

# Enterprise Financial Services Corp



2016 FOURTH QUARTER EARNINGS RELEASE





# FORWARD-LOOKING STATEMENTS

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 the Company's announced pending merger with Jefferson County Bancshares, Inc. (“JCB”)), and statements about the future performance, operations products and services of the Company and its subsidiaries. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. You should be aware that our actual results could differ materially from those anticipated by the forward-looking statements or historical performance due to a number of factors, including, but not limited to: our ability to efficiently integrate acquisitions into our operations, retain the customers of these businesses and grow the acquired operations; reputational risks; credit risk; changes in the appraised valuation of real estate securing impaired loans; outcomes of litigation and other contingencies; exposure to general and local economic conditions; risks associated with rapid increases or decreases in prevailing interest rates; consolidation within the banking industry; competition from banks and other financial institutions; our ability to attract and retain relationship officers and other key personnel; burdens imposed by federal and state regulation; changes in regulatory requirements; changes in accounting regulation or standards applicable to banks; and other risks discussed under the caption “Risk Factors” of our most recently filed Form 10-K and in Part II, 1A of our most recently filed Form 10-Q, all of which could cause the Company’s actual results to differ from those set forth in the forward-looking statements.

Readers are cautioned not to place undue reliance on our forward-looking statements, which reflect management’s analysis and expectations only as of the date of such statements. Forward-looking statements speak only as of the date they are made, and the Company does not intend, and undertakes no obligation, to publicly revise or update forward-looking statements after the date of this report, whether as a result of new information, future events or otherwise, except as required by federal securities law. You should understand that it is not possible to predict or identify all risk factors. Readers should carefully review all disclosures we file from time to time with the Securities and Exchange Commission (the “SEC”) which are available on our website at [www.enterprisebank.com](http://www.enterprisebank.com) under “Investor Relations.”

## Additional Information about the Merger and Where to Find It

In connection with the proposed merger transaction, the Company filed a Registration Statement on Form S-4 (file no. 333-214990) with the SEC that includes a Proxy Statement of JCB, and a Prospectus of the Company, as well as other relevant documents concerning the proposed transaction. Shareholders are urged to read the Registration Statement and the Proxy Statement/Prospectus regarding the merger and any other relevant documents filed with the SEC, as well as any amendments or supplements to those documents, because they will contain important information.

A free copy of the Proxy Statement/Prospectus, as well as other filings containing information about the Company and JCB, may be obtained at the SEC’s website [www.sec.gov](http://www.sec.gov). The Company, JCB, and some of their directors and executive officers may be deemed participants in the solicitation of proxies from the shareholders of JCB in connection with the proposed merger. Information about the directors and executive officers of the Company is set forth in the Proxy Statement for the Company’s 2016 annual meeting of shareholders, as filed with the SEC on a Schedule 14A on March 16, 2016. Additional information regarding the interests of those participants and other persons who may be deemed participants in the transaction may be obtained by reading the Proxy Statement/Prospectus regarding the proposed merger. Free copies of this document may be obtained as described in the preceding paragraph.









## 2017 Focus

- ▶ **SUSTAIN CORE GROWTH TRENDS**
- ▶ **SUCCESSFULLY CLOSE, CONVERT AND INTEGRATE JEFFERSON COUNTY BANCSHARES**
- ▶ **MAINTAIN FOCUS ON LONG-TERM STRATEGIC DEVELOPMENT**

# FINANCIAL SCORECARD

Q4 2016 Compared to Q4 2015

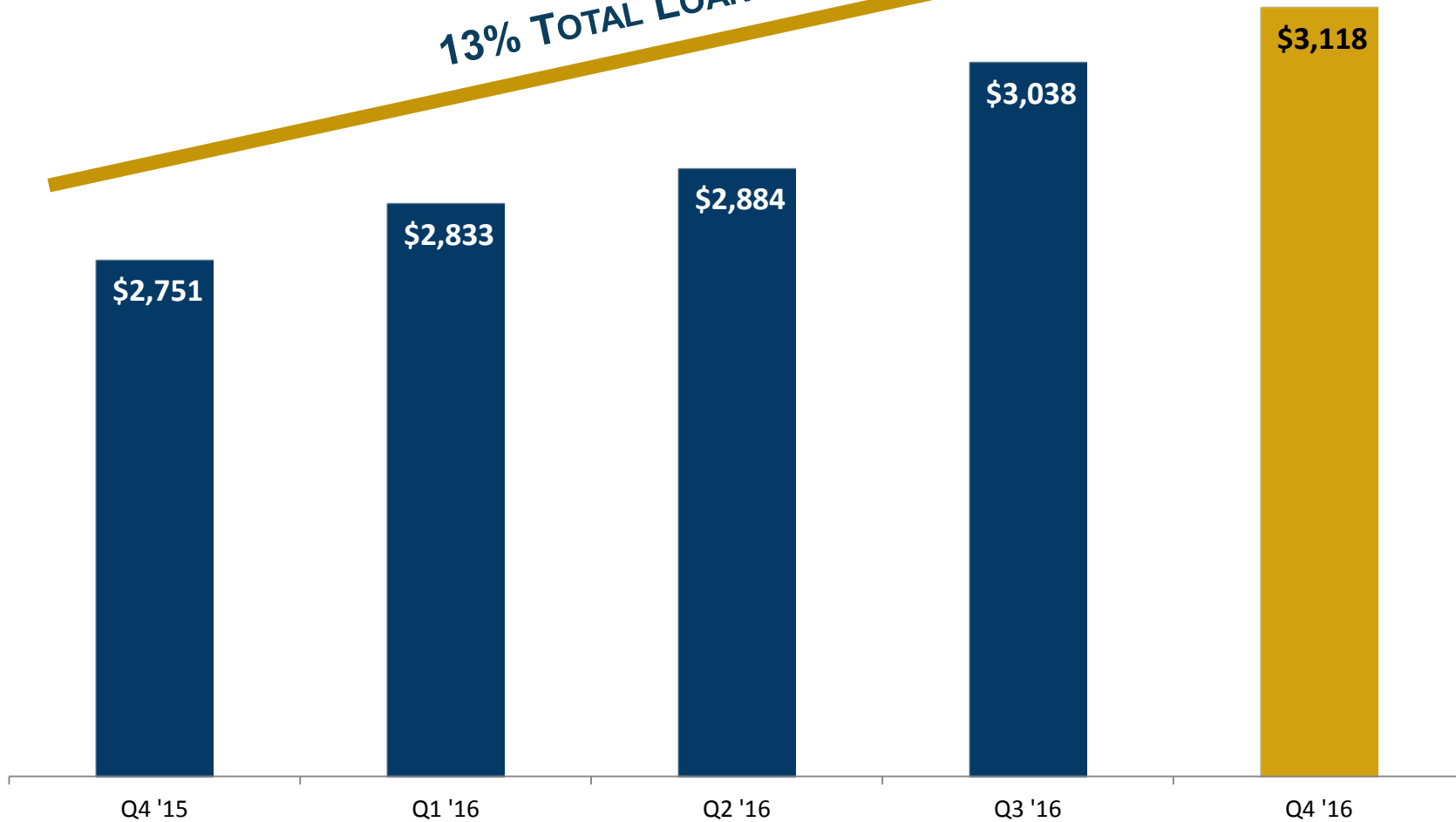
- ▶ CONTINUED GROWTH IN CORE EPS  20%
- ❖ DRIVE NET INTEREST INCOME GROWTH IN DOLLARS WITH FAVORABLE LOAN GROWTH TRENDS  12%
- ❖ DEFEND NET INTEREST MARGIN  6 bps\*
- ❖ MAINTAIN HIGH QUALITY CREDIT PROFILE  15 bps NPLs/Loans
- ❖ ACHIEVE FURTHER IMPROVEMENT IN OPERATING LEVERAGE  3%
- ▶ ENHANCE DEPOSIT LEVELS TO SUPPORT GROWTH  16%

\* Plus 1 bp excluding \$50 Million subordinated debt offering

# PORTFOLIO LOAN TRENDS

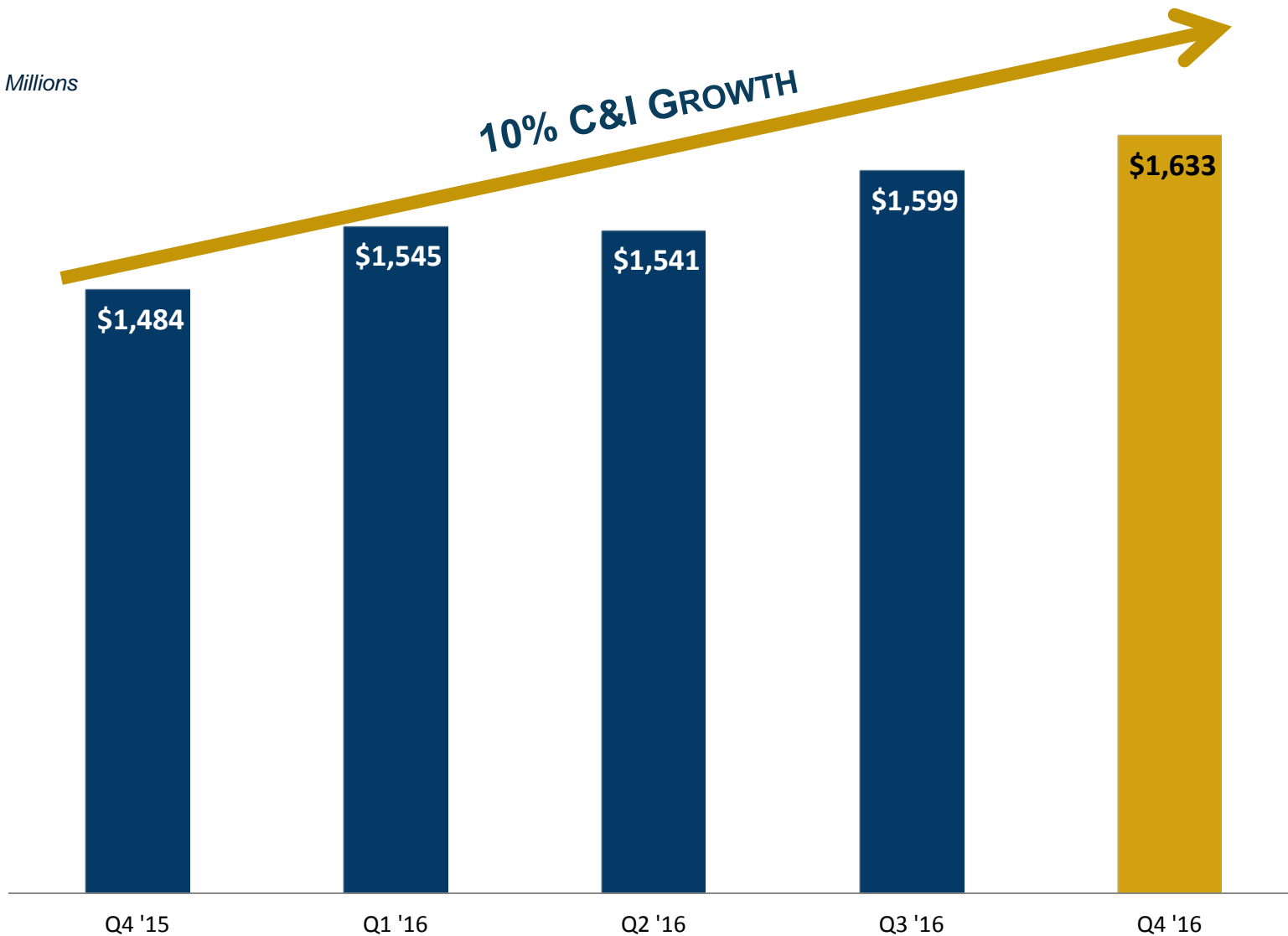
*In Millions*

**13% TOTAL LOAN GROWTH**



# COMMERCIAL & INDUSTRIAL LOAN TRENDS

*In Millions*





# PORTFOLIO LOAN DETAILS

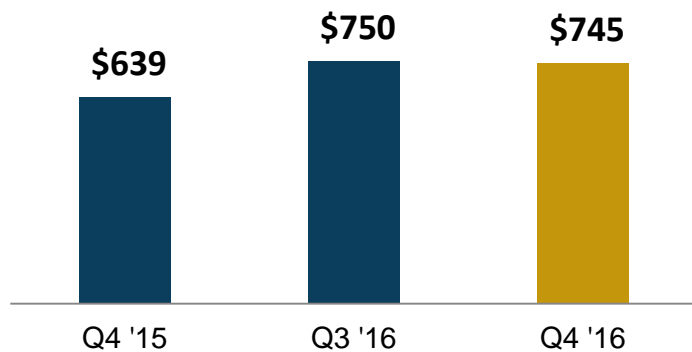
*In Millions*

	Q4 '16	Q3 '16	QTR CHANGE		Q4 '15	LTM CHANGE
ENTERPRISE VALUE LENDING	\$ 389	\$ 395	\$ (6)		\$ 350	\$ 39
C&I GENERAL	794	756	38		732	62
LIFE INSURANCE PREMIUM FINANCING	306	299	7		265	41
TAX CREDIT	144	149	(5)		137	7
COMMERCIAL REAL ESTATE	1,089	1,045	44		932	157
RESIDENTIAL REAL ESTATE	241	234	7		197	44
CONSUMER & OTHER	155	160	(5)		138	17
PORTFOLIO LOANS	\$ 3,118	\$ 3,038	\$ 80		\$ 2,751	\$ 367

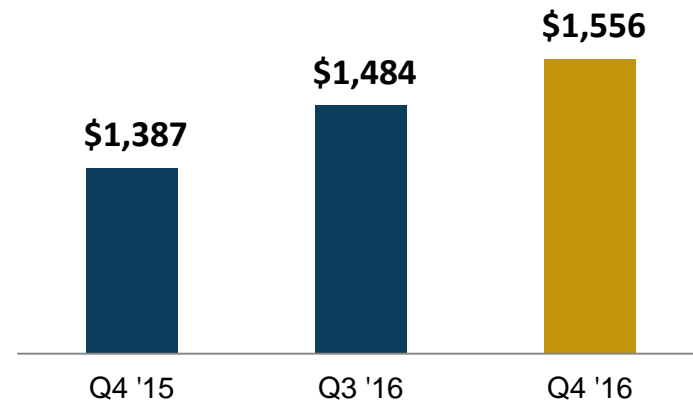
# PORTFOLIO LOANS BY BUSINESS UNIT

*In Millions*

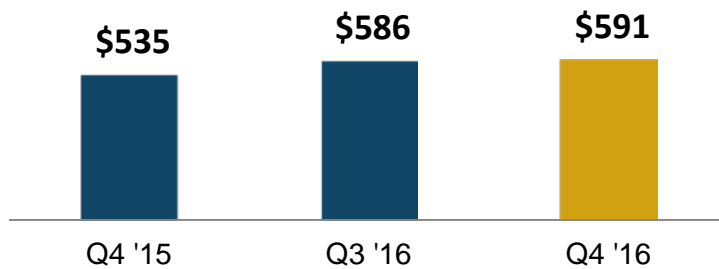
## Specialized Lending



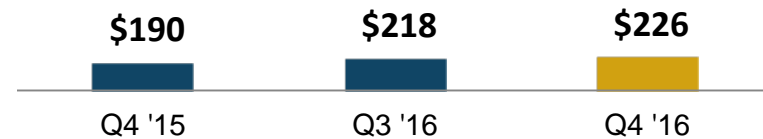
## St. Louis



## Kansas City



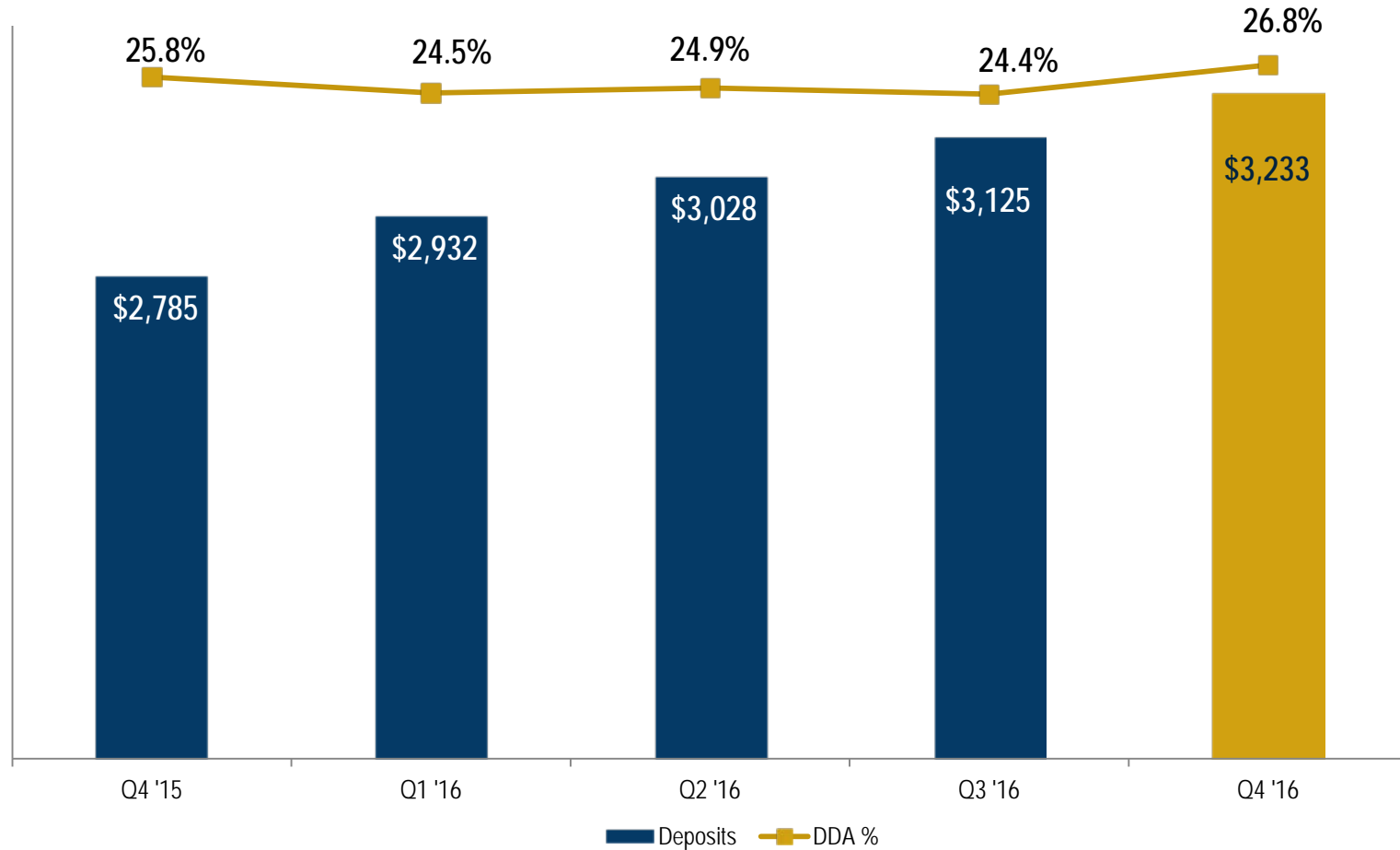
## Arizona





# DEPOSIT TRENDS

In Millions

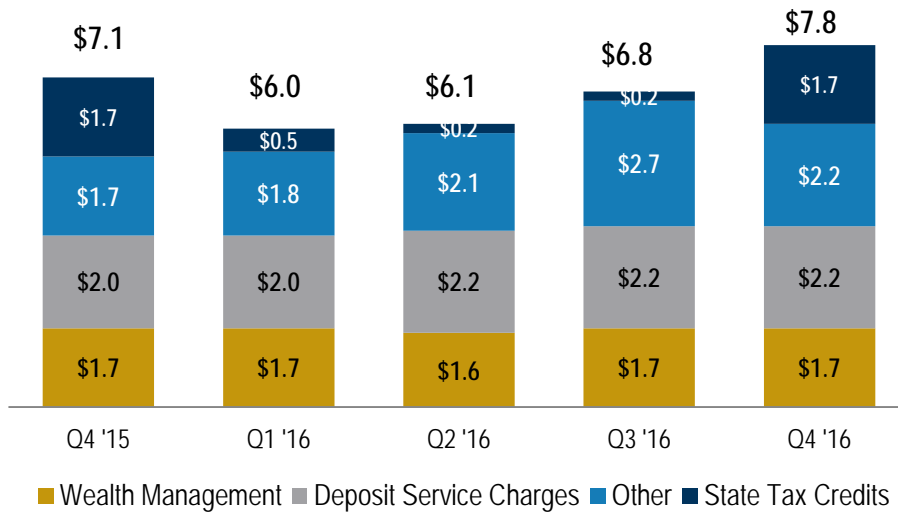


▶ Last Twelve Months Growth Rate = 16%

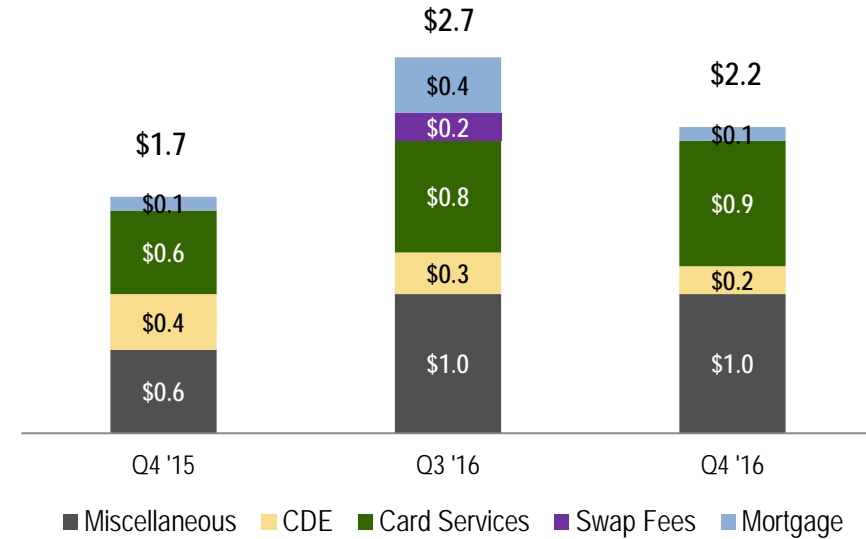
# CORE FEE INCOME\*

In Millions

Core Fee Income

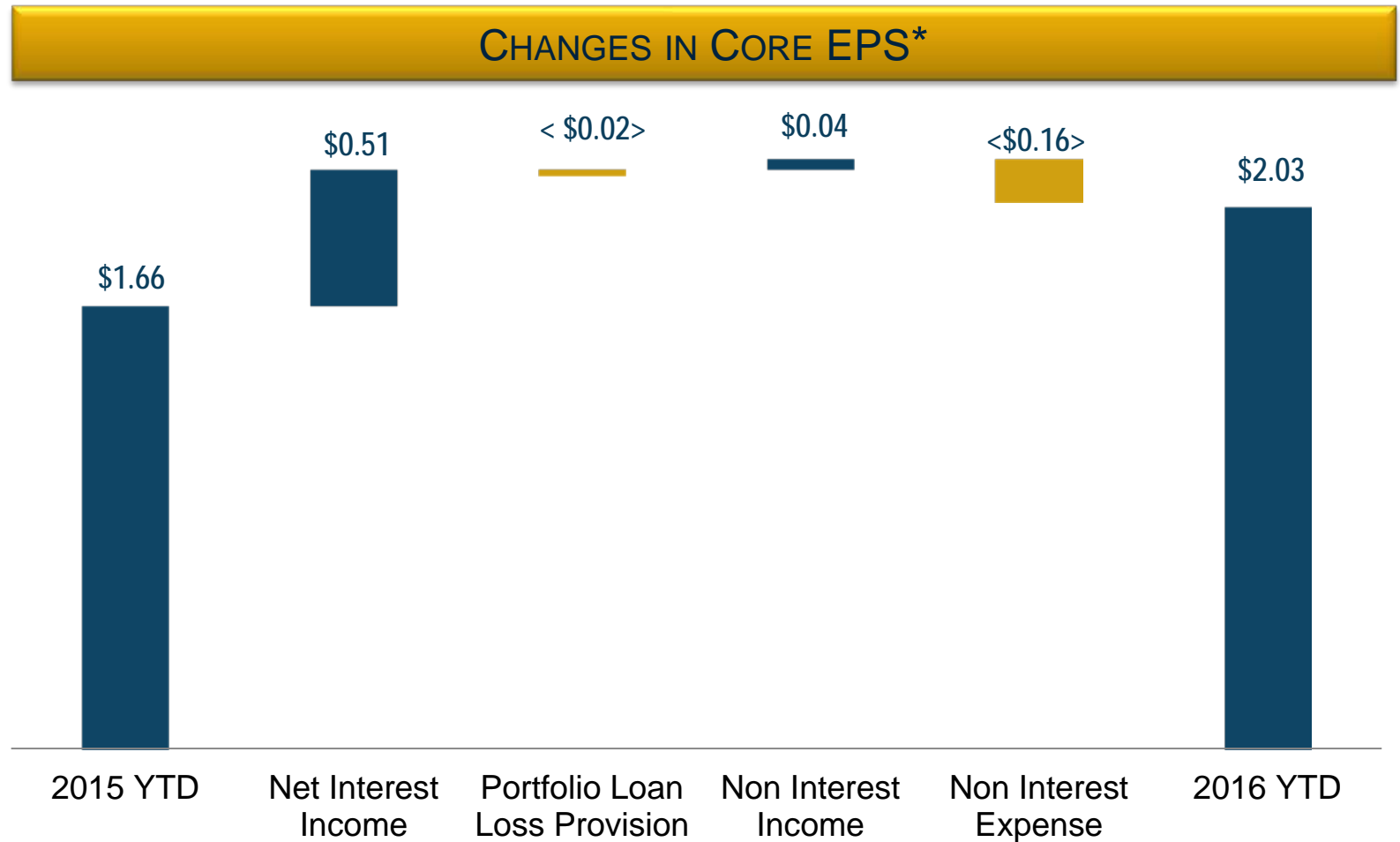


Other Core Fee Income Detail



Note: \* A Non-GAAP Measure, Refer to Appendix for Reconciliation

# FULL YEAR EARNINGS PER SHARE TREND



Note: \* A Non GAAP Measure, Refer to Appendix for Reconciliation



# 2016 PERFORMANCE HIGHLIGHTS

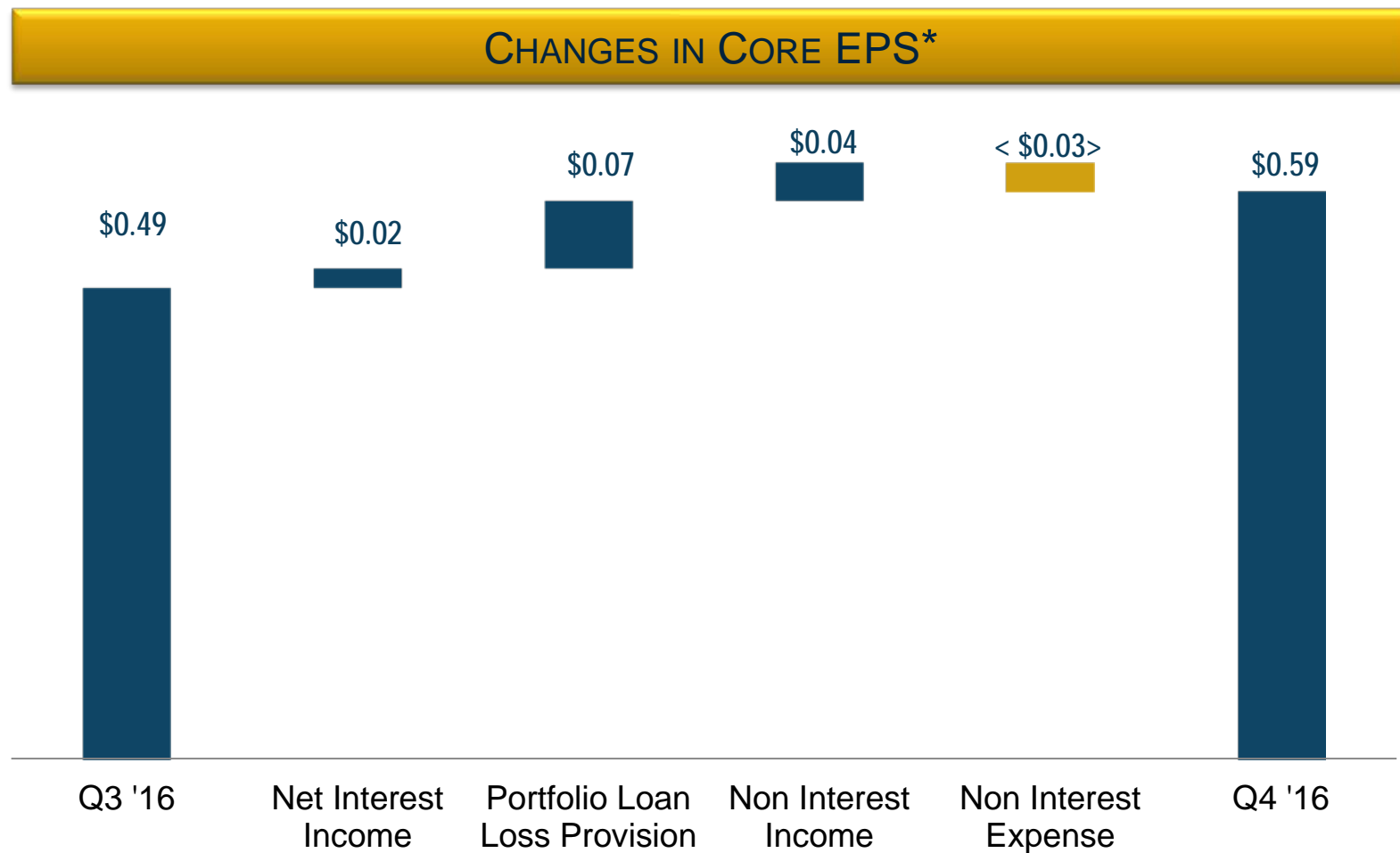
	EFSC	Peer*
RETURN ON AVERAGE ASSETS	1.29%	0.98%
CORE RETURN ON AVERAGE ASSETS	1.09%	0.98%
RETURN ON AVERAGE COMMON EQUITY	13.1%	9.61%
CORE EFFICIENCY RATIO	54.7%	60.5%
CORE EPS GROWTH	22%	10%

TANGIBLE COMMON EQUITY GROWTH	\$37 million or 12%
DIVIDEND GROWTH	56%
PCI LOAN CONTRIBUTION	\$0.46 or \$9.3 million

*\*Peer data for 12 months ended 9/30/2016, Core performance for peers not measured.*

*Source: SNL Financial*

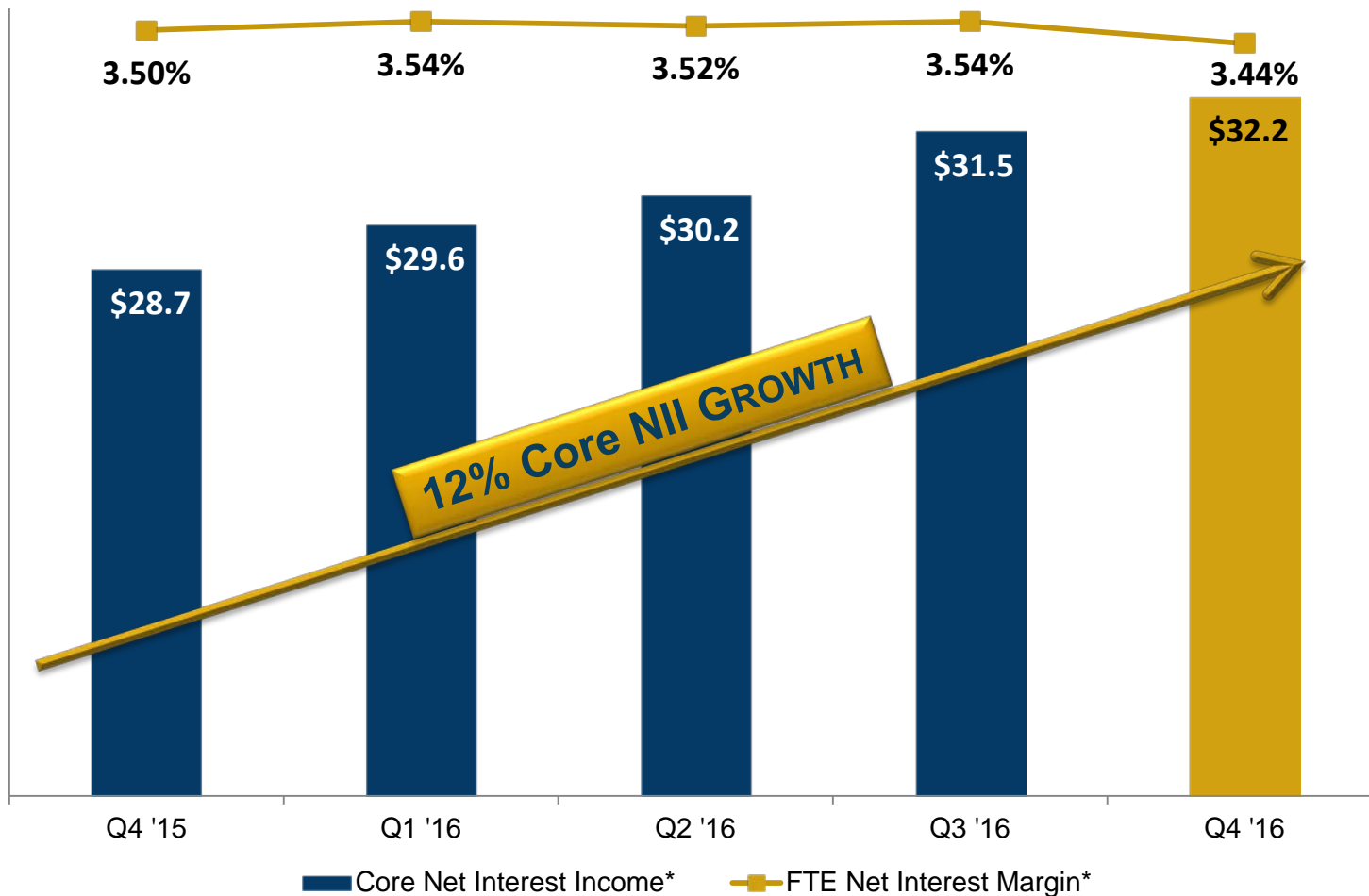
# EARNINGS PER SHARE TREND



Note: \* A Non GAAP Measure, Refer to Appendix for Reconciliation

# CORE NET INTEREST INCOME TREND\*

In Millions



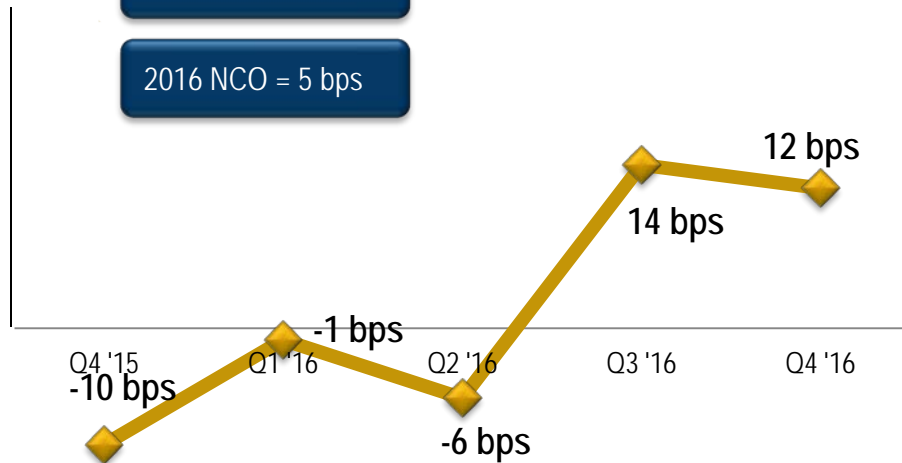
Note: \* A Non-GAAP Measure, Refer to Appendix for Reconciliation

# CREDIT TRENDS FOR PORTFOLIO LOANS

## Net Charge-offs (1)

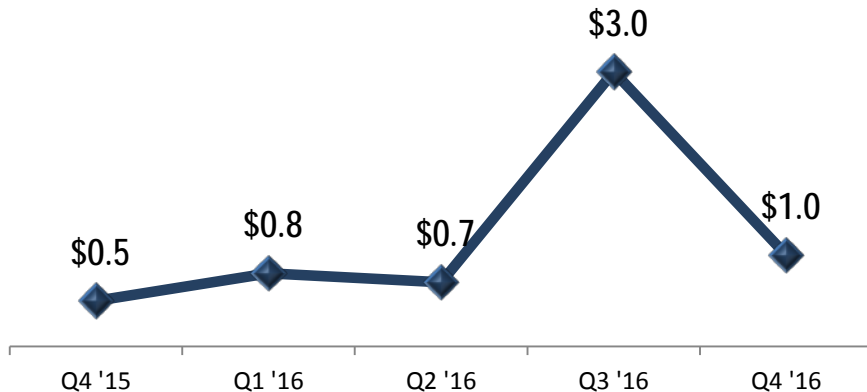
2015 NCO = 6 bps

2016 NCO = 5 bps



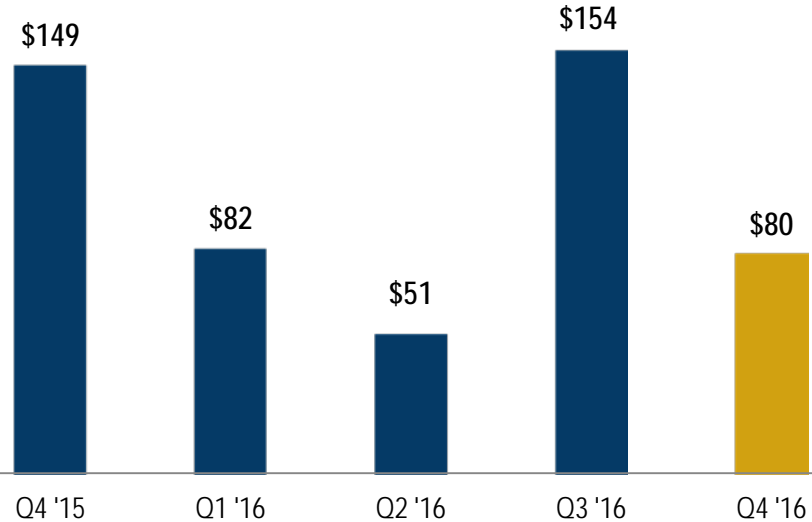
In Millions

## Provision for Portfolio Loans



## Portfolio Loan Growth

In Millions



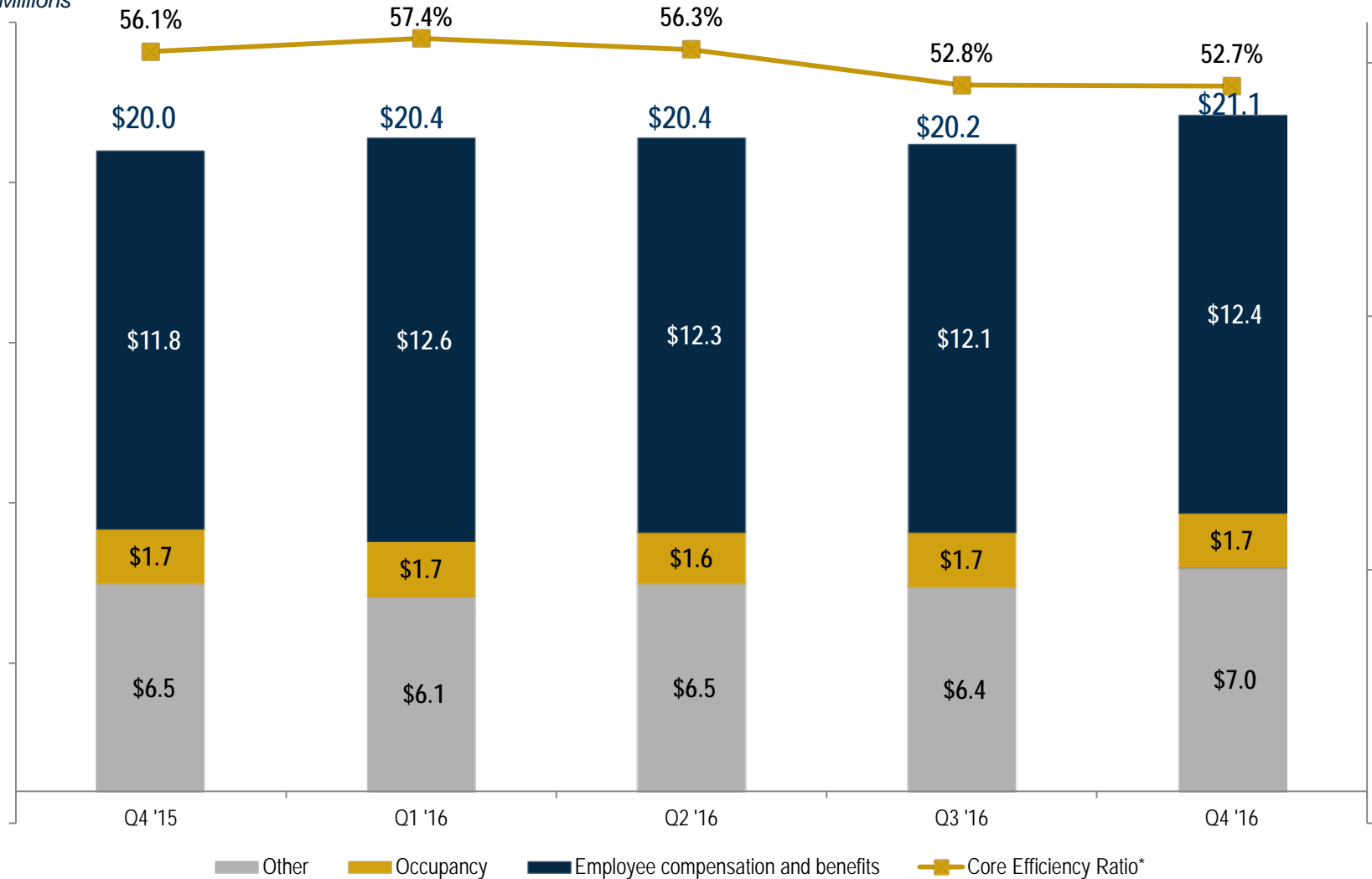
Q4 2016	EFSC	PEER(2)
NPA'S/ASSETS =	0.39%	0.51%
NPL'S/LOANS =	0.48%	0.64%
ALLL/NPL'S =	252%	138%
ALLL/LOANS =	1.20%	1.10%

(1) Portfolio loans only, excludes PCI (Purchased Credit Impaired) loans

(2) Peer data as of 9/30/2016 (source: SNL Financial)

# OPERATING EXPENSES TREND\*

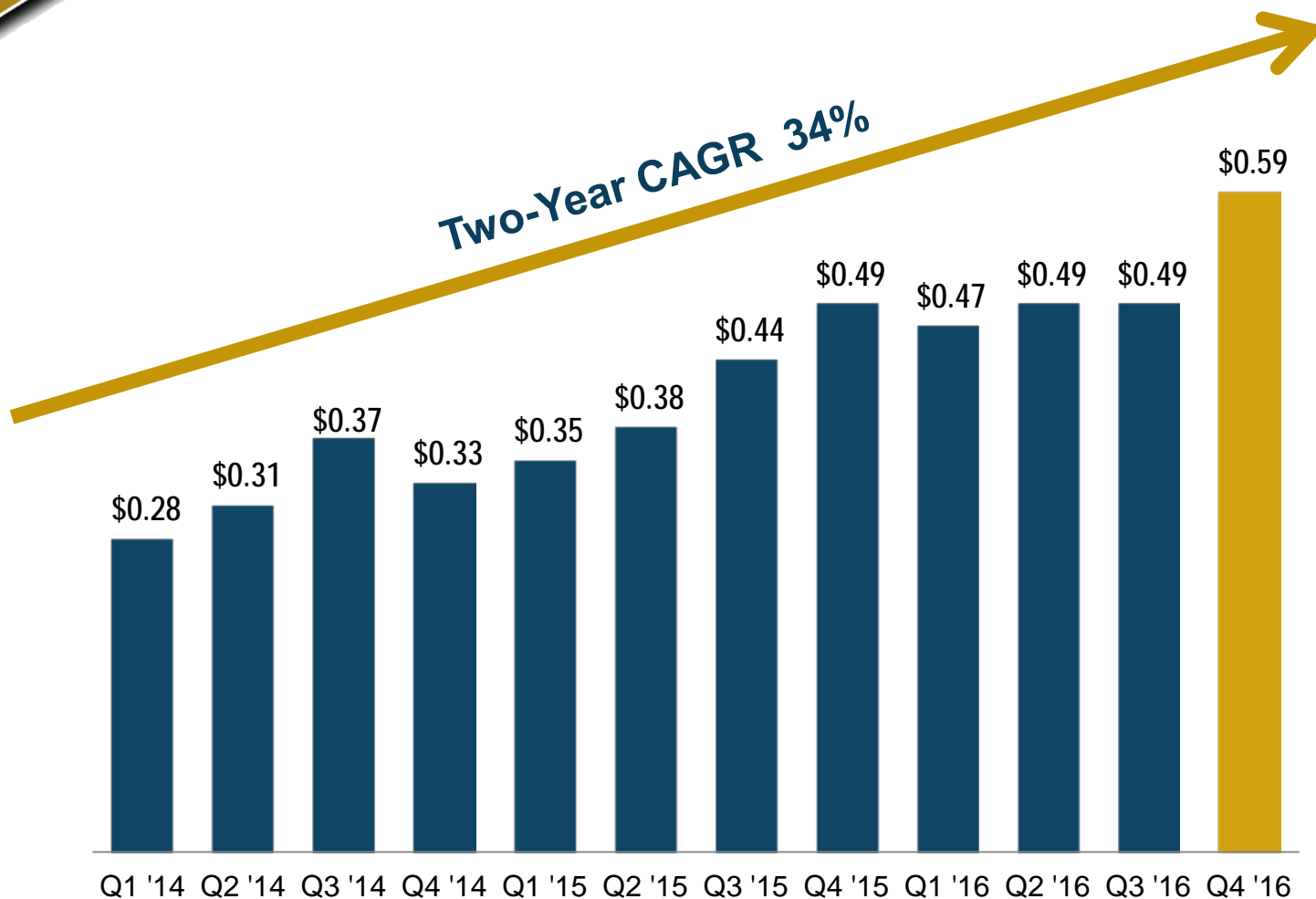
In Millions



Note: \* A Non-GAAP Measure, Refer to Appendix for Reconciliation



# POSITIVE MOMENTUM IN CORE\* EARNINGS PER SHARE



*111% Core EPS Growth from Q1 2014 to Q4 2016*

Note: \* A Non-GAAP Measure, Refer to Appendix for Reconciliation

# Appendix





# USE OF NON-GAAP FINANCIAL MEASURES

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

The Company considers its Core performance measures presented in this presentation 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, the impact of nonrecurring items, and the Company's operating performance on an ongoing basis. Core performance measures include contractual interest on PCI loans but exclude incremental accretion on these loans. Core performance measures also exclude the Change in FDIC receivable, Gain or loss of other real estate from PCI loans and expenses directly related to the 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 gain/loss on sale of investment securities, the Company believes to be not indicative of or useful to measure the Company's operating performance on an ongoing basis. The attached tables contain a reconciliation of these Core performance measures to the GAAP measures.

The Company believes these non-GAAP measures and ratios, when taken together with the corresponding 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 operating results and related trends and when 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 GAAP. In the tables below, 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 for the periods indicated.

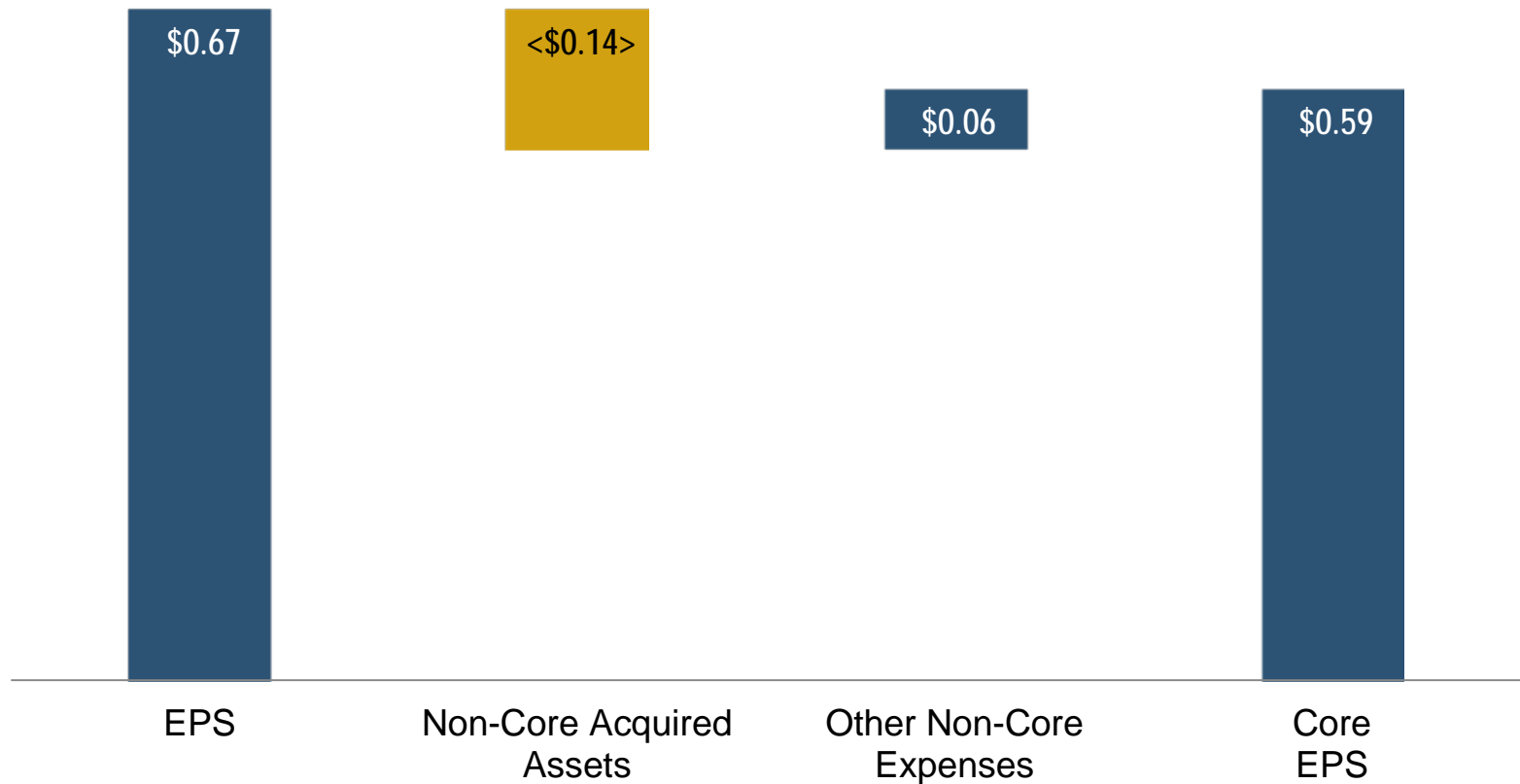
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Peer group data consists of median of publicly traded banks with total assets from \$1-\$10 billion with commercial loans greater than 20% and consumer loans less than 10%.

# EARNINGS PER SHARE

## REPORTED VS. CORE EPS\*

Q4 2016

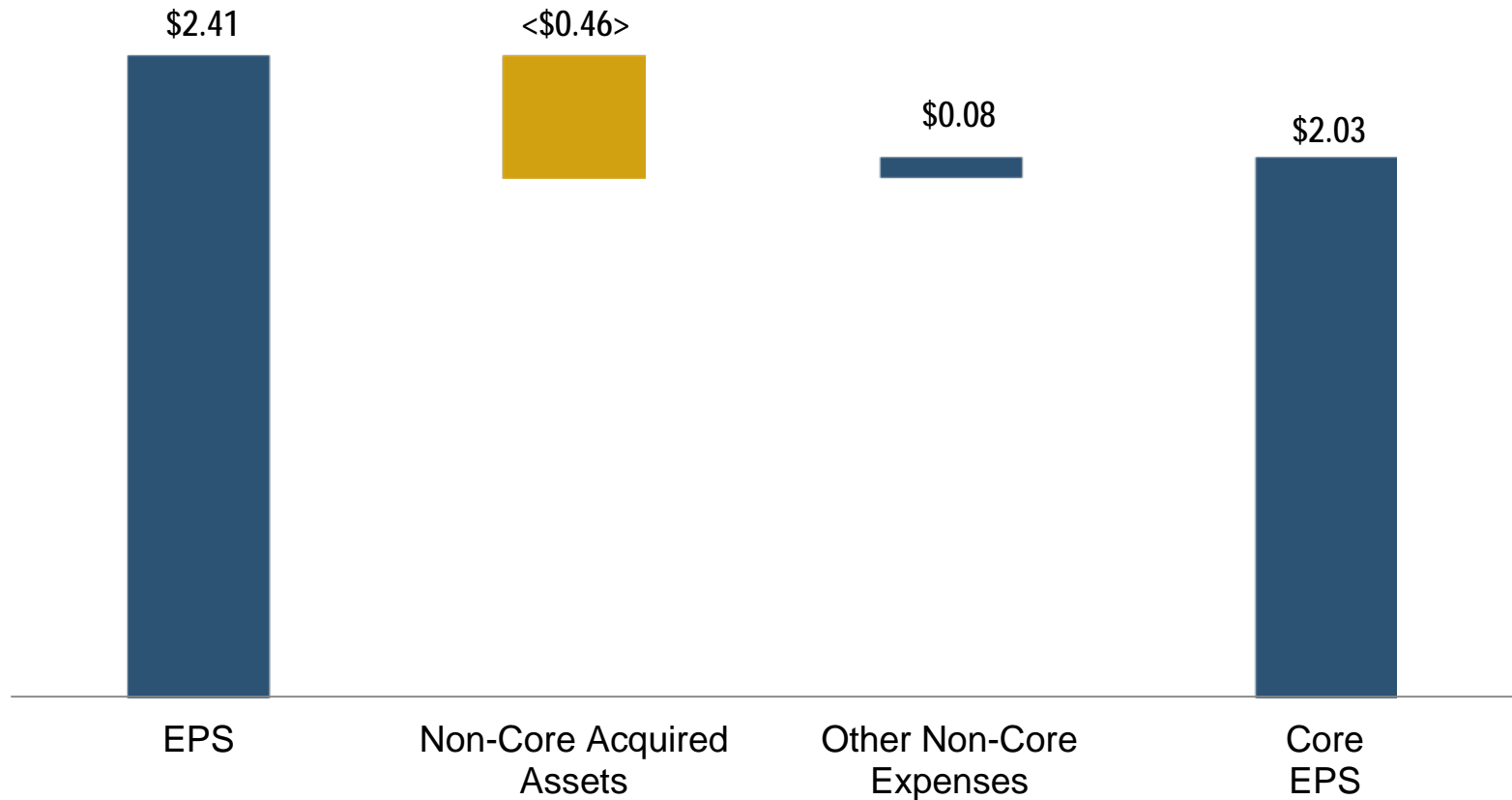


\* A Non GAAP Measure, Refer to Appendix for Reconciliation

# FULL YEAR EARNINGS PER SHARE

## REPORTED VS. CORE EPS\*

Q4 2016



\* A Non GAAP Measure, Refer to Appendix for Reconciliation

# RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

	For the Quarter ended				For the Year ended		
	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
<i>(in thousands, except per share data)</i>							
<b>CORE PERFORMANCE MEASURES</b>							
Net interest income	\$ 35,454	\$ 33,830	\$ 33,783	\$ 32,428	\$ 32,079	\$ 135,495	\$ 120,410
Less: Incremental accretion income	3,279	2,296	3,571	2,834	3,412	11,980	12,792
Core net interest income	32,175	31,534	30,212	29,594	28,667	123,515	107,618
Total noninterest income	9,029	6,976	7,049	6,005	6,557	29,059	20,675
Less: Gain (loss) on sale of other real estate from PCI loans	1,085	(225)	705	-	81	1,565	107
Less: Other income from PCI assets	95	287	239	-	-	621	-
Less: Gain on sale of investment securities	-	86	-	-	-	86	23
Less: Change in FDIC loss share receivable	-	-	-	-	(580)	-	(5,030)
Core noninterest income	7,849	6,828	6,105	6,005	7,056	26,787	25,575
Total core revenue	40,024	38,362	36,317	35,599	35,723	150,302	133,193
Provision for portfolio loan losses	964	3,038	716	833	543	5,551	4,872
Total noninterest expense	23,181	20,814	21,353	20,762	22,886	86,110	82,226
Less: Merger related expenses	1,084	302	-	-	-	1,386	-
Less: Facilities disposal	1,040	-	-	-	-	1,040	-
Less: Other expenses related to PCI loans	172	270	325	327	423	1,094	1,558
Less: Executive severance	-	-	332	-	-	332	-
Less: FDIC loss share termination	-	-	-	-	2,436	-	2,436
Less: FDIC clawback	-	-	-	-	-	-	760
Less: Other non-core expenses	(209)	-	250	-	-	41	-
Core noninterest expense	21,094	20,242	20,446	20,435	20,027	82,217	77,472
Core income before income tax expense	17,966	15,082	15,155	14,331	15,153	62,534	50,849
Core income tax expense	6,021	5,142	5,237	4,897	5,073	21,297	17,058
Core net income	\$ 11,945	\$ 9,940	\$ 9,918	\$ 9,434	\$ 10,080	\$ 41,237	\$ 33,791
Core diluted earnings per share	\$ 0.59	\$ 0.49	\$ 0.49	\$ 0.47	\$ 0.49	\$ 2.03	\$ 1.66
Core return on average assets	1.19%	1.04%	1.07%	1.04%	1.13%	1.09%	1.00%
Core return on average common equity	12.31%	10.47%	10.89%	10.66%	11.46%	11.10%	10.08%
Core return on average tangible common equity	13.44%	11.46%	11.98%	11.76%	12.68%	12.18%	11.22%
Core efficiency ratio	52.70%	52.77%	56.30%	57.40%	56.06%	54.70%	58.17%
<b>NET INTEREST MARGIN TO CORE NET INTEREST MARGIN (FULLY TAX EQUIVALENT)</b>							
Net interest income	\$ 35,884	\$ 34,263	\$ 34,227	\$ 32,887	\$ 32,546	\$ 137,261	\$ 122,141
Less: Incremental accretion income	3,279	2,296	3,571	2,834	3,412	11,980	12,792
Core net interest income	\$ 32,605	\$ 31,967	\$ 30,656	\$ 30,053	\$ 29,134	\$ 125,281	\$ 109,349
Average earning assets	\$ 3,767,272	\$ 3,589,080	\$ 3,506,801	\$ 3,413,792	\$ 3,304,827	\$ 3,570,186	\$ 3,163,339
Reported net interest margin	3.79%	3.80%	3.93%	3.87%	3.91%	3.84%	3.86%
Core net interest margin	3.44%	3.54%	3.52%	3.54%	3.50%	3.51%	3.46%





# FOURTH QUARTER 2016 EARNINGS WEBCAST

Q & A

