959	8,366
Other investments, at cost	19,789	17,455
Fixed assets, net	14,498	14,842
Accrued interest receivable	8,526	8,399
State tax credits held for sale, including \$4,801 and \$5,941 carried at fair value, respectively	44,180	45,850
Goodwill	30,334	30,334
Intangible assets, net	2,357	3,075
Other assets	96,996	101,044
Total assets	\$ 3,909,644	\$ 3,608,483
Liabilities and Shareholders' Equity		
Demand deposits	\$ 762,155	\$ 717,460
Interest-bearing transaction accounts	633,100	564,420
Money market accounts	1,131,997	1,053,662
Savings	109,728	92,861
Certificates of deposit:		
Brokered	137,592	39,573
Other	350,253	316,615
Total deposits	3,124,825	2,784,591
Subordinated debentures	56,807	56,807
Federal Home Loan Bank advances	129,000	110,000
Other borrowings	190,022	270,326
Accrued interest payable	648	629
Other liabilities	27,244	35,301
Total liabilities	3,528,546	3,257,654
Shareholders' equity:	—	—

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Preferred stock, \$0.01 par value; 5,000,000 shares authorized; 0 shares issued and outstanding		
Common stock, \$0.01 par value; 30,000,000 shares authorized; 20,249,711 and 20,093,119 shares issued, respectively	203	201
Treasury stock, at cost; 261,718 and 76,000 shares, respectively	(6,632) (1,743
Additional paid in capital	212,091	210,589
Retained earnings	170,768	141,564
Accumulated other comprehensive income	4,668	218
Total shareholders' equity	381,098	350,829
Total liabilities and shareholders' equity	\$ 3,909,644	\$ 3,608,483
See accompanying notes to consolidated financial statements.		

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ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES

Condensed Consolidated Statements of Operations (Unaudited)

(in thousands, except per share data)	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Interest income:				
Interest and fees on loans	\$34,442	\$30,626	\$101,233	\$90,109
Interest on debt securities:				
Taxable	2,410	2,176	7,194	6,434
Nontaxable	322	298	982	880
Interest on interest-bearing deposits	67	68	186	153
Dividends on equity securities	52	12	191	107
Total interest income	37,293	33,180	109,786	97,683
Interest expense:				
Interest-bearing transaction accounts	332	293	967	849
Money market accounts	1,143	822	3,162	2,136
Savings accounts	68	58	191	162
Certificates of deposit	1,319	1,543	3,521	4,728
Subordinated debentures	369	314	1,078	924
Federal Home Loan Bank advances	126	9	499	82
Notes payable and other borrowings	106	135	327	471
Total interest expense	3,463	3,174	9,745	9,352
Net interest income	33,830	30,006	100,041	88,331
Provision for portfolio loan losses	3,038	599	4,587	4,329
Provision reversal for purchased credit impaired loan losses	(1,194)	(227)	(1,603)	(3,497)
Net interest income after provision for loan losses	31,986	29,634	97,057	87,499
Noninterest income:				
Service charges on deposit accounts	2,200	2,044	6,431	5,898
Wealth management revenue	1,694	1,773	5,000	5,291
Other service charges and fee income	1,007	871	2,827	2,464
Gain on state tax credits, net	228	321	899	1,069
Gain (loss) on sale of other real estate	(226)	32	602	61
Gain on sale of investment securities	86	—	86	23
Change in FDIC loss share receivable	—	(1,241)	—	(4,450)
Miscellaneous income	1,987	929	4,185	3,762
Total noninterest income	6,976	4,729	20,030	14,118
Noninterest expense:				
Employee compensation and benefits	12,091	11,475	37,398	34,262
Occupancy	1,705	1,605	4,997	4,920
Data processing	1,150	1,138	3,441	3,295
FDIC and other insurance	780	654	2,241	2,045
Professional fees	757	800	2,160	2,626
Loan legal and other real estate expense	416	530	1,126	1,356
FDIC clawback	—	298	—	760
Other	3,915	3,432	11,566	10,076
Total noninterest expense	20,814	19,932	62,929	59,340
Income before income tax expense	18,148	14,431	54,158	42,277

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Income tax expense	6,316	4,722	18,949	14,506
Net income	\$11,832	\$9,709	\$35,209	\$27,771

Earnings per common share

Basic	\$0.59	\$0.49	\$1.76	\$1.39
Diluted	0.59	0.48	1.74	1.37

See accompanying notes to consolidated financial statements.

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

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Net income	\$11,832	\$9,709	\$35,209	\$27,771
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on investment securities arising during the period, net of income tax expense (benefit) for three months of \$(494) and \$1,070, and for nine months of \$2,795 and \$793, respectively	(796)	1,724	4,503	1,306
Less: Reclassification adjustment for realized gains on sale of securities available for sale included in net income, net of income tax expense for three months of \$33 and \$0, and for nine months of \$33 and \$9, respectively	(53)	—	(53)	(14)
Total other comprehensive income (loss)	(849)	1,724	4,450	1,292
Total comprehensive income	\$10,983	\$11,433	\$39,659	\$29,063

See accompanying notes to consolidated financial statements.