

ENTERPRISE FINANCIAL SERVICES CORP
Form 10-Q
July 31, 2015

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 June 30, 2015.

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

Edgar Filing: ENTERPRISE FINANCIAL SERVICES CORP - Form 10-Q

As of July 27, 2015, the Registrant had 19,958,260 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
TABLE OF CONTENTS

| | Page |
|---|-----------|
| PART I - FINANCIAL INFORMATION | |
| Item 1. Financial Statements | |
| Condensed Consolidated Balance Sheets (Unaudited) | <u>1</u> |
| Condensed Consolidated Statements of Operations (Unaudited) | <u>2</u> |
| Condensed Consolidated Statements of Comprehensive Income (Unaudited) | <u>3</u> |
| Condensed Consolidated Statements of Shareholders' Equity (Unaudited) | <u>4</u> |
| Condensed Consolidated Statements of Cash Flows (Unaudited) | <u>5</u> |
| Notes to Condensed Consolidated Financial Statements (Unaudited) | <u>6</u> |
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations | <u>25</u> |
| Item 3. Quantitative and Qualitative Disclosures About Market Risk | <u>46</u> |
| Item 4. Controls and Procedures | <u>47</u> |
| PART II - OTHER INFORMATION | |
| Item 1. Legal Proceedings | <u>47</u> |
| Item 1A. Risk Factors | <u>47</u> |
| Item 2. Unregistered Sales of Equity Securities and Use of Proceeds | <u>48</u> |
| Item 6. Exhibits | <u>49</u> |
| Signatures | <u>50</u> |

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)

| | June 30, 2015 | December 31, 2014 |
|---|---------------|-------------------|
| Assets | | |
| Cash and due from banks | \$49,498 | \$42,903 |
| Federal funds sold | 45 | 35 |
| Interest-bearing deposits (including \$980 and \$980 pledged as collateral) | 50,253 | 57,758 |
| Total cash and cash equivalents | 99,796 | 100,696 |
| Interest-bearing deposits greater than 90 days | 1,000 | 5,300 |
| Securities available for sale | 404,928 | 400,146 |
| Securities held to maturity | 44,973 | 45,985 |
| Loans held for sale | 5,446 | 4,033 |
| Portfolio loans | 2,542,555 | 2,433,916 |
| Less: Allowance for loan losses | 31,765 | 30,185 |
| Portfolio loans, net | 2,510,790 | 2,403,731 |
| Purchase credit impaired loans, net of the allowance for loan losses (\$11,594 and \$15,410, respectively) | 76,050 | 83,693 |
| Total loans, net | 2,586,840 | 2,487,424 |
| Other real estate not covered under FDIC loss share | 1,933 | 1,896 |
| Other real estate covered under FDIC loss share | 7,909 | 5,944 |
| Other investments, at cost | 15,232 | 17,037 |
| Fixed assets, net | 14,726 | 14,753 |
| Accrued interest receivable | 7,920 | 7,956 |
| State tax credits held for sale, including \$9,965 and \$11,689 carried at fair value, respectively | 42,062 | 38,309 |
| FDIC loss share receivable | 10,332 | 15,866 |
| Goodwill | 30,334 | 30,334 |
| Intangible assets, net | 3,595 | 4,164 |
| Other assets | 94,052 | 97,160 |
| Total assets | \$3,371,078 | \$3,277,003 |
| Liabilities and Shareholders' Equity | | |
| Demand deposits | \$658,258 | \$642,930 |
| Interest-bearing transaction accounts | 507,889 | 508,941 |
| Money market accounts | 925,987 | 755,569 |
| Savings | 88,494 | 78,718 |
| Certificates of deposit: | | |
| \$100 and over | 398,333 | 377,544 |
| Other | 112,597 | 127,808 |
| Total deposits | 2,691,558 | 2,491,510 |
| Subordinated debentures | 56,807 | 56,807 |
| Federal Home Loan Bank advances | 73,000 | 144,000 |
| Other borrowings | 183,446 | 234,183 |
| Notes payable | 5,100 | 5,700 |
| Accrued interest payable | 820 | 843 |
| Other liabilities | 27,917 | 27,719 |
| Total liabilities | 3,038,648 | 2,960,762 |

Edgar Filing: ENTERPRISE FINANCIAL SERVICES CORP - Form 10-Q

Shareholders' equity:

| | | |
|--|-------------|-------------|
| 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; 20,023,019 and 19,913,519 shares issued, respectively | 200 | 199 |
| Treasury stock, at cost; 76,000 shares | (1,743 |) (1,743) |
| Additional paid in capital | 208,541 | 207,731 |
| Retained earnings | 124,183 | 108,373 |
| Accumulated other comprehensive income | 1,249 | 1,681 |
| Total shareholders' equity | 332,430 | 316,241 |
| Total liabilities and shareholders' equity | \$3,371,078 | \$3,277,003 |

See accompanying notes to consolidated financial statements.

1

ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES

Condensed Consolidated Statements of Operations (Unaudited)

| | Three months ended June 30, | | Six months ended June 30, | |
|---|-----------------------------|----------|---------------------------|----------|
| (in thousands, except per share data) | 2015 | 2014 | 2015 | 2014 |
| Interest income: | | | | |
| Interest and fees on loans | \$29,875 | \$29,743 | \$59,483 | \$61,187 |
| Interest on debt securities: | | | | |
| Taxable | 2,117 | 2,189 | 4,258 | 4,355 |
| Nontaxable | 285 | 299 | 582 | 598 |
| Interest on interest-bearing deposits | 38 | 36 | 85 | 102 |
| Dividends on equity securities | 37 | 42 | 95 | 91 |
| Total interest income | 32,352 | 32,309 | 64,503 | 66,333 |
| Interest expense: | | | | |
| Interest-bearing transaction accounts | 279 | 110 | 556 | 222 |
| Money market accounts | 672 | 700 | 1,314 | 1,442 |
| Savings accounts | 54 | 50 | 104 | 99 |
| Certificates of deposit: | | | | |
| \$100 and over | 1,233 | 1,336 | 2,459 | 2,662 |
| Other | 361 | 419 | 726 | 843 |
| Subordinated debentures | 308 | 303 | 610 | 710 |
| Federal Home Loan Bank advances | 24 | 456 | 73 | 855 |
| Notes payable and other borrowings | 141 | 193 | 336 | 392 |
| Total interest expense | 3,072 | 3,567 | 6,178 | 7,225 |
| Net interest income | 29,280 | 28,742 | 58,325 | 59,108 |
| Provision for portfolio loan losses | 2,150 | 1,348 | 3,730 | 2,375 |
| Provision (provision reversal) for purchase credit impaired loan losses | — | (470) | (3,270) | 2,834 |
| Net interest income after provision for loan losses | 27,130 | 27,864 | 57,865 | 53,899 |
| Noninterest income: | | | | |
| Wealth management revenue | 1,778 | 1,715 | 3,518 | 3,437 |
| Service charges on deposit accounts | 1,998 | 1,767 | 3,854 | 3,505 |
| Other service charges and fee income | 840 | 702 | 1,593 | 1,339 |
| Gain on sale of other real estate | 9 | 717 | 29 | 1,400 |
| Gain on state tax credits, net | 74 | 207 | 748 | 704 |
| Gain on sale of investment securities | — | — | 23 | — |
| Change in FDIC loss share receivable | (945) | (2,742) | (3,209) | (5,152) |
| Miscellaneous income | 2,052 | 1,039 | 2,833 | 2,094 |
| Total noninterest income | 5,806 | 3,405 | 9,389 | 7,327 |
| Noninterest expense: | | | | |
| Employee compensation and benefits | 11,274 | 11,853 | 22,787 | 23,969 |
| Occupancy | 1,621 | 1,675 | 3,315 | 3,315 |
| Data processing | 1,127 | 1,125 | 2,157 | 2,251 |
| FDIC and other insurance | 665 | 761 | 1,391 | 1,460 |
| Loan legal and other real estate expense | 548 | 1,040 | 826 | 2,174 |
| Professional fees | 854 | 592 | 1,826 | 1,859 |
| FDIC clawback | 50 | 143 | 462 | 32 |
| Other | 3,319 | 3,256 | 6,644 | 6,487 |
| Total noninterest expense | 19,458 | 20,445 | 39,408 | 41,547 |

Edgar Filing: ENTERPRISE FINANCIAL SERVICES CORP - Form 10-Q

| | | | | |
|----------------------------------|---------|---------|----------|----------|
| Income before income tax expense | 13,478 | 10,824 | 27,846 | 19,679 |
| Income tax expense | 4,762 | 3,664 | 9,784 | 6,671 |
| Net income | \$8,716 | \$7,160 | \$18,062 | \$13,008 |

Earnings per common share

| | | | | |
|---------|--------|--------|--------|--------|
| Basic | \$0.44 | \$0.36 | \$0.91 | \$0.66 |
| Diluted | 0.43 | 0.36 | 0.90 | 0.66 |

See accompanying notes to consolidated financial statements.

2

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

| (in thousands) | Three months ended June 30, | | Six months ended June 30, | |
|---|-----------------------------|----------|---------------------------|----------|
| | 2015 | 2014 | 2015 | 2014 |
| Net income | \$8,716 | \$7,160 | \$18,062 | \$13,008 |
| Other comprehensive income (loss), net of tax: | | | | |
| Unrealized gains (losses) on investment securities arising during the period, net of income tax expense for three months of \$(1,322) and \$1,988, and for six months of \$(277) and \$3,079, respectively | (2,130 |) 3,202 | (418 |) 4,959 |
| 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 \$0, and \$0, and for six months of \$9 and \$0, respectively | — | — | (14 |) — |
| Total other comprehensive income (loss) | (2,130 |) 3,202 | (432 |) 4,959 |
| Total comprehensive income | \$6,586 | \$10,362 | \$17,630 | \$17,967 |

See accompanying notes to consolidated financial statements.

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, 2015 | \$ — | \$ 199 | \$(1,743) | \$207,731 | \$108,373 | \$ 1,681 | \$ 316,241 |
| Net income | — | — | — | — | 18,062 | — | 18,062 |
| Other comprehensive loss | — | — | — | — | — | (432) | (432) |
| Cash dividends paid on common shares, \$0.1125 per share | — | — | — | — | (2,252) | — | (2,252) |
| Issuance under equity compensation plans, 109,500 shares, net | — | 1 | — | (1,081) | — | — | (1,080) |
| Share-based compensation | — | — | — | 1,738 | — | — | 1,738 |
| Excess tax benefit related to equity compensation plans | — | — | — | 153 | — | — | 153 |
| Balance June 30, 2015 | \$ — | \$ 200 | \$(1,743) | \$208,541 | \$124,183 | \$ 1,249 | \$ 332,430 |

| (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, 2014 | \$ — | \$ 194 | \$(1,743) | \$200,258 | \$85,376 | \$ (4,380) | \$ 279,705 |
| Net income | — | — | — | — | 13,008 | — | 13,008 |
| Other comprehensive income | — | — | — | — | — | 4,959 | 4,959 |
| Cash dividends paid on common shares, \$0.105 per share | — | — | — | — | (2,086) | — | (2,086) |
| Issuance under equity compensation plans, 153,007 shares, net | — | 1 | — | (650) | — | — | (649) |
| Trust preferred securities conversion 287,852 shares | — | 3 | — | 4,999 | — | — | 5,002 |
| Share-based compensation | — | — | — | 1,524 | — | — | 1,524 |
| Excess tax benefit related to equity compensation plans | — | — | — | 101 | — | — | 101 |
| Balance June 30, 2014 | \$ — | \$ 198 | \$(1,743) | \$206,232 | \$96,298 | \$ 579 | \$ 301,564 |

See accompanying notes to consolidated financial statements.

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

| (in thousands) | Six months ended June 30, | |
|--|---------------------------|------------|
| | 2015 | 2014 |
| Cash flows from operating activities: | | |
| Net income | \$ 18,062 | \$ 13,008 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation | 1,009 | 1,077 |
| Provision for loan losses | 460 | 5,209 |
| Deferred income taxes | 2,803 | 3,257 |
| Net amortization of debt securities | 1,661 | 1,910 |
| Amortization of intangible assets | 569 | 651 |
| Gain on sale of investment securities | (23 |) — |
| Mortgage loans originated for sale | (69,434 |) (31,543 |
| Proceeds from mortgage loans sold | 68,252 | 28,184 |
| Gain on sale of other real estate | (29 |) (1,400 |
| Gain on state tax credits, net | (748 |) (704 |
| Excess tax benefit of share-based compensation | (153 |) (101 |
| Share-based compensation | 1,738 | 1,524 |
| Valuation adjustment on other real estate | 82 | 590 |
| Net accretion of loan discount and indemnification asset | (3,382 |) (5,818 |
| Changes in: | | |
| Accrued interest receivable | 36 | 294 |
| Accrued interest payable | (23 |) (95 |
| Other assets | (2,601 |) (8,250 |
| Other liabilities | 196 | (2,754 |
| Net cash provided by operating activities | 18,475 | 5,039 |
| Cash flows from investing activities: | | |
| Net increase in loans | (99,282 |) (87,491 |
| Net cash proceeds received from FDIC loss share receivable | 1,574 | 4,212 |
| Proceeds from the sale of securities, available for sale | 41,069 | — |
| Proceeds from the paydown or maturity of securities, available for sale | 25,813 | 22,519 |
| Proceeds from the paydown or maturity of securities, held to maturity | 1,078 | — |
| Proceeds from the redemption of other investments | 25,746 | 8,409 |
| Proceeds from the sale of state tax credits held for sale | 4,489 | 3,639 |
| Proceeds from the sale of other real estate | 3,723 | 8,754 |
| Payments for the purchase/origination of: | | |
| Available for sale debt and equity securities | (74,069 |) (29,853 |
| Other investments | (19,641 |) (11,914 |
| State tax credits held for sale | (3,425 |) — |
| Fixed assets | (983 |) (828 |
| Net cash used by investing activities | (93,908 |) (82,553 |
| Cash flows from financing activities: | | |
| Net increase in noninterest-bearing deposit accounts | 15,328 | 21,614 |
| Net increase (decrease) in interest-bearing deposit accounts | 184,721 | (91,118 |
| Proceeds from Federal Home Loan Bank advances | 531,900 | 278,600 |
| Repayments of Federal Home Loan Bank advances | (602,900 |) (175,000 |
| Repayments of notes payable | (600 |) (4,200 |

Edgar Filing: ENTERPRISE FINANCIAL SERVICES CORP - Form 10-Q

| | | | |
|---|----------|-----------|---|
| Net decrease in other borrowings | (50,737 |) (37,888 |) |
| Cash dividends paid on common stock | (2,252 |) (2,086 |) |
| Excess tax benefit of share-based compensation | 153 | 101 | |
| Issuance of common stock, net | (1,080 |) (649 |) |
| Net cash provided (used) by financing activities | 74,533 | (10,626 |) |
| Net decrease in cash and cash equivalents | (900 |) (88,140 |) |
| Cash and cash equivalents, beginning of period | 100,696 | 210,569 | |
| Cash and cash equivalents, end of period | \$99,796 | \$122,429 | |
| Supplemental disclosures of cash flow information: | | | |
| Cash paid during the period for: | | | |
| Interest | \$6,201 | \$7,320 | |
| Income taxes | 6,517 | 8,498 | |
| Noncash transactions: | | | |
| Transfer to other real estate owned in settlement of loans | \$5,998 | \$6,158 | |
| Sales of other real estate financed | — | 1,107 | |
| Issuance of common stock from Trust Preferred Securities conversion | — | 5,002 | |

See accompanying notes to 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").

Operating results for the three and six months ended June 30, 2015 are not necessarily indicative of the results that may be expected for any other interim period or for the year ending December 31, 2015. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

Basis of Financial Statement Presentation

The condensed consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with the 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. 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. Common shares outstanding include common stock and restricted stock awards where recipients have satisfied the vesting terms. 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 trust preferred securities.

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

| (in thousands, except per share data) | Three months ended June 30, | | Six months ended June 30, | |
|---|-----------------------------|----------|---------------------------|----------|
| | 2015 | 2014 | 2015 | 2014 |
| Net income as reported | \$8,716 | \$7,160 | \$18,062 | \$13,008 |
| Impact of assumed conversions | | | | |
| Interest on 9% convertible trust preferred securities, net of income tax | — | — | — | 66 |
| Net income available to common shareholders and assumed conversions | \$8,716 | \$7,160 | \$18,062 | \$13,074 |
| Weighted average common shares outstanding | 19,978 | 19,824 | 19,958 | 19,673 |
| Incremental shares from assumed conversions of convertible trust preferred securities | — | — | — | 115 |
| Additional dilutive common stock equivalents | 190 | 139 | 211 | 168 |
| Weighted average diluted common shares outstanding | \$20,168 | \$19,963 | \$20,169 | \$19,956 |
| Basic earnings per common share: | \$0.44 | \$0.36 | \$0.91 | \$0.66 |
| Diluted earnings per common share: | \$0.43 | \$0.36 | \$0.90 | \$0.66 |

For the three and six months ended June 30, 2015 and 2014, the amount of common stock equivalents excluded from the earnings per share calculations because their effect was anti-dilutive was 0.2 million, and 0.3 million common stock equivalents, respectively.

NOTE 3 - INVESTMENTS

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

| (in thousands) | June 30, 2015 | | | |
|--|-------------------|------------------------|-------------------------|-------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Available for sale securities: | | | | |
| Obligations of U.S. Government-sponsored enterprises | \$99,330 | \$769 | \$— | \$100,099 |
| Obligations of states and political subdivisions | 32,274 | 1,093 | (439) |) 32,928 |
| Agency mortgage-backed securities | 270,785 | 3,157 | (2,041) |) 271,901 |
| Total securities available for sale | \$402,389 | \$5,019 | \$(2,480) |) \$404,928 |
| Held to maturity securities: | | | | |
| Obligations of states and political subdivisions | \$14,866 | \$— | \$(460) |) \$14,406 |
| Agency mortgage-backed securities | 30,107 | — | (378) |) 29,729 |
| Total securities held to maturity | \$44,973 | \$— | \$(838) |) \$44,135 |
| | | | | |
| (in thousands) | December 31, 2014 | | | |
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Available for sale securities: | | | | |
| Obligations of U.S. Government-sponsored enterprises | \$91,355 | \$624 | \$(153) |) \$91,826 |
| Obligations of states and political subdivisions | 33,997 | 1,300 | (416) |) 34,881 |
| Agency mortgage-backed securities | 271,430 | 3,577 | (1,568) |) 273,439 |
| Total securities available for sale | \$396,782 | \$5,501 | \$(2,137) |) \$400,146 |
| Held to maturity securities: | | | | |
| Obligations of states and political subdivisions | \$14,900 | \$— | \$(325) |) \$14,575 |
| Agency mortgage-backed securities | 31,085 | 150 | (15) |) 31,220 |
| Total securities held to maturity | \$45,985 | \$150 | \$(340) |) \$45,795 |

At June 30, 2015, and December 31, 2014, 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 agency mortgage-backed securities are all issued by U.S. Government-sponsored enterprises. Available for sale securities having a fair value of \$256.1 million and \$315.8 million at June 30, 2015, and December 31, 2014, 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 at June 30, 2015, 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 5 years.

| (in thousands) | Available for sale | | Held to maturity | |
|--|--------------------|----------------------|------------------|----------------------|
| | Amortized Cost | Estimated Fair Value | Amortized Cost | Estimated Fair Value |
| Due in one year or less | \$3,944 | \$3,985 | \$— | \$— |
| Due after one year through five years | 114,914 | 116,179 | 1,177 | 1,166 |
| Due after five years through ten years | 9,846 | 10,243 | 10,172 | 9,896 |
| Due after ten years | 2,900 | 2,620 | 3,517 | 3,344 |
| Mortgage-backed securities | 270,785 | 271,901 | 30,107 | 29,729 |
| | \$402,389 | \$404,928 | \$44,973 | \$44,135 |

The following table represents a summary of investment securities that had an unrealized loss:

| (in thousands) | June 30, 2015 | | | | | |
|--|---------------------|-------------------|-------------------|-------------------|------------|-------------------|
| | Less than 12 months | | 12 months or more | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Obligations of U.S. Government-sponsored enterprises | \$— | \$— | \$— | \$— | \$— | \$— |
| Obligations of states and political subdivisions | 18,204 | 574 | 4,234 | 325 | 22,438 | 899 |
| Agency mortgage-backed securities | 113,349 | 1,683 | 21,274 | 736 | 134,623 | 2,419 |
| | \$131,553 | \$2,257 | \$25,508 | \$1,061 | \$157,061 | \$3,318 |
| (in thousands) | December 31, 2014 | | | | | |
| | Less than 12 months | | 12 months or more | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Obligations of U.S. Government-sponsored enterprises | \$5,399 | \$10 | \$24,852 | \$143 | \$30,251 | \$153 |
| Obligations of states and political subdivisions | 16,827 | 343 | 5,349 | 398 | 22,176 | 741 |
| Agency mortgage-backed securities | 26,367 | 56 | 97,054 | 1,527 | 123,421 | 1,583 |
| | \$48,593 | \$409 | \$127,255 | \$2,068 | \$175,848 | \$2,477 |

The unrealized losses at both June 30, 2015, and December 31, 2014, were primarily 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 among other considerations (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 the Company would be required to sell the security before its anticipated recovery in market value. At June 30, 2015, 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:

| (in thousands) | Three months ended June 30, | | Six months ended June 30, | |
|-----------------------|-----------------------------|------|---------------------------|------|
| | 2015 | 2014 | 2015 | 2014 |
| Gross gains realized | \$— | \$— | \$63 | \$— |
| Gross losses realized | — | — | (40 |) — |
| Proceeds from sales | — | — | 41,069 | — |

NOTE 4 - PORTFOLIO LOANS

Below is a summary of Portfolio loans by category at June 30, 2015 and December 31, 2014:

| (in thousands) | June 30, 2015 | December 31, 2014 |
|--|---------------|-------------------|
| Commercial and industrial | \$1,335,008 | \$1,270,259 |
| Real estate loans: | | |
| Commercial - investor owned | 418,111 | 413,026 |
| Commercial - owner occupied | 371,030 | 357,503 |
| Construction and land development | 150,740 | 144,773 |
| Residential | 185,587 | 185,252 |
| Total real estate loans | 1,125,468 | 1,100,554 |
| Consumer and other | 81,051 | 62,208 |
| Portfolio loans | 2,541,527 | 2,433,021 |
| Unearned loan costs, net | 1,028 | 895 |
| Portfolio loans, including unearned loan costs | \$2,542,555 | \$2,433,916 |

A summary of the year-to-date activity in the allowance for loan losses and the recorded investment in Portfolio loans by class and category based on impairment method through June 30, 2015, and at December 31, 2014, is as follows:

| (in thousands) | Commercial and industrial | CRE - investor owned | CRE - owner occupied | Construction and land development | Residential real estate | Consumer and other | Total |
|------------------------------|---------------------------|----------------------|----------------------|-----------------------------------|-------------------------|--------------------|----------|
| Allowance for loan losses: | | | | | | | |
| Balance at December 31, 2014 | \$17,004 | \$4,598 | \$3,625 | \$1,720 | \$2,830 | \$408 | \$30,185 |
| Provision charged to expense | 823 | (12 |) (175 |) 914 | 74 | (44 |) 1,580 |
| Losses charged off | (1,484 |) — | — | — | (1,073 |) (11 |) (2,568 |
| Recoveries | 769 | 29 | 127 | 60 | 26 | 80 | 1,091 |
| Balance at March 31, 2015 | \$17,112 | \$4,615 | \$3,577 | \$2,694 | \$1,857 | \$433 | \$30,288 |
| Provision charged to expense | 2,927 | (519 |) (347 |) (91 |) 100 | 80 | 2,150 |
| Losses charged off | (1,578 |) (664 |) — | (350 |) — | (4 |) (2,596 |
| Recoveries | 420 | 13 | 1,287 | 115 | 87 | 1 | 1,923 |
| Balance at June 30, 2015 | \$18,881 | \$3,445 | \$4,517 | \$2,368 | \$2,044 | \$510 | \$31,765 |

Edgar Filing: ENTERPRISE FINANCIAL SERVICES CORP - Form 10-Q

| (in thousands) | Commercial and industrial | CRE - investor owned | CRE - owner occupied | Construction and land development | Residential real estate | Consumer and other | Total |
|---|---------------------------|----------------------|----------------------|-----------------------------------|-------------------------|--------------------|--------------|
| Balance June 30, 2015 | | | | | | | |
| Allowance for loan losses - Ending balance: | | | | | | | |
| Individually evaluated for impairment | \$ 1,933 | \$— | \$ 287 | \$ 958 | \$— | \$— | \$ 3,178 |
| Collectively evaluated for impairment | 16,948 | 3,445 | 4,230 | 1,410 | 2,044 | 510 | 28,587 |
| Total | \$ 18,881 | \$ 3,445 | \$ 4,517 | \$ 2,368 | \$ 2,044 | \$ 510 | \$ 31,765 |
| Loans - Ending balance: | | | | | | | |
| Individually evaluated for impairment | \$ 5,998 | \$ 2,261 | \$ 3,395 | \$ 5,968 | \$ 2,507 | \$— | \$ 20,129 |
| Collectively evaluated for impairment | 1,329,010 | 415,850 | 367,635 | 144,772 | 183,080 | 82,079 | 2,522,426 |
| Total | \$ 1,335,008 | \$ 418,111 | \$ 371,030 | \$ 150,740 | \$ 185,587 | \$ 82,079 | \$ 2,542,555 |
| Balance December 31, 2014 | | | | | | | |
| Allowance for Loan Losses - Ending Balance: | | | | | | | |
| Individually evaluated for impairment | \$ 704 | \$— | \$ 286 | \$ 352 | \$ 1,052 | \$— | \$ 2,394 |
| Collectively evaluated for impairment | 16,300 | 4,598 | 3,339 | 1,368 | 1,778 | 408 | 27,791 |
| Total | \$ 17,004 | \$ 4,598 | \$ 3,625 | \$ 1,720 | \$ 2,830 | \$ 408 | \$ 30,185 |
| Loans - Ending balance: | | | | | | | |
| Individually evaluated for impairment | \$ 5,998 | \$ 5,036 | \$ 3,384 | \$ 6,866 | \$ 3,082 | \$— | \$ 24,366 |
| Collectively evaluated for impairment | 1,264,261 | 407,990 | 354,119 | 137,907 | 182,170 | 63,103 | 2,409,550 |
| Total | \$ 1,270,259 | \$ 413,026 | \$ 357,503 | \$ 144,773 | \$ 185,252 | \$ 63,103 | \$ 2,433,916 |

A summary of Portfolio loans individually evaluated for impairment by category at June 30, 2015 and December 31, 2014, is as follows:

Edgar Filing: ENTERPRISE FINANCIAL SERVICES CORP - Form 10-Q

| (in thousands) | June 30, 2015 | | | | | |
|--------------------------------------|---|--|---|---------------------------------|----------------------|-----------------------------------|
| | Unpaid Contractual Principal Balance | Recorded Investment With No Allowance | Recorded Investment With Allowance | Total Recorded Investment | Related Allowance | Average Recorded Investment |
| Commercial and industrial | \$7,746 | \$452 | \$5,638 | \$6,090 | \$1,933 | \$6,728 |
| Real estate loans: | | | | | | |
| Commercial - investor owned | 2,350 | 1,705 | — | 1,705 | — | 863 |
| Commercial - owner occupied | 1,433 | 615 | 747 | 1,362 | 287 | 1,213 |
| Construction and land development | 7,223 | 3,039 | 3,499 | 6,538 | 958 | 6,449 |
| Residential | 3,558 | 2,576 | — | 2,576 | — | 2,773 |
| Consumer and other | — | — | — | — | — | — |
| Total | \$22,310 | \$8,387 | \$9,884 | \$18,271 | \$3,178 | \$18,026 |

Edgar Filing: ENTERPRISE FINANCIAL SERVICES CORP - Form 10-Q

| (in thousands) | December 31, 2014 | | | | | |
|-----------------------------------|--------------------------------------|---------------------------------------|------------------------------------|---------------------------|-------------------|-----------------------------|
| | Unpaid Contractual Principal Balance | Recorded Investment With No Allowance | Recorded Investment With Allowance | Total Recorded Investment | Related Allowance | Average Recorded Investment |
| Commercial and industrial | \$8,042 | \$2,609 | \$3,464 | \$6,073 | \$704 | \$4,136 |
| Real estate loans: | | | | | | |
| Commercial - investor owned | 5,036 | — | 5,187 | 5,187 | — | 4,375 |
| Commercial - owner occupied | 1,376 | 770 | 519 | 1,289 | 286 | 1,281 |
| Construction and land development | 7,961 | 419 | 6,929 | 7,348 | 352 | 7,280 |
| Residential | 3,082 | 2,943 | 150 | 3,093 | 1,052 | 954 |
| Consumer and other | — | — | — | — | — | 581 |
| Total | \$25,497 | \$6,741 | \$16,249 | \$22,990 | \$2,394 | \$18,607 |

The following table presents details for past due and impaired loans:

| (in thousands) | Three months ended June 30, | | Six months ended June 30, | |
|--|-----------------------------|-------|---------------------------|-------|
| | 2015 | 2014 | 2015 | 2014 |
| Total interest income that would have been recognized under original terms | \$229 | \$362 | \$544 | \$682 |
| Total cash received and recognized as interest income on non-accrual loans | 98 | 19 | 125 | 28 |
| Total interest income recognized on impaired loans | 14 | 10 | 27 | 16 |

There were no loans over 90 days past due and still accruing interest at June 30, 2015 or December 31, 2014. At June 30, 2015, there were \$1.6 million unadvanced commitments on impaired loans. Other liabilities include approximately \$0.2 million for estimated losses attributable to the unadvanced commitments.

The recorded investment in impaired Portfolio loans by category at June 30, 2015 and December 31, 2014, is as follows:

| (in thousands) | June 30, 2015 | | | Loans over 90 days past due and still accruing interest | Total |
|-----------------------------------|---------------|--------------|--|---|----------|
| | Non-accrual | Restructured | | | |
| Commercial and industrial | \$6,090 | \$— | | \$— | \$6,090 |
| Real estate loans: | | | | | |
| Commercial - investor owned | 1,705 | — | | — | 1,705 |
| Commercial - owner occupied | 615 | 747 | | — | 1,362 |
| Construction and land development | 6,538 | — | | — | 6,538 |
| Residential | 2,576 | — | | — | 2,576 |
| Consumer and other | — | — | | — | — |
| Total | \$17,524 | \$747 | | \$— | \$18,271 |

Edgar Filing: ENTERPRISE FINANCIAL SERVICES CORP - Form 10-Q

| (in thousands) | December 31, 2014 | | | Total |
|-----------------------------------|-------------------|--------------|---|----------|
| | Non-accrual | Restructured | Loans over 90 days past due and still accruing interest | |
| Commercial and industrial | \$6,073 | \$— | \$— | \$6,073 |
| Real estate loans: | | | | |
| Commercial - investor owned | 4,597 | 590 | — | 5,187 |
| Commercial - owner occupied | 519 | 770 | — | 1,289 |
| Construction and land development | 7,348 | — | — | 7,348 |
| Residential | 3,093 | — | — | 3,093 |
| Consumer and other | — | — | — | — |
| Total | \$21,630 | \$1,360 | \$— | \$22,990 |

The recorded investment by category for the Portfolio loans that have been restructured during the three and six months ended June 30, 2015 and 2014, is as follows:

| (in thousands, except for number of loans) | Number of Loans | Three months ended June 30, 2015 | | Number of Loans | Three months ended June 30, 2014 | |
|--|-----------------|---|--|-----------------|---|--|
| | | Pre-Modification Outstanding Recorded Balance | Post-Modification Outstanding Recorded Balance | | Pre-Modification Outstanding Recorded Balance | Post-Modification Outstanding Recorded Balance |
| Commercial and industrial | — | \$ — | \$ — | — | \$ — | \$ — |
| Real estate loans: | | | | | | |
| Commercial - investor owned | — | — | — | 1 | 603 | 603 |
| Commercial - owner occupied | — | — | — | — | — | — |
| Construction and land development | — | — | — | — | — | — |
| Residential | — | — | — | 1 | 125 | 125 |
| Consumer and other | — | — | — | — | — | — |
| Total | — | \$ — | \$ — | 2 | \$ 728 | \$ 728 |

| (in thousands, except for number of loans) | Number of Loans | Six months ended June 30, 2015 | | Number of Loans | Six months ended June 30, 2014 | |
|--|-----------------|---|--|-----------------|---|--|
| | | Pre-Modification Outstanding Recorded Balance | Post-Modification Outstanding Recorded Balance | | Pre-Modification Outstanding Recorded Balance | Post-Modification Outstanding Recorded Balance |
| Commercial and industrial | — | \$ — | \$ — | — | \$ — | \$ — |
| Real estate loans: | | | | | | |
| Commercial - investor owned | — | — | — | 1 | 603 | 603 |
| Commercial - owner occupied | — | — | — | 2 | 1,292 | 1,042 |
| Construction and land development | — | — | — | — | — | — |
| Residential | — | — | — | 1 | 125 | 125 |
| Consumer and other | — | — | — | — | — | — |
| Total | — | \$ — | \$ — | 4 | \$ 2,020 | \$ 1,770 |

The restructured Portfolio loans primarily resulted from interest rate concessions and changing the terms of the loans. As of June 30, 2015, the Company allocated \$0.3 million of specific reserves to the loans that have been restructured.

There were no Portfolio loans that were restructured and subsequently defaulted during the six months ended June 30, 2015 or 2014.

The aging of the recorded investment in past due Portfolio loans by portfolio class and category at June 30, 2015 and December 31, 2014 is shown below.

| (in thousands) | June 30, 2015 | | | Current | Total |
|-----------------------------------|---------------------|--------------------------|----------------|-------------|-------------|
| | 30-89 Days Past Due | 90 or More Days Past Due | Total Past Due | | |
| Commercial and industrial | \$1,643 | \$2,864 | \$4,507 | \$1,330,501 | \$1,335,008 |
| Real estate loans: | | | | | |
| Commercial - investor owned | 1,685 | — | 1,685 | 416,426 | 418,111 |
| Commercial - owner occupied | — | 594 | 594 | 370,436 | 371,030 |
| Construction and land development | — | 3,226 | 3,226 | 147,514 | 150,740 |
| Residential | 133 | 2,506 | 2,639 | 182,948 | 185,587 |
| Consumer and other | 4 | — | 4 | 82,075 | 82,079 |
| Total | \$3,465 | \$9,190 | \$12,655 | \$2,529,900 | \$2,542,555 |
| | December 31, 2014 | | | | |
| (in thousands) | 30-89 Days Past Due | 90 or More Days Past Due | Total Past Due | Current | Total |
| Commercial and industrial | \$3,059 | \$232 | \$3,291 | \$1,266,968 | \$1,270,259 |
| Real estate loans: | | | | | |
| Commercial - investor owned | 261 | 4,450 | 4,711 | 408,315 | 413,026 |
| Commercial - owner occupied | 766 | 496 | 1,262 | 356,241 | 357,503 |
| Construction and land development | 702 | 2,524 | 3,226 | 141,547 | 144,773 |
| Residential | 168 | — | 168 | 185,084 | 185,252 |
| Consumer and other | 8 | — | 8 | 63,095 | 63,103 |
| Total | \$4,964 | \$7,702 | \$12,666 | \$2,421,250 | \$2,433,916 |

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 – Includes 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 – Includes loans to borrowers with positive trends in profitability, satisfactory capitalization and balance sheet condition, and sufficient liquidity and cash flow.

Grade 5 – Includes loans to borrowers that may display fluctuating trends in sales, profitability, capitalization, liquidity, and cash flow.

Grade 6 – 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 borrower is starting to reverse a negative trend or condition, or has recently been upgraded from a 7, 8, or 9 rating.

Grade 7 – Watch credits are borrowers that have experienced financial setback of a nature that is not determined to be severe or influence ‘ongoing concern’ expectations. Although possible, no loss is anticipated, due to strong collateral and/or guarantor support.

Grade 8 – Substandard credits will include those borrowers 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. The borrower may have declared bankruptcy or bankruptcy is likely in the near term. All doubtful rated credits will be on non-accrual.

The recorded investment by risk category of the Portfolio loans by portfolio class and category at June 30, 2015, which is based upon the most recent analysis performed, and December 31, 2014 is as follows:

| (in thousands) | June 30, 2015 | | | | |
|-----------------------------------|-------------------|-----------|-----------------|--------------|-------------|
| | Pass (1-6) | Watch (7) | Substandard (8) | Doubtful (9) | Total |
| Commercial and industrial | \$1,223,114 | \$81,660 | \$30,234 | \$— | \$1,335,008 |
| Real estate loans: | | | | | |
| Commercial - investor owned | 383,373 | 23,703 | 11,035 | — | 418,111 |
| Commercial - owner occupied | 349,481 | 17,062 | 4,487 | — | 371,030 |
| Construction and land development | 130,879 | 12,300 | 6,859 | 702 | 150,740 |
| Residential | 168,995 | 10,610 | 5,982 | — | 185,587 |
| Consumer and other | 81,545 | 44 | 490 | — | 82,079 |
| Total | \$2,337,387 | \$145,379 | \$59,087 | \$702 | \$2,542,555 |
| | | | | | |
| (in thousands) | December 31, 2014 | | | | |
| | Pass (1-6) | Watch (7) | Substandard (8) | Doubtful (9) | Total |
| Commercial and industrial | \$1,167,751 | \$62,315 | \$40,193 | \$— | \$1,270,259 |
| Real estate loans: | | | | | |
| Commercial - investor owned | 372,818 | 24,088 | 16,120 | — | 413,026 |
| Commercial - owner occupied | 334,347 | 18,025 | 5,131 | — | 357,503 |
| Construction and land development | 123,260 | 12,993 | 8,520 | — | 144,773 |
| Residential | 168,543 | 11,012 | 5,697 | — | 185,252 |
| Consumer and other | 62,711 | 51 | 341 | — | 63,103 |
| Total | \$2,229,430 | \$128,484 | \$76,002 | \$— | \$2,433,916 |

NOTE 5 - PURCHASE CREDIT IMPAIRED ("PCI") LOANS

Below is a summary of PCI loans by category at June 30, 2015 and December 31, 2014:

| (in thousands) | June 30, 2015 | | December 31, 2014 | |
|-----------------------------------|------------------------------|-------------------------------|------------------------------|-------------------------------|
| | Weighted-Average Risk Rating | Recorded Investment PCI Loans | Weighted-Average Risk Rating | Recorded Investment PCI Loans |
| Commercial and industrial | 6.51 | \$4,325 | 6.57 | \$4,012 |
| Real estate loans: | | | | |
| Commercial - investor owned | 7.00 | 32,615 | 7.07 | 39,066 |
| Commercial - owner occupied | 6.37 | 21,381 | 6.35 | 22,695 |
| Construction and land development | 6.29 | 7,412 | 6.16 | 7,740 |
| Residential | 5.54 | 21,629 | 5.54 | 25,121 |
| Total real estate loans | | 83,037 | | 94,622 |
| Consumer and other | 5.15 | 282 | 5.39 | 469 |
| Purchase credit impaired loans | | \$87,644 | | \$99,103 |

The aging of the recorded investment in past due PCI loans by portfolio class and category at June 30, 2015 and December 31, 2014 is shown below:

| (in thousands) | June 30, 2015 | | | Current | Total |
|-----------------------------------|---------------------|--------------------------|----------------|----------|----------|
| | 30-89 Days Past Due | 90 or More Days Past Due | Total Past Due | | |
| Commercial and industrial | \$— | \$36 | \$36 | \$4,289 | \$4,325 |
| Real estate loans: | | | | | |
| Commercial - investor owned | 2,184 | 3,356 | 5,540 | 27,075 | 32,615 |
| Commercial - owner occupied | 647 | 551 | 1,198 | 20,183 | 21,381 |
| Construction and land development | 455 | — | 455 | 6,957 | 7,412 |
| Residential | 170 | 988 | 1,158 | 20,471 | 21,629 |
| Consumer and other | 9 | — | 9 | 273 | 282 |
| Total | \$3,465 | \$4,931 | \$8,396 | \$79,248 | \$87,644 |
| (in thousands) | December 31, 2014 | | | Current | Total |
| | 30-89 Days Past Due | 90 or More Days Past Due | Total Past Due | | |
| Commercial and industrial | \$— | \$16 | \$16 | \$3,996 | \$4,012 |
| Real estate loans: | | | | | |
| Commercial - investor owned | 878 | 6,484 | 7,362 | 31,704 | 39,066 |
| Commercial - owner occupied | — | 2,759 | 2,759 | 19,936 | 22,695 |
| Construction and land development | 774 | — | 774 | 6,966 | 7,740 |
| Residential | 2,020 | 1,451 | 3,471 | 21,650 | 25,121 |
| Consumer and other | — | 12 | 12 | 457 | 469 |
| Total | \$3,672 | \$10,722 | \$14,394 | \$84,709 | \$99,103 |

The following table is a rollforward of PCI loans, net of the allowance for loan losses, for the six months ended June 30, 2015 and 2014.

| (in thousands) | Contractual Cashflows | Non-accretable Difference | Accretable Yield | Carrying Amount |
|---|--------------------------|------------------------------|---------------------|--------------------|
| Balance December 31, 2014 | \$178,145 | \$65,719 | \$28,733 | \$83,693 |
| Principal reductions and interest payments | (13,214 |) — | — | (13,214 |
| Accretion of loan discount | — | — | (5,989 |) 5,989 |
| Changes in contractual and expected cash flows due to remeasurement | (12,100 |) (26,187 |) 5,304 | 8,783 |
| Reductions due to disposals | (13,831 |) (2,794 |) (1,836 |) (9,201 |
| Balance June 30, 2015 | \$139,000 | \$36,738 | \$26,212 | \$76,050 |
| Balance December 31, 2013 | \$266,068 | \$87,438 | \$53,530 | \$125,100 |
| Principal reductions and interest payments | (18,089 |) — | — | (18,089 |
| Accretion of loan discount | — | — | (8,601 |) 8,601 |
| Changes in contractual and expected cash flows due to remeasurement | (3,871 |) 5 | (5,693 |) 1,817 |
| Reductions due to disposals | (25,552 |) (5,440 |) (3,648 |) (16,464 |
| Balance June 30, 2014 | \$218,556 | \$82,003 | \$35,588 | \$100,965 |

The accretable yield is accreted into interest income over the estimated life of the acquired loans using the effective yield method.

A summary of activity in the FDIC loss share receivable for the six months ended June 30, 2015 is as follows:

| (in thousands) | |
|--|----------|
| Balance December 31, 2014 | \$15,866 |
| Adjustments not reflected in income: | |
| Cash received from the FDIC for covered assets | (1,574 |
| FDIC reimbursable losses, net | (751 |
| Adjustments reflected in income: | |
| Amortization, net | 215 |
| Loan impairment | (2,589 |
| Reductions for payments on covered assets in excess of expected cash flows | (835 |
| Balance June 30, 2015 | \$10,332 |

Outstanding customer balances on PCI loans were \$117.7 million and \$135.3 million as of June 30, 2015, and December 31, 2014, respectively.

NOTE 6 - 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 June 30, 2015, there were \$1.6 million of unadvanced commitments on impaired loans.

The contractual amounts of off-balance-sheet financial instruments as of June 30, 2015, and December 31, 2014, are as follows:

| (in thousands) | June 30, 2015 | December 31, 2014 |
|------------------------------|------------------|----------------------|
| Commitments to extend credit | \$1,027,745 | \$947,424 |
| Standby letters of credit | 52,657 | 50,108 |

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, may have significant usage restrictions, and may require payment of a fee. Of the total commitments to extend credit at June 30, 2015, and December 31, 2014, approximately \$87.9 million and \$65.9 million, respectively, represent fixed rate loan commitments. Since certain of the commitments may expire without being drawn upon or may be revoked, 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. Other liabilities include approximately \$0.2 million for estimated losses attributable to the unadvanced commitments at June 30, 2015 and December 31, 2014.

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 1 month to 2.8 years at June 30, 2015.

Contingencies

The Company and its subsidiaries are, from time to time, parties to various legal proceedings arising out of their businesses. Management believes there are no such proceedings pending or threatened against the Company or its subsidiaries which, if determined adversely, would have a material adverse effect on the business, consolidated financial condition, results of operations or cash flows of the Company or any of its subsidiaries.

NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS

Client-Related Derivative Instruments. The Company enters into interest rate swaps to allow customers to 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 | |
|------------------------------------|------------------|----------------------|---|----------------------|--|----------------------|
| | June 30, 2015 | December 31, 2014 | June 30, 2015 | December 31, 2014 | June 30, 2015 | December 31, 2014 |
| Non-designated hedging instruments | | | | | | |
| Interest rate swap contracts | \$ 148,878 | \$ 141,263 | \$ 1,166 | \$ 907 | \$ 1,166 | \$ 907 |

Changes in the fair value of client-related derivative instruments are recognized currently in operations. For the three and six months ended June 30, 2015 and 2014, the gains and losses offset each other due to the Company's hedging of the client swaps with other bank counterparties.

NOTE 8 - 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 June 30, 2015 and December 31, 2014, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

| (in thousands) | June 30, 2015 | | | Total Fair Value |
|--|--|---|--|------------------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | |
| Assets | | | | |
| Securities available for sale | | | | |
| Obligations of U.S. Government-sponsored enterprises | \$— | \$ 100,099 | \$— | \$ 100,099 |
| Obligations of states and political subdivisions | — | 29,858 | 3,070 | 32,928 |
| Residential mortgage-backed securities | — | 271,901 | — | 271,901 |
| Total securities available for sale | \$— | \$ 401,858 | \$ 3,070 | \$ 404,928 |
| State tax credits held for sale | — | — | 9,965 | 9,965 |
| Derivative financial instruments | — | 1,166 | — | 1,166 |
| Total assets | \$— | \$ 403,024 | \$ 13,035 | \$ 416,059 |
| Liabilities | | | | |
| Derivative financial instruments | \$— | \$ 1,166 | \$— | \$ 1,166 |
| Total liabilities | \$— | \$ 1,166 | \$— | \$ 1,166 |

| (in thousands) | December 31, 2014 | | | Total Fair Value |
|--|--|---|--|------------------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | |
| Assets | | | | |
| Securities available for sale | | | | |
| Obligations of U.S. Government-sponsored enterprises | \$— | \$91,826 | \$— | \$91,826 |
| Obligations of states and political subdivisions | — | 31,822 | 3,059 | 34,881 |
| Residential mortgage-backed securities | — | 273,439 | — | 273,439 |
| Total securities available for sale | \$— | \$397,087 | \$3,059 | \$400,146 |
| State tax credits held for sale | — | — | 11,689 | 11,689 |
| Derivative financial instruments | — | 909 | — | 909 |
| Total assets | \$— | \$397,996 | \$14,748 | \$412,744 |
| Liabilities | | | | |
| Derivative financial instruments | \$— | \$907 | \$— | \$907 |
| Total liabilities | \$— | \$907 | \$— | \$907 |

Securities available for sale. Securities classified as available for sale are reported at fair value utilizing Level 2 and Level 3 inputs. Fair values for Level 2 securities are based upon dealer quotes, market spreads, the U.S. Treasury yield curve, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions at the security level. At June 30, 2015, Level 3 securities available for sale consist primarily of three Auction Rate Securities that are valued based on the securities' estimated cash flows, yields of comparable securities, and live trading levels.

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 June 30, 2015, of the \$42.1 million of state tax credits held for sale on the condensed consolidated balance sheet, approximately \$10.0 million were carried at fair value. The remaining \$32.1 million of state tax credits were accounted for at cost.

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 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 market data including discounted cash flows based upon the terms and conditions of the tax credits. If 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 discounted cash flow 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 estimated using 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. An increase in the discount rate utilized would generally result in a lower estimated fair value of the tax credits. Alternatively, a decrease in the discount rate utilized would generally result in a higher estimated

fair value of the tax credits. Given the significance of this input to the fair value calculation, the state tax credit assets are reported as Level 3 assets.

20

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 June 30, 2015 and 2014.

Purchases, sales, issuances and settlements. There were no Level 3 purchases during the quarter ended June 30, 2015 or 2014.

Transfers in and/or out of Level 3. There were no Level 3 transfers during the quarter ended June 30, 2015 and 2014.

| (in thousands) | Securities available for sale, at fair value | | | |
|--|--|----------|---------------------------|----------|
| | Three months ended June 30, | | Six months ended June 30, | |
| | 2015 | 2014 | 2015 | 2014 |
| Beginning balance | \$3,071 | \$3,046 | \$3,059 | \$3,040 |
| Total gains: | | | | |
| Included in other comprehensive income | (1 |) 5 | 11 | 11 |
| Purchases, sales, issuances and settlements: | | | | |
| Purchases | — | — | — | — |
| Transfer in and/or out of Level 3 | — | — | — | — |
| Ending balance | \$3,070 | \$3,051 | \$3,070 | \$3,051 |
| Change in unrealized gains relating to assets still held at the reporting date | \$(1 |) \$5 | \$11 | \$11 |
| | | | | |
| (in thousands) | State tax credits held for sale | | | |
| | Three months ended June 30, | | Six months ended June 30, | |
| | 2015 | 2014 | 2015 | 2014 |
| Beginning balance | \$10,286 | \$14,900 | \$11,689 | \$16,491 |
| Total gains: | | | | |
| Included in earnings | 66 | 142 | 194 | 260 |
| Purchases, sales, issuances and settlements: | | | | |
| Sales | (387 |) (57 |) (1,918 |) (1,766 |
| Ending balance | \$9,965 | \$14,985 | \$9,965 | \$14,985 |
| Change in unrealized gains relating to assets still held at the reporting date | \$(36 |) \$130 | \$(310 |) \$(204 |

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 June 30, 2015.

| (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 for the three months ended June 30, 2015 | Total losses gains for the six months ended June 30, 2015 |
|-------------------|-------------------------|---|--|--|---|---|
| Impaired loans | \$12,608 | \$— | \$— | \$12,608 | \$(2,596) | \$(5,164) |
| Other real estate | 1,270 | — | — | 1,270 | (41) | (82) |
| Total | \$13,878 | \$— | \$— | \$13,878 | \$(2,637) | \$(5,246) |

(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 June 30, 2015 and December 31, 2014.

| (in thousands) | June 30, 2015 | | December 31, 2014 | |
|----------------------------------|-----------------|----------------------|-------------------|----------------------|
| | Carrying Amount | Estimated fair value | Carrying Amount | Estimated fair value |
| Balance sheet assets | | | | |
| Cash and due from banks | \$49,498 | \$49,498 | \$42,903 | \$42,903 |
| Federal funds sold | 45 | 45 | 35 | 35 |
| Interest-bearing deposits | 51,253 | 51,253 | 63,058 | 63,058 |
| Securities available for sale | 404,928 | 404,928 | 400,146 | 400,146 |
| Securities held to maturity | 44,973 | 44,135 | 45,985 | 45,795 |
| Other investments, at cost | 15,232 | 15,232 | 17,037 | 17,037 |
| Loans held for sale | 5,446 | 5,446 | 4,033 | 4,033 |
| Derivative financial instruments | 1,166 | 1,166 | 909 | 909 |
| Portfolio loans, net | 2,586,840 | 2,581,224 | 2,487,424 | 2,482,700 |
| State tax credits, held for sale | 42,062 | 46,549 | 38,309 | 42,970 |
| Accrued interest receivable | 7,920 | 7,920 | 7,956 | 7,956 |
| Balance sheet liabilities | | | | |
| Deposits | 2,691,558 | 2,693,784 | 2,491,510 | 2,494,624 |
| Subordinated debentures | 56,807 | 34,529 | 56,807 | 34,124 |

Edgar Filing: ENTERPRISE FINANCIAL SERVICES CORP - Form 10-Q

| | | | | |
|----------------------------------|---------|---------|---------|---------|
| Federal Home Loan Bank advances | 73,000 | 72,998 | 144,000 | 144,000 |
| Other borrowings | 188,546 | 188,533 | 239,883 | 239,950 |
| Derivative financial instruments | 1,166 | 1,166 | 907 | 907 |
| Accrued interest payable | 820 | 820 | 843 | 843 |

22

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 20 – Fair Value Measurements in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

The following table presents the level in the fair value hierarchy for the estimated fair values of only the Company's financial instruments that are not already presented on the condensed consolidated balance sheets at fair value at June 30, 2015, and December 31, 2014.

| (in thousands) | Estimated Fair Value Measurement at Reporting Date | | | Balance at June 30, 2015 |
|----------------------------------|--|----------|-----------|-----------------------------|
| | Using Level 1 | Level 2 | Level 3 | |
| Financial Assets: | | | | |
| Securities held to maturity | \$— | \$44,135 | \$— | \$44,135 |
| Portfolio loans, net | — | — | 2,581,224 | 2,581,224 |
| State tax credits, held for sale | — | — | 36,584 | 36,584 |
| Financial Liabilities: | | | | |
| Deposits | 2,180,628 | — | 513,156 | 2,693,784 |
| Subordinated debentures | — | 34,529 | — | 34,529 |
| Federal Home Loan Bank advances | — | 72,998 | — | 72,998 |
| Other borrowings | — | 188,533 | — | 188,533 |

| (in thousands) | Estimated Fair Value Measurement at Reporting Date | | | Balance at December 31, 2014 |
|----------------------------------|--|----------|-----------|---------------------------------|
| | Using Level 1 | Level 2 | Level 3 | |
| Financial Assets: | | | | |
| Securities held to maturity | \$— | \$45,795 | \$— | \$45,795 |
| Portfolio loans, net | — | — | 2,482,700 | 2,482,700 |
| State tax credits, held for sale | — | — | 31,281 | 31,281 |
| Financial Liabilities: | | | | |
| Deposits | 1,986,158 | — | 508,466 | 2,494,624 |
| Subordinated debentures | — | 34,124 | — | 34,124 |
| Federal Home Loan Bank advances | — | 144,000 | — | 144,000 |
| Other borrowings | — | 239,950 | — | 239,950 |

NOTE 9 - NEW AUTHORITATIVE ACCOUNTING GUIDANCE

FASB ASU 2014-09, "Revenue from Contracts with Customers" In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers". The objective of ASU 2014-09 is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most of the existing revenue recognition guidance, including industry-specific guidance. The core principle of ASU 2014-09 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying the new guidance, an entity will (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the contract's performance obligations; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 applies to all contracts with customers except those that are within the scope of other topics in the FASB Accounting Standards Codification. The new guidance is effective for annual reporting periods (including interim periods within those periods) beginning after December 15, 2016 for public companies. Early adoption is not

permitted. Entities have the option of using either a full retrospective or modified approach to adopt ASU 2014-09. In April 2015, the FASB tentatively decided to extend the adoption date to annual periods beginning after December 15, 2017, and interim periods within those years. The FASB announced they intend to expose this tentative decision for a 30-day comment period under a

23

proposed ASU during the second quarter of 2015. The Company is currently evaluating the new guidance and has not determined the impact this standard may have on its financial statements nor decided upon the method of adoption.

FASB ASU 2014-11, "Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures" In June 2014, the FASB issued ASU No. 2014-11, "Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures." The objective of ASU 2014-11 is to amend the accounting for certain secured financing transactions, and requires enhanced disclosures with respect to transactions recognized as sales in which exposure to the derecognized asset is retained through a separate agreement with the counterparty. In addition, the guidance requires enhanced disclosures with respect to the types and quality of financial assets pledged in secured financing transactions. The guidance became effective in the first quarter of 2015, except for the disclosures regarding the types and quality of financial assets pledged, which became effective in the second quarter of 2015. The adoption of the guidance did not have a material impact on the Company's consolidated balance sheets or statements of operations.

FASB ASU 2015-03, "Interest-Imputation of Interest (Subtopic 835-30): FASB Accounting Standards Codification-Simplifying the Presentation of Debt Issuance Costs" In April 2015, the FASB issued ASU No. 2015-03, "Interest-Imputation of Interest (Subtopic 835-30): FASB Accounting Standards Codification-Simplifying the Presentation of Debt Issuance Costs." ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The objective is to reduce cost and complexity in accounting standards while maintaining the usefulness of information being provided to users of financial statements. The guidance becomes effective in the first quarter of 2016 and requires the Company to apply the new guidance on a retrospective basis upon adoption, but early adoption is permitted for financial statements that have not been previously issued. The Company is currently evaluating the effect of this guidance on its consolidated balance sheets and statements of operations.

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

Some of the information in this report contains "forward-looking statements" within the meaning of and 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," "will," "should," "expect," "plan," "anticipate," "b," "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 regulatory requirements; 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 and within this Form 10-Q, 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 six months of 2015 compared to the financial condition as of December 31, 2014. In addition, this discussion summarizes the significant factors affecting the results of operations, liquidity and cash flows of the Company for the three and six months ended June 30, 2015, compared to the same periods in 2014. This discussion should be read in conjunction with the accompanying condensed consolidated financial statements included in this report and our Annual Report on Form 10-K for the year ended December 31, 2014.

Executive Summary

Below are highlights of our financial performance for the quarter and year to date period ended June 30, 2015, as compared to the linked quarter ended March 31, 2015, and prior year quarter and year to date period ended June 30, 2014.

| (in thousands, except per share data) | For the Quarter ended and At | | | For the Six Months ended | | |
|---|------------------------------|----------------|---------------|--------------------------|---------------|---|
| | June 30, 2015 | March 31, 2015 | June 30, 2014 | June 30, 2015 | June 30, 2014 | |
| EARNINGS | | | | | | |
| Total interest income | \$32,352 | \$32,151 | \$32,309 | \$64,503 | \$66,333 | |
| Total interest expense | 3,072 | 3,106 | 3,567 | 6,178 | 7,225 | |
| Net interest income | 29,280 | 29,045 | 28,742 | 58,325 | 59,108 | |
| Provision for portfolio loans | 2,150 | 1,580 | 1,348 | 3,730 | 2,375 | |
| Provision (provision reversal) for purchase credit impaired loans | — | (3,270) | (470) | (3,270) | 2,834 | |
| Net interest income after provision for loan losses | 27,130 | 30,735 | 27,864 | 57,865 | 53,899 | |
| Core noninterest income | 6,741 | 5,839 | 5,983 | 12,580 | 12,184 | |
| Other | (935) | (2,256) | (2,578) | (3,191) | (4,857) | |
| Total noninterest income | 5,806 | 3,583 | 3,405 | 9,389 | 7,327 | |
| Total noninterest expenses | 19,458 | 19,950 | 20,445 | 39,408 | 41,547 | |
| Income before income tax expense | 13,478 | 14,368 | 10,824 | 27,846 | 19,679 | |
| Income tax expense | 4,762 | 5,022 | 3,664 | 9,784 | 6,671 | |
| Net income | \$8,716 | \$9,346 | \$7,160 | \$18,062 | \$13,008 | |
| Basic earnings per share | \$0.44 | \$0.47 | \$0.36 | \$0.91 | \$0.66 | |
| Diluted earnings per share | 0.43 | 0.46 | 0.36 | 0.90 | 0.66 | |
| Return on average assets | 1.06 | % 1.16 | % 0.92 | % 1.11 | % 0.84 | % |
| Return on average common equity | 10.56 | % 11.78 | % 9.65 | % 11.16 | % 8.97 | % |
| Return on average tangible common equity | 11.77 | % 13.19 | % 10.95 | % 12.47 | % 10.21 | % |
| Net interest margin (fully tax equivalent) | 3.85 | % 3.92 | % 4.04 | % 3.88 | % 4.21 | % |
| Efficiency ratio | 55.46 | % 61.14 | % 63.60 | % 58.20 | % 62.54 | % |
| ASSET QUALITY (1) | | | | | | |
| Net charge-offs | \$672 | \$1,478 | \$831 | \$2,150 | \$1,242 | |
| Nonperforming loans | 17,498 | 15,143 | 19,287 | | | |
| Classified assets | 61,722 | 63,001 | 85,445 | | | |
| Nonperforming loans to total loans | 0.69 | % 0.62 | % 0.86 | % | | |
| Nonperforming assets to total assets | 0.58 | % 0.52 | % 0.85 | % | | |
| Allowance for loan losses to total loans | 1.25 | % 1.24 | % 1.26 | % | | |
| Net charge-offs to average loans (annualized) | 0.11 | % 0.25 | % 0.15 | % 0.19 | % 0.11 | % |

(1) Excludes PCI loans and other assets covered under FDIC loss share agreements, except for their inclusion in total assets.

Below are highlights of the Company's Core performance measures, which we believe are important measures of financial performance, but are non-GAAP measures. Core performance measures include contractual interest on PCI loans, but exclude incremental accretion on these loans, and exclude the Change in the FDIC receivable, gain or loss of other real estate covered under FDIC loss share agreements, and certain other income and expense items the Company believes are not indicative of or useful to measure the Company's operating performance on an ongoing basis. A reconciliation of Core performance measures has been included in this MD&A section under the caption "Use of Non-GAAP Financial Measures".

| (in thousands) | For the Quarter ended and At | | | For the Six Months ended | | |
|--|------------------------------|----------------|---------------|--------------------------|---------------|---|
| | June 30, 2015 | March 31, 2015 | June 30, 2014 | June 30, 2015 | June 30, 2014 | |
| CORE PERFORMANCE MEASURES (1) | | | | | | |
| Net interest income | \$26,277 | \$25,587 | \$24,204 | \$51,864 | \$47,906 | |
| Provision for portfolio loans | 2,150 | 1,580 | 1,348 | 3,730 | 2,375 | |
| Noninterest income | 6,741 | 5,839 | 5,983 | 12,580 | 12,184 | |
| Noninterest expense | 19,030 | 19,068 | 19,468 | 38,098 | 39,852 | |
| Income before income tax expense | 11,838 | 10,778 | 9,371 | 22,616 | 17,863 | |
| Income tax expense | 4,134 | 3,647 | 3,108 | 7,781 | 5,975 | |
| Net income | \$7,704 | \$7,131 | \$6,263 | \$14,835 | \$11,888 | |
| Diluted earnings per share | \$0.38 | \$0.35 | \$0.31 | \$0.74 | \$0.60 | |
| Return on average assets | 0.93 | % 0.88 | % 0.80 | % 0.91 | % 0.77 | % |
| Return on average common equity | 9.34 | % 8.99 | % 8.44 | % 9.17 | % 8.20 | % |
| Return on average tangible common equity | 10.41 | % 10.06 | % 9.57 | % 10.24 | % 9.33 | % |
| Net interest margin (fully tax equivalent) | 3.46 | % 3.46 | % 3.41 | % 3.46 | % 3.42 | % |
| Efficiency ratio | 57.64 | % 60.67 | % 64.49 | % 59.12 | % 66.32 | % |

(1) A non-GAAP measure. A reconciliation has been included in this MD&A section under the caption "Use of Non-GAAP Financial Measures."

During the six months ended June 30, 2015, the Company noted the following trends:

The Company reported net income of \$18.1 million for the six months ended June 30, 2015, compared to \$13.0 million for the same period in 2014. The increase in net income over the prior year was primarily due to an increase in reversal of provision for PCI loan loss, an increase in noninterest income, and a decrease in noninterest expenses from lower legal expense on problem loans and expense management.

On a core basis¹, net income was \$14.8 million, or \$0.74 per share for the six months ended June 30, 2015, compared to \$11.9 million, or \$0.60 per share in the prior year period. The increase was primarily due to increases in earning asset balances, driving growth in core net interest income, combined with a reduction in noninterest expenses and increases in noninterest income from service charges on deposits and other fee income.

Net interest income for the first six months of 2015 decreased \$0.8 million from the prior year period due to a decline in accelerations from PCI loans. On a core basis¹, net interest income increased 8% when compared to the prior year period due to strong portfolio loan growth and improvements in funding costs during 2014 and 2015.

•

The Core net interest margin¹, defined as Net interest margin (fully tax equivalent), including contractual interest on PCI loans, but excluding the incremental accretion on these loans, increased 4 basis points from the prior year period primarily due to the managed reductions in funding costs combined with an improved earning asset mix.

Core noninterest income¹, which primarily includes the Company's wealth management revenue, service charges and other fees on deposit accounts, sales of other real estate, and state tax brokerage activity, increased 3% compared to the prior year period primarily due to an increase in Service charges on deposit accounts and other fees.

Noninterest expense declined 5% and the Company's efficiency ratio improved to 58.2% from 62.5% when compared to the prior year. Core noninterest expenses¹ declined 4% when compared to the prior year, and the Core efficiency ratio¹ improved to 59.12% from 66.32% when compared to the prior year period.

Other highlights:

The Company's Board approved an increase in the Company's quarterly cash dividend to \$0.07 per common share for the third quarter of 2015 from \$0.06, payable on September 30, 2015 to shareholders of record as of the close of business on September 15, 2015.

The Company received a \$65 million allocation of New Markets Tax Credits ("NMTC"), which is the fourth allocation of NMTC received in the past five years, for a total of \$183 million.

The Company's Board also authorized the repurchase of up to 2 million common shares, representing approximately 10% of the Company's currently outstanding shares. Shares may be bought back in open market or privately negotiated transactions over an indeterminate time period based on market and business conditions. During the second quarter of 2015, the Company did not repurchase any shares pursuant to this publicly announced program.

Balance sheet highlights:

Loans – Loans totaled \$2.6 billion at June 30, 2015, including \$87.6 million of purchase credit impaired ("PCI") loans. Portfolio loans excluding PCI loans increased \$291.5 million, or 13%, from June 30, 2014. Commercial and industrial loans increased \$199.9 million, or 18%, Consumer and other loans increased \$32.5 million, or 66%, Construction loans and Residential real estate loans increased \$25.3 million, or 8%, and Commercial real estate increased \$33.7 million. See Item 1, Note 4 – Portfolio Loans for more information.

Deposits – Total deposits at June 30, 2015 were \$2.7 billion, an increase of \$226.1 million, or 9%, from June 30, 2014, partially due to enhanced deposit gathering efforts in both commercial and business banking.

Asset quality – Nonperforming loans, including troubled debt restructurings, were \$17.5 million at June 30, 2015, compared to \$19.3 million at June 30, 2014. Nonperforming loans represented 0.69% of portfolio loans at June 30, 2015 versus 0.86% at June 30, 2014. There were no portfolio loans that were over 90 days delinquent and still accruing at June 30, 2015 or June 30, 2014.

Provision for portfolio loan losses was an expense of \$3.7 million for the six months ended June 30, 2015, compared to expense of \$2.4 million for the six months ended June 30, 2014. See Item 1, Note 4 – Portfolio Loans and, Provision for Loan Losses and Allowance for Loan Losses in this section for more information.

RESULTS OF OPERATIONS

Net Interest Income

Average Balance Sheet

The following table presents, for the periods indicated, certain information related to our average interest-earning assets and interest-bearing liabilities, as well as, the corresponding interest rates earned and paid, all on a tax equivalent basis.

| (in thousands) | Three months ended June 30, 2015 | | | 2014 | | | Average Yield/ Rate | |
|---|-------------------------------------|----------------------------|---------------------------|--------------------|----------------------------|---------------------------|---------------------------|--|
| | Average Balance | Interest Income/Expense | Average Yield/ Rate | Average Balance | Interest Income/Expense | Average Yield/ Rate | | |
| Assets | | | | | | | | |
| Interest-earning assets: | | | | | | | | |
| Taxable portfolio loans (1) | \$2,450,453 | \$ 25,273 | 4.14 | % \$2,196,080 | \$ 22,988 | 4.20 | % | |
| Tax-exempt portfolio loans (2) | 38,443 | 627 | 6.54 | 33,324 | 547 | 6.58 | | |
| Purchase credit impaired loans | 92,168 | 4,212 | 18.33 | 123,476 | 6,416 | 20.84 | | |
| Total loans | 2,581,064 | 30,112 | 4.68 | 2,352,880 | 29,951 | 5.11 | | |
| Taxable investments in debt and equity securities | 421,912 | 2,154 | 2.05 | 425,026 | 2,231 | 2.11 | | |
| Non-taxable investments in debt and equity securities (2) | 41,895 | 459 | 4.39 | 43,795 | 481 | 4.41 | | |
| Short-term investments | 51,423 | 38 | 0.30 | 74,282 | 36 | 0.19 | | |
| Total securities and short-term investments | 515,230 | 2,651 | 2.06 | 543,103 | 2,748 | 2.03 | | |
| Total interest-earning assets | 3,096,294 | 32,763 | 4.24 | 2,895,983 | 32,699 | 4.53 | | |
| Noninterest-earning assets: | | | | | | | | |
| Cash and due from banks | 48,599 | | | 16,450 | | | | |
| Other assets | 208,897 | | | 261,202 | | | | |
| Allowance for loan losses | (43,212) | | | (47,124) | | | | |
| Total assets | \$3,310,578 | | | \$3,126,511 | | | | |
| Liabilities and Shareholders' Equity | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | |
| Interest-bearing transaction accounts | \$506,073 | \$ 279 | 0.22 | % \$229,918 | \$ 110 | 0.19 | % | |
| Money market accounts | 879,685 | 672 | 0.31 | 900,111 | 700 | 0.31 | | |
| Savings | 86,860 | 54 | 0.25 | 80,817 | 50 | 0.25 | | |
| Certificates of deposit | 539,387 | 1,594 | 1.19 | 605,394 | 1,755 | 1.16 | | |
| Total interest-bearing deposits | 2,012,005 | 2,599 | 0.52 | 1,816,240 | 2,615 | 0.58 | | |
| Subordinated debentures | 56,807 | 308 | 2.18 | 56,807 | 303 | 2.14 | | |
| Other borrowed funds | 230,492 | 165 | 0.29 | 339,331 | 649 | 0.77 | | |
| Total interest-bearing liabilities | 2,299,304 | 3,072 | 0.54 | 2,212,378 | 3,567 | 0.65 | | |
| Noninterest bearing liabilities: | | | | | | | | |
| Demand deposits | 655,635 | | | 594,977 | | | | |
| Other liabilities | 24,640 | | | 21,541 | | | | |
| Total liabilities | 2,979,579 | | | 2,828,896 | | | | |
| Shareholders' equity | 330,999 | | | 297,615 | | | | |

Edgar Filing: ENTERPRISE FINANCIAL SERVICES CORP - Form 10-Q

| | | | | | | |
|--|-------------|------|---|-------------|------|---|
| Total liabilities & shareholders' equity | \$3,310,578 | | | \$3,126,511 | | |
| Net interest income | \$ 29,691 | | | \$ 29,132 | | |
| Net interest spread | | 3.70 | % | | 3.88 | % |
| Net interest margin | | 3.85 | % | | 4.03 | % |

Edgar Filing: ENTERPRISE FINANCIAL SERVICES CORP - Form 10-Q

Average balances include non-accrual loans. Loan fees, net of amortization of deferred loan origination fees and (1) costs, included in interest income are approximately \$0.5 million and \$0.1 million for the three months ended June 30, 2015 and 2014 respectively.

(2) Non-taxable income is presented on a fully tax-equivalent basis using a 38% tax rate in 2015 and 2014. The tax-equivalent adjustments were \$0.4 million for the three months ended June 30, 2015 and 2014.

| (in thousands) | Six months ended June 30, 2015 | | | 2014 | | | Average Yield/ Rate | |
|---|-----------------------------------|----------------------------|---------------------------|--------------------|----------------------------|---------------------------|---------------------------|--|
| | Average Balance | Interest Income/Expense | Average Yield/ Rate | Average Balance | Interest Income/Expense | Average Yield/ Rate | | |
| Assets | | | | | | | | |
| Interest-earning assets: | | | | | | | | |
| Taxable portfolio loans (1) | \$2,420,949 | \$ 49,498 | 4.12 | % \$2,152,186 | \$ 45,369 | 4.25 | % | |
| Tax-exempt portfolio loans (2) | 38,424 | 1,252 | 6.57 | 35,461 | 1,211 | 6.89 | | |
| Purchase credit impaired loans | 94,670 | 9,209 | 19.62 | 128,941 | 15,068 | 23.57 | | |
| Total loans | 2,554,043 | 59,959 | 4.73 | 2,316,588 | 61,648 | 5.37 | | |
| Taxable investments in debt and equity securities | 420,371 | 4,353 | 2.09 | 414,334 | 4,446 | 2.16 | | |
| Non-taxable investments in debt and equity securities (2) | 42,429 | 939 | 4.46 | 43,902 | 965 | 4.43 | | |
| Short-term investments | 55,345 | 85 | 0.31 | 97,555 | 102 | 0.21 | | |
| Total securities and short-term investments | 518,145 | 5,377 | 2.09 | 555,791 | 5,513 | 2.00 | | |
| Total interest-earning assets | 3,072,188 | 65,336 | 4.29 | 2,872,379 | 67,161 | 4.72 | | |
| Noninterest-earning assets: | | | | | | | | |
| Cash and due from banks | 48,417 | | | 16,161 | | | | |
| Other assets | 213,596 | | | 262,398 | | | | |
| Allowance for loan losses | (44,611) | | | (45,207) | | | | |
| Total assets | \$3,289,590 | | | \$3,105,731 | | | | |
| Liabilities and Shareholders' Equity | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | |
| Interest-bearing transaction accounts | \$495,457 | \$ 556 | 0.23 | % \$222,492 | \$ 222 | 0.20 | % | |
| Money market accounts | 861,565 | 1,314 | 0.31 | 919,464 | 1,442 | 0.32 | | |
| Savings | 84,149 | 104 | 0.25 | 80,789 | 99 | 0.25 | | |
| Certificates of deposit | 532,974 | 3,185 | 1.21 | 613,589 | 3,505 | 1.15 | | |
| Total interest-bearing deposits | 1,974,145 | 5,159 | 0.53 | 1,836,334 | 5,268 | 0.58 | | |
| Subordinated debentures | 56,807 | 610 | 2.17 | 59,072 | 710 | 2.42 | | |
| Other borrowed funds | 252,137 | 409 | 0.33 | 295,101 | 1,247 | 0.85 | | |
| Total interest-bearing liabilities | 2,283,089 | 6,178 | 0.55 | 2,190,507 | 7,225 | 0.67 | | |
| Noninterest bearing liabilities: | | | | | | | | |
| Demand deposits | 655,367 | | | 602,253 | | | | |
| Other liabilities | 24,723 | | | 20,544 | | | | |
| Total liabilities | 2,963,179 | | | 2,813,304 | | | | |
| Shareholders' equity | 326,411 | | | 292,427 | | | | |

| | | | | | | |
|--|-------------|------|---|-------------|------|---|
| Total liabilities & shareholders' equity | \$3,289,590 | | | \$3,105,731 | | |
| Net interest income | \$ 59,158 | | | \$ 59,936 | | |
| Net interest spread | | 3.74 | % | | 4.05 | % |
| Net interest margin | | 3.88 | % | | 4.21 | % |

Average balances include non-accrual loans. Loan fees, net of amortization of deferred loan origination fees and (1) costs, included in interest income are approximately \$0.9 million and \$0.3 million for the six months ended June 30, 2015 and 2014, respectively.

(2) Non-taxable income is presented on a fully tax-equivalent basis using a 38% tax rate in 2015 and 2014. The tax-equivalent adjustments were \$0.8 million for the six months ended June 30, 2015 and 2014.

Rate/Volume

The following table sets forth, on a tax-equivalent basis for the periods indicated, a summary of the changes in interest income and interest expense resulting from changes in yield/rates and volume.

| (in thousands) | 2015 compared to 2014 | | | Six months ended June 30, | | |
|---|-----------------------------|-----------|-----------|----------------------------|-----------|-------------|
| | Three months ended June 30, | | | Increase (decrease) due to | | |
| | Volume(1) | Rate(2) | Net | Volume(1) | Rate(2) | Net |
| Interest earned on: | | | | | | |
| Taxable portfolio loans | \$2,628 | \$(343) |) \$2,285 | \$5,528 | \$(1,399) |) \$4,129 |
| Tax-exempt portfolio loans (3) | 83 | (3) |) 80 | 98 | (57) |) 41 |
| Purchase credit impaired loans | (1,494) |) (710) |) (2,204) |) (3,593) |) (2,266) |) (5,859) |
| Taxable investments in debt and equity securities | (16) |) (61) |) (77) |) 64 | (157) |) (93) |
| Non-taxable investments in debt and equity securities (3) | (21) |) (1) |) (22) |) (33) |) 7 | (26) |
| Short-term investments | (13) |) 15 |) 2 | (54) |) 37 | (17) |
| Total interest-earning assets | \$1,167 | \$(1,103) |) \$64 | \$2,010 | \$(3,835) |) \$(1,825) |
| Interest paid on: | | | | | | |
| Interest-bearing transaction accounts | \$150 | \$19 |) \$169 | \$303 | \$31 |) \$334 |
| Money market accounts | (16) |) (12) |) (28) |) (89) |) (39) |) (128) |
| Savings | 4 | — |) 4 | 4 | 1 |) 5 |
| Certificates of deposit | (194) |) 33 |) (161) |) (476) |) 156 | (320) |
| Subordinated debentures | — | 5 |) 5 | (26) |) (74) | (100) |
| Borrowed funds | (164) |) (320) |) (484) |) (161) |) (677) |) (838) |
| Total interest-bearing liabilities | (220) |) (275) |) (495) |) (445) |) (602) |) (1,047) |
| Net interest income | \$1,387 | \$(828) |) \$559 | \$2,455 | \$(3,233) |) \$(778) |

(1) Change in volume multiplied by yield/rate of prior period.

(2) Change in yield/rate multiplied by volume of prior period.

(3) Nontaxable income is presented on a fully-tax equivalent basis using the combined statutory federal and state income tax rate in effect for each year.

NOTE: The change in interest due to both rate and volume has been allocated to rate and volume changes in proportion to the relationship of the absolute dollar amounts of the change in each.

Net interest income (on a tax equivalent basis) was \$29.7 million for the three months ended June 30, 2015, compared to \$29.1 million for the same period of 2014, an increase of \$0.6 million, or 2%. Total interest income increased \$0.1 million and total interest expense decreased \$0.5 million. The tax-equivalent net interest rate margin was 3.85% for the second quarter of 2015, compared to 3.92% for the first quarter of 2015, and 4.03% in the second quarter of 2014.

Net interest income (on a tax equivalent basis) was \$59.2 million for the six months ended June 30, 2015, compared to \$59.9 million for the same period of 2014, a decrease of \$0.8 million, or 1%. Total interest income decreased \$1.8 million and total interest expense decreased \$1.0 million. The tax-equivalent net interest rate margin was 3.88% for the six months ended June 30, 2015, compared to 4.21% for the six months ended June 30, 2014.

Interest rates remain at historically low levels and continue to negatively impact loan yields leading to lower net interest margins. As seen in the table above, during the six months ended June 30, 2015, changes in interest rates have

led to a \$1.4 million, and \$2.3 million reduction in interest income in our portfolio and PCI loans, respectively.

31

Additionally, the run-off of higher yielding PCI loans continue to negatively impact net interest margin leading to a \$3.6 million decrease in interest income due to volume. To partially mitigate lower yields on loans, the Company managed deposit costs lower and decreased other borrowing costs including the prepayment of \$50.0 million of FHLB borrowings in December 2014.

Core net interest margin¹ was 3.46% for the quarter ended June 30, 2015, compared to 3.41% for the same prior year period. Core net interest margin¹ increased 5 basis points from the prior year quarter primarily due to the managed reductions in funding costs combined with an improved earning asset mix. These factors mitigated continued pressure in portfolio loan yields and reductions in PCI loan balances as those balances continue to run-off. Pressure on loan yields and continued reductions in PCI loan balances could lead to a modest decline in core net interest margin in the second half of 2015.

Purchase Credit Impaired "PCI" Contribution

The following table illustrates the financial contribution of PCI loans and other assets covered under FDIC shared loss agreements for the most recent five quarters.

| (in thousands) | For the Quarter ended | | | | |
|--|-----------------------|----------------|-------------------|--------------------|---------------|
| | June 30, 2015 | March 31, 2015 | December 31, 2014 | September 30, 2014 | June 30, 2014 |
| Contractual interest income | \$1,209 | \$1,539 | \$1,840 | \$1,701 | \$1,878 |
| Accelerated cash flows and other incremental accretion | 3,003 | 3,458 | 5,149 | 2,579 | 4,538 |
| Estimated funding cost | (329) | (317) | (326) | (314) | (349) |
| Total net interest income | 3,883 | 4,680 | 6,663 | 3,966 | 6,067 |
| (Provision) benefit for loan losses | — | 3,270 | (126) | 1,877 | 470 |
| Gain (loss) on sale of other real estate | 10 | (15) | 195 | (45) | 164 |
| Change in FDIC loss share receivable | (945) | (2,264) | (1,781) | (2,374) | (2,742) |
| Change in FDIC clawback liability | (50) | (412) | (141) | (1,028) | (143) |
| Other expenses | (378) | (471) | (541) | (731) | (832) |
| PCI assets income before income tax expense | \$2,520 | \$4,788 | \$4,269 | \$1,665 | \$2,984 |

At June 30, 2015, the remaining accretable yield on the portfolio was estimated to be \$26 million and the non-accretable difference was approximately \$37 million. Absent cash flow accelerations or pool impairment, the Company currently estimates average PCI loan balances to be approximately \$80 million, and income before tax expense on PCI assets will be approximately \$9 million to \$12 million in 2015.

Noninterest Income

The following table presents a comparative summary of the major components of noninterest income for the periods indicated.

| (in thousands) | Three months ended June 30, | | Increase (decrease) | | |
|---|-----------------------------|----------|---------------------|--------|----|
| | 2015 | 2014 | | | |
| Wealth management revenue | \$1,778 | \$1,715 | \$63 | 4 | % |
| Service charges on deposit accounts | 1,998 | 1,767 | 231 | 13 | % |
| Other service charges and fee income | 840 | 702 | 138 | 20 | % |
| Sale of other real estate | (1 |) 553 | (554 |) (100 |)% |
| State tax credit activity, net | 74 | 207 | (133 |) (64 |)% |
| Miscellaneous income | 2,052 | 1,039 | 1,013 | 97 | % |
| Core noninterest income (1) | 6,741 | 5,983 | 758 | 13 | % |
| Gain (loss) on sale of other real estate covered under FDIC loss share agreements | 10 | 164 | (154 |) (94 |)% |
| Change in FDIC loss share receivable | (945 |) (2,742 |) 1,797 | (66 |)% |
| Total noninterest income | \$5,806 | \$3,405 | \$2,401 | 71 | % |

(1) A non-GAAP measure. A reconciliation has been included in this MD&A section under the caption "Use of Non-GAAP Financial Measures."

| (in thousands) | Six months ended June 30, | | Increase (decrease) | | |
|---|---------------------------|----------|---------------------|--------|----|
| | 2015 | 2014 | | | |
| Wealth management revenue | \$3,518 | \$3,437 | \$81 | 2 | % |
| Service charges on deposit accounts | 3,854 | 3,505 | 349 | 10 | % |
| Other service charges and fee income | 1,593 | 1,339 | 254 | 19 | % |
| Sale of other real estate | 34 | 1,105 | (1,071 |) (97 |)% |
| State tax credit activity, net | 748 | 704 | 44 | 6 | % |
| Miscellaneous income | 2,833 | 2,094 | 739 | 35 | % |
| Core noninterest income (1) | 12,580 | 12,184 | 396 | 3 | % |
| Gain (loss) on sale of other real estate covered under FDIC loss share agreements | (5 |) 295 | (300 |) (102 |)% |
| Gain on sale of investment securities | 23 | — | 23 | — | |
| Change in FDIC loss share receivable | (3,209 |) (5,152 |) 2,742 | (53 |)% |
| Total noninterest income | \$9,389 | \$7,327 | \$2,062 | 28 | % |

(1) A non-GAAP measure. A reconciliation has been included in this MD&A section under the caption "Use of Non-GAAP Financial Measures."

Noninterest income increased \$2.1 million, or 28% in the first six months of 2015 compared to the first six months of 2014. Core noninterest income¹ grew 3% in the first six months of 2015 due to an allocation fee from a tax credit project, increases in fees earned from recoveries, gain on sales of mortgages, and swap fee income. Wealth management revenues increased by 2% in the first six months of 2015 when compared to the prior year period due to an increase in Trust assets under administration.

Noninterest Expense

The following table presents a comparative summary of the major components of noninterest expense for the periods indicated.

| (in thousands) | Three months ended June 30, | | Increase (decrease) | | |
|--|-----------------------------|-----------|---------------------|-------|----|
| | 2015 | 2014 | | | |
| Core expenses (1): | | | | | |
| Employee compensation and benefits - core | \$ 11,030 | \$ 11,465 | \$(435 |) (4 |)% |
| Occupancy - core | 1,598 | 1,648 | (50 |) (3 |)% |
| Data processing - core | 1,097 | 1,057 | 40 | 4 | % |
| FDIC and other insurance | 665 | 761 | (96 |) (13 |)% |
| Professional fees - core | 837 | 582 | 255 | 44 | % |
| Loan, legal and other real estate expense - core | 490 | 709 | (219 |) (31 |)% |
| Other - core | 3,313 | 3,246 | 67 | 2 | % |
| Core noninterest expense (1) | 19,030 | 19,468 | (438 |) (2 |)% |
| FDIC clawback | 50 | 143 | (93 |) (65 |)% |
| Other loss share expenses | 378 | 834 | (456 |) (55 |)% |
| Total noninterest expense | \$ 19,458 | \$ 20,445 | \$(987 |) (5 |)% |

(1) A non-GAAP measure. A reconciliation has been included in this MD&A section under the caption "Use of Non-GAAP Financial Measures."

| (in thousands) | Six months ended June 30, | | Increase (decrease) | | |
|--|---------------------------|-----------|---------------------|-------|----|
| | 2015 | 2014 | | | |
| Core expenses (1): | | | | | |
| Employee compensation and benefits - core | \$ 22,280 | \$ 22,987 | \$(707 |) (3 |)% |
| Occupancy - core | 3,265 | 3,262 | 3 | — | % |
| Data processing - core | 2,097 | 2,120 | (23 |) (1 |)% |
| FDIC and other insurance | 1,391 | 1,460 | (69 |) (5 |)% |
| Professional fees - core | 1,809 | 1,848 | (39 |) (2 |)% |
| Loan, legal and other real estate expense - core | 621 | 1,706 | (1,085 |) (64 |)% |
| Other - core | 6,635 | 6,469 | 166 | 3 | % |
| Core noninterest expense (1) | 38,098 | 39,852 | (1,754 |) (4 |)% |
| FDIC clawback | 462 | 32 | 430 | 1,344 | % |
| Other loss share expenses | 848 | 1,663 | (815 |) (49 |)% |
| Total noninterest expense | \$ 39,408 | \$ 41,547 | \$(2,139 |) (5 |)% |

(1) A non-GAAP measure. A reconciliation has been included in this MD&A section under the caption "Use of Non-GAAP Financial Measures."

Noninterest expenses were \$39.4 million for the six months ended June 30, 2015, compared to \$41.5 million for the six months ended June 30, 2014. Core noninterest expenses¹, which exclude certain items and expenses directly related to PCI loans and assets covered under loss share agreements decreased to \$38.1 million for the six months ended June 30, 2015, from \$39.9 million for the prior year period.

The Company's Core efficiency ratio¹ was 59.1% for the six months ended June 30, 2015, compared to 66.3% for the prior year, and reflects lower legal expenses on problem loans, overall expense management and revenue growth trends. Core efficiency ratio is a non-GAAP measure. The attached tables contain a reconciliation of Core efficiency ratio.

The Company anticipates total noninterest expenses to be between \$19 million and \$21 million per quarter for 2015.

34

Income Taxes

The Company's income tax expense for the three and six months ended June 30, 2015, which includes both federal and state taxes, was \$4.8 million and \$9.8 million, respectively, compared to \$3.7 million and \$6.7 million for the same periods of 2014. The combined federal and state effective income tax rates were 35.3% and 33.9% for the quarters ended June 30, 2015, and 2014, respectively. The increase in the effective tax rate was primarily due to higher net income in 2015 lessening the impact of permanent nontaxable items.

Summary Balance Sheet

| (in thousands) | June 30, 2015 | December 31, 2014 | Increase (decrease) | | |
|---------------------------------|---------------|-------------------|---------------------|--------|----|
| Total cash and cash equivalents | \$99,796 | \$100,696 | (900 |)(0.9 |)% |
| Securities available for sale | 404,928 | 400,146 | 4,782 | 1.2 | % |
| Securities held to maturity | 44,973 | 45,985 | (1,012 |)(2.2 |)% |
| Portfolio loans | 2,542,555 | 2,433,916 | 108,639 | 4.5 | % |
| Purchase credit impaired loans | 87,644 | 99,103 | (11,459 |)(11.6 |)% |
| Total assets | 3,371,078 | 3,277,003 | 94,075 | 2.9 | % |
| Deposits | 2,691,558 | 2,491,510 | 200,048 | 8.0 | % |
| Total liabilities | 3,038,648 | 2,960,762 | 77,886 | 2.6 | % |
| Total shareholders' equity | 332,430 | 316,241 | 16,189 | 5.1 | % |

Assets

Loans by Type

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 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. The following table summarizes the composition of the Company's loan portfolio:

| (in thousands) | June 30, 2015 | December 31, 2014 | Increase (decrease) | | |
|---|---------------|-------------------|---------------------|--------|----|
| Commercial and industrial | \$1,335,008 | \$1,270,259 | \$64,749 | 5.1 | % |
| Commercial real estate - investor owned | 418,111 | 413,026 | 5,085 | 1.2 | % |
| Commercial real estate - owner occupied | 371,030 | 357,503 | 13,527 | 3.8 | % |
| Construction and land development | 150,740 | 144,773 | 5,967 | 4.1 | % |
| Residential real estate | 185,587 | 185,252 | 335 | 0.2 | % |
| Consumer and other | 82,079 | 63,103 | 18,976 | 30.1 | % |
| Portfolio loans | 2,542,555 | 2,433,916 | 108,639 | 4.5 | % |
| Purchase credit impaired loans | 87,644 | 99,103 | (11,459 |)(11.6 |)% |
| Total loans | \$2,630,199 | \$2,533,019 | \$97,180 | 3.8 | % |

Portfolio loans grew by \$109 million to \$2.5 billion at June 30, 2015 when compared to December 31, 2014. PCI loans totaled \$87.6 million at June 30, 2015, a decrease of \$11.5 million, or 11.6%, from December 31, 2014, primarily as a result of principal paydowns and accelerated loan payoffs.

The following table illustrates loan growth from selected specialized market segments:

| (in thousands) | June 30, 2015 | December 31, 2014 | Change | % Change | |
|----------------------------------|---------------|-------------------|--------|----------|---|
| Enterprise value lending | 251,018 | 202,468 | 48,550 | 24.0 | % |
| Life insurance premium financing | 239,182 | 220,909 | 18,273 | 8.3 | % |

These specialized market segments are primarily C&I loans and have contributed significantly to the Company's loan growth in the first six months of 2015. These loans are sourced through relationships developed with private equity funds and estate planning, and are not bound geographically by our traditional three markets.

Provision and Allowance for Loan Losses

The following table summarizes changes in the allowance for loan losses arising from loans charged off and recoveries on loans previously charged off, by loan category, and additions to the allowance charged to expense.

| (in thousands) | Three months ended June 30, | | Six months ended June 30, | |
|--|-----------------------------|-------------|---------------------------|-------------|
| | 2015 | 2014 | 2015 | 2014 |
| Allowance at beginning of period, for portfolio loans | \$30,288 | \$27,905 | \$30,185 | \$27,289 |
| Loans charged off: | | | | |
| Commercial and industrial | (1,578) | (1,005) | (3,062) | (1,479) |
| Real estate: | | | | |
| Commercial | (664) | (88) | (664) | (674) |
| Construction and land development | (350) | — | (350) | (305) |
| Residential | — | — | (1,073) | — |
| Consumer and other | (4) | — | (15) | (4) |
| Total loans charged off | (2,596) | (1,093) | (5,164) | (2,462) |
| Recoveries of loans previously charged off: | | | | |
| Commercial and industrial | 420 | 154 | 1,189 | 341 |
| Real estate: | | | | |
| Commercial | 1,300 | 33 | 1,456 | 75 |
| Construction and land development | 115 | 36 | 175 | 724 |
| Residential | 87 | 39 | 113 | 80 |
| Consumer and other | 1 | — | 81 | — |
| Total recoveries of loans | 1,923 | 262 | 3,014 | 1,220 |
| Net loan chargeoffs | (673) | (831) | (2,150) | (1,242) |
| Provision for loan losses | 2,150 | 1,348 | 3,730 | 2,375 |
| Allowance at end of period, for portfolio loans | \$31,765 | \$28,422 | \$31,765 | \$28,422 |
| Allowance at beginning of period, for purchase credit impaired loans | \$11,625 | \$18,513 | \$15,410 | \$15,438 |
| Loans charged off | (5) | (9) | (2) | (164) |
| Recoveries of loans | — | — | — | — |
| Other | (26) | (495) | (544) | (569) |
| Net loan chargeoffs | (31) | (504) | (546) | (733) |
| Provision (provision reversal) for loan losses | — | (470) | (3,270) | 2,834 |
| Allowance at end of period, for purchase credit impaired loans | \$11,594 | \$17,539 | \$11,594 | \$17,539 |
| Total allowance at end of period | \$43,359 | \$45,961 | \$43,359 | \$45,961 |
| Excludes purchase credit impaired loans | | | | |
| Average loans | \$2,482,291 | \$2,225,669 | \$2,255,180 | \$2,184,786 |
| Total portfolio loans | 2,542,555 | 2,251,102 | 2,542,555 | 2,251,102 |
| Net chargeoffs to average loans (annualized) | 0.11 | % 0.15 | % 0.19 | % 0.11 |
| Allowance for loan losses to total loans | 1.25 | 1.26 | 1.25 | 1.26 |

The provision for loan losses on portfolio loans for the six months ended June 30, 2015 was \$3.7 million compared to \$2.4 million for the comparable 2014 period. The provision for loan losses for the six month period ended June 30, 2015 was primarily to provide for strong loan growth and to provide for changes in charge-off trends.

For PCI loans, the Company remeasures contractual and expected cash flows periodically. When the remeasurement process results in a decrease in expected cash flows, typically due to an increase in expected credit losses, impairment is recorded through provision for loan losses. Similarly, when expected credit losses decrease in the remeasurement process, prior recorded impairment is reversed before the yield is increased prospectively. There was \$3.3 million of provision reversal for loan losses on PCI loans for the six months ended June 30, 2015, compared to provision of \$2.8 million for the comparable 2014 period.

The allowance for loan losses on portfolio loans was 1.25% of total loans at June 30, 2015 compared to 1.26% at June 30, 2014. Management believes the allowance for loan losses is adequate to absorb inherent losses in the loan portfolio and coverage trends reflect steady improvements in credit quality measures and classified loan levels. The reduction in the ratio of allowance for loan losses to total loans over the prior year period is due to continued strong credit performance, as well as continued improvement in our loss migration results.

Nonperforming assets

The following table presents the categories of nonperforming assets and other ratios as of the dates indicated.

| (in thousands) | June 30, 2015 | December 31, 2014 | June 30, 2014 | |
|--|---------------|-------------------|---------------|---|
| Non-accrual loans | \$16,751 | \$20,892 | \$17,787 | |
| Restructured loans | 747 | 1,352 | 1,499 | |
| Total nonperforming loans | 17,498 | 22,244 | 19,286 | |
| Foreclosed property (1) | 1,933 | 1,896 | 7,613 | |
| Total nonperforming assets (1) | \$19,431 | \$24,140 | \$26,899 | |
| Excludes assets covered under FDIC loss share (1) | | | | |
| Total assets | \$3,371,078 | \$3,277,003 | \$3,175,441 | |
| Total portfolio loans | 2,542,555 | 2,433,916 | 2,251,102 | |
| Total loans plus foreclosed property | 2,544,488 | 2,435,812 | 2,258,715 | |
| Nonperforming loans to total loans | 0.69 | % 0.91 | % 0.86 | % |
| Nonperforming assets to total loans plus foreclosed property | 0.76 | 0.99 | 1.19 | |
| Nonperforming assets to total assets | 0.58 | 0.74 | 0.85 | |
| Allowance for portfolio loans to nonperforming loans | 182 | % 136 | % 147 | % |

(1) Excludes purchase credit impaired loans and assets covered under FDIC shared-loss agreements, except for their inclusion in total assets.

Nonperforming loans

Nonperforming loans exclude PCI loans that are accounted for on a pool basis, as the pools are considered to be performing. See Item 1, Note 5 – Purchase Credit Impaired Loans for more information on these loans.

Nonperforming loans based on loan type were as follows:

| (in thousands) | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|-----------------------------------|---------------|-------------------|---------------|
| Commercial and industrial | 5,998 | 5,998 | 4,059 |
| Commercial real estate | 3,026 | 6,298 | 7,261 |
| Construction and land development | \$5,968 | \$6,866 | \$7,422 |
| Residential real estate | 2,506 | 3,082 | 545 |
| Consumer and other | — | — | — |
| Total | \$17,498 | \$22,244 | \$19,287 |

The following table summarizes the changes in nonperforming loans:

| (in thousands) | Six months ended June 30, | |
|--|---------------------------|----------|
| | 2015 | 2014 |
| Nonperforming loans beginning of period | \$22,244 | \$20,840 |
| Additions to nonaccrual loans | 16,100 | 10,283 |
| Additions to restructured loans | — | 1,522 |
| Chargeoffs | (5,297 |) (2,462 |
| Other principal reductions | (14,523 |) (6,029 |
| Moved to other real estate | (450 |) (4,722 |
| Moved to performing | (576 |) (145 |
| Loans past due 90 days or more and still accruing interest | — | — |
| Nonperforming loans end of period | \$17,498 | \$19,287 |

Other real estate

Other real estate at June 30, 2015, was \$9.8 million, compared to \$20.4 million at June 30, 2014. Approximately 80% of total Other real estate, or \$7.9 million, is covered by FDIC shared-loss agreements.

The following table summarizes the changes in Other real estate:

| (in thousands) | Six months ended June 30, | |
|---|---------------------------|----------|
| | 2015 | 2014 |
| Other real estate beginning of period | \$7,840 | \$23,252 |
| Additions and expenses capitalized to prepare property for sale | 5,998 | 6,158 |
| Writedowns in value | (295 |) (1,410 |
| Sales | (3,701 |) (7,566 |
| Other real estate end of period | \$9,842 | \$20,434 |

The writedowns in fair value were recorded in Loan legal and other real estate expense based on current market activity shown in the appraisals. In addition, for the three months ended June 30, 2015, the Company realized a negligible net gain on the sale of other real estate and recorded these gains as part of Noninterest income.

Liabilities

Liabilities totaled \$3.0 billion at June 30, 2015, consistent with balances at December 31, 2014. Liabilities remained relatively stable due to a \$200 million increase in total deposits, offset by a decrease of \$71 million in short-term Federal Home Loan Bank advances and a decrease of \$51 million in other borrowings.

Deposits

| (in thousands) | June 30, 2015 | December 31, 2014 | Increase (decrease) | | |
|---------------------------------------|---------------|-------------------|---------------------|---------|----|
| Demand deposits | \$658,258 | \$642,930 | 15,328 | 2.38 | % |
| Interest-bearing transaction accounts | 507,889 | 508,941 | (1,052) | (0.21) |)% |
| Money market accounts | 925,987 | 755,569 | 170,418 | 22.55 | % |
| Savings | 88,494 | 78,718 | 9,776 | 12.42 | % |
| Certificates of deposit: | | | | | |
| \$100 and over | 398,333 | 377,544 | 20,789 | 5.51 | % |
| Other | 112,597 | 127,808 | (15,211) | (11.90) |)% |
| Total deposits | \$2,691,558 | \$2,491,510 | 200,048 | 8.03 | % |
| Non-time deposits / total deposits | 81 | % 80 | | | % |
| Demand deposits / total deposits | 24 | % 26 | | | % |

Total deposits at June 30, 2015 were \$2.7 billion, an increase of \$200 million, or 8.0%, from December 31, 2014. The increase in deposits within our money market accounts reflects initiatives to enhance overall deposit levels as well as to improve our funding mix. The composition of our noninterest bearing deposits remained relatively stable at 24% of total deposits at June 30, 2015 compared to December 31, 2014. Growth in balances and the change in composition modestly improved deposit costs during the second quarter when compared to the linked first quarter at 0.39%, as compared to 0.40%, and improved from the 0.43% for the prior year period.

Shareholders' Equity

Shareholders' equity totaled \$332 million at June 30, 2015, an increase of \$16.2 million from December 31, 2014. Significant activity during the six months ended June 30, 2015:

- Net income of \$18.1 million,
- Other comprehensive losses of \$0.4 million from the change in unrealized gains on investment securities,
- Dividends paid on common stock of \$2.3 million.

Liquidity and Capital Resources

Liquidity

The objective of liquidity management is to ensure we have the ability to generate sufficient cash or cash equivalents in a timely and cost-effective manner to meet our commitments as they become due. Typical demands on liquidity are run-off from demand deposits, maturing time deposits which are not renewed, and fundings under credit commitments to customers. Funds are available from a number of sources, such as from the core deposit base and from loans and securities repayments and maturities.

Additionally, liquidity is provided from sales of the securities portfolio, fed fund lines with correspondent banks, the Federal Reserve and the FHLB, the ability to acquire large and brokered deposits, and the ability to sell loan

participations to other banks. These alternatives are an important part of our liquidity plan and provide flexibility and efficient execution of the asset-liability management strategy.

The Bank's Asset-Liability Management Committee oversees our liquidity position, the parameters of which are approved by the Bank's Board of Directors. Our liquidity position is monitored monthly by producing a liquidity report, which measures the amount of liquid versus non-liquid assets and liabilities. Our liquidity management framework includes measurement of several key elements, such as the loan to deposit ratio, a liquidity ratio, and a dependency ratio. The Company's liquidity framework also incorporates contingency planning to assess the nature and volatility of funding sources and to determine alternatives to these sources. While core deposits and loan and investment repayments are principal sources of liquidity, funding diversification is another key element of liquidity management and is achieved by strategically varying depositor types, terms, funding markets, and instruments.

Parent Company liquidity

The parent company's liquidity is managed to provide the funds necessary to pay dividends to shareholders, service debt, invest in subsidiaries as necessary, and satisfy other operating requirements. The parent company's primary funding sources to meet its liquidity requirements are dividends and payments from the Bank and proceeds from the issuance of equity (i.e. stock option exercises, stock offerings). Another source of funding for the parent company includes the issuance of subordinated debentures and other debt instruments. Management believes our current level of cash at the holding company of \$10.8 million will be sufficient to meet all projected cash needs for the remainder of 2015.

As of June 30, 2015, the Company had \$56.8 million of outstanding subordinated debentures as part of eight Trust Preferred Securities Pools. These securities are classified as debt but are included in regulatory capital and the related interest expense is tax-deductible, which makes them an attractive source of funding.

Bank liquidity

The Bank has a variety of funding sources available to increase financial flexibility. In addition to amounts currently borrowed, at June 30, 2015, the Bank could borrow an additional \$271.7 million from the FHLB of Des Moines under blanket loan pledges and has an additional \$707.6 million available from the Federal Reserve Bank under a pledged loan agreement. The Bank has unsecured federal funds lines with four correspondent banks totaling \$45.0 million. On December 30, 2013, the Company prepaid \$30.0 million of debt with the Federal Home Loan Bank with a weighted average interest rate of 4.09% and a maturity of 3 years and incurred a prepayment penalty of \$2.6 million. On December 23, 2014, the Company prepaid an additional \$50.0 million of debt with the Federal Home Loan Bank with a weighted average interest rate of 3.17%, a maturity of 3 years and incurred a prepayment penalty of \$2.9 million. These transactions have reduced our cost of interest bearing liabilities and continue to help mitigate net interest margin compression.

Investment securities are another important tool to the Bank's liquidity objectives. Of the \$404.9 million of the securities available for sale at June 30, 2015, \$256.1 million was pledged as collateral for deposits of public institutions, treasury, loan notes, and other requirements. The remaining \$148.8 million could be pledged or sold to enhance liquidity, if necessary.

In the normal course of business, the Bank enters into certain forms of off-balance sheet transactions, including unfunded loan commitments and letters of credit. These transactions are managed through the Bank's various risk management processes. Management considers both on-balance sheet and off-balance sheet transactions in its evaluation of the Company's liquidity. The Bank has \$1,080.4 million in unused commitments as of June 30, 2015. While this commitment level would exhaust the majority the Company's current liquidity resources, the nature of these commitments is such that the likelihood of funding them in the aggregate at any one time is low.

Capital Resources

The Company and the Bank are subject to various regulatory capital requirements administered by the Federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and its

bank affiliate must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The banking affiliate's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the following table) of total, Tier 1, and Common equity tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets. To be categorized as "well capitalized", banks must maintain minimum total risk-based (10%), Tier 1 risk-based (8%), Common equity tier 1 risk-based (6.5%), and Tier 1 leverage ratios (5%). As of June 30, 2015, and December 31, 2014, the Company and the Bank met all capital adequacy requirements to which they are subject.

The Bank continues to exceed regulatory standards and met the definition of "well-capitalized" (the highest category) at June 30, 2015. Beginning with reporting for the first quarter of 2015, the Company adopted the Regulatory Capital Framework (Basel III). The Company has implemented the necessary processes and procedures to comply with Basel III.

The following table summarizes the Company's various capital ratios at the dates indicated:

| (in thousands) | June 30, 2015 | December 31, 2014 | |
|---|---------------|-------------------|---|
| Total capital to risk-weighted assets | 12.68 | % 13.40 | % |
| Tier 1 capital to risk-weighted assets | 11.43 | % 12.14 | % |
| Common equity tier 1 capital to risk-weighted assets ¹ | 9.66 | % 10.15 | % |
| Leverage ratio (Tier 1 capital to average assets) | 10.83 | % 10.48 | % |
| Tangible common equity to tangible assets ² | 8.94 | % 8.69 | % |
| Tier 1 capital | \$355,118 | \$335,220 | |
| Total risk-based capital | 394,000 | 369,867 | |

¹ Not an applicable regulatory ratio until the quarter ended March 31, 2015

² Not a required regulatory capital ratio

The decline in regulatory ratios at June 30, 2015 represents the impact of an increase in risk weighted assets under the Basel III guidelines. The Company believes the tangible common equity ratio and the common equity tier 1 capital ratio are important measures of capital strength even though they are considered to be non-GAAP measures. The tables further within MD&A reconcile these ratios to U.S. GAAP.

Use of Non-GAAP Financial Measures:

The Company's accounting and reporting policies conform to generally accepted accounting principles ("GAAP") in the U.S. and the prevailing practices in the banking industry. However, the Company provides other financial measures, such as Core net interest margin, tangible common equity ratio and common equity tier 1 capital ratio, in this filing that are considered "non-GAAP financial measures." Generally, a non-GAAP financial measure is a numerical measure of a company's financial performance, financial position or cash flows that exclude (or include) amounts included in (or excluded from) the most directly comparable measure calculated and presented in accordance with U.S. GAAP.

The Company believes these non-GAAP financial measures and ratios, when taken together with the corresponding U.S. GAAP measures and ratios, provide meaningful supplemental information regarding the Company's performance and capital strength. The Company's management uses, and believes investors benefit from referring to, these non-GAAP measures and ratios in assessing the Company's financial and operating results and related trends and

when planning and forecasting future periods. However, these non-GAAP measures and ratios should be considered in addition to, and not as a substitute for or preferable to, ratios prepared in accordance with U.S. GAAP. The Company

has provided a reconciliation of, where applicable, the most comparable GAAP financial measures and ratios to the non-GAAP financial measures and ratios, or a reconciliation of the non-GAAP calculation of the financial measure. The Company believes the tangible common equity and common equity tier 1 capital ratios are important financial measures of capital strength even though they are considered to be non-GAAP measures and provide useful information about the Company's capital adequacy. The tables below contain reconciliations of these ratios to the most comparable measure under U.S. GAAP.

Core Performance Measures

| (in thousands) | Three months ended June 30, | | Six months ended June 30, | | |
|--|-----------------------------|----------|---------------------------|----------|---|
| | 2015 | 2014 | 2015 | 2014 | |
| CORE PERFORMANCE MEASURES | | | | | |
| Net interest income | \$29,280 | \$28,742 | \$58,325 | \$59,108 | |
| Less: Incremental accretion income | 3,003 | 4,538 | 6,461 | 11,202 | |
| Core net interest income | 26,277 | 24,204 | 51,864 | 47,906 | |
| | | | | | |
| Total noninterest income | 5,806 | 3,405 | 9,389 | 7,327 | |
| Less: Change in FDIC loss share receivable | (945 |) (2,742 |) (3,209 |) (5,152 |) |
| Less: Gain (loss) on sale of other real estate covered under FDIC loss share | 10 | 164 | (5 |) 295 | |
| Less: Gain on sale of investment securities | — | — | 23 | — | |
| Core noninterest income | 6,741 | 5,983 | 12,580 | 12,184 | |
| | | | | | |
| Total core revenue | 33,018 | 30,187 | 64,444 | 60,090 | |
| | | | | | |
| Provision for portfolio loans | 2,150 | 1,348 | 3,730 | 2,375 | |
| | | | | | |
| Total noninterest expense | 19,458 | 20,445 | 39,408 | 41,547 | |
| Less: FDIC clawback | 50 | 143 | 462 | 32 | |
| Less: Other loss share expenses | 378 | 834 | 848 | 1,663 | |
| Core noninterest expense | 19,030 | 19,468 | 38,098 | 39,852 | |
| | | | | | |
| Core income before income tax expense | 11,838 | 9,371 | 22,616 | 17,863 | |
| | | | | | |
| Total income tax expense | 4,762 | 3,664 | 9,784 | 6,671 | |
| Less: Income tax expense of PCI assets | 628 | 556 | 2,003 | 696 | |
| Core income tax expense | 4,134 | 3,108 | 7,781 | 5,975 | |
| Core net income | \$7,704 | \$6,263 | \$14,835 | \$11,888 | |
| | | | | | |
| Core earnings per share | \$0.38 | \$0.31 | \$0.74 | \$0.60 | |
| Core efficiency ratio | 57.64 | % 64.49 | % 59.12 | % 66.32 | % |
| Core return on average assets | 0.93 | % 0.80 | % 0.91 | % 0.77 | % |
| Core return on average common equity | 9.34 | % 8.44 | % 9.17 | % 8.20 | % |

The Company believes Core net interest margin is an important measure of our financial performance, even though it is a non-GAAP financial measure, because it provides supplemental information by which the evaluate the impact of excess Covered loan accretion on the Company's net interest margin and the Company's operating performance on an

ongoing bases, excluding such impact. The table below reconciles Core net interest margin to the most comparable number under U.S. GAAP.

43

Net Interest Margin to Core Net Interest Margin

| (in thousands) | Three months ended June 30, | | Six months ended June 30, | | |
|---|-----------------------------|-------------|---------------------------|-------------|---|
| | 2015 | 2014 | 2015 | 2014 | |
| Net interest income (fully tax equivalent) | \$29,691 | \$29,133 | \$59,158 | \$59,936 | |
| Less: Incremental accretion income | 3,003 | 4,538 | 6,461 | 11,202 | |
| Core net interest income (fully tax equivalent) | \$26,688 | \$24,595 | \$52,697 | \$48,734 | |
| Average earning assets | \$3,096,294 | \$2,895,982 | \$3,072,188 | \$2,872,380 | |
| Reported net interest margin (fully tax equivalent) | 3.85 | % 4.04 | % 3.88 | % 4.21 | % |
| Core net interest margin (fully tax equivalent) | 3.46 | % 3.41 | % 3.46 | % 3.42 | % |

Tangible common equity ratio

| (in thousands) | June 30, 2015 | December 31, 2014 | |
|---|---------------|-------------------|---|
| Total shareholders' equity | \$332,430 | \$316,241 | |
| Less: Goodwill | 30,334 | 30,334 | |
| Less: Intangible assets | 3,595 | 4,164 | |
| Tangible common equity | \$298,501 | \$281,743 | |
| Total assets | \$3,371,078 | \$3,277,003 | |
| Less: Goodwill | 30,334 | 30,334 | |
| Less: Intangible assets | 3,595 | 4,164 | |
| Tangible assets | \$3,337,149 | \$3,242,505 | |
| Tangible common equity to tangible assets | 8.94 | % 8.69 | % |

Common equity tier 1 ratio

| (in thousands) | June 30, 2015 | December 31, 2014 | |
|---|---------------|-------------------|---|
| Total shareholders' equity | \$332,430 | \$316,241 | |
| Less: Goodwill | 30,334 | 30,334 | |
| Less: Intangible assets, net of deferred tax liabilities ¹ | 887 | 4,164 | |
| Less: Unrealized gains | 1,249 | 1,681 | |
| Plus: Qualifying trust preferred securities | 55,100 | 55,100 | |
| Plus: Other | 58 | 58 | |
| Total tier 1 capital | 355,118 | 335,220 | |
| Less: Qualifying trust preferred securities | 55,100 | 55,100 | |
| Less: Other ¹ | 23 | — | |
| Common equity tier 1 capital | \$299,995 | \$280,120 | |
| | | | |
| Total risk-weighted assets determined in accordance with prescribed regulatory requirements | \$3,106,041 | \$2,760,729 | |
| | | | |
| Common equity tier 1 capital to risk-weighted assets | 9.66 | % 10.15 | % |

¹ Beginning with quarter ended March 31, 2015, the implementation of revised regulatory capital guidelines under Basel III has resulted in differences in these items when compared to prior periods.

Critical Accounting Policies

The impact and any associated risks related to the Company's critical accounting policies on business operations are described throughout "Management's Discussion and Analysis of Financial Condition and Results of Operations," where such policies affect our reported and expected financial results. For a detailed description on the application of these and other accounting policies, see the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The disclosures set forth in this item are qualified by the section captioned “Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995” included in Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations of this report and other cautionary statements set forth elsewhere in this report.

Interest Rate Risk

Our interest rate sensitivity management seeks to avoid fluctuating interest margins to provide for consistent growth of net interest income through periods of changing interest rates. Interest rate sensitivity varies with different types of interest-earning assets and interest-bearing liabilities. We attempt to maintain interest-earning assets, comprised primarily of both loans and investments, and interest-bearing liabilities, comprised primarily of deposits, maturing or repricing in similar time horizons in order to minimize or eliminate any impact from market interest rate changes. In order to measure earnings sensitivity to changing rates, the Company uses an earnings simulation model.

The Company determines the sensitivity of its short-term future earnings to a hypothetical plus or minus 100 to 300 basis point parallel rate shock through the use of simulation modeling. The simulation of earnings includes the modeling of the balance sheet as an ongoing entity. Future business assumptions involving administered rate products, prepayments for future rate-sensitive balances, and the reinvestment of maturing assets and liabilities are included. These items are then modeled to project net interest income based on a hypothetical change in interest rates. The resulting net interest income for the next 12-month period is compared to the net interest income amount calculated using flat rates. This difference represents the Company's earnings sensitivity to a plus or minus 100 basis points parallel rate shock.

The following table summarizes the expected impact of interest rate shocks on net interest income (due to the current level of interest rates, the 200 and 300 basis point downward shock scenarios are not shown):

| Rate Shock | Annual % change in net interest income |
|------------|---|
| + 300 bp | 5.6% |
| + 200 bp | 3.6% |
| + 100 bp | 1.5% |
| - 100 bp | -1.3% |

Interest rate simulations for June 30, 2015, demonstrate that a rising rate environment will have a positive impact on net interest income.

The Company occasionally uses interest rate derivative financial instruments as an asset/liability management tool to hedge mismatches in interest rate exposure indicated by the net interest income simulation described above. At June 30, 2015, the Company had \$23.8 million in notional amount of outstanding interest rate caps, to help manage interest rate risk.

ITEM 4: CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company's Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), management has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15, as of June 30, 2015. Disclosure controls and procedures include without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Based on that evaluation, the CEO and CFO concluded the Company's disclosure controls and procedures were effective as of June 30, 2015 to provide reasonable assurance of the achievement of the objectives described above.

Changes to Internal Controls

There were no changes during the period covered by this Quarterly Report on Form 10-Q in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, those controls.

PART II - OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

The Company and its subsidiaries are, from time to time, parties to various legal proceedings arising out of their businesses. Management believes there are no such proceedings pending or threatened against the Company or its subsidiaries which, if determined adversely, would have a material adverse effect on the business, consolidated financial condition, results of operations or cash flows of the Company or any of its subsidiaries.

ITEM 1A: RISK FACTORS

For information regarding risk factors affecting the Company, please see the cautionary language regarding forward-looking statements in the introduction to Item 2 of Part I of this Report on Form 10-Q, and Part I, Item 1A of our Report on Form 10-K for the fiscal year ended December 31, 2014. There have been no material changes to the risk factors described in such Annual Report on Form 10-K.

ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The following table provides information on repurchases by the Company of its common stock in each month of the quarter ended June 30, 2015.

| Period | Total number of shares purchased (a) | Weighted-average price paid per share | Total number of shares purchased as part of publicly announces plans or programs | Maximum number of shares that may yet be purchased under the plans or programs (b) |
|--------------------------------------|--------------------------------------|---------------------------------------|--|--|
| April 1, 2015 through April 30, 2015 | — | \$ — | — | — |
| May 1, 2015 through May 31, 2015 | 1,663 | 20.84 | — | 2,000,000 |
| June 1, 2015 through June 30, 2015 | — | — | — | 2,000,000 |
| Total | 1,663 | | — | |

(a) Represents shares of the Company's common stock shares withheld to satisfy tax withholding obligations upon the vesting of awards of restricted stock. These shares were purchased pursuant to the terms of the applicable plan and not pursuant to a publicly announced repurchase plan or program.

(b) In May 2015, the Company's board of directors authorized the repurchase of up to 2 million shares of the Company's common stock. The repurchases may be made in open market or privately negotiated transactions and the repurchase program will remain in effect until fully utilized or until modified, superseded or terminated. The timing and exact amount of common stock repurchases will depend on a number of factors including, among others, market and general economic conditions, economic capital and regulatory capital considerations, alternative uses of capital, the potential impact on our credit ratings, and contractual and regulatory limitations.

ITEM 6: EXHIBITS

| Exhibit No. | Description |
|-------------|---|
| | Registrant hereby agrees to furnish to the Commission, upon request, the instruments defining the rights of holders of each issue of long-term debt of Registrant and its consolidated subsidiaries. |
| 3.1 | Amended and Restated Bylaws of Registrant as adopted June 9, 2015 (incorporated herein by reference to Exhibit 3.1 of Registrant's Current Report Form 8-K filed on June 12, 2015) |
| *12.1 | Computation of Ratio of Earnings to Fixed Charges and Preferred Dividends. |
| *31.1 | Chief Executive Officer's Certification required by Rule 13(a)-14(a). |
| *31.2 | Chief Financial Officer's Certification required by Rule 13(a)-14(a). |
| **32.1 | Chief Executive Officer Certification pursuant to 18 U.S.C. § 1350, as adopted pursuant to section § 906 of the Sarbanes-Oxley Act of 2002. |
| **32.2 | Chief Financial Officer Certification pursuant to 18 U.S.C. § 1350, as adopted pursuant to section § 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | Pursuant to Rule 405 of Regulation S-T, the following financial information from the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2015, is formatted in XBRL interactive data files: (i) Consolidated Balance Sheet at June 30, 2015 and December 31, 2014; (ii) Consolidated Statement of Income for the three and six months ended June 30, 2015 and 2014; (iii) Consolidated Statement of Comprehensive Income for the three and six months ended June 30, 2015 and 2014; (iv) Consolidated Statement of Changes in Equity for the six months ended June 30, 2015 and 2014; (v) Consolidated Statement of Cash Flows for the six months ended June 30, 2015 and 2014; and (vi) Notes to Financial Statements. |

* Filed herewith

** Furnished herewith. Notwithstanding any incorporation of this Quarterly Statement on Form 10-Q in any other filing by the Registrant, Exhibits furnished herewith and designated with two (***) shall not be deemed incorporated by reference to any other filing unless specifically otherwise set forth herein or therein.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Clayton, State of Missouri on the day of July 31, 2015.

ENTERPRISE FINANCIAL SERVICES CORP

By: /s/ Peter F. Benoist
Peter F. Benoist
Chief Executive Officer

By: /s/ Keene S. Turner
Keene S. Turner
Chief Financial Officer