

ENTERPRISE FINANCIAL SERVICES CORP  
Form 8-K  
April 20, 2005

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of  
The Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported)**  
April 18, 2005

**ENTERPRISE FINANCIAL SERVICES CORP**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or Other Jurisdiction  
of Incorporation)

**001-15373**  
(Commission  
File Number)

**43-1706259**  
(IRS Employer  
Identification No.)

**150 N. Meramec, St. Louis, Missouri**  
(Address of principal executive offices)

**63105**  
(Zip Code)

**Registrant's telephone number, including area code**  
(314) 725-5500

**Not applicable**

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(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 9.01 Financial Statements and Exhibits

(c) Exhibits

| <b>Exhibit No.</b> | <b>Description</b>                            |
|--------------------|---|
| 99.1               | Press Release dated April 18, 2005            |
| ITEM 2.02          | RESULTS OF OPERATIONS AND FINANCIAL CONDITION |

On April 18, 2005, Registrant issued a press release announcing financial information for its first quarter ended March 31, 2005. The press release is attached hereto as Exhibit 99.1 and is furnished to, but not filed with, the Commission.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

Date: April 19, 2005

ENTERPRISE FINANCIAL SERVICES CORP

/s/ KEVIN C. EICHNER

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**Kevin C. Eichner**  
Chief Executive Officer

INDEX TO EXHIBITS

| <b>Exhibit No.</b> | <b>Description</b>                  |
|--------------------|-------------------------------------|
| 99.1               | Press Release dated April 18, 2005* |

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\*This exhibit is furnished to, but not filed with, the Commission by inclusion herein.

For more information, contact:  
Kevin Eichner (314) 725 5500  
Frank Sanfilippo (314) 725 5500  
Erin Curtin (816) 221 7500

**ENTERPRISE FINANCIAL REPORTS 53% INCREASE IN EARNINGS PER SHARE FOR  
THE FIRST QUARTER OF 2005**

**Loans Growing At Annualized Rate of 33%**

**Wealth Management Income Increases 43%**

St. Louis, April 18, 2005 Enterprise Financial Services Corp (NASDAQ: EFSC), the parent company of Enterprise Bank & Trust, reported net income of \$2.4 million or \$0.23 per fully diluted share for the first quarter of 2005 versus \$1.5 million or \$0.15 per share in the same quarter of 2004 a 53% increase.

This was an excellent first quarter reflecting continued growth momentum in our banking and wealth management businesses, said Kevin Eichner, president and CEO of Enterprise Financial. Our people are clearly impacting the marketplace very positively.

Net interest income increased \$1.9 million or 25% in the first quarter of 2005 versus 2004. Portfolio loans grew by \$74 million since December 31, 2004 and ended the quarter at \$973 million. The loan growth in the quarter was funded by \$29 million of maturities in the investment portfolio that were not replaced, and short term FHLB advances. While Enterprise deposits have historically declined in the first quarter, balances at March 31, 2005 of \$937 million were essentially flat with 2004 year-end balances. Included in deposits were \$74 million of brokered certificates of deposit, a net increase of \$10 million from year-end, but still only 8% of total deposits. The ratio of non-interest bearing deposits to total deposits remains strong at 20% - a high number in relation to most peers.

The company's net interest rate margin improved from 3.88% in the first quarter of 2004 to 4.18% in the same quarter of 2005. Driving this improvement was a 79 basis point increase in the yield on the loan portfolio, and an increasing benefit of non-interest bearing deposits and equity, partially offset by a 58 basis point increase in the cost of interest-bearing liabilities. Approximately 64% of the loan portfolio (including interest rate swap impacts) floats with the prime rate, which has increased 175 basis points since first quarter of 2004. Price competition for new loans also continues to be a factor in overall loan yields.

Overall asset quality remains favorable for EFSC. The company had net loan recoveries of \$188,000 during the first quarter of 2005 versus net loan charge-offs of \$501,000 for the same period last year. The provision for loan losses was \$786,000 in the first quarter of 2005, versus \$597,000 in the same quarter last year due to slightly higher nonperforming loan levels and the afore-mentioned loan growth. Nonperforming loans were \$3.1 million or 32 basis points of total loans at March 31, 2005 versus 18 basis points and 20 basis points at March 31, 2004 and December 31, 2004, respectively. The increase in nonperforming loans was primarily due to a \$1.1 million credit that is secured by a first mortgage on a residential property. The allowance for loan losses represented 1.30%, 1.30% and 1.29% of loans at March 31, 2005, December 31 2004 and March 31, 2004, respectively.

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Wealth Management income continued to grow rapidly, up 43% from \$856,000 in the first quarter of 2004 to \$1.2 million in first quarter of 2005. Approximately \$150,000 of additional revenue came from the addition of the company's Wealth Products Group in March, 2004, while the Fiduciary and Advisory units increased their revenues approximately 22% over first quarter of 2004. Assets under administration were \$1.4 billion at March 31, 2005, a 5% increase over December 31, 2004.

Though hampered by a rising earnings credit rate on commercial analysis accounts, deposit service charges grew about 6% in the first quarter of 2005 to \$483,000 versus \$457,000 in the same quarter last year. A higher interest rate environment and the resulting lower refinancing opportunities led to a decline in mortgage gains from \$68,000 in first quarter 2004 to \$22,000 in first quarter 2005.

The company's drive to increase its operating leverage on its expense base continued to pay significant dividends through the combination of exceptional growth in revenue and expense controls, said Eichner.

The company's efficiency ratio improved from 69.61% in the first quarter of 2004 to 62.44% in the first quarter of 2005. While noninterest expense increased \$847,000 or about 12% in the first quarter of 2005 versus the prior year, the level of noninterest expense to average assets declined from 3.00% to 2.91% respectively. The increase in expense during the first quarter of 2005 was due primarily to the company's new long term incentive plan and related expensing of Restricted Stock Units, more competitive director compensation levels, expenses associated with nonperforming loans, higher commission expenses due to related revenues in Wealth Management, and higher professional fees associated with Sarbanes Oxley Section 404 compliance.

We are fortunate to be able to digest these new expense levels through our growth, since some are the result of uncontrollable external and regulatory factors in the industry, commented Eichner.

Enterprise announced a national listing of its stock on February 8, 2005 and has seen its trading volumes increase significantly. EFSC (the company's trading symbol on the NASDAQ) stock value increased 32% in 2004 and has more than doubled since July of 2002.

Enterprise Financial operates commercial banking and wealth management businesses in metropolitan St. Louis and Kansas City, with a primary focus on serving the needs of privately held businesses, their owners and other success-minded individuals.

Please refer to the Consolidated Financial Summary attached for more details.

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Readers should note that in addition to the historical information contained herein, this press release may contain forward-looking statements which are inherently subject to risks and uncertainties that could cause actual results to differ materially from those contemplated from such statements. Factors that could cause or contribute to such differences include, but are not limited to, burdens imposed by federal and state regulations of banks, credit risk, exposure to local economic conditions, risks associated with rapid increase or decrease in prevailing interest rates and competition from banks and other financial institutions, as well as those in Enterprise Financial's 2004 Annual Report on Form 10-K.

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**ENTERPRISE FINANCIAL SERVICES CORP**  
**CONSOLIDATED FINANCIAL SUMMARY**  
(unaudited)

(In thousands except per share data)

|   | For the Quarter Ended |                 |                 |                 |                 |
|---|-----------------------|-----------------|-----------------|-----------------|-----------------|
|   | Mar 31,<br>2005       | Dec 31,<br>2004 | Sep 30,<br>2004 | Jun 30,<br>2004 | Mar 31,<br>2004 |
| <b>EARNINGS SUMMARY</b>                             |                       |                 |                 |                 |                 |
| Total interest income                               | \$ 14,653             | \$ 13,698       | \$ 12,550       | \$ 11,701       | \$ 10,944       |
| Total interest expense                              | 4,131                 | 3,680           | 3,156           | 2,778           | 2,554           |
| Net interest income                                 | \$ 10,522             | \$ 10,018       | \$ 9,394        | \$ 8,923        | \$ 8,390        |
| Provision for loan loss                             | 786                   | 775             | 100             | 740             | 597             |
| Net interest income after provision for loan losses | \$ 9,736              | \$ 9,243        | \$ 9,294        | \$ 8,183        | \$ 7,793        |
| <b>NONINTEREST INCOME</b>                           |                       |                 |                 |                 |                 |
| Deposit service charges                             | \$ 483                | \$ 503          | \$ 532          | \$ 540          | \$ 457          |
| Gain on sale of loans                               | 22                    | 43              | 9               | 142             | 68              |
| Wealth Management income                            | 1,223                 | 1,283           | 1,119           | 1,048           | 856             |
| Other income  | 109                   | 117             | 217             | 88              | 98              |
| Total noninterest income                            | \$ 1,837              | \$ 1,946        | \$ 1,877        | \$ 1,818        | \$ 1,479        |
| <b>NONINTEREST EXPENSE</b>                          |                       |                 |                 |                 |                 |
| Salaries and benefits                               | \$ 5,198              | \$ 4,705        | \$ 4,574        | \$ 4,585        | \$ 4,689        |
| Occupancy   | 530                   | 550             | 523             | 522             | 496             |
| Furniture and equipment                             | 172                   | 186             | 176             | 176             | 182             |
| Other   | 1,817                 | 2,835           | 1,784           | 1,845           | 1,503           |
| Total noninterest expense                           | \$ 7,717              | \$ 8,276        | \$ 7,057        | \$ 7,128        | \$ 6,870        |
| Income before income tax                            | \$ 3,856              | \$ 2,913        | \$ 4,114        | \$ 2,873        | \$ 2,402        |
| Income taxes  | 1,409                 | 1,067           | 1,261           | 886             | 875             |
| Net income  | \$ 2,447              | \$ 1,846        | \$ 2,853        | \$ 1,987        | \$ 1,527        |
| Basic earnings per share                            | \$ 0.25               | \$ 0.19         | \$ 0.29         | \$ 0.21         | \$ 0.16         |
| Diluted earnings per share                          | \$ 0.23               | \$ 0.18         | \$ 0.28         | \$ 0.20         | \$ 0.15         |
| Return on average assets                            | 0.92%                 | 0.67%           | 1.11%           | 0.80%           | 0.67%           |
| Return on average equity                            | 13.23%                | 10.15%          | 16.50%          | 11.72%          | 9.29%           |
| Net interest rate margin (fully tax equalized)      | 4.18%                 | 3.85%           | 3.85%           | 3.81%           | 3.88%           |
| Yield on earning assets (fully tax equalized)       | 5.80%                 | 5.25%           | 5.12%           | 4.98%           | 5.05%           |
| Cost of paying liabilities                          | 2.08%                 | 1.82%           | 1.65%           | 1.51%           | 1.50%           |
| Net interest spread                                 | 3.72%                 | 3.43%           | 3.47%           | 3.47%           | 3.55%           |
| Efficiency ratio                                    | 62.44%                | 69.17%          | 62.61%          | 66.36%          | 69.61%          |
| Noninterest expense to average assets               | 2.91%                 | 3.01%           | 2.74%           | 2.88%           | 3.00%           |

**ENTERPRISE FINANCIAL SERVICES CORP**  
**CONSOLIDATED FINANCIAL SUMMARY (cont.)**  
**(unaudited)**

(In thousands except per share data)

|  | <u>Mar 31,</u><br><u>2005</u> | <u>Dec 31,</u><br><u>2004</u> | <u>Sep 30,</u><br><u>2004</u> | <u>Jun 30,</u><br><u>2004</u> | <u>Mar 31,</u><br><u>2004</u> |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <b>BALANCE SHEET DATA</b>                        |                               |                               |                               |                               |                               |
| <b>ASSETS</b>                                    |                               |                               |                               |                               |                               |
| Cash and due from banks                          | \$ 32,085                     | \$ 28,324                     | \$ 29,316                     | \$ 31,790                     | \$ 25,417                     |
| Interest-bearing deposits                        | 141                           | 156                           | 142                           | 90                            | 843                           |
| Debt and equity investments                      | 92,572                        | 121,638                       | 93,007                        | 93,492                        | 51,413                        |
| Federal funds sold                               |                               |                               | 38,712                        | 12,396                        | 41,750                        |
| Loans held for sale                              | 4,180                         | 2,376                         | 1,599                         | 2,383                         | 2,645                         |
| Portfolio loans                                  | \$ 972,802                    | \$ 898,505                    | \$ 874,092                    | \$ 866,814                    | \$ 830,948                    |
| Less allowance for loan losses                   | 12,639                        | 11,665                        | 11,441                        | 11,448                        | 10,686                        |
| <b>Net loans</b>                                 | <b>\$ 960,163</b>             | <b>\$ 886,840</b>             | <b>\$ 862,651</b>             | <b>\$ 855,366</b>             | <b>\$ 820,262</b>             |
| Premises and equipment, net                      | \$ 8,413                      | \$ 8,044                      | \$ 7,071                      | \$ 7,067                      | \$ 7,222                      |
| Goodwill   | 1,938                         | 1,938                         | 1,938                         | 1,938                         | 1,938                         |
| Other assets                                     | 11,090                        | 10,634                        | 11,954                        | 11,532                        | 12,104                        |
| <b>Total assets</b>                              | <b>\$ 1,110,582</b>           | <b>\$ 1,059,950</b>           | <b>\$ 1,046,390</b>           | <b>\$ 1,016,054</b>           | <b>\$ 963,594</b>             |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>       |                               |                               |                               |                               |                               |
| Non-interest bearing deposits                    | \$ 190,667                    | \$ 197,283                    | \$ 184,426                    | \$ 182,679                    | \$ 171,176                    |
| Interest bearing deposits                        | 746,126                       | 742,345                       | 752,509                       | 688,333                       | 689,465                       |
| <b>Total deposits</b>                            | <b>\$ 936,793</b>             | <b>\$ 939,628</b>             | <b>\$ 936,935</b>             | <b>\$ 871,012</b>             | <b>\$ 860,641</b>             |
| Subordinated debentures                          | 20,620                        | 20,620                        | 20,619                        | 20,619                        | 15,464                        |
| FHLB advances                                    | 68,879                        | 10,299                        | 11,413                        | 51,432                        | 14,468                        |
| Federal funds purchased                          |                               | 6,333                         |                               |                               |                               |
| Other borrowings                                 | 2,303                         | 3,532                         | 430                           | 296                           | 987                           |
| Other liabilities                                | 5,263                         | 6,812                         | 5,947                         | 5,310                         | 4,878                         |
| <b>Total liabilities</b>                         | <b>\$ 1,033,858</b>           | <b>\$ 987,224</b>             | <b>\$ 975,344</b>             | <b>\$ 948,669</b>             | <b>\$ 896,438</b>             |
| Shareholders equity                              | 76,724                        | 72,726                        | 71,046                        | 67,385                        | 67,156                        |
| <b>Total liabilities and shareholders equity</b> | <b>\$ 1,110,582</b>           | <b>\$ 1,059,950</b>           | <b>\$ 1,046,390</b>           | <b>\$ 1,016,054</b>           | <b>\$ 963,594</b>             |

**ENTERPRISE FINANCIAL SERVICES CORP**  
**CONSOLIDATED FINANCIAL SUMMARY (cont.)**  
(unaudited)

(In thousands except per share data)

|   | For the Quarter Ended |                 |                 |                 |                 |
|---|-----------------------|-----------------|-----------------|-----------------|-----------------|
|   | Mar 31,<br>2005       | Dec 31,<br>2004 | Sep 30,<br>2004 | Jun 30,<br>2004 | Mar 31,<br>2004 |
| <b>MARKET DATA</b>  |                       |                 |                 |                 |                 |
| Book value per share  | \$ 7.65               | \$ 7.44         | \$ 7.30         | \$ 6.96         | \$ 6.94         |
| Market value per share  | \$ 19.00              | \$ 18.50        | \$ 14.60        | \$ 14.70        | \$ 13.50        |
| Period end common shares                                      | 10,032                | 9,778           | 9,732           | 9,684           | 9,677           |
| Average basic common shares                                   | 9,922                 | 9,747           | 9,724           | 9,680           | 9,640           |
| Average diluted common shares                                 | 10,521                | 10,224          | 10,074          | 9,987           | 9,942           |
| <b>ASSET QUALITY</b>  |                       |                 |                 |                 |                 |
| Net charge-offs (recoveries)                                  | \$ (188)              | \$ 551          | \$ 107          | \$ (22)         | \$ 501          |
| Nonperforming loans   | \$ 3,134              | \$ 1,826        | \$ 1,722        | \$ 2,401        | \$ 1,480        |
| Nonperforming loans to total loans                            | 0.32%                 | 0.20%           | 0.20%           | 0.28%           | 0.18%           |
| Allowance for loan loss to total loans                        | 1.30%                 | 1.30%           | 1.31%           | 1.32%           | 1.29%           |
| Net charge-offs (recoveries) to average loans<br>(annualized) | (0.08)%               | 0.25%           | 0.05%           | (0.01)%         | 0.25%           |
| <b>CAPITAL</b>  |                       |                 |                 |                 |                 |
| Average equity to average assets                              | 6.98%                 | 6.62%           | 6.72%           | 6.85%           | 7.18%           |
| Tier 1 capital to risk-weighted assets                        | 9.14%                 | 9.94%           | 9.89%           | 9.83%           | 9.36%           |
| Total capital to risk-weighted assets                         | 10.39%                | 11.19%          | 11.14%          | 11.08%          | 10.61%          |
| <b>AVERAGE BALANCES</b>                                       |                       |                 |                 |                 |                 |
| Portfolio loans   | \$ 932,910            | \$ 872,700      | \$ 856,221      | \$ 849,868      | \$ 801,671      |
| Earning assets  | 1,034,526             | 1,047,990       | 983,332         | 954,910         | 881,529         |
| Total assets  | 1,075,675             | 1,092,677       | 1,022,998       | 995,004         | 920,314         |
| Deposits  | 919,909               | 977,358         | 904,583         | 863,433         | 808,799         |
| Shareholders' equity  | 75,039                | 72,345          | 68,769          | 68,183          | 66,082          |

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