

ENTERPRISE FINANCIAL SERVICES CORP  
Form 10-Q  
November 06, 2009

**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, 2009.

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-7 (§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, 2009, the Registrant had 12,833,777 shares of outstanding common stock.

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**ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES  
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**PART 1 □ ITEM 1 □ FINANCIAL STATEMENTS  
ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES  
Consolidated Balance Sheets (Unaudited)**

	At September 30, 2009	At December 31, 2008
<i>(In thousands, except share and per share data)</i>		
<b>Assets</b>		
Cash and due from banks	\$ 12,519	\$ 25,626
Federal funds sold	1,771	2,637
Interest-bearing deposits	82,651	14,384
Total cash and cash equivalents	96,941	42,647
Securities available for sale	197,521	96,431

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Other investments, at cost	13,548	11,884
Loans held for sale	2,130	2,632
Portfolio loans	2,113,365	2,201,457
Less: Allowance for loan losses	45,019	33,808
Portfolio loans, net	2,068,346	2,167,649
Other real estate	19,273	13,868
Fixed assets, net	23,042	25,158
Accrued interest receivable	7,894	7,557
State tax credits, held for sale, including \$36,569 and \$39,142 carried at fair value, respectively	47,950	39,142
Goodwill	3,134	48,512
Intangibles, net	2,691	3,504
Other assets	36,155	34,783
Total assets	\$ 2,518,625	\$ 2,493,767

**Liabilities and Shareholders' Equity**

Deposits:		
Demand deposits	\$ 257,901	\$ 247,361
Interest-bearing transaction accounts	121,935	126,644
Money market accounts	626,775	702,886
Savings	8,832	7,826
Certificates of deposit:		
\$100k and over	488,334	520,197
Other	349,854	187,870
Total deposits	1,853,631	1,792,784
Subordinated debentures	85,081	85,081
Federal Home Loan Bank advances	139,001	119,957
Other borrowings	265,109	272,969
Accrued interest payable	2,403	2,473
Other liabilities	6,729	5,931
Total liabilities	2,351,954	2,279,195
Shareholders' equity:		
Preferred stock, \$0.01 par value; 5,000,000 shares authorized; 35,000 shares issued and outstanding	31,631	31,116
Common stock, \$0.01 par value; 30,000,000 shares authorized; 12,909,777 and 12,876,981 shares issued, respectively	129	129
Treasury stock, at cost; 76,000 shares	(1,743)	(1,743)
Additional paid in capital	116,536	115,112
Retained earnings	17,926	68,710
Accumulated other comprehensive income	2,192	1,248
Total shareholders' equity	166,671	214,572
Total liabilities and shareholders' equity	\$ 2,518,625	\$ 2,493,767

See accompanying notes to consolidated financial statements.

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

(In thousands, except per share data)	Three months ended		Nine months ended	
	2009	2008	2009	2008
Interest income:				

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Interest and fees on loans	\$ 28,750	\$ 30,025	\$ 86,420	\$ 91,342
Interest on debt securities:				
Taxable	1,421	1,248	3,738	3,536
Nontaxable	5	7	18	23
Interest on federal funds sold	2	21	4	200
Interest on interest-bearing deposits	33	9	67	51
Dividends on equity securities	105	145	233	417
Total interest income	30,316	31,455	90,480	95,569
Interest expense:				
Interest-bearing transaction accounts	165	359	507	1,301
Money market accounts	1,535	3,165	4,558	11,288
Savings	9	11	27	47
Certificates of deposit:				
\$100 and over	3,837	4,757	12,217	13,137
Other	2,055	1,472	5,765	4,807
Subordinated debentures	1,267	805	3,928	2,551
Federal Home Loan Bank advances	1,250	1,759	3,568	5,288
Notes payable and other borrowings	2,813	2,543	8,176	7,624
Total interest expense	12,931	14,871	38,746	46,043
Net interest income	17,385	16,584	51,734	49,526
Provision for loan losses	6,480	3,007	32,012	10,214
Net interest income after provision for loan losses	10,905	13,577	19,722	39,312
Noninterest income:				
Wealth Management revenue	2,010	2,640	7,530	7,905
Service charges on deposit accounts	1,247	1,102	3,791	3,241
Other service charges and fee income	242	245	714	746
Sale of branches/charter	-	2,840	-	3,400
Sale of other real estate	86	242	143	584
State tax credit activity, net	910	593	973	1,577
Sale of investment securities	-	-	952	73
Extinguishment of debt	5,326	-	5,326	-
Miscellaneous income (loss)	127	(22)	231	95
Total noninterest income	9,948	7,640	19,660	17,621
Noninterest expense:				
Employee compensation and benefits	7,417	7,792	21,762	23,706
Occupancy	1,291	1,100	3,719	3,160
Furniture and equipment	397	346	1,120	1,065
Data processing	548	562	1,594	1,647
Amortization of intangibles	264	348	813	1,102
Goodwill impairment charge	-	5,900	45,377	5,900
Loan legal and other real estate expense	1,098	171	3,520	670
Other	2,964	2,914	10,899	8,439
Total noninterest expense	13,979	19,133	88,804	45,689
Income (loss) before income tax expense (benefit)	6,874	2,084	(49,422)	11,244
Income tax expense (benefit)	2,187	882	(2,321)	4,055
Net income (loss)	\$ 4,687	\$ 1,202	\$ (47,101)	\$ 7,189
Net income (loss) available to common shareholders	\$ 4,082	\$ 1,202	\$ (48,907)	\$ 7,189
Earnings (loss) per common share:				
Basic	\$ 0.32	\$ 0.09	\$ (3.81)	\$ 0.57
Diluted	\$ 0.31	\$ 0.09	\$ (3.81)	\$ 0.56

See accompanying notes to consolidated financial statements.

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	Preferred	Common	Treasury	Additional paid	Retained	Accumulated other comprehensive income (loss)
		Stock		in capital	earnings	
<i>(in thousands, except per share data)</i>						
<b>Balance December 31, 2008</b>	\$ 31,116	\$ 129	\$ (1,743)	\$ 115,112	\$ 68,710	\$ 1,243
Net loss	-	-	-	-	(47,101)	-
Change in fair value of available for sale securities, net of tax	-	-	-	-	-	1,673
Reclassification adjustment for realized gain on sale of securities included in net income, net of tax	-	-	-	-	-	(60)
Reclassification of cash flow hedge, net of tax	-	-	-	-	-	(11)