Section 1: 10-K (10-K)

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

FORM 10-K

[X] **Annual Report Pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934**
For the fiscal year ended December 31, 2016.

[ ] **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from ______ to ______

Commission file number 001-15373

ENTERPRISE FINANCIAL SERVICES CORP

Incorporated in the State of Delaware
I.R.S. Employer Identification # 43-1706259
Address: 150 North Meramec, Clayton, MO 63105
Telephone: (314) 725-5500

____

Securities registered pursuant to Section 12(b) of the Act:

(Title of class)	**(Name of each exchange on which registered)**
Common Stock, par value $.01 per share	**NASDAQ Global Select Market**

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes [ ] No [X]

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] 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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

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 the 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 [X]	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 [X]

The aggregate market value of the common stock held by non-affiliates of the Registrant was approximately $533,965,736 based on the closing price of the common stock of $27.89 as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2016) as reported by the NASDAQ Global Select Market.

As of February 21, 2017, the Registrant had 23,435,163 shares of outstanding common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required for Part III of this report is incorporated by reference to the Registrant's Proxy Statement for the 2017 Annual Meeting of Shareholders, which will be filed within 120 days of December 31, 2016.

ENTERPRISE FINANCIAL SERVICES CORP
2016 ANNUAL REPORT ON FORM 10-K
TABLE OF CONTENTS

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

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,” “believe,” “estimate,” “predict,” “potential,” “could,” “continue” and the negative of these terms and similar words, although some forward-looking statements may be expressed differently. Forward-looking statements also include, but are not limited to, statements regarding plans, objectives, expectations or consequences of announced transactions (including Enterprise Financial Services Corp's acquisition of Jefferson County Bancshares, Inc.), and statements about future performance, operations, products and services. The ability to predict results or the actual effect of future plans or strategies is inherently uncertain. You should be aware that actual results could differ materially from those contained in the forward-looking statements due to a number of factors, including, but not limited to: the ability to efficiently integrate acquisitions into our operations, including the recent acquisition of Jefferson County Bancshares, Inc., retain the customers of these businesses and grow the acquired operations: 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; the 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” in Item 1A of this Form 10-K, all of which could cause actual results to differ from those set forth in the forward-looking statements.

Readers are cautioned not to place undue reliance on 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 the Company's website at www.enterprisebank.com under "Investor Relations."

PART 1
ITEM 1: BUSINESS

General
Enterprise Financial Services Corp (“we” or the “Company” or “Enterprise”), a Delaware corporation, is a financial holding company headquartered in St. Louis, Missouri incorporated in December 1994. We are the holding company for Enterprise Bank & Trust (the “Bank”), a full service financial institution offering banking and wealth management services to individuals and corporate customers largely located in the St. Louis, Kansas City, and Phoenix metropolitan markets. Our executive offices are located at 150 North Meramec, Clayton, Missouri 63105, and our telephone number is (314) 725-5500.

Available Information
Various reports provided to the Securities and Exchange Commission (the "SEC"), including our annual reports, quarterly reports, current reports, and proxy statements, are available free of charge on our website at www.enterprisebank.com under "Investor Relations." These reports are made available as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Our filings with the SEC are also available on the SEC's website at www.sec.gov.

Business Strategy
Our stated mission is “to guide our clients to a lifetime of financial success.” We have established an accompanying corporate vision “to deliver customer and financial performance that positions us in the top quartile of our peers.” These tenets are fundamental to our business strategies and operations.

Our general business strategy is to generate superior shareholder returns by providing comprehensive financial services primarily to private businesses, their owner families, and other success-minded individuals through banking and wealth management lines of business. The Company has one segment for purposes of its financial reporting.

The Company offers a broad range of business and personal banking services, and wealth management services. Lending services include commercial and industrial, commercial real estate, real estate construction and development, residential real estate, and consumer loans. A wide variety of deposit products and a complete suite of treasury management and international trade services complement our lending capabilities. Tax credit brokerage activities consist of the acquisition of Federal and State tax credits and the sale of these tax credits to clients. Enterprise Trust, a division of the Bank ("Enterprise Trust" or "Trust"), provides financial planning, estate planning, investment management, and trust services to businesses, individuals, institutions, retirement plans, and non-profit organizations.

Key components of our strategy include a focused and relationship-oriented distribution and sales approach, with an emphasis on growing fee income and niche businesses, while maintaining prudent credit and interest rate risk management, appropriate supporting technology, and controlled expense growth.

Building long-term client relationships - Our growth strategy is largely client relationship driven. We continuously seek to add clients who fit our target market of businesses, business owners, professionals, and associated relationships. Those relationships are maintained, cultivated, and expanded over time by trained, experienced banking officers and wealth advisors. We fund loan growth primarily with core deposits from our business and professional clients in addition to consumers in our branch market areas. This is supplemented by borrowing or other deposit sources, primarily the Federal Home Loan Bank of Des Moines (the "FHLB"), and brokered certificates of deposits.

Fee income business - We offer a broad range of Treasury Management products and services that benefit businesses ranging from large national clients to the smallest local merchants. Customized solutions and special product bundles are available to clients of all sizes. Responding to ever increasing needs for tightened security and improved functional efficiency, the Company continues to offer robust treasury systems that employ advanced mobile technology and fraud detection/mitigation. Enterprise Trust offers a wide range of fiduciary, investment management, and financial advisory services. We employ attorneys, certified financial planners, estate planning professionals, and other investment professionals. Enterprise Trust representatives assist clients in defining lifetime goals and designing plans to achieve them, consistent with the Company's long-term relationship strategy. The Company also offers card services, international banking, and tax credit businesses that generate fee income.

Specialized lending and product niches - We have focused an increasing amount of our lending activities in specialty markets where we believe our expertise and experience as a sophisticated commercial lender provides advantages over other competitors. In addition, we have developed expertise in certain product niches. These specialty niche activities focus on the following areas:

- Enterprise Value Lending/Senior Debt Financing. We support mid-market company mergers and acquisitions in many domestic markets. We market directly to targeted private equity firms and provide a combination of senior debt and mezzanine debt financing.

- Life Insurance Premium Finance. We specialize in financing high-end whole life insurance premiums utilized in high net worth estate planning.

- Tax Credit Related Lending. We are a secured lender on affordable housing projects funded through the use of Federal and Missouri State Low Income Housing tax credits. In addition, we provide leveraged and other loans on projects funded through the Department of the Treasury CDFI New Markets Tax Credit program. In 2011, 2013, 2014, and 2015, we were selected as one of the relatively few banks to be allocated to distribute New Markets Tax Credits. In this capacity, we have been responsible for allocating a total of $183 million of tax credits to clients and projects.

- Tax Credit Brokerage. We acquire Missouri state tax credits from affordable housing development funds and sell the tax credits to clients and other individuals for tax planning purposes.

- Enterprise Advisory Services. We have developed a proprietary deposit platform allowing registered investment advisory firms to offer FDIC insured cash deposits in addition to other investment products.

- Enterprise Aircraft Finance. Beginning in 2016, we established a unit specializing in financing and leasing solutions for the acquisition of fixed and rotor wing aircraft.

Capitalizing on technology - We view certain of our technological capabilities to be a competitive advantage. Our systems provide internet banking, expanded treasury management products, check and document imaging, and remote deposit capture systems. Other services currently offered by the Bank include controlled disbursements, repurchase agreements, and sweep investment accounts. Our treasury management suite of products blends advanced technology and personal service, which we believe often creates a competitive advantage over larger banks. Technology is also extensively utilized in internal systems, operational support functions, customer service, associate productivity, and management reporting and analysis.

Maintaining asset quality - The Company monitors asset quality through formal, ongoing, multiple-level reviews of loans in each market. These reviews are overseen by the Company's credit administration department. In addition, the loan portfolio is subject to ongoing monitoring by a loan review function that reports directly to the Credit Committee of the Bank's Board of Directors.

Expense management - The Company manages expenses carefully through detailed budgeting and expense approval processes. We measure the “efficiency ratio” as a benchmark for improvement. The efficiency ratio is equal to noninterest expense divided by total revenue (net interest income plus noninterest income). Continued improvement is targeted to increase earnings per share and generate higher returns on equity.

Executive leadership - In February 2017, as part of an orderly succession and transition plan, the Company announced the resignation of Peter F. Benoist from the position of Chief Executive Officer ("CEO") and from the Company's board of directors. Concurrent with Mr. Benoist’s resignation, the Company announced that James B. Lally will succeed Mr. Benoist as CEO and as a member of the Board. The transition will take place at the Company's 2017 annual meeting of stockholders on May 2, 2017.

<u>Acquisitions and Divestitures</u>

On October 10, 2016, the Company entered into an Agreement and Plan of Merger to acquire Jefferson County Bancshares, Inc. ("JCB"). On February 10, 2017, the acquisition was completed and JCB merged with and into the Company, and Eagle Bank and Trust Company of Missouri, JCB's wholly-owned subsidiary bank, merged with and into the Bank. As part of the acquisition, 3.3 million shares of the Company’s common stock were issued and approximately $29.3 million in cash was paid to JCB shareholders and holders of JCB stock options. The overall transaction had a value of approximately $171.0 million, including JCB’s common stock and stock options.

Between December 2009 and August 2011, the Bank entered into four agreements with the Federal Deposit Insurance Corporation (“FDIC”) to acquire certain assets and assume certain liabilities of four failed banks: Valley Capital Bank, Home National Bank, Legacy Bank, and The First National Bank of Olathe. In conjunction with each of these, the Bank entered into loss share agreements, under which the FDIC agreed to reimburse the Bank for a percentage of losses on certain loans and other real estate acquired for the term of the agreement. In December 2015, the Bank successfully entered into an agreement with the FDIC for early termination of all existing loss share agreements. Since the termination, the Bank has fully recognized recoveries, losses, and expenses related to the assets formerly covered by the agreements, and the FDIC no longer shares in those amounts.

<u>Subordinated Notes</u>

On November 1, 2016, the Company issued $50 million of 4.75% fixed-to-floating rate subordinated notes with a maturity date of November 1, 2026. The subordinated notes will initially bear interest at an annual rate of 4.75%, with interest payable semiannually. Beginning November 1, 2021, the interest rate resets quarterly to the three-month London Interbank Offered Rate (“LIBOR”) plus a spread of 338.7 basis points, payable quarterly. The Company used a portion of the proceeds from the issuance to pay the cash consideration at the closing of the acquisition of JCB.

Market Areas and Approach to Geographic Expansion

We operate in the St. Louis, Kansas City, and Phoenix metropolitan areas. The Company, as part of its expansion effort, plans to continue its strategy of operating branches with larger average deposits, and employing experienced staff who are compensated on the basis of performance and customer service.

St. Louis - As of December 31, 2016, we operated six banking facilities in the St. Louis metropolitan area. The St. Louis market enjoys a stable, diverse economic base, and is ranked the 20th largest metropolitan statistical area in the United States. It is an attractive market with nearly 70,000 privately held businesses and more than 50,000 households with investable assets of $1.0 million or more. With the acquisition of JCB, our presence in the St. Louis metropolitan area has increased to 18 banking branches.

Kansas City - We conducted operations in eight banking facilities in the Kansas City market as of December 31, 2016. Kansas City is also an attractive private company market with over 50,000 privately held businesses and more than 40,000 households with investable assets of $1.0 million or more. It is the 30th largest metropolitan area in the U.S.

Phoenix - We operated two banking facilities in the Phoenix metropolitan area as of December 31, 2016. Phoenix is the nation's 12th largest metropolitan area, and has more than 90,000 privately held businesses and more than 80,000 households with investable assets over $1.0 million. We believe Phoenix is a dynamic growth market and offers attractive prospects for our business.

Competition

The Company and its subsidiaries operate in highly competitive markets. Our geographic markets are served by a number of large financial and bank holding companies with substantial capital resources and lending capacity. Many of the larger banks have established specialized units, which target private businesses and high net worth individuals. The St. Louis, Kansas City, and Phoenix markets have numerous small community banks. In addition to other financial holding companies and commercial banks, we compete with credit unions, thrifts, investment managers, brokerage firms, and other providers of financial services and products.

Supervision and Regulation

The following is a summary description of the relevant laws, rules, and regulations governing banks and financial holding companies. The description of, and references to, the statutes and regulations below are brief summaries and do not purport to be complete. The descriptions are qualified in their entirety by reference to the related statutes and regulations.

The regulatory and supervisory structure establishes a comprehensive framework of activities in which an institution can engage and is intended primarily for the protection of depositors, the deposit insurance funds and the banking system as a whole, rather than for the protection of shareholders or creditors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies concerning the establishment of deposit insurance assessment fees, classification of assets and establishment of adequate loan loss reserves for regulatory purposes.

Various legislation is from time to time introduced in Congress and Missouri's legislature. Such legislation may change applicable statutes and the operating environment in substantial and unpredictable ways. We cannot determine the ultimate effect that future legislation or implementing regulations would have upon our financial condition or upon our results of operations or the results of operations of any of our subsidiaries.

On July 21, 2010, the President signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act"), which contains a comprehensive set of provisions designed to govern the practices and oversight of financial institutions and other participants in the financial markets. The Dodd-Frank Act made extensive changes in the regulation of financial institutions and their holding companies.

Uncertainty remains as to the ultimate impact of the Dodd-Frank Act, which could have a material adverse impact on the financial services industry as a whole and the Bank's business, results of operations, and financial condition. Many aspects of the Dodd-Frank Act have been implemented while other aspects remain subject to further rulemaking. These regulations will take effect over several years, making it difficult to anticipate the overall financial impact on the

Company, its customers or the financial industry more generally. However, the Dodd-Frank Act has increased the regulatory burden, compliance costs and interest expense for the Company.

Financial Holding Company

The Company is a financial holding company registered under the Bank Holding Company Act of 1956, as amended ("BHCA"). As a financial holding company, the Company is subject to regulation and examination by the Federal Reserve, and is required to file periodic reports of its operations and such additional information as the Federal Reserve may require. In order to remain a financial holding company, the Company must continue to be considered well managed and well capitalized by the Federal Reserve, and the Bank must continue to be considered well managed and well capitalized by the FDIC, and have at least a "satisfactory" rating under the Community Reinvestment Act. See "Liquidity and Capital Resources" in the Management Discussion and Analysis for more information on our capital adequacy, and "Bank Subsidiary - Community Reinvestment Act" below for more information on the Community Reinvestment Act.

Acquisitions: With certain limited exceptions, the BHCA requires every financial holding company or bank holding company to obtain the prior approval of the Federal Reserve before (i) acquiring substantially all the assets of any bank, (ii) acquiring direct or indirect ownership or control of any voting shares of any bank if, after such acquisition, it would own or control more than 5% of the voting shares of such bank (unless it already owns or controls the majority of such shares), or (iii) merging or consolidating with another bank holding company. Additionally, the BHCA provides that the Federal Reserve may not approve any of these transactions if it would result in or tend to create a monopoly, substantially lessen competition, or otherwise function as a restraint of trade, unless the anti-competitive effects of the proposed transaction are clearly outweighed by the public interest in meeting the convenience and needs of the community to be served. The Federal Reserve is also required to consider the financial and managerial resources and future prospects of the bank holding companies and banks concerned and the convenience and needs of the community to be served. The Federal Reserve's consideration of financial resources generally focuses on capital adequacy, which is described below.

Change in Bank Control: Subject to various exceptions, the BHCA and the Change in Bank Control Act, together with related regulations, require Federal Reserve approval prior to any person or company acquiring "control" of a bank or financial holding company. Control is conclusively presumed to exist if an individual or company acquires 25% or more of any class of voting securities of the Company. Control is rebuttably presumed to exist if a person or company acquires 10% or more, but less than 25%, of any class of voting securities of the Company. The regulations provide a procedure for challenging rebuttable presumptions of control.

Permitted Activities: The BHCA has generally prohibited a bank holding company from engaging in activities other than banking or managing or controlling banks or other permissible subsidiaries and from acquiring or retaining direct or indirect control of any company engaged in any activities other than those determined by the Federal Reserve to be closely related to banking or managing or controlling banks as to be a proper incident thereto. Provisions of the Gramm-Leach-Bliley Act have expanded the permissible activities of a bank holding company that qualifies as a financial holding company. Under the regulations implementing the Gramm-Leach-Bliley Act, a financial holding company may engage in additional activities that are financial in nature or incidental or complementary to financial activities. Those activities include, among other activities, certain insurance, advisory and securities activities.

Support of Bank Subsidiaries: Under Federal Reserve policy, the Company is expected to act as a source of financial strength for the Bank and to commit resources to support the Bank. In addition, pursuant to the Dodd-Frank Act, this longstanding policy has been given the force of law and additional regulations promulgated by the Federal Reserve to further implement the intent of the statute are possible. As in the past, such financial support from the Company may be required at times when, without this legal requirement, the Company may not be inclined to provide it.

Capital Adequacy: The Company is also subject to capital requirements applied on a consolidated basis, which are substantially similar to those required of the Bank (summarized below).

Dividend Restrictions: Under Federal Reserve policies, financial holding companies may pay cash dividends on common stock only out of income available over the past year if prospective earnings retention is consistent with the organization's expected future needs and financial condition and if the organization is not in danger of not meeting its minimum regulatory capital requirements. Federal Reserve policy also provides that financial holding companies should not maintain a level of cash dividends that undermines the financial holding company's ability to serve as a source of strength to its banking subsidiaries.

Bank Subsidiary

At December 31, 2016, Enterprise Bank & Trust was our only bank subsidiary. The Bank is a Missouri trust company with banking powers and is subject to supervision and regulation by the Missouri Division of Finance. In addition, as a Federal Reserve non-member bank, it is subject to supervision and regulation by the FDIC. The Bank is a member of the FHLB of Des Moines.

The Bank is subject to extensive federal and state regulatory oversight. The various regulatory authorities regulate or monitor all areas of the banking operations, including security devices and procedures, adequacy of capitalization and loss reserves, loans, investments, borrowings, deposits, mergers, issuance of securities, payment of dividends, interest rates payable on deposits, interest rates or fees chargeable on loans, establishment of branches, corporate reorganizations, maintenance of books and records, and adequacy of staff training to carry on safe lending and deposit gathering practices. The Bank must maintain certain capital ratios and is subject to limitations on aggregate investments in real estate, bank premises, low income housing projects, and furniture and fixtures. In connection with their supervision and regulation responsibilities, the Bank is subject to periodic examination by the FDIC and Missouri Division of Finance.

Capital Adequacy: The Bank is required to comply with the FDIC’s capital adequacy standards for insured banks. The FDIC has issued risk-based capital and leverage capital guidelines for measuring capital adequacy, and all applicable capital standards must be satisfied for the Bank to be considered in compliance with regulatory capital requirements.

On July 2, 2013, the Federal Reserve approved a final rule to establish a new comprehensive regulatory capital framework for all U.S. banking organizations. On July 9, 2013, the final rule was approved (as an interim final rule) by the FDIC. This regulatory capital framework, commonly referred to as Basel III, implements several changes to the U.S. regulatory capital framework required by the Dodd-Frank Act. The new U.S. capital framework imposes higher minimum capital requirements, additional capital buffers above those minimum requirements, a more restrictive definition of capital and higher risk weights for various enumerated classifications of assets, the combined impact of which effectively results in substantially more demanding capital standards for U.S. banking organizations.

The Basel III final rule, effective January 1, 2015, established a new common equity tier 1 capital ("CET1") requirement, an increase in the tier 1 capital requirement from 4.0% to 6.0%, and maintains the current 8.0% total capital requirement. In addition to these minimum risk-based capital ratios, the Basel III final rule requires that all banking organizations maintain a "capital conservation buffer" consisting of CET1 capital in an amount equal to 2.5% of risk-weighted assets in order to avoid restrictions on their ability to make capital distributions and to pay certain discretionary bonus payments to executive officers. In order to avoid those restrictions, the capital conservation buffer, when fully implemented, will effectively increase the minimum CET1 capital, tier 1 capital, and total capital ratios for U.S. banking organizations to 7.0%, 8.5%, and 10.5%, respectively. Banking organizations with capital levels that fall within the buffer will be required to limit dividends, share repurchases or redemptions (unless replaced within the same calendar quarter by capital instruments of equal or higher quality), and discretionary bonus payments. The capital conservation buffer is being phased in over a five year period that began January 1, 2016.

As required by the Dodd-Frank Act, the Basel III final rule required capital instruments such as trust preferred securities and cumulative preferred shares to be phased-out of tier 1 capital by January 1, 2016, for banking organizations that had $15 billion or more in total consolidated assets as of December 31, 2009, and grandfathered as tier 1 capital such instruments issued by smaller entities prior to May 19, 2010 (provided they do not exceed 25% of tier 1 capital). The Company's trust preferred securities are grandfathered under this provision.

The Basel III final rule requires that goodwill and other intangible assets (other than mortgage servicing assets), net of associated deferred tax liabilities ("DTLs"), be deducted from CET1 capital. Additionally, deferred tax assets ("DTAs") that arise from net operating loss and tax credit carryforwards, net of associated DTLs and valuation allowances, are fully deducted from CET1 capital. However, DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, along with mortgage servicing assets and "significant" (defined as greater than 10% of the issued and outstanding common stock of the unconsolidated financial institution) investments in the common stock of unconsolidated "financial institutions" are partially includible in CET1 capital, subject to deductions defined in the final rule.

Prompt Corrective Action: The Bank’s capital categories are determined for the purpose of applying the “prompt corrective action” rules described below and may be taken into consideration by banking regulators in evaluating proposals for expansion or new activities. They are not necessarily an accurate representation of a bank's overall financial condition or prospects for other purposes. A failure to meet the capital guidelines could subject the Bank to a variety of enforcement actions under those rules, including the issuance of a capital directive, the termination of deposit insurance by the FDIC, a prohibition on the taking of brokered deposits, and other restrictions on its business. As described below, the FDIC also can impose other substantial restrictions on banks that fail to meet applicable capital requirements.

Federal law establishes a system of prompt corrective action to resolve the problems of undercapitalized banks. Under this system, the FDIC has established five capital categories (“well capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized,” and “critically undercapitalized”) and is required to take various mandatory supervisory actions, and is authorized to take other discretionary actions with respect to banks in the three undercapitalized categories. The severity of any such actions taken will depend upon the capital category in which a bank is placed. Generally, subject to a narrow exception, current federal law requires the FDIC to appoint a receiver or conservator for a bank that is critically undercapitalized.

Under the FDIC’s prompt corrective action rules, a bank that (1) has a total capital to risk-weighted assets ratio (the “Total Capital Ratio”) of 10.0% or greater, a tier 1 capital to risk-weighted assets ratio (the “Tier 1 Capital Ratio”) of 8.0% or greater, a CET1 capital to risk-weighted assets ratio (the "CET1 Capital Ratio") of 6.5% or greater, and a tier 1 capital to average assets (the “Leverage Ratio”) of 5.0% or greater, and (2) is not subject to any written agreement, order, capital directive, or prompt corrective action directive issued by the FDIC, is considered to be “well capitalized.” A bank with a Total Capital Ratio of 8.0% or greater, a Tier 1 Capital Ratio of 6.0% or greater, a CET1 Capital Ratio of 4.5% or greater, and a Leverage Ratio of 4.0% or greater, is considered to be “adequately capitalized.” A bank that has a Total Capital Ratio of less than 8.0%, a Tier 1 Capital Ratio of less than 6.0%, a CET1 Capital Ratio of less than 4.5%, or a Leverage Ratio of less than 4.0%, is considered to be “undercapitalized.” A bank that has a Total Capital Ratio of less than 6.0%, a Tier 1 Capital Ratio of less than 3.0%, a CET1 Capital Ratio of less than 3.0%, or a Leverage Ratio of less than 4.0%, is considered to be “significantly undercapitalized,” and a bank that has a tangible equity capital to total assets ratio equal to or less than 2.0% is deemed to be “critically undercapitalized.” A bank may be considered to be in a capitalization category lower than indicated by its actual capital position if it receives an unsatisfactory examination rating or is subject to a regulatory action that requires heightened levels of capital.

A bank that becomes “undercapitalized,” “significantly undercapitalized,” or “critically undercapitalized” is required to submit an acceptable capital restoration plan to the FDIC. An “undercapitalized” bank also is generally prohibited from increasing its average total assets, making acquisitions, establishing new branches, or engaging in any new line of business, except in accordance with an accepted capital restoration plan or with the approval of the FDIC. Also, the FDIC may treat an “undercapitalized” bank as being “significantly undercapitalized” if it determines that those actions are necessary to carry out the purpose of the law.

All of the Bank’s capital ratios were at levels that qualify it to be “well capitalized” for regulatory purposes as of December 31, 2016.

Consumer Financial Protection Bureau: The Dodd-Frank Act centralized responsibility for consumer financial protection including implementing, examining and enforcing compliance with federal consumer financial laws with Consumer Financial Protection Bureau (the "CFPB"). Depository institutions with less than $10 billion in assets, such as our Bank, will be subject to rules promulgated by the CFPB, but will continue to be examined and supervised by federal banking regulators for consumer compliance purposes.

The Bank is also subject to other laws and regulations intended to protect consumers in transactions with depository institutions, as well as other laws or regulations affecting customers of financial institutions generally. While the list set forth herein is not exhaustive, these laws and regulations include the Truth in Lending Act, the Truth in Savings Act, the Electronic Funds Transfer Act, the Expedited Funds Availability Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Real Estate Settlement and Procedures Act, the Fair Credit Reporting Act and the Federal Trade Commission Act, among others. These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must deal with customers when taking deposits or making loans to such customers. The Bank must comply with the applicable provisions of these consumer protection laws and regulations as part of its ongoing customer relations.

UDAP and UDAAP: Banking regulatory agencies have increasingly used a general consumer protection statute to address "unethical" or otherwise "bad" business practices that may not necessarily fall directly under the purview of a specific banking or consumer finance law. The law of choice for enforcement against such business practices has been Section 5 of the Federal Trade Commission Act-the primary federal law that prohibits unfair or deceptive acts or practices and unfair methods of competition in or affecting commerce ("UDAP" or "FTC Act"). "Unjustified consumer injury" is the principal focus of the FTC Act. Prior to the Dodd-Frank Act, there was little formal guidance to provide insight to the parameters for compliance with the UDAP law. However, the UDAP provisions have been expanded under the Dodd-Frank Act to apply to "unfair, deceptive or abusive acts or practices" ("UDAAP"), which has been delegated to the CFPB for supervision. The CFPB has brought a variety of enforcement actions for violations of UDAAP provisions and CFPB guidance continues to evolve.

Mortgage Reform: The CFPB has adopted final rules implementing minimum standards for the origination of residential mortgages, including standards regarding a customer's ability to repay, restricting variable rate lending by requiring the ability to repay variable-rate loans be determined by using the maximum rate that will apply during the first five years of a variable-rate loan term, and making more loans subject to provisions for higher cost loans, new disclosures, and certain other revisions. In addition, the Dodd-Frank Act allows borrowers to raise certain defenses to foreclosure if they receive any loan other than a "qualified mortgage" as defined by the CFPB.

Dividends by the Bank Subsidiary: Under Missouri law, the Bank may pay dividends to the Company only from a portion of its undivided profits and may not pay dividends if its capital is impaired. As an insured depository institution, federal law prohibits the Bank from making any capital distributions, including the payment of a cash dividend if it is “undercapitalized” or after making the distribution would become undercapitalized. If the FDIC believes that the Bank is engaged in, or about to engage in, an unsafe or unsound practice, the FDIC may require, after notice and hearing, that the bank cease and desist from that practice. The FDIC has indicated that paying dividends that deplete a depository institution’s capital base to an inadequate level would be an unsafe and unsound banking practice. The FDIC has issued policy statements that provide that insured banks generally should pay dividends only from their current operating earnings. The Bank’s payment of dividends also could be affected or limited by other factors, such as events or circumstances which lead the FDIC to require that it maintain capital in excess of regulatory guidelines.

Transactions with Affiliates and Insiders: The Bank is subject to the provisions of Regulation W promulgated by the Federal Reserve, which encompasses Sections 23A and 23B of the Federal Reserve Act. Regulation W places limits and conditions on the amount of loans or extensions of credit to, investments in, or certain other transactions with, affiliates and on the amount of advances to third parties collateralized by the securities or obligations of affiliates. Regulation W also prohibits, among other things, an institution from engaging in certain transactions with certain affiliates unless the transactions are on terms substantially the same, or at least as favorable to such institution or its subsidiaries, as those prevailing at the time for comparable transactions with nonaffiliated companies. Federal law also places restrictions on the Bank’s ability to extend credit to its executive officers, directors, principal shareholders and their related interests. These extensions of credit must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated third parties; and must not involve more than the normal risk of repayment or present other unfavorable features.

Community Reinvestment Act: The Community Reinvestment Act ("CRA") requires that, in connection with examinations of financial institutions within its jurisdiction, the FDIC shall evaluate the record of the financial institutions in meeting the credit needs of their local communities, including low and moderate income neighborhoods, consistent with the safe and sound operation of those institutions. These factors are also considered in evaluating mergers, acquisitions, and applications to open a branch or facility. The Bank has a satisfactory rating under CRA.

USA Patriot Act: The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA PATRIOT Act") requires each financial institution to: (i) establish an anti-money laundering program; (ii) establish due diligence policies, procedures and controls with respect to its private banking accounts and correspondent banking accounts involving foreign individuals and certain foreign banks; and (iii) implement certain due diligence policies, procedures and controls with regard to correspondent accounts in the United States for, or on behalf of, a foreign bank that does not have a physical presence in any country. In addition, the USA PATRIOT Act contains a provision encouraging cooperation among financial institutions, regulatory authorities and law enforcement authorities with respect to individuals, entities and organizations engaged in, or reasonably suspected of engaging in, terrorist acts or money laundering activities.

Commercial Real Estate Lending: The Bank's lending operations may be subject to enhanced scrutiny by federal banking regulators based on its concentration of commercial real estate loans. On December 6, 2006, the federal banking regulators issued final guidance to remind financial institutions of the risk posed by commercial real estate ("CRE") lending concentrations. CRE loans generally include land development, construction loans, and loans secured by multifamily property, and non-farm, nonresidential real property where the primary source of repayment is derived from rental income associated with the property. The guidance prescribes the following guidelines for its examiners to help identify institutions that are potentially exposed to significant CRE risk, including concentrations in certain types of CRE that may warrant greater supervisory scrutiny: total reported loans for construction, land development, and other land represent 100% or more of the institutions total capital; or total commercial real estate loans represent 300% or more of the institution's total capital, and the outstanding balance of the institution's commercial real estate loan portfolio has increased by 50% or more.

Volcker Rule: On December 10, 2013, the federal regulators adopted final regulations to implement the proprietary trading and private fund prohibitions of the Volcker Rule under the Dodd-Frank Act. Under the final regulations, which became effective July 21, 2015, banking entities are generally prohibited, subject to significant exceptions from: (i) short-term proprietary trading as principal in securities and other financial instruments, and (ii) sponsoring or acquiring or retaining an ownership interest in private equity and hedge funds. The Federal Reserve has granted an extension to conform with the retention of ownership interest in private equity and hedge funds until July 21, 2016, and has indicated that they will grant an additional one year extension to July 21, 2017. The Company plans to comply within the conformance period and does not believe that the Volcker Rule will have a material impact on its investment portfolio.

Governmental Policies

The operations of the Company and its subsidiaries are affected not only by general economic conditions, but also by the policies of various regulatory authorities. In particular, the Federal Reserve Board ("FRB") regulates monetary policy and interest rates in order to influence general economic conditions. These policies have a significant influence on overall growth and distribution of loans, investments and deposits and affect interest rates charged on loans or paid for deposits. FRB monetary policies have had a significant effect on the operating results of all financial institutions in the past and may continue to do so in the future.

Following the results of the 2016 U.S. presidential election, the new administration may bring changes to the financial services industry that we cannot predict, including potential changes to policies and regulations that implement current federal law, including those implementing the Dodd-Frank Act. At this point we are unable to determine what impact potential policy changes might have on the Company or its subsidiaries.

Employees

As of December 31, 2016, we had 479 full-time equivalent employees. None of the Company's employees are covered by a collective bargaining agreement. Management believes that its relationship with its employees is good.

ITEM 1A: RISK FACTORS

An investment in our common shares is subject to risks inherent to our business. Before making an investment decision, you should carefully consider the risks and uncertainties described below together with all of the other information included or incorporated by reference in this report. The value of our common shares could decline due to any of these risks, and you could lose all or part of your investment.

Risks Relating to Our Business

Our allowance for loan losses may not be adequate to cover actual loan losses.

We maintain an allowance for loan losses, which is a reserve established through a provision for loan losses charged to expense, that represents management's estimate of probable losses within the existing portfolio of loans. The allowance, in the judgment of management, is sufficient to reserve for estimated loan losses and risks inherent in the loan portfolio. We continue to monitor the adequacy of our loan loss allowance and may need to increase it if economic conditions deteriorate. In addition, bank regulatory agencies periodically review our allowance for loan losses and may require an increase in the provision for loan losses or the recognition of further loan charge-offs, based on judgments that can differ somewhat from those of our own management. In addition, if charge-offs in future periods exceed the allowance for loan losses (i.e., if the loan allowance is inadequate), we may need additional loan loss provisions to increase the allowance for loan losses. Additional provisions to increase the allowance for loan losses, should they become necessary, would result in a decrease in net income and a reduction in capital, and may have a material adverse effect on our financial condition and results of operations.

An economic downturn could adversely affect our financial condition, results of operations or cash flows.

If the communities in which we operate do not grow, or if prevailing economic conditions locally or nationally are unfavorable, our business may not succeed. Unpredictable economic conditions may have an adverse effect on the quality of our loan portfolio and our financial performance. Economic recession or other economic problems in our market areas could have a material adverse impact on the quality of the loan portfolio and the demand for our products and services. Adverse changes in the economies in our market areas may have a material adverse effect on our financial condition, results of operations or cash flows. As a community bank, we bear increased risk of unfavorable local economic conditions. Moreover, we cannot give any assurance that we will benefit from any market growth or favorable economic conditions in our primary market areas even if they do occur.

Our loan portfolio is concentrated in certain markets which could result in increased credit risk.

A majority of our loans are to businesses and individuals in the St. Louis, Kansas City, and Phoenix metropolitan areas. The regional economic conditions in areas where we conduct our business have an impact on the demand for our products and services as well as the ability of our clients to repay loans, the value of the collateral securing loans, and the stability of our deposit funding sources. Consequently, a decline in local economic conditions may adversely affect our earnings.

There are material risks involved in commercial lending that could adversely affect our business.

Our business plan calls for continued efforts to increase our assets invested in commercial loans. Our credit-rated commercial loans include commercial and industrial loans to our privately-owned business clients along with loans to commercial borrowers that are secured by real estate (commercial property, multi-family residential property, 1 - 4 family residential property, and construction and land). Commercial loans generally involve a higher degree of credit risk than residential mortgage loans due, in part, to their larger average size and less readily-marketable collateral. In addition, unlike residential mortgage loans, commercial loans generally depend on the cash flow of the borrower’s business to service the debt. Adverse economic conditions or other factors affecting our target markets may have a greater adverse effect on us than on other financial institutions that have a more diversified client base. Increases in non-performing commercial loans could result in operating losses, impaired liquidity and erosion of our capital, and could have a material adverse effect on our financial condition and results of operations. Credit market tightening could adversely affect our commercial borrowers through declines in their business activities and adversely impact their overall liquidity through the diminished availability of other borrowing sources or otherwise.

Our loan portfolio includes loans secured by real estate, which could result in increased credit risk.
A portion of our portfolio is secured by real estate, and thus we face a high degree of risk from a downturn in our real estate markets. If real estate values would decline in our markets, our ability to recover on defaulted loans for which the primary reliance for repayment is on the real estate collateral by foreclosing and selling that real estate would then be diminished, and we would be more likely to suffer losses on defaulted loans.

Additionally, Kansas and Arizona have foreclosure laws that hinder our ability to recover on defaulted loans secured by property in their states. Kansas is a judicial foreclosure state, therefore all foreclosures must be processed through the Kansas state courts. Due to this process, it takes approximately one year for us to foreclose on real estate collateral located in the State of Kansas. Our ability to recover on defaulted loans secured by Kansas property may be delayed and our recovery efforts are lengthened due to this process. Arizona has a non-deficiency statute with regards to certain types of residential mortgage loans. Our ability to recover on defaulted loans secured by residential mortgages may be limited to the fair value of the real estate securing the loan at the time of foreclosure.

Our enterprise value lending / senior debt financing transactions are underwritten based primarily on cash flow, profitability and enterprise value of the client and are not fully covered by the value of tangible assets or collateral of the client. Consequently, if any of these transactions becomes non-performing, we could suffer a loss of some or all of our value in the assets.
Cash flow lending involves lending money to a client based primarily on the expected cash flow, profitability and enterprise value of a client, with the value of any tangible assets as secondary protection. In some cases, these loans may have more leverage than traditional bank debt. In the case of our senior cash flow loans, we generally take a lien on substantially all of a client's assets, but the value of those assets is typically substantially less than the amount of money we advance to the client under a cash flow transaction. In addition, some of our cash flow loans may be viewed as stretch loans, meaning they may be at leverage multiples that exceed traditional accepted bank lending standards for senior cash flow loans. Thus, if a cash flow transaction becomes non-performing, our primary recourse to recover some or all of the principal of our loan or other debt product would be to force the sale of all or part of the company as a going concern. Additionally, we may obtain equity ownership in a borrower as a means to recover some or all of the principal of our loan. The risks inherent in cash flow lending include, among other things:

- reduced use of or demand for the client's products or services and, thus, reduced cash flow of the client to service the loan and other debt product as well as reduced value of the client as a going concern;
- inability of the client to manage working capital, which could result in lower cash flow;
- inaccurate or fraudulent reporting of our client's positions or financial statements;
- economic downturns, political events, regulatory changes, litigation or acts of terrorism that affect the client's business, financial condition and prospects; and
- our client's poor management of their business.

Additionally, many of our clients use the proceeds of our cash flow transactions to make acquisitions. Poorly executed or poorly conceived acquisitions can burden management, systems and the operations of the existing business, causing a decline in both the client's cash flow and the value of its business as a going concern. In addition, many acquisitions involve new management teams taking over day-to-day operations of a business. These new management teams may fail to execute at the same level as the former management team, which could reduce the cash flow of the client available to service the loan or other debt product, as well as reduce the value of the client as a going concern.

Widespread financial difficulties or downgrades in the financial strength or credit ratings of life insurance providers could lessen the value of the collateral securing our life insurance premium finance loans and impair our financial condition and liquidity.
One of the specialized products we offer is financing high-end whole life insurance premiums utilized in high net worth estate planning. These loans are primarily secured by the insurance policies financed by the loans, i.e., the obligations of the life insurance providers under those policies. Nationally Recognized Statistical Rating Organizations (“NRSROs”) such as Standard & Poor’s, Moody’s and A.M. Best evaluate the life insurance providers that are the payors on the life insurance policies that we finance. The value of our collateral could be materially impaired in the event there are widespread financial difficulties among life insurance providers or the NRSROs downgrade the financial strength ratings or credit ratings of the life insurance providers, indicating the NRSROs’ opinion that the life insurance

provider’s ability to meet policyholder obligations is impaired, or the ability of the life insurance provider to meet the terms of its debt obligations is impaired. The value of our collateral is also subject to the risk that a life insurance provider could become insolvent. In particular, if one or more large nationwide life insurance providers were to fail, the value of our portfolio could be significantly negatively impacted. A significant downgrade in the value of the collateral supporting our premium finance business could impair our ability to create liquidity for this business, which, in turn could negatively impact our ability to expand.

We engage in aircraft financing transactions, in which high-value collateral is susceptible to potential catastrophic loss. Consequently, if any of these transactions becomes non-performing, we could suffer a loss of some or all of our value in the assets.

In January 2016, we acquired an aircraft financing platform and the associated portfolio of aircraft loans. These transactions are secured by the aircraft financed by the loans. Aircraft as collateral presents unique risks: it is high-value, but susceptible to rapid movement across different locations and potential catastrophic loss. Although the loan documentation for these transactions includes insurance covenants and other provisions to protect the lender against risk of loss, there can be no assurance that, in the event of a catastrophic loss, the insurance proceeds would be sufficient to ensure our full recovery of the aircraft loan. Moreover, a relatively small number of non-performing aircraft loans could have a significant negative impact on the value of our portfolio. If we must make additional provisions to increase our allowance for loan losses, we could experience a decrease in net income and possibly a reduction in capital, which could have a material adverse effect on our financial condition and results of operations.

We may be obligated to indemnify certain counterparties in financing transactions we enter into pursuant to the New Markets Tax Credit Program.

We participate in and are an "Allocatee" of the New Markets Tax Credit Program of the U.S. Department of the Treasury Community Development Financial Institutions Fund. Through this program, we provide our allocation to certain projects, which in turn for an equity investment from an Investor in the project generate federal tax credits to those investors. This equity, coupled with any debt or equity from the project sponsor is in turn invested in a certified community development entity for a period of at least seven years. Community development entities must use this capital to make loans to, or other investments in, qualified businesses in low-income communities in accordance with New Markets Tax Credit Program criteria. Investors receive an overall tax credit equal to 39% of their total equity investment, credited at a rate of five percent in each of the first three years and six percent in each of the final four years. However, after the exhaustion of all cure periods and remedies, the entire credit is subject to recapture if the certified community development entity fails to maintain its certified status, or if substantially all of the equity investment proceeds associated with the tax credits we allocate are no longer continuously invested in a qualified business that meets the New Markets Tax Credit Program criteria, or if the equity investment is redeemed prior to the end of the minimum seven-year term. As part of these financing transactions, we as the parent to Enterprise Financial CDE, LLC ("CDE"), provide customary indemnities to the tax credit investors, which require us to indemnify and hold harmless the investors in the event a credit recapture event occurs, unless the recapture is a result of action or inaction of the investor. No assurance can be given that these counterparties will not call upon us to discharge these obligations in the circumstances under which they are owed. If this were to occur, the amount we may be required to pay a bank investor could be substantial and could have a material adverse effect on our results of operations and financial condition.

If we fail to comply with requirements of the federal New Markets Tax Credit program, the U.S. Department of the Treasury Community Development Financial Institutions Fund could seek any remedies available under its Allocation Agreement with us, and we could suffer significant reputational harm and be subject to greater scrutiny from banking regulators.

Because we have been designated as an “Allocatee” under the New Markets Tax Credit Program, we are required to provide allocation fund qualifying projects under the New Markets Tax Credit Program, and we are responsible for monitoring those projects, ensuring their ongoing compliance with the requirements of the New Markets Tax Credit Program and satisfying the various recordkeeping and reporting requirements under the New Markets Tax Credit Program. If we default in our obligations under the New Markets Tax Credit Program, the U.S. Department of the Treasury may revoke our participation in any other CDFI Fund programs, reallocate the new market tax credits that were originally allocated to us, and take any other remedial actions that it is empowered to take under the Allocation

Agreement they have entered into with us with respect to the New Markets Tax Credit Program, with the full range of such remedies being unknown. If we were to default under the New Markets Tax Credit Program, we could suffer negative publicity in the communities in which we operate, and we could face greater scrutiny from federal and state bank regulators, especially with regard to our compliance with the Community Reinvestment Act. These developments could have a material adverse impact on our reputation, business, financial condition, results of operations and liquidity.

We face potential risks from litigation brought against the Company or its subsidiaries.
We are involved in various lawsuits and legal proceedings. Pending or threatened litigation against the Company or the Bank, litigation-related costs and any legal liability as a result of an adverse determination with respect to one or more of these legal proceedings could have a material adverse effect on our business, cash flows, financial position or results of operations and/or could cause us significant reputational harm, including without limitation as a result of negative publicity the Company may face even if it prevails in such legal proceedings, which could adversely affect our business prospects.

Liquidity risk could impair our ability to fund operations and meet debt coverage obligations, and jeopardize our financial condition.
Liquidity is essential to our business. We are a holding company and depend on our subsidiaries for capital needs, including debt coverage requirements. An inability to raise funds through deposits, borrowings, the sale of investment securities and other sources could have a substantial material adverse effect on our liquidity. Our access to funding sources in amounts that are adequate to finance our activities could be impaired by factors that affect us specifically or the financial services industry in general. Factors that could detrimentally impact our access to liquidity sources include but are not limited to a decrease in the level of our business activity due to a market downturn, our failure to remain well capitalized, or adverse regulatory action against us. Our ability to acquire deposits or borrow could also be impaired by factors that are not specific to us, such as a severe disruption of the financial markets or negative views and expectations about the prospects for the financial services industry as a whole.

Loss of customer deposits could increase our funding costs.
We rely on bank deposits to be a low cost and stable source of funding. We compete with banks and other financial services companies for deposits. If our competitors raise the rates they pay on deposits, our funding costs may increase, either because we raise our rates to avoid losing deposits or because we lose deposits and must rely on more expensive sources of funding. Higher funding costs could reduce our net interest margin and net interest income and could have a material adverse effect on our business, financial condition and results of operations.

Our utilization of brokered deposits could adversely affect our liquidity and results of operations.
Since our inception, we have utilized both brokered and non-brokered deposits as a source of funds to support our growing loan demand and other liquidity needs. As a bank regulatory supervisory matter, reliance upon brokered deposits as a significant source of funding is discouraged. Brokered deposits may not be as stable as other types of deposits, and, in the future, those depositors may not renew their deposits when they mature, or we may have to pay a higher rate of interest to keep those deposits or may have to replace them with other deposits or with funds from other sources. Additionally, if the Bank ceases to be categorized as “well capitalized” for bank regulatory purposes, it would not be able to accept, renew or roll over brokered deposits without a waiver from the FDIC. Our inability to maintain or replace these brokered deposits as they mature could adversely affect our liquidity and results of operations. Further, paying higher interests rates to maintain or replace these deposits could adversely affect our net interest margin and results of operations.

We may need to raise additional capital in the future, and such capital may not be available to us or may only be available on unfavorable terms.
We may need to raise additional capital in the future in order to support growth or manage adverse developments such as any additional provisions for loan losses, to maintain our capital ratios, or for other reasons. The condition of the financial markets may be such that we may not be able to obtain additional capital, or the additional capital may only be available on terms that are not attractive to us.

No assurance can be given that the subordinated notes will continue to qualify as Tier 2 capital.
We treat the 4.75% fixed-to-floating rate subordinated notes as “Tier 2 capital” under the Board of Governors of the Federal Reserve System (the “Federal Reserve Board”) regulatory rules and guidelines. If the subordinated notes are no longer qualified as Tier 2 capital, it could have an adverse effect on our capital requirements under the Federal Reserve Board rules and guidelines.

Our business is subject to interest rate risk and variations in interest rates may negatively affect our financial performance.
A substantial portion of our income is derived from the differential or “spread” between the interest earned on loans, investment securities, and other interest-earning assets, and the interest paid on deposits, borrowings, and other interest-bearing liabilities. Because of the differences in the maturities and repricing characteristics of our interest-earning assets and interest-bearing liabilities, changes in interest rates may not produce equivalent changes in interest income earned on interest-earning assets and interest paid on interest-bearing liabilities. Significant fluctuations in market interest rates could materially and adversely affect not only our net interest spread, but also our asset quality and loan origination volume, deposits, funding availability, and/or net income.

We face potential risk from changes in Governmental Monetary Policies.
The Bank’s earnings are affected by domestic economic conditions and the monetary and fiscal policies of the United States government and its agencies. The Federal Reserve’s monetary policies have had, and are likely to continue to have, an important impact on the operating results of commercial banks through its power to implement national monetary policy in order, among other things, to curb inflation or combat a recession. The monetary policies of the Federal Reserve affect the levels of bank loans, investments, and deposits through its control over the issuance of United States government securities, its regulation of the discount rate applicable to member banks, and its influence over reserve requirements to which member banks are subject. The Bank cannot predict the nature or impact of future changes in monetary and fiscal policies.

The ability of our borrowers to repay their loans may be adversely affected by an increase in market interest rates which could result in increased credit losses. These increased credit losses, where the Bank has retained credit exposure, could decrease our assets, net income and cash available.
The loans we make to our borrowers typically bear interest at a variable or floating interest rate. When market interest rates increase, the amount of revenue borrowers need to service their debt also increases. Some borrowers may be unable to make their debt service payments. As a result, an increase in market interest rates will increase the risk of loan default. An increase in non-performing loans could result in a net loss of earnings from these loans, an increase in the provision for loan and covered loan losses, and an increase in loan charge-offs, all of which could have a material adverse effect on our business, financial condition and results of operations.

By engaging in derivative transactions, we are exposed to additional credit and market risk in our banking business.
We may use interest rate swaps to help manage our interest rate risk in our banking business from recorded financial assets and liabilities when they can be demonstrated to effectively hedge a designated asset or liability and the asset or liability exposes us to interest rate risk or risks inherent in client related derivatives. We may use other derivative financial instruments to help manage other economic risks, such as liquidity and credit risk, including exposures that arise from business activities that result in the receipt or payment of future known or uncertain cash amounts, the value of which are determined by interest rates. We also have derivatives that result from a service we provide to certain qualifying clients approved through our credit process, and therefore, these derivatives are not used to manage interest rate risk in our assets or liabilities. Hedging interest rate risk is a complex process, requiring sophisticated models and routine monitoring. As a result of interest rate fluctuations, hedged assets and liabilities will appreciate or depreciate in market value. The effect of this unrealized appreciation or depreciation will generally be offset by income or loss on the derivative instruments that are linked to the hedged assets and liabilities. By engaging in derivative transactions, we are exposed to credit and market risk. If the counterparty fails to perform, credit risk exists to the extent of the fair value gain in the derivative. Market risk exists to the extent that interest rates change in ways that are significantly different from what we expected when we entered into the derivative transaction. The existence of credit and market

risk associated with our derivative instruments could adversely affect our net interest income and, therefore, could have a material adverse effect on our business, financial condition, results of operations and future prospects.

If the Company incurs losses that erode its capital, it may become subject to enhanced regulation or supervisory action.

Under federal and state laws and regulations pertaining to the safety and soundness of insured depository institutions, the Missouri Division of Finance, the Federal Reserve, and the FDIC have the authority to compel or restrict certain actions if the Company's or the Bank's capital should fall below adequate capital standards as a result of future operating losses, or if its bank regulators determine that it has insufficient capital. Among other matters, the corrective actions include but are not limited to requiring affirmative action to correct any conditions resulting from any violation or practice; directing an increase in capital and the maintenance of specific minimum capital ratios; restricting the Bank's operations; limiting the rate of interest the bank may pay on brokered deposits; restricting the amount of distributions and dividends and payment of interest on its trust preferred securities; requiring the Bank to enter into informal or formal enforcement orders, including memoranda of understanding, written agreements and consent or cease and desist orders to take corrective action and enjoin unsafe and unsound practices; removing officers and directors and assessing civil monetary penalties; and taking possession of and closing and liquidating the Bank. These actions may limit the ability of the Bank or Company to execute its business plan and thus can lead to an adverse impact on the results of operations or financial position.

Changes in government regulation and supervision may increase our costs, or impact our ability to operate in certain lines of business.

Our operations are subject to extensive regulation by federal, state and local governmental authorities and are subject to various laws and judicial and administrative decisions imposing requirements and restrictions on part or all of our operations. Banking regulations are primarily intended to protect depositors' funds, federal deposit insurance funds and the banking system as a whole, not stockholders. Because our business is highly regulated, the laws, rules, regulations and supervisory guidance and policies applicable to us are subject to regular modification and change and could result in an adverse impact on our results of operations.

Any future increases in FDIC insurance premiums might adversely impact our earnings.

Over the past several years, the FDIC has adopted several rules which have resulted in a number of changes to the FDIC assessments, including modification of the assessment system and a special assessment. It is possible that the FDIC may impose special assessments in the future or further increase our annual assessment, which could adversely affect our earnings.

We may be adversely affected by the soundness of other financial institutions.

Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. We have exposure to different institutions and counterparties, and we execute transactions with various counterparties in the financial industry, including federal home loan banks, commercial banks, brokers and dealers, investment banks and other institutional clients. Defaults by financial services institutions, and even rumors or questions about one or more financial services institutions or the financial services industry in general, have led to market-wide liquidity problems in prior years and could lead to losses or defaults by us or by other institutions. Any such losses could materially and adversely affect our results of operations or financial position.

We face significant competition.

The financial services industry, including but not limited to, commercial banking, mortgage banking, consumer lending, and home equity lending, is highly competitive, and we encounter strong competition for deposits, loans, and other financial services in all of our market areas in each of our lines of business. Our principal competitors include other commercial banks, savings banks, savings and loan associations, mutual funds, money market funds, finance companies, trust companies, insurers, credit unions, and mortgage companies among others. Many of our non-bank competitors are not subject to the same degree of regulation as us and have advantages over us in providing certain services. Many of our competitors are significantly larger than us and have greater access to capital and other resources. Also, our ability to compete effectively in our business is dependent on our ability to adapt successfully to regulatory and technological changes within the banking and financial services industry, generally. If we are unable to compete effectively, we will lose market share and our income from loans and other products may diminish.

Our ability to compete successfully depends on a number of factors, including, among other things:

- the ability to develop, maintain, and build upon long-term client relationships based on top quality service and high ethical standards;
- the scope, relevance, and pricing of products and services offered to meet client needs and demands;
- the rate at which we introduce new products and services relative to our competitors;
- client satisfaction with our level of service; and/or
- industry and general economic trends.

Failure to perform in any of these areas could significantly weaken our competitive position, and could adversely affect our growth and profitability, which, in turn, could have a material adverse effect on our financial condition and results of operations.

We have engaged in and may continue to engage in further expansion through acquisitions, and these acquisitions present a number of risks related both to the acquisition transactions and to the integration of the acquired businesses.

The acquisition of other financial services companies or assets, including the acquisition of JCB, present risks to the Company in addition to those presented by the nature of the business acquired. Our earnings, financial condition, and prospects after a merger or acquisition depend in part on our ability to successfully integrate the operations of the acquired company. We may be unable to integrate operations successfully or to achieve expected results or cost savings.

Acquiring other banks or businesses involves various risks commonly associated with acquisitions, including, among other things:

- potential exposure to unknown or contingent liabilities of the target company;
- exposure to potential asset quality issues of the target company;
- difficulty and expense of integrating the operations and personnel of the target company;
- potential disruption to our business;
- potential diversion of our management's time and attention;
- the possible loss of key employees and clients of the target company;
- difficulty in estimating the value of the target company;
- payment of a premium over book and market values that may dilute our tangible book value and earnings per share in the short- and long-term;
- inability to realize the expected revenue increases, cost savings, increases in geographic or product presence, and/or other projected benefits;
- potential changes in banking or tax laws or regulations that may affect the target company; and/or
- potential additional costs for diligence or break-up fees.

We periodically evaluate merger and acquisition opportunities and conduct due diligence activities related to possible transactions with other financial institutions and financial services companies. As a result, merger or acquisition discussions and, in some cases, negotiations may take place, and future mergers or acquisitions involving cash, debt or equity securities may occur at any time. Acquisitions may involve the payment of a premium over book and/or market values, and, therefore, result in dilution of our tangible book value and net income per common share. Furthermore, failure to realize the expected revenue increases, cost savings, increases in geographic or product presence, and/or other projected benefits from an acquisition could have a material adverse effect on our financial condition and results of operations. Finally, to the extent that we issue capital stock in connection with transactions, such transactions and related stock issuances may have a dilutive effect on earnings per share of our common stock and share ownership of our stockholders.

We may be unable to successfully integrate new business lines into our existing operations.

In January 2016, we added a team focused on the niche product of aircraft financing in order to further broaden our offerings to our middle market commercial clients. From time to time, we may implement other new lines of business or offer new products or services within existing lines of business. There can be substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. Although we continue to expend substantial managerial, operating and financial resources as our business grows, we may be unable to successfully continue the integration of new business lines, and price and profitability targets may not prove feasible. External factors such as compliance with regulations, competitive alternatives and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. Furthermore, any new line of business and new product or service could have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to maintain our historical rate of growth, which could have a material adverse effect on our ability to successfully implement our business strategy.
Successful growth requires that we follow adequate loan underwriting standards, balance loan and deposit growth without increasing interest rate risk or compressing our net interest margin, maintain adequate capital at all times, produce investment performance results competitive with our peers and benchmarks, further diversify our revenue sources, meet the expectations of our clients and hire and retain qualified employees. If we do not manage our growth successfully, then our business, results of operations or financial condition may be adversely affected.

We may not be able to attract and retain skilled people.
Our success depends, in large part, on our ability to attract and retain key people. Competition for the best people in most activities in which we are engaged can be intense, and we may not be able to hire or retain the people we want and/or need. Although we maintain employment agreements with certain key employees, and have incentive compensation plans aimed, in part, at long-term employee retention, the unexpected loss of services of one or more of our key personnel could still occur, and such events may have a material adverse impact on our business because of the loss of the employee's skills, knowledge of our market, and years of industry experience and the difficulty of promptly finding qualified replacement personnel.

Additionally, executive leadership transitions and succession planning can be inherently difficult to manage and may cause disruption to our business. Executive leadership transitions inherently cause some loss of institutional knowledge, which can negatively affect strategy and execution, and our results of operations and financial condition could suffer as a result. The loss of services of one or more members of senior management, or delays in a full transition of our incoming Chief Executive Officer could have a material adverse effect on our business.

Loss of key employees may disrupt relationships with certain clients.
Our client relationships are critical to the success of our business, and loss of key employees with significant client relationships may lead to the loss of business if the clients follow that employee to a competitor. While we believe our relationships with our key personnel are strong, we cannot guarantee that all of our key personnel will remain with us, which could result in the loss of some of our clients and could have an adverse impact on our business, financial condition and results of operations.

We may incur impairments to goodwill.
As of December 31, 2016, we had $30.3 million recorded as goodwill. However, we anticipate a material increase to goodwill due to the acquisition of JCB in 2017. We evaluate our goodwill for impairment at least annually. Significant negative industry or economic trends, including the lack of recovery in the market price of our common stock, or reduced estimates of future cash flows or disruptions to our business, could result in impairments to goodwill. Our valuation methodology for assessing impairment requires management to make judgments and assumptions based on historical experience and to rely on projections of future operating performance. We operate in competitive environments and projections of future operating results and cash flows may vary significantly from actual results. If our analysis results in impairment to goodwill, we would be required to record an impairment charge to earnings in its financial statements during the period in which such impairment is determined to exist. Any such change could have a material adverse effect on our results of operations and stock price.

The CFPB may reshape the consumer financial laws through rulemaking and enforcement of unfair, deceptive or abusive acts or practices, which may directly impact the business operations of depository institutions offering consumer financial products or services, including the Bank.

The Dodd-Frank Act was signed into law on July 21, 2010. The Dodd-Frank Act represents a comprehensive overhaul of the financial services industry within the United States, establishes the new federal Consumer Financial Protection Bureau (the "CFPB"), and will require the CFPB and other federal agencies to implement many new rules.

The CFPB has broad powers to supervise and enforce consumer protection laws. The CFPB has broad rule-making authority for a wide range of consumer protection laws that apply to all banks, including the authority to prohibit unfair, deceptive or abusive acts and practices. In addition, the Dodd-Frank Act enhanced the regulation of mortgage banking and gave to the CFPB oversight of many of the core laws which regulate the mortgage industry and the authority to implement mortgage regulations. New regulations adopted and anticipated to be adopted by the CFPB will significantly impact consumer mortgage lending and servicing.

The CFPB has broad rulemaking authority to administer and carry out the purposes and objectives of the "Federal consumer financial laws, and to prevent evasions thereof," with respect to all financial institutions that offer financial products and services to consumers. The CFPB is also authorized to prescribe rules applicable to any covered person or service provider identifying and prohibiting acts or practices that are "unfair, deceptive, or abusive" in connection with any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product or service. The potential reach of the CFPB's broad new rulemaking powers and UDAAP authority on the operations of financial institutions offering consumer financial products or services including the Bank is currently unknown.

We are subject to numerous laws designed to protect consumers, including the Community Reinvestment Act and fair lending laws, and failure to comply with these laws could lead to a wide variety of sanctions.

The Community Reinvestment Act, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The Consumer Financial Protection Bureau, the Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. A successful regulatory challenge to an institution's performance under the Community Reinvestment Act or fair lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions activity, restrictions on expansion, and restrictions on entering new business lines. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on our business, financial condition, results of operations and future prospects.

We face a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti-money laundering statutes and regulations.

The Bank Secrecy Act, the USA PATRIOT Act of 2001, and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti-money laundering program and file suspicious activity and currency transaction reports when appropriate. In addition to other bank regulatory agencies, the federal Financial Crimes Enforcement Network of the Department of the Treasury is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the state and federal banking regulators, as well as the U.S. Department of Justice, Consumer Financial Protection Bureau, Drug Enforcement Administration, and Internal Revenue Service. We are also subject to increased scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control of the Department of the Treasury regarding, among other things, the prohibition of transacting business with, and the need to freeze assets of, certain persons and organizations identified as a threat to the national security, foreign policy or economy of the United States. If our policies, procedures and systems are deemed deficient, we would be subject to liability, including fines and regulatory actions, which may include restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan, including any acquisition plans. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us. Any of these results could have a material adverse effect on our business, financial condition, results of operations and future prospects.

The Volcker Rule limits the permissible strategies for managing our investment portfolio.
Effective December 10, 2013, pursuant to the Dodd-Frank Act, federal banking and securities regulators issued final rules to implement Section 619 of the Dodd-Frank Act (the "Volcker Rule"). Generally, subject to a transition period and certain exceptions, the Volcker Rule restricts insured depository institutions and their affiliated companies from: (i) short-term proprietary trading as principal in securities and other financial instruments, and (ii) sponsoring or acquiring or retaining an ownership interest in private equity and hedge funds. After the transition period, the Volcker Rule prohibitions and restrictions will apply to banking entities, including the Company, unless an exception applies.

Declines in asset values may result in impairment charges and adversely impact the value of our investments and our financial performance and capital.
We hold an investment securities portfolio that includes, but is not limited to, government securities and agency mortgage-backed securities. Factors beyond our control can significantly influence the fair value of securities in our portfolio and can cause potential adverse changes to the fair value of these securities. These factors include, but are not limited to, rating agency actions in respect to the securities, defaults by the issuer or with respect to the underlying securities, changes in market interest rates and instability in the capital markets. Any of these factors, among others, could cause other-than-temporary impairments and realized or unrealized losses in future periods and declines in other comprehensive income (loss), which could have a material adverse effect on our business, results of operations, financial condition and future prospects. The process for determining whether impairment of a security is other-than-temporary often requires complex, subjective judgments about whether there has been significant deterioration in the financial condition of the issuer, whether management has the intent or ability to hold a security for a period of time sufficient to allow for any anticipated recovery in fair value, the future financial performance and liquidity of the issuer and any collateral underlying the security and other relevant factors.

Our investment securities portfolio includes $4.4 million in capital stock of the FHLB of Des Moines as of December 31, 2016. This stock ownership is required for us to qualify for membership in the FHLB system, which enables it to borrow funds under the FHLB advance program. If the FHLB experiences a capital shortfall, it could suspend its quarterly cash dividend, and possibly require its members, including us, to make additional capital investments in the FHLB. If the FHLB were to cease operations, or if we would be required to write-off our investment in the FHLB, our financial condition, and results of operations may be materially and adversely affected.

We primarily invest in mortgage-backed obligations and such obligations have been, and are likely to continue to be, impacted by market dislocations, declining home values and prepayment risk, which may lead to volatility in cash flow and market risk and declines in the value of our investment portfolio.
Our investment portfolio largely consists of mortgage-backed obligations primarily secured by pools of mortgages on single-family residences. The value of mortgage-backed obligations in our investment portfolio may fluctuate for several reasons, including (i) delinquencies and defaults on the mortgages underlying such obligations, due in part to high unemployment rates, (ii) falling home prices, (iii) lack of a liquid market for such obligations, (iv) uncertainties in respect of government-sponsored enterprises such as the Federal National Mortgage Association (“Fannie Mae”) or the Federal Home Loan Mortgage Corporation (“Freddie Mac”), which guarantee such obligations, and (v) the expiration of government stimulus initiatives. Although home values had declined over the last several years, prices appear to have now leveled off. However, if the value of homes were to further materially decline, the fair value of the mortgage-backed obligations in which we invest may also decline. Any such decline in the fair value of mortgage-backed obligations, or perceived market uncertainty about their fair value, could adversely affect our financial position and results of operations. In addition, when we acquire a mortgage-backed security, we anticipate that the underlying mortgages will prepay at a projected rate, thereby generating an expected yield. Prepayment rates generally increase as interest rates fall and decrease when rates rise, but changes in prepayment rates are difficult to predict. In light of historically low interest rates, many of our mortgage-backed securities have a higher interest rate than prevailing market rates, resulting in a premium purchase price. In accordance with applicable accounting standards, we amortize the premium over the expected life of the mortgage-backed security. If the mortgage loans securing the mortgage-backed security prepay more rapidly than anticipated, we would have to amortize the premium on an accelerated basis, which would thereby adversely affect our profitability.

A failure in or breach of our operational or security systems, or those of our third party service providers, including as a result of cyber attacks, could disrupt our business, result in unintentional disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and adversely impact our earnings.

As a financial institution, our operations rely heavily on the secure processing, storage and transmission of confidential and other information on our computer systems and networks. Any failure, interruption or breach in security or operational integrity of these systems could result in failures or disruptions in our Internet banking system, treasury management products, check and document imaging, remote deposit capture systems, general ledger, and other systems. The security and integrity of our systems could be threatened by a variety of interruptions or information security breaches, including those caused by computer hacking, cyber attacks, electronic fraudulent activity or attempted theft of financial assets. We cannot assure any such failures, interruption or security breaches will not occur, or if they do occur, that they will be adequately addressed. While we have certain protective policies and procedures in place, the nature and sophistication of the threats continue to evolve. We may be required to expend significant additional resources in the future to modify and enhance our protective measures. Additionally, we face the risk of operational disruption, failure, termination or capacity constraints of any of the third parties that facilitate our business activities, including exchanges, clearing agents, clearing houses or other financial intermediaries. Such parties could also be the source of an attack on, or breach of, our operational systems. Any failures, interruptions or security breaches in our information systems could damage our reputation, result in a loss of client business, result in a violation of privacy or other laws, or expose us to civil litigation, regulatory fines or losses not covered by insurance.

We rely on third-party vendors to provide key components of our business infrastructure.

We rely heavily on third-party service providers for much of our communications, information, operating and financial control systems technology, including relationship management, mobile banking, general ledger, investment, deposit, loan servicing and loan origination systems. While we have selected these third-party vendors carefully, we do not control their actions. Any problems caused by these third parties, including as a result of inadequate or interrupted service, could adversely affect our ability to deliver products and services to our clients and otherwise conduct our business. Financial or operational difficulties of a third-party vendor could also hurt our operations if those difficulties interfere with the vendor’s ability to serve us, and replacing these third-party vendors could result in significant delay and expense. Accordingly use of such third parties creates an unavoidable inherent risk to our business operations as well as reputational risk.

We are subject to environmental risks associated with owning real estate or collateral.

When a borrower defaults on a loan secured by real property, the Company may purchase the property in foreclosure or accept a deed to the property surrendered by the borrower. We may also take over the management of commercial properties whose owners have defaulted on loans. We may also own and lease premises where branches and other facilities are located. While we will have lending, foreclosure and facilities guidelines intended to exclude properties with an unreasonable risk of contamination, hazardous substances could exist on some of the properties that the Company may own, manage or occupy. We face the risk that environmental laws could force us to clean up the properties at the Company's expense. The cost of cleaning up or paying damages and penalties associated with environmental problems could increase our operating expenses. It may cost much more to clean a property than the property is worth. We could also be liable for pollution generated by a borrower's operations if the Company takes a role in managing those operations after a default. The Company may also find it difficult or impossible to sell contaminated properties.

Risks Relating to Our Common Stock

The price of our common stock may be volatile or may decline.

The trading price of our common stock may fluctuate widely as a result of a number of factors, many of which are outside our control. In addition, the stock market is subject to fluctuations in the share prices and trading volumes that affect the market prices of the shares of many companies. These broad market fluctuations could make it more difficult for you to resell your common stock when you want and at prices you find attractive. Our stock price can fluctuate significantly in response to a variety of factors including, among other things:

- actual or anticipated quarterly fluctuations in our operating results and financial condition;
- changes in revenue or earnings estimates or publication of research reports and recommendations by financial analysts;
- failure to meet analysts' revenue or earnings estimates;

- speculation in the press or investment community;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- actions by institutional stockholders;
- fluctuations in the stock prices and operating results of our competitors;
- general market conditions and, in particular, developments related to market conditions for the financial services industry;
- proposed or adopted regulatory changes or developments;
- anticipated or pending investigations, proceedings or litigation that involve or affect us; and/or
- domestic and international economic factors unrelated to our performance.

The stock market and, in particular, the market for financial institution stocks, has historically experienced significant volatility. As a result, the market price of our common stock may be volatile. In addition, the trading volume in our common stock may fluctuate more than usual and cause significant price variations to occur. The trading price of the shares of our common stock and the value of our other securities will depend on many factors, which may change from time to time, including, without limitation, our financial condition, performance, creditworthiness and prospects, future sales of our equity or equity related securities, and other factors identified in this annual report and other reports by the Company. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers' underlying financial strength or operating results. A significant decline in our stock price could result in substantial losses for individual stockholders and could lead to costly and disruptive securities litigation.

The trading volume in our common stock is less than that of other larger financial institutions.
Although our common stock is listed for trading on the NASDAQ Global Select Market, its trading volume may be less than that of other, larger financial services companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of our common stock at any given time, a factor over which we have no control. During any period of lower trading volume of our common stock, significant sales of shares of our common stock or the expectation of these sales could cause our common stock price to fall.

An investment in our common stock is not insured and you could lose the value of your entire investment.
An investment in our common stock is not a savings account, deposit or other obligation of our bank subsidiary, any non-bank subsidiary or any other bank, and such investment is not insured or guaranteed by the FDIC or any other governmental agency. As a result, if you acquire our common stock, you may lose some or all of your investment.

Our ability to pay dividends is limited by various statutes and regulations and depends primarily on the Bank's ability to distribute funds to us, and is also limited by various statutes and regulations.
The Company depends on payments from the Bank, including dividends, management fees and payments under tax sharing agreements, for substantially all of the Company's revenue. Federal and state regulations limit the amount of dividends and the amount of payments that the Bank may make to the Company under tax sharing agreements. In certain circumstances, the Missouri Division of Finance, FDIC, or Federal Reserve could restrict or prohibit the Bank from distributing dividends or making other payments to us. In the event that the Bank was restricted from paying dividends to the Company or making payments under the tax sharing agreement, the Company may not be able to service its debt, pay its other obligations or pay dividends on its common stock. If we are unable or determine not to pay dividends on our outstanding equity securities, the market price of such securities could be materially adversely affected.

There can be no assurance of any future dividends on our common stock.
Holders of our common stock are entitled to receive dividends only when, as and if declared by our board of directors. Although we have historically paid cash dividends on our common stock, we are not required to do so.

There may be future sales or other dilution of our equity, which may adversely affect the market price of our common stock.
We are not restricted from issuing additional common stock or preferred stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive, common stock or preferred stock or any

substantially similar securities. For example, we issued 3.3 million new shares of common stock in 2017 at the closing of the merger with JCB, which resulted in dilution to our shareholders.

In addition, to the extent awards to issue common stock under our employee equity compensation plans are exercised, or shares are issued, holders of our common stock could incur additional dilution. Further, if we sell additional equity or convertible debt securities, such sales could result in increased dilution to our stockholders. The market price of our common stock could decline as a result of sales of a large number of shares of common stock or preferred stock or similar securities in the market after an offering or the perception that such sales could occur.

Our outstanding debt securities, related to our trust preferred securities, restrict our ability to pay dividends on our capital stock.
We have outstanding subordinated debentures issued to statutory trust subsidiaries, which have issued and sold preferred securities in the Trusts to investors.

If we are unable to make payments on any of our subordinated debentures for more than 20 consecutive quarters, we would be in default under the governing agreements for such securities and the amounts due under such agreements would be immediately due and payable. Additionally, if for any interest payment period we do not pay interest in respect of the subordinated debentures (which will be used to make distributions on the trust preferred securities), or if for any interest payment period we do not pay interest in respect of the subordinated debentures, or if any other event of default occurs, then we generally will be prohibited from declaring or paying any dividends or other distributions, or redeeming, purchasing or acquiring, any of our capital securities, including the common stock, during the next succeeding interest payment period applicable to any of the subordinated debentures, or next succeeding interest payment period, as the case may be.

Moreover, any other financing agreements that we enter into in the future may limit our ability to pay cash dividends on our capital stock, including the common stock. In the event that our existing or future financing agreements restrict our ability to pay dividends in cash on the common stock, we may be unable to pay dividends in cash on the common stock unless we can refinance amounts outstanding under those agreements. In addition, if we are unable or determine not to pay interest on our subordinated debentures, the market price of our common stock could be materially or adversely affected.

Anti-takeover provisions could negatively impact our stockholders.
Provisions of Delaware law and of our certificate of incorporation, as amended, and bylaws, as well as various provisions of federal and Missouri state law applicable to bank and bank holding companies, could make it more difficult for a third party to acquire control of us or have the effect of discouraging a third party from attempting to acquire control of us. We are subject to Section 203 of the Delaware General Corporation Law, which would make it more difficult for another party to acquire us without the approval of our board of directors. Additionally, our certificate of incorporation, as amended, authorizes our board of directors to issue preferred stock which could be issued as a defensive measure in response to a takeover proposal. In the event of a proposed merger, tender offer or other attempt to gain control of the Company, our board of directors would have the ability to readily issue available shares of preferred stock as a method of discouraging, delaying or preventing a change in control of the Company. Such issuance could occur regardless of whether our stockholders favorably view the merger, tender offer or other attempt to gain control of the Company. These and other provisions could make it more difficult for a third party to acquire us even if an acquisition might be in the best interests of our stockholders. Although we have no present intention to issue any shares of our authorized preferred stock, there can be no assurance that the Company will not do so in the future.

ITEM 1B: UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2: PROPERTIES

Our executive offices are located at 150 North Meramec, Clayton, Missouri, 63105. As of December 31, 2016, we had six banking locations in the St. Louis metropolitan area, eight banking locations in the Kansas City metropolitan area, and two banking locations in the Phoenix metropolitan area. We own four of the facilities and lease the remainder. Most of the leases expire between 2017 and 2024 and include one or more renewal options of up to five years. One lease expires in 2028. All the leases are classified as operating leases. We believe all our properties are in good condition.

ITEM 3: LEGAL PROCEEDINGS

The Company and its subsidiaries are, from time to time, parties to various legal proceedings arising out of their businesses. Management believes that 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 4: MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock Market Prices

The Company's common stock trades on the NASDAQ Global Select Market under the symbol "EFSC." Below are the dividends declared by quarter along with the closing, high, and low sales prices for the common stock for the periods indicated, as reported by the NASDAQ Global Select Market. There may have been other transactions at prices not known to the Company. As of February 21, 2017, the Company had 687 common stock shareholders of record and a market price of $45.75 per share. The number of holders of record does not represent the actual number of beneficial owners of our common stock because securities dealers and others frequently hold shares in "street name" for the benefit of individual owners who have the right to vote shares.

	2016				2015			
	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr
Closing Price	$ 43.00	$ 31.25	$ 27.89	$ 27.04	$ 28.35	$ 25.17	$ 22.77	$ 20.66
High	43.65	31.96	29.06	29.36	30.73	25.46	23.35	20.93
Low	30.93	26.37	25.04	25.01	24.18	22.03	19.68	18.80
Cash dividends paid on common shares	0.1100	0.1100	0.1000	0.0900	0.0800	0.0700	0.0600	0.0525

Dividends

The holders of shares of our common stock are entitled to receive dividends when declared by our Board of Directors out of funds legally available for the purpose of paying dividends. Our ability to pay dividends is substantially dependent upon the ability of our subsidiaries to pay cash dividends to us. Information on regulatory restrictions on our ability to pay dividends is set forth in Part I, Item 1 - Business - Supervision and Regulation - Financial Holding Company - Dividend Restrictions. The amount of dividends, if any, that may be declared by the Company also depends on many other factors, including future earnings, bank regulatory capital requirements and business conditions as they affect the Company and its subsidiaries. As a result, no assurance can be given that dividends will be paid in the future with respect to our common stock.

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 December 31, 2016.

Period	Total number of shares purchased (a)	Weighted-average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs (b)
October 1, 2016 through October 31, 2016	—	$ —	—	1,814,282
November 1, 2016 through November 30, 2016	—	—	—	1,814,282
December 1, 2016 through December 31, 2016	715	40.90	—	1,814,282
Total	715	$ 40.90	—	

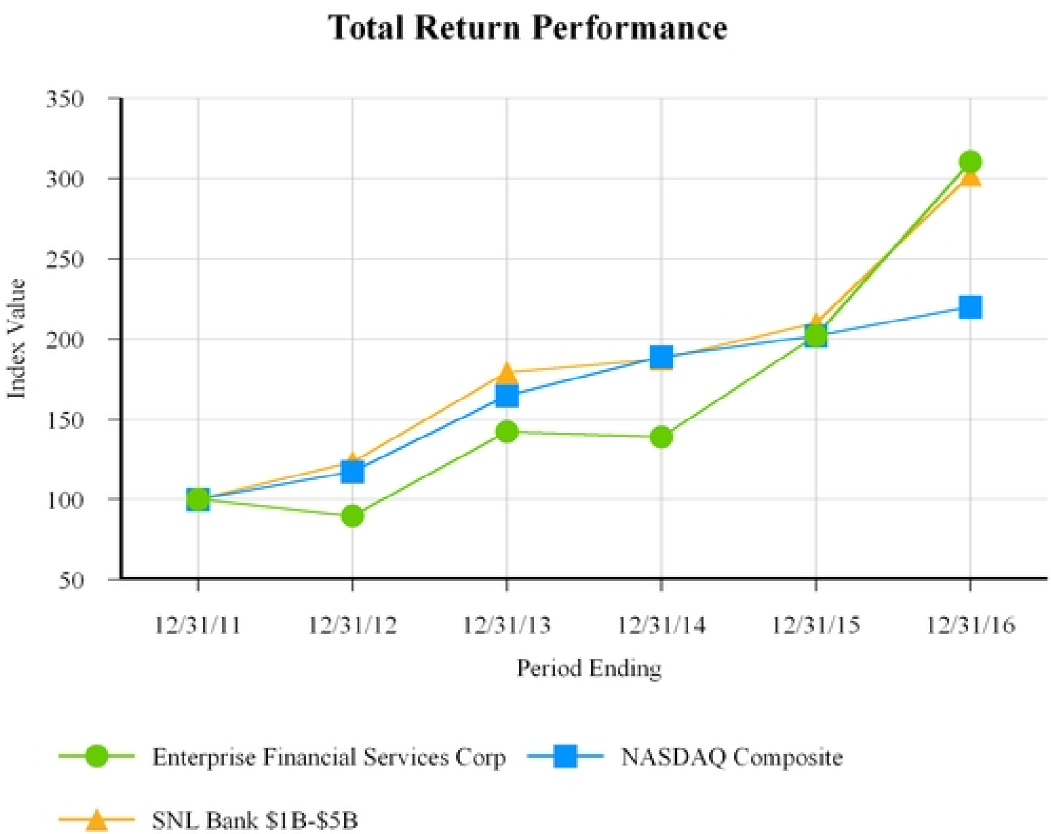
(a) Includes shares of the Company's common stock withheld to satisfy tax withholding obligations upon the vesting of awards of restricted stock. These shares were purchased pursuant to the terms of the applicable plan and not pursuant to a publicly announced repurchase plan or program.

(b) In May 2015, the Company's board of directors authorized the repurchase of up to two 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.

Performance Graph

The following Stock Performance Graph and related information should not be deemed "soliciting material" or to be "filed" with the SEC nor shall such performance be incorporated by reference into any future filings under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that the Company specifically incorporates it by reference into such filing.

The following graph* compares the cumulative total shareholder return on the Company's common stock from December 31, 2011 through December 31, 2016. The graph compares the Company's common stock with the NASDAQ Composite and the SNL $1B-$5B Bank Index. The graph assumes an investment of $100.00 in the Company's common stock and each index on December 31, 2011 and reinvestment of all quarterly dividends. The investment is measured as of each subsequent fiscal year end. There is no assurance that the Company's common stock performance will continue in the future with the same or similar results as shown in the graph.



	Period Ending December 31,					
Index	2011	2012	2013	2014	2015	2016
Enterprise Financial Services Corp	100.00	89.87	142.23	139.00	201.95	310.35
NASDAQ Composite	100.00	117.45	164.57	188.84	201.98	219.89
SNL Bank $1B-$5B	100.00	123.31	179.31	187.48	209.86	301.92

*Source: SNL Financial, an offering of S&P Global Market Intelligence. Used with permission.

ITEM 6: SELECTED FINANCIAL DATA

The following consolidated selected financial data is derived from the Company's audited financial statements as of and for the five years ended December 31, 2016. This information should be read in connection with our audited consolidated financial statements, related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this report.

	Years ended December 31,				
($ in thousands, except per share data)	2016	2015	2014	2013	2012
EARNINGS SUMMARY:					
Interest income	$ 149,224	$ 132,779	$ 131,754	$ 153,289	$ 165,464
Interest expense	13,729	12,369	14,386	18,137	23,167
Net interest income	135,495	120,410	117,368	135,152	142,297
Provision (provision reversal) for portfolio loan losses	5,551	4,872	4,409	(642)	8,757
Provision (provision reversal) for purchased credit impaired loan losses	(1,946)	(4,414)	1,083	4,974	14,033
Noninterest income	29,059	20,675	16,631	9,899	9,084
Noninterest expense	86,110	82,226	87,463	90,639	85,761
Income before income tax expense	74,839	58,401	41,044	50,080	42,830
Income tax expense	26,002	19,951	13,871	16,976	14,534
Net income	$ 48,837	$ 38,450	$ 27,173	$ 33,104	$ 28,296
PER SHARE DATA:					
Basic earnings per common share	$ 2.44	$ 1.92	$ 1.38	$ 1.78	$ 1.41
Diluted earnings per common share	2.41	1.89	1.35	1.73	1.37
Cash dividends paid on common shares	0.41	0.26	0.21	0.21	0.21
Book value per common share	19.31	17.53	15.94	14.47	13.09
Tangible book value per common share	17.69	15.86	14.20	12.62	10.99
BALANCE SHEET DATA:					
Ending balances:					
Portfolio loans	$ 3,118,392	$ 2,750,737	$ 2,433,916	$ 2,137,313	$ 2,106,039
Allowance for portfolio loan losses	37,565	33,441	30,185	27,289	34,330
Purchased credit impaired loans, net of allowance for loan losses	33,925	64,583	83,693	125,100	189,571
Goodwill	30,334	30,334	30,334	30,334	30,334
Other intangible assets, net	2,151	3,075	4,164	5,418	7,406
Total assets	4,081,328	3,608,483	3,277,003	3,170,197	3,325,786
Deposits	3,233,361	2,784,591	2,491,510	2,534,953	2,658,851
Subordinated debentures and notes	105,540	56,807	56,807	62,581	85,081
Other borrowings	276,980	380,326	383,883	264,331	325,070
Shareholders' equity	387,098	350,829	316,241	279,705	235,745
Tangible common equity	354,613	317,420	281,743	243,953	198,005
Average balances:					
Portfolio loans	$ 2,915,744	$ 2,520,734	$ 2,255,180	$ 2,097,920	$ 1,953,427
Purchased credit impaired loans	55,992	87,940	119,504	168,662	243,359
Earning assets	3,570,186	3,163,339	2,921,978	2,875,765	2,909,532
Total assets	3,796,478	3,381,831	3,156,994	3,126,537	3,230,928
Interest-bearing liabilities	2,634,700	2,344,861	2,209,188	2,237,111	2,340,612
Shareholders' equity	371,587	335,095	301,756	259,106	252,464
Tangible common equity	338,662	301,165	266,655	222,186	185,252

	Years ended December 31,				
	2016	2015	2014	2013	2012
SELECTED RATIOS:					
Return on average common equity	13.14%	11.47%	9.01%	12.78%	11.21%
Return on average tangible common equity	14.42	12.77	10.19	14.90	13.55
Return on average assets	1.29	1.14	0.86	1.06	0.78
Efficiency ratio	52.33	58.28	65.27	62.49	56.65
Total loan yield (1)	4.66	4.72	5.14	6.36	7.05
Cost of interest-bearing liabilities	0.52	0.53	0.65	0.81	0.99
Net interest spread (1)	3.71	3.72	3.91	4.60	4.75
Net interest margin (1)	3.84	3.86	4.07	4.78	4.94
Nonperforming loans to total loans (2)	0.48	0.33	0.91	0.98	1.84
Nonperforming assets to total assets (2) (3)	0.39	0.48	0.74	0.90	1.44
Net charge-offs to average loans (2)	0.05	0.06	0.07	0.31	0.64
Allowance for loan losses to total loans (2)	1.20	1.22	1.24	1.28	1.63
Dividend payout ratio - basic	16.81	13.68	15.37	11.92	13.28

(1) Fully tax equivalent.

(2) Amounts and ratios exclude purchased credit impaired ("PCI") loans and related assets, except for their inclusion in total assets.

(3) Other real estate from PCI loans included in nonperforming assets beginning with the year ended December 31, 2015 due to termination of all existing FDIC loss share agreements.

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

The objective of this section is to provide an overview of the results of operations and financial condition of the Company for the three years ended December 31, 2016. It should be read in conjunction with the Consolidated Financial Statements, Notes and other financial data presented elsewhere in this report, particularly the information regarding the Company's business operations described in Item 1.

Executive Summary

Below are highlights of our financial performance for the year ended December 31, 2016 as compared to the years ended December 31, 2015 and 2014.

	For the Years ended December 31,		
($ in thousands, except per share data)	2016	2015	2014
EARNINGS			
Total interest income	$ 149,224	$ 132,779	$ 131,754
Total interest expense	13,729	12,369	14,386
Net interest income	135,495	120,410	117,368
Provision for portfolio loans	5,551	4,872	4,409
Provision (provision reversal) for purchased credit impaired loans	(1,946)	(4,414)	1,083
Net interest income after provision for loan losses	131,890	119,952	111,876
Total noninterest income	29,059	20,675	16,631
Total noninterest expense	86,110	82,226	87,463
Income before income tax expense	74,839	58,401	41,044
Income tax expense	26,002	19,951	13,871
Net income	$ 48,837	$ 38,450	$ 27,173
Basic earnings per share	$ 2.44	$ 1.92	$ 1.38
Diluted earnings per share	2.41	1.89	1.35
Return on average assets	1.29%	1.14%	0.86%
Return on average common equity	13.14%	11.47%	9.01%
Return on average tangible common equity	14.42%	12.77%	10.19%
Net interest margin (fully tax equivalent)	3.84%	3.86%	4.07%
Efficiency ratio	52.33%	58.28%	65.27%
ASSET QUALITY (1)			
Net charge-offs	$ 1,427	$ 1,616	$ 1,512
Nonperforming loans	14,905	9,100	22,244
Classified assets	93,452	67,761	77,898
Nonperforming loans to total loans	0.48%	0.33%	0.91%
Nonperforming assets to total assets (2)	0.39%	0.48%	0.74%
Allowance for loan losses to total loans	1.20%	1.22%	1.24%
Net charge-offs to average loans	0.05%	0.06%	0.07%

(1) Excludes PCI loans and related assets, except for their inclusion in total assets.

(2) Other real estate from PCI loans included in nonperforming assets beginning with the year ended December 31, 2015 due to termination of all existing FDIC loss share agreements.

Below are highlights of the Company's core performance measures, which we believe are important measures of financial performance, but are "non-GAAP financial measures." Generally, a non-GAAP financial measure is a measure of a company's financial performance, financial position, or cash flows that exclude (or include) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with generally accepted accounting principles ("GAAP") in the U.S. The Company's 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 on the sale of other real estate from PCI loans, and expenses directly related to PCI loans and other assets formerly covered under FDIC loss share agreements. Core performance measures also exclude certain other income and expense items, such as executive separation costs, merger related expenses, facilities charges, and the gain or loss on sale of investment securities, which 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".

	For the Years ended December 31,		
($ in thousands)	2016	2015	2014
CORE PERFORMANCE MEASURES (NON-GAAP) (1)			
Net interest income	$ 123,515	$ 107,618	$ 98,438
Provision for portfolio loan losses	5,551	4,872	4,409
Noninterest income	26,787	25,575	24,548
Noninterest expense	82,217	77,472	79,369
Income before income tax expense	62,534	50,849	39,208
Income tax expense	21,297	17,058	13,165
Net income	$ 41,237	$ 33,791	$ 26,043
Diluted earnings per share	$ 2.03	$ 1.66	$ 1.29
Return on average assets	1.09%	1.00%	0.82%
Return on average common equity	11.10%	10.08%	8.63%
Return on average tangible common equity	12.18%	11.22%	9.77%
Net interest margin (fully tax equivalent)	3.51%	3.46%	3.42%
Efficiency ratio	54.70%	58.17%	64.53%

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

The Company noted the following trends during 2016:

- The Company reported net income of $48.8 million for 2016, compared to $38.5 million for 2015. The Company reported diluted earnings per share of $2.41 and $1.89 in the same respective periods. The increase in net income over the prior year was primarily due to an increase in net interest income from strong portfolio loan growth, funded primarily by core deposit growth, and an increase in noninterest income. The 2016 results also benefited from higher contribution from PCI assets due to the December 2015 termination of FDIC loss share contracts. This increase was partially offset by an increase in noninterest expenses from higher employee compensation and benefits due to continued investment in customer facing personnel.

- On a core basis[1], net income was $41.2 million, or $2.03 per share in 2016, compared to $33.8 million, or $1.66 per share in 2015. The increase was primarily due to increases in net interest income from strong portfolio loan growth funded primarily by core deposit growth, combined with an increase in noninterest income from service charges on deposits.

- Net interest income increased $15.1 million, or 13%, in 2016 from 2015, due to strong portfolio loan growth during the year. On a core basis[1], net interest income increased $15.9 million, or 15%, when compared to the prior year due to strong portfolio loan growth funded largely by deposit growth.

- Net interest margin declined two basis points to 3.84% during 2016, compared to 3.86% in 2015, largely due to lower accelerated cash flows and lower balances of PCI loans. Core net interest margin[1], defined as net interest margin (fully tax equivalent), including contractual interest on PCI loans, but excluding the incremental accretion on these loans, increased five basis points to 3.51%, from 3.46% in the prior year. The increase was largely due to strong portfolio loan growth, offset slightly due to the issuance of $50 million of subordinated notes described below. The Average Balance Sheet and Rate/Volume sections following contain additional information regarding our net interest income.

- Noninterest income increased by $8.4 million in 2016 from 2015, partially due to a decrease in the change in FDIC loss share receivable and an increase in gain on sale of other real estate from PCI loans. Core noninterest income[1], which includes wealth management revenue, service charges and other fees on deposit accounts, state tax brokerage activity, and sales of other real estate excluding PCI, increased $1.2 million compared to 2015, primarily due to an increase in service charges on deposit accounts from growth in treasury management, and other fee income from expanded swap activity, card services, and secondary mortgage sales.

- Noninterest expenses grew $3.9 million, or 5%, in 2016 from 2015 due to higher employee compensation costs from increase client facing personnel. Despite the increase, the Company's efficiency ratio improved to 52.3% from 58.3% when compared to the prior year as revenue gains outpaced investments in the business. Similarly, core noninterest expenses[1] grew $4.7 million, or 6%, when compared to the prior year, however, the core efficiency ratio improved to 54.7% from 58.2% when compared to the prior year, due to growth in revenue.

[1]Non-GAAP measures. A reconciliation has been included in this MD&A section under the caption "Use of Non-GAAP Financial Measures."

2016 Significant Transactions
During 2016, we completed the following significant transactions:

- On October 10, 2016, the Company entered into a definitive merger agreement to acquire Jefferson County Bancshares, Inc. ("JCB") headquartered in Jefferson County, Missouri. JCB is the parent holding company of Eagle Bank and Trust Company of Missouri. The transaction closed on February 10, 2017. The merger with JCB is expected to accelerate the Company's St. Louis market expansion and add valuable scale and operating leverage to that market. The Company believes that JCB's commercial and retail customer bases are complementary to EFSC's existing business product sets.

- On November 1, 2016, the Company issued $50 million aggregate principal amount of 4.75% fixed-to-floating rate subordinated notes with a maturity date of November 1, 2026. The subordinated notes will initially bear an annual interest rate of 4.75%, with interest payable semiannually. Beginning November 1, 2021, the interest rate resets quarterly to the three-month LIBOR plus a spread of 338.7 basis points, payable quarterly. The Company used a portion of the proceeds from the issuance to pay the cash consideration at the closing of the acquisition of JCB. Regulatory guidance allows for this subordinated debt to be treated as tier 2 regulatory capital for the first five years of its term, subject to certain limitations, and then phased out of tier 2 capital pro rata over the next five years.

- The Company repurchased 185,718 of its common shares at a weighted-average share price of $26.32 pursuant to its publicly announced program during the year ended December 31, 2016. The Company's Board authorized the repurchase plan in May of 2015, which allows the Company to repurchase up to two million common shares, representing approximately 10% of the Company’s then 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.

- The Company's Board approved three consecutive increases in the Company's quarterly cash dividend to $0.11 per common share for the fourth quarter of 2016, up from $0.09 for the first quarter of 2016, expanding cash dividends paid for the year by 56%.

2015 Significant Transactions
During 2015, we completed the following significant transactions:

- The Company's Board approved three consecutive increases in the Company's quarterly cash dividend to $0.08 per common share for the fourth quarter of 2015, up from $0.0525 for the first quarter of 2015.

- The Company received a $65 million allocation of New Markets Tax Credits ("NMTC"), which is the fourth allocation of NMTC received since 2011, for a total of $183 million.

- On December 7, 2015, the Company successfully completed early termination of all existing loss share agreements with the FDIC, resulting in a pretax charge of $2.4 million, or $0.07 per diluted share. The Company's income has been positively impacted by no longer amortizing the FDIC loss share receivable or providing for further increases to the clawback liability, as well as recovering amounts greater than the carrying value of the formerly covered assets. The charge from the termination was entirely earned back in the first quarter of 2016.

2014 Significant Transactions
During 2014, we completed the following significant transactions resulting from the Company's focus on expense and interest rate risk management:

- On March 14, 2014, the remaining $5.0 million, 9% coupon, trust preferred securities were converted to shares of common stock. As a result of this transaction, the Company reduced its subordinated debentures by $5.0 million and issued 0.3 million shares of common stock.

- On December 23, 2014, the Company prepaid $50.0 million of debt with the FHLB with a weighted average interest rate of 3.17%, and a maturity of 3 years, and incurred a prepayment penalty of $2.9 million before taxes.

Balance sheet highlights

- ***Loans -*** Loans totaled $3.2 billion at December 31, 2016, including $39.8 million of PCI loans. Portfolio loans increased $367.7 million, or 13%, from December 31, 2015. Commercial and industrial loans increased $148.4 million, or 10%, consumer and other loans increased $17.6 million, or 13%, construction and land development and residential real estate loans increased $77.7 million, or 22%, and commercial real estate increased $123.9 million, or 16%. See Item 8, Note 5 – Portfolio Loans for more information.

- ***Deposits*** – Total deposits at December 31, 2016 were $3.2 billion, an increase of $448.8 million, or 16%, from December 31, 2015, largely due to the Company's deposit gathering initiatives.

- ***Asset quality*** – Nonperforming assets were $15.9 million at December 31, 2016, a decrease of 9% compared to $17.5 million at December 31, 2015. Nonperforming assets represented 0.39% of total assets at December 31, 2016, compared to 0.48% of total assets at December 31, 2015. There were $0.6 million of portfolio loans 30-89 days delinquent and still accruing at December 31, 2016, as compared to $0.9 million at December 31, 2015.

  Provision for portfolio loan losses was $5.6 million in 2016, compared to $4.9 million in 2015. The Company experienced low levels of net charge-offs in 2016, similar to 2015 and 2014, but recorded provision expense as loan balances increased 13% in 2016. See Item 8, Note 5 – 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.

	For the Years ended December 31,								
	2016			2015			2014		
($ in thousands)	Average Balance	Interest Income/Expense	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)	$2,881,071	$ 120,803	4.19%	$2,486,369	$ 102,562	4.12%	$2,223,835	$ 93,604	4.21%
Tax-exempt portfolio loans (2)	41,471	2,512	6.06	39,347	2,570	6.53	35,058	2,358	6.73
Purchased credit impaired loans (3)	55,992	15,383	27.47	87,940	18,218	20.72	119,504	26,336	22.04
Total loans	2,978,534	138,698	4.66	2,613,656	123,350	4.72	2,378,397	122,298	5.14
Taxable investments in debt and equity securities	476,341	9,816	2.06	436,023	8,983	2.06	424,882	8,984	2.11
Non-taxable investments in debt and equity securities (2)	48,157	2,106	4.37	44,738	1,966	4.39	41,088	1,919	4.67
Short-term investments	67,154	370	0.55	68,922	211	0.31	77,611	187	0.24
Total securities and short-term investments	591,652	12,292	2.08	549,683	11,160	2.03	543,581	11,090	2.04
Total interest-earning assets	3,570,186	150,990	4.23	3,163,339	134,510	4.25	2,921,978	133,388	4.56
Noninterest-earning assets:									
Cash and due from banks	57,237			50,017			29,680		
Other assets	213,698			212,710			250,985		
Allowance for loan losses	(44,643)			(44,235)			(45,649)		
Total assets	$3,796,478			$3,381,831			$3,156,994		
Liabilities and Shareholders' Equity									
Interest-bearing liabilities:									
Interest-bearing transaction accounts	$ 606,899	$ 1,370	0.23%	$ 512,272	$ 1,149	0.22%	$ 311,974	$ 653	0.21%
Money market accounts	1,075,055	4,439	0.41	949,814	2,993	0.32	852,015	2,716	0.32
Savings	105,115	262	0.25	88,399	219	0.25	81,131	201	0.25
Certificates of deposit	466,326	4,770	1.02	496,449	6,051	1.22	586,220	6,917	1.18
Total interest-bearing deposits	2,253,395	10,841	0.48	2,046,934	10,412	0.51	1,831,340	10,487	0.57
Subordinated debentures and notes	64,948	1,894	2.91	56,807	1,248	2.21	57,930	1,322	2.28
Other borrowed funds	316,357	994	0.31	241,120	709	0.29	319,918	2,577	0.81
Total interest-bearing liabilities	2,634,700	13,729	0.52	2,344,861	12,369	0.53	2,209,188	14,386	0.65
Noninterest bearing liabilities:									
Demand deposits	761,086			673,704			622,714		
Other liabilities	29,105			28,171			23,336		
Total liabilities	3,424,891			3,046,736			2,855,238		
Shareholders' equity	371,587			335,095			301,756		
Total liabilities & shareholders' equity	$3,796,478			$3,381,831			$3,156,994		
Net interest income		$ 137,261			$ 122,141			$ 119,002	
Net interest spread			3.71%			3.72%			3.91%
Net interest margin (tax equivalent)			3.84%			3.86%			4.07%

(1) Average balances include non-accrual loans. Loan fees, net of amortization of deferred loan origination fees and costs, included in interest income are approximately $2.2 million, $2.3 million, and $0.9 million for the years ended December 31, 2016, 2015, and 2014 respectively.

(2) Non-taxable income is presented on a fully tax-equivalent basis using a 38% tax rate. The tax-equivalent adjustments were $1.8 million, $1.7 million, and $1.6 million for the years ended December 31, 2016, 2015, and 2014 respectively.

(3) Includes $3.4 million, $5.4 million, and $7.4 million for the years ended December 31, 2016, 2015, and 2014, respectively, of contractual interest from PCI loans, which has been included in core net interest margin, a non-GAAP financial measure.

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.

	2016 compared to 2015			2015 compared to 2014		
	Increase (decrease) due to			Increase (decrease) due to		
(in thousands)	Volume(1)	Rate(2)	Net	Volume(1)	Rate(2)	Net
Interest earned on:						
Taxable portfolio loans	$ 16,524	$ 1,717	$ 18,241	$ 10,861	$ (1,903)	$ 8,958
Tax-exempt portfolio loans (3)	135	(193)	(58)	282	(70)	212
Purchased credit impaired loans	(7,756)	4,921	(2,835)	(6,616)	(1,502)	(8,118)
Taxable investments in debt and equity securities	831	2	833	233	(234)	(1)
Non-taxable investments in debt and equity securities (3)	150	(10)	140	164	(117)	47
Short-term investments	(5)	164	159	(23)	47	24
Total interest-earning assets	9,879	6,601	16,480	4,901	(3,779)	1,122
Interest paid on:						
Interest-bearing transaction accounts	$ 214	$ 7	$ 221	$ 446	$ 50	$ 496
Money market accounts	431	1,015	1,446	308	(31)	277
Savings	42	1	43	18	1	19
Certificates of deposit	(351)	(930)	(1,281)	(1,088)	222	(866)
Subordinated debentures and notes	199	447	646	(27)	(47)	(74)
Borrowed funds	233	52	285	(522)	(1,347)	(1,869)
Total interest-bearing liabilities	768	592	1,360	(865)	(1,152)	(2,017)
Net interest income	$ 9,111	$ 6,009	$ 15,120	$ 5,766	$ (2,627)	$ 3,139

(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 a 38% tax rate.

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.

Purchased credit impaired ("PCI") Contribution

The following table illustrates the financial contribution of PCI loans and other assets related to PCI loans for the most recent three fiscal years:

	For the Years ended December 31,		
(in thousands)	2016	2015	2014
Accelerated cash flows and other incremental accretion	11,980	12,792	18,930
Provision reversal (provision) for loan losses	1,946	4,414	(1,083)
Gain on sale of other real estate	1,565	107	445
Other income from other real estate	621	—	—
FDIC loss share termination	—	(2,436)	—
Change in FDIC loss share receivable	—	(5,030)	(9,307)
Change in FDIC clawback liability	—	(760)	(1,201)
Other expenses	(1,094)	(1,558)	(2,928)
PCI assets income before income tax expense	$ 15,018	$ 7,529	$ 4,856

PCI loans contributed $9.3 million of net income for the year ended December 31, 2016, and $4.6 million for the prior year. At December 31, 2016, the remaining accretable yield on the portfolio was estimated to be $13 million, and the non-accretable difference was $19 million. Accelerated cash flows and other incremental accretion from PCI loans was $12.0 million for the year ended December 31, 2016, and $12.8 million for the prior year. The Company estimates 2017 income from accelerated cash flows and other incremental accretion to be between $5 million and $7 million.

On December 7, 2015, the Company entered into an agreement with the FDIC to terminate all existing loss share agreements associated with the assets and assumption of liabilities acquired in four FDIC-assisted transactions from 2009 through 2011. As a result of the termination, an expense of $2.4 million was recorded in the fourth quarter of 2015, and the entire charge was earned back in the first quarter of 2016 through accretion from early repayment of PCI loans, loan recoveries, and provision reversal, all no longer shared with the FDIC. The termination agreement did not change the Company's accounting for PCI loans, therefore, contractual and expected cash flows on PCI loans will continue to be remeasured on a periodic basis.

Comparison of 2016 and 2015

Net interest income (on a tax equivalent basis) was $137.3 million for 2016, compared to $122.1 million for 2015, an increase of $15.1 million, or 12%. Total interest income increased $16.5 million and total interest expense increased $1.4 million.

Average interest-earning assets increased $406.8 million, or 13%, to $3.6 billion for the year ended December 31, 2016. Average total loans increased $364.9 million, or 14%, to $3.0 billion for the year ended December 31, 2016, from $2.6 billion for the year ended December 31, 2015, largely due to strong portfolio growth in 2016, including growth in all major categories excluding PCI loans. Average securities and short-term investments increased $42.0 million, to $591.7 million from 2015. Interest income on earning assets increased $9.9 million due to an increase in volume, which includes an offsetting $7.8 million decrease from the decline in PCI loans as the balances continue to run off. Excluding PCI loans, total interest income increased $17.6 million due to volume, primarily from portfolio loans. Interest income on earnings assets increased $6.6 million due to changes in interest rates, largely from PCI loans.

For the year ended December 31, 2016, average interest-bearing liabilities increased $289.8 million, or 12%, to $2.6 billion, compared to $2.3 billion for the year ended December 31, 2015. The increase in average interest-bearing liabilities resulted from a $142.0 million increase in average money market accounts and savings accounts, and a $94.6 million increase in interest-bearing transaction accounts. The significant increase in money market and saving accounts was due to the Company's enhanced focus on deposit gathering in both commercial and business banking. For the year ended December 31, 2016, interest expense on interest-bearing liabilities increased $0.6 million due to higher rates from market conditions, and $0.8 million due to higher volumes, including increased borrowings from the FHLB and the subordinated notes issuance, versus the same period in 2015.

Comparison of 2015 and 2014

Net interest income (on a tax equivalent basis) was $122.1 million for 2015, compared to $119.0 million for 2014, an increase of $3.1 million, or 3%. Total interest income increased $1.1 million and total interest expense decreased $2.0 million.

Average interest-earning assets increased $241.4 million, or 8%, to $3.2 billion for the year ended December 31, 2015. Average loans increased $235.3 million, or 10%, to $2.6 billion for the year ended December 31, 2015, from $2.4 billion for the year ended December 31, 2014, primarily due to strong C&I origination in 2015. Average securities and short-term investments increased $6.1 million, to $549.7 million from 2014. Interest income on earning assets increased $4.9 million due primarily to loan growth outpacing interest rate headwinds, which offset net interest income by $3.8 million resulting from economic and competitive conditions. The increase in volume was primarily due to strong loan growth during the year. Portfolio loans experienced an $11.1 million increase in interest income due to volume, offset by a $2.0 million decrease in interest income due to rates.

For the year ended December 31, 2015, average interest-bearing liabilities increased $135.7 million, or 6%, to $2.3 billion, compared to $2.2 billion for the year ended December 31, 2014. The increase in average interest-bearing liabilities resulted from a $105.1 million increase in average money market accounts and savings accounts. The significant increase in money market and saving accounts was due to the Company's enhanced focus on deposit gathering in both commercial and business banking. For the year ended December 31, 2015, interest expense on interest-bearing liabilities decreased $1.2 million due to lower rates from management actions and market conditions, and $0.9 million due to the impact of changes in mix as higher cost borrowings and certificates of deposit were replaced by lower cost core deposits and other funds, versus the same period in 2014.

Noninterest Income

The following table presents a comparative summary of the major components of noninterest income:

	Years ended December 31,			Change from	
(in thousands)	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Service charges on deposit accounts	$ 8,615	$ 7,923	$ 7,181	$ 692	$ 742
Wealth management revenue	6,729	7,007	6,942	(278)	65
Other service charges and fee income	3,958	3,241	2,953	717	288
Gain on state tax credits, net	2,647	2,720	2,252	(73)	468
Gain on sale of other real estate - core	272	35	1,086	237	(1,051)
Miscellaneous income - core	4,566	4,649	4,134	(83)	515
Core noninterest income (1)	26,787	25,575	24,548	1,212	1,027
Gain on sale of other real estate from PCI loans	1,565	107	445	1,458	(338)
Other income from PCI assets	621	—	—	621	—
Gain on sale of investment securities	86	23	—	63	23
Change in FDIC loss share receivable	—	(5,030)	(9,307)	5,030	4,277
Closing fee	—	—	945	—	(945)
Total noninterest income	$ 29,059	$ 20,675	$ 16,631	$ 8,384	$ 4,044

(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 $8.4 million, or 41%, in 2016 compared to 2015. The increase was largely due to an increase in the gain on sale of other real estate from PCI loans of $1.5 million, and a decrease in the loss from the change in FDIC loss share receivable of $5.0 million. Core noninterest income[1] increased $1.2 million, or 5%, in 2016 largely due to an increase in service charges on deposit accounts from continued success in treasury management and an increase in other service charges from increased card fee income and gain on sale of mortgages.

Noninterest Expense

The following table presents a comparative summary of the major components of noninterest expense:

	Years ended December 31,			Change from	
(in thousands)	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Core expenses (1):					
Employee compensation and benefits - core	$ 48,932	$ 45,102	$ 45,717	$ 3,830	$ (615)
Occupancy - core	6,570	6,474	6,420	96	54
Data processing - core	4,663	4,229	4,214	434	15
Professional fees - core	2,614	3,401	3,815	(787)	(414)
FDIC and other insurance	3,018	2,790	2,884	228	(94)
Loan, legal, and other real estate expense - core	1,239	1,535	2,909	(296)	(1,374)
Other - core	15,181	13,941	13,410	1,240	531
Core noninterest expense (1)	82,217	77,472	79,369	4,745	(1,897)
Merger related expenses	1,386	—	—	1,386	—
Facilities disposal charge	1,040	—	1,004	1,040	(1,004)
Executive severance	332	—	—	332	—
FHLB prepayment penalty	—	—	2,936	—	(2,936)
FDIC loss share termination	—	2,436	—	(2,436)	2,436
FDIC clawback	—	760	1,201	(760)	(441)
Other expenses related to PCI assets	1,094	1,558	2,953	(464)	(1,395)
Other non-core expenses	41	—	—	41	—
Total noninterest expense	$ 86,110	$ 82,226	$ 87,463	$ 3,843	$ (5,237)

(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 increased $3.8 million, or 5%, in 2016, partially due to $1.4 million of merger related expenses for the JCB acquisition and $1.0 million for a facilities disposal charge from lease buyouts of two unused facilities. Noninterest expenses for 2015 included a charge of $2.4 million for the FDIC loss share termination. Core noninterest expenses[1] increased $4.7 million, or 6%, largely due to an increase in employee compensation and benefits from the addition of client service personnel to facilitate growth as well as additional incentive accruals. Other core noninterest expense increased $1.2 million in 2016 partially due to additional expenses from expanded offerings of card products.

Income Taxes

In 2016, the Company recorded income tax expense of $26.0 million on pre-tax income of $74.8 million, resulting in an effective tax rate of 34.7%. The Company's effective tax rate was slightly higher than 2015 as pre-tax income was significantly higher, reducing the savings impact of permanent items. The following items impacted the 2016 effective tax rate:

- interest income on tax exempt mortgages and municipal bonds of $1.0 million, and
- decrease in the tax rate used for deferred tax assets of $0.3 million.

In 2015, the Company recorded income tax expense of $20.0 million on pre-tax income of $58.4 million, resulting in an effective tax rate of 34.2%. The following items impacted the 2015 effective tax rate:

- interest income on tax exempt mortgages and municipal bonds of $1.0 million, and
- release of reserves for uncertain tax positions due to remeasurement of $0.4 million.

In 2014, the Company recorded income tax expense of $13.9 million on pre-tax income of $41.0 million, resulting in an effective tax rate of 33.8%. The 2014 effective tax rate was impacted by interest income on tax exempt mortgages and municipal bonds of $0.9 million.

FINANCIAL CONDITION

Summary Balance Sheet

(in thousands)	December 31, 2016	December 31, 2015	December 31, 2014	% Increase (Decrease) 2016 vs. 2015	% Increase (Decrease) 2015 vs. 2014
Total cash and cash equivalents	$ 198,802	$ 94,157	$ 100,696	111.14 %	(6.49)%
Securities	541,260	495,484	446,131	9.24 %	11.06 %
Portfolio loans	3,118,392	2,750,737	2,433,916	13.37 %	13.02 %
Purchased credit impaired loans, net of allowance for loan losses	33,925	64,583	83,693	(47.47)%	(22.83)%
Total assets	4,081,328	3,608,483	3,277,003	13.10 %	10.12 %
Deposits	3,233,361	2,784,591	2,491,510	16.12 %	11.76 %
Total liabilities	3,694,230	3,257,654	2,960,762	13.40 %	10.03 %
Total shareholders' equity	387,098	350,829	316,241	10.34 %	10.94 %

Assets

Loans by Type

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, including loans classified as C&I loans because it serves as a secondary source of repayment.

The following table sets forth the composition of the Company's loan portfolio by type of loans as reported in the quarterly Federal Financial Institutions Examination Council Report of Condition and Income ("Call report") at the dates indicated:

($ in thousands)	December 31, 2016	2015	2014	2013	2012
Commercial and industrial	$ 1,632,714	$ 1,484,327	$ 1,264,487	$ 1,041,576	$ 962,884
Real estate:					
Commercial	894,956	771,023	740,754	779,319	819,709
Construction and land development	194,542	161,061	143,878	117,032	160,911
Residential	240,760	196,498	185,252	158,527	145,558
Consumer and other	155,420	137,828	99,545	40,859	16,977
Portfolio loans	$ 3,118,392	$ 2,750,737	$ 2,433,916	$ 2,137,313	$ 2,106,039

	December 31, 2016	2015	2014	2013	2012
Commercial and industrial	52.4%	54.0%	52.0%	48.7%	45.7%
Real estate:					
Commercial	28.7%	28.0%	30.4%	36.5%	38.9%
Construction and land development	6.2%	5.9%	5.9%	5.5%	7.6%
Residential	7.7%	7.1%	7.6%	7.4%	6.9%
Consumer and other	5.0%	5.0%	4.1%	1.9%	0.9%
Portfolio loans	100.0%	100.0%	100.0%	100.0%	100.0%

Commercial and industrial loans are made based on the borrower's ability to generate cash flows for repayment from income sources, general credit strength, experience, and character, even though such loans may also be secured by real estate or other assets. The credit risk related to commercial loans is largely influenced by general economic conditions and the resulting impact on a borrower's operations.

Real estate loans are also based on the borrower's character, but more emphasis is placed on the estimated cash flows from the operation of the property, or the underlying collateral values, or both.

At December 31, 2016, $293.3 million, or 33%, of the commercial real estate loans were owner-occupied by commercial and industrial businesses where the primary source of repayment is dependent on sources other than the underlying collateral. Multifamily and other commercial properties on which income from the property is the primary source of repayment represent the balance of this category and are located within our St. Louis, Kansas City, and Phoenix markets. These loans are underwritten based on the cash flow coverage of the property, the Company's loan to value guidelines, and generally require either the limited or full guaranty of principal sponsors of the credit.

Real estate construction loans, relating to residential and commercial properties, represent financing secured by real estate under development for eventual sale or undeveloped ground. $81.4 million of these loans include the use of interest reserves and follow standard underwriting guidelines. Construction projects are monitored by the loan officer and a centralized independent loan disbursement function is employed.

Residential real estate loans include residential mortgages, which are loans that, due to size or other attributes, do not qualify for conventional home mortgages available for sale in the secondary market, second mortgages and home equity lines. Residential mortgage loans are usually limited to a maximum of 80% of collateral value.

Consumer and other loans represent loans to individuals, loans to state and political subdivisions, loans to nondepository financial institutions, and loans to purchase or are fully secured by investment securities. Credit risk is managed by thoroughly reviewing the creditworthiness of the borrowers prior to origination.

The Company continues to focus on originating high-quality C&I relationships as they typically have variable interest rates and allow for cross selling opportunities involving other banking products. C&I loan growth also supports our efforts to maintain the Company's asset sensitive interest rate risk position. Additionally, our specialized products, especially Enterprise value lending, Life insurance premium financing, and Tax credit financing/lending, consist of primarily C&I loans, and have contributed significantly to the Company's loan growth. These loans are sourced through relationships developed with wealth and estate planning firms and private equity funds, and are not bound geographically by our three markets with branch facilities. As a result, these specialized loan products offer opportunities to expand and diversify our overall geographic concentration by entering into new markets.

The following table illustrates loan growth, including selected specialized lending detail, at December 31, 2016 and 2015:

	December 31,			
(in thousands)	2016	2015	Change	% Change
Enterprise value lending	$ 388,798	$ 350,266	$ 38,532	11.0%
C&I - general	794,451	732,186	62,265	8.5%
Life insurance premium financing	305,779	265,184	40,595	15.3%
Tax credits	143,686	136,691	6,995	5.1%
CRE, construction and land development	1,089,498	932,084	157,414	16.9%
Residential real estate	240,760	196,498	44,262	22.5%
Consumer and other	155,420	137,828	17,592	12.8%
Portfolio loans	$ 3,118,392	$ 2,750,737	$ 367,655	13.4%

Following is a further breakdown of our loan categories at December 31, 2016 and 2015:

	% of portfolio					
	2016			2015		
	Portfolio Loans	Purchased Credit Impaired Loans	Total Loans	Portfolio Loans	Purchased Credit Impaired Loans	Total Loans
Non Real estate						
Commercial and industrial	52%	9%	52%	54%	5%	53%
Consumer and other	5%	—%	5%	5%	—%	5%
Total Non Real estate	57%	9%	57%	59%	5%	58%
Real estate:						
Commercial - investor owned						
Retail	4%	8%	4%	4%	20%	5%
Commercial office	6%	11%	6%	4%	12%	5%
Multi-family housing	2%	1%	2%	2%	1%	2%
Industrial/ Warehouse	3%	—%	3%	3%	1%	3%
Other	3%	—%	3%	2%	—%	1%
Total	18%	20%	18%	15%	34%	16%
Commercial - owner occupied						
Commercial and industrial	9%	29%	9%	11%	19%	11%
Other	2%	1%	2%	2%	7%	2%
Total	11%	30%	11%	13%	26%	13%
Construction and land development	6%	11%	6%	6%	9%	6%
Residential						
Investor owned	1%	5%	1%	1%	6%	1%
Owner occupied	7%	25%	7%	6%	20%	6%
Total	8%	30%	8%	7%	26%	7%
Total Real estate	43%	91%	43%	41%	95%	42%
Total	100%	100%	100%	100%	100%	100%

The following descriptions focus on portfolio loans at December 31, 2016, and exclude PCI loans.

The commercial and industrial category represents $1.6 billion, or 52%, of the total loan portfolio. This category includes $572.3 million in loans to companies secured by accounts receivable, inventory and equipment, $388.8 million from the Enterprise value lending portfolio, and $305.8 million in Life insurance premium financing. These loans consist of over 500 relationships with an average outstanding balance of $1.1 million. The largest loans within this category are $17.5 million and $10.8 million revolving lines of credit, both secured by accounts receivable and inventory within the St. Louis region.

The largest loans within the investor owned commercial real estate portfolio are retail and commercial office permanent loans. The Company had $123.5 million of investor owned permanent loans secured by retail properties. There were 45 loan relationships in this category with an average outstanding loan balance of $2.7 million. The largest loans outstanding at year end were an $11.4 million loan secured by a retail center, an $8.7 million loan secured by retail stores, both in the St. Louis area, and a $6.3 million loan secured by a hotel in Arizona.

The Company had $180.3 million of investor owned permanent loans secured by commercial office properties. There were 61 loan relationships with an average outstanding loan balance of $2.9 million. The largest loans outstanding at year end were a $17.8 million loan secured by a multi-tenant office condominium complex in Phoenix, and $11.9 million and $11.3 million loans each secured by multi-tenant office buildings in the Kansas City region.

The largest loans within the owner occupied commercial real estate portfolio are commercial and industrial loans. The Company had $287.1 million of owner occupied loans secured by commercial and industrial properties. There were 253 loan relationships in this category with an average outstanding loan balance of $1.1 million. The largest loans outstanding at year end were a $10.1 million loan secured by an industrial building in Texas, a $9.3 million loan secured by an office building in Kansas, and an $8.6 million loan secured by a car dealership in Kansas.

Significant loan concentrations are considered to exist for a financial institution when there are amounts loaned to numerous borrowers engaged in similar activities that would cause them to be similarly impacted by economic or other conditions. At December 31, 2016, no significant concentrations exceeding 10% of total loans existed in the Company's loan portfolio, except as described above.

Loans at December 31, 2016 mature or reprice as follows:

($ in thousands)	Loans Maturing or Repricing				
	In One Year or Less	After One Through Five Years	After Five Years	Total	Percent of Total Loans
Fixed rate loans (1) (2) (3)					
Commercial and industrial	$ 128,978	$ 222,335	$ 25,455	$ 376,768	12%
Real estate:					
Commercial	119,263	423,658	58,389	601,310	19%
Construction and land development	38,554	43,805	7,748	90,107	3%
Residential	21,822	95,773	26,521	144,116	5%
Consumer and other	29,821	33,198	23,721	86,740	3%
Purchased credit impaired loans	13,483	8,376	3,295	25,154	1%
Total	$ 351,921	$ 827,145	$ 145,129	$ 1,324,195	43%
Variable rate loans (1) (2)					
Commercial and industrial	$ 1,218,297	$ 32,404	$ 5,245	$ 1,255,946	40%
Real estate:					
Commercial	206,349	87,297	—	293,646	9%
Construction and land development	96,066	8,369	—	104,435	3%
Residential	60,988	30,917	4,739	96,644	3%
Consumer and other	52,605	16,075	—	68,680	2%
Purchased credit impaired loans	11,064	3,551	—	14,615	—%
Total	$ 1,645,369	$ 178,613	$ 9,984	$ 1,833,966	57%
Loans (1) (2)					
Commercial and industrial	$ 1,347,275	$ 254,739	$ 30,700	$ 1,632,714	52%
Real estate:					
Commercial	325,612	510,955	58,389	894,956	28%
Construction and land development	134,620	52,174	7,748	194,542	6%
Residential	82,810	126,690	31,260	240,760	8%
Consumer and other	82,426	49,273	23,721	155,420	5%
Purchased credit impaired loans	24,547	11,927	3,295	39,769	1%
Total	$ 1,997,290	$ 1,005,758	$ 155,113	$ 3,158,161	100%

(1) Loan balances are net of unearned loan fees.

(2) Not adjusted for impact of interest rate swap agreements.

(3) Fixed rate loans include variable rate loans with a rate floor that are currently accruing interest at the floor.

Fixed rate loans comprise 43% of the loan portfolio at December 31, 2016. Additionally, 57% of the Company's loans are variable rate loans, most of which are based on the prime rate or the LIBOR. The Bank's “prime rate” has been 4.00% for the last several years. In December 2016, the Federal Reserve raised the targeted Fed Funds rate 25 basis points to a range of 0.50% to 0.75%. Some of the variable rate loans also use the “Wall Street Journal Prime Rate” which was raised to 3.75% in December 2016, from 3.50%. Most loan originations have one to three year maturities. Management monitors this mix as part of its interest rate risk management. See "Interest Rate Risk" of this MD&A section.

Of the $325.6 million of commercial real estate loans maturing in one year or less, $206.3 million, or 63%, represent loans secured by non-owner occupied commercial properties.

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.

	At December 31,				
($ in thousands)	2016	2015	2014	2013	2012
Allowance for portfolio loans, at beginning of period	$ 33,441	$ 30,185	$ 27,289	$ 34,330	$ 37,989
Loans charged off:					
Commercial and industrial	(2,303)	(3,699)	(3,738)	(3,404)	(3,233)
Real estate:					
Commercial	(95)	(702)	(700)	(4,991)	(6,054)
Construction and land development	—	(350)	(905)	(896)	(4,384)
Residential	(25)	(1,313)	(48)	(1,053)	(1,605)
Consumer and other	(1,912)	(27)	(165)	(34)	—
Total loans charged off	(4,335)	(6,091)	(5,556)	(10,378)	(15,276)
Recoveries of loans previously charged off:					
Commercial and industrial	674	1,796	1,768	1,776	578
Real estate:					
Commercial	1,165	1,567	1,101	776	134
Construction and land development	934	674	806	488	695
Residential	123	337	334	939	1,451
Consumer and other	12	101	34	—	2
Total recoveries of loans	2,908	4,475	4,043	3,979	2,860
Net loan charge-offs	(1,427)	(1,616)	(1,513)	(6,399)	(12,416)
Provision (provision reversal) for loan losses	5,551	4,872	4,409	(642)	8,757
Allowance for portfolio loans, at end of period	$ 37,565	$ 33,441	$ 30,185	$ 27,289	$ 34,330
Allowance for PCI loans, at beginning of period	$ 10,175	$ 15,410	$ 15,438	$ 11,547	$ 1,635
Loans charged off	(1,296)	(25)	(341)	(522)	(3,823)
Recoveries of loans	—	—	—	114	27
Other	(1,089)	(796)	(770)	(675)	(325)
Net loan charge-offs	(2,385)	(821)	(1,111)	(1,083)	(4,121)
Provision (provision reversal) for loan losses	(1,946)	(4,414)	1,083	4,974	14,033
Allowance for PCI loans, at end of period	$ 5,844	$ 10,175	$ 15,410	$ 15,438	$ 11,547
Total allowance, at end of period	$ 43,409	$ 43,616	$ 45,595	$ 42,727	$ 45,877
Portfolio loans, average	$ 2,915,744	$ 2,520,734	$ 2,255,180	$ 2,097,920	$ 1,953,427
Portfolio loans, ending	3,118,392	2,750,737	2,433,916	2,137,313	2,106,039
Net charge-offs to average portfolio loans	0.05%	0.06%	0.07%	0.31%	0.64%
Allowance for portfolio loan losses to loans	1.20%	1.22%	1.24%	1.28%	1.63%

The following table is a summary of the allocation of the allowance for loan losses on portfolio loans for the five years ended December 31, 2016:

	December 31,									
	2016		2015		2014		2013		2012	
($ in thousands)	Allowance	Percent by Category to Portfolio Loans	Allowance	Percent by Category to Portfolio Loans	Allowance	Percent by Category to Portfolio Loans	Allowance	Percent by Category to Portfolio Loans	Allowance	Percent by Category to Portfolio Loans
Commercial and industrial	$ 26,996	52.4%	$ 22,056	54.0%	$ 16,983	52.0%	$ 12,246	48.7%	$ 10,064	45.7%
Real estate:										
Commercial	6,310	28.7%	6,453	28.0%	7,517	30.4%	10,696	36.5%	14,595	38.9%
Construction and land development	1,304	6.2%	1,704	5.9%	1,715	5.9%	2,136	5.5%	5,239	7.7%
Residential	2,023	7.7%	1,796	7.1%	2,830	7.6%	2,019	7.4%	2,026	6.9%
Consumer and other	932	5.0%	1,432	5.0%	1,140	4.1%	192	1.9%	31	0.8%
Unallocated	—		—		—		—		2,375	
Total allowance	$ 37,565	100.0%	$ 33,441	100.0%	$ 30,185	100.0%	$ 27,289	100.0%	$ 34,330	100.0%

The provision for loan losses on portfolio loans for the year ended December 31, 2016 was $5.6 million, compared to a $4.9 million expense, and a $4.4 million expense for the comparable 2015 and 2014 periods, respectively. The provision for loan losses for the years ended December 31, 2016 and 2015 was primarily to provide for charge-offs incurred on impaired loans, as well as loan growth in the portfolio.

For PCI loans, the Company remeasures contractual and expected cash flows periodically. When the re-measurement 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 re-measurement process, prior recorded impairment is reversed before the yield is increased prospectively. The provision reversal on PCI loans for the year ended December 31, 2016 was $1.9 million, compared to provision reversal of $4.4 million, and expense of $1.1 million for the comparable 2015 and 2014 periods, respectively.

The allowance for loan losses on portfolio loans was 1.20% of portfolio loans at December 31, 2016, compared to 1.22%, and 1.24%, at December 31, 2015 and 2014, respectively. Management believes the allowance for loan losses is adequate to absorb inherent losses in the loan portfolio. The slight 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 loss migration results.

Nonperforming assets

Nonperforming loans are defined as loans on non-accrual status, loans 90 days or more past due but still accruing interest, and restructured loans. Restructured loans involve the granting of a concession to a borrower due to their financial difficulty and include modification of terms of the loan, such as changes in payment schedule or interest rate. Nonperforming assets include nonperforming loans plus other real estate.

Nonperforming loans exclude PCI loans. PCI loans are accounted for on a pool basis, and the pools are considered to be performing. See Item 8, Note 6 – Purchased Credit Impaired Loans for more information.

The Company's nonperforming loans meet the definition of “impaired loans” in accordance with U.S. GAAP. As of December 31, 2016, 2015, and 2014, the Company had 11, 18, and 18 impaired loan relationships, respectively.

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

($ in thousands)	December 31, 2016	2015	2014	2013	2012
Non-accrual loans	$ 12,585	$ 8,797	$ 20,892	$ 20,163	$ 37,287
Restructured loans	2,320	303	1,352	677	1,440
Total nonperforming loans	14,905	9,100	22,244	20,840	38,727
Other real estate from originated loans	740	3,218	1,896	7,576	9,327
Other real estate from acquired loans	240	5,148	—	—	—
Total nonperforming assets (1) (2)	$ 15,885	$ 17,466	$ 24,140	$ 28,416	$ 48,054
Total assets	$ 4,081,328	$ 3,608,483	$ 3,277,003	$ 3,170,197	$ 3,325,786
Portfolio loans	3,118,392	2,750,737	2,433,916	2,137,313	2,106,039
Portfolio loans plus other real estate	3,119,372	2,759,103	2,435,812	2,144,889	2,115,366
Nonperforming loans to total loans (1)	0.48%	0.33%	0.91%	0.98%	1.84%
Nonperforming assets to portfolio loans plus other real estate (1) (2)	0.51%	0.63%	0.99%	1.32%	2.27%
Nonperforming assets to total assets (1) (2)	0.39%	0.48%	0.74%	0.90%	1.44%
Allowance for portfolio loans to nonperforming loans (1)	252%	367%	136%	131%	89%

(1) Excludes PCI loans, except for their inclusion in total assets.

(2) Other real estate from PCI loans included in nonperforming assets beginning with the year ended December 31, 2015 due to termination of all existing FDIC loss share agreements.

The increase in other real estate included in nonperforming assets from 2014 to 2015 resulted from the reclassification of $5.1 million of other real estate previously covered under FDIC loss share agreements. Excluding this reclassification, nonperforming assets as a percentage of total assets at December 31, 2015 were 0.34%.

Nonperforming loans

Nonperforming loans based on Call Report codes were as follows:

(in thousands)	December 31, 2016		Number of loans	December 31, 2015		Number of loans
Commercial and industrial	$ 12,284	82%	6	$ 4,514	50%	10
Commercial real estate	655	4%	4	1,105	12%	4
Construction and land development	1,904	13%	3	2,800	31%	4
Residential real estate	62	1%	1	681	7%	3
Total	$ 14,905	100%	14	$ 9,100	100%	21

The following table summarizes the changes in nonperforming loans:

	December 31,	
(in thousands)	2016	2015
Nonperforming loans beginning of period	$ 9,100	$ 22,244
Additions to nonaccrual loans	18,853	21,582
Additions to restructured loans	2,320	217
Charge-offs	(4,092)	(6,213)
Other principal reductions	(9,546)	(25,813)
Moved to other real estate	(343)	(2,094)
Moved to performing	(1,387)	(823)
Nonperforming loans end of period	$ 14,905	$ 9,100

Nonperforming loans at December 31, 2016 increased $5.8 million, or 64%, when compared to December 31, 2015. Other principal reductions of $9.5 million includes $1.4 million of proceeds received from sales of collateral, $5.5 million of payments received from borrowers, and $2.6 million of proceeds from the sale of a bond.

At December 31, 2016, nonperforming loans were comprised of 11 relationships with the largest being a $9.8 million C&I relationship, which represented 66% of nonperforming loans. Approximately 91% of nonperforming loans were related to the Company's specialized lending products, 6% were located in the St. Louis market, and 3% were located in the Kansas City market. At December 31, 2016, there were three performing restructured loans, or two relationships, that were excluded from nonperforming loans in the amount of $1.9 million. Nonperforming loans represented 0.48% of portfolio loans at December 31, 2016, versus 0.33% at December 31, 2015.

At December 31, 2015, nonperforming loans were comprised of 18 relationships with the largest being a $2.3 million C&I loan. Five relationships comprised 67% of nonperforming loans. Approximately 76% were located in the St. Louis market and 24% in the Kansas City market. At December 31, 2015, there were two performing restructured loans that were excluded from nonperforming loans in the amount of $2.1 million. Nonperforming loans represented 0.33% of portfolio loans at December 31, 2015, versus 0.91% at December 31, 2014.

Potential problem loans

Potential problem loans are unimpaired loans with a risk rating of 8-Substandard still accruing interest. See Item 8, Note 5 – Portfolio Loans for the definitions of risk ratings. Potential problem loans, which are not included in nonperforming loans, were $77.6 million, or 2.5%, of portfolio loans outstanding at December 31, 2016, compared to $50.3 million, or 1.8%, of portfolio loans outstanding at December 31, 2015. For these loans, payment of principal and interest is current and the loans are performing, however some doubts exist as to the borrower's ability to continue to comply with repayment terms. Potential problem loans include companies that are characterized by significant losses or where downward trends in financial performance have been identified, or are in an industry that is experiencing significant difficulty.

Other real estate

Other real estate at December 31, 2016 was $1.0 million, compared to $8.4 million, at December 31, 2015. In 2015, $5.1 million of other real estate previously covered under FDIC loss share agreements was reclassified into other real estate due to termination of the Company's loss share agreements with the FDIC in the fourth quarter of 2015.

At December 31, 2016, other real estate was comprised of 70% commercial real estate, 24% residential lots, and 6% completed homes. Of the total other real estate, 19%, or one property, is located in the Kansas City region, 57%, or two properties, are located in the St. Louis region, and 24%, or one property, is located in the Arizona region.

The following table summarizes the changes in other real estate:

(in thousands)	December 31, 2016	2015
Other real estate, beginning of period	$ 8,366	$ 7,840
Additions and expenses capitalized to prepare property for sale	2,263	8,248
Writedowns in value	—	(299)
Sales	(9,649)	(7,423)
Other real estate, end of period	$ 980	$ 8,366

The writedowns in fair value were recorded in loan, legal, and other real estate expense. In addition, for the year ended December 31, 2016, the Company realized a net gain of $1.8 million on the sale of other real estate and recorded these gains as part of noninterest income.

Investments

At December 31, 2016, our portfolio of investment securities was $541 million, or 13%, of total assets. The portfolio is primarily comprised of agency mortgage-backed securities, obligations of U.S. Government-sponsored enterprises, as well as municipal bonds. The portfolio is comprised of both available for sale and held to maturity securities.

Other investments, at cost, per the consolidated balance sheets primarily consist of the FHLB capital stock, common stock investments related to our trust preferred securities, and other private equity investments. At December 31, 2016, of the $4.4 million in FHLB capital stock, $4.3 million is required for FHLB membership and $0.1 million is required to support our outstanding advances. Historically, it has been the FHLB's practice to automatically repurchase activity-based stock that became excess because of a member's reduction in advances. The FHLB has the discretion, but is not required, to repurchase any shares a member is not required to hold.

The table below sets forth the carrying value of investment securities held by the Company at the dates indicated:

	December 31,					
	2016		2015		2014	
($ in thousands)	Amount	%	Amount	%	Amount	%
Obligations of U.S. Government sponsored enterprises	$ 107,660	19.4%	$ 99,008	19.3%	$ 91,827	19.8%
Obligations of states and political subdivisions	51,390	9.2%	56,532	11.0%	49,457	10.7%
Agency mortgage-backed securities	382,210	68.7%	339,944	66.3%	304,847	65.9%
FHLB capital stock	4,351	0.8%	8,344	1.6%	9,924	2.1%
Other investments	10,489	1.9%	9,111	1.8%	7,113	1.5%
Total	$ 556,100	100.0%	$ 512,939	100.0%	$ 463,168	100.0%

The Company had no securities classified as trading at December 31, 2016, 2015, or 2014.

The following table summarizes expected maturity and tax equivalent yield information on the investment portfolio at December 31, 2016:

	Within 1 year		1 to 5 years		5 to 10 years		Over 10 years		No Stated Maturity		Total	
($ in thousands)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Obligations of U.S. Government-sponsored enterprises	47,673	1.38%	59,987	1.77%	—	—%	—	—%	—	—%	107,660	1.59%
Obligations of states and political subdivisions	5,559	3.93%	22,877	4.16%	19,222	3.57%	3,732	1.74%	—	—%	51,390	3.74%
Agency mortgage-backed securities	5,364	2.33%	282,326	2.12%	64,096	2.28%	30,424	2.73%	—	—%	382,210	2.20%
FHLB capital stock	—	—%	—	—%	—	—%	—	—%	4,351	2.10%	4,351	2.10%
Other investments	—	—%	—	—%	—	—%	—	—%	10,489	0.45%	10,489	0.45%
Total	$58,596	1.71%	$365,190	2.19%	$ 83,318	2.58%	$34,156	2.62%	$14,840	0.93%	$556,100	2.19%

Yields on tax-exempt securities are computed on a taxable equivalent basis using a tax rate of 38%. Expected maturities will differ from contractual maturities, as borrowers may have the right to call or repay obligations with or without prepayment penalties.

Deposits

The following table shows the breakdown of the Company's deposits by type for the periods indicated:

	For the Years ended December 31,			% Increase (decrease)	
($ in thousands)	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Demand deposits	$ 866,756	$ 717,460	$ 642,930	20.8 %	11.6 %
Interest-bearing transaction accounts	731,539	564,420	508,941	29.6 %	10.9 %
Money market accounts	1,050,472	1,053,662	755,569	(0.3)%	39.5 %
Savings	111,435	92,861	78,718	20.0 %	18.0 %
Certificates of deposit:					
Brokered	117,145	39,573	71,304	196.0 %	(44.5)%
Other	356,014	316,615	434,048	12.4 %	(27.1)%
Total deposits	$3,233,361	$2,784,591	$2,491,510	16.1 %	11.8 %
Non-time deposits / Total deposits	85%	87%	80%		
Demand deposits / Total deposits	27%	26%	26%		

The Bank continued to lower its cost of deposits during 2016. An increase in deposits from 2016 to 2015 occurred in all areas except money market accounts which saw a slight decline. Core deposits, defined as total deposits excluding time deposits, were $2.8 billion at December 31, 2016, an increase of $331.8 million, or 14%, from the prior year period. The increase in deposits reflects the Company's enhanced deposit gathering efforts in both commercial and business banking. In 2015, the Company developed its pricing strategy to favor adjustable rate transaction accounts over longer term time deposits consistent with asset mix and duration. The result was a lower percentage of time deposits and a better position for the bank for a prolonged low rate cycle.

Brokered certificates of deposits at December 31, 2016 were $117.1 million, or 4% of total deposits, compared to $39.6 million, or 1%, at December 31, 2015 as the Company increased its use of brokered funds to supplement core deposit growth.

Maturities of certificates of deposit of $100,000 or more were as follows as of December 31, 2016:

(in thousands)		Total
Three months or less	$	68,274
Over three through six months		43,916
Over six through twelve months		21,711
Over twelve months		139,147
Total	$	273,048

Shareholders' equity
Shareholders' equity totaled $387 million at December 31, 2016, an increase of $36.3 million from December 31, 2015. Significant activity during the year ended December 31, 2016:

- Net income of $48.8 million,
- Dividends paid on common stock of $8.2 million, and
- Increase in treasury stock from the repurchase of $4.9 million common shares.

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 changes in deposit levels, maturing time deposits which are not renewed, and fundings under credit commitments to customers. Funds are available from a number of sources, such as the core deposit base and loans and securities repayments and maturities.

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

For the year ended December 31, 2016, net cash used by investing activities was $358.1 million, versus net cash used of $337.3 million in 2015. The increase from 2015 was due to an overall increase in loan balances. Net cash provided by financing activities was $380.2 million in 2016, versus net cash provided of $283.5 million in 2015. The change in cash provided by financing activities was primarily due to the issuance of $50 million of subordinated notes in 2016. The Company's cash flow from investing and financing activities in 2016 also reflects its deposit gathering efforts which funded new loan advances.

Strong capital ratios, credit quality and core earnings are essential to retaining cost-effective access to the wholesale funding markets. Deterioration in any of these factors could have a negative impact on the Company's ability to access these funding sources and, as a result, these factors are monitored on an ongoing basis as part of the liquidity management process. The Bank is subject to regulations and, among other things, may be limited in its ability to pay dividends or transfer funds to the parent company. Accordingly, consolidated cash flows as presented in the consolidated statements of cash flows may not represent cash immediately available for the payment of cash dividends to the Company's shareholders or for other cash needs.

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.

In December 2016, the Company filed a shelf registration statement on Form S-3 registering up to $100 million of common stock, preferred stock, debt securities, and various other securities, including combinations of such securities. Once the JCB financial information is finalized and filed on an amendment to the Company’s Current Report on Form 8-K, we will request effectiveness of the shelf registration statement. The Company's ability to offer securities pursuant to the registration statement depends on market conditions and the Company's continuing eligibility to use the Form S-3 under rules of the SEC.

On November 1, 2016, the Company issued $50 million aggregate principal amount of 4.75% fixed-to-floating rate subordinated notes with a maturity date of November 1, 2026. The subordinated notes will initially bear an annual interest rate of 4.75%, with interest payable semiannually. The notes were registered pursuant to a Form S-3 which was declared effective in August 2014. Beginning November 1, 2021, the interest rate resets quarterly to the three-month LIBOR rate plus a spread of 338.7 basis points, payable quarterly. The Company used a portion of the proceeds from the issuance to pay the cash consideration at the closing of the acquisition of JCB. Regulatory guidance allows for this subordinated debt to be treated as tier 2 regulatory capital for the first five years of its term, subject to certain limitations, and then phased out of tier 2 capital pro rata over the next five years.

The Company has a senior unsecured revolving credit agreement (the "Revolving Agreement") with another bank allowing for borrowings up to $20 million which is renewed through February 2018. The proceeds can be used for general corporate purposes. The Revolving Agreement is subject to ongoing compliance with a number of customary affirmative and negative covenants as well as specified financial covenants. As of December 31, 2016, there were no outstanding balances under the Revolving Agreement.

The Bank has historically provided a dividend to supplement the parent company's liquidity at the discretion of the Bank's management. In 2016, the Bank paid dividends of $7.5 million throughout the year. In 2015 and 2014, a $10 million dividend was paid in the fourth quarter. The parent company's cash balance as of December 31, 2016 was $52.2 million, a $40.2 million increase from December 31, 2015, due to anticipated cash needs for the acquisition of JCB. At closing of the acquisition, $29.3 million of the parent company's cash was utilized. Management believes the current level of cash at the holding company will be sufficient to meet all projected cash needs for at least the next year.

As of December 31, 2016, 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.

Regulations issued by the Federal Reserve Board under the Basel III regulatory capital reforms allow our currently outstanding trust preferred securities to retain tier 1 capital status.

Bank liquidity
The Bank has a variety of funding sources available to increase financial flexibility. In addition to amounts currently borrowed, at December 31, 2016, the Bank could borrow an additional $439.7 million from the FHLB of Des Moines under blanket loan pledges and has an additional $933.9 million available from the Federal Reserve Bank under a pledged loan agreement. The Bank has unsecured federal funds lines with five correspondent banks totaling $60.0 million.

Investment securities are another important tool to the Bank's liquidity objectives. Of the $460.8 million of the securities available for sale at December 31, 2016, $407.3 million was pledged as collateral for deposits of public institutions, treasury, loan notes, and other requirements. The remaining $53.5 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 $1.2 billion in unused commitments as of December 31, 2016. 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 and 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 December 31, 2016, and December 31, 2015, the Company and the Bank met all capital adequacy requirements to which they are subject.

The Bank continues to meet the definition of "well capitalized" at December 31, 2016, 2015, and 2014. Refer to Item 8 - Note 15 Regulatory Matters for a summary of our risk-based capital and leverage ratios. Beginning with reporting for the first quarter of 2015, the Company adopted the Regulatory Capital Framework (Basel III).

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

	For the Year ended December 31,			Well Capitalized
($ in thousands)	2016	2015	2014	Minimum %
Total capital to risk weighted assets	13.48%	11.85%	13.40%	10.00%
Tier 1 capital to risk weighted assets	10.99%	10.61%	12.14%	8.00%
Common equity tier 1 capital to risk weighted assets[1]	9.52%	9.05%	10.15%	6.50%
Leverage ratio (Tier 1 capital to average assets)	10.42%	10.71%	10.48%	5.00%
Tangible common equity to tangible assets[2]	8.76%	8.88%	8.69%	N/A
Total risk-based capital	$ 506,349	$ 418,367	$ 369,868	
Tier 1 capital	412,865	374,676	335,221	
Common equity tier 1 capital[1]	357,729	319,553	280,121	

[1] Not an applicable regulatory ratio until implementation of Basel III in 2015

[2] Not a required regulatory capital ratio

The Company believes the tangible common equity and regulatory capital ratios 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.

Risk Management

Market risk arises from exposure to changes in interest rates and other relevant market rate or price risk. The Company faces market risk in the form of interest rate risk through transactions other than trading activities. Market risk from these activities, in the form of interest rate risk, is measured and managed through a number of methods. The Company uses financial modeling techniques to measure interest rate risk. These techniques measure the sensitivity of future earnings due to changing interest rate environments. Guidelines established by the Bank's Asset/Liability Management Committee and approved by the Bank's Board of Directors are used to monitor exposure of earnings at risk. General interest rate movements are used to develop sensitivity as management believes it has no primary exposure to a specific point on the yield curve. These limits are based on the Company's exposure to immediate and sustained parallel rate movements up to 400 basis points, either upward or downward.

Interest Rate Risk

Our interest rate risk management practices are aimed at optimizing net interest income, while guarding against deterioration that could be caused by certain interest rate scenarios. 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 manage any impact from market interest rate changes according to our risk tolerance. The Company uses an earnings simulation model to measure earnings sensitivity to changing rates.

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 positive or negative 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	7.9%
+ 200 bp	5.3%
+ 100 bp	2.6%
- 100 bp	-6.9%

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. They are used to modify the Company's exposures to interest rate fluctuations and provide more stable spreads between loan yields and the rate on their funding sources. At December 31, 2016, the Company had $3.5 million in notional amount of outstanding interest rate caps, to help manage interest rate risk, which expire in 2017. Derivative financial instruments are also discussed in Item 8, Note 7 – Derivative Financial Instruments.

Contractual Obligations, Off-Balance Sheet Risk, and Contingent Liabilities

Through the normal course of operations, the Company has entered into certain contractual obligations and other commitments. Such obligations relate to funding of operations through deposits or debt issuances, as well as leases for premises and equipment. As a financial services provider, the Company routinely enters into commitments to extend credit. While contractual obligations represent future cash requirements of the Company, a significant portion of commitments to extend credit may expire without being drawn upon. Such commitments are subject to the same credit policies and approval process accorded to loans made by the Company.

The required contractual obligations and other commitments, excluding any contractual interest[1], at December 31, 2016, were as follows:

		Payments due by Period			
(in thousands)	Total	Less Than 1 Year	Over 1 Year Less than 3 Years	Over 3 Years Less than 5 Years	Over 5 Years
Operating leases	$ 20,103	$ 2,797	$ 5,360	$ 5,279	$ 6,667
Certificates of deposit	473,159	314,407	96,715	62,037	—
Subordinated debentures and notes	106,807	—	—	—	106,807
Commitments to extend credit	1,075,170	450,028	461,051	46,710	117,381
Letters of credit	78,954	52,729	26,200	25	—
Private equity funds (2)	9,245	1,800	7,445	—	—

(1) Interest charges on related contractual obligations were excluded from reported amounts as the potential cash outflows would have corresponding cash inflows from interest-earning assets.

(2) Represents the estimated timing of various capital raises for private equity investments.

As of December 31, 2016, we had liabilities associated with uncertain tax positions of $0.8 million. The table above does not include these liabilities due to the high degree of uncertainty regarding the future cash flows associated with these amounts.

The Company also enters into derivative contracts under which the Company either receives cash from or pays cash to counterparties depending on changes in interest rates. Derivative contracts are carried at fair value on the consolidated balance sheet with the fair value representing the net present value of expected future cash receipts or payments based on market interest rates as of the balance sheet date. The fair value of these contracts changes daily as market interest rates change.

CRITICAL ACCOUNTING POLICIES

The following accounting policies are considered most critical to the understanding of the Company's financial condition and results of operations. These critical accounting policies require management's most difficult, subjective and complex judgments about matters that are inherently uncertain. Because these estimates and judgments are based on current circumstances, they may change over time or prove to be inaccurate based on actual experiences. In the event that different assumptions or conditions were to prevail, and depending upon the severity of such changes, the possibility of a materially different financial condition and/or results of operations could reasonably be expected. The impact and any associated risks related to our critical accounting policies on our business operations are discussed 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 discussion on the application of these and other accounting policies, see Item 8, Note 1 – Summary of Significant Accounting Policies.

The Company has prepared all of the consolidated financial information in this report in accordance with U.S. GAAP. The Company makes estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Such estimates include the valuation of loans, goodwill, intangible assets, and other long-lived assets, along with assumptions used in the calculation of income taxes, among others. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. We adjust such estimates and assumptions when facts and circumstances dictate. Decreased real estate values, volatile credit markets, and persistent high unemployment have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in estimates resulting from continuing changes in the economic environment will be reflected in the financial statement in future periods. There can be no assurances that actual results will not differ from those estimates.

Allowance for Loan Losses

The Company maintains an allowance for loan losses ("the allowance"), which is management's estimate of probable, inherent losses in the outstanding loan portfolio. The allowance is based on management's continuous review and evaluation of the loan portfolio. The review and evaluation combines several factors including: consideration of loan loss experience; trends in past due and nonperforming loans; changes in lending policies and procedures; existing business and economic conditions; the fair value of underlying collateral; changes in the nature and volume of the Company's loan portfolio; changes in the lending department of the Company; volume and severity of past due loans; the quality of the loan review system; concentrations of credit and other qualitative and other factors which affect probable credit losses. Because current economic conditions can change and are difficult to predict, the anticipated amount of estimated loan losses, and therefore the adequacy of the allowance, could change significantly.

In determining the allowance and the related provision for loan losses for portfolio loans, three principal elements are considered:

1) specific allocations based upon probable losses identified during a quarterly review of the loan portfolio,
2) allocations based principally on the Company's risk rating formulas, and
3) a qualitative adjustment based on other economic, environmental and portfolio factors.

The first element reflects management's estimate of probable losses based upon a systematic review of specific loans considered to be impaired. These estimates are based upon discounted cash flows as estimated and used to assign loss or collateral exposure, if they are collateral dependent for collection.

The second element reflects the application of our loan rating system. Loans are rated and assigned a loss allocation factor for each category based on a loss migration analysis using the Company's loss experience over the last five years. The higher the rating assigned to a loan, the greater the loss allocation percentage applied. This element also incorporates an estimate of the loss emergence period, which is an estimate of the time between when a credit event occurs and when the charge-off of a loan occurs. The process is an estimate and is, therefore, imprecise. For example, if our estimate of the loss emergence period would have been increased/decreased by one quarter, it would have resulted in an increase of $2.4 million and a decrease of $2.1 million, respectively, in our allowance at December 31, 2016.

The qualitative adjustment is based on management's evaluation of conditions that are not directly reflected in the loss migration analysis and/or specific reserve. The evaluation of the inherent loss with respect to these conditions is subject to a higher degree of uncertainty because they may not be identified with specific problem credits. The conditions evaluated in connection with the qualitative or environmental adjustment include the following:

- changes in lending policies and procedures;
- changes in business and economic conditions;
- changes in the nature and volume of our loan portfolio;
- changes in our lending department;
- changes in volume and/or severity of past due loans;
- changes in the quality of our loan review system;
- changes in the value of underlying collateral related to loans;
- existence and effect of concentrations of credit within our loan portfolio; and
- other external factors such as asset quality trends (including trends in nonperforming loans expected to result from existing conditions), and related allowance metrics of our peers.

Executive management reviews these conditions quarterly based on discussion with our lending staff. Management then assigns a specified number of basis points of allowance to each factor above by loan category. To the extent that any of these conditions is evidenced by a specifically identifiable problem credit or loan category as of the evaluation date, management's estimate of the effect of such conditions may be reflected as a specific allowance, applicable to such credit or loan category.

The allocation of the allowance for loan losses by loan category is a result of the analysis above. The allocation methodology applied by the Company focuses on changes in the size and character of the loan portfolio, changes in levels of impaired and other nonperforming loans, the risk inherent in specific loans, concentrations of loans to specific borrowers or industries, existing economic conditions, and historical losses on each portfolio category.

Management believes the allowance for loan losses is adequate at December 31, 2016.

Purchased Credit Impaired ("PCI") Loans

Purchased credit impaired ("PCI") loans were acquired in a business combination or transaction that have evidence of deterioration of credit quality since origination and for which it is probable, at acquisition, that the Company will be unable to collect all contractually required payments receivable. PCI loans were initially recorded at fair value (as determined by the present value of expected future cash flows) with no valuation allowance. The difference between the undiscounted cash flows expected at acquisition and the investment in the loans, or the “accretable yield,” is recognized as interest income on a level-yield method over the life of the loans. Contractually required payments for interest and principal that exceed the undiscounted cash flows expected at acquisition, or the “nonaccretable difference,” are not recognized as a yield adjustment or as a loss accrual or a valuation allowance. The Company aggregates individual loans with common risk characteristics into pools of loans. Increases in expected cash flows subsequent to the initial investment are recognized prospectively through adjustment of the yield on the loans over their remaining lives. Decreases in expected cash flows due to an inability to collect contractual cash flows are recognized as impairment through the provision for loan losses account. Any allowance for loan loss on these pools reflect only losses incurred after the acquisition. Any disposals of loans, including sales of loans, payments in full or foreclosures result in the removal of the loan from the loan pool at the carrying amount with differences in actual results reflected in interest income.

PCI loans are generally considered accruing and performing, as the loans accrete income over the estimated life of the loan, in circumstances where cash flows are reasonably estimable by management. Accordingly, PCI loans that could be contractually past due could be considered to be accruing and performing. If the timing and amount of future cash flows is not reasonably estimable or is less than the carrying value, the loans may be classified as nonaccrual loans and the purchase price discount on those loans is not recorded as interest income until the timing and amount of future cash flows can be reasonably estimable.

Allowance for Loan Losses on PCI Loans

The Company updates its cash flow projections for purchased credit-impaired loans on a periodic basis. Assumptions utilized in this process include projections related to probability of default, loss severity, prepayment, extensions and recovery lag. Projections related to probability of default and prepayment are calculated utilizing a loan migration analysis. The loan migration analysis is a matrix that specifies the probability of a loan pool transitioning into a particular delinquency or liquidation state given its current performance at the measurement date. Loss severity factors are based upon industry data and historical experience.

Any decreases in expected cash flows after the acquisition date and subsequent measurement periods are recognized by recording an impairment in allowance for loan losses through a provision for loan losses.

Goodwill and Other Intangible Assets

The Company completes a goodwill impairment test in the fourth quarter each year or whenever events or changes in circumstances indicate that the Company may not be able to recover the goodwill, or intangible assets, respective carrying amount. The impairment test involves the use of various estimates and assumptions. Management believes that the estimates and assumptions utilized are reasonable. However, the Company may incur impairment charges related to goodwill or intangible assets in the future due to changes in business prospects or other matters that could impact estimates and assumptions.

Goodwill is evaluated for impairment at the reporting unit level. Reporting units are defined as the same level as, or one level below, an operating segment. An operating segment is a component of a business for which separate financial information is available that management regularly evaluates in deciding how to allocate resources and assess performance. At December 31, 2016, the Company had one reporting unit and one operating segment.

Potential impairments to goodwill must first be identified by performing a qualitative assessment ("Step 0") which involves examination of changes that have occurred since the last quantitative assessment ("Step 1"). The quantitative assessment compares the fair value of a reporting unit to its carrying amount, including goodwill. Goodwill impairment does not occur as long as it is probable an impairment has not occurred under the Step 0 assessment, or the fair value of the reporting unit is greater than its carrying value under the Step 1 assessment. The second step ("Step 2") of the impairment test is only required if the carrying value of the reporting unit is greater than its fair value as determined in Step 1. Step 2 of the test compares the implied fair market value of goodwill to its carrying amount. If the carrying amount of goodwill exceeds its implied fair market value, an impairment loss is recognized. That loss is equal to the carrying amount of goodwill that is in excess of its implied fair market value.

Intangible assets other than goodwill, such as core deposit intangibles, that are determined to have finite lives are amortized over their estimated remaining useful lives. These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

In 2016, we performed a Step 1 assessment to determine if our goodwill was impaired. At December 31, 2016 and 2015, the Company had $30.3 million goodwill. The 2016 annual impairment evaluation of goodwill and intangible balances did not identify any impairment.

Effects of New Accounting Pronouncements

See Item 8, Note 22 – New Authoritative Accounting Guidance for information on recent accounting pronouncements and their impact, if any, on our consolidated financial statements.

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 tier 1 common equity ratio, in this filing that are considered “non-GAAP financial measures.” Generally, a non-GAAP financial measure is a measure of a company's financial performance, financial position, or cash flows that exclude (or include) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with U.S. GAAP.

The Company considers its core performance measures as important measures of financial performance, even though they are non-GAAP measures, as they provide supplemental information by which to evaluate the impact of PCI loans and related income and expenses, and the impact of certain other income and expense items. Core performance measures include contractual interest on PCI loans, but exclude incremental accretion on PCI loans. Core performance measures also exclude the following:

- the change in the FDIC receivable,
- gain or loss on sale of other real estate previously covered under FDIC loss share agreements,
- expenses directly related to PCI loans and related assets, and
- certain other income and expense items the Company believes to be not indicative of or useful to measure the Company's operating performance on an ongoing basis.

The Company believes that core net interest margin is an important measure of financial performance, even though it is a non-GAAP financial measure, because it provides supplemental information on the impact of PCI loan accretion on the Company's net interest margin, and the Company's operating performance on an ongoing basis, excluding such impact.

The Company believes that the tangible common equity ratio provides useful information to investors about the Company's capital strength, even though it is considered to be a non-GAAP financial measure, and is not part of the regulatory capital requirements to which the Company is subject.

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 that 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.

Reconciliations of Non-GAAP Financial Measures

Core Performance Measures

	For the Years ended		
($ in thousands)	December 31, 2016	December 31, 2015	December 31, 2014
Net interest income	$ 135,495	$ 120,410	$ 117,368
Less: Incremental accretion income	11,980	12,792	18,930
Core net interest income	123,515	107,618	98,438
Total noninterest income	29,059	20,675	16,631
Less: Gain on sale of other real estate from PCI loans	1,565	107	445
Less: Other income from PCI assets	621	—	—
Less: Gain on sale of investment securities	86	23	—
Less: Change in FDIC loss share receivable	—	(5,030)	(9,307)
Less: Closing fee	—	—	945
Core noninterest income	26,787	25,575	24,548
Total core revenue	150,302	133,193	122,986
Provision for portfolio loans	5,551	4,872	4,409
Total noninterest expense	86,110	82,226	87,463
Less: Merger related expenses	1,386	—	—
Less: Other PCI expenses	1,094	1,558	2,953
Less: Facilities disposal charge	1,040	—	1,004
Less: Executive severance	332	—	—
Less: FDIC loss share termination	—	2,436	—
Less: FDIC clawback	—	760	1,201
Less: FHLB prepayment penalty	—	—	2,936
Less: Other non-core expenses	41	—	—
Core noninterest expense	82,217	77,472	79,369
Core income before income tax expense	62,534	50,849	39,208
Total income tax expense	26,002	19,951	13,871
Less: Income tax expense of PCI assets	4,705	2,893	706
Core income tax expense	21,297	17,058	13,165
Core net income	$ 41,237	$ 33,791	$ 26,043
Core diluted earnings per share	$ 2.03	$ 1.66	$ 1.29
Core return on average assets	1.09%	1.00%	0.82%
Core return on average common equity	11.10%	10.08%	8.63%
Core return on average tangible common equity	12.18%	11.22%	9.77%
Core efficiency ratio	54.70%	58.17%	64.53%

Net Interest Margin to Core Net Interest Margin (Fully tax equivalent)

	For the Years ended December 31,		
($ in thousands)	2016	2015	2014
Net interest income	$ 137,261	$ 122,141	$ 119,002
Less: Incremental accretion income	11,980	12,792	18,930
Core net interest income	$ 125,281	$ 109,349	$ 100,072
Average earning assets	$ 3,570,186	$ 3,163,339	$ 2,921,978
Reported net interest margin	3.84%	3.86%	4.07%
Core net interest margin	3.51%	3.46%	3.42%

Tangible Common Equity ratio

	For the Years ended December 31,		
($ in thousands)	2016	2015	2014
Total shareholders' equity	$ 387,098	$ 350,829	$ 316,241
Less: Goodwill	30,334	30,334	30,334
Less: Intangible assets	2,151	3,075	4,164
Tangible common equity	$ 354,613	$ 317,420	$ 281,743
Total assets	$ 4,081,328	$ 3,608,483	$ 3,277,003
Less: Goodwill	30,334	30,334	30,334
Less: Intangible assets	2,151	3,075	4,164
Tangible assets	$ 4,048,843	$ 3,575,074	$ 3,242,505
Tangible common equity to tangible assets	8.76%	8.88%	8.69%

Regulatory Capital to Risk-weighted Assets

($ in thousands)	For the Years ended December 31, 2016	2015	2014
Total shareholders' equity	$ 387,098	$ 350,829	$ 316,241
Less: Goodwill	30,334	30,334	30,334
Less: Intangible assets, net of deferred tax liabilities[1]	800	759	4,164
Less: Unrealized gains (losses)	(1,741)	218	1,681
Plus: Other[1]	24	35	59
Common equity tier 1 capital	357,729	319,553	280,121
Plus: Qualifying trust preferred securities	55,100	55,100	55,100
Plus: Other[1]	36	23	—
Tier 1 capital	412,865	374,676	335,221
Plus: Tier 2 capital	93,484	43,691	34,647
Total risk-based capital	$ 506,349	$ 418,367	$ 369,868
Total risk weighted assets determined in accordance with prescribed regulatory requirements	$ 3,757,161	$ 3,530,521	$ 2,760,729
Common equity tier 1 to risk weighted assets	9.52%	9.05%	10.15%
Tier 1 capital to risk-weighted assets	10.99%	10.61%	12.14%
Total risk-based capital to risk-weighted assets	13.48%	11.85%	13.40%

[1] Beginning January 1, 2015, the implementation of revised regulatory capital guidelines under Basel III has resulted in differences in these items when compared to prior periods.

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Please refer to “Risk Factors” included in Item 1A and “Risk Management” included in Management's Discussion and Analysis under Item 7.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Enterprise Financial Services Corp and Subsidiaries

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Enterprise Financial Services Corp
St. Louis, Missouri

We have audited the accompanying consolidated balance sheets of Enterprise Financial Services Corp and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Enterprise Financial Services Corp and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2017 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

St. Louis, Missouri
February 24, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Enterprise Financial Services Corp
St. Louis, Missouri

We have audited the internal control over financial reporting of Enterprise Financial Services Corp and subsidiaries (the "Company") as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Assessment on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2016 of the Company and our report dated February 24, 2017 expressed an unqualified opinion on those consolidated financial statements.

/s/ Deloitte & Touche LLP

St. Louis, Missouri
February 24, 2017

ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES
Consolidated Balance Sheets
As of December 31, 2016 and 2015

(in thousands, except share and per share data)	December 31, 2016	December 31, 2015
Assets		
Cash and due from banks	$ 54,288	$ 47,935
Federal funds sold	446	91
Interest-bearing deposits (including $675 and $1,320 pledged as collateral, respectively)	144,068	46,131
Total cash and cash equivalents	198,802	94,157
Interest-bearing deposits greater than 90 days	980	1,000
Securities available for sale	460,797	451,770
Securities held to maturity	80,463	43,714
Loans held for sale	9,562	6,598
Portfolio loans	3,118,392	2,750,737
Less: Allowance for loan losses	37,565	33,441
Portfolio loans, net	3,080,827	2,717,296
Purchased credit impaired loans, net of allowance for loan losses ($5,844 and $10,175, respectively)	33,925	64,583
Total loans, net	3,114,752	2,781,879
Other real estate	980	8,366
Other investments, at cost	14,840	17,455
Fixed assets, net	14,910	14,842
Accrued interest receivable	11,117	8,399
State tax credits, held for sale, including $3,585 and $5,941 carried at fair value, respectively	38,071	45,850
Goodwill	30,334	30,334
Intangible assets, net	2,151	3,075
Other assets	103,569	101,044
Total assets	$ 4,081,328	$ 3,608,483
Liabilities and Shareholders' equity		
Demand deposits	$ 866,756	$ 717,460
Interest-bearing transaction accounts	731,539	564,420
Money market accounts	1,050,472	1,053,662
Savings	111,435	92,861
Certificates of deposit:		
Brokered	117,145	39,573
Other	356,014	316,615
Total deposits	3,233,361	2,784,591
Subordinated debentures and notes (net of debt issuance cost of $1,267 and $0, respectively)	105,540	56,807
Federal Home Loan Bank advances	—	110,000
Other borrowings	276,980	270,326
Accrued interest payable	1,105	629
Other liabilities	77,244	35,301
Total liabilities	3,694,230	3,257,654
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; 20,306,353 and 20,093,119 shares issued, respectively	203	201
Treasury stock, at cost; 261,718 and 76,000 shares, respectively	(6,632)	(1,743)
Additional paid in capital	213,078	210,589
Retained earnings	182,190	141,564
Accumulated other comprehensive income (loss)	(1,741)	218

Total shareholders' equity	387,098	350,829
Total liabilities and shareholders' equity	$ 4,081,328	$ 3,608,483

See accompanying notes to consolidated financial statements.

ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended December 31, 2016, 2015, and 2014

	Years ended December 31,		
(in thousands, except per share data)	2016	2015	2014
Interest income:			
Interest and fees on loans	$ 137,738	$ 122,370	$ 121,395
Interest on debt securities:			
Taxable	9,590	8,842	8,711
Nontaxable	1,300	1,215	1,188
Interest on interest-bearing deposits	370	211	187
Dividends on equity securities	226	141	273
Total interest income	149,224	132,779	131,754
Interest expense:			
Interest-bearing transaction accounts	1,370	1,149	653
Money market accounts	4,439	2,993	2,716
Savings accounts	262	219	201
Certificates of deposit	4,770	6,051	6,917
Subordinated debentures and notes	1,894	1,248	1,322
Federal Home Loan Bank advances	555	127	1,799
Notes payable and other borrowings	439	582	778
Total interest expense	13,729	12,369	14,386
Net interest income	135,495	120,410	117,368
Provision for portfolio loan losses	5,551	4,872	4,409
Provision (provision reversal) for purchased credit impaired loan losses	(1,946)	(4,414)	1,083
Net interest income after provision for loan losses	131,890	119,952	111,876
Noninterest income:			
Service charges on deposit accounts	8,615	7,923	7,181
Wealth management revenue	6,729	7,007	6,942
Other service charges and fee income	3,958	3,241	2,953
Gain on state tax credits, net	2,647	2,720	2,252
Gain on sale of other real estate	1,837	142	1,531
Gain on sale of investment securities	86	23	—
Change in FDIC loss share receivable	—	(5,030)	(9,307)
Miscellaneous income	5,187	4,649	5,079
Total noninterest income	29,059	20,675	16,631
Noninterest expense:			
Employee compensation and benefits	49,846	46,095	47,232
Occupancy	6,889	6,573	6,527
Data processing	4,723	4,339	4,481
Professional fees	3,825	3,465	3,825
FDIC and other insurance	3,018	2,790	2,884
Loan legal and other real estate expense	1,635	1,812	3,936
FDIC loss share termination	—	2,436	—
FHLB prepayment penalty	—	—	2,936
FDIC clawback	—	760	1,201
Other	16,174	13,956	14,441
Total noninterest expense	86,110	82,226	87,463
Income before income tax expense	74,839	58,401	41,044
Income tax expense	26,002	19,951	13,871
Net income	$ 48,837	$ 38,450	$ 27,173

Earnings per common share			
Basic	$ 2.44	$ 1.92	$ 1.38
Diluted	2.41	1.89	1.35

See accompanying notes to consolidated financial statements.

ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
Years ended December 31, 2016, 2015, and 2014

	Years ended December 31,		
(in thousands)	2016	2015	2014
Net income	$ 48,837	$ 38,450	$ 27,173
Other comprehensive (loss) income, net of tax:			
Unrealized (losses) gains on investment securities arising during the period, net of income tax (benefit) expense of ($1,168), ($899), and $3,762, respectively	(1,906)	(1,449)	6,061
Less: Reclassification adjustment for realized gains on sale of securities available for sale included in net income, net of income tax expense of $33, $9, and $0, respectively	(53)	(14)	—
Total other comprehensive (loss) income	(1,959)	(1,463)	6,061
Total comprehensive income	$ 46,878	$ 36,987	$ 33,234

See accompanying notes to consolidated financial statements.

ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
Years ended December 31, 2016, 2015, and 2014

(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 December 31, 2013	$ —	$ 194	$ (1,743)	$ 200,258	$ 85,376	$ (4,380)	$ 279,705
Net income	—	—	—	—	27,173	—	27,173
Other comprehensive income	—	—	—	—	—	6,061	6,061
Cash dividends paid on common shares, $0.21 per share	—	—	—	—	(4,176)	—	(4,176)
Issuance under equity compensation plans, 225,958 shares, net	—	2	—	(681)	—	—	(679)
Trust preferred securities conversion 287,852 shares	—	3	—	4,999	—	—	5,002
Share-based compensation	—	—	—	2,950	—	—	2,950
Excess tax benefit related to equity compensation plans	—	—	—	205	—	—	205
Balance December 31, 2014	$ —	$ 199	$ (1,743)	$ 207,731	$108,373	$ 1,681	$ 316,241
Net income	—	—	—	—	38,450	—	38,450
Other comprehensive loss	—	—	—	—	—	(1,463)	(1,463)
Cash dividends paid on common shares, $0.2625 per share	—	—	—	—	(5,259)	—	(5,259)
Issuance under equity compensation plans, 179,600 shares, net	—	2	—	(1,192)	—	—	(1,190)
Share-based compensation	—	—	—	3,601	—	—	3,601
Excess tax benefit related to equity compensation plans	—	—	—	449	—	—	449
Balance December 31, 2015	$ —	$ 201	$ (1,743)	$ 210,589	$141,564	$ 218	$ 350,829
Net income	—	—	—	—	48,837	—	48,837
Other comprehensive loss	—	—	—	—	—	(1,959)	(1,959)
Cash dividends paid on common shares, $0.41 per share	—	—	—	—	(8,211)	—	(8,211)
Repurchase of common shares	—	—	(4,889)	—	—	—	(4,889)
Issuance under equity compensation plans, 213,234 shares, net	—	2	—	(2,205)	—	—	(2,203)
Share-based compensation	—	—	—	3,367	—	—	3,367
Excess tax benefit related to equity compensation plans	—	—	—	1,327	—	—	1,327
Balance December 31, 2016	$ —	$ 203	$ (6,632)	$ 213,078	$182,190	$ (1,741)	$ 387,098

See accompanying notes to consolidated financial statements.

ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended December 31, 2016, 2015, and 2014

	Years ended December 31,		
(in thousands)	2016	2015	2014
Cash flows from operating activities:			
Net income	$ 48,837	$ 38,450	$ 27,173
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	2,428	2,022	2,238
Provision for loan losses	3,605	458	5,492
Deferred income taxes	7,263	(5,763)	4,277
Net amortization of debt securities	3,225	3,256	3,810
Amortization of intangible assets	924	1,089	1,254
Gain on sale of investment securities	(86)	(23)	—
Mortgage loans originated for sale	(157,129)	(135,721)	(74,135)
Proceeds from mortgage loans sold	154,993	133,552	72,529
Gain on sale of other real estate	(1,837)	(142)	(1,531)
Gain on state tax credits, net	(2,647)	(2,720)	(2,252)
Excess tax benefit of share-based compensation	(1,327)	(449)	(205)
Share-based compensation	3,367	3,601	2,950
Valuation adjustment on other real estate	1	82	696
Net accretion of loan discount and indemnification asset	(11,057)	(7,805)	(9,879)
Changes in:			
Accrued interest receivable	(2,718)	(443)	(653)
Accrued interest payable	476	(214)	(114)
Other assets	(7,740)	10,375	(205)
Other liabilities	41,943	7,582	49
Net cash provided by operating activities	82,521	47,187	31,494
Cash flows from investing activities:			
Net increase in loans	(328,023)	(290,326)	(240,640)
Net cash proceeds received from FDIC loss share receivable	—	2,275	9,605
Proceeds from the termination of FDIC loss share agreements	—	1,253	—
Proceeds from the sale of debt securities, available for sale	2,493	41,069	—
Proceeds from the paydown or maturity of debt securities, available for sale	63,502	53,733	47,678
Proceeds from the paydown or maturity of debt securities, held to maturity	3,655	2,284	455
Proceeds from the redemption of other investments	52,279	39,929	29,045
Proceeds from the sale of state tax credits held for sale	18,757	16,337	12,814
Proceeds from the sale of other real estate	11,346	7,378	17,259
Payments for the purchase of:			
Available for sale debt securities	(81,195)	(152,044)	(53,664)
Held to maturity debt securities	(40,529)	—	—
Other investments	(49,645)	(36,046)	(33,477)
State tax credits held for sale	(8,201)	(20,981)	—
Fixed assets	(2,496)	(2,111)	(1,901)
Net cash used in investing activities	(358,057)	(337,250)	(212,826)

	Years ended December 31,		
(in thousands)	2016	2015	2014
Cash flows from financing activities:			
Net increase (decrease) in noninterest-bearing deposit accounts	149,296	74,530	(10,756)
Net increase (decrease) in interest-bearing deposit accounts	299,474	218,551	(32,686)
Proceeds from the issuance of subordinated notes	48,733	—	—
Proceeds from Federal Home Loan Bank advances	1,357,000	945,900	1,227,500
Repayments of Federal Home Loan Bank advances	(1,467,000)	(979,900)	(1,133,500)
Repayments of notes payable	—	(5,700)	(4,800)
Net increase in other borrowings	6,654	36,143	30,352
Cash dividends paid on common stock	(8,211)	(5,259)	(4,177)
Excess tax benefit of share-based compensation	1,327	449	205
Repurchase of common stock	(4,889)	—	—
Issuance of common stock	2	2	2
Proceeds from the issuance of equity instruments, net	(2,205)	(1,192)	(681)
Net cash provided by financing activities	380,181	283,524	71,459
Net increase (decrease) in cash and cash equivalents	104,645	(6,539)	(109,873)
Cash and cash equivalents, beginning of period	94,157	100,696	210,569
Cash and cash equivalents, end of period	$ 198,802	$ 94,157	$ 100,696
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	$ 13,253	$ 12,583	$ 14,500
Income taxes	26,039	15,763	8,993
Noncash transactions:			
Transfer to other real estate owned in settlement of loans	$ 2,743	$ 8,248	$ 9,869
Sales of other real estate financed	140	—	8,083
Issuance of common stock from Trust Preferred Securities conversion	—	—	5,002
Transfer of securities from available for sale to held to maturity	—	—	46,574

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used by the Company in the preparation of the consolidated financial statements are summarized below.

Business and Consolidation

Enterprise Financial Services Corp and subsidiaries (the “Company” or “Enterprise”) is a financial holding company that provides a full range of banking and wealth management services to individuals and corporate customers primarily located in the St. Louis, Kansas City, and Phoenix metropolitan markets through its banking subsidiary, Enterprise Bank & Trust (the “Bank”). The 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.

The Company is subject to competition from other financial and nonfinancial institutions providing financial services in the markets served by the Company's subsidiary. Additionally, the Company and its banking subsidiary are subject to the regulations of certain federal and state agencies and undergo periodic examinations by those regulatory agencies. The Company has one operating segment.

Use of Estimates

The consolidated financial statements of the Company have been prepared in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”.) In preparing the consolidated financial statements, management is required to make estimates and assumptions, which significantly affect the reported amounts in the consolidated financial statements. Such estimates include the valuation of loans, goodwill, intangible assets, indemnification assets, and other long-lived assets, along with assumptions used in the calculation of income taxes, among others. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. Decreased real estate values, volatile credit markets, and unemployment have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

Cash Flow Information

For purposes of reporting cash flows, the Company considers cash and due from banks, interest-bearing deposits and federal funds sold that mature within 90 days to be cash and cash equivalents. At December 31, 2016 and 2015, approximately $18.2 million, and $13.8 million, respectively, of cash and due from banks represented required reserves on deposits maintained by the Company in accordance with Federal Reserve Bank requirements.

Investments

The Company has classified all investments in debt securities as available for sale or held to maturity.

Securities classified as available for sale are carried at fair value. Unrealized holding gains and losses for available for sale securities are excluded from earnings and reported as a net amount in a separate component of shareholders' equity until realized. All previous fair value adjustments included in the separate component of shareholders' equity are reversed upon sale.

Securities classified as held to maturity are carried at historical cost and adjusted for amortization of premiums and accretion of discounts.

Declines in the fair value of securities below their cost deemed to be other-than-temporary are reflected in operations as realized losses. In estimating other-than-temporary impairment losses, 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 (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's more likely than not the Company would be required to sell the security before its anticipated recovery in market value.

Premiums and discounts are amortized or accreted over the expected lives of the respective securities as an adjustment to yield using the interest method. Dividend and interest income is recognized when earned. Realized gains and losses are included in earnings and are derived using the specific identification method for determining the cost of securities sold.

Loans Held for Sale

The Company provides long-term financing of one-to-four-family residential real estate by originating fixed and variable rate loans. Long-term fixed and variable rate loans are sold into the secondary market with limited recourse. Upon receipt of an application for a real estate loan, the Company determines whether the loan will be sold into the secondary market or retained in the Company's loan portfolio. The interest rates on the loans sold are locked with the buyer and the Company bears no interest rate risk related to these loans. Mortgage loans held for sale are carried at the lower of cost or fair value, which is determined on a specific identification method. The Company does not retain servicing on any loans sold, nor did the Company have any capitalized mortgage servicing rights at December 31, 2016 or 2015. Gains on the sale of loans held for sale are reported net of direct origination fees and costs in the Company's consolidated statements of operations.

Portfolio Loans

Loans are reported at the principal balance outstanding, net of unearned fees, costs, and premiums or discounts on acquired loans. Loan origination fees, direct origination costs, and premiums or discounts resulting from acquired loans are deferred and recognized over the lives of the related loans as a yield adjustment using the interest method.

Interest income on loans is accrued to income based on the principal amount outstanding. The recognition of interest income is discontinued when a loan becomes 90 days past due or a significant deterioration in the borrower's credit has occurred which, in management's judgment, negatively impacts the collectibility of the loan. Unpaid interest on such loans is reversed at the time the loan becomes uncollectible and subsequent interest payments received are applied to principal if any doubt exists as to the collectibility of such principal; otherwise, such receipts are recorded as interest income. Loans that have not been restructured are returned to accrual status when management believes full collectibility of principal and interest is expected. Non-accrual loans that have been restructured will remain in a non-accrual status until the borrower has made at least six months of consecutive contractual payments.

Purchased Credit Impaired ("PCI") Loans

Loans acquired through the completion of a transfer, including loans acquired in a business combination, that have evidence of deterioration of credit quality since origination and for which it is probable, at acquisition, that the Company will be unable to collect all contractually required payments receivable, are initially recorded at fair value (as determined by the present value of expected future cash flows) with no valuation allowance. The difference between the undiscounted cash flows expected at acquisition and the investment in the loans, or the “accretable yield,” is recognized as interest income on a level-yield method over the life of the loans. Contractually required payments for interest and principal that exceed the undiscounted cash flows expected at acquisition, or the “nonaccretable difference,” are not recognized as a yield adjustment or as a loss accrual or a valuation allowance. The Company aggregates individual loans with common risk characteristics into pools of loans. Increases in expected cash flows subsequent to the initial investment are recognized prospectively through adjustment of the yield on the loans over their remaining lives. Decreases in expected cash flows due to an inability to collect contractual cash flows are recognized as impairment through the provision for loan losses account. Any allowance for loan loss on these pools reflect only losses incurred after the acquisition (meaning the present value of all cash flows expected at acquisition that ultimately are not to be received). Any disposals of loans, including sales of loans, payments in full or foreclosures result in the removal of the loan from the loan pool at the carrying amount with differences in actual results reflected in interest income.

Impaired Loans
Loans are considered "impaired" when it becomes probable that the Company will be unable to collect all amounts due according to the loan's contractual terms. Non-accrual loans, loans past due greater than 90 days and still accruing, unless adequately secured and in the process of collection, and restructured loans qualify as "impaired loans." Restructured loans involve the granting of a concession to a borrower experiencing financial difficulty involving the modification of terms of the loan, such as changes in payment schedule or interest rate.

When measuring impairment, the expected future cash flows of an impaired loan are discounted at the loan's effective interest rate at origination. Alternatively, impairment can be measured by reference to an observable market price, if one exists, or the fair value of the collateral for a collateral-dependent loan. Interest income on impaired loans is not accrued but is recorded when cash is received and only if principal is considered to be fully collectible. Loans and leases, which are deemed uncollectible, are charged off to the allowance for loan losses, while recoveries of amounts previously charged off are credited to the allowance for loan losses.

Impaired loans exclude PCI loans, which are accounted for on a pool basis and are generally considered accruing and performing loans, as the loans accrete interest income over the estimated life of the loan when cash flows are reasonably estimable. Accordingly, PCI loans that are contractually past due may still be considered to be accruing and performing loans. If the timing and amount of future cash flows is not reasonably estimable, the loans may be classified as nonaccrual loans and the purchase price discount on those loans is not recorded as interest income until the timing and amount of future cash flows can be reasonably estimated. See Note 6 – Purchased Credit Impaired Loans for more information on these loans.

Loans are generally placed on non-accrual status when contractually past due 90 days or more as to interest or principal payments. Additionally, whenever management becomes aware of facts or circumstances that may adversely impact the collectability of principal or interest on loans, it is management's practice to place such loans on non-accrual status immediately, rather than delaying such action until the loans become 90 days past due. Previously accrued and uncollected interest on such loans is reversed. Income is recorded only to the extent that a determination has been made that the principal balance of the loan is collectable and the interest payments are subsequently received in cash, or for a restructured loan, the borrower has made six consecutive contractual payments. If collectability of the principal is in doubt, payments received are applied to loan principal.

Loans past due 90 days or more but still accruing interest are also generally included in nonperforming loans. Loans past due 90 days or more but still accruing are classified as such where the underlying loans are both well secured (the collateral value is sufficient to cover principal and accrued interest) and are in the process of collection. At December 31, 2016, we did not have any loans past due greater than 90 days and not included in nonperforming loans.

Loan Charge-Offs
Loans are charged-off when the primary and secondary sources of repayment (cash flow, collateral, guarantors, etc.) are less than their carrying value.

Allowance For Loan Losses
The allowance for loan losses is increased by provision charged to expense and is available to absorb charge-offs, net of recoveries. Management utilizes a systematic, documented approach in determining the appropriate level of the allowance for loan losses. The level of the allowance reflects management's continuing evaluation of industry concentrations; specific credit risks; loan loss experience; current loan portfolio quality; present economic, political and regulatory conditions; and probable losses inherent in the current loan portfolio. The determination of the appropriate level of the allowance for loan losses inherently involves a degree of subjectivity and requires that the Company make significant estimates of current credit risks and future trends, all of which may undergo material changes. Changes in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may require an increase in the allowance for loan losses.

Management believes the allowance for loan losses is adequate to absorb inherent losses in the loan portfolio. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions and other factors. In addition, various regulatory agencies, as an integral part of the examination process, periodically review the Bank's loan portfolio. Such agencies may require additions to the allowance for loan losses based on their judgments and interpretations of information available to them at the time of their examinations.

Allowance for Loan Losses on PCI Loans

The Company updates its cash flow projections for PCI loans on a periodic basis. Assumptions utilized in this process include projections related to probability of default, loss severity, prepayment, extensions and recovery lag. Projections related to probability of default and prepayment are calculated utilizing a loan migration analysis. The loan migration analysis is a matrix of probability that specifies the probability of a loan pool transitioning into a particular delinquency or liquidation state given its current state at the re-measurement date. Loss severity factors are based upon industry data and experience.

Any decreases in expected cash flows after the acquisition date and subsequent measurement periods are recognized by recording an impairment in the provision for loan losses. See Purchased Credit Impaired Loans above for further discussion. Any increase in expected future cash flows due to a decrease in expected credit losses will reverse previously recorded impairment, if any, and add to the accretable yield on the loan pool, prospectively.

Other Real Estate

Other real estate represents property acquired through foreclosure or deeded to the Company in lieu of foreclosure on loans on which the borrowers have defaulted on the payment of principal or interest. Other real estate is recorded on an individual asset basis at the lower of cost or fair value less estimated costs to sell. The fair value of other real estate is based upon estimates of future cash flows, market value of similar assets, if available, or independent appraisals. These estimates involve significant uncertainties and judgments. As a result, fair value estimates may not be realizable in a current sale or settlement of the other real estate. Subsequent reductions in fair value are expensed within noninterest expense.

Gains and losses resulting from the sale of other real estate are credited or charged to current period earnings. Costs of maintaining and operating other real estate are expensed as incurred, and expenditures to complete or improve other real estate properties are capitalized if the expenditures are expected to be recovered upon ultimate sale of the property.

FDIC Loss Share Receivable and Clawback Liability

As part of several FDIC-assisted transactions, the Bank entered into loss sharing agreements with the FDIC from 2009-2011. In 2015, the Bank entered into an agreement with the FDIC to terminate all existing loss sharing agreements. This termination resulted in the removal of the remaining clawback liability of $3.5 million and FDIC receivable of $7.2 million. The following policy discussion refers to transactions prior to December 7, 2015. The FDIC reimbursed the Bank for a percentage of realized losses on loans and foreclosed real estate covered under the agreement (“covered assets”). In addition, the Bank was reimbursed for certain expenses related to the covered assets. At the acquisition date, the fair value of the amount due from the FDIC (“FDIC Loss Share Receivable") was estimated based on expected losses and cash flows on the covered assets. The FDIC Loss Share Receivable was measured separately from the related covered assets and recorded separately on the balance sheet, because it is not contractually embedded in the covered assets and was not transferable. Although these assets are contractual receivables from the FDIC, there are no contractual interest rates.

Subsequent to initial recognition, but prior to early termination in the fourth quarter of 2015, the FDIC Loss Share Receivable was reviewed quarterly and adjusted for any changes in expected cash flows. These adjustments were measured on the same basis as the related covered assets. Any decrease in expected cash flows due to an increase in expected credit losses increased the FDIC Loss Share Receivable which partially offset the impairment recorded on the PCI loans. The amount of the increase was recorded in noninterest income and was determined based on the specific loss share agreement, but was generally 80% of the losses. Any increase in expected future cash flows due to a decrease in expected credit losses decreased the accretion of the FDIC Loss Share Receivable prospectively over its remaining life. Increases and decreases to the FDIC Loss Share Receivable were recorded as adjustments to noninterest income.

As stipulated in some of its agreements with the FDIC, the Company may have been required to reimburse the FDIC if certain levels of cash flows were met over the duration of a loss share agreement. This reimbursement, or clawback liability, was measured quarterly.

Fixed Assets
Buildings, leasehold improvements, furniture, fixtures, equipment, and capitalized software are stated at cost less accumulated depreciation. All categories are computed using the straight-line method over their respective estimated useful lives. Furniture, fixtures and equipment is depreciated over three to ten years, buildings and leasehold improvements over ten to forty years, and capitalized software over three years based upon estimated lives or lease obligation periods.

State Tax Credits Held for Sale
The Company has purchased the rights to receive 10-year streams of state tax credits at agreed upon discount rates and sells such tax credits to its clients and others. All state tax credits purchased prior to 2009 are accounted for at fair value. All state tax credits purchased since 2009 are accounted for at cost. The Company elected not to account for the state tax credits purchased since 2009 at fair value in order to limit the volatility of the fair value changes in the Company's consolidated statements of operations.

Cash Surrender Value of Life Insurance
The Company has purchased bank-owned life insurance policies on certain bank officers. Bank-owned life insurance is recorded at its cash surrender value. Changes in the cash surrender values are included in noninterest income.

Federal Home Loan Bank Stock
The Bank, as a member of the Federal Home Loan Bank of Des Moines (“FHLB”), is required to maintain an investment in the capital stock of the FHLB. The stock is redeemable at par by the FHLB, and is, therefore, carried at cost and periodically evaluated for impairment. The Company records FHLB dividends in interest income.

Goodwill and Other Intangible Assets
The Company tests goodwill for impairment on an annual basis and whenever events or changes in circumstances indicate that the Company may not be able to recover the respective asset's carrying amount. The Company's annual test for impairment was performed in the fourth quarter of December 31, 2016. Such tests involve the use of estimates and assumptions. Core deposit intangibles are amortized using an accelerated method over an estimated useful life of approximately 10 years.

The Company identifies potential goodwill impairments by first performing a qualitative assessment and then by comparing the fair value of a reporting unit to its carrying amount, including goodwill. Goodwill impairment is not indicated as long as it is more likely than not that impairment has not occurred based on the qualitative assessment or based on the quantitative assessment the fair value of the reporting unit is greater than its carrying value. The second step of the impairment test is only required if a goodwill impairment is identified in step one. The second step of the test compares the implied fair value of goodwill to its carrying amount. If the carrying amount of goodwill exceeds its implied fair value, an impairment loss is recognized. That loss is equal to the carrying amount of goodwill that is in excess of its implied fair market value.

Impairment of Long-Lived Assets

Long-lived assets, such as fixed assets and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale are presented separately in the appropriate asset and liability sections of the balance sheet.

Derivative Financial Instruments and Hedging Activities

The Company uses derivative financial instruments to assist in the management of interest rate sensitivity and to modify the repricing, maturity and option characteristics of certain assets and liabilities. In addition, the Company also offers an interest rate hedge program that includes interest rate swaps to assist its customers in managing their interest rate risk profile. In order to eliminate the interest rate risk associated with offering these products, the Company enters into derivative contracts with third parties to offset the customer contracts.

Derivative instruments are required to be measured at fair value and recognized as either assets or liabilities in the consolidated financial statements. Fair value represents the payment the Company would receive or pay if the item were sold or bought in a current transaction. The accounting for changes in fair value (gains or losses) of a hedged item is dependent on whether the related derivative is designated and qualifies for “hedge accounting.” The Company assigns derivatives to one of these categories at the purchase date: cash flow hedge, fair value hedge, or non-designated derivatives. An assessment of the expected and ongoing hedge effectiveness of any derivative designated a fair value hedge or cash flow hedge is performed as required by the accounting standards. Derivatives are included in other assets and other liabilities in the consolidated balance sheets. Generally, the only derivative instruments used by the Company have been interest rate swaps and interest rate caps.

The Company does not currently have derivative instruments designated as fair value or cash flow hedges. Certain derivative financial instruments are not designated as cash flow or as fair value hedges for accounting purposes. These non-designated derivatives are intended to provide interest rate protection on net interest income or noninterest income but do not meet hedge accounting treatment. Customer accommodation interest rate swap contracts are not designated as hedging instruments. Changes in the fair value of these instruments are recorded in interest income or noninterest income in the consolidated statements of income depending on the underlying hedged item.

Income Taxes

The Company and its subsidiaries file a consolidated federal income tax return. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. We evaluated the need for deferred tax asset valuation allowances based on a more-likely-than-not standard. The ability to realize deferred tax assets depends on the ability to generate sufficient positive taxable income within the carryback or carryforward periods provided for in the laws for each applicable taxing jurisdiction. We consider the following possible sources of taxable income: future reversal patterns of existing taxable temporary differences, future taxable income exclusive of reversing temporary differences, taxable income in prior carryback years and the availability of qualified tax planning strategies. The assessment regarding whether a valuation allowance is required or should be adjusted depends on all available positive and negative factors including, but not limited to, nature, frequency, and severity of recent losses, duration of available carryforward periods, experience with tax attributes expiring unused and near and medium term financial outlook. Because of the complexity of tax laws and regulations, interpretation can be difficult and subject to legal judgment given specific facts and circumstances. It is possible that others, given the same information, may at any point in time reach different reasonable conclusions regarding the estimated amounts of accrued taxes.

Stock-Based Compensation

Stock-based compensation is recognized as an expense for stock options, restricted stock awards, and restricted stock units granted to employees in return for employee service. Equity classified awards are measured at the grant date fair value using either an observable market value or a valuation methodology, and recognized over the requisite service period on a straight-line basis, reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. A description of the Company's stock-based employee compensation plan is described in Note 16 - Compensation Plans.

Acquisitions and Divestitures

The assets and liabilities of the acquired entities have been recorded at their estimated fair values at the date of acquisition. Goodwill represents the excess of the purchase price over the fair value of net assets, including the amount assigned to identifiable intangible assets.

The purchase price allocation process requires an estimation of the fair values of the assets acquired and the liabilities assumed. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the Company includes an estimate of the acquisition-date fair value as part of the cost of the combination. The results of operations of the acquired business are included in the Company's consolidated financial statements from the respective date of acquisition. As a general rule, goodwill established in connection with a stock purchase is non-deductible for tax purposes.

For divestitures, the Company measures an asset (disposal group) classified as held for sale at the lower of its carrying value at the date the asset is initially classified as held for sale or its fair value less costs to sell. The Company reports the results of operations of an entity or group of components that either has been disposed of or held for sale as discontinued operations only if the disposal of that component represents a strategic shift that has or will have a major effect on an entity's operations and financial results.

Any incremental direct costs incurred to transact the sale are allocated against the gain or loss on the sale. These costs would include items like legal fees, title transfer fees, broker fees, etc. Any goodwill and intangible assets associated with the portion of the reporting unit to be disposed of is included in the carrying amount of the business in determining the gain or loss on the sale.

The Company has acquired a portfolio of PCI assets through FDIC assisted transactions. The PCI loans acquired were recorded at estimated fair value. As such, there was no allowance for credit losses established related to the acquired loans at the various acquisition dates and no carryover of the related allowance from the failed banks. The loans are accounted for in accordance with guidance for certain loans acquired in a transfer, when the loans have evidence of credit deterioration and it is probable at the date of acquisition that the acquirer will not collect all contractually required principal and interest payments. The difference between contractually required payments and the cash flows expected to be collected at acquisition is referred to as the non-accretable difference. Subsequent decreases to the expected cash flows will generally result in a provision for loan losses. Subsequent increases in cash flows result in a reversal of the provision for loan losses to the extent of prior charges and an adjustment in accretable yield, which will have a positive impact on interest income, prospectively.

Basic and Diluted Earnings Per Common 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 securities related to the issuance of trust preferred securities.

Consolidated Statement of Comprehensive Income

The Consolidated Statement of Comprehensive Income includes the amount and the related tax impact that have been reclassified from accumulated other comprehensive income to net income. The classification adjustment for unrealized loss/gain on sale of securities included in net income has been recorded through the gain on sale of investment securities line item, within noninterest income, in the Company's Consolidated Statements of Operations.

NOTE 2 - ACQUISITIONS & DIVESTITURES

Acquisition of Jefferson County Bancshares, Inc.

On October 10, 2016, the Company entered into a definitive merger agreement to acquire 100% of Jefferson County Bancshares, Inc. ("JCB"). JCB and its wholly-owned subsidiary, Eagle Bank and Trust Company of Missouri, have $937 million in assets, $699 million in loans, and $767 million in deposits as of December 31, 2016. JCB operates 13 full service retail and commercial banking offices in metropolitan St. Louis and Perry Counties. At the closing of the acquisition on February 10, 2017, JCB shareholders received, based on their election, cash consideration in an amount of $85.39 per share of JCB common stock or 2.75 shares of EFSC common stock per share of JCB common stock, subject to allocation and proration procedures. Aggregate consideration at closing was 3.3 million shares of EFSC common stock and approximately $29.3 million in cash paid to JCB shareholders and holders of JCB stock options. Based on EFSC's closing stock price of $42.95 on February 10, 2017, the overall transaction had a value of approximately $171.0 million, including JCB's common stock and stock options. The Company also recognized $1.4 million of acquisition related costs that were recorded in noninterest expense in the statement of operations for the year ended December 31, 2016.

The acquisition of JCB will be accounted for as a business combination using the acquisition method of accounting which requires assets acquired and liabilities assumed to be recognized at fair value as of the acquisition date. The valuation of assets acquired and liabilities assumed has not yet been finalized and as a result certain disclosures are not available. Due to the timing of the acquisition date, the Company has performed limited valuation procedures, and the valuation of nearly all assets acquired and liabilities assumed is incomplete.

NOTE 3 - EARNINGS PER SHARE

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

	Years ended December 31,		
(in thousands, except share and per share data)	2016	2015	2014
Net income as reported	$ 48,837	$ 38,450	$ 27,173
Impact of assumed conversions			
Interest on 9% convertible trust preferred securities, net of income tax	—	—	66
Net income available to common shareholders after assumed conversions	$ 48,837	$ 38,450	$ 27,239
Weighted average common shares outstanding	20,003	19,984	19,761
Incremental shares from assumed conversions of convertible trust preferred securities	—	—	57
Additional dilutive common stock equivalents	287	333	292
Weighted average diluted common shares outstanding	20,290	20,317	20,110
Basic earnings per common share:	$ 2.44	$ 1.92	$ 1.38
Diluted earnings per common share:	$ 2.41	$ 1.89	$ 1.35

There were zero, 0.1 million, and 0.3 million common stock equivalents for fiscal years 2016, 2015, and 2014, respectively, which were excluded from the earnings per share calculation because their effect was anti-dilutive.

NOTE 4 - 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:

	December 31, 2016			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale securities:				
Obligations of U.S. Government-sponsored enterprises	$ 107,312	$ 348	$ —	$ 107,660
Obligations of states and political subdivisions	36,486	630	(485)	36,631
Agency mortgage-backed securities	319,345	1,101	(3,940)	316,506
Total securities available for sale	$ 463,143	$ 2,079	$ (4,425)	$ 460,797
Held to maturity securities:				
Obligations of states and political subdivisions	$ 14,759	$ 11	$ (242)	$ 14,528
Agency mortgage-backed securities	65,704	45	(638)	65,111
Total securities held to maturity	$ 80,463	$ 56	$ (880)	$ 79,639

	December 31, 2015			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale securities:				
Obligations of U.S. Government-sponsored enterprises	$ 98,699	$ 309	$ —	$ 99,008
Obligations of states and political subdivisions	40,700	1,343	(342)	41,701
Agency mortgage-backed securities	311,516	2,046	(2,501)	311,061
Total securities available for sale	$ 450,915	$ 3,698	$ (2,843)	$ 451,770
Held to maturity securities:				
Obligations of states and political subdivisions	$ 14,831	$ 63	$ (50)	$ 14,844
Agency mortgage-backed securities	28,883	—	(286)	28,597
Total securities held to maturity	$ 43,714	$ 63	$ (336)	$ 43,441

At December 31, 2016, and 2015, 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 $407.3 million and $334.4 million at December 31, 2016, and December 31, 2015, 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 December 31, 2016, 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 4 years.

(in thousands)	Available for sale: Amortized Cost	Available for sale: Estimated Fair Value	Held to maturity: Amortized Cost	Held to maturity: Estimated Fair Value
Due in one year or less	$ 52,457	$ 52,574	$ 658	$ 655
Due after one year through five years	76,529	77,254	5,609	5,559
Due after five years through ten years	11,912	11,842	7,380	7,241
Due after ten years	2,900	2,620	1,112	1,073
Mortgage-backed securities	319,345	316,507	65,704	65,111
	$ 463,143	$ 460,797	$ 80,463	$ 79,639

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

	December 31, 2016					
	Less than 12 months		12 months or more		Total	
(in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Obligations of states and political subdivisions	21,361	408	3,553	320	24,914	728
Agency mortgage-backed securities	267,734	4,084	12,883	493	280,617	4,577
	$ 289,095	$ 4,492	$ 16,436	$ 813	$ 305,531	$ 5,305

	December 31, 2015					
	Less than 12 months		12 months or more		Total	
(in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Obligations of states and political subdivisions	2,199	12	9,395	380	11,594	392
Agency mortgage-backed securities	189,229	2,050	21,020	737	210,249	2,787
	$ 191,428	$ 2,062	$ 30,415	$ 1,117	$ 221,843	$ 3,179

The unrealized losses at both December 31, 2016, and 2015, 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 that the Company would be required to sell the security before its anticipated recovery in market value. At December 31, 2016 and 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 losses realized from sales of available for sale investment securities were as follows:

	December 31,		
(in thousands)	2016	2015	2014
Gross gains realized	$ 86	$ 63	$ —
Gross losses realized	—	(40)	—
Proceeds from sales	2,493	41,069	—

Other Investments, At Cost

As a member of the FHLB system administered by the Federal Housing Finance Agency, the Bank is required to maintain a minimum investment in capital stock with the FHLB Des Moines consisting of membership stock and activity-based stock. The FHLB capital stock of $4.4 million is recorded at cost, which represents redemption value, and is included in other investments in the consolidated balance sheets. The remaining amounts in other investments include the Company's investment in unconsolidated trusts used to issue preferred securities to third parties (see Note 11 – Subordinated Debentures) and various private equity investments.

NOTE 5 - PORTFOLIO LOANS

Below is a summary of portfolio loans by category at December 31, 2016 and 2015:

(in thousands)	December 31, 2016	December 31, 2015
Commercial and industrial	$ 1,632,714	$ 1,484,327
Real estate loans:		
Commercial - investor owned	544,808	428,064
Commercial - owner occupied	350,148	342,959
Construction and land development	194,542	161,061
Residential	240,760	196,498
Total real estate loans	1,330,258	1,128,582
Consumer and other	156,182	137,537
Portfolio loans, before unearned loan (fees) costs	3,119,154	2,750,446
Unearned loan (fees) costs, net	(762)	291
Portfolio loans	$ 3,118,392	$ 2,750,737

Following is a summary of activity for the years ended December 31, 2016, 2015, and 2014 of loans to executive officers and directors, or to entities in which such individuals had beneficial interests as a shareholder, officer, or director. Such loans were made in the normal course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other customers and did not involve more than the normal risk of collectibility.

(in thousands)	December 31, 2016	December 31, 2015	December 31, 2014
Balance at beginning of year	$ 4,394	$ 13,513	$ 11,752
New loans and advances	11,539	641	11,796
Payments and other reductions	(527)	(9,760)	(10,035)
Balance at end of year	$ 15,406	$ 4,394	$ 13,513

A summary of activity in the allowance for portfolio loan losses and the recorded investment in portfolio loans by class and category based on impairment method for the years ended indicated below 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
Balance at December 31, 2016							
Allowance for loan losses:							
Balance, beginning of year	$ 22,056	$ 3,484	$ 2,969	$ 1,704	$ 1,796	$ 1,432	$ 33,441
Provision (provision reversal)	6,569	(11)	(1,202)	(1,334)	129	1,400	5,551
Losses charged off	(2,303)	(95)	—	—	(25)	(1,912)	(4,335)
Recoveries	674	42	1,123	934	123	12	2,908
Balance, end of year	$ 26,996	$ 3,420	$ 2,890	$ 1,304	$ 2,023	$ 932	$ 37,565
Balance at December 31, 2015							
Allowance for loan losses:							
Balance, beginning of year	$ 16,983	$ 4,382	$ 3,135	$ 1,715	$ 2,830	$ 1,140	$ 30,185
Provision (provision reversal)	6,976	(303)	(1,626)	(335)	(58)	218	4,872
Losses charged off	(3,699)	(664)	(38)	(350)	(1,313)	(27)	(6,091)
Recoveries	1,796	69	1,498	674	337	101	4,475
Balance, end of year	$ 22,056	$ 3,484	$ 2,969	$ 1,704	$ 1,796	$ 1,432	$ 33,441
Balance at December 31, 2014							
Allowance for loan losses:							
Balance, beginning of year	$ 12,246	$ 6,600	$ 4,096	$ 2,136	$ 2,019	$ 192	$ 27,289
Provision (provision reversal)	6,707	(2,063)	(1,517)	(322)	525	1,079	4,409
Losses charged off	(3,738)	(250)	(450)	(905)	(48)	(165)	(5,556)
Recoveries	1,768	95	1,006	806	334	34	4,043
Balance, end of year	$ 16,983	$ 4,382	$ 3,135	$ 1,715	$ 2,830	$ 1,140	$ 30,185

(in thousands)	Commercial and industrial	CRE - investor owned	CRE - owner occupied	Construction and land development	Residential real estate	Consumer and other	Total
Balance December 31, 2016							
Allowance for loan losses - Ending balance:							
Individually evaluated for impairment	$ 2,909	$ —	$ —	$ 155	$ —	$ —	$ 3,064
Collectively evaluated for impairment	24,087	3,420	2,890	1,149	2,023	932	34,501
Total	$ 26,996	$ 3,420	$ 2,890	$ 1,304	$ 2,023	$ 932	$ 37,565
Loans - Ending balance:							
Individually evaluated for impairment	$ 12,523	$ 430	$ 1,854	$ 1,903	$ 62	$ —	$ 16,772
Collectively evaluated for impairment	1,620,191	544,378	348,294	192,639	240,698	155,420	3,101,620
Total	$ 1,632,714	$ 544,808	$ 350,148	$ 194,542	$ 240,760	$ 155,420	$ 3,118,392
Balance December 31, 2015							
Allowance for loan losses - Ending balance:							
Individually evaluated for impairment	$ 1,953	$ —	$ 6	$ 369	$ 7	$ —	$ 2,335
Collectively evaluated for impairment	20,103	3,484	2,963	1,335	1,789	1,432	31,106
Total	$ 22,056	$ 3,484	$ 2,969	$ 1,704	$ 1,796	$ 1,432	$ 33,441
Loans - Ending balance:							
Individually evaluated for impairment	$ 4,514	$ 921	$ 1,962	$ 2,800	$ 681	$ —	$ 10,878
Collectively evaluated for impairment	1,479,813	427,143	340,997	158,261	195,817	137,828	2,739,859
Total	$ 1,484,327	$ 428,064	$ 342,959	$ 161,061	$ 196,498	$ 137,828	$ 2,750,737

A summary of portfolio loans individually evaluated for impairment by category at December 31, 2016 and 2015, is as follows:

	December 31, 2016					
(in thousands)	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Commercial and industrial	$ 12,341	$ 566	$ 11,791	$ 12,357	$ 2,909	$ 4,489
Real estate:						
Commercial - investor owned	525	435	—	435	—	668
Commercial - owner occupied	225	231	—	231	—	227
Construction and land development	1,904	1,947	359	2,306	155	1,918
Residential	62	62	—	62	—	64
Consumer and other	—	—	—	—	—	—
Total	$ 15,057	$ 3,241	$ 12,150	$ 15,391	$ 3,064	$ 7,366

	December 31, 2015					
(in thousands)	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Commercial and industrial	$ 5,554	$ 509	$ 4,204	$ 4,713	$ 1,953	$ 6,970
Real estate:						
Commercial - investor owned	927	927	—	927	—	970
Commercial - owner occupied	329	85	113	198	6	301
Construction and land development	4,349	2,914	530	3,444	369	3,001
Residential	705	637	68	705	7	682
Consumer and other	—	—	—	—	—	—
Total	$ 11,864	$ 5,072	$ 4,915	$ 9,987	$ 2,335	$ 11,924

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

	December 31,		
(in thousands)	2016	2015	2014
Total interest income that would have been recognized under original terms on impaired loans	$ 1,079	$ 1,038	$ 1,013
Total cash received and recognized as interest income on impaired loans	251	226	118
Total interest income recognized on impaired loans still accruing	155	36	39

There were no loans over 90 days past due and still accruing interest at December 31, 2016 or 2015.

The recorded investment in impaired portfolio loans by category at December 31, 2016 and 2015, is as follows:

(in thousands)	December 31, 2016 Non-accrual	Restructured	Total
Commercial and industrial	$ 10,046	$ 2,311	$ 12,357
Real estate:			
Commercial - investor owned	435	—	435
Commercial - owner occupied	231	—	231
Construction and land development	2,286	20	2,306
Residential	62	—	62
Consumer and other	—	—	—
Total	$ 13,060	$ 2,331	$ 15,391

(in thousands)	December 31, 2015 Non-accrual	Restructured	Total
Commercial and industrial	$ 4,406	$ 307	$ 4,713
Real estate:			
Commercial - investor owned	927	—	927
Commercial - owner occupied	198	—	198
Construction and land development	3,444	—	3,444
Residential	705	—	705
Consumer and other	—	—	—
Total	$ 9,680	$ 307	$ 9,987

The recorded investment by category for the portfolio loans that have been restructured during the years ended December 31, 2016 and 2015, is as follows:

	Year ended December 31, 2016			Year ended December 31, 2015		
(in thousands, except for number of loans)	Number of Loans	Pre-Modification Outstanding Recorded Balance	Post-Modification Outstanding Recorded Balance	Number of Loans	Pre-Modification Outstanding Recorded Balance	Post-Modification Outstanding Recorded Balance
Commercial and industrial	4	$ 12,114	$ 12,114	1	$ 303	$ 303
Real estate:						
Commercial - investor owned	1	248	248	—	—	—
Commercial - owner occupied	1	13	13	—	—	—
Construction and land development	1	20	20	—	—	—
Residential	—	—	—	—	—	—
Consumer and other	—	—	—	—	—	—
Total	7	$ 12,395	$ 12,395	1	$ 303	$ 303

The restructured portfolio loans primarily resulted from interest rate concessions and changing the terms of the loans. As of December 31, 2016, the Company allocated $0.7 million of specific reserves to loans that have been restructured. No loans that were previously restructured subsequently defaulted during the years ended December 31, 2016 and 2015.

The aging of the recorded investment in past due portfolio loans by portfolio class and category at December 31, 2016 and 2015 is shown below:

	December 31, 2016				
(in thousands)	30-89 Days Past Due	90 or More Days Past Due	Total Past Due	Current	Total
Commercial and industrial	$ 334	$ 171	$ 505	$ 1,632,209	$ 1,632,714
Real estate:					
Commercial - investor owned	—	175	175	544,633	544,808
Commercial - owner occupied	212	225	437	349,711	350,148
Construction and land development	355	1,528	1,883	192,659	194,542
Residential	91	—	91	240,669	240,760
Consumer and other	7	—	7	155,413	155,420
Total	$ 999	$ 2,099	$ 3,098	$ 3,115,294	$ 3,118,392

	December 31, 2015				
(in thousands)	30-89 Days Past Due	90 or More Days Past Due	Total Past Due	Current	Total
Commercial and industrial	$ 505	$ 888	$ 1,393	$ 1,482,934	$ 1,484,327
Real estate:					
Commercial - investor owned	464	—	464	427,600	428,064
Commercial - owner occupied	94	184	278	342,681	342,959
Construction and land development	384	2,273	2,657	158,404	161,061
Residential	70	681	751	195,747	196,498
Consumer and other	20	—	20	137,808	137,828
Total	$ 1,537	$ 4,026	$ 5,563	$ 2,745,174	$ 2,750,737

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 December 31, 2016 and December 31, 2015 is as follows:

	December 31, 2016			
(in thousands)	Pass (1-6)	Watch (7)	Substandard (8)	Total
Commercial and industrial	$ 1,499,114	$ 57,416	$ 76,184	$ 1,632,714
Real estate:				
Commercial - investor owned	530,494	10,449	3,865	544,808
Commercial - owner occupied	306,658	39,249	4,241	350,148
Construction and land development	185,505	6,575	2,462	194,542
Residential	233,479	2,997	4,284	240,760
Consumer and other	153,984	—	1,436	155,420
Total	$ 2,909,234	$ 116,686	$ 92,472	$ 3,118,392

	December 31, 2015			
(in thousands)	Pass (1-6)	Watch (7)	Substandard (8)	Total
Commercial and industrial	$ 1,356,864	$ 90,370	$ 37,093	$ 1,484,327
Real estate:				
Commercial - investor owned	403,820	18,868	5,376	428,064
Commercial - owner occupied	314,791	24,727	3,441	342,959
Construction and land development	146,601	10,114	4,346	161,061
Residential	188,269	5,138	3,091	196,498
Consumer and other	131,060	721	6,047	137,828
Total	$ 2,541,405	$ 149,938	$ 59,394	$ 2,750,737

NOTE 6 - PURCHASED CREDIT IMPAIRED ("PCI") LOANS

Below is a summary of PCI loans by category at December 31, 2016 and 2015:

($ in thousands)	December 31, 2016 Weighted-Average Risk Rating[1]	December 31, 2016 Recorded Investment PCI Loans	December 31, 2015 Weighted-Average Risk Rating[1]	December 31, 2015 Recorded Investment PCI Loans
Commercial and industrial	5.87	$ 3,523	6.70	$ 3,863
Real estate loans:				
Commercial - investor owned	6.95	8,162	6.98	25,272
Commercial - owner occupied	6.39	11,863	6.30	19,414
Construction and land development	5.80	4,365	6.28	6,838
Residential	5.64	11,792	5.44	19,287
Total real estate loans		36,182		70,811
Consumer and other	1.64	64	1.89	84
Purchased credit impaired loans		$ 39,769		$ 74,758

(1) Risk ratings are based on the borrower's contractual obligation, which is not reflective of the purchase discount.

The aging of the recorded investment in past due PCI loans by portfolio class and category at December 31, 2016 and 2015 is shown below:

	December 31, 2016				
(in thousands)	30-89 Days Past Due	90 or More Days Past Due	Total Past Due	Current	Total
Commercial and industrial	$ —	$ —	$ —	$ 3,523	$ 3,523
Real estate:					
Commercial - investor owned	—	—	—	8,162	8,162
Commercial - owner occupied	—	—	—	11,863	11,863
Construction and land development	—	—	—	4,365	4,365
Residential	169	51	220	11,572	11,792
Consumer and other	—	—	—	64	64
Total	$ 169	$ 51	$ 220	$ 39,549	$ 39,769

	December 31, 2015				
(in thousands)	30-89 Days Past Due	90 or More Days Past Due	Total Past Due	Current	Total
Commercial and industrial	$ —	$ —	$ —	$ 3,863	$ 3,863
Real estate:					
Commercial - investor owned	2,342	3,661	6,003	19,269	25,272
Commercial - owner occupied	731	—	731	18,683	19,414
Construction and land development	—	—	—	6,838	6,838
Residential	1,594	130	1,724	17,563	19,287
Consumer and other	4	—	4	80	84
Total	$ 4,671	$ 3,791	$ 8,462	$ 66,296	$ 74,758

The following table is a rollforward of PCI loans, net of the allowance for loan losses, for the years ended December 31, 2016 and 2015.

(in thousands)	Contractual Cashflows	Non-accretable Difference	Accretable Yield	Carrying Amount
Balance January 1, 2016	$ 116,689	$ 26,765	$ 25,341	$ 64,583
Principal reductions and interest payments	(25,669)	—	—	(25,669)
Accretion of loan discount	—	—	(6,155)	6,155
Changes in contractual and expected cash flows due to remeasurement	11,718	766	(1,500)	12,452
Reductions due to disposals	(36,735)	(8,629)	(4,510)	(23,596)
Balance December 31, 2016	$ 66,003	$ 18,902	$ 13,176	$ 33,925
Balance January 1, 2015	$ 178,145	$ 65,719	$ 28,733	$ 83,693
Principal reductions and interest payments	(24,441)	—	—	(24,441)
Accretion of loan discount	—	—	(10,775)	10,775
Changes in contractual and expected cash flows due to remeasurement	(3,574)	(30,413)	12,132	14,707
Reductions due to disposals	(33,441)	(8,541)	(4,749)	(20,151)
Balance December 31, 2015	$ 116,689	$ 26,765	$ 25,341	$ 64,583

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 year ended December 31, 2015 is as follows:

(in thousands)	December 31, 2015
Balance at beginning of period	$ 15,866
Adjustments not reflected in income:	
Cash received from the FDIC for covered assets	(3,528)
FDIC reimbursable recoveries	(1,386)
Reductions for loss share termination	(5,922)
Adjustments reflected in income:	
Amortization, net	(2,293)
Loan impairment reversal	(1,113)
Reductions for payments on covered assets in excess of expected cash flows	(1,624)
Balance at end of period	$ —

Outstanding customer balances on PCI loans were $54.6 million and $98.6 million as of December 31, 2016, and December 31, 2015, respectively.

On December 7, 2015, the Company entered into an agreement to terminate all existing loss share agreements with the FDIC. Under the terms of the agreement, the FDIC made a net payment to the bank of $1.3 million. The agreement eliminated the FDIC clawback liability of $3.5 million and the FDIC loss share receivable of $7.2 million. Accordingly, a one-time pretax charge of $2.4 million was recorded in 2015 as a separate component of noninterest expense, which was entirely earned back in the first quarter of 2016. See FDIC Loss Share Receivable and Clawback Liability in Note 1 – Summary of Significant Accounting Policies for information on the Company's accounting in prior years.

NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS

The Company is a party to various derivative financial instruments that are used in the normal course of business to meet the needs of its clients and as part of its risk management activities. These instruments include interest rate swaps and option contracts and foreign exchange forward contracts. The Company does not enter into derivative financial instruments for trading purposes.

Using derivative instruments can involve assuming counterparty credit risk to varying degrees. Counterparty credit risk relates to the loss the Company could incur if a counterparty were to default on a derivative contract. Notional amounts of derivative financial instruments do not represent credit risk, and are not recorded in the consolidated balance sheet. The overall credit risk and exposure to individual counterparties is monitored. The Company does not anticipate nonperformance by any counterparties. The amount of counterparty credit exposure is the unrealized gains in excess of collateral pledged, if any, on such derivative contracts along with the value of foreign exchange forward contracts. At December 31, 2016, the Company had $1.0 million of counterparty credit exposure on derivatives. This counterparty risk is considered as part of underwriting and on-going monitoring policies. At December 31, 2016 and 2015, the Company had pledged cash of $0.7 million and $1.3 million, respectively, as collateral in connection with interest rate swap agreements.

Risk Management Instruments. The Company enters into interest rate caps in order to economically hedge changes in fair value of state tax credits held for sale. See Note 19 – Fair Value Measurements for further discussion of the fair value of the state tax credits. The notional amount of the derivative instruments used to manage risk was $3.5 million at December 31, 2016 and 2015.

Client-Related Derivative Instruments. The Company enters into interest rate swaps to allow customers to hedge changes in fair value of certain loans while maintaining a variable rate loan on its balance sheet. The Company also enters into foreign exchange forward contracts with clients, and enters into offsetting foreign exchange forward contracts with established financial institution counterparties. The table below summarizes the notional amounts and fair values of the client-related derivative instruments.

			Asset Derivatives (Other Assets)		Liability Derivatives (Other Liabilities)	
	Notional Amount		Fair Value		Fair Value	
(in thousands)	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Non-designated hedging instruments						
Interest rate swap contracts	$ 124,322	$ 153,630	$ 982	$ 1,155	$ 982	$ 1,155
Foreign exchange forward contracts	3,034	—	3,034	—	3,034	—

Changes in the fair value of client-related derivative instruments are recognized currently in operations. For the years ended December 31, 2016 and 2015, the gains and losses offset each other due to the Company's hedging of the client swaps with other bank counterparties.

NOTE 8 - FIXED ASSETS

A summary of fixed assets at December 31, 2016 and 2015, is as follows:

	December 31,	
(in thousands)	2016	2015
Land	$ 3,103	$ 3,103
Buildings and leasehold improvements	18,054	17,837
Furniture, fixtures and equipment	6,136	4,892
Capitalized software	1,305	1,030
	28,598	26,862
Less accumulated depreciation and amortization	13,688	12,020
Total fixed assets	$ 14,910	$ 14,842

Depreciation and amortization of fixed assets included in noninterest expense amounted to $2.4 million, $2.0 million, and $2.2 million in 2016, 2015, and 2014, respectively.

The Company has facilities leased under agreements that expire in various years through 2028. The Company's rent expense totaled $3.1 million, $3.1 million, and $2.9 million in 2016, 2015, and 2014, respectively. Sublease rental income was $0.1 million, $0.1 million, and $0.2 million for 2016, 2015, and 2014, respectively. For leases which renew or are subject to periodic rental adjustments, the monthly rental payments will be adjusted based on current market conditions and rates of inflation.

The future aggregate minimum rental commitments (in thousands) required under the leases are shown below:

Year	Amount
2017	$ 2,797
2018	2,684
2019	2,676
2020	2,637
2021	2,642
Thereafter	6,667
Total	$ 20,103

The Company has recorded a liability and corresponding expense for the difference between the net present value of future lease payments and its estimated sublease income on certain vacant branches. As of December 31, 2016, this liability was $1.1 million. The Company recorded expense for the estimated net lease liability of $0.5 million, $0.1 million, and $0.4 million in 2016, 2015, and 2014, respectively. The expense is recorded within other noninterest expense.

NOTE 9 - GOODWILL AND INTANGIBLE ASSETS

Goodwill has remained at $30.3 million as of December 31, 2016, 2015, and 2014. The annual goodwill impairment evaluations in 2016, 2015, and 2014 did not identify any impairment.

The table below presents a summary of intangible assets:

	Years ended December 31,	
(in thousands)	2016	2015
Gross core deposit intangible balance, beginning of year	$ 9,060	$ 9,060
Accumulated amortization	(6,909)	(5,985)
Core deposit intangible, net, end of year	$ 2,151	$ 3,075

Amortization expense on the core deposit intangibles was $0.9 million, $1.1 million, and $1.3 million for the years ended December 31, 2016, 2015, and 2014, respectively. The core deposit intangibles are being amortized over a 10 year period.

The following table reflects the expected amortization schedule for the core deposit intangible (in thousands) at December 31, 2016.

Year	Core Deposit Intangible
2017	$ 760
2018	595
2019	430
2020	265
After 2020	101
	$ 2,151

NOTE 10 - MATURITY OF CERTIFICATES OF DEPOSIT

Following is a summary of certificates of deposit maturities at December 31, 2016:

(in thousands)	Brokered	Other	Total
Less than 1 year	$ 117,145	$ 197,262	$ 314,407
Greater than 1 year and less than 2 years	—	67,909	67,909
Greater than 2 years and less than 3 years	—	28,806	28,806
Greater than 3 years and less than 4 years	—	45,341	45,341
Greater than 4 years and less than 5 years	—	16,696	16,696
	$ 117,145	$ 356,014	$ 473,159

In 2016, the Company changed its presentation of certificates of deposit on the Consolidated Balance Sheets to separate brokered deposit sources from other sources. The corresponding prior period balances were reclassified to conform to the current year presentation.

Certificates of deposit balances over the FDIC insurance limit of $250,000 were $124.8 million as of December 31, 2016.

NOTE 11 - SUBORDINATED DEBENTURES

The amounts and terms of each issuance of the Company's subordinated debentures at December 31, 2016 and 2015 were as follows:

	Amount				
(in thousands)	2016	2015	Maturity Date	Call Date	Interest Rate
EFSC Clayco Statutory Trust I	$ 3,196	$ 3,196	December 17, 2033	December 17, 2008	Floats @ 3MO LIBOR + 2.85%
EFSC Capital Trust II	5,155	5,155	June 17, 2034	June 17, 2009	Floats @ 3MO LIBOR + 2.65%
EFSC Statutory Trust III	11,341	11,341	December 15, 2034	December 15, 2009	Floats @ 3MO LIBOR + 1.97%
EFSC Clayco Statutory Trust II	4,124	4,124	September 15, 2035	September 15, 2010	Floats @ 3MO LIBOR + 1.83%
EFSC Statutory Trust IV	10,310	10,310	December 15, 2035	December 15, 2010	Floats @ 3MO LIBOR + 1.44%
EFSC Statutory Trust V	4,124	4,124	September 15, 2036	September 15, 2011	Floats @ 3MO LIBOR + 1.60%
EFSC Capital Trust VI	14,433	14,433	March 30, 2037	March 30, 2012	Floats @ 3MO LIBOR + 1.60%
EFSC Capital Trust VII	4,124	4,124	December 15, 2037	December 15, 2012	Floats @ 3MO LIBOR + 2.25%
Total trust preferred securities	56,807	56,807			
Fixed-to-floating rate subordinated notes	50,000	—	November 1, 2026	November 1, 2021	Fixed @ 4.75% until November 1, 2021, then floats @ 3MO LIBOR + 3.387%
Less: Debt issuance costs	(1,267)	—			
Total fixed-to-floating rate subordinated notes	48,733	—			
Total subordinated debentures and notes	$ 105,540	$ 56,807			

The Company currently has eight unconsolidated statutory business trusts. These trusts issued preferred securities that were sold to third parties. The sole purpose of the trusts was to invest the proceeds in junior subordinated debentures of the Company that have terms identical to the trust preferred securities. The subordinated debentures, which are the sole assets of the trusts, are subordinate and junior in right of payment to all present and future senior and subordinated indebtedness and certain other financial conditions of the Company. The Company fully and unconditionally guarantees each trust's securities obligations. Under current regulations, the trust preferred securities are included in tier 1 capital for regulatory capital purposes, subject to certain limitations.

The trust preferred securities are redeemable in whole or in part on or after their respective call dates. Mandatory redemption dates may be shortened if certain conditions are met. The securities are classified as subordinated debentures in the Company's consolidated balance sheets. Interest on the subordinated debentures held by the trusts is recorded as interest expense in the Company's consolidated statements of operations. The Company's investment of $1.7 million at December 31, 2016, in these trusts is included in other investments in the consolidated balance sheets.

On November 1, 2016, the Company issued $50 million of fixed-to-floating rate subordinated notes. The notes initially bear a fixed annual interest rate of 4.75%, with interest payable semiannually in arrears on May 1 and November 1 of each year, commencing May 1, 2017. Commencing November 1, 2021, the interest rate on the notes resets quarterly to the three-month LIBOR rate plus a spread of 338.7 basis points, payable quarterly in arrears. On or after November 1, 2021, the Company will have the option to redeem the notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the subordinated notes to be redeemed plus accrued interest, subject to applicable regulatory approval. The Company’s obligation to make payments of principal and interest on the notes is subordinate and junior in right of payment to all of its senior debt. Current regulatory guidance allows for this subordinated debt to be treated as tier 2 regulatory capital for the first five years of its term, subject to certain limitations, and then phased out of tier 2 capital pro rata over the next five years.

NOTE 12 - FEDERAL HOME LOAN BANK ADVANCES

FHLB advances are collateralized by 1-4 family residential real estate loans, business loans and certain commercial real estate loans. At December 31, 2016 and 2015, the carrying value of the loans pledged to the FHLB of Des Moines was $773.5 million and $633.5 million, respectively. The secured line of credit had availability of approximately $439.7 million at December 31, 2016.

The Company also has an $4.4 million investment in the capital stock of the FHLB of Des Moines at December 31, 2016.

The following table summarizes the type, maturity, and rate of the Company's FHLB advances at December 31:

		2016		2015	
($ in thousands)	Term	Outstanding Balance	Weighted Rate	Outstanding Balance	Weighted Rate
Non-amortizing fixed advance	Less than 1 year	$ —	—%	$ 110,000	0.45%
Non-amortizing fixed advance	Greater than 1 year	—	—%	—	—%
Total Federal Home Loan Bank Advances		$ —	—%	$ 110,000	0.45%

In December 2014, the Company prepaid $50 million of FHLB advances with a weighted average interest rate of 3.17%, and a maturity of 3 years, and incurred a prepayment penalty of $2.9 million for asset/liability management purposes.

At December 31, 2016, the Company used $26.7 million of collateral value to secure confirming letters of credit for public unit deposits and industrial development bonds.

NOTE 13 - OTHER BORROWINGS AND NOTES PAYABLE

A summary of other borrowings is as follows:

	December 31,	
($ in thousands)	2016	2015
Securities sold under repurchase agreements	$ 276,980	$ 270,326
Average balance during the year	$ 206,643	$ 195,328
Maximum balance outstanding at any month-end	276,980	270,326
Average interest rate during the year	0.19%	0.22%
Average interest rate at December 31	0.18%	0.16%

Federal Reserve Line

The Bank also has a line with the Federal Reserve Bank of St. Louis which provides additional liquidity to the Company. As of December 31, 2016, $933.9 million was available under this line. This line is secured by a pledge of certain eligible loans aggregating $1.1 billion. There were no amounts drawn on the Federal Reserve line of credit as of December 31, 2016.

Term Loan
On November 6, 2012, the Company entered into a $12.0 million unsecured term loan agreement ("Term Loan") with another bank with the proceeds being used to redeem the Company's preferred stock held by the U.S. Treasury. The Term Loan was paid off on November 6, 2015, the maturity date of the loan. A summary of the Term Loan is as follows:

($ in thousands)		December 31, 2015
Term Loan	$	—
Average balance during the year	$	4,509
Maximum balance outstanding at any month-end		5,700
Weighted average interest rate during the year		3.01%
Average interest rate at December 31		—%

Revolving Credit
In February 2016, the Company entered into a senior unsecured revolving credit agreement ("Revolving Agreement") with another bank allowing for borrowings up to $20 million. The proceeds can be used for general corporate purposes. The Revolving Agreement is subject to ongoing compliance with a number of customary affirmative and negative covenants as well as specified financial covenants. There were no amounts drawn on the Revolving Agreement during 2016.

NOTE 14 - LITIGATION AND OTHER CONTINGENCIES

The Company and its subsidiaries are, from time to time, parties to various legal proceedings arising out of their businesses. Management believes that 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 15 - REGULATORY MATTERS

Quantitative measures established by regulation to ensure capital adequacy require 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. Management believes, as of December 31, 2016 and 2015, that the Company met all capital adequacy requirements to which it is subject.

As of December 31, 2016 and 2015, the Bank was categorized as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized" the Bank must maintain minimum total risk-based capital, tier 1 risk-based capital, common equity tier 1 risk-based capital, and tier 1 leverage ratios as set forth in the table.

The actual capital amounts and ratios are presented in the table below:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Applicable Action Provisions	
($ in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2016:						
Total Capital (to Risk Weighted Assets)						
Enterprise Financial Services Corp	$ 506,349	13.48%	$ 300,573	8.00%	$ —	—%
Enterprise Bank & Trust	430,981	11.53	298,982	8.00	373,728	10.00
Tier 1 Capital (to Risk Weighted Assets)						
Enterprise Financial Services Corp	412,865	10.99	225,430	6.00	—	—
Enterprise Bank & Trust	387,497	10.37	224,237	6.00	298,982	8.00
Common Equity Tier 1 Capital (to Risk Weighted Assets)[1]						
Enterprise Financial Services Corp	357,729	9.52	169,072	4.50	—	—
Enterprise Bank & Trust	387,461	10.37	168,178	4.50	242,923	6.50
Leverage Ratio (Tier 1 Capital to Average Assets)						
Enterprise Financial Services Corp	412,865	10.42	158,480	4.00	—	—
Enterprise Bank & Trust	387,497	9.81	157,933	4.00	197,417	5.00
As of December 31, 2015:						
Total Capital (to Risk Weighted Assets)						
Enterprise Financial Services Corp	$ 418,367	11.85%	$ 282,442	8.00%	$ —	—%
Enterprise Bank & Trust	386,531	10.98	281,632	8.00	352,040	10.00
Tier 1 Capital (to Risk Weighted Assets)						
Enterprise Financial Services Corp	374,676	10.61	211,831	6.00	—	—
Enterprise Bank & Trust	342,840	9.74	211,224	6.00	281,632	8.00
Common Equity Tier 1 Capital (to Risk Weighted Assets)[1]						
Enterprise Financial Services Corp	319,553	9.05	158,873	4.50	—	—
Enterprise Bank & Trust	342,816	9.74	158,418	4.50	228,826	6.50
Leverage Ratio (Tier 1 Capital to Average Assets)						
Enterprise Financial Services Corp	374,676	10.71	139,893	4.00	—	—
Enterprise Bank & Trust	342,840	9.84	139,311	4.00	174,138	5.00

[1] Not an applicable regulatory ratio until implementation of Basel III in 2015

NOTE 16 - COMPENSATION PLANS

The Company has adopted share-based compensation plans to reward and provide long-term incentive for directors and key employees of the Company. These plans provide for the granting of stock, stock options, stock-settled stock appreciation rights ("SSARs"), and restricted stock units (“RSUs”), as designated by the Company's Board of Directors upon the recommendation of the Compensation Committee of the Board. The Company uses authorized and unissued shares to satisfy share award exercises. At December 31, 2016, there were 218,173 shares available for grant under the various share-based compensation plans.

Total share-based compensation expense that was charged against income was $3.4 million, $3.6 million, and $2.9 million for the years ended December 31, 2016, 2015, and 2014 respectively. The total income tax benefit recognized in additional paid in capital for share-based compensation arrangements was $1.3 million, $0.4 million, and $0.2 million for the years ended December 31, 2016, 2015, and 2014, respectively.

Employee Stock Options and Stock-settled Stock Appreciation Rights

In determining compensation cost for stock options and SSARs, the Black-Scholes option-pricing model is used to estimate the fair value on date of grant. There were no grants of employee stock options or SSARs during the years ended December 31, 2016, 2015, or 2014.

Stock options have been granted to key employees with exercise prices equal to the market price of the Company's common stock at the date of grant and 10-year contractual terms. Stock options have a vesting schedule of three to five years. The SSARs are subject to continued employment, have a 10-year contractual term and vest ratably over five years. Neither stock options nor SSARs carry voting or dividend rights until exercised. At December 31, 2016, there was no remaining unrecognized compensation expense related to stock options and SSARs and all outstanding awards are vested. Various information related to the stock options and SSARs is shown below.

(in thousands)	2016	2015	2014
Compensation expense	$ —	$ 50	$ 103
Intrinsic value of option exercises on date of exercise	1,156	74	226
Cash received from the exercise of stock options	87	126	149

Following is a summary of the employee stock option and SSAR activity for 2016.

(in thousands, except share and per share data)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2015	388,103	$ 19.15		
Granted	—	—		
Exercised	(117,857)	19.85		
Forfeited	—	—		
Outstanding at December 31, 2016	270,246	$ 18.85	1.9 years	$ 6,527
Exercisable at December 31, 2016	270,246	$ 18.85	1.9 years	$ 6,527

Restricted Stock Units

The Company awards nonvested stock, in the form of RSUs to employees and directors. RSUs generally are subject to continued employment and vest ratably over two to five years. Vesting is accelerated upon a change in control or the employee meeting certain retirement criteria. RSUs do not carry voting or dividend rights until vested. Sales of the units are restricted prior to vesting. Various information related to the RSUs is shown below.

($ in thousands)	2016	2015	2014
Compensation expense	$ 850	$ 725	$ 945
Total fair value at vesting date	2,275	809	913
Total unrecognized compensation cost for nonvested stock units	1,084	942	1,462
Expected years to recognize unearned compensation	1.6 years	1.7 years	2.7 years

A summary of the status of the Company's RSU awards as of December 31, 2016 and changes during the year then ended is presented below.

	Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2015	86,354	$ 14.31
Granted	32,913	29.71
Vested	(56,089)	14.25
Forfeited	(4,480)	13.51
Outstanding at December 31, 2016	58,698	$ 23.06

Stock Plan for Non-Management Directors

The Company has adopted a Stock Plan for Non-Management Directors, which provides for issuing up to 200,000 shares of common stock to non-management directors as compensation in lieu of cash. At December 31, 2016, there were 29,694 shares of stock available for issuance under the Stock Plan for Non-Management Directors.

Various information related to the Director Plan is shown below.

(in thousands, except share and per share data)	2016	2015	2014
Shares issued	12,528	16,283	23,135
Weighted average fair value	$ 31.25	$ 24.43	$ 19.20
Compensation expense	407	373	329

Employee Stock Issuance

Restricted stock was issued to certain key employees as part of their compensation. The restricted stock may be in the form of a one-time award or paid in pro rata installments. The stock is restricted for at least 2 years and upon issuance may be fully vested or vest over 5 years. The Company recognized zero, $0.2 million, and $0.1 million of stock-based compensation expense for the shares issued to the employees in 2016, 2015, and 2014, respectively. The Company issued zero, 14,110, and 34,034 shares in 2016, 2015, and 2014, respectively.

Long-term incentives

The Company has entered into long-term incentive agreements with certain key employees. These awards are conditioned on certain performance criteria and market criteria measured against a group of peer banks over a 3 year period for each grant. The awards contain minimum (threshold), target, and maximum (exceptional) performance levels. In the event of a change in control, as defined in the plan, the awards will vest at a minimum of the target level. The amount of the awards are determined at the end of the 3 year vesting and performance period. In February 2017, the Company awarded 118,519 shares to employees upon completion of the 2014-2016 performance cycle. In January 2016, the Company awarded 159,094 shares to employees upon completion of the 2013-2015 performance cycle. In

February 2015, the Company awarded 122,470 shares to employees upon completion of the 2012-2014 performance cycle. Information related to the outstanding grants at December 31, 2016 is shown below:

(in thousands, except share and per share data)

	2015 - 2017 Cycle	2016 - 2018 Cycle
Shares issuable at target	113,903	95,694
Maximum shares issuable	142,292	117,681
Unrecognized compensation cost	$ 1,140	$ 1,929
Weighted average grant date fair value	19.21	25.26

The Company recorded $2.5 million, $2.7 million and $1.8 million of stock-based compensation expense for these awards during 2016, 2015 and 2014, respectively. In 2016, this expense included an additional $0.2 million related to modifications made for retiring executives. The modification allows for portions of outstanding performance awards to continue to vest as though employment had not terminated and will be paid based on actual performance as determined by the compensation committee following completion of the applicable performance period.

401(k) plans

The Company has a 401(k) savings plan which covers substantially all full-time employees over the age of 21. The amount charged to expense for the Company's contributions to the plan was $1.7 million, $1.6 million and $1.4 million for 2016, 2015, and 2014, respectively.

NOTE 17 - INCOME TAXES

The components of income tax expense for the years ended December 31 are as follows:

	Years ended December 31,		
(in thousands)	2016	2015	2014
Current:			
Federal	$ 17,005	$ 22,916	$ 9,399
State and local	1,734	2,798	195
Total current	18,739	25,714	9,594
Deferred:			
Federal	5,959	(5,266)	3,908
State and local	1,304	(497)	369
Total deferred	7,263	(5,763)	4,277
Total income tax expense	$ 26,002	$ 19,951	$ 13,871

A reconciliation of expected income tax expense, computed by applying the statutory federal income tax rate of 35% in 2016, 2015, and 2014 to income before income taxes and the amounts reflected in the consolidated statements of operations is as follows:

	Years ended December 31,		
(in thousands)	2016	2015	2014
Income tax expense at statutory rate	$ 26,194	$ 20,440	$ 14,365
Increase (reduction) in income tax resulting from:			
Tax-exempt income, net	(945)	(931)	(857)
State and local income taxes, net	1,673	1,414	741
Bank-owned life insurance, net	(544)	(462)	(535)
Non-deductible expenses	263	259	290
Change in estimated rate for deferred taxes	302	—	—
Tax benefits of LIHTC investments, net	(181)	(179)	(158)
Other, net	(760)	(590)	25
Total income tax expense	$ 26,002	$ 19,951	$ 13,871

The amount of tax credits and other tax benefits from low-income housing tax credit ("LIHTC") investments recognized during the year were $1.1 million during each of the years ended December 31, 2016, 2015, and 2014. The amount recognized as a component of income tax expense per the table above was $0.3 million for the years ended December 31, 2016 and 2015, and $0.2 million for the year ended December 31, 2014. As of December 31, 2016 and 2015, the carrying value of the investments related to low-income housing tax credits was $1.4 million and $2.3 million, respectively. No impairment losses have been recognized from forfeiture or ineligibility of tax credits or other circumstances during the life of any of the investments. As of December 31, 2016, the Company has future capital commitments of $0.1 million related to low-income housing tax credit investments. The capital commitments are expected to be called between the years 2017 - 2024.

A net deferred income tax asset of $33.8 million and $38.5 million is included in other assets in the consolidated balance sheets at December 31, 2016 and 2015, respectively. The tax effect of temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities is as follows:

	Years ended December 31,	
(in thousands)	2016	2015
Deferred tax assets:		
Allowance for loan losses	$ 16,496	$ 16,705
Basis difference on PCI assets, net	5,551	8,806
Basis difference on Other real estate	317	328
Deferred compensation	4,217	4,509
Goodwill and other intangible assets	5,520	6,973
Accrued compensation	899	2,222
Unrealized losses on securities available for sale	1,019	—
Other, net	925	907
Total deferred tax assets	34,944	40,450
Deferred tax liabilities:		
Unrealized gains on securities available for sale	—	183
State tax credits held for sale, net of economic hedge	376	594
Core deposit intangibles	817	1,178
Total deferred tax liabilities	1,193	1,955
Net deferred tax asset	$ 33,751	$ 38,495

A valuation allowance is provided on deferred tax assets when it is more likely than not that some portion of the assets will not be realized. The Company did not have any valuation allowances for federal or state income taxes as of December 31, 2016 or 2015.

The Company and its subsidiaries file income tax returns in the federal jurisdiction and in nine states. The Company is no longer subject to federal, state or local income tax audits by tax authorities for years before 2013, with the exception of 2012 being an open year by one state taxing authority. The Company is not currently under audit by any taxing jurisdiction.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense and classifies such interest and penalties in the liability for unrecognized tax benefits. The amounts accrued for interest and penalties as of December 31, 2016, 2015, and 2014 were not significant.

As of December 31, 2016, the gross amount of unrecognized tax benefits was $1.2 million and the total amount of net unrecognized tax benefits that would impact the effective tax rate, if recognized, was $0.8 million. As of December 31, 2015 and 2014, the total amount of the net unrecognized tax benefits that would impact the effective tax rate, if recognized, was $0.9 million and $1.3 million, respectively. The Company believes it is reasonably possible that the gross amount of unrecognized benefits will be reduced by approximately $0.3 million as a result of a lapse of statute of limitations in the next 12 months.

The activity in the gross liability for unrecognized tax benefits was as follows:

(in thousands)	2016	2015	2014
Balance at beginning of year	$ 1,359	$ 1,884	$ 1,257
Additions based on tax positions related to the current year	239	230	401
Additions for tax positions of prior years	39	46	523
Reductions for tax positions of prior years	—	(437)	—
Settlements or lapse of statute of limitations	(457)	(364)	(297)
Balance at end of year	$ 1,180	$ 1,359	$ 1,884

NOTE 18 - COMMITMENTS

The Company issues financial instruments 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 not more than 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.

The contractual amounts of off-balance-sheet financial instruments as of December 31, 2016, and December 31, 2015, are as follows:

(in thousands)	December 31, 2016	December 31, 2015
Commitments to extend credit	$ 1,075,170	$ 1,140,028
Letters of credit	78,954	54,648

There was an insignificant amount of unadvanced commitments on impaired loans at December 31, 2016 and December 31, 2015. Other liabilities include approximately $0.3 million for estimated losses attributable to the unadvanced commitments.

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 December 31, 2016, and December 31, 2015, $89.7 million and $93.9 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 obligations. 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.

Letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. These 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 letters of credit range from 1 month to 4 years and 9 months at December 31, 2016.

NOTE 19 - FAIR VALUE MEASUREMENTS

The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability. In estimating fair value, the Company utilizes valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability. ASC Topic 820, *Fair Value Measurements and Disclosures,* establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- *Level 1 Inputs* - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

- *Level 2 Inputs* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.

- *Level 3 Inputs* - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

Fair value on a recurring basis

The following table summarizes financial instruments measured at fair value on a recurring basis as of December 31, 2016 and 2015, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value.

	December 31, 2016			
(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets				
Securities available for sale				
Obligations of U.S. Government-sponsored enterprises	$ —	$ 107,660	$ —	$ 107,660
Obligations of states and political subdivisions	—	33,542	3,089	36,631
Residential mortgage-backed securities	—	316,506	—	316,506
Total securities available for sale	—	457,708	3,089	460,797
State tax credits held for sale	—	—	3,585	3,585
Derivative financial instruments	—	4,016	—	4,016
Total assets	$ —	$ 461,724	$ 6,674	$ 468,398
Liabilities				
Derivative financial instruments	$ —	$ 4,016	$ —	$ 4,016
Total liabilities	$ —	$ 4,016	$ —	$ 4,016

(in thousands)	December 31, 2015 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets				
Securities available for sale				
Obligations of U.S. Government-sponsored enterprises	$ —	$ 99,008	$ —	$ 99,008
Obligations of states and political subdivisions	—	38,624	3,077	41,701
Residential mortgage-backed securities	—	311,061	—	311,061
Total securities available for sale	—	448,693	3,077	451,770
State tax credits held for sale	—	—	5,941	5,941
Derivative financial instruments	—	1,155	—	1,155
Total assets	$ —	$ 449,848	$ 9,018	$ 458,866
Liabilities				
Derivative financial instruments	$ —	$ 1,155	$ —	$ 1,155
Total liabilities	$ —	$ 1,155	$ —	$ 1,155

- *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 December 31, 2016, 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.

- *State tax credits held for sale*. At December 31, 2016, of the $38.1 million of state tax credits held for sale on the consolidated balance sheet, approximately $3.6 million were carried at fair value. The remaining $34.5 million of state tax credits were accounted for at cost. The Company elected not to account for the state tax credits purchased since 2010 at fair value in order to limit the volatility of the fair value changes in our consolidated statements of operations.

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.

Economically, the Company equates the state tax credits to a fixed rate loan. After considering various risks, such as credit risk, compliance risk, and recapture risk, management concluded the state tax credits are equivalent to a fixed rate loan priced at Prime minus 75 basis points. When pricing a fixed rate loan, most banks utilize the Prime-based swap curve, which is based on the LIBOR swap curve plus a prime equivalent spread of 265 to 285 basis points depending on market pricing and the maturity of the underlying loan. The Prime-based swap curve is available daily on Bloomberg or other national pricing services. As a result, at December 31, 2016 and 2015, management concluded the spread of 205 basis points to the LIBOR curve should be utilized in the fair value calculation.

At December 31, 2016, the discount rates utilized in our state tax credits fair value calculation ranged from 3.05% to 3.50%. Resulting changes in the fair value of the state tax credits held for sale decreased Gain on state tax credits, net in the consolidated statement of operations by $0.6 million for the year ended December 31, 2016.

- *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 December 31, 2016 and 2015.

- *Purchases, sales, issuances and settlements*. There were no Level 3 purchases during the year ended December 31, 2016.

- *Transfers in and/or out of Level 3*. There were no transfers in and/or out of Level 3 for the years ending December 31, 2016 and 2015.

	Securities available for sale, at fair value	
	Years ended December 31,	
(in thousands)	2016	2015
Beginning balance	$ 3,077	$ 3,059
Total gains:		
Included in other comprehensive income	12	18
Purchases, sales, issuances and settlements	—	—
Ending balance	$ 3,089	$ 3,077
Change in unrealized gains relating to assets still held at the reporting date	$ 12	$ 18

	State tax credits held for sale, at fair value	
	Years ended December 31,	
(in thousands)	2016	2015
Beginning balance	$ 5,941	$ 11,689
Total gains:		
Included in earnings	177	406
Purchases, sales, issuances and settlements:		
Sales	(2,533)	(6,154)
Ending balance	$ 3,585	$ 5,941
Change in unrealized losses relating to assets still held at the reporting date	$ (575)	$ (1,212)

Fair value on a non-recurring basis
Certain financial assets and financial liabilities are measured at fair value on a non-recurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

- *Impaired loans*. Impaired loans are included as Portfolio loans on the Company's consolidated balance sheets with amounts specifically reserved for credit impairment in the Allowance for loan losses. On a quarterly basis, fair value adjustments are recorded on impaired loans to account for (1) partial write-downs that are based on the current appraised or market-quoted value of the underlying collateral or (2) the full charge-off of the loan carrying value. In some cases, the properties for which market quotes or appraised values have been obtained are located in areas where comparable sales data is limited, outdated, or unavailable. In addition, the Company may adjust the valuations based on other relevant market conditions or information. Accordingly, fair value estimates, including those obtained from real estate brokers or other third-party consultants, for collateral-dependent impaired loans are classified in Level 3 of the valuation hierarchy.

- *Other Real Estate*. These assets are reported at the lower of the loan carrying amount at foreclosure or fair value. Fair value is based on third party appraisals of each property and the Company's judgment of other relevant market conditions. These are considered Level 3 inputs.

The following table presents financial instruments and non-financial assets measured at fair value on a non-recurring basis as of December 31, 2016 and 2015.

	December 31, 2016				
	(1)	(1)	(1)	(1)	
(in thousands)	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total losses for the year ended December 31, 2016
Impaired loans	$ 175	$ —	$ —	$ 175	$ 4,335
Other real estate	—	—	—	—	1
Total	$ 175	$ —	$ —	$ 175	$ 4,336

	December 31, 2015				
	(1)	(1)	(1)	(1)	
(in thousands)	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total losses for the year ended December 31, 2015
Impaired loans	$ 2,561	$ —	$ —	$ 2,561	$ 6,091
Other real estate	753	—	—	753	83
Total	$ 3,314	$ —	$ —	$ 3,314	$ 6,174

(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.

Carrying amount and fair value at December 31, 2016 and 2015

Following is a summary of the carrying amounts and fair values of the Company's financial instruments on the consolidated balance sheets at December 31, 2016 and 2015.

	December 31, 2016		December 31, 2015	
(in thousands)	Carrying Amount	Estimated fair value	Carrying Amount	Estimated fair value
Balance sheet assets				
Cash and due from banks	$ 54,288	$ 54,288	$ 47,935	$ 47,935
Federal funds sold	446	446	91	91
Interest-bearing deposits	145,048	145,048	47,131	47,131
Securities available for sale	460,797	460,797	451,770	451,770
Securities held to maturity	80,463	79,639	43,714	43,441
Other investments, at cost	14,840	14,840	17,455	17,455
Loans held for sale	9,562	9,562	6,598	6,598
Derivative financial instruments	4,016	4,016	1,155	1,155
Portfolio loans, net	3,114,752	3,125,701	2,781,879	2,782,704
State tax credits, held for sale	38,071	41,264	45,850	49,588
Accrued interest receivable	11,117	11,117	8,399	8,399
Balance sheet liabilities				
Deposits	3,233,361	3,232,414	2,784,591	2,784,654
Subordinated debentures and notes	105,540	86,052	56,807	35,432
Federal Home Loan Bank advances	—	—	110,000	109,994
Other borrowings	276,980	276,905	270,326	270,286
Derivative financial instruments	4,016	4,016	1,155	1,155
Accrued interest payable	1,105	1,105	629	629

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 on the consolidated balance sheets at fair value at December 31, 2016, and December 31, 2015.

	Estimated Fair Value Measurement at Reporting Date Using			Balance at
(in thousands)	Level 1	Level 2	Level 3	December 31, 2016
Financial Assets:				
Securities held to maturity	$ —	$ 79,639	$ —	$ 79,639
Portfolio loans, net	—	—	3,125,701	3,125,701
State tax credits, held for sale	—	—	37,679	37,679
Financial Liabilities:				
Deposits	2,760,202	—	472,212	3,232,414
Subordinated debentures and notes	—	86,052	—	86,052
Other borrowings	—	276,905	—	276,905

	Estimated Fair Value Measurement at Reporting Date Using			Balance at
(in thousands)	Level 1	Level 2	Level 3	December 31, 2015
Financial Assets:				
Securities held to maturity	$ —	$ 43,441	$ —	$ 43,441
Portfolio loans, net	—	—	2,782,704	2,782,704
State tax credits, held for sale	—	—	43,647	43,647
Financial Liabilities:				
Deposits	2,428,403	—	356,251	2,784,654
Subordinated debentures and notes	—	35,432	—	35,432
Federal Home Loan Bank advances	—	109,994	—	109,994
Other borrowings	—	270,286	—	270,286

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate such value:

Cash, Federal funds sold, and other short-term instruments
For cash and due from banks, federal funds purchased, interest-bearing deposits, and accrued interest receivable (payable), the carrying amount is a reasonable estimate of fair value, as such instruments reprice in a short time period (Level 1).

Securities available for sale and held to maturity
The Company obtains fair value measurements for debt instruments from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions (Level 2).

Other investments
Other investments, which primarily consists of membership stock in the FHLB, is reported at cost, which approximates fair value (Level 2).

Loans held for sale
These loans consist of mortgages that are sold on the secondary market generally within three months of origination. They are reported at cost, which approximates fair value (Level 2).

Portfolio loans, net
The fair value of adjustable-rate loans approximates cost. The fair value of fixed-rate loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers for the same remaining maturities. The fair value of the acquired loans are based on the present value of expected future cash flows (Level 3). The method of estimating fair value does not incorporate the exit-price concept of fair value prescribed by ASC Topic 820.

State tax credits held for sale
The fair value of state tax credits held for sale is calculated using an internal valuation model with unobservable market data as discussed in further detail above (Level 3).

Derivative financial instruments
The fair value of derivative financial instruments is based on quoted market prices by the counterparty and verified by the Company using public pricing information (Level 2).

Deposits
The fair value of demand deposits, interest-bearing transaction accounts, money market accounts and savings deposits is the amount payable on demand at the reporting date (Level 1). The fair value of fixed-maturity certificates of deposit is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities (Level 3).

Subordinated debentures and notes
Fair value of subordinated debentures and notes is based on discounting the future cash flows using rates currently offered for financial instruments of similar remaining maturities (Level 2).

Federal Home Loan Bank advances
The fair value of the FHLB advances is based on the discounted value of contractual cash flows. The discount rate is estimated using current rates on borrowed money with similar remaining maturities (Level 2).

Other borrowed funds
Other borrowed funds include customer repurchase agreements, federal funds purchased, notes payable, and secured borrowings related to loan participations. The fair value of federal funds purchased, customer repurchase agreements and notes payable are assumed to be equal to their carrying amount since they have an adjustable interest rate (Level 2).

Commitments to extend credit and letters of credit
The fair value of commitments to extend credit and letters of credit are estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements, the likelihood of the counterparties drawing on such financial instruments, and the present creditworthiness of such counterparties (Level 2). The Company believes such commitments have been made on terms which are competitive in the markets in which it operates; however, no premium or discount is offered thereon and accordingly, the Company has not assigned a value to such instruments for purposes of this disclosure.

Limitations
Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment, and therefore, cannot be determined with precision. Such estimates include the valuation of loans, goodwill, intangible assets, and other long-lived assets, along with assumptions used in the calculation of income taxes, among others. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. We adjust such estimates and assumptions when facts and circumstances dictate. Decreasing real estate values, illiquid credit markets, volatile equity markets, and declines in consumer spending have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could

differ significantly from these estimates. Changes in estimates resulting from continuing changes in the economic environment will be reflected in the financial statement in future periods. In addition, these estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Fair value estimates are based on existing on-balance and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in many of the estimates.

NOTE 20 - PARENT COMPANY ONLY CONDENSED FINANCIAL STATEMENTS

Condensed Balance Sheets

	December 31,	
(in thousands)	2016	2015
Assets		
Cash	$ 52,245	$ 12,032
Investment in Enterprise Bank & Trust	416,831	374,092
Investment in nonbank subsidiaries	2,798	1,510
Other assets	22,111	20,357
Total assets	$ 493,985	$ 407,991
Liabilities and Shareholders' Equity		
Subordinated debentures and notes	$ 105,540	$ 56,807
Accounts payable and other liabilities	1,347	355
Shareholders' equity	387,098	350,829
Total liabilities and shareholders' equity	$ 493,985	$ 407,991

Condensed Statements of Operations

(in thousands)	Years ended December 31, 2016	2015	2014
Income:			
Dividends from subsidiaries	$ 7,500	$ 10,000	$ 10,000
Other	491	249	225
Total income	7,991	10,249	10,225
Expenses:			
Interest expense-subordinated debentures and notes	1,893	1,248	1,322
Interest expense-notes payable	53	144	193
Other expenses	5,526	3,823	4,402
Total expenses	7,472	5,215	5,917
Income before taxes and equity in undistributed earnings of subsidiaries	519	5,034	4,308
Income tax benefit	2,583	2,118	2,305
Net income before equity in undistributed earnings of subsidiaries	3,102	7,152	6,613
Equity in undistributed earnings of subsidiaries	45,735	31,298	20,560
Net income and comprehensive income	$ 48,837	$ 38,450	$ 27,173

Condensed Statements of Cash Flows

(in thousands)	Years Ended December 31, 2016	2015	2014
Cash flows from operating activities:			
Net income	$ 48,837	$ 38,450	$ 27,173
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Share-based compensation	3,367	3,601	2,950
Net income of subsidiaries	(53,235)	(41,298)	(30,560)
Dividends from subsidiaries	7,500	10,000	10,000
Excess tax expense of share-based compensation	(1,327)	(449)	(205)
Other, net	1,848	848	704
Net cash provided by operating activities	6,990	11,152	10,062
Cash flows from investing activities:			
Cash contributions to subsidiaries	(250)	—	—
Purchases of other investments	(2,435)	(2,832)	(2,224)
Proceeds from distributions on other investments	1,151	880	176
Net cash used by investing activities	(1,534)	(1,952)	(2,048)
Cash flows from financing activities:			
Proceeds from issuance of subordinated notes	48,733	—	—
Repayments of notes payable	—	(5,700)	(4,800)
Cash dividends paid	(8,211)	(5,259)	(4,177)
Excess tax benefit of share-based compensation	1,327	449	205
Payments for the repurchase of common stock	(4,889)	—	—
Issuance of common stock	2	2	2
Proceeds from the issuance of equity instruments, net	(2,205)	(1,192)	(681)
Net cash provided (used) by financing activities	34,757	(11,700)	(9,451)
Net increase (decrease) in cash and cash equivalents	40,213	(2,500)	(1,437)
Cash and cash equivalents, beginning of year	12,032	14,532	15,969
Cash and cash equivalents, end of year	$ 52,245	$ 12,032	$ 14,532

NOTE 21 - QUARTERLY CONDENSED FINANCIAL INFORMATION (Unaudited)

The following table presents unaudited quarterly financial information for the periods indicated:

	2016			
(in thousands, except per share data)	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Interest income	$ 39,438	$ 37,293	$ 37,033	$ 35,460
Interest expense	3,984	3,463	3,250	3,032
Net interest income	35,454	33,830	33,783	32,428
Provision for portfolio loan losses	964	3,038	716	833
Provision reversal for PCI loan losses	(343)	(1,194)	(336)	(73)
Net interest income after provision for loan losses	34,833	31,986	33,403	31,668
Noninterest income	9,029	6,976	7,049	6,005
Noninterest expense	23,181	20,814	21,353	20,762
Income before income tax expense	20,681	18,148	19,099	16,911
Income tax expense	7,053	6,316	6,747	5,886
Net income	$ 13,628	$ 11,832	$ 12,352	$ 11,025
Earnings per common share:				
Basic	$ 0.68	$ 0.59	$ 0.62	$ 0.55
Diluted	0.67	0.59	0.61	0.54

	2015			
(in thousands, except per share data)	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Interest income	$ 35,096	$ 33,180	$ 32,352	$ 32,151
Interest expense	3,017	3,174	3,072	3,106
Net interest income	32,079	30,006	29,280	29,045
Provision for portfolio loan losses	543	599	2,150	1,580
Provision reversal for PCI loan losses	(917)	(227)	—	(3,270)
Net interest income after provision for loan losses	32,453	29,634	27,130	30,735
Noninterest income	6,557	4,729	5,806	3,583
Noninterest expense	22,886	19,932	19,458	19,950
Income before income tax expense	16,124	14,431	13,478	14,368
Income tax expense	5,445	4,722	4,762	5,022
Net income	$ 10,679	$ 9,709	$ 8,716	$ 9,346
Earnings per common share:				
Basic	$ 0.53	$ 0.49	$ 0.44	$ 0.47
Diluted	0.52	0.48	0.43	0.46

NOTE 22 - NEW AUTHORITATIVE ACCOUNTING GUIDANCE

Financial Accounting Standards Board (the "FASB") Accounting Standards Update (the "ASU") 2017-04 "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" In January 2017, the FASB issued ASU 2017-04 "Simplifying the Test for Goodwill Impairment" which simplifies the measurement of goodwill impairment by removing step two of the goodwill impairment test. The new guidance requires goodwill impairment to be measured as the amount by which a reporting unit's carrying value exceeds its fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The amendments should be applied on a prospective basis. The guidance becomes effective for testing periods beginning after January 1, 2017. The new guidance will not have an impact on the Company's consolidated financial statements.

FASB ASU 2016-15 "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments" In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230)" which addresses changes to reduce the presentation diversity of certain cash receipts and cash payments in the statement of cash flows, including debt prepayment or extinguishment costs, settlement of certain debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, and distributions received from equity method investees. The guidance becomes effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. An entity that elects early adoption must adopt all of the amendments in the same period. The new standard will be applied retrospectively, but may be applied prospectively if retrospective application would be impracticable. The Company is currently evaluating the new guidance and has not determined the impact this standard may have on its consolidated statement of cash flows.

FASB ASU 2016-13 "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" In June 2016, the FASB issued ASU 2016-13, "Financial Instruments (Topic 326)" which changes the methodology for evaluating impairment of most financial instruments. The ASU replaces the currently used incurred loss model with a forward-looking expected loss model, which will generally result in a more timely recognition of losses. The guidance becomes effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the new guidance and has not determined the impact this standard may have on its financial statements.

FASB ASU 2016-09 "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" In March 2016, the FASB issued ASU 2016-09, "Compensation-Stock Compensation (Topic 718)" which impacts accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 requires all excess tax benefits and tax deficiencies to be recognized in the statement of operations as income tax expense (or benefit.) The tax effects of exercised or vested awards must be treated as discrete items in the reporting period in which they occur, regardless of whether the benefit reduces taxes payable in the current period. Excess tax benefits will be classified with other income tax cash flows as an operating activity, and cash paid by an employer when withholding shares for tax liabilities should be classified as a financing activity. The guidance became effective in the first quarter of 2017. The Company expects to reclassify approximately $5 million from additional paid in capital to retained earnings upon adoption. Also, excess tax benefits of share-based compensation will no longer be reclassified from operating activities to financing activities on the consolidated statement of cash flows. The Company has not completed its evaluation of the impact this standard will have on its statement of operations.

FASB ASU 2016-02 "Leases (Topic 842)" In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" which requires organizations that lease assets ("lessees") to recognize the assets and liabilities for the rights and obligations created by leases with terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee remains dependent on its classification as a finance or operating lease. The criteria for determining whether a lease is a finance or operating lease has not been significantly changed by this ASU. The ASU also requires additional disclosure of the amount, timing, and uncertainty of cash flows arising from leases, including qualitative and quantitative requirements. The guidance becomes effective for periods beginning after December 15, 2018, including interim periods therein. Early adoption will be permitted. The Company is currently evaluating the new guidance and has not determined the impact this standard may have on its consolidated balance sheets.

FASB ASU 2016-01 "Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" In January 2016, the FASB issued ASU 2016-01, "Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." ASU 2016-01 requires equity investments to be measured at fair value through earnings, and eliminates the available-for-sale classification for equity securities with readily determinable fair values. For financial liabilities where the fair value option has been elected, changes in fair value due to instrument-specific credit risk must be recognized in other comprehensive income. When measuring the fair value of financial instruments at amortized cost, the exit price must be used for disclosure purposes. The ASU also requires that financial assets and liabilities be presented separately in the notes to the financial statements. This ASU becomes effective for fiscal years beginning after December 15, 2017, including interim periods therein. Early adoption is permitted with some exceptions. The Company is currently evaluating the new guidance and has not determined the impact this standard may have on its financial statements.

FASB ASU 2014-09, "Revenue from Contracts with Customers" In May 2014, the FASB issued ASU 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 was originally effective for annual reporting periods (including interim periods within those periods) beginning after December 15, 2016 for public companies. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of this guidance to annual reporting periods beginning after December 15, 2017 for public companies, and permits early adoption on a limited basis. 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. Entities have the option of using either a full retrospective or modified approach of adoption.

NOTE 23 - SUBSEQUENT EVENTS

On February 10, 2017, the Company closed on its previously announced acquisition of Jefferson County Bancshares, Inc. (“JCB”) and JCB's wholly-owned subsidiary, Eagle Bank and Trust Company of Missouri. See Note 2 –Acquisitions for more information regarding the transaction.

ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A: CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, the "Act") as of December 31, 2016. Based upon this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that as of December 31, 2016, such disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports it files or submits under the Act is accumulated and communicated to the Company's management (including the Chief Executive Officer and Chief Financial Officer) to allow timely decisions regarding required disclosure, and is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Management's Assessment of Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(e) and 15(d)-15(e) under the Securities Exchange Act of 1934, as amended, the "Act"). The Company's internal control system is a process designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements.

The Company's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial reporting. Further, because of changes in conditions, the effectiveness of any system of internal control may vary over time. The design of any internal control system also factors in resource constraints and consideration for the benefit of the control relative to the cost of implementing the control. Because of these inherent limitations in any system of internal control, management cannot provide absolute assurance that all control issues and instances of fraud within the Company have been detected.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2016. In making this assessment, management used the criteria set forth by the *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management has concluded that the Company maintained an effective system of internal control over financial reporting based on these criteria as of December 31, 2016.

The Company's independent registered public accounting firm, Deloitte & Touche LLP, who audited the consolidated financial statements, has issued an audit report on the Company's internal control over financial reporting as of December 31, 2016, and it is included herein.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Act) that occurred during the Company's quarter ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B: OTHER INFORMATION

None.

PART III

ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated herein by reference to the Board and Committee Information and Executive Officer sections of the Company's Proxy Statement for its annual meeting to be held on Tuesday, May 2, 2017.

ITEM 11: EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference to the Executive Compensation section of the Company's Proxy Statement for its annual meeting to be held on Tuesday, May 2, 2017.

ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated herein by reference to the Information Regarding Beneficial Ownership section of the Company's Proxy Statement for its annual meeting to be held on Tuesday, May 2, 2017.

ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated herein by reference to the Related Person Transactions section of the Company's Proxy Statement for its annual meeting to be held on Tuesday, May 2, 2017.

ITEM 14: PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference to the Fees Paid to Independent Registered Public Accounting Firm section of the Company's Proxy Statement for its annual meeting to be held on Tuesday, May 2, 2017.

PART IV

ITEM 15: EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial Statements

The consolidated financial statements of Enterprise Financial Services Corp and its subsidiaries and independent auditors' reports are included in Part II, Item 8, of this Form 10-K.

2. Financial Statement Schedules

All financial statement schedules have been omitted, as they are either inapplicable or included in the Notes to Consolidated Financial Statements.

3. Exhibits

No.	Description
2.1	Agreement and Plan of Merger, among the Company, Enterprise Bank & Trust, Jefferson County Bancshares, Inc. and Eagle Bank and Trust Company of Missouri, dated October 10, 2016 (incorporated herein by reference to Exhibit 2.1 to Registrant's Current Report on Form 8-K filed on October 11, 2016).
3.1	Certificate of Incorporation of Registrant, (incorporated herein by reference to Exhibit 3.1 of Registrant's Registration Statement on Form S-1 filed on December 16, 1996 (File No. 333-14737)).
3.2	Amendment to the Certificate of Incorporation of Registrant (incorporated herein by reference to Exhibit 4.2 to Registrant's Registration Statement on Form S-8 filed on July 1, 1999 (File No. 333-82087)).
3.3	Amendment to the Certificate of Incorporation of Registrant (incorporated herein by reference to Exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q for the period ending September 30, 1999).
3.4	Amendment to the Certificate of Incorporation of Registrant (incorporated herein by reference to Exhibit 99.2 to Registrant's Current Report on Form 8-K filed on April 30, 2002).
3.5	Amendment to the Certificate of Incorporation of Registrant (incorporated herein by reference to Appendix A to Registrant's Proxy Statement on Form 14-A filed on November 20, 2008).
3.6	Certificate of Designations of Registrant for Fixed Rate Cumulative Perpetual Preferred Stock, Series A, dated December 17, 2008 (incorporated herein by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K filed on December 23, 2008).
3.7	Amendment to the Certificate of Incorporation of Registrant (incorporated herein by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the period ending June 30, 2014).
3.8	Amended and Restated Bylaws of Registrant (incorporated herein by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K filed on June 12, 2015).
4.1	Subordinated Debt Securities Indenture dated November 1, 2016 (incorporated herein by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K filed on November 1, 2016).
4.2	First Supplemental Indenture to the Subordinated Debt Securities Indenture dated November 1, 2016 (incorporated herein by reference to Exhibit 4.2 to Registrant's Current Report on Form 8-K filed on November 1, 2016).
10.1.1*	Key Executive Employment Agreement dated effective as of September 24, 2008, by and between Registrant and Peter F. Benoist (incorporated herein by reference to Exhibit 10.1 to Registrant's Current

Report on Form 8-K filed on September 30, 2008), amended by that First Amendment of Executive Employment Agreement dated as of December 19, 2008 (incorporated herein by reference to Exhibit 99.3 to Registrant's Current Report on Form 8-K filed on December 23, 2008), amended by that Second Amendment of Executive Employment Agreement dated as of March 25, 2013 (incorporated herein by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on March 26, 2013), amended by that Third Amendment of Executive Employment Agreement dated as of February 4, 2014 (incorporated herein by reference to Exhibit 10.1.3 to the Registrant's Annual Report on Form 10-K filed on March 17, 2014), amended by that Amendment to Executive Employment Agreement dated as of October 29, 2015 (incorporated herein by reference to Exhibit 10.1.1 to the Registrant's Quarterly Report on Form 10-Q for the period ending September 30, 2015) and amended by that Amendment to Executive Employment Agreement dated as of November 3, 2016 (filed herewith).

10.1.2*	Executive Employment Agreement dated September 13, 2013 by and between Registrant and Keene S. Turner (incorporated by reference herein to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the period ending September 30, 2013), amended by that First Amendment of Executive Employment Agreement dated as of February 27, 2015 (incorporated herein by reference to Exhibit 10.1.7 to the Registrant's Annual Report on Form 10-K filed on February 27, 2015), and amended by that Second Amendment to Executive Employment Agreement dated as of October 29, 2015 (incorporated by reference to Exhibit 10.1.2 to the Registrant's Quarterly Report on Form 10-Q for the period ending September 30, 2015).
10.1.3*	Restricted Stock Unit Agreement by and between Registrant and Keene S. Turner (incorporated herein by reference to Exhibit 10.1.2 to Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2014).
10.1.4*	Restricted Stock Unit Agreement dated as of August 9, 2016 by and between Registrant and Keene S. Turner (filed herewith).
10.1.5*	Executive Employment Agreement dated as of June 30, 2015 by and between Registrant and James B. Lally (filed herewith).
10.1.6*	Executive Employment Agreement dated effective January 1, 2005 by and between Registrant and Scott R. Goodman, amended by that First Amendment of Executive Employment Agreement dated as of December 31, 2008 (incorporated herein by reference to Exhibit 10.1.5 to Registrant's Annual Report on Form 10-K filed on March 15, 2013), and amended by that Second Amendment of Executive Employment Agreement dated October 11, 2013 (incorporated herein by reference to Exhibit 10.1.5 to Registrant's Annual Report on Form 10-K filed on March 17, 2014).
10.1.7*	Restricted Stock Unit Agreement dated as of August 9, 2016 by and between Registrant and Scott R. Goodman (filed herewith).
10.1.8*	Executive Employment Agreement dated as of January 5, 2015 by and between Registrant and Douglas N. Bauche (filed herewith).
10.1.9*	Amended and Restated Executive Employment Agreement effective as of August 8, 2014 by and between Registrant and Frank H. Sanfilippo (incorporated herein by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the period ending September 30, 2014).
10.1.10*	Employment Separation and Release Agreement by and between Registrant and Frank H. Sanfilippo (incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2016).
10.1.11*	Retirement and Consulting Agreement by and between Registrant and Stephen P. Marsh (incorporated herein by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the period ending March 31, 2016).
10.1.12*	Change in Control Agreement dated as of July 23, 2014 by and between Registrant and Mark G. Ponder (filed herewith).

10.1.13*	Enterprise Financial Services Corp Deferred Compensation Plan I (incorporated herein by reference to Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2000).
10.1.14*	Enterprise Financial Services Corp, Incentive Stock Purchase Plan (incorporated herein by reference to Exhibit 4.6 to Registrant's Registration Statement on Form S-8 filed on November 1, 2002 (File No. 333-100928)).
10.1.15*	Enterprise Financial Services Corp, 2002 Stock Incentive Plan, as amended (incorporated herein by reference to Appendix A to Registrant's Proxy Statement on Schedule 14A, filed on March 17, 2008).
10.1.16*	Enterprise Financial Services Corp Amended and Restated Deferred Compensation Plan I dated effective as of December 31, 2008 (incorporated by reference to Exhibit 10.9 to Registrant's Report on Form 10-K for the year ended December 31, 2008).
10.1.17*	Enterprise Financial Services Corp, Stock Plan for Non-Management Directors (incorporated herein by reference to Registrant's Proxy Statement on Schedule 14-A filed on March 7, 2006 and as amended on Schedule 14A filed on April 23, 2012).
10.1.18*	Form of Enterprise Financial Services Corp Restricted Stock Unit Award Agreement (incorporated herein by reference to Exhibit 10.2 to Registrant's Current Report on Form 10-Q filed on August 8, 2012).
10.1.19*	Form of Enterprise Financial Services Corp Restricted Stock Award Agreement (incorporated herein by reference to Exhibit 10.3 to Registrant's Current Report on Form 10-Q filed on August 8, 2012).
10.1.20*	Enterprise Financial Services Corp, Annual Incentive Plan (incorporated herein by reference to Appendix C to Registrant's Proxy Statement on Schedule 14A, filed on March 7, 2006 and as amended on Schedule 14A filed on March 26, 2013).
10.1.21*	Enterprise Financial Services Corp, 2013 Stock Incentive Plan (incorporated herein by reference to Appendix A to Registrant's Proxy statement on Schedule 14A, filed on March 26, 2013).
10.1.22*	Form of Enterprise Financial Services Corp LTIP Grant Agreement pursuant to 2013 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.1.3 to the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2014).
10.1.23*	Form of Enterprise Financial Services Corp LTIP Grant Agreement pursuant to 2013 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2015).
10.2	Revolving Credit Agreement dated February 24, 2016 between US Bank National Association and Registrant (incorporated herein by reference to Exhibit 10.2 to the Registrant's Report on Form 10-K for the year ended December 31, 2015), and amended by that First Amendment to Loan Agreement dated as of February 23, 2017 (filed herewith).
12.1	Computation of Ratio of Earnings to Fixed Charges and Preferred Dividends.
21.1	Subsidiaries of Registrant.
23.1	Consent of Deloitte & Touche LLP.
24.1	Power of Attorney.
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.

* Management contract or compensatory plan or arrangement.

Note: In accordance with Item 601 (b) (4) (iii) of Regulation S-K, Registrant hereby agrees to furnish to the SEC, upon its request, a copy of any instrument that defines the rights of holders of each issue of long-term debt of Registrant and its consolidated subsidiaries for which consolidated and unconsolidated financial statements are required to be filed and that authorizes a total amount of securities not in excess of ten percent of the total assets of the Registrant on a consolidated basis.

(b) The exhibits not incorporated by reference herein are filed herewith.

(c) The financial statement schedules are either included in the Notes to Consolidated Financial Statements or omitted if inapplicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on February 24, 2017.

ENTERPRISE FINANCIAL SERVICES CORP

/s/ Peter F. Benoist

Peter F. Benoist
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1934, this Report on Form 10-K has been signed by the following persons in the capacities indicated on February 24, 2017.

Signatures	**Title**
/s/ Peter F. Benoist Peter F. Benoist	Chief Executive Officer and Director (Principal Executive Officer)
/s/ Keene S. Turner Keene S. Turner	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ Mark G. Ponder Mark G. Ponder	Senior Vice President and Controller (Principal Accounting Officer)
/s/ John S. Eulich* John S. Eulich	Chairman of the Board of Directors
/s/ John Q. Arnold* John Q. Arnold	Director
/s/ Michael A. DeCola* Michael A. DeCola	Director
/s/ William H. Downey* William H. Downey	Director
/s/ Robert E. Guest, Jr.* Robert E. Guest, Jr.	Director
/s/ James M. Havel* James M. Havel	Director
/s/ Judith S. Heeter* Judith S. Heeter	Director
/s/ Michael R. Holmes* Michael R. Holmes	Director
/s/ Nevada A. Kent, IV* Nevada A. Kent, IV	Director
/s/ James J. Murphy, Jr.* James J. Murphy, Jr.	Director
/s/ Eloise E. Schmitz* Eloise E. Schmitz	Director
/s/ Sandra A. Van Trease* Sandra A. Van Trease	Director
Michael W. Walsh	Director

*Signed by Power of Attorney.

(Back To Top)

Section 2: EX-10.2 (EXHIBIT 10.2)

EXHIBIT 10.2

FIRST AMENDMENT TO LOAN AGREEMENT

THIS FIRST AMENDMENT TO LOAN AGREEMENT (this "Amendment") is made and entered into as of February 23, 2017 (the "Effective Date"), by and between: ENTERPRISE FINANCIAL SERVICES CORP, a Delaware corporation ("Borrower"); and U.S. BANK NATIONAL ASSOCIATION, a national banking association ("Lender"); and has reference to the following facts and circumstances: (the "Recitals"):

A. Borrower and Lender are parties to the Loan Agreement dated as of February 24, 2016 (as amended, the "Agreement"; all capitalized terms used and not otherwise defined in this Amendment shall have the respective meanings ascribed to them in the Agreement as amended by this Amendment).

B. Borrower desires to extend the Revolving Credit Period and to amend the Agreement in the manner set forth below and Lender agrees to said extension and amendment request on the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower, Lender, and Lender hereby agree as follows:

1. Recitals. The Recitals are true and correct, and, together with the defined terms set forth herein, are incorporated by this reference.

2. Amendment to Agreement. As of the Effective Date, the Agreement is amended as follows:

(a) The definitions of "***Applicable Fee Percentage***" and "***Revolving Credit Period***" in section 1.01 of the Agreement is deleted and replaced with the following:

Applicable Fee Percentage initially means an annual rate of 0.30%; provided that the Applicable Fee Percentage shall be reduced by 0.10% for each average quarterly balance of $10,000,000 that Borrower, Subsidiary Bank or their Subsidiaries invest in any of the following deposit products offered by Lender with a maturity of greater than 31 days: (i) certificates of deposit; (ii) convertible Eurodollar time deposits or (iii) U.S. Bank commercial paper; provided further that in no event will the Applicable Fee Percentage be reduced below 0.00%.

Revolving Credit Period means the period commencing on the date of this Agreement and ending February 23, 2018; provided, however, that the Revolving Credit Period shall end on the date the Revolving Credit Commitment is terminated pursuant to Section 6 or otherwise.

(b) Section 6.01 (Indebtedness) of the Agreement is deleted and replaced with the following:'

6.01 Indebtedness. Create or incur any Indebtedness except (a) Indebtedness due Lender, (b) $50,000,000, 4.75% fixed-to-floating rate subordinated notes due 2026, issued by Borrower on November 1, 2016, (c) other Indebtedness described on Schedule 4.10, (d) Indebtedness of Subsidiary Banks to creditors in the ordinary course of its banking business, (e) Indebtedness relating to trust preferred securities issued by Borrower, (f) Indebtedness under purchase money security agreements and Capitalized Leases and other unsecured Indebtedness, the aggregate principal amount of which shall not exceed $1,000,000 at any one time and (g) Indebtedness incurred in connection with Permitted Acquisitions.

3. Costs and Expenses. Borrower shall reimburse Lender upon demand for all out-of-pocket costs and expenses (including, without limitation, Attorneys' Fees and expenses) incurred by Lender in the preparation, negotiation and execution of this Amendment and any and all other agreements, documents, instruments and/or certificates relating to the amendment of Borrower's existing credit facilities with Lender. Borrower further agree to pay or reimburse Lender for (a) any stamp or other taxes (excluding income or gross receipts taxes) which may be

payable with respect to the execution, delivery, filing and/or recording of any of the Loan Documents, and (b) the cost of any filings and searches, including, without limitation, Uniform Commercial Code filings and searches.

4. References to Agreement. All references in the Agreement to "this Agreement" and any other references of similar import shall henceforth mean the Agreement as amended by this Amendment. Except to the extent specifically amended by this Amendment, all of the terms, provisions, conditions, covenants, representations and warranties contained in the Agreement shall be and remain in full force and effect and the same are hereby ratified and confirmed.

5. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns, except that Borrower may not assign, transfer or delegate any of its rights or obligations under the Agreement as amended by this Amendment.

6. Representations and Warranties. Borrower represents and warrants to Lender that:

(a) the execution, delivery and performance by Borrower of this Amendment are within the corporate powers of Borrower, have been duly authorized by all necessary corporate action and require no action by or in respect of, consent of or filing, recording or registration with, any governmental or regulatory instrumentality, authority, body, agency or official or any other Person;

(b) the execution, delivery and performance by Borrower of this Amendment do not conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under or result in any violation of, the terms of the Certificate of Incorporation or By-laws of Borrower, any applicable law, rule, regulation, order, writ, judgment or decree of any governmental authority or any agreement, document or instrument to which Borrower is a party or by which Borrower or any of its Property is bound or to which Borrower or any of its Property is subject;

(c) this Amendment has been duly executed and delivered by Borrower and constitutes the legal, valid and binding obligation of Borrower enforceable against Borrower in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);

(d) all of the representations and warranties made by Borrower in the Agreement and/or in any other Loan Document are true and correct in all material respects on and as of the date of this Amendment as if made on and as of the date of this Amendment; and

(e) as of the date of this Amendment and after giving effect to this Amendment, no Default or Event of Default under or within the meaning of the Agreement has occurred and is continuing.

7. Inconsistency. In the event of any inconsistency or conflict between this Amendment and the Agreement, the terms, provisions and conditions contained in this Amendment shall govern and control.

8. Governing Law. This Amendment shall be governed by and construed in accordance with the substantive laws of the State of Missouri (without reference to conflict of law principles) but giving effect to Federal laws applicable to national banks.

9. Notice Required by Section 432.047 R.S. Mo. **ORAL OR UNEXECUTED AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT ARE NOT ENFORCEABLE, REGARDLESS OF THE LEGAL THEORY UPON WHICH IT IS BASED THAT IS IN ANY WAY RELATED TO THE CREDIT AGREEMENT. TO PROTECT YOU (BORROWER(S)) AND US (CREDITOR) FROM MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS WE REACH COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH IS THE COMPLETE AND**

EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN US, EXCEPT AS WE MAY LATER AGREE IN WRITING TO MODIFY IT.

10. Counterparts. This Amendment may be signed in any number of counterparts (including facsimile counterparts), each of which shall be an original with the same effect as if the signatures thereto and hereto were upon the same instrument.

11. Conditions Precedent. Notwithstanding any provision contained in this Amendment to the contrary, this Amendment shall not be effective unless and until Agent shall have received:

(a) this Amendment, duly executed by Borrower;

(b) a Certificate of Secretary (with resolutions attached), certified by the Secretary of Borrower;

(c) certificates of corporate good standing for Borrower, issued by the Secretaries of State of Delaware and Missouri; and

(d) such other documents and information as reasonably requested by Lender or any Lender.

Borrower and Lender executed this Amendment as of the Effective Date.

[SIGNATURES ON FOLLOWING PAGE]

SIGNATURE PAGE-
FIRST AMENDMENT TO LOAN AGREEMENT

Borrower:
ENTERPRISE FINANCIAL SERVICES CORP
By: /s/ Mark G. Ponder
Name: Mark G. Ponder
Title: Senior Vice President and Controller

Lender:
U.S. BANK NATIONAL ASSOCIATION
By: /s/ Phillip S. Hoerchler
Name: Phillip S. Hoerchler
Title: Vice President

(Back To Top)

Section 3: EX-10.1.1 (EXHIBIT 10.1.1)

EXHIBIT 10.1.1

**AMENDMENT TO EXECUTIVE EMPLOYMENT AGREEMENT
BETWEEN ENTERPRISE FINANCIAL SERVICES CORP AND PETER F. BENOIST**

THIS AMENDMENT to the Executive Agreement is made by and between Peter F. Benoist (the "Executive") and ENTERPRISE FINANCIAL SERVICES CORP, a Delaware corporation, ("Company") effective as of November 3, 2016 (the "Effective Date").

WHEREAS, the Company and Executive entered into a certain Executive Employment Agreement between Company and Executive, dated effective as of May 1, 2008, as amended by a certain First Amendment to Executive Employment Agreement, dated December 19, 2008, an Amendment to Executive Employment Agreement, dated effective as of March 25, 2013, an Amendment to Executive Employment Agreement, dated effective February 4, 2014 and an Amendment to Executive Employment Agreement dated effective as of October 29, 2015 (as so amended, the "Original Agreement"); and

WHEREAS, Company and Executive have mutually agreed to amend the Original Agreement;

NOW, THEREFORE, the Original Agreement is amended and restated as follows:

1. Section 2.1 of the Original Agreement is hereby amended and restated to read in its entirety as follows:

2.1 Term. Except as otherwise provided herein, the initial term of Executive's employment shall be for a period commencing on the Effective Date and ending on December 31, 2017 (the "Initial Term"). The term of Executive's employment shall be automatically extended for successive one (1) year periods beginning on January 1 and ending on December 31 (each a "Renewal Term") upon the same provisions for Base Salary and Targeted Bonus (as provided below) unless either the Company or Executive provides written notice ("Non-Renewal Notice") to the other party at least ninety (90) days prior to the expiration of the Initial Term or then current Renewal Term, as applicable, that the term of this Agreement will not be renewed. The term during which Executive is an employee of the Company, including any Renewal Term, is referred to as the "Employment Term." Notwithstanding the foregoing, the Employment Term will end immediately on the effective date of the Company's appointment of a successor Chief Executive Officer, and upon the occurrence of such event Executive and the Company shall enter into a Retirement and Consulting Agreement (the "Consulting Agreement"), substantially in the form set forth as Exhibit A hereto. The obligations of Executive under Sections 7, 8 and 9 of this Agreement shall survive the termination of Executive's employment with the Company and its Affiliates.

3. Except as expressly amended pursuant to this Amendment, the Original Agreement shall continue in full force and effect without modification.

4. Capitalized terms not defined herein shall have the meaning given them in the Original Agreement unless the context clearly and unambiguously requires otherwise.

IN WITNESS WHEREOF, the undersigned have executed this Amendment on the Effective Date.

ENTERPRISE FINANCIAL SERVICES CORP

By: /s/ John S. Eulich
Name: John S. Eulich
Title: Chairman of the Board

EXECUTIVE

/s/ Peter F. Benoist
Peter F. Benoist

EXHIBIT A

ENTERPRISE FINANCIAL SERVICES CORP
RETIREMENT AND CONSULTING AGREEMENT

This RETIREMENT AND CONSULTING AGREEMENT (the “Agreement”) is entered into by and between ENTERPRISE FINANCIAL SERVICES CORP, a Delaware Corporation (together with its Affiliates, the “Company”) and Peter F. Benoist (the “Executive”), effective as of ___________ (the “Effective Date”).

WHEREAS, Executive currently serves as President and Chief Executive Officer of the Company, and a member of the Company’s Board of Directors (“Board”);

WHEREAS, Executive has expressed his intention to retire from employment with the Company, effective as of the Effective Date;

WHEREAS, the Company desires to engage Executive as a consultant to provide such advice as may be reasonably requested by the Company’s Chief Executive Officer; and

WHEREAS, Executive desires to provide consulting services to the Company under the terms and conditions hereinafter set forth;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and Executive agree as follows:

1. Resignation. Effective on the Effective Date, Executive shall resign from his position as President and Chief Executive Officer of the Company and shall cease to be an employee of the Company.

2. Board Membership. Effective on the Effective Date, Executive shall resign from his position as a member of the Board of the Company.

3. Benefit Plans. As of the Effective Date, Executive’s participation in any employee welfare benefit plan, retirement plan, deferred compensation arrangement, equity plan, incentive plan or other benefit shall terminate in accordance with the terms thereunder and Executive shall be treated as any similarly situated former employee unless otherwise specifically provided herein.

a. The Company shall pay Executive a single lump sum equal to the aggregate amount of COBRA health insurance premiums for the Consulting Period (as defined below), based on the Executive’s coverage elections in effect immediately prior to the Effective Date promptly after the Effective Date, but in any event such payment shall be made no later than 2 ½ months following the end of the calendar year in which Executive retires. If the Company determines that the payment provided by this section is taxable, the payment will be grossed-up so that the net amount received by Executive, after subtraction of all taxes applicable to the payment plus the gross-up amount, will equal the aggregate amount of COBRA health insurance premiums for the Consulting Period.

b. Executive will be eligible to receive an annual incentive for 2017 under the Company’s Annual Incentive Plan, based on actual performance of the Company in 2017 relative to Company objectives established under such Annual Incentive Plan. The annual incentive shall be payable in a single lump sum at the same time that payments are made to other participants in the Company’s Annual Incentive Plan for the fiscal year pursuant to the terms of the plan.

c. All shares of restricted stock issued to Executive on May 8, 2013 that, as of the Effective Date, have not vested shall, as of the Effective Date, become immediately 100% vested in accordance with the terms and conditions of the award agreements and the Enterprise Financial Services Corp 2002 Stock Incentive Plan.

d. Awards to Executive under the Company's Long-Term Incentive Plan with grant dates of February 17, 2015 and January 27, 2016 respectively, shall continue to accrue and be paid out under the terms of such plan without regard to the requirement that the Executive be employed on the Award Date. To the extent not already vested, the grant under the Company's Long-Term Incentive Plan for the 2014-2016 performance period shall immediately become 100% vested as of the Effective Date and paid in accordance with the terms of the existing award.

e. To the extent convertible under the applicable plans, Executive shall have the right to convert the term life insurance coverages and supplemental disability income insurance in place as of the Effective Date.

4. Consulting Services. Subject to the terms and provisions of this Agreement, Executive shall provide such advice as may be reasonably requested by the Company's Chief Executive Officer, commensurate with his status and experience, for a period commencing on the Effective Date and ending on the later of (i) the date that is six months from the Effective Date or (ii) December 31, 2017 (the "Consulting Period"). The parties acknowledge and agree that the Executive's fulfillment of his obligations to the Company hereunder will require the Executive to be available to provide services for up to 20 hours per week on average.

5. Compensation. With respect to the consulting services rendered under this Agreement, Executive shall receive an annualized amount of $[base salary in effect on the Effective Date], payable in bi-weekly installments of $__________, with the first payment commencing on __________; provided Executive fulfills all assigned duties and complies with the terms of this Agreement. The Company will also reimburse Executive for reasonable expenses incurred in connection with providing consulting services hereunder, such reimbursement to be made promptly following the Company's review of expense reports documented by Executive in accordance with Company policies and procedures. In no event will such reimbursements be made later than the last day of the taxable year following the year in which the expenses were incurred.

6. Taxes. Executive agrees that as an independent contractor, he is solely responsible for the reporting and payment of all federal, state and local taxes, of any type whatsoever, from any compensation arising from his consulting services.

7. Attorney Review; Time for Execution; Revocation; Acknowledgements. The Company hereby advises Executive to consult with an attorney prior to executing this Agreement. The Executive shall be entitled to reimbursement of reasonable attorney's fees in connection with the review and execution of this Agreement.

8. Release. The rights, privileges, benefits and compensation ("Benefits") provided pursuant to this Agreement shall be conditioned upon Executive's timely execution after the Effective Date of the release attached hereto as Exhibit A, which has become effective and irrevocable in accordance with its terms. In the event Executive fails to timely execute and submit the required release or if the Executive subsequently revokes the release, or revokes acceptance of this Agreement, the Company shall have no obligation to provide any part of the Benefits described in this Agreement and may enforce its right to recover any Benefits provided to Executive under this Agreement.

9. Restrictive Covenants.

a. Executive agrees that, during the Consulting Period and for a period of one year following any termination thereof, Executive shall not, without the prior written consent of the Company, directly or indirectly, own, manage, operate, control, be connected with as an officer, employee, partner, consultant or otherwise, or otherwise engage or participate in (except as an employee of, or a consultant for, the Company, or its Affiliates) any Person engaged in the operation, ownership or management of a bank, trust company, wealth management or financial services business within the Metropolitan Statistical Areas of St. Louis, Kansas City, Phoenix or any other city in which the Company or any of its Affiliates has an office at the time of such termination. Notwithstanding the foregoing, the ownership by Executive of less than 1% of any class of the outstanding capital stock of any corporation conducting such a competitive business which is regularly traded on a national securities exchange or in the over-the-counter market shall not be a violation of the foregoing covenant.

b. Executive agrees that, during the Consulting Period and for a period of one year following any termination thereof, Executive shall not, except on behalf of or with the prior written consent of the Company, directly or indirectly, entice or induce, or attempt to entice or induce, any employee of the Company or any of its Affiliates to leave such employ, or employ any such person in any business similar to or in competition with that of the Company. Executive hereby acknowledges and agrees that the provisions set forth in this subsection 9.b constitute a reasonable restriction on his ability to compete with the Company. The foregoing notwithstanding, this restriction will not apply to Executive's current Corporate Secretary and Assistant.

c. As used herein, "Protected Customer" means (i) any Person or its/his/her Affiliate for whom the Company or any of its Affiliates has provided wealth management, investment, banking, trust, insurance or other financial services during a period of one (1) year prior to the termination of this Agreement or (ii) any Person or its/his/her Affiliate whom the Company or any of its Affiliates had made a proposal to provide wealth management, investment, banking, trust, insurance or other financial services at any time within six (6) months preceding the termination of this Agreement.

d. As used herein, "Non-Solicitation Period" means the Consulting Period and a period of two (2) years following the date of termination thereof.

e. During the Non-Solicitation Period, Executive shall not, directly or indirectly, whether alone or in association, or combination with any other Person, or as an officer, director, shareholder, member, manager, employee, agent, independent contractor, consultant, advisor, joint-venturer, partner or otherwise, and whether or not for pecuniary benefit:

i. solicit, take away, attempt to take away, divert, or attempt to divert any Protected Customer from the Company or its Affiliates; or

ii. induce, attempt to induce or aid any Person in inducing any Protected Customer to cease doing business with the Company or any of its Affiliates, or in any way interfere with the relationship between any Protected Customer and the Company or any or its Affiliates.

f. During the Non-Solicitation Period, Executive shall not be employed by or act as a consultant for any Person which directly, or through any of its Affiliates, solicits, takes away, attempts to take away, diverts, or attempts to divert any Protected Customer from the Company or any of its Affiliates. Before Executive becomes employed by or becomes a consultant for a Person during a Non-Solicitation Period, Executive shall inform such Person of the provisions of this Section 9.f and shall cause such Person to sign a document acknowledging this provision and agreeing with the Company, on behalf of itself and its Affiliates, to abide to the terms of such obligation to not solicit, take away, attempt to take away divert or attempt to divert any Protected Customer, and deliver such document to the Company.

g. The parties hereto agree that, in the event a court of competent jurisdiction shall determine that the geographical or durational elements of this covenant are unenforceable, such determination shall not render the entire covenant unenforceable. Rather, the excessive aspects of the covenant shall be reduced to the threshold which is enforceable, and the remaining aspects shall not be affected thereby.

h. Executive acknowledges that the extent of damages to the Company from a breach of Section 9 of this Agreement would not be readily quantifiable or ascertainable, that monetary damages would be inadequate to make the Company whole in case of such a breach, and that there is not and would not be an adequate remedy at law for such a breach. Therefore, Executive specifically agrees that the Company is entitled to injunctive or other equitable relief (without any requirement to post any bond or other security) from a breach of Section 9 of this Agreement, and hereby waives and covenants not to assert against a prayer for such relief that there exists an adequate remedy at law, in monetary damages or otherwise.

10. Duty to Defend and Indemnify. Company agrees to defend and indemnify Executive with respect to any legal claims arising out of Executive's proper exercising of his duties on behalf of the Company and shall continue to include Executive as a scheduled Executive, Employee and/or Covered Person on all Directors and Officers Policies and Employment Liability Policies during the Consulting Period.

11. Severability. The provisions of this Agreement are fully severable. Therefore, if any provision of this Agreement is for any reason determined to be invalid or unenforceable by a court of competent jurisdiction, such invalidity or unenforceability will not affect the validity or enforceability of any of the remaining provisions. Furthermore, any invalid or unenforceable provisions shall be modified or restricted to the extent and in the manner necessary to render the same valid and enforceable, or, if such provision cannot under any circumstances be modified or restricted, it shall be excised from the Agreement without affecting the validity or enforceability of any of the remaining provisions.

12. Entire Agreement. This Agreement constitutes the entire agreement between the Company and the Executive with respect to the subject matters of this Agreement and supersedes all prior negotiations and agreements, whether written or oral. This Agreement may not be altered or amended except by a written document executed by both parties. Executive represents and acknowledges that in executing this Agreement he has not relied upon any representation or statement not set forth herein made by the Company or any of its affiliates, agents, representatives, or attorneys, with regard to the subject matters, basis or effect of this Agreement, the Company, its business or its stock, or any other matter.

13. Successors and Assigns. This Agreement shall be binding upon, and shall inure to the benefit of, Executive and his personal and legal representatives, heirs, devisees, executors, successors, and assigns, and the Company and its successors and assigns. Notwithstanding the foregoing, this Agreement, including the obligations, rights and benefits hereunder, may not be assigned to any party by Executive.

14. Paragraph Headings. Paragraph headings herein are for convenience and reference only and in no way define, limit or enlarge the rights and obligations of the parties under this Agreement.

15. Governing Law and Venue. This Agreement and any amendments to this Agreement shall be construed and interpreted in accordance with the laws of the State of Missouri, without regard to conflicts of law principles, except to the extent preempted by Federal law. In the event of litigation arising out of or in connection with this Agreement, the parties hereto agree to submit to the jurisdiction of Federal and state courts located in the state of Missouri.

16. Notice. All notices, requests and demands to or upon the respective parties hereto shall be sent by hand, certified mail, overnight air courier service, in each case with all applicable charges paid or otherwise provided for, addressed as follows, or to such other address as may hereafter be designated in writing by the respective parties hereto:

To Company:
Enterprise Financial Services Corp
150 North Meramec
Clayton, Missouri 63105
Attention: President and Corporate Secretary

To Executive:
At his current residential address on file with the Company.

17. Certain Definitions. As used herein, the following definitions shall apply:

"Affiliate" with respect to any person, means any other Person that, directly or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with the first Person, including but not limited to a Subsidiary of the first Person, a Person of which the first Person is a Subsidiary, or another Subsidiary of a Person of which the first Person is also a Subsidiary.

"Control" with respect to any Person, means the possession, directly or indirectly, severally or jointly, of the power to direct or cause the direction of the management policies of such Person, whether through the ownership of voting securities, by contract or credit arrangement, as trustee or executor, or otherwise.

"Person" means any natural person, firm, partnership, limited liability company, association, corporation, company, trust business trust, governmental authority or other entity.

"Subsidiary" with respect to any Person, means each corporation or other Person in which the first Person owns or Controls, directly or indirectly, capital stock or other ownership interests representing 50% or more of the combined voting power of the outstanding voting stock or other ownership interests of such corporation or other Person.

IN WITNESS WHEREOF, the undersigned have executed this Retirement and Consulting Agreement on the date(s) identified below.

ENTERPRISE FINANCIAL SERVICES CORP	**EXECUTIVE**
	Name:
Date:	Date:

EXHIBIT A

SETTLEMENT AGREEMENT AND GENERAL RELEASE

This Settlement Agreement and General Release (the “Agreement”) is made and entered into on the date last below written by and between ENTERPRISE FINANCIAL SERVICES CORP, a Delaware corporation (the “Company”), the principal business address of which is 150 North Meramec Avenue, St. Louis, MO 63105, and Peter F. Benoist (“Executive”).

WHEREAS, Executive was employed by the Company on _________________; and

WHEREAS, Executive is currently employed as President and Chief Executive Officer of the Company; and

WHEREAS, the Company and Executive desire to sever the employment relationship between them in a manner mutually beneficial to both parties,

NOW, THEREFORE, for and in consideration of the premises and of the mutual covenants and promises set forth herein, the adequacy of which is acknowledged by each of the parties, it is hereby agreed as follows.

Termination of Employment

Executive’s employment with the Company shall terminate effective as of __________ (“***Termination Date***”). This Agreement shall be effective as of the eighth day following the date on which it is executed by Executive without Executive having exercised his/her revocation right described below (the “***Effective Date***”). This Agreement must be executed after the Termination Date and returned to the Company by __________ to be effective. The Company and Executive agree that nothing contained in this Agreement is an admission by any party hereto of any wrongdoing, either in violation of an applicable law or otherwise, and that nothing in this Agreement is to be construed as such by any person.

The Company shall provide the rights, privileges, benefits and compensation to Executive (the “***Benefits***”) as set forth in the Enterprise Financial Services Corp Retirement and Consulting Agreement, entered by and between Company and Executive, effective ___________.

Non-Disparagement

Executive agrees that Executive will not, at any time after the date hereof, make any statement or take or omit to take any action, the effect of which is to criticize or otherwise disparage in any way the Company or any of its management, directors, employees, agents, attorneys, shareholders, clients, personal representatives, or assigns. Executive further agrees that Executive will not interfere in any manner with the business of the Company or its management, directors, employees or shareholders. The Company agrees that it will not, at any time after the date hereof, make any statement or take or omit to take any action, the effect of which is to criticize or otherwise disparage in any way Executive and will not contest Executive’s claim for unemployment benefits.

General Release

Executive, in consideration of the Benefits, and with the intent of binding Executive, Executive’s heirs, personal representatives, administrators, successors, and assigns, hereby releases, acquits and forever discharges the Company and all its present, former, and future officers, directors, employees, agents, attorneys, divisions, subsidiaries, predecessors, successors, related companies, shareholders, partners, and members of all of them, personal representatives, and assigns (“Released Parties”), from and against any and all claims, charges, demands, rights of action, liabilities (including attorneys’ fees and costs actually incurred), judgments, jury verdicts, or lawsuits arising on or before the Effective Date, including but not limited to: (l) any and all claims relating to alleged discrimination or otherwise relating to terms and conditions of Executive's employment, including but not limited to, any and all actions arising under Title VII, the Age Discrimination in Employment Act, the Missouri Human Rights Act, 42 U.S.C. §1981, COBRA, The Older Workers' Benefit Protection Act (OWBPA), Employment Retirement Income Security Act (ERISA), Family Medical Leave Act (FMLA), Fair Labor Standard Act (FLSA), Missouri Workers' Compensation Act, the Americans with Disabilities Act, the Genetic Information Non-Discrimination Act (GINA), and any and all other local State or Federal laws or regulations; (2) any and all actions for breach of contract, violation of public policy, promissory estoppel, fraud, negligence, wrongful or retaliatory discharge, defamation, intentional infliction of emotional distress, and/or other personal or business injury; (3) any and all rights to or claims for compensation (including, but not limited to, salary, severance pay, paid time off pay, bonuses, incentives, pension, insurance, or any other employment or fringe benefits or compensation of any kind whatsoever) except as provided for in this Agreement, rights to or claims for liquidated damages, rights to or claims for reinstatement, rights to or claims for contract, compensatory, exemplary or punitive damages, rights to or claims for injunctive relief, rights to or claims for front pay, rights to or claims for expenses, costs, or attorneys' fees; (4) any and all claims under any and all employment agreements or offer letters Executive has had with or received from the Company; and (5) any and all claims for losses or damages of whatsoever kind or nature which Executive now has or has ever had, both known or unknown, against the Company and/or all its present, former and future officers, directors, employees, agents, attorneys, divisions, subsidiaries, predecessors, successors, related companies, administrators, personal representatives, and assigns. Executive hereby expressly waives the benefit of any statute or rule of law, which, if applied to this Agreement, would otherwise exclude from its binding effect any claims not now known by Executive to exist. Executive further acknowledges, understands and agrees that any claims Executive may have against the Company as expressed above are hereby released and waived for all purposes and all times.

Executive further explicitly waives all required notices under any state or federal WARN act, all rights to future employment with the Company, and agrees not to apply for employment with the Company. This release expressly extends to all claims based on the present and future effects of past acts of the Company.

Executive further agrees that neither he nor any person, organization or any other entity acting on his behalf has filed or will file, claim or sue, or cause or permit to be filed, any other complaints, claim or grievance against the Company at any time hereafter involving any matter occurring in the past up to the date of this Agreement. In the event that any such claim, cause or suit is filed and Executive fails to withdraw or cause to be withdrawn such claim, cause or suit within thirty (30) days of receiving written notice from Company, Executive agrees that the Company's obligation to provide the Benefits referred to herein shall terminate immediately, and Executive shall (i) repay to the Company any Benefits provided; (ii) pay all costs incurred by the Company, including reasonable attorneys' fees, in defending against such a claim; and (iii) pay all other damages awarded by a court of competent jurisdiction.

This Agreement shall not limit, in any way, Executive's right to file a charge or participate in an investigation or proceeding conducted by the Equal Employment Opportunity Commission, the Securities and Exchange Commission or any other administrative agency to the extent that applicable law requires that Executive be permitted to do so. Executive agrees that Executive has waived Executive's right to monetary or other recovery from any claim pursued with the Equal Employment Opportunity Commission on Executive's behalf arising out of or related to Executive's employment with and/or separation from employment with the Company.

Nothing in this Agreement shall be construed to mean that Executive is waiving or releasing claims to enforce this Agreement, including, but not limited to, Executive's right to the Benefits, claims for workers' compensation benefits, claims for unemployment benefits, claims for any vested benefits owed to Executive, claims for any vested rights Executive may have under any retirement plan of the Company, claims for rights under COBRA or claims arising after the date Executive executes this Agreement.

Executive understands and agrees that the General Release above applies to and includes all known, suspected, unknown or unsuspected claims, consequences or results.

Executive represents and warrants that, to the best of Executive's knowledge, Executive possesses no federal or state leave claims, Fair Labor Standards Act ("FLSA") claims, or workers' compensation claims against the Released

Parties. Executive further represents and warrants that Executive has received any and all compensation pursuant to state and federal wage and hour laws and any and all leave pursuant to the FMLA or any other federal or state law to which Executive may have been entitled as an employee of the Company, and that Executive is not currently aware of any facts or circumstances constituting a violation of any federal or state leave laws, the FLSA, or of any workers' compensation statute.

Age Claim Waiver

Executive understands that there is included within the release given by Executive in the immediately preceding section a release and waiver of all rights and claims Executive may have under the Age Discrimination in Employment Act, 29 U.S.C. §621 et seq. (the "ADEA"). In order to comply with the Act, the Company hereby advises Executive as follows:

(a) **Executive has the right, and is encouraged to, consult with an attorney prior to executing this Agreement.**

(b) The waiver and release of rights and claims under the ADEA pertains only to rights and claims arising on or before the Effective Date of this Agreement, but not to rights and claims under the ADEA that arise after the Effective Date of this Agreement.

(c) Executive shall have a period of more than twenty-one (21) days after the date on which this Agreement is delivered to Executive to consider whether or not to execute it. Executive acknowledges receipt of this Agreement on ____________.

(d) Notwithstanding any other provisions hereof, this Agreement shall not become effective until 7 days have passed following the date on which it is executed by Executive. During said 7-day period, Executive may revoke this Agreement by notice in writing to the Company, in which case this Agreement shall be null and void and unenforceable by either party and Executive shall not be entitled to receive the Benefits from the Company. Notice pursuant to this section shall be directed to Loren White, 1281 North Warson Road, St. Louis, MO 63132.

(e) If Executive revokes acceptance of this Agreement, the Company shall have no obligation to pay any part of the Benefits described in this Agreement.

(f) Executive confirms that this Agreement is written in a manner calculated to be understood, and that Executive understands the intended effect of each and every provision of this Agreement.

(g) Executive has had a reasonable amount of time to consider the terms of this Agreement.

(h) Executive has decided to accept this Agreement knowingly, voluntarily and without duress or coercion of any kind.

Confidentiality

As a material inducement to entering into this Agreement, both parties represent and agree that they will keep the terms, amount and fact of this Agreement completely confidential, and will not disclose to any third party the terms and conditions of this Agreement except as may be necessary to establish or assert rights hereunder or as may be required by law or applicable regulation; provided, however, that any party may, on a confidential basis, disclose this Agreement to that party's spouse, accountants, attorneys, and financial advisors.

Nondisclosure

Except as otherwise provided herein, Executive will not, except as authorized by the Company in writing or as required by any law, rule or regulation after providing prior written notice to the Company within sufficient time for the Company to object to production or disclosure or quash subpoenas related to the same, during or at any time after the Termination Date, directly or indirectly, use for Executive's benefit or for the benefit of others, or disclose, communicate, divulge, furnish to, or convey to any other person, firm, or company, any secret or confidential information, knowledge or data of the Company or that of third parties obtained by Executive during the period of Executive's employment with the Company, and such information, knowledge or data includes, without limitation, the following: (1) secret or confidential matters of a technical nature such as, but not limited to, methods, know-how, formulations, compositions, processes, computer programs, and similar items or research projects involving such items, (2) secret or confidential matters of a business nature such as, but not limited to, marketing policies or strategies, (3) secret or confidential matters pertaining to future developments such as, but not limited to, research and development or future marketing or merchandising; (4) the Company's Trade Secrets; and (5) the personal or business financial information of the Company's customers. Notwithstanding anything in this Agreement to the contrary, nothing in this Agreement prohibits Executive from reporting possible violations of federal law or regulation to the Securities and Exchange Commission or making other disclosures that are protected under the whistleblower provisions of federal law or regulation (including pursuant to Rule 21F under the Securities Exchange Act of 1934) without notice to the Company.

Return of Property

Any documents in any way related to the Company and/or its customers or prospective customers shall be and remain the sole and exclusive property of the Company ("***Company Documents***") and any Company Documents in the possession of Executive, except those that the Company deems necessary for Executive to carry out Executive's consulting duties, will be returned to the Company on the Termination Date or such other date as may be requested by the Company. The term "document" is used in the broadest sense and includes, but is not limited to meaning, any writing or recording, graphic or other matter, whether produced, reproduced or stored on any medium. Executive agrees that the return of all Company Property is one of the conditions precedent to the Company's obligations under this Agreement.

General Provisions

Entire Agreement, Amendments. The provisions hereof constitute the entire and only Agreement between the parties with respect to the subject matter hereof and supersede all prior agreements, commitments, representations, understandings, or negotiations, oral or written, and all other communications relating to the subject matter hereof. No amendment or modification of any provision of this Agreement will be effective unless set forth in a document that purports to amend this Agreement and is executed by all parties hereto.

Acknowledgement. Executive acknowledges that Executive has read this entire Agreement and fully understands its terms and conditions; that Executive was advised to obtain legal counsel and/or representation to review this Agreement and that Executive has done so; that Executive may revoke this Agreement by written notice to Employer within seven (7) days after the last signature hereon; that no other representations have been made to Executive other than those contained herein; and that Executive enters into this Agreement of Executive's own free will and choice with no undue influence, fraud, pressure, duress, or coercion by Employer.

Binding Effect; Third Party Beneficiaries. This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective heirs, legal representatives, successors, and assigns. Except as expressly set forth herein, this Agreement is not intended to confer any rights or remedies upon any other person or entity.

Assignment. Neither party shall sell, transfer, assign, nor subcontract any right or obligation hereunder except as expressly provided herein without the prior written consent of each other party. Any act in derogation of the foregoing shall be null and void.

Governing Law. The validity, construction, and performance of this Agreement shall be governed by and in accordance with the internal laws of the State of Missouri.

Waivers. No waiver by any party hereto of any condition or provision of this Agreement to be performed by another party shall be valid unless in writing, and no such valid waiver shall be deemed a waiver of any similar or dissimilar provisions or conditions contained in this Agreement at the same or at any prior or subsequent time.

Notice. All notices provided for in this Agreement shall be in writing and shall be given either (i) by actual delivery of the notice to the party entitled thereto or (ii) by depositing the same with the United States Postal Service, certified mail, return receipt requested, postage prepaid, to the address of the party entitled thereto. The notice shall be deemed to have been received in case (i) on the date of its actual receipt by the party entitled thereto and, in case (ii), two days after the date of its deposit with the United States Postal Service.

Severability. The terms and conditions of this Agreement are severable, and if any provision hereof is found to be in violation or contravention of law, such provision shall, to the extent so found, be deemed not to be a part of this Agreement, and the remainder of this Agreement shall remain in full force and effect.

Specific Performance. Executive specifically agrees that the Company shall be entitled to obtain specific performance and may sue in any court of competent jurisdiction to enjoin any breach, threatened or actual, of the covenants and promises contained in that Section of this Agreement and shall be entitled; and that, in connection with any such litigation, the Company may also sue to obtain damages for default under or breach of the provision of any of said Section.

Costs and Expenses. If either party shall commence a proceeding against the other to enforce and/or recover damages for breach of this Agreement, the prevailing party in such proceeding shall be entitled to recover from the other party all reasonable costs, attorneys' fees and expenses of enforcement and collection of any and all remedies and damages, or all reasonable costs, attorneys' fees and expenses of defense, as the case may be.

Headings. The section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

COMPANY:	**ENTERPRISE FINANCIAL SERVICES CORP**
	By: Print Name: Date:
EXECUTIVE:	
	Signature: Date:

(Back To Top)

Section 4: EX-10.1.12 (EXHIBIT 10.1.12)

EXHIBIT 10.1.12

ENTERPRISE FINANCIAL SERVICES CORP
CHANGE IN CONTROL AGREEMENT

THIS CHANGE IN CONTROL AGREEMENT (the "Agreement"), is made by and between **MARK G. PONDER** (the "Employee") and **ENTERPRISE FINANCIAL SERVICES CORP**, a Delaware corporation (the "Company"), effective as of July 23, 2014 (the "Effective Date").

WHEREAS, the Company has determined that it is in the best interests of the Company and its stockholders to assure that the Company will have the continued dedication and objectivity of Employee, notwithstanding the possibility, threat or occurrence of a termination of employment in connection with a Change in Control of the Company; and

WHEREAS, the Committee believes that it is in the best interests of the Company and its stockholders to provide Employee with an incentive to continue Executive's employment and to motivate Executive to maximize the value of the Company for the benefit of its stockholders.

NOW, THEREFORE, for the reasons set forth above, and in consideration of the mutual promises and agreements herein set forth, the Company and Employee agree as follows:

1. At-Will Employment. Notwithstanding any other provisions of this Agreement, Employee shall constitute an at-will employee and either the Company or Employee may terminate Employee's employment at any time, with or without Cause (as defined below), immediately upon written notice and except as provided in Section 2.1 below, this Agreement shall not require the Company to pay Employee any other compensation or reimbursement of any kind including without limitation, severance compensation.

2. Termination Upon a Change in Control.

2.1 Change in Control Compensation. (a) Subject to the conditions of Section 2.1(b) and Section 3, in the event Employee's employment is terminated in a Termination Upon a Change in Control (as defined below), provided that such termination constitutes a Separation from Service as defined in Section 3.1, Employee shall be paid the sum of the following amounts (the "Change in Control Compensation"):

(i) An amount equal to one year of Employee's Base Salary at the rate in effect on his termination of employment; and

(ii) An amount equal to any annual cash Targeted Incentives for the year in which such termination occurs as though all "target levels" of performance for such year are fully and completely achieved.

Subject to the conditions specified in Section 2.1(b), the Change in Control Compensation will be payable in a single lump sum cash payment subject to applicable taxes and withholdings, on the 60th day after Employee's Separation from Service.

(b) Payment of the Change in Control Compensation shall be subject to and conditioned upon Employee's compliance with the terms, provisions and conditions contained in this Agreement in Sections 5, 6 and 7 and shall be subject to and conditioned upon Employee's execution of a release and waiver, within sixty (60) days after Employee's Separation from Service of all claims with respect to Employee's employment against the Company, its Affiliates and their respective officers and directors in a form mutually acceptable to the Company and Employee.

2.2 Definitions.

(a) "Affiliate" with respect to any Person, means any other Person that, directly or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with the first Person, including but not limited to a Subsidiary of the first Person, a Person of which the first Person is a Subsidiary, or another Subsidiary of a Person of which the first Person is also a Subsidiary.

(b) "Cause" means the occurrence of any of the following: (i) an order of any federal or state regulatory authority having jurisdiction over the Company which prohibits Employee from performing, or renders it impracticable for Employee to perform, his duties under this Agreement, (ii) the willful failure of Employee substantially to perform his duties hereunder (other than any such failure due to Employee's Disability); (iii) a willful breach by Employee of any material provision of this Agreement or of any other written agreement with the Company or any of its Affiliates; (iv) Employee's commission of a crime that constitutes a felony or other crime of moral turpitude or criminal fraud; (v) chemical or alcohol use which materially and adversely affects Employee's performance of his duties under this Agreement; (vi) any act of disloyalty or breach of responsibilities to the Company by the Employee which is intended by the Employee to cause material harm to the Company; (vii) misappropriation (or attempted misappropriation) of any of the Company's funds or property; or (viii) Employee's material violation of any Company policy applicable to Employee.

(c) "Change in Control" means the date on which any of the following has occurred:

(i) any Person, other than one or more of the directors of the Company on the Effective Date of this Agreement or any Person that any such director Controls (as defined below), becomes the beneficial owner of 50% or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors of the Company (the "Company Outstanding Voting Securities");

(ii) any Person becomes the beneficial owner of 50% or more of the combined voting power of the then outstanding voting securities of Enterprise Bank entitled to vote generally in the election of directors of Enterprise Bank;

(iii) consummation of a reorganization, merger or consolidation (a "Business Combination") of the Company, unless, in each case, following such Business Combination (1) all or substantially all of the Persons who were the beneficial owners, respectively, of the Company Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, a majority of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the Company resulting from such Business Combination, (2) no Person (excluding any company resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the Company resulting from such Business Combination except to the extent such ownership existed prior to the Business Combination, and (3) at least a majority of the members of the Company Board resulting from the Business Combination are Continuing Directors (as hereinafter defined) at the time of the execution of the definitive agreement, or the action of the Company Board, providing for such Business Combination;

(iv) consummation of the sale, other than in the ordinary course of business, of more than 50% of the combined assets of the Company and its Subsidiaries in a transaction or series of related transactions during the course of any twelve-month period; or

(v) the date on which Continuing Directors (as hereinafter defined) cease for any reason to constitute at least a majority of the Company Board.

As used in this Section 2.2(c), the definitions of the terms "beneficial owner" and "group" shall have the meanings ascribed to those terms in Rule 13(d)(3) under the Securities Exchange Act of 1934.

(d) "Continuing Directors" means, as of any date of determination, (i) any member of the Company Board on the Effective Date of this Agreement, (ii) any person who has been a member of the Company Board for the two years immediately preceding such date of determination, or (iii) any person who was nominated for election or elected to the Company Board with the affirmative vote of the greater of (A) a majority of the Continuing Directors who were members of the Company Board at the time of such nomination or election or (B) at least four Continuing Directors but excluding, for purposes of this clause (iii), any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies by or on behalf of a Person other than the Company Board.

(e) "Control" means, with respect to any Person, the possession, directly or indirectly, severally or jointly, of the power to direct or cause the direction of the management policies of such Person, whether through the ownership of voting securities, by contract or credit arrangement, as trustee or executor, or otherwise.

(f) "Disability" means, in the reasonable judgment of the Company, Employee (i) has failed to perform his duties under this Agreement on account of illness or physical or mental incapacity, and (ii) such illness or incapacity continues for a period of more than 90 consecutive days, or 90 days during any 180 day period.

(g) "Person" means any natural person, firm, partnership, limited liability company, association, corporation, company, trust, business trust, governmental authority or other entity.

(h) "Subsidiary" means, with respect to any Person, each corporation or other Person in which the first Person owns or Controls, directly or indirectly, capital stock or other ownership interests representing 50% or more of the combined voting power of the outstanding voting stock or other ownership interests of such corporation or other Person.

(i) "Termination Other Than for Cause" means any termination by the Company of Employee's employment with the Company other than a termination for Cause, a termination by reason of Disability, a termination on account of death, a voluntary termination by Employee or a Termination Upon a Change of Control, provided that such termination constitutes a Separation from Service as defined in Section 3.1.

(j) "Termination Upon a Change in Control" means a Termination Other Than for Cause which occurs within (i) three (3) months prior to and in contemplation of a Change in Control or (ii) one year following a Change in Control, provided that such termination constitutes a Separation from Service as defined in Section 3.1.

3. 409A. The following provisions shall apply notwithstanding any other provisions herein to the contrary:

3.1 Separation From Service. Any amount that (i) is payable upon termination of Employee's employment with the Company under any provision of this Agreement, and (ii) is subject to the requirements of Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), shall not be paid unless and until the Employee has Separated from Service. As used in this Agreement, the terms "Separated from Service" and "Separation from Service" shall have the meaning specified in Treasury Regulation Section 1.409A-1(h).

3.2 Specified Employee. If Employee is a "specified employee" (within the meaning of Section 409A) of Company at the time of his termination of employment and if payment of severance compensation to the Employee is on account of an "involuntary separation from service" (as defined in Treasury Regulation Section 1.409A-1(n)), Employee shall be paid such severance compensation during the six (6) month period immediately following the date of his Separation from Service as otherwise provided under Section 2 for such six -month period except that the total amount of such payments shall not exceed the lesser of the amount specified under (i) Treasury Regulation Section 1.409A-1(9)(iii)(A)(1) or (ii) Treasury Regulation Section 1.409A-1(9)(iii)(A)(2). To the extent such amounts otherwise payable during such six-month period exceed the amounts payable under the immediately preceding sentence, such excess amounts shall not be paid during such six-month period, but instead shall be paid in a single sum on the first regular payroll date of Company immediately following the six (6) month anniversary of the date of Employee's Separation from Service. If Employee is a specified employee and Employee's Separation from Service is not an involuntary separation from service as defined in Treasury Regulation Section 1.409A-1(n), then any severance compensation and any other amount due to Employee under this Agreement that is subject to Section 409A and that would otherwise have been paid during the six (6) month period immediately following the date of Employee's

Separation from Service shall be paid in a single sum on the first payroll date of Company immediately following the six month anniversary of Employee's Separation from Service. Amounts, the payment of which are deferred under this Section, shall be increased by interest at the prime rate as of the date of Employee's Separation from Service as published in the Wall Street Journal from the date such amounts would have been paid but for this provision and such accumulated interest shall also be paid to the Employee on the first payroll date of Company immediately following the six month anniversary of Employee's Separation from Service.

Notwithstanding the provisions of this Section 3, the Company has no responsibility or obligation to Employee with respect to any tax that may be incurred by Employee pursuant to Section 409A.

3.3 Savings Clause. All payments under the Agreement are intended to be exempt from Section 409A as short-term deferrals. In the event that any provision of the Agreement is deemed to be subject to Section 409A, the Company shall operate the Agreement in accordance with the requirements set forth in Section 409A. If any provision of the Agreement does not comply with the requirements of Section 409A, the Company, in exercise of its sole discretion and without consent of the Employee, may amend or modify the Agreement in any manner to the extent necessary to meet the requirements of Section 409A.

4. Death of Employee. In the event Employee dies before amounts are paid to him under this Agreement, such amounts shall be paid to his designated beneficiary or beneficiaries, or if there are no designated beneficiary or beneficiaries, to his estate.

5. Confidentiality; Non-Disparagement.

5.1 Employee agrees to hold in strict confidence and not disclose all non-public information concerning any matters affecting or relating to the business of the Company, its Subsidiaries and Affiliates, including without limiting the generality of the foregoing non-public information concerning their manner of operation, business or other plans, data bases, marketing programs, protocols, processes, computer programs, client lists, marketing information and analyses, operating policies or manuals or other data (the "Confidential Information"). Employee agrees that he will not, directly or indirectly, use any Confidential Information for the benefit of any person, business, legal entity other than the Company or disclose or communicate any of the Confidential Information in any manner whatsoever other than to the directors, officers, employees, agents and representatives of the Company who need to know such information, who shall be informed by Employee of the confidential nature of the Confidential Information and directed by Employee to treat the Confidential Information confidentially. Upon the Company's request, Employee shall return all information furnished to him related to the business of the Company without retaining any copies in electronic or other form. The above limitations on use and disclosure shall not apply to information which Employee can demonstrate: (a) was known to Employee before receipt thereof from the Company; (b) is learned by Employee from a third party entitled to disclose it; or (c) becomes known publicly other than through Employee; (d) is disclosed by Employee upon authority of the Board or any committee of the Board; (e) is disclosed pursuant to any legal requirement or (f) is disclosed pursuant to any agreement to which the Company or any of its Subsidiaries or Affiliates is a party. The parties hereto stipulate that all such information is material and confidential and gravely affects the effective and successful conduct of the business of the Company and the Company's goodwill, and that any breach of the terms of this Section 5 shall be a material breach of this Agreement.

5.2 Employee further agrees that, during his employment with the Company and thereafter (regardless of the reason for such termination), Employee will not make any disparaging or derogatory statement, oral or written, to any third party which is or is likely to be materially detrimental to the goodwill of the Company or any of its Subsidiaries or Affiliates. Nothing herein shall prevent Employee from testifying truthfully in connection with any litigation, arbitration or administrative proceeding.

6. Use of Proprietary Information. Employee recognizes that the Company possesses a proprietary interest in all of the Confidential Information and has the exclusive right and privilege to use, protect by copyright, patent or trademark, manufacture or otherwise exploit the processes, ideas and concepts described therein to the exclusion of Employee, except as otherwise agreed between the Company and Employee in writing. Employee expressly agrees that any products, inventions, discoveries or improvements made by Employee, his agents or affiliates, during his employment with the Company, based on or arising out of the Confidential Information shall be the property of and inure to the exclusive benefit of the Company. Employee further agrees that any and all products, inventions, discoveries or improvements developed by Employee (whether or not able to be protected by copyright, patent or trademark) in the scope of his employment, or involving the use of the Company's time, materials or other resources, shall be promptly disclosed to the Company and shall become the exclusive property of the Company. Upon any termination of Employee's employment or engagement with the Company, Employee shall immediately return all Confidential Information (and all tangible embodiments thereof) possessed by Employee to the Company.

7. Restrictive Covenants.

7.1 Non-Solicitation.

(a) During Employee's employment with the Company and for a period of one year following a termination of Employee's employment for any reason, Employee shall not, except on behalf of or with the prior written consent of the Company, directly or indirectly, whether alone or in association, or combination with any other Person, or as an officer, director, shareholder, member, manager, employee, agent, independent contractor, consultant, advisor, joint venturer, partner or otherwise and whether or not for pecuniary benefit:

(i) solicit, take away, attempt to take away, divert, attempt to divert, engage in business with, contract with or in any way interfere with the relationship between any Protected Customer (as defined below) and the Company or its Affiliates.

(ii) (1) hire or employ any other employee of the Company, (2) entice, solicit, recruit or induce any other employee of the Company or its Affiliates to leave such employ or (3) otherwise interfere with the employment of any other employee of the Company or its Affiliates.

(b) The Company may advise any third party with whom Employee may consider, establish or contract a relationship, including but not limited to an employment relationship of this Agreement and its terms, and the Company shall have no liability for so acting.

(c) For purposes of this Agreement, "Protected Customer" means any Person and its/his/her Affiliate (i) for whom the Company or any of its Affiliates has provided financial services, including without limitation wealth management, sales of tax credits, investment, banking, trust, insurance or other financial services provided by the Company or any of its Affiliates within the twenty-four month period prior to the termination of Employee's employment with the Company or (ii) to whom the Employee on behalf of the Company or any of its Affiliates had made a proposal to provide any of the above financial services at any time within twelve (12) months preceding the termination of Employee's employment with the Company.

7.2 Saving Provision. The parties hereto agree that, in the event a court of competent jurisdiction shall determine that the geographical, durational or other elements of this covenant are unenforceable, such determination shall not render the entire covenant unenforceable. Rather, the excessive aspects of the covenant shall be reduced to the threshold which is enforceable, and the remaining aspects shall not be affected thereby. The parties intend that the restrictions of this Section 7 be given the construction that renders their provisions valid and enforceable to the maximum extent possible under applicable law.

7.3 Equitable Relief. Employee acknowledges that the extent of damages to the Company from a breach of Sections 5, 6 and 7 of this Agreement would not be readily quantifiable or ascertainable, that monetary damages would be inadequate to make the Company whole in case of such a breach, and that there is not and would not be an adequate remedy at law for such a breach. Therefore, Employee specifically agrees that the Company is entitled to injunctive or other equitable relief (without any requirement to post any bond or other security) from a breach of Sections 5, 6 and 7 of this Agreement, and hereby waives and covenants not to assert against a prayer for such relief that there exists an adequate remedy at law, in monetary damages or otherwise.

7.4 **<u>Tolling</u>.** Employee agrees that, in the event of a breach of any of the provisions of this Section 7, the time period specified in such provisions shall be extended by the number of days between the date of such breach and the date such breach is enjoined or other relief is granted to the Company by a court of competent jurisdiction. It is the intention of the parties that the Company shall enjoy the faithful performance by Employee of the covenants specified in this Section 7 for the full time periods specified herein

7.5 **<u>Reasonableness of Restrictive Covenants</u>.** Employee recognizes that as an employee and/or officer of the Company, (i) Employee has and will have substantial customer contacts, perform special and unique duties and services for the Company and acquire Confidential Information, (ii) the Confidential Information is the property of the Company and the use, misappropriation, or disclosure of the Confidential Information would constitute a breach of trust and could cause irreparable injury to the Company; and it is essential to the protection of the Company's good will and to the maintenance of the Company's competitive position that the Confidential Information be kept secret, and (iii) the Company has a valid, protectable right and business interest in preserving the relationships described in this Agreement. The Company and Employee further agree that but for Employee's agreement to the provisions of Sections 5, 6 and 7 of this Agreement, Employee would not be eligible for continued employment by the Company on an "at will" basis and for no definite term and the Company would not make available or continue to make available to Employee the Confidential Information. Employee further agrees that: (A) the covenants and agreements contained herein are reasonable and necessary in order to protect the legitimate business interests of the Company and (B) the enforcement of such covenants would not unreasonably impair Employee's ability to earn a livelihood.

8. **<u>Assignment</u>.** This Agreement is personal to Employee and shall not be assignable by him.

9. **<u>Entire Agreement</u>.** This Agreement contains the complete agreement concerning the employment arrangement between the parties, including without limitation severance or termination pay, and shall, as of the Effective Date, supersede all other agreements or arrangements between the parties with regard to the subject matter hereof.

10. **<u>Binding Agreement</u>.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns. The obligations of the Company under this Agreement shall not be terminated by reason of any liquidation, dissolution, bankruptcy, cessation of business or similar event relating to the Company. This Agreement shall not be terminated by reason of any merger, consolidation or reorganization of the Company, but shall be binding upon and inure to the benefit of the surviving or resulting entity.

11. **<u>Modification</u>.** No waiver or modification of this Agreement or of any covenant, condition, or limitation herein contained shall be valid unless authorized by the Board and reduced to in writing and duly executed by the party to be charged therewith and no evidence of any waiver or modification shall be offered or received in evidence of any proceeding, arbitration, or litigation between the parties hereto arising out of or affecting this Agreement, or the rights or obligations of the parties thereunder, unless such waiver or modification is in writing, duly executed as aforesaid.

12. **<u>Severability</u>.** All agreements and covenants contained herein are severable, and in the event any of them shall be held to be invalid or unenforceable by any court of competent jurisdiction, this Agreement shall be interpreted as if such invalid agreements or covenants were not contained herein.

13. **<u>Manner of Giving Notice</u>.** All notices, requests and demands to or upon the respective parties hereto shall be sent by hand, certified mail, overnight air courier service, in each case with all applicable charges paid or otherwise provided for, addressed as follows, or to such other address as may hereafter be designated in writing by the respective parties hereto:

To Company:
Enterprise Bank & Trust
150 North Meramec
Clayton, Missouri 63105
Attention: President and Corporate Secretary

To Employee: at his current
residential address on file with
the Company.

Such notices, requests and demands shall be deemed to have been given or made on the date of delivery if delivered by hand or by telecopy and on the next following date if sent by mail or by air courier service.

14. Remedies. In the event of a breach of this Agreement, the non-breaching party shall be entitled to such legal and equitable relief as may be provided by law, and shall further be entitled to recover all costs and expenses, including reasonable attorneys' fees, incurred in enforcing the non-breaching party's rights hereunder.

15. Headings. The headings have been inserted for convenience only and shall not be deemed to limit or otherwise affect any of the provisions of this Agreement.

16. Choice of Law. It is the intention of the parties hereto that this Agreement and the performance hereunder be construed in accordance with, under and pursuant to the laws of the State of Missouri without regard to the jurisdiction in which any action or special proceeding may be instituted.

17. Taxes. The Company may withhold from any payments made under this Agreement all applicable taxes, including but not limited to income, employment and social insurance taxes, as shall be required by law.

18. Voluntary Agreement; No Conflicts. Employee hereby represents and warrants to the Company that he is legally free to accept and perform his employment with the Company, that he has no obligation to any other person or entity that would affect or conflict with any of Employee's obligations pursuant to such employment, and that the complete performance of the obligations pursuant to Employee's employment will not violate any order or decree of any governmental or judicial body or contract by which Employee is bound. The Company will not request or require, and Employee agrees not to use, in the course of Employee's employment with the Company, any information obtained in Employee's employment with any previous employer to the extent that such use would violate any contract by which Employee is bound or any decision, law, regulation, order or decree of any governmental or judicial body.

19. Term of Agreement; Survival of Certain Provisions. The provisions of this Agreement shall survive in accordance with their respective terms. Without limiting the foregoing, the terms of Sections 5, 6 and 7 shall survive and remain in effect in accordance with their terms following any termination of this Agreement or the termination or expiration of Employee's employment with the Company for any reason whatsoever.

20. Venue. In the event of litigation arising out of or in connection with this Agreement, the parties hereto agree to submit to the jurisdiction of the state courts located in the County of St. Louis, Missouri.

[The remainder of this page is intentionally blank. The next page is the signature page.]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first stated above.
ENTERPRISE FINANCIAL SERVICES CORP

ENTERPRISE FINANCIAL SERVICES CORP

By: /s/ Keene S. Turner
Keene S. Turner
Title: Executive Vice President and Chief Financial Officer

EMPLOYEE:
/s/ Mark G. Ponder
Mark G. Ponder

(Back To Top)

Section 5: EX-10.1.4 (EXHIBIT 10.1.4)

EXHIBIT 10.1.4

RESTRICTED STOCK UNIT AGREEMENT

AGREEMENT made effective as of August 9, 2016 (the "Award Date"), between ENTERPRISE FINANCIAL SERVICES CORP, a Delaware corporation (the "Company"), and KEENE S. TURNER ("Employee").

1. AWARD. The Company hereby awards and issues to Employee 10,457 restricted stock units (the "Units"). Each Unit represents the right to receive one share of the Company's common stock, par value $0.01 per share (the "Stock") under the Company's 2013 Stock Incentive Plan (as amended from time to time, the "Plan") subject to the terms of the Plan (including, without limitation, adjustment of the ratio of converting Units into Stock provided for in the Plan) and to the vesting requirements set forth herein.

2. VESTING.

(a) Vesting of the Units shall be based upon periods of service subsequent to the date of award and not on other Qualifying Performance Criteria. Units shall vest in accordance with the following schedule provided that Employee is employed by the Company on the Vesting Date:

Vesting Date	Percentage of Units Vesting	Cumulative Vesting Percentage
August 9, 2018	100%	100%

Immediately on and as of each such vesting date (or any earlier vesting date pursuant to Section 2(b) below), the Units shall be converted into shares of Stock under the Plan and the Company shall issue such shares to Employee by means of book entry and shall, upon request of the Employee, issue a certificate representing such shares and Employee shall have all rights of a shareholder of record with respect to such shares from and after such date. Employee shall have neither the right to vote nor the right to receive cash dividends or distributions nor any other rights as a shareholder with respect to the Units prior to the date of vesting.

(b) In the event of death, Termination Other Than for Cause, Disability, or Change of Control (in each case, as defined below), all Units not otherwise vested shall immediately become vested.

(c) As used herein the following terms have the definitions indicated:

i. "Cause" shall have the meaning set forth in the Executive Employment Agreement, effective as of September 13, 2013, by and between the Company and Employee, as may be amended from time to time.

ii. "Change of Control" has the meaning set forth in Employee's Employment Agreement with the Company dated September 30, 2013, as amended.

iii. "Constructive Termination" shall have the meaning set forth in the Executive Employment Agreement, effective as of September 13, 2013, by and between the Company and Employee, as may be amended from time to time.

iv. "Disability" means qualification for disability benefits under the Social Security disability insurance program, or if an employee is determined to be permanently disabled by the Committee in its discretion.

v. "Termination Other Than for Cause" means (i) any termination by the Company of Employee's employment with the Company other than a termination for Cause, or (ii) a termination by Employee of Employee's employment with the Company by reason of a Constructive Termination, provided that in either case such termination constitutes a Separation from Service.

vi. “Separation from Service” shall have the meaning specified in Treasury Regulation Section 1.409A-1(h)

(d) Subject to subsection (b) above, the Employee will forfeit all unvested Units and vesting of Units shall immediately terminate upon the termination of Employee’s employment with the Company for any reason or no reason.

3. TERMS AND LIMITATIONS.

(a) ISSUANCE OF UNITS. The Units shall be evidenced by this Agreement and deemed issued on the Award Date.

(b) PLAN INCORPORATED. The terms and conditions of the Plan are incorporated herein by reference. Employee acknowledges receipt of a copy of the Plan (as amended and restated to the date hereof) and agrees that this award of Units shall be subject to all of the terms and conditions set forth in the Plan, including future amendments thereto, if any, provided, however, that no such future amendment shall have an effect upon the vesting requirements set forth herein or impose additional vesting requirements or extend restrictions on Stock beyond the time of vesting. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Plan.

4. WITHHOLDING OF TAX; SHORT-TERM DEFERRAL. To the extent that the vesting of Units or receipt of shares of Stock results in income to Employee for federal, state or local income tax purposes, Employee shall pay to the Company, or make arrangements satisfactory to the Committee regarding payment of, any federal, state or local taxes of any kind required by law to be withheld with respect to such income. The Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Employee, including the right but not the obligation to effect such withholding by offset against the shares of Stock deliverable in respect of vested Units. The Units granted under this Agreement and the benefits incident thereto constitute short-term deferrals within the meaning of Treasury Regulation Section 1.409A-1(b)(4).

5. SALE OR TRANSFER OF UNITS OR STOCK. Employee agrees that the Units may not be sold, transferred or otherwise disposed of in any manner prior to vesting. Employee also understands that although the issuance of grants and awards under the Plan has been registered under the Securities Act of 1933, such registration does not apply to any resale or transfer by Employee of the shares of stock resulting from vesting of units under this award and the Plan. Employee also agrees (i) that the certificates representing the Stock may bear such legend or legends as the Committee deems appropriate in order to assure compliance with applicable securities laws, (ii) that the Company may refuse to register the transfer of the Stock on the stock transfer records of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable securities law, and (iii) that the Company may give related instructions to its transfer agent to stop registration of the transfer of the Stock.

6. EMPLOYMENT RELATIONSHIP. For purposes of this Agreement, including determination of vesting, Employee shall be considered to be in the employment of the Company as long as Employee remains an employee of either the Company, any successor corporation (including any parent entity succeeding to the business of or control of the Company) or subsidiary corporation (as defined in Section 424 of the Code) of the Company or any successor corporation. Any question as to whether and when there has been a termination of such employment, and the cause of such termination, shall be determined by the Committee, and its determination shall be final and binding on all persons, including Employee.

7. COMMITTEE’S POWERS. No provision contained in this Agreement shall in any way terminate, modify or alter, or be construed or interpreted as terminating, modifying or altering any of the powers, rights or authority vested in the Committee pursuant to the terms of the Plan, including, without limitation, the Committee’s rights to make certain determinations and elections with respect to the Units and Restricted Shares.

8. BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of the Company, its subsidiaries and any of their respective successors, and all persons lawfully claiming under Employee.

9. GOVERNING LAW. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Missouri.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by an officer thereunto duly authorized, and Employee has executed this Agreement, all effective as of the date first above written.

ENTERPRISE FINANCIAL SERVICES CORP

By: /s/ Peter Benoist
Peter Benoist, CEO

/s/ Keene S. Turner
Keene S. Turner

(Back To Top)

Section 6: EX-10.1.5 (EXHIBIT 10.1.5)

EXHIBIT 10.1.5

ENTERPRISE FINANCIAL SERVICES CORP

EXECUTIVE EMPLOYMENT AGREEMENT

THIS AGREEMENT, is made by and between **JAMES B. LALLY** (the “Executive”) and **ENTERPRISE FINANCIAL SERVICES CORP**, a Delaware corporation (the “Company”), effective as of June 30, 2015 (the “Effective Date”).

WHEREAS, Executive desires to continue to be employed by the Company, and the Company desires to continue to employ Executive, on the terms, covenants and conditions hereafter set forth in this Agreement; and

WHEREAS, the Company has devoted a substantial amount of time and effort and has invested and incurred substantial costs in developing and maintaining its customers contacts, goodwill, loyalty, and confidential business information and methodologies and, as a result, has developed very valuable interests in its customer contacts, goodwill, loyalty and confidential business information and methodologies.

NOW, THEREFORE, for the reasons set forth above, and in consideration of the mutual promises and agreements herein set forth, the Company and Executive agree as follows:

1. Employment. Subject to the terms and conditions set forth in this Agreement, the Company hereby employs Executive for the Employment Term as hereafter defined. During the Employment Term, Executive shall have such duties and responsibilities as directed by the Company, including taking positions with Subsidiaries (as defined below) of the Company. Executive shall comply with all policies and procedures of the Company generally applicable to Executive. Executive hereby accepts such employment and agrees to serve the Company in such capacities for the term of this Agreement.

2. <u>Term of Employment</u>. Except as otherwise provided herein, the term of Executive's employment with the Company shall be for a term commencing on the Effective Date and ending upon termination of employment as hereafter provided (the "Employment Term").

3. <u>Devotion to Duties</u>. Executive agrees that during the Employment Term he will devote all of his skill, knowledge, commercial efforts and working time to the conscientious and faithful performance of his duties and responsibilities to the Company (except for (i) permitted vacation time and absence for sickness or similar disability and (ii) to the extent that it does not interfere with the performance of Executive's duties hereunder: (A) such reasonable time as may be devoted to the fulfillment of Executive's civic and charitable activities and (B) such reasonable time as may be necessary from time to time for personal financial matters). Executive will use his best good faith efforts to promote the success of the Company's business and will cooperate fully with the management of the Company in the advancement of the best interests of the Company. If requested by the Company, Executive will agree to serve as a director or officer of any of the Company's Subsidiaries without additional compensation.

4. <u>Compensation of Executive</u>.

4.1 <u>Base Salary</u>. Executive's base salary (the "Base Salary") as of the Effective Date is $261,809.60 per year and shall be subject to increase or decrease at any time and from time to time by the Company; provided that Base Salary may not be decreased below $261,809.60 per year without Executive's written consent.

4.2 <u>Targeted Incentives</u>. In addition to the compensation set forth elsewhere in this Section 4, Executive shall be eligible to participate in the Company's long term incentive plan and short term incentive plan (collectively, "Targeted Incentives") as determined by the Company from time to time. Such participation shall be governed by the terms and subject to the conditions of such plans, as may be in effect from time to time, including without limitation conditions as to performance targets, length of service and clawback policies.

Unless otherwise expressly indicated in any agreement or plan governing a Targeted Incentive and except as provided in Sections 5.2 and 5.3, Executive shall not be eligible to receive any Targeted Incentive unless Executive is employed with the Company on the date such Targeted Incentive is paid. Unless otherwise expressly provided in the terms governing any Targeted Incentives, and except as provided in Sections 5.2 and 5.3, all Targeted Incentives earned by Executive will be paid not later than March 15 of the calendar year immediately following the calendar year to which the Targeted Incentive relates.

4.3 Benefits. Executive shall be entitled to participate, during the Employment Term, in other regular employee benefit plans generally established by the Company for its full-time employees, including without limitation, any savings and profit sharing plan, incentive stock plan, dental and medical plans, life insurance and disability insurance, and non-qualified deferred compensation plans, such participation to be as provided in said employee benefit plans in accordance with the terms and conditions thereof as in effect from time to time and subject to any applicable waiting period. Executive shall also be entitled to paid vacation during each year of the Employment Term in accordance with the Company's vacation policy, provided that any vacation not used in any year shall be forfeited and not carried over to any subsequent year.

4.4 Reimbursement of Expenses. The Company will provide for the payment or reimbursement of all reasonable and necessary expenses incurred by the Executive in connection with the performance of his duties under this Agreement in accordance with the Company's expense reimbursement policy, as such may change from time to time.

5. Termination of Employment.

5.1 General. Notwithstanding any other provisions of this Agreement, Executive shall constitute an at-will employee and the Company may terminate Executive's employment at any time, with or without Cause (as defined below), immediately upon written notice. Executive may also terminate Executive's employment at any time either for or not for Constructive Termination (as defined below), immediately upon written notice. Upon any termination of Executive's employment, Executive shall, within thirty (30) days after such termination, be paid all accrued salary, bonus compensation to the extent earned, any benefits under any plans of the Company in which Executive is a participant to the full extent of the Executive's rights under such plans, accrued vacation pay for the year in which termination occurs, and any appropriate business expenses incurred by Executive reimbursable by the Company in connection with his duties hereunder, all to the date of termination, but, except as provided in Section 5.2 or 5.3 below, Executive shall not be paid any other compensation or reimbursement of any kind including without limitation, severance compensation. Vested deferred compensation, pension plan, and profit sharing plan benefits will be paid in accordance with the terms of the applicable plans or agreements.

5.2 Termination Other Than for Cause. Notwithstanding any other provisions of this Agreement, the Company or Executive may effect a "Termination Other Than for Cause," as hereinafter defined (including, for purposes of clarification, a Termination Upon a Change in Control), at any time upon giving written notice to the other party of such termination.

(a) Subject to the conditions of Section 5.2(b) and Section 6, in the event Executive's employment is terminated in a Termination Other Than for Cause, provided that such termination constitutes a Separation from Service (as defined in Section 6.1), in addition to payments contemplated by Section 5.1, the Company shall pay Executive as severance compensation (the "Severance Compensation"): (i) an amount equal to one year of Executive's Base Salary, at the rate payable at the time of such termination plus (ii) an amount equal to any annual cash Targeted Incentives for the year in which such termination occurs as though all "target levels" of performance for such year are fully and completely achieved. Subject to the conditions specified in Section 5.2(b), the Severance Compensation will be payable in a single lump sum cash payment subject to applicable taxes and withholdings, on the 60th day after Executive's Separation from Service.

(b) Payment of the Severance Compensation shall be subject to and conditioned upon Executive's compliance with the terms, provisions and conditions contained in this Agreement in Sections 8, 9 and 10 and shall be subject to and conditioned upon Executive's execution of a release and waiver, within sixty (60) days after Executive's Separation from Service, of all claims with respect to Executive's employment against the Company, its Affiliates and their respective officers and directors in a form mutually acceptable to the Company and Executive (the "Release").

5.3 <u>Definitions</u>.

(a) "Affiliate" with respect to any Person, means any other Person that, directly or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with the first Person, including but not limited to a Subsidiary of the first Person, a Person of which the first Person is a Subsidiary, or another Subsidiary of a Person of which the first Person is also a Subsidiary.

(b) "Cause" means the occurrence of any of the following: (i) an order of any federal or state regulatory authority having jurisdiction over the Company which prohibits Executive from performing, or renders it impracticable for Executive to perform, his duties under this Agreement, (ii) the willful failure of Executive substantially to perform his duties hereunder (other than any such failure due to Executive's Disability); (iii) a willful breach by Executive of any material provision of this Agreement or of any other written agreement with the Company or any of its Affiliates; (iv) Executive's commission of a crime that constitutes a felony or other crime of moral turpitude or criminal fraud; (v) chemical or alcohol use which materially and adversely affects Executive's performance of his duties under this Agreement; (vi) any act of disloyalty or breach of responsibilities to the Company by the Executive which is intended by the Executive to cause material harm to the Company; (vii) misappropriation (or attempted misappropriation) of any of the Company's funds or property; or (viii) Executive's material violation of any Company policy applicable to Executive.

(c) "Change in Control" means the date on which any of the following has occurred:

(i) any Person, other than one or more of the directors of the Company on the Effective Date of this Agreement or any Person that any such director Controls (as defined below), becomes the beneficial owner of 50% or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors of the Company (the "Company Outstanding Voting Securities");

(ii) any Person becomes the beneficial owner of 50% or more of the combined voting power of the then outstanding voting securities of Enterprise Bank entitled to vote generally in the election of directors of Enterprise Bank;

(iii) consummation of a reorganization, merger or consolidation (a "Business Combination") of the Company, unless, in each case, following such Business Combination (1) all or substantially all of the Persons who were the beneficial owners, respectively, of the Company Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, a majority of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the Company resulting from such Business Combination, (2) no Person (excluding any company resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the Company resulting from such Business Combination except to the extent such ownership existed prior to the Business Combination, and (3) at least a majority of the members of the Company Board resulting from the Business Combination are Continuing Directors (as hereinafter defined) at the time of the execution of the definitive agreement, or the action of the Company Board, providing for such Business Combination;

(iv) consummation of the sale, other than in the ordinary course of business, of more than 50% of the combined assets of the Company and its Subsidiaries in a transaction or series of related transactions during the course of any twelve-month period; or

(v) the date on which Continuing Directors (as hereinafter defined) cease for any reason to constitute at least a majority of the Company Board.

As used in this Section 5.3(c), the definitions of the terms “beneficial owner” and “group” shall have the meanings ascribed to those terms in Rule 13(d)(3) under the Securities Exchange Act of 1934.

(d) “Company Board” means the Board of Directors of the Company.

(e) “Constructive Termination” means the termination of Executive's employment by the Executive by reason of (1) the Company's material breach of this Agreement which remains uncured for a period of thirty (30) days following Executive's notice of such breach given to the Company, (2) the assignment of Executive without his consent to a position, responsibilities or duties of a materially lesser status or degree of responsibility than his position, responsibilities or duties as of the Effective Date, following notice by Executive of his refusal to consent to such position, responsibilities or duties (which must be given within thirty (30) days of such assignment) and the Company's refusal to modify such position or responsibility so that it is no longer of lesser status or degree of responsibility than his position, responsibilities or duties as of the Effective Date or (3) the requirement by the Company that Executive's primary residence be based anywhere other than the St. Louis, Missouri metropolitan area, without Executive's consent.

(f) “Continuing Directors” means, as of any date of determination, (i) any member of the Company Board on the Effective Date of this Agreement, (ii) any person who has been a member of the Company Board for the two years immediately preceding such date of determination, or (iii) any person who was nominated for election or elected to the Company Board with the affirmative vote of the greater of (A) a majority of the Continuing Directors who were members of the Company Board at the time of such nomination or election or (B) at least four Continuing Directors but excluding, for purposes of this clause (iii), any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies by or on behalf of a Person other than the Company Board.

(g) “Control” means, with respect to any Person, the possession, directly or indirectly, severally or jointly, of the power to direct or cause the direction of the management policies of such Person, whether through the ownership of voting securities, by contract or credit arrangement, as trustee or executor, or otherwise.

(h) “Disability” means, in the reasonable judgment of the Company, Executive (i) has failed to perform his duties under this Agreement on account of illness or physical or mental incapacity, and (ii) such illness or incapacity continues for a period of more than 90 consecutive days, or 90 days during any 180 day period.

(i) “Person” means any natural person, firm, partnership, limited liability company, association, corporation, company, trust, business trust, governmental authority or other entity.

(j) “Subsidiary” means, with respect to any Person, each corporation or other Person in which the first Person owns or Controls, directly or indirectly, capital stock or other ownership interests representing 50% or more of the combined voting power of the outstanding voting stock or other ownership interests of such corporation or other Person.

(k) “Termination Other Than for Cause” means (i) any termination by the Company of Executive's employment with the Company other than a termination for Cause, a termination by reason

of Disability, a termination on account of death, a voluntary termination by Executive (other than a Constructive Termination) or a Termination Upon a Change of Control, or (ii) a termination by Executive of Executive's employment with the Company by reason of a Constructive Termination, provided that such termination constitutes a Separation from Service as defined in Section 6.1.

(l) “Termination Upon a Change in Control” means a Termination Other Than for Cause which occurs within (i) three (3) months prior to and in contemplation of a Change in Control or (ii) one year following a Change in Control, provided that such termination constitutes a Separation from Service as defined in Section 6.1.

6. 409A. The following provisions shall apply notwithstanding any other provisions herein to the contrary:

6.1 Separation From Service. Any amount that (i) is payable upon termination of Executive’s employment with the Company under any provision of this Agreement, and (ii) is subject to the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (“Section 409A”), shall not be paid unless and until the Executive has Separated from Service. As used in this Agreement, the terms “Separated from Service” and “Separation from Service” shall have the meaning specified in Treasury Regulation Section 1.409A-1(h).

6.2 Specified Employee. If Executive is a “specified employee” (within the meaning of Section 409A) of Company at the time of his termination of employment and if payment of severance compensation to the Executive is on account of an “involuntary separation from service” (as defined in Treasury Regulation Section 1.409A-1(n)), Executive shall be paid such severance compensation during the six (6) month period immediately following the date of his Separation from Service as otherwise provided under Section 5 for such six -month period except that the total amount of such payments shall not exceed the lesser of the amount specified under (i) Treasury Regulation Section 1.409A-1(9)(iii)(A)(1) or (ii) Treasury Regulation Section 1.409A-1(9)(iii)(A)(2). To the extent such amounts otherwise payable during such six-month period exceed the amounts payable under the immediately preceding sentence, such excess amounts shall not be paid during such six-month period, but instead shall be paid in a single sum on the first regular payroll date of Company immediately following the six (6) month anniversary of the date of Executive’s Separation from Service. If Executive is a specified employee and Executive’s Separation from Service is not an involuntary separation from service as defined in Treasury Regulation Section 1.409A-1(n), then any severance compensation and any other amount due to Executive under this Agreement that is subject to Section 409A and that would otherwise have been paid during the six (6) month period immediately following the date of Executive’s Separation from Service shall be paid in a single sum on the first payroll date of Company immediately following the six month anniversary of Executive’s Separation from Service. Amounts, the payment of which are deferred under this Section, shall be increased by interest at the prime rate as of the date of Executive’s Separation from Service as published in the Wall Street Journal from the date such amounts would have been paid but for this provision and such accumulated interest shall also be paid to the Executive on the first payroll date of Company immediately following the six month anniversary of Executive’s Separation from Service.

Notwithstanding the provisions of this Section 6, the Company has no responsibility or obligation to Executive with respect to any tax that may be incurred by Executive pursuant to Section 409A.

6.3 Savings Clause. All payments under the Agreement are intended to be exempt from Section 409A as short-term deferrals. In the event that any provision of the Agreement is deemed to be subject to Section 409A, the Company shall operate the Agreement in accordance with the requirements set forth in Section 409A. If any provision of the Agreement does not comply with the requirements of Section 409A, the Company, in exercise of its sole discretion and without consent of the Executive, may amend or modify the Agreement in any manner to the extent necessary to meet the requirements of Section 409A.

7. Death of Executive. In the event Executive dies before amounts are paid to him under this Agreement, such amounts shall be paid to his designated beneficiary or beneficiaries, or if there are no designated beneficiary or beneficiaries, to his estate.

8. Confidentiality; Non-Disparagement.

8.1 Executive agrees to hold in strict confidence and not disclose all non-public information concerning any matters affecting or relating to the business of the Company, its Subsidiaries and Affiliates, including without limiting the generality of the foregoing non-public information concerning their manner of operation, business or other plans, data bases, marketing programs, protocols, processes, computer programs, client lists, marketing information and analyses, operating policies or manuals or other data (the "Confidential Information"). Executive agrees that he will not, directly or indirectly, use any Confidential Information for the benefit of any person, business, legal entity other than the Company or disclose or communicate any of the Confidential Information in any manner whatsoever other than to the directors, officers, employees, agents and representatives of the Company who need to know such information, who shall be informed by Executive of the confidential nature of the Confidential Information and directed by Executive to treat the Confidential Information confidentially. Upon the Company's request, Executive shall return all information furnished to him related to the business of the Company without retaining any copies in electronic or other form. The above limitations on use and disclosure shall not apply to information which Executive can demonstrate: (a) was known to Executive before receipt thereof from the Company; (b) is learned by Executive from a third party entitled to disclose it; or (c) becomes known publicly other than through Executive; (d) is disclosed by Executive upon authority of the Board or any committee of the Board; (e) is disclosed pursuant to any legal requirement or (f) is disclosed pursuant to any agreement to which the Company or any of its Subsidiaries or Affiliates is a party. The parties hereto stipulate that all such information is material and confidential and gravely affects the effective and successful conduct of the business of the Company and the Company's goodwill, and that any breach of the terms of this Section 8 shall be a material breach of this Agreement.

8.2 Executive further agrees that, during the Employment Term and thereafter (regardless of the reason for such termination), Executive will not make any disparaging or derogatory statement, oral or written, to any third party which is or is likely to be materially detrimental to the goodwill of the Company or any of its Subsidiaries or Affiliates. Nothing herein shall prevent Executive from testifying truthfully in connection with any litigation, arbitration or administrative proceeding.

9. Use of Proprietary Information. Executive recognizes that the Company possesses a proprietary interest in all of the Confidential Information and has the exclusive right and privilege to use, protect by copyright, patent or trademark, manufacture or otherwise exploit the processes, ideas and concepts described therein to the exclusion of Executive, except as otherwise agreed between the Company and Executive in writing. Executive expressly agrees that any products, inventions, discoveries or improvements made by Executive, his agents or affiliates, during the Employment Term, based on or arising out of the Confidential Information shall be the property of and inure to the exclusive benefit of the Company. Executive further agrees that any and all products, inventions, discoveries or improvements developed by Executive (whether or not able to be protected by copyright, patent or trademark) in the scope of his employment, or involving the use of the Company's time, materials or other resources, shall be promptly disclosed to the Company and shall become the exclusive property of the Company. Upon any termination of Executive's employment or engagement with the Company, Executive shall immediately return all Confidential Information (and all tangible embodiments thereof) possessed by Executive to the Company.

10. Restrictive Covenants.

10.1 Non-Competition.

(a) Because of Executive's unique and specialized position within Company and Executive's access to and familiarity with Company's Confidential business methodologies, Executive agrees that, during the Restricted Period (as defined below), Executive shall not, without the prior written consent of the Company, directly or indirectly, own, manage, operate, control, be connected with as an officer, employee, partner, consultant or otherwise, or otherwise engage or participate in (except as an employee of the Company, or its Affiliates) any Person engaged in the operation, ownership or management of a bank, trust company; bank holding company, wealth management or financial services business within the Metropolitan Statistical Areas of St. Louis, Kansas City, Phoenix, Arizona or any other city in which the Company or any of its Affiliates has an office at the time of such termination. Notwithstanding the foregoing, the ownership by Executive of less than 1% of any class of the outstanding capital stock of any corporation conducting such a competitive business which is regularly traded on a national securities exchange or in the over-the-counter market shall not be a violation of the foregoing covenant.

(b) The "Restricted Period," for purposes of this Agreement will mean the period of Executive's employment with the Company plus either, (i) a period of one year following any termination of such employment for any reason, whether with or without cause, but excluding a Termination Upon a Change in Control or (ii) a period of six months following a Termination Upon a Change in Control.

10.2 Non-Solicitation.

(a) During the Restricted Period, Executive shall not, except on behalf of or with the prior written consent of the Company, directly or indirectly, whether alone or in association, or combination with any other Person, or as an officer, director, shareholder, member, manager, employee, agent, independent contractor, consultant, advisor, joint venturer, partner or otherwise and whether or not for pecuniary benefit:

(i) solicit, take away, attempt to take away, divert, attempt to divert, engage in business with, contract with or in any way interfere with the relationship between any Protected Customer (as defined below) and the Company or its Affiliates.

(ii) (1) hire or employ any other employee of the Company, (2) entice, solicit, recruit or induce any other employee of the Company or its Affiliates to leave such employ or (3) otherwise interfere with the employment of any other employee of the Company or its Affiliates.

(b) Before Executive becomes employed by or becomes a consultant for a Person during the Restricted Period, Executive shall inform such Person of the provisions of this Section 10.2 and, if within the first year following Executive's termination of employment with the Company, shall cause such Person to sign a document acknowledging this provision and agreeing with the Company, on behalf of itself and its Affiliates, to abide to the terms of such obligation to not solicit, take away, conduct any wealth management or banking business with, attempt to take away, divert or attempt to divert, any Protected Customer, and deliver such document to the Company. Provided, however, that nothing contained herein shall prevent such Person employing Executive from continuing to provide services to any individual or other entity that was a customer of the Person prior to the date of the termination of Executive's employment with the Company. Company may advise any third party with whom Executive may consider, establish or contract a relationship, including but not limited to an employment relationship of this Agreement and its terms, and the Company shall have no liability for so acting.

(c) For purposes of this Agreement, "Protected Customer" means any Person and its/his/her Affiliate (i) for whom the Company or any of its Affiliates has provided financial services, including without limitation wealth management, sales of tax credits, investment, banking, trust, insurance or other financial services provided by the Company or any of its Affiliates within the twenty-four month period prior to the termination of Executive's employment with the Company or (ii) to whom the Executive on behalf of the Company or any of its Affiliates had made a proposal to provide any of the above financial services at any time within twelve (12) months preceding the termination of Executive's employment with the Company.

10.3 Saving Provision. The parties hereto agree that, in the event a court of competent jurisdiction shall determine that the geographical, durational or other elements of this covenant are unenforceable, such determination shall not render the entire covenant unenforceable. Rather, the excessive aspects of the covenant shall be reduced to the threshold which is enforceable, and the remaining aspects shall not be affected thereby. The parties intend that the restrictions of this Section 10 be given the construction that renders their provisions valid and enforceable to the maximum extent possible under applicable law.

10.4 Equitable Relief. Executive acknowledges that the extent of damages to the Company from a breach of Sections 8, 9 and 10 of this Agreement would not be readily quantifiable or ascertainable, that monetary damages would be inadequate to make the Company whole in case of such a breach, and that there is not and would not be an adequate remedy at law for such a breach. Therefore, Executive specifically agrees that the Company is entitled to injunctive or other equitable relief (without any requirement to post any bond or other security) from a breach of Sections 8, 9 and 10 of this Agreement, and hereby waives and covenants not to assert against a prayer for such relief that there exists an adequate remedy at law, in monetary damages or otherwise.

10.5 Tolling. Executive agrees that, in the event of a breach of any of the provisions of this Section 10, the time period specified in such provisions shall be extended by the number of days between the date of such breach and the date such breach is enjoined or other relief is granted to the Company by a court of competent jurisdiction. It is the intention of the parties that the Company shall enjoy the faithful performance by Executive of the covenants specified in this Section 10 for the full time periods specified herein.

10.6 Reasonableness of Restrictive Covenants. Executive recognizes that as an employee and/or officer of the Company, (i) Executive has and will have substantial customer contacts, perform special and unique duties and services for the Company and acquire Confidential Information, (ii) the Confidential Information is the property of the Company and the use, misappropriation, or disclosure of the Confidential Information would constitute a breach of trust and could cause irreparable injury to the Company; and it is essential to the protection of the Company's good will and to the maintenance of the Company's competitive position that the Confidential Information be kept secret, and (iii) the Company has a valid, protectable right and business interest in preserving the relationships described in this Agreement. The Company and Executive further agree that but for Executive's agreement to the provisions of Sections 8, 9 and 10 of this Agreement, Executive would not be eligible for continued employment by the Company on an "at will" basis and for no definite term and the Company would not make available or continue to make available to Executive the Confidential Information. Executive further agrees that: (A) the covenants and agreements contained herein are reasonable and necessary in order to protect the legitimate business interests of the Company and (B) the enforcement of such covenants would not unreasonably impair Executive's ability to earn a livelihood.

11. Assignment. This Agreement is personal to Executive and shall not be assignable by him.

12. Entire Agreement. This Agreement and any agreements entered into after the date hereof under any of the Company's benefit plans or compensation programs as described in Section 4 contain the complete agreement concerning the employment arrangement between the parties, including without limitation severance or termination pay, and shall, as of the Effective Date, supersede all other agreements or arrangements between the parties with regard to the subject matter hereof.

13. Binding Agreement. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns. The obligations of the Company under this Agreement shall not be terminated by reason of any liquidation, dissolution, bankruptcy, cessation of business or similar event relating to the Company. This Agreement shall not be terminated by reason of any merger, consolidation or reorganization of the Company, but shall be binding upon and inure to the benefit of the surviving or resulting entity.

14. Modification. No waiver or modification of this Agreement or of any covenant, condition, or limitation herein contained shall be valid unless reduced to writing and duly executed by the party to be charged therewith and no evidence of any waiver or modification shall be offered or received in evidence of any proceeding, arbitration, or litigation between the parties hereto arising out of or affecting this Agreement, or the rights or obligations of the parties thereunder, unless such waiver or modification is in writing, duly executed as aforesaid.

15. Severability. All agreements and covenants contained herein are severable, and in the event any of them shall be held to be invalid or unenforceable by any court of competent jurisdiction, this Agreement shall be interpreted as if such invalid agreements or covenants were not contained herein.

16. Manner of Giving Notice. All notices, requests and demands to or upon the respective parties hereto shall be sent by hand, certified mail, overnight air courier service, in each case with all applicable charges paid or otherwise provided for, addressed as follows, or to such other address as may hereafter be designated in writing by the respective parties hereto:

To Company:
Enterprise Bank & Trust
150 North Meramec
Clayton, Missouri 63105
Attention: President and Corporate Secretary

To Executive: at his current residential address on file with the Company.

Such notices, requests and demands shall be deemed to have been given or made on the date of delivery if delivered by hand or by telecopy and on the next following date if sent by mail or by air courier service.

17. Remedies. In the event of a breach of this Agreement, the non-breaching party shall be entitled to such legal and equitable relief as may be provided by law, and shall further be entitled to recover all costs and expenses, including reasonable attorneys' fees, incurred in enforcing the non-breaching party's rights hereunder.

18. Headings. The headings have been inserted for convenience only and shall not be deemed to limit or otherwise affect any of the provisions of this Agreement.

19. Choice of Law. It is the intention of the parties hereto that this Agreement and the performance hereunder be construed in accordance with, under and pursuant to the laws of the State of Missouri without regard to the jurisdiction in which any action or special proceeding may be instituted.

20. Taxes. The Company may withhold from any payments made under this Agreement all applicable taxes, including but not limited to income, employment and social insurance taxes, as shall be required by law.

21. Voluntary Agreement; No Conflicts. Executive hereby represents and warrants to the Company that he is legally free to accept and perform his employment with the Company, that he has no obligation to any other person or entity that would affect or conflict with any of Executive's obligations pursuant to such employment, and that the complete performance of the obligations pursuant to Executive's employment will not violate any order or decree of any governmental or judicial body or contract by which Executive is bound. The Company will not request or require, and Executive agrees not to use, in the course of Executive's employment with the Company, any information obtained in Executive's employment with any previous employer to the extent that such use would violate any contract by which Executive is bound or any decision, law, regulation, order or decree of any governmental or judicial body.

22. Term of Agreement; Survival of Certain Provisions. The provisions of this Agreement shall survive in accordance with their respective terms. Without limiting the foregoing, the terms of Sections 8, 9 and 10 shall survive and remain in effect in accordance with their terms following any termination of this Agreement or the termination or expiration of the Employment Term for any reason whatsoever.

23. Venue. In the event of litigation arising out of or in connection with this Agreement, the parties hereto agree to submit to the jurisdiction of the state courts located in the County of St. Louis, Missouri.

[The remainder of this page is intentionally blank. The next page is the signature page.]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first stated above.

ENTERPRISE FINANCIAL SERVICES CORP

By: /s/ Lorie White
Lorie White

Title: SVP, HR

EXECUTIVE:

/s/ James B. Lally
James B. Lally

(Back To Top)

Section 7: EX-10.1.7 (EXHIBIT 10.1.7)

EXHIBIT 10.1.7

RESTRICTED STOCK UNIT AGREEMENT

AGREEMENT made effective as of August 9, 2016 (the "Award Date"), between ENTERPRISE FINANCIAL SERVICES CORP, a Delaware corporation (the "Company"), and SCOTT R. GOODMAN ("Employee").

1. AWARD. The Company hereby awards and issues to Employee 10,457 restricted stock units (the "Units"). Each Unit represents the right to receive one share of the Company's common stock, par value $0.01 per share (the "Stock") under the Company's 2013 Stock Incentive Plan (as amended from time to time, the "Plan") subject to the terms of the Plan (including, without limitation, adjustment of the ratio of converting Units into Stock provided for in the Plan) and to the vesting requirements set forth herein.

2. VESTING.

(a) Vesting of the Units shall be based upon periods of service subsequent to the date of award and not on other Qualifying Performance Criteria. Units shall vest in accordance with the following schedule provided that Employee is employed by the Company on the Vesting Date:

Vesting Date	Percentage of Units Vesting	Cumulative Vesting Percentage
August 9, 2018	100%	100%

Immediately on and as of each such vesting date (or any earlier vesting date pursuant to Section 2(b) below), the Units shall be converted into shares of Stock under the Plan and the Company shall issue such shares to Employee by means of book entry and shall, upon request of the Employee, issue a certificate representing such shares and Employee shall have all rights of a shareholder of record with respect to such shares from and after such date. Employee shall have neither the right to vote nor the right to receive cash dividends or distributions nor any other rights as a shareholder with respect to the Units prior to the date of vesting.

(b) In the event of death, Termination Other Than for Cause, Disability, or Change of Control (in each case, as defined below), all Units not otherwise vested shall immediately become vested.

(c) As used herein the following terms have the definitions indicated:

i. "Cause" shall have the meaning set forth in the Amended and Restated Executive Employment Agreement, effective as of October 11, 2013, by and between the Company and Employee, as may be amended from time to time.

ii. "Change of Control" has the meaning set forth in the Plan.

iii. "Constructive Termination" shall have the meaning set forth in the Amended and Restated Executive Employment Agreement, effective as of October 11, 2013, by and between the Company and Employee, as may be amended from time to time.

iv. "Disability" means qualification for disability benefits under the Social Security disability insurance program, or if an employee is determined to be permanently disabled by the Committee in its discretion.

v. "Termination Other Than for Cause" means (i) termination of Employee by the Company without Cause or (ii) a termination by Employee of Employee's employment with the Company by reason of a Constructive Termination, provided that in either case such termination constitutes a Separation from Service.

vi. “Separation from Service” shall have the meaning specified in Treasury Regulation Section 1.409A-1(h)

(d) Subject to subsection (b) above, the Employee will forfeit all unvested Units and vesting of Units shall immediately terminate upon the termination of Employee’s employment with the Company for any reason or no reason.

3. TERMS AND LIMITATIONS.

(a) ISSUANCE OF UNITS. The Units shall be evidenced by this Agreement and deemed issued on the Award Date.

(b) PLAN INCORPORATED. The terms and conditions of the Plan are incorporated herein by reference. Employee acknowledges receipt of a copy of the Plan (as amended and restated to the date hereof) and agrees that this award of Units shall be subject to all of the terms and conditions set forth in the Plan, including future amendments thereto, if any, provided, however, that no such future amendment shall have an effect upon the vesting requirements set forth herein or impose additional vesting requirements or extend restrictions on Stock beyond the time of vesting. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Plan.

4. WITHHOLDING OF TAX; SHORT-TERM DEFERRAL. To the extent that the vesting of Units or receipt of shares of Stock results in income to Employee for federal, state or local income tax purposes, Employee shall pay to the Company, or make arrangements satisfactory to the Committee regarding payment of, any federal, state or local taxes of any kind required by law to be withheld with respect to such income. The Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Employee, including the right but not the obligation to effect such withholding by offset against the shares of Stock deliverable in respect of vested Units. The Units granted under this Agreement and the benefits incident thereto constitute short-term deferrals within the meaning of Treasury Regulation Section 1.409A-1(b)(4).

5. SALE OR TRANSFER OF UNITS OR STOCK. Employee agrees that the Units may not be sold, transferred or otherwise disposed of in any manner prior to vesting. Employee also understands that although the issuance of grants and awards under the Plan has been registered under the Securities Act of 1933, such registration does not apply to any resale or transfer by Employee of the shares of stock resulting from vesting of units under this award and the Plan. Employee also agrees (i) that the certificates representing the Stock may bear such legend or legends as the Committee deems appropriate in order to assure compliance with applicable securities laws, (ii) that the Company may refuse to register the transfer of the Stock on the stock transfer records of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable securities law, and (iii) that the Company may give related instructions to its transfer agent to stop registration of the transfer of the Stock.

6. EMPLOYMENT RELATIONSHIP. For purposes of this Agreement, including determination of vesting, Employee shall be considered to be in the employment of the Company as long as Employee remains an employee of either the Company, any successor corporation (including any parent entity succeeding to the business of or control of the Company) or subsidiary corporation (as defined in Section 424 of the Code) of the Company or any successor corporation. Any question as to whether and when there has been a termination of such employment, and the cause of such termination, shall be determined by the Committee, and its determination shall be final and binding on all persons, including Employee.

7. COMMITTEE’S POWERS. No provision contained in this Agreement shall in any way terminate, modify or alter, or be construed or interpreted as terminating, modifying or altering any of the powers, rights or authority vested in the Committee pursuant to the terms of the Plan, including, without limitation, the Committee’s rights to make certain determinations and elections with respect to the Units and Restricted Shares.

8. BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of the Company, its subsidiaries and any of their respective successors, and all persons lawfully claiming under Employee.

9. GOVERNING LAW. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Missouri.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by an officer thereunto duly authorized, and Employee has executed this Agreement, all effective as of the date first above written.

ENTERPRISE FINANCIAL SERVICES CORP

By: /s/ Peter Benoist
Peter Benoist, CEO

/s/ Scott Goodman
Scott Goodman

(Back To Top)

Section 8: EX-10.1.8 (EXHIBIT 10.1.8)

EXHIBIT 10.1.8

ENTERPRISE FINANCIAL SERVICES CORP

EXECUTIVE EMPLOYMENT AGREEMENT

THIS AGREEMENT, is made by and between **DOUGLAS N. BAUCHE** (the “Executive”) and **ENTERPRISE FINANCIAL SERVICES CORP**, a Delaware corporation (the “Company”), effective as of January 5, 2015 (the “Effective Date”).

WHEREAS, Executive desires to continue to be employed by the Company, and the Company desires to continue to employ Executive, on the terms, covenants and conditions hereafter set forth in this Agreement; and

WHEREAS, the Company has devoted a substantial amount of time and effort and has invested and incurred substantial costs in developing and maintaining its customers contacts, goodwill, loyalty, and confidential business information and methodologies and, as a result, has developed very valuable interests in its customer contacts, goodwill, loyalty and confidential business information and methodologies.

NOW, THEREFORE, for the reasons set forth above, and in consideration of the mutual promises and agreements herein set forth, the Company and Executive agree as follows:

1. Employment. Subject to the terms and conditions set forth in this Agreement, the Company hereby employs Executive for the Employment Term as hereafter defined. During the Employment Term, Executive shall have such duties and responsibilities as directed by the Company, including taking positions with Subsidiaries (as defined below) of the Company. Executive shall comply with all policies and procedures of the Company generally applicable to Executive. Executive hereby accepts such employment and agrees to serve the Company in such capacities for the term of this Agreement.

2. Term of Employment. Except as otherwise provided herein, the term of Executive’s employment with the Company shall be for a term commencing on the Effective Date and ending upon termination of employment as hereafter provided (the “Employment Term”).

3. Devotion to Duties. Executive agrees that during the Employment Term he will devote all of his skill, knowledge, commercial efforts and working time to the conscientious and faithful performance of his duties and responsibilities to the Company (except for (i) permitted vacation time and absence for sickness or similar disability and (ii) to the extent that it does not interfere with the performance of Executive's duties hereunder: (A) such reasonable time as may be devoted to the fulfillment of Executive's civic and charitable activities and (B) such reasonable time as may be necessary from time to time for personal financial matters). Executive will use his best good faith efforts to promote the success of the Company's business and will cooperate fully with the management of the Company in the advancement of the best interests of the Company. If requested by the Company, Executive will agree to serve as a director or officer of any of the Company's Subsidiaries without additional compensation.

4. Compensation of Executive.

4.1 Base Salary. Executive's base salary (the "Base Salary") as of the Effective Date is $210,000.00 per year and shall be subject to increase or decrease at any time and from time to time by the Company; provided that Base Salary may not be decreased below $210,000.00 per year without Executive's written consent.

4.2 Targeted Incentives. In addition to the compensation set forth elsewhere in this Section 4, Executive shall be eligible to participate in the Company's long term incentive plan and short term incentive plan (collectively, "Targeted Incentives") as determined by the Company from time to time. Such participation shall be governed by the terms and subject to the conditions of such plans, as may be in effect from time to time, including without limitation conditions as to performance targets, length of service and clawback policies. Unless otherwise expressly indicated in any agreement or plan governing a Targeted Incentive and except as provided in Sections 5.2 and 5.3, Executive shall not be eligible to receive any Targeted Incentive unless

Executive is employed with the Company on the date such Targeted Incentive is paid. Unless otherwise expressly provided in the terms governing any Targeted Incentives, and except as provided in Sections 5.2 and 5.3, all Targeted Incentives earned by Executive will be paid not later than March 15 of the calendar year immediately following the calendar year to which the Targeted Incentive relates.

4.3 Benefits. Executive shall be entitled to participate, during the Employment Term, in other regular employee benefit plans generally established by the Company for its full-time employees, including without limitation, any savings and profit sharing plan, incentive stock plan, dental and medical plans, life insurance and disability insurance, and non-qualified deferred compensation plans, such participation to be as provided in said employee benefit plans in accordance with the terms and conditions thereof as in effect from time to time and subject to any applicable waiting period. Executive shall also be entitled to paid vacation during each year of the Employment Term in accordance with the Company's vacation policy, provided that any vacation not used in any year shall be forfeited and not carried over to any subsequent year.

4.4 Reimbursement of Expenses. The Company will provide for the payment or reimbursement of all reasonable and necessary expenses incurred by the Executive in connection with the performance of his duties under this Agreement in accordance with the Company's expense reimbursement policy, as such may change from time to time.

5. Termination of Employment.

5.1 General. Notwithstanding any other provisions of this Agreement, Executive shall constitute an at-will employee and the Company may terminate Executive's employment at any time, with or without Cause (as defined below), immediately upon written notice. Executive may also terminate Executive's employment at any time either for or not for Constructive Termination (as defined below), immediately upon written notice. Upon any termination of Executive's employment, Executive shall, within thirty (30) days after such termination, be paid all accrued salary, bonus compensation to the extent earned, any benefits under any plans of the Company in which Executive is a participant to the full extent of the Executive's rights under such plans, accrued vacation pay for the year in which termination occurs, and any appropriate business expenses incurred by Executive reimbursable by the Company in connection with his duties hereunder, all to the date of termination, but, except as provided in Section 5.2 or 5.3 below, Executive shall not be paid any other compensation or reimbursement of any kind including without limitation, severance compensation. Vested deferred compensation, pension plan, and profit sharing plan benefits will be paid in accordance with the terms of the applicable plans or agreements.

5.2 Termination Other Than for Cause. Notwithstanding any other provisions of this Agreement, the Company or Executive may effect a "Termination Other Than for Cause," as hereinafter defined, at any time upon giving written notice to the other party of such termination.

(a) Subject to the conditions of Section 5.2(b) and Section 6, in the event Executive's employment is terminated in a Termination Other Than for Cause, provided that such termination constitutes a Separation from Service (as defined in Section 6.1), in addition to payments contemplated by Section 5.1, the Company shall pay Executive as severance compensation (the "Severance Compensation"): (i) an amount equal to one year of Executive's Base Salary, at the rate payable at the time of such termination plus (ii) an amount equal to any annual cash Targeted Incentives for the year in which such termination occurs as though all "target levels" of performance for such year are fully and completely achieved. Subject to the conditions specified in Section 5.2(b), the Severance Compensation will be payable in a single lump sum cash payment subject to applicable taxes and withholdings, on the 60th day after Executive's Separation from Service.

(b) Payment of the Severance Compensation shall be subject to and conditioned upon Executive's compliance with the terms, provisions and conditions contained in this Agreement in Sections 8, 9 and 10 and shall be subject to and conditioned upon Executive's execution of a release and waiver, within sixty (60) days after Executive's Separation from Service, of all claims with respect to Executive's employment against the Company, its Affiliates and their respective officers and directors in a form mutually acceptable to the Company and Executive (the "Release").

5.3 <u>Definitions</u>.

(a) "Affiliate" with respect to any Person, means any other Person that, directly or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with the first Person, including but not limited to a Subsidiary of the first Person, a Person of which the first Person is a Subsidiary, or another Subsidiary of a Person of which the first Person is also a Subsidiary.

(b) "Cause" means the occurrence of any of the following: (i) an order of any federal or state regulatory authority having jurisdiction over the Company which prohibits Executive from performing, or renders it impracticable for Executive to perform, his duties under this Agreement, (ii) the willful failure of Executive substantially to perform his duties hereunder (other than any such failure due to Executive's Disability); (iii) a willful breach by Executive of any material provision of this Agreement or of any other written agreement with the Company or any of its Affiliates; (iv) Executive's commission of a crime that constitutes a felony or other crime of moral turpitude or criminal fraud; (v) chemical or alcohol use which materially and adversely affects Executive's performance of his duties under this Agreement; (vi) any act of disloyalty or breach of responsibilities to the Company by the Executive which is intended by the Executive to cause material harm to the Company; (vii) misappropriation (or attempted misappropriation) of any of the Company's funds or property; or (viii) Executive's material violation of any Company policy applicable to Executive.

(c) "Change in Control" means the date on which any of the following has occurred:

(i) any Person, other than one or more of the directors of the Company on the Effective Date of this Agreement or any Person that any such director Controls (as defined below), becomes the beneficial owner of 50% or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors of the Company (the "Company Outstanding Voting Securities");

(ii) any Person becomes the beneficial owner of 50% or more of the combined voting power of the then outstanding voting securities of Enterprise Bank entitled to vote generally in the election of directors of Enterprise Bank;

(iii) consummation of a reorganization, merger or consolidation (a "Business Combination") of the Company, unless, in each case, following such Business Combination (1) all or substantially all of the Persons who were the beneficial owners, respectively, of the Company Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, a majority of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the Company resulting from such Business Combination, (2) no Person (excluding any company resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the Company resulting from such Business Combination except to the extent such ownership existed prior to the Business Combination, and (3) at least a majority of the members of the Company Board resulting from the Business Combination are Continuing Directors (as hereinafter defined) at the time of the execution of the definitive agreement, or the action of the Company Board, providing for such Business Combination;

(iv) consummation of the sale, other than in the ordinary course of business, of more than 50% of the combined assets of the Company and its Subsidiaries in a transaction or series of related transactions during the course of any twelve-month period; or

(v) the date on which Continuing Directors (as hereinafter defined) cease for any reason to constitute at least a majority of the Company Board.

As used in this Section 5.4(c), the definitions of the terms “beneficial owner” and “group” shall have the meanings ascribed to those terms in Rule 13(d)(3) under the Securities Exchange Act of 1934.

(d) “Company Board” means the Board of Directors of the Company.

(e) “Constructive Termination” means the termination of Executive's employment by the Executive by reason of (1) the Company's material breach of this Agreement which remains uncured for a period of thirty (30) days following Executive's notice of such breach given to the Company, (2) the assignment of Executive without his consent to a position, responsibilities or duties of a materially lesser status or degree of responsibility than his position, responsibilities or duties as of the Effective Date, following notice by Executive of his refusal to consent to such position, responsibilities or duties (which must be given within thirty (30) days of such assignment) and the Company's refusal to modify such position or responsibility so that it is no longer of lesser status or degree of responsibility than his position, responsibilities or duties as of the Effective Date or (3) the requirement by the Company that Executive's primary residence be based anywhere other than the St. Louis, Missouri metropolitan area, without Executive's consent.

(f) “Continuing Directors” means, as of any date of determination, (i) any member of the Company Board on the Effective Date of this Agreement, (ii) any person who has been a member of the Company Board for the two years immediately preceding such date of determination, or (iii) any person who was nominated for election or elected to the Company Board with the affirmative vote of the greater of (A) a majority of the Continuing Directors who were members of the Company Board at the time of such nomination or election or (B) at least four Continuing Directors but excluding, for purposes of this clause (iii), any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies by or on behalf of a Person other than the Company Board.

(g) “Control” means, with respect to any Person, the possession, directly or indirectly, severally or jointly, of the power to direct or cause the direction of the management policies of such Person, whether through the ownership of voting securities, by contract or credit arrangement, as trustee or executor, or otherwise.

(h) “Disability” means, in the reasonable judgment of the Company, Executive (i) has failed to perform his duties under this Agreement on account of illness or physical or mental incapacity, and (ii) such illness or incapacity continues for a period of more than 90 consecutive days, or 90 days during any 180 day period.

(i) “Person” means any natural person, firm, partnership, limited liability company, association, corporation, company, trust, business trust, governmental authority or other entity.

(j) “Subsidiary” means, with respect to any Person, each corporation or other Person in which the first Person owns or Controls, directly or indirectly, capital stock or other ownership interests representing 50% or more of the combined voting power of the outstanding voting stock or other ownership interests of such corporation or other Person.

(k) “Termination Other Than for Cause” means (i) any termination by the Company of Executive's employment with the Company other than a termination for Cause, a termination by reason of Disability, a termination on account of death, a voluntary termination by Executive (other than a Constructive Termination) or a Termination Upon a Change of Control, or (ii) a termination by Executive of Executive's employment with the Company by reason of a Constructive Termination, provided that such termination constitutes a Separation from Service as defined in Section 6.1.

(l) “Termination Upon a Change in Control” means a Termination Other Than for Cause which occurs within (i) three (3) months prior to and in contemplation of a Change in Control or (ii) one year following a Change in Control, provided that such termination constitutes a Separation from Service as defined in Section 6.1.

6. <u>409A</u>. The following provisions shall apply notwithstanding any other provisions herein to the contrary:

6.1 <u>Separation From Service</u>. Any amount that (i) is payable upon termination of Executive's employment with the Company under any provision of this Agreement, and (ii) is subject to the requirements of Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), shall not be paid unless and until the Executive has Separated from Service. As used in this Agreement, the terms "Separated from Service" and "Separation from Service" shall have the meaning specified in Treasury Regulation Section 1.409A-1(h).

6.2 <u>Specified Employee</u>. If Executive is a "specified employee" (within the meaning of Section 409A) of Company at the time of his termination of employment and if payment of severance compensation to the Executive is on account of an "involuntary separation from service" (as defined in Treasury Regulation Section 1.409A-1(n)), Executive shall be paid such severance compensation during the six (6) month period immediately following the date of his Separation from Service as otherwise provided under Section 5 for such six -month period except that the total amount of such payments shall not exceed the lesser of the amount specified under (i) Treasury Regulation Section 1.409A-1(9)(iii)(A)(1) or (ii) Treasury Regulation Section 1.409A-1(9)(iii)(A)(2). To the extent such amounts otherwise payable during such six-month period exceed the amounts payable under the immediately preceding sentence, such excess amounts shall not be paid during such six-month period, but instead shall be paid in a single sum on the first regular payroll date of Company immediately following the six (6) month anniversary of the date of Executive's Separation from Service. If Executive is a specified employee and Executive's Separation from Service is not an involuntary separation from service as defined in Treasury Regulation Section 1.409A-1(n), then any severance compensation and any other amount due to Executive under this Agreement that is subject to Section 409A and that would otherwise have been paid during the six (6) month period immediately following the date of Executive's Separation from Service shall be paid in a single sum on the first payroll date of Company immediately following the six month anniversary of Executive's Separation from Service. Amounts, the payment of which are deferred under this Section, shall be increased by interest at the prime rate as of the date of Executive's Separation from Service as published in the Wall Street Journal from the date such amounts would have been paid but for this provision and such accumulated interest shall also be paid to the Executive on the first payroll date of Company immediately following the six month anniversary of Executive's Separation from Service.

Notwithstanding the provisions of this Section 6, the Company has no responsibility or obligation to Executive with respect to any tax that may be incurred by Executive pursuant to Section 409A.

6.3 <u>Savings Clause</u>. All payments under the Agreement are intended to be exempt from Section 409A as short-term deferrals. In the event that any provision of the Agreement is deemed to be subject to Section 409A, the Company shall operate the Agreement in accordance with the requirements set forth in Section 409A. If any provision of the Agreement does not comply with the requirements of Section 409A, the Company, in exercise of its sole discretion and without consent of the Executive, may amend or modify the Agreement in any manner to the extent necessary to meet the requirements of Section 409A.

7. <u>Death of Executive</u>. In the event Executive dies before amounts are paid to him under this Agreement, such amounts shall be paid to his designated beneficiary or beneficiaries, or if there are no designated beneficiary or beneficiaries, to his estate.

8. <u>Confidentiality; Non-Disparagement</u>.

8.1 Executive agrees to hold in strict confidence and not disclose all non-public information concerning any matters affecting or relating to the business of the Company, its Subsidiaries and Affiliates, including without limiting the generality of the foregoing non-public information concerning their manner of operation, business or other plans, data bases, marketing programs, protocols, processes, computer programs, client lists, marketing information and analyses, operating policies or manuals or other data (the "Confidential Information"). Executive agrees that he will not, directly or indirectly, use any Confidential Information for the benefit of any person, business, legal entity other than the Company or disclose or communicate any of the Confidential Information in any manner whatsoever other than to the directors, officers, employees, agents and representatives of the Company who need to know such information, who shall be informed by Executive of the confidential nature of the Confidential Information and directed by Executive to treat the Confidential Information confidentially. Upon the Company's request, Executive shall return all information furnished to him related to the business of the Company without retaining any copies in electronic or other form. The above limitations on use and disclosure shall not apply to information which Executive can demonstrate: (a) was known to Executive before receipt thereof from the Company; (b) is learned by Executive from a third party entitled to disclose it; or (c) becomes known publicly other than through Executive; (d) is disclosed by Executive upon authority of the Board or any committee of the Board; (e) is disclosed pursuant to any legal requirement or (f) is disclosed pursuant to any agreement to which the Company or any of its Subsidiaries or Affiliates is a party. The parties hereto stipulate that all such information is material and confidential and gravely affects the effective and successful conduct of the business of the Company and the Company's goodwill, and that any breach of the terms of this Section 8 shall be a material breach of this Agreement.

8.2 Executive further agrees that, during the Employment Term and thereafter (regardless of the reason for such termination), Executive will not make any disparaging or derogatory statement, oral or written, to any third party which is or is likely to be materially detrimental to the goodwill of the Company or any of its Subsidiaries or Affiliates. Nothing herein shall prevent Executive from testifying truthfully in connection with any litigation, arbitration or administrative proceeding.

9. Use of Proprietary Information. Executive recognizes that the Company possesses a proprietary interest in all of the Confidential Information and has the exclusive right and privilege to use, protect by copyright, patent or trademark, manufacture or otherwise exploit the processes, ideas and concepts described therein to the exclusion of Executive, except as otherwise agreed between the Company and Executive in writing. Executive expressly agrees that any products, inventions, discoveries or improvements made by Executive, his agents or affiliates, during the Employment Term, based on or arising out of the Confidential Information shall be the property of and inure to the exclusive benefit of the Company. Executive further agrees that any and all products, inventions, discoveries or improvements developed by Executive (whether or not able to be protected by copyright, patent or trademark) in the scope of his employment, or involving the use of the Company's time, materials or other resources, shall be promptly disclosed to the Company and shall become the exclusive property of the Company. Upon any termination of Executive's employment or engagement with the Company, Executive shall immediately return all Confidential Information (and all tangible embodiments thereof) possessed by Executive to the Company.

10. Restrictive Covenants.

10.1 Non-Competition.

(a) Because of Executive's unique and specialized position within Company and Executive's access to and familiarity with Company's Confidential business methodologies, Executive agrees that, during the Restricted Period (as defined below), Executive shall not, without the prior written consent of the Company, directly or indirectly, own, manage, operate, control, be connected with as an officer, employee, partner, consultant or otherwise, or otherwise engage or participate in (except as an employee of the Company, or its Affiliates) any Person engaged in the operation, ownership or management of a bank, trust company; bank holding company, wealth management or financial services business within the Metropolitan Statistical Areas of St. Louis, Kansas City, Phoenix, Arizona or any other city in which the Company or any of its Affiliates has an office at the time of such termination. Notwithstanding the foregoing, the ownership by Executive of less than 1% of any class of the outstanding capital stock of any corporation conducting such a competitive business which is regularly traded on a national securities exchange or in the over-the-counter market shall not be a violation of the foregoing covenant.

(b) The "Restricted Period," for purposes of this Agreement will mean the period of Executive's employment with the Company plus either, (i) a period of one year following any termination of such employment for any reason, whether with or without cause, but excluding a Termination Upon a Change in Control or (ii) a period of six months following a Termination Upon a Change in Control.

10.2 Non-Solicitation.

(a) During the Restricted Period, Executive shall not, except on behalf of or with the prior written consent of the Company, directly or indirectly, whether alone or in association, or combination with any other Person, or as an officer, director, shareholder, member, manager, employee, agent, independent contractor, consultant, advisor, joint venturer, partner or otherwise and whether or not for pecuniary benefit:

(i) solicit, take away, attempt to take away, divert, attempt to divert, engage in business with, contract with or in any way interfere with the relationship between any Protected Customer (as defined below) and the Company or its Affiliates.

(ii) (1) hire or employ any other employee of the Company, (2) entice, solicit, recruit or induce any other employee of the Company or its Affiliates to leave such employ or (3) otherwise interfere with the employment of any other employee of the Company or its Affiliates.

(b) Before Executive becomes employed by or becomes a consultant for a Person during the Restricted Period, Executive shall inform such Person of the provisions of this Section 10.2 and, if within the first year following Executive's termination of employment with the Company, shall cause such Person to sign a document acknowledging this provision and agreeing with the Company, on behalf of itself and its Affiliates, to abide to the terms of such obligation to not solicit, take away, conduct any wealth management or banking business with, attempt to take away, divert or attempt to divert, any Protected Customer, and deliver such document to the Company. Provided, however, that nothing contained herein shall prevent such Person employing Executive from continuing to provide services to any individual or other entity that was a customer of the Person prior to the date of the termination of Executive's employment with the Company. Company may advise any third party with whom Executive may consider, establish or contract a relationship, including but not limited to an employment relationship of this Agreement and its terms, and the Company shall have no liability for so acting.

(c) For purposes of this Agreement, "Protected Customer" means any Person and its/his/her Affiliate (i) for whom the Company or any of its Affiliates has provided financial services, including without limitation wealth management, sales of tax credits, investment, banking, trust, insurance or other financial services provided by the Company or any of its Affiliates within the twenty-four month period prior to the termination of Executive's employment with the Company or (ii) to whom the Executive on behalf of the Company or any of its Affiliates had made a proposal to provide any of the above financial services at any time within twelve (12) months preceding the termination of Executive's employment with the Company.

10.3 Saving Provision. The parties hereto agree that, in the event a court of competent jurisdiction shall determine that the geographical, durational or other elements of this covenant are unenforceable, such determination shall not render the entire covenant unenforceable. Rather, the excessive aspects of the covenant shall be reduced to the threshold which is enforceable, and the remaining aspects shall not be affected thereby. The parties intend that the restrictions of this Section 10 be given the construction that renders their provisions valid and enforceable to the maximum extent possible under applicable law.

10.4 Equitable Relief. Executive acknowledges that the extent of damages to the Company from a breach of Sections 8, 9 and 10 of this Agreement would not be readily quantifiable or ascertainable, that monetary damages would be inadequate to make the Company whole in case of such a breach, and that there is not and would not be an adequate remedy at law for such a breach. Therefore, Executive specifically agrees that the Company is entitled to injunctive or other equitable relief (without any requirement to post any bond or other security) from a breach of Sections 8, 9 and 10 of this Agreement, and hereby waives and covenants not to assert against a prayer for such relief that there exists an adequate remedy at law, in monetary damages or otherwise.

10.5 Tolling. Executive agrees that, in the event of a breach of any of the provisions of this Section 10, the time period specified in such provisions shall be extended by the number of days between the date of such breach and the date such breach is enjoined or other relief is granted to the Company by a court of competent jurisdiction.

10.6 Reasonableness of Restrictive Covenants. Executive recognizes that as an employee and/or officer of the Company, (i) Executive has and will have substantial customer contacts, perform special and unique duties and services for the Company and acquire Confidential Information, (ii) the Confidential Information is the property of the Company and the use, misappropriation, or disclosure of the Confidential Information would constitute a breach of trust and could cause irreparable injury to the Company; and it is essential to the protection of the Company's good will and to the maintenance of the Company's competitive position that the Confidential Information be kept secret, and (iii)

11. Assignment. This Agreement is personal to Executive and shall not be assignable by him.

12. Entire Agreement. This Agreement and any agreements entered into after the date hereof under any of the Company's benefit plans or compensation programs as described in Section 4 contain the complete agreement concerning the employment arrangement between the parties, including without limitation severance or termination pay, and shall, as of the Effective Date, supersede all other agreements or arrangements between the parties with regard to the subject matter hereof.

13. Binding Agreement. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns. The obligations of the Company under this Agreement shall not be terminated by reason of any liquidation, dissolution, bankruptcy, cessation of business or similar event relating to the Company. This Agreement shall not be terminated by reason of any merger, consolidation or reorganization of the Company, but shall be binding upon and inure to the benefit of the surviving or resulting entity.

14. Modification. No waiver or modification of this Agreement or of any covenant, condition, or limitation herein contained shall be valid unless reduced to writing and duly executed by the party to be charged therewith and no evidence of any waiver or modification shall be offered or received in evidence of any proceeding, arbitration, or litigation between the parties hereto arising out of or affecting this Agreement, or the rights or obligations of the parties thereunder, unless such waiver or modification is in writing, duly executed as aforesaid.

15. Severability. All agreements and covenants contained herein are severable, and in the event any of them shall be held to be invalid or unenforceable by any court of competent jurisdiction, this Agreement shall be interpreted as if such invalid agreements or covenants were not contained herein.

16. Manner of Giving Notice. All notices, requests and demands to or upon the respective parties hereto shall be sent by hand, certified mail, overnight air courier service, in each case with all applicable charges paid or otherwise provided for, addressed as follows, or to such other address as may hereafter be designated in writing by the respective parties hereto:

To Company:
Enterprise Bank & Trust
150 North Meramec
Attention: President and Corporate Secretary

To Executive: at his current
residential address on file with
the Company.

Such notices, requests and demands shall be deemed to have been given or made on the date of delivery if delivered by hand or by telecopy and on the next following date if sent by mail or by air courier service.

17. Remedies. In the event of a breach of this Agreement, the non-breaching party shall be entitled to such legal and equitable relief as may be provided by law, and shall further be entitled to recover all costs and expenses, including reasonable attorneys' fees, incurred in enforcing the non-breaching party's rights hereunder.

18. Headings. The headings have been inserted for convenience only and shall not be deemed to limit or otherwise affect any of the provisions of this Agreement.

19. Choice of Law. It is the intention of the parties hereto that this Agreement and the performance hereunder be construed in accordance with, under and pursuant to the laws of the State of Missouri without regard to the jurisdiction in which any action or special proceeding may be instituted.

20. <u>Taxes</u>. The Company may withhold from any payments made under this Agreement all applicable taxes, including but not limited to income, employment and social insurance taxes, as shall be required by law.

21. <u>Voluntary Agreement; No Conflicts</u>. Executive hereby represents and warrants to the Company that he is legally free to accept and perform his employment with the Company, that he has no obligation to any other person or entity that would affect or conflict with any of Executive's obligations pursuant to such employment, and that the complete performance of the obligations pursuant to Executive's employment will not violate any order or decree of any governmental or judicial body or contract by which Executive is bound. The Company will not request or require, and Executive agrees not to use, in the course of Executive's employment with the Company, any information obtained in Executive's employment with any previous employer to the extent that such use would violate any contract by which Executive is bound or any decision, law, regulation, order or decree of any governmental or judicial body.

22. <u>Term of Agreement; Survival of Certain Provisions</u>. The provisions of this Agreement shall survive in accordance with their respective terms. Without limiting the foregoing, the terms of Sections 8, 9 and 10 shall survive and remain in effect in accordance with their terms following any termination of this Agreement or the termination or expiration of the Employment Term for any reason whatsoever.

23. <u>Venue</u>. In the event of litigation arising out of or in connection with this Agreement, the parties hereto agree to submit to the jurisdiction of the state courts located in the County of St. Louis, Missouri.

[The remainder of this page is intentionally blank. The next page is the signature page.]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first stated above.

ENTERPRISE FINANCIAL SERVICES CORP

By: /s/ Lorie White
Lorie White

Title: SVP, HR

EXECUTIVE:

/s/ Douglas N. Bauche
Douglas N. Bauche

(Back To Top)

Section 9: EX-12.1 (EXHIBIT 12.1)

EXHIBIT 12.1

Enterprise Financial Services Corp
Computation of Ratios of Earnings to Fixed Charges and Preferred Stock Dividend Requirement
(unaudited)

	Years ended December 31,				
($ in thousands)	2016	2015	2014	2013	2012
Earnings (1):					
Income (loss) before income taxes	$ 74,839	$ 58,401	$ 41,044	$ 50,080	$ 42,830
Add: Fixed charges from below	13,729	12,369	14,386	18,137	28,002
Earnings including interest expense on deposits (a)	$ 88,568	$ 70,770	$ 55,430	$ 68,217	$ 70,832
Less: interest expense on deposits	(10,841)	(10,412)	(10,487)	(11,142)	(15,406)
Earnings excluding interest expense on deposits (b)	$ 77,727	$ 60,358	$ 44,943	$ 57,075	$ 55,426
Fixed charges (1):					
Interest on deposits	$ 10,841	$ 10,412	$ 10,487	$ 11,142	$ 15,406
Interest on borrowings	2,888	1,957	3,899	6,995	7,761
TARP preferred stock dividends (pre-tax)	—	—	—	—	4,835
Fixed charges including interest on deposits (c)	$ 13,729	$ 12,369	$ 14,386	$ 18,137	$ 28,002
Less: interest expense on deposits	(10,841)	(10,412)	(10,487)	(11,142)	(15,406)
Fixed charges excluding interest expense on deposits (d)	$ 2,888	$ 1,957	$ 3,899	$ 6,995	$ 12,596
Ratio of earnings to combined fixed charges					
Excluding interest on deposits (b/d) (2)	26.91x	30.85x	11.53x	8.16x	4.40x
Including interest on deposits (a/c)	6.45x	5.72x	3.85x	3.76x	2.53x
Ratio of earnings to combined fixed charges and preferred					

dividends:					
Excluding interest on deposits (b/d) (2)	26.91x	30.85x	11.53x	8.16x	6.52x
Including interest on deposits (a/c)	6.45x	5.72x	3.85x	3.76x	2.85x

(1) As defined in Item 503(d) of Regulation S-K.

(2) The ratio of earnings to fixed charges and preferred dividends, excluding interest on deposits, is being provided as an additional measure to provide comparability to the ratios disclosed by all other issuers of debt securities.

(Back To Top)

Section 10: EX-21.1 (EXHIBIT 21.1)

EXHIBIT 21.1

SUBSIDIARIES OF THE REGISTRANT

Company	State of Organization
Enterprise Financial Services Corp	Delaware
Enterprise Bank & Trust	Missouri
Enterprise Real Estate Mortgage Company, LLC	Missouri
Enterprise IHC, LLC	Missouri

(Back To Top)

Section 11: EX-23.1 (EXHIBIT 23.1)

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-136230, 333-148328, 333-152985, 333-183177, 333-192497, and 333-215345 on Form S-8 of our reports dated February 24, 2017, relating to the consolidated financial statements of Enterprise Financial Services Corp and subsidiaries (the “Company”), and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of Enterprise Financial Services Corp for the year ended December 31, 2016.

/s/ Deloitte & Touche LLP
St. Louis, Missouri
February 24, 2017

(Back To Top)

Section 12: EX-24.1 (EXHIBIT 24.1)

EXHIBIT 24.1

POWER OF ATTORNEY

The undersigned members of the Board of Directors and Executive Officers of Enterprise Financial Services Corp, a Delaware corporation (the "Company") hereby appoint Keene S. Turner or Peter F. Benoist as their Attorney-in-Fact for the purpose of signing the Company's Securities Exchange Commission Form 10-K (and any amendments thereto) for the year ended December 31, 2016.

Signature	Title	Date
/s/ John S. Eulich John S. Eulich	Chairman of the Board of Directors	February 24, 2017
/s/ John Q. Arnold John Q. Arnold	Director	February 24, 2017
/s/ Michael A. DeCola Michael A. DeCola	Director	February 24, 2017
/s/ William H. Downey William H. Downey	Director	February 24, 2017
/s/ Robert E. Guest, Jr. Robert E. Guest, Jr.	Director	February 24, 2017
/s/ James M. Havel James M. Havel	Director	February 24, 2017
/s/ Judith S. Heeter Judith S. Heeter	Director	February 24, 2017
/s/ Michael R. Holmes Michael R. Holmes	Director	February 24, 2017
/s/ Nevada A. Kent, IV Nevada A. Kent, IV	Director	February 24, 2017
/s/ James J. Murphy, Jr. James J. Murphy, Jr.	Director	February 24, 2017
/s/ Eloise E. Schmitz Eloise E. Schmitz	Director	February 24, 2017
/s/ Sandra A. Van Trease Sandra A. Van Trease	Director	February 24, 2017
Michael W. Walsh	Director	February 24, 2017

(Back To Top)

Section 13: EX-31.1 (EXHIBIT 31.1)

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Peter F. Benoist, certify that:

1. I have reviewed this annual report on Form 10-K of Enterprise Financial Services Corp;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Peter F. Benoist Date: February 24, 2017
Peter F. Benoist
Chief Executive Officer

(Back To Top)

Section 14: EX-31.2 (EXHIBIT 31.2)

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Keene S. Turner, certify that:

1. I have reviewed this annual report on Form 10-K of Enterprise Financial Services Corp;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule13a-15 (f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Keene S. Turner

Date: February 24, 2017

Keene S. Turner
Chief Financial Officer

(Back To Top)

Section 15: EX-32.1 (EXHIBIT 32.1)

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Enterprise Financial Services Corp (the “Company”) on Form 10-K for the period ended December 31, 2016 as filed with the Securities and Exchange Commission (the “Report”), I, Peter F. Benoist, Chief Executive Officer of the Company, certify to the best of my knowledge and belief, pursuant to 18 U.S.C. § 1350, as enacted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Peter F. Benoist
Peter F. Benoist
Chief Executive Officer
February 24, 2017

(Back To Top)

Section 16: EX-32.2 (EXHIBIT 32.2)

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Enterprise Financial Services Corp (the “Company”) on Form 10-K for the period ended December 31, 2016 as filed with the Securities and Exchange Commission (the “Report”), I, Keene S. Turner, Chief Financial Officer of the Company, certify to the best of my knowledge and belief, pursuant to 18 U.S.C. § 1350, as enacted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Keene S. Turner
Keene S. Turner
Chief Financial Officer
February 24, 2017

(Back To Top)