

ENTERPRISE FINANCIAL SERVICES CORP
Form 10-Q
November 08, 2011

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, 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 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 Smaller reporting company
(Do not check if a smaller reporting company)

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

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>.

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, 2011	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 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	343,101	126,711
Less: Allowance for loan losses	42,882	42,759
Portfolio loans, net	2,168,175	1,850,303
Other real estate not covered under FDIC loss share	21,370	25,373
Other real estate covered under FDIC loss share	56,248	10,835
Other investments, at cost	14,648	12,278
Fixed assets, net	18,976	20,499
Accrued interest receivable	8,978	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	175,674	88,292
Goodwill	47,552	2,064
Intangibles, net	9,471	1,223
Other assets	56,664	63,756
Total assets	\$3,370,467	\$2,805,840
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	615,123	543,898
Other	285,945	317,347
Total deposits	2,817,405	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	16,897	11,569
Total liabilities	3,124,004	2,622,492
Shareholders' equity:		
Preferred stock, \$0.01 par value;		
5,000,000 shares authorized; 35,000 shares issued and outstanding	33,094	32,519
	178	150

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Common stock, \$0.01 par value; 30,000,000 shares authorized; 17,819,113
and 14,965,401 shares issued, respectively

Treasury stock, at cost; 76,000 shares	(1,743) (1,743)
Additional paid in capital	168,764	133,673	
Retained earnings	41,452	19,322	
Accumulated other comprehensive income (loss)	4,718	(573)
Total shareholders' equity	246,463	183,348	
Total liabilities and shareholders' equity	\$3,370,467	\$2,805,840	

See accompanying notes to condensed 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		Nine months ended September	
	30, 2011	2010	30, 2011	2010
Interest income:				
Interest and fees on loans	\$36,748	\$30,196	\$104,829	\$80,095
Interest on debt securities:				
Taxable	2,853	1,626	8,666	5,306
Nontaxable	184	48	449	98
Interest on federal funds sold	—	—	1	9
Interest on interest-bearing deposits	166	73	427	256
Dividends on equity securities	99	89	269	253
Total interest income	40,050	32,032	114,641	86,017
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	2,353	2,223	7,015	7,547
Other	941	1,306	2,794	4,625
Subordinated debentures	1,128	1,261	3,375	3,729
Federal Home Loan Bank advances	881	1,081	2,669	3,288
Notes payable and other borrowings	105	70	316	193
Total interest expense	7,658	7,742	23,038	24,502
Net interest income	32,392	24,290	91,603	61,515
Provision for loan losses	5,557	7,650	13,732	30,410
Net interest income after provision for loan losses	26,835	16,640	77,871	31,105
Noninterest income:				
Wealth Management revenue	1,832	1,326	5,173	3,925
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	281	2,057	1,713	2,913
Total noninterest income	6,562	6,051	16,651	15,148
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	2,473	10,385	7,540
Total noninterest expense	18,302	15,458	53,791	43,259
Income before income tax expense	15,095	7,233	40,731	2,994
Income tax expense	5,394	2,262	14,069	300

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Net income	\$9,701	\$4,971	\$26,662	\$2,694
Net income available to common shareholders	\$9,069	\$4,353	\$24,774	\$849
Earnings per common share				
Basic	\$0.51	\$0.29	\$1.52	\$0.06
Diluted	0.49	0.29	1.46	0.06

See accompanying notes to condensed 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	\$32,519	\$ 150	\$(1,743)	\$133,673	\$19,322	\$ (573)	\$ 183,348
Net income	—	—	—	—	26,662	—	26,662
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							31,953
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	\$33,094	\$ 178	\$(1,743)	\$168,764	\$41,452	\$ 4,718	\$ 246,463

(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	—	—	—	—	2,694	—	2,694
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							3,894
Cash dividends paid on common shares, \$0.1575 per share	—	—	—	—	(2,341)	—	(2,341)

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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	\$32,335	\$ 149	\$(1,743)	\$133,408	\$14,298	\$	