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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2021

or

☐ **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

(Exact name of registrant as specified in its charter)

Incorporated in the State of Delaware

I.R.S. Employer Identification # 43-1706259

Address: 150 North Meramec Avenue, Clayton, MO 63105

Telephone: (314) 725-5500

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

(Title of each class)	(Trading Symbol)	(Name of each exchange on which registered)
Common Stock, par value $.01 per share	**EFSC**	**Nasdaq Global Select Market**
Depositary Shares, each representing a 1/40th interest in a share of 5.00% Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series A	**EFSCP**	**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 ☐

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 ☒

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the Registrant was approximately $1,535,891,000 based on the closing price of the common stock of $46.39 as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2021) as reported by the Nasdaq Global Select Market.

As of February 24, 2022, the Registrant had 37,821,174 shares of outstanding common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 are incorporated by reference into Item 7 of this Annual Report on Form 10-K. Additionally, the information required by Items 10, 11, 12, 13 and 14 of Part III of this Annual Report on Form 10-K is incorporated by reference to the Registrant's Definitive Proxy Statement for its 2022 Annual Meeting of Shareholders, which will be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended.

ENTERPRISE FINANCIAL SERVICES CORP
2021 ANNUAL REPORT ON FORM 10-K
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Glossary of Acronyms, Abbreviations and Entities

The acronyms and abbreviations identified below are used in various sections of this Form 10-K, including "Management's Discussion and Analysis of Financial Condition and Results of Operations," in Item 7 and the Consolidated Financial Statements and the Notes to Consolidated Financial Statements in Item 8 of this Form 10-K.

ACL	Allowance for Credit Losses	FHLB	Federal Home Loan Bank
ASC	Accounting Standards Codification	First Choice	First Choice Bancorp
ASU	Accounting Standards Update	FCB	First Choice Bank
Bank	Enterprise Bank & Trust	GAAP	Generally Accepted Accounting Principles
BHCA	Bank Holding Company Act of 1956, as amended	GDP	Gross Domestic Product
Board or Board of Directors	Enterprise Financial Services Corp board of directors	ICE	The Intercontinental Exchange
C&I	Commercial and Industrial	LIBOR	London Interbank Offered Rate
CCB	Capital Conservation Buffer	MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
CDFI	Community Development Financial Institution	OCC	Office of the Comptroller of the Currency
CECL	Current Expected Credit Loss	PCD	Purchased Credit Deteriorated
CET1	Common Equity Tier 1 Capital	PCI	Purchased Credit Impaired
CFPB	Consumer Financial Protection Bureau	PPP	Paycheck Protection Program
Company	Enterprise Financial Services Corp and Subsidiaries	PPPLF	Paycheck Protection Program Liquidity Facility
CRE	Commercial Real Estate	SBA	U.S. Small Business Administration
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010	SBIC	Small Business Investment Company
EFSC	Enterprise Financial Services Corp	Seacoast	Seacoast Commerce Banc Holdings
Enterprise	Enterprise Financial Services Corp and Subsidiaries	SEC	Securities and Exchange Commission
FDIC	Federal Deposit Insurance Corporation	SOFR	Secured Overnight Financing Rate
Federal Reserve	Federal Reserve Board	Trinity	Trinity Capital Corporation

PART 1

ITEM 1: BUSINESS

Forward-Looking Information

Some of the information in this Annual Report on Form 10-K may contain "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, and by Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements are based on management's current expectations and beliefs concerning future developments and their potential effects on the Company, and include, without limitation, statements about the Company's plans, strategies, goals, objectives, expectations, or consequences of statements about the future performance, operations, products and services of the Company and its subsidiaries, as well as statements about the Company's expectations regarding revenue and asset growth, financial performance and profitability, loan and deposit growth, yields and returns, loan diversification and credit management, products and services, shareholder value creation and the impact of the Seacoast and First Choice acquisitions and other acquisitions. Forward-looking statements typically are identified with use of terms such as "may," "might," "will, "would," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "intend," "potential," "could," "continue" and the negative and other variations 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, known trends, and statements about future performance, operations, products and services. Because forward-looking statements are subject to assumptions and uncertainties, actual results or future events could differ, possibly materially, from those anticipated in the forward-looking statements and future results could differ materially from historical performance. Further, the ability to predict results or the actual effect of future plans or strategies is inherently uncertain. The COVID-19 pandemic is continuing to adversely affect us, our customers, counterparties, employees, and third-party service providers, and the ultimate extent of the impacts on our business, financial position, results of operations, liquidity, and prospects remain uncertain. Continued deterioration in general business and economic conditions, including further increases in unemployment rates, or turbulence in domestic or global financial markets could adversely affect our revenues and the values of our assets and liabilities, reduce the availability of funding, lead to a tightening of credit, and further increase stock price volatility. In addition, changes to statutes, regulations, or regulatory policies or practices as a result of, or in response to COVID-19, could affect us in substantial and unpredictable ways. Other factors that could cause or contribute to such differences include, but are not limited to: our ability to efficiently integrate acquisitions, including the Seacoast and First Choice acquisitions, into our operations, retain the customers of these businesses and grow the acquired operations; credit risk; changes in the appraised valuation of real estate securing impaired loans; our ability to recover our investment in loans; fluctuations in the fair value of collateral underlying 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; changes in business prospects that could impact goodwill estimates and assumptions; 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, including ASU 2016-13 (Topic 326), "Measurement of Credit Losses on Financial Instruments," commonly referenced as the CECL model, which we adopted on January 1, 2020 and which changed how we estimate credit losses and may increase the required level of our allowance for credit losses in future periods; changes in the method of determining LIBOR and the phase-out of LIBOR; natural disasters; war or terrorist activities, or pandemics, including the COVID-19 pandemic, and their effects on economic and business environments in which we operate, including the ongoing disruption to the financial market and other economic activity caused by the COVID-19 pandemic; and other risks discussed under the caption "Risk Factors" in Item 1A of this Annual Report on 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 SEC which are available on the Company's website at www.enterprisebank.com under "Investor Relations."*

General Development and Description of Our Business

Enterprise Financial Services Corp ("Company," "we," "us," or "our"), headquartered in Clayton, Missouri, is a financial holding company incorporated under Delaware law in December 1994. EFSC is the holding company for Enterprise Bank & Trust, a full-service financial institution offering banking and wealth management services to individuals and corporate customers primarily located in Arizona, California, Kansas, Missouri, Nevada, and New Mexico. Our executive offices are located at 150 North Meramec Avenue, Clayton, Missouri 63105, and our telephone number is (314) 725-5500.

Our stated mission is "Guiding people to a lifetime of financial success." We have established an accompanying corporate vision, "To be a company where our associates are proud to work, that delivers ease of navigation to our customers and value to our investors, while helping our communities flourish." These tenets are fundamental to our business strategies and operations.

Our business objective is to generate attractive shareholder returns by providing comprehensive financial services primarily to privately-held businesses, their owner families, and other success-minded individuals. To achieve these objectives we have developed a business strategy that leverages a focused and relationship-oriented distribution and sales approach, with an emphasis on niche businesses and growing fee income, while maintaining prudent credit and interest rate risk management, appropriate supporting technology, and controlled expense growth. We believe this strategy allows us to maximize organic growth opportunities, which we supplement and enhance through disciplined strategic growth.

As described in greater detail below, the Company offers a broad range of business and personal banking services, including wealth management services provided through Enterprise Trust. Lending services include C&I, CRE, real estate construction and development, residential real estate, SBA, consumer and tax credit-related loan products. A wide variety of deposit products and a complete suite of treasury management and international trade services, along with our tax credit brokerage activities, complement our lending capabilities.

Building long-term client relationships – Our growth strategy is first and foremost 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 other professionals. 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, including advances from the FHLB, and brokered certificates of deposits.

Specialized lending and product niches – We have focused our lending activities in specialty markets where we believe our expertise and experience as a 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:

- Sponsor Finance. We support mid-market company mergers and acquisitions in many domestic markets. We market directly to targeted private equity firms, principally SBICs, and provide primarily senior debt financing to portfolio companies.
- Life Insurance Premium Finance. We specialize in financing whole life insurance premiums utilized in high net worth estate planning, through relationships with boutique estate planners throughout the United States.
- Tax Credit Related Lending. We are a secured lender on affordable housing projects funded through the use of federal and state low income housing tax credits. In addition, we provide leveraged and other loans on projects funded through the U.S. Department of the Treasury Community Development Financial Institution ("CDFI") New Markets Tax Credit Program. In prior years, we were selected to distribute New Markets Tax Credits, and we continue to participate in the application process, as well as serve as a secured lender to other allocatees. In

the third quarter 2021, the Company received a $60.0 million allocation from the New Market Tax Credit Program.

- Tax Credit Brokerage. We acquire 10-year streams of Missouri state tax credits from affordable housing development funds and sell the tax credits to clients and other individuals for tax planning purposes. We also have a minority ownership in a partnership that acquires, invests and sells, state low income housing tax credits. We lend the partnership money with 6 - 12 year terms and receive interest income and fee income when projects close and when credits are sold.
- SBA 7(a). We have a team of experienced bankers in production offices across the country that originate loans through the SBA 7(a) program. These loans are primarily owner-occupied, commercial real estate loans secured by a 1st lien. These loans predominantly have a 75% portion guaranteed by the SBA. By focusing on this specific product type, we have developed an expertise that allows for speed and reliability of execution.

Specialty deposits – In addition to commercial operating accounts for our C&I customers, we offer specialty deposit accounts to customers in certain industries with complex account needs. Our focus areas include community associations, property management, third party escrow, and trust services. In addition, we service deposit accounts for customers in our specialized lending niches, including sponsor finance, tax credit and life insurance premium financing. These accounts are primarily demand accounts and have a low overall interest cost.

Fee income business – We offer a broad range of treasury management products and services that benefit businesses ranging from large national clients to local merchants. Customized solutions and special product bundles are available to clients of all sizes. In response to ever increasing needs for data/information security and functional efficiency, we continue to offer robust cash management systems that employ mobile technology and fraud detection/mitigation services. Enterprise Trust offers a wide range of fiduciary, investment management, and financial advisory services to facilitate our providing these services. We also offer international banking, card services and tax credit businesses that generate fee income.

Use of technology – Our client technology product offerings include, but are not limited to, internet banking, mobile banking, cash management products, remote deposit capture, positive pay services, fraud detection and prevention, automated payables, check image, and statement and document imaging. Additional service offerings currently supported by the Bank include controlled disbursements, repurchase agreements, and sweep investment accounts. Our cash management suite of products blends technology and personal service, which we believe often creates a competitive advantage over our competition. Technology products are also extensively utilized within the organization by associates in all lines of business including operations and support, customer service, and financial reporting for internal management purposes and for external compliance.

Maintaining asset quality – We monitor asset quality through formal, ongoing, multiple-level reviews of loans in each market and specialized lending niche. These reviews are overseen by the Bank'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 – We manage expenses carefully through detailed budgeting and expense approval processes and measurement of the "efficiency ratio". The efficiency ratio is equal to noninterest expense divided by total revenue (net interest income plus noninterest income).

Growth through Acquisitions – Disciplined strategic acquisitions have contributed significantly to the Company's growth and expansion. Most recently, on July 21, 2021, the Company closed its acquisition of First Choice and its wholly-owned bank subsidiary, FCB. First Choice operated eight full service branches in Southern California with total assets of $2.3 billion. The First Choice acquisition strengthened the Company's commercial banking presence in the California market.

On November 12, 2020, the Company closed its acquisition of Seacoast and its wholly-owned bank subsidiary, Seacoast Commerce Bank. Seacoast operated five full-service retail and commercial banking offices in California and Nevada, as well as SBA loan production and deposit production offices in various states. Seacoast had total assets of $1.3 billion. The Seacoast acquisition enhanced the Company's commercial and specialty lending verticals, while enhancing the Company's funding profile with deposit expertise in certain specialty deposit areas.

Competition

The Company and its subsidiaries operate in highly competitive markets. Our geographic markets are served by multiple large financial and bank holding companies with substantial capital resources and lending capacity. We face competition not only from other financial holding companies and commercial banks, but also from credit unions, investment managers, insurers, brokerage firms, financial technology companies, and other providers of financial services and products. Strong competition for deposit and loan products affects the rates of those products, as well as the terms on which they are offered to customers.

Supervision and Regulation

The following is a summary description of the relevant laws, rules, and regulations governing banks and financial holding companies, including the Company. 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 state legislatures where we operate. 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.

The Dodd-Frank Act, by way of example, 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. Some of the changes brought about by the Dodd-Frank Act have been modified by the Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018 (the "Regulatory Relief Act"), signed into law on May 24, 2018.

Legislative and Regulatory Actions in Connection with Global Pandemic. On January 31, 2020, the Secretary of Health and Human Services declared a public health emergency due to the global outbreak of a new strain of coronavirus (COVID-19). On March 13, 2020, the President of the United States proclaimed COVID-19 as a national emergency, following the World Health Organization's categorization of the outbreak as a pandemic. Variants of COVID-19 continue to aggressively spread globally, including throughout the United States. The pandemic and resulting travel bans, closure of non-essential businesses, social distancing measures and government responses across the country have had a profound impact on the global economy, financial markets and how business has been conducted across all industries and have affected many of the Company's customers and clients. To the extent the economic impacts of the pandemic continue for a prolonged period and conditions stagnate or worsen, our provision for credit losses, noninterest income, and profitability may be adversely affected.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law. The CARES Act contains provisions to assist individuals and businesses, including the SBA's Paycheck Protection Program. The PPP provided $349 billion in guaranteed loans that are forgivable if certain requirements are met. Subsequent legislation increased the overall PPP authorization to $813.7 million through the end of the program on May 31, 2021. The CARES Act also provides certain temporary regulatory relief for financial institutions. The act permits financial institutions to temporarily suspend any determination of a loan modified as a result of the effects of the COVID-19 pandemic as being a troubled debt restructuring ("TDR"), including impairment for accounting purposes. We elected to apply the CARES Act relief to certain loan modifications that relate primarily to short-term payment deferrals and have not classified such modifications as TDRs through the end of 2021.

The CARES Act grants potential tax relief and liquidity to businesses, including corporate tax provisions that: temporarily allow for the carryback of net operating losses and remove limitations on the use of loss carryforwards, increase interest expense deduction limitations, and allow accelerated depreciation deductions on certain asset improvements.

On March 11, 2021, the American Rescue Plan of 2021 ("ARA") was signed into law. The ARA provided additional support to the economy through direct support to individuals, families and small businesses.

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 MD&A 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 also is 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 or controls a majority of the board of directors. In certain circumstances, 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 Subsidiary: 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 statute are possible; however, the bank subsidiary support provisions of the statute are fully effective even absent implementing regulations. 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 and Stock Repurchases: From time to time the Company may engage in stock repurchases. The Federal Reserve requires that bank and financial holding companies, where certain conditions are triggered, provide prior notice to, consult with, and in certain circumstances seek the approval of, the Federal Reserve or reserve bank staff prior to implementing a stock repurchase plan.

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.

Dividends, repurchases and redemptions on the Company's capital stock (common and preferred) are prohibited under the terms of the junior subordinated debenture agreements (see Note 11-Subordinated Debentures) if the Company is in continuous default on its payment obligations, has elected to defer interest payments or extends the interest payment period. Furthermore, unless dividends on all outstanding shares of the Series A Preferred Stock for the most recently completed dividend period have been paid or declared, dividends on, and repurchases of, common stock is prohibited.

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.

In 2013, the Federal Reserve, FDIC and OCC approved a final rule to establish a new comprehensive regulatory capital framework for all U.S. banking organizations. This regulatory capital framework, commonly referred to as Basel III, implemented several changes to the U.S. regulatory capital framework required by the Dodd-Frank Act.

The Basel III final rule established a new CET1 requirement and increased the minimum tier 1 capital requirement to 6.0%. In addition, all banking organizations must maintain a CCB 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. The CCB effectively increased 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.

As required by the Basel III final rule, capital instruments such as trust preferred securities and cumulative preferred shares have been phased out of tier 1 capital 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 currently are grandfathered under this provision. However, if the Company has total assets of $15 billion and acquires another bank, or if an acquisition causes the Company to exceed $15 billion in total assets, the trust preferred securities will no longer qualify as Tier 1 instruments (but may be included in tier 2 capital).

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.

The following table summarizes the prompt corrective action categories:

Prompt Corrective Action Category	Total Risk-Based Capital	Tier 1 Risk-Based Capital	Common Equity Tier 1 Risk-Based Capital	Tier 1 Leverage Ratio
Well-capitalized	10.0%	8.0%	6.5%	5.0%
Adequately capitalized	8.0%	6.0%	4.5%	4.0%
Undercapitalized	< 8.0%	< 6.0%	< 4.5%	< 4.0%
Significantly undercapitalized	< 6.0%	< 4.0%	< 3.0%	< 3.0%
Critically undercapitalized	Tangible equity / Total assets ≤ 2.0%			

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, 2021.

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 the CFPB. Depository institutions with more than $10 billion in assets, such as the Bank, are subject to rules promulgated by the CFPB.

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. Any new regulations adopted by the CFPB may significantly impact consumer mortgage lending and servicing.

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. Moreover, 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. 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 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 is required to 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 an outstanding 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. 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. On December 6, 2006, the federal banking regulators issued final guidance to remind financial institutions of the risk posed by CRE lending concentrations. 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, 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. Revisions to the Volcker Rule in 2019, that become effective in 2020, simplifies and streamlines the compliance requirements for banks that do not have significant trading activities. In 2020, the OCC, Federal Reserve, FDIC, SEC and Commodity Futures Trading Commission finalized further amendments to the Volcker Rule. The amendments include new exclusions from the Volcker Rule's general prohibitions on banking entities investing in and sponsoring private equity funds, hedge funds, and certain other investment vehicles (collectively "covered funds"). The amendments in the final rule, which became effective on October 1, 2020, clarify and expand permissible banking activities and relationships under the Volcker Rule.

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 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. Federal Reserve 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.

Human Capital Management

We pride ourselves in creating an open, diverse, and transparent culture that celebrates teamwork and recognizes associates at all levels. We expect and encourage participation and collaboration, and understand that we need each other to be successful. We value accountability because it is essential to our success, and we accept our responsibility to hold ourselves and others accountable for meeting shareholder commitments and achieving exceptional standards of performance. We also believe in supporting our associates to achieve a work/life balance.

Attracting and Retaining Talent. Our goal is to offer careers to our associates; not just jobs. At December 31, 2021, we employed 1,032 regular full-time and 43 part-time associates. We also employ a small number of seasonal/temporary associates and occasionally hire independent contractors for specific projects that require a highly specialized skill set or to provide additional resources during peak times, as needed.

Our performance measures and compensation determinations are designed to ensure the proper balance of risk and reward. Performance evaluations facilitate our ongoing assessment of associates' skills and improvements as needed. We use annual talent reviews to identify high performing associates and future potential leaders, provide insight into critical development needs and retention risks, and identify business-critical talent needs, including anticipated workforce planning challenges. Additionally, we have established succession plans to ensure continuation of critical roles and operations.

We are committed to offering a competitive total compensation package. We regularly compare compensation and benefits with peer companies and market data, making adjustments as needed to ensure compensation stays competitive. In 2021, we raised our internal minimum wage to $16 per hour to maintain a competitive total rewards package that attracts and retains top talent. This decision was made after extensive research, including reviewing the current market landscape both inside and outside of banking and financial services, and with feedback from leadership.

We also offer a wide array of benefits for our associates and their families including 401(k), medical, dental and vision benefits as well as life insurance and short-term disability for all full-time associates. Our wellness program is designed to help associates avoid illness while improving and maintaining their general health. The program offers financial rewards to associates who adopt healthy habits and participate in wellness education and health screens. Annual health screenings are provided to all associates at no charge.

Soliciting Feedback. We conduct associate surveys to ensure that we understand what is important to our associates, including their opinions on a variety of topics. We have made changes as a result of the survey results including the adoption of a volunteer time-off policy and improvements to internal communication processes. Our efforts are being recognized. For the past four years, the Bank has been included in the "Best Banks to Work for" by *American Banker* magazine for our dedication to employee satisfaction.

In late 2021, we conducted a survey specifically directed at gaining a better understanding of our culture and our associates' experiences. We believe this is especially important to understand as we have grown into new markets and welcomed new associates. The survey was designed to give management insight into our culture's strengths and opportunities. Additionally, we utilize small group setting programs, where management regularly meets with associates across the organization for informal discussion and open forum on topics that are top of mind for the attendees. Through our continued use of surveys and other forms of collecting associate feedback, we can continue to understand, grow and enhance our culture to facilitate a 'best place to work' environment. Eighty-two percent of our associates responded to the culture survey.

Diversity, Equity & Inclusion. We believe that diversity of thought and experiences results in better outcomes and empowers our associates to make more meaningful contributions within our company and communities. We continue to learn and grow, and our current initiatives reflect our ongoing efforts around a more diverse, inclusive and equitable workplace.

Our Diversity, Equity & Inclusion Leadership Council and our Black Heritage Connections Group — are tasked with making recommendations on specific steps we can take to ensure we are driving positive change in our communities. In addition, we have several associate development programs that help to create a more inclusive environment by giving associates and other individuals of all backgrounds additional opportunities to succeed and contribute. These programs include:

- Career Acceleration Program - This trainee program allows participants to experience a wide range of assignments by rotating through the various product partners and operational areas of the Company. Upon successful completion of the program, the associate is placed in a role that aligns with their strengths and talents and helps meet the needs of our organization.
- Gateway to a Banking Career - This program provides training for jobs as tellers and customer service representatives, job interview practice and job placement assistance. It is a joint effort with two other St. Louis-based financial institutions. Upon successful completion of the program, participants receive a small stipend and are guaranteed an interview with one of the program sponsors.
- Empower & Enlighten - This program pairs our senior leaders with mid-level women and minority associates in order to foster an environment of mutual understanding, to remove generational boundaries and implicit biases, and to build the bridges that connect people to opportunity.
- Business Resource Groups - These groups bring together associates with a shared identity, interest or goal to create community and opportunities for improvement and engagement.

We track the representation of women and underrepresented minorities because we believe that diversity helps us build more effective teams and improve our client experience, leading to greater success for the Company and our shareholders. Our diversity data is monitored by the Board. We have made progress in this area, but continue to strive to further diversify our workforce and strengthen our culture of inclusion.

Focusing on a Safe and Healthy Workplace. We value our associates and are committed to providing a safe and healthy workplace. Our formal Health & Safety (HS) Policy mandates all tasks be conducted in a safe and efficient manner and comply with all local, state and federal health and safety regulations, and special safety concerns. The HS Policy encompasses all facilities and operations and addresses on-site emergencies, injuries and illnesses, evacuation procedures, cell phone usage and general safety rules.

Our priority throughout the COVID-19 pandemic is to protect the health and safety of associates and clients while remaining operational. We are abiding by federal, state and local governmental guidelines as we balance public health concerns with the needs of our business. We continue to follow our Business Continuity Plan and Pandemic Plan and have been able to successfully navigate the pandemic with no significant interruptions.

Available Information

Various reports provided to the SEC, including our annual reports, quarterly reports, current reports, proxy statements, and amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on our website at www.enterprisebank.com under the “Investor Relations” link. 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. All website addresses given in this document are for information only and are not intended to be an active link or to incorporate any website information into this document.

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 the Pandemic

The global coronavirus (COVID-19) pandemic has led, and continues to lead, to periods of significant volatility in financial, commodities and other markets and could harm our business and results of operations.

Given the ongoing and dynamic nature of the coronavirus (COVID-19) pandemic, it is difficult to predict the impact of the pandemic on our business, and there is no guarantee that our efforts to address or mitigate the adverse impacts of the COVID-19 pandemic will be effective in the future. The impact to date has included periods of significant volatility in financial, commodities and other markets. This volatility, if it continues, could have an adverse impact on our customers and on our business, financial condition and results of operations as well as our growth strategy.

Our business is dependent upon the willingness and ability of our customers to conduct banking and other financial transactions. The spread of COVID-19 has caused and could continue to cause severe disruptions in the U.S. economy at large, and has resulted and may continue to result in disruptions to our customers' businesses, and a decrease in consumer confidence and business generally. In addition, actions by US federal, state and local governments to address the pandemic, including travel bans, stay-at-home orders and school, business and entertainment venue closures, have had and may continue to have a significant adverse effect on our customers and the markets in which we conduct our business. The extent of further impacts resulting from the COVID-19 pandemic and other events beyond our control will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the COVID-19 pandemic and actions taken to contain the COVID-19 or its impact, among others.

Disruptions to our customers could result in increased risk of delinquencies, defaults, foreclosures and losses on our loans as well as declines in wealth management revenues. The escalation of the pandemic may also negatively impact regional economic conditions for a period of time, resulting in declines in local loan demand, liquidity of loan guarantors, loan collateral (particularly in real estate), loan originations and deposit availability. If the global response to contain COVID-19 escalates or is unsuccessful, we could experience a material adverse effect on our business, financial condition, results of operations and cash flows.

The Company has implemented restrictions on employee business travel, conversion of in-person meetings to virtual, and a work-from-home mandate. The Company has also worked with its customers to implement appropriate loan deferral strategies in certain circumstances. These actions in response to the COVID-19 pandemic, and similar actions by our vendors and business partners, have not materially impaired our ability to support our employees, conduct our business and serve our customers, but there is no assurance these actions will be sufficient to successfully mitigate the risks presented by COVID-19 or that our ability to operate will not be materially affected going forward. For instance, our business operations may be disrupted if key personnel or significant portions of our employees are unable to work effectively, including because of illness, quarantines, government actions, or other restrictions in connection with the COVID-19 pandemic. Similarly, if any of our vendors or business partners become unable to continue to provide their products and services, which we rely upon to maintain our day-to-day operations, our ability to serve our customers could be impacted.

Unpredictable future developments related to or resulting from the COVID-19 pandemic could materially and adversely affect our business and results of operations.

Because there have been no comparable recent global pandemics that resulted in similar global impact, we do not yet know the full extent of the COVID-19 pandemic's effects on our business, operations, or the global economy as a whole. Any future development will be highly uncertain and cannot be predicted, including the scope and duration of the pandemic, the effectiveness of our work from home arrangements, third party providers' ability to support our operation, increases in inflation or interest rates, labor shortages, supply chain disruptions and any actions taken by governmental authorities and other third parties in response to the pandemic. We are continuing to monitor the COVID-19 pandemic and related risks, although the rapid development and fluidity of the situation precludes any specific prediction as to its ultimate impact on us. However, if the COVID-19 outbreak continues to spread or otherwise results in a continuation or worsening of the current economic and commercial environments, our business, financial condition, results of operations and cash flows as well as our regulatory capital and liquidity ratios could be materially adversely affected and many of the risks described in this Annual Report on Form 10-K may be heightened.

Risks Relating to Economic and Market Conditions

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

Recessionary conditions and/or negative developments in the domestic and international credit markets may significantly affect the markets in which we do business, the value of our loans and investments, and our ongoing operations and profitability. 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. 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.

We face potential risk from changes in governmental monetary policies.

The Company'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 Company cannot predict the nature or impact of future changes in monetary and fiscal policies.

Legal, Regulatory and Tax Risks

Our participation in the SBA PPP loan program exposes us to risks related to noncompliance with the PPP, as well as litigation risk related to our administration of the PPP loan program, which could have a material adverse impact on our business, financial condition and results of operations.

The Company is a participating lender in the PPP, a loan program administered through the SBA, that was created to help eligible businesses, organizations and self-employed persons fund their operational costs during the COVID-19 pandemic. Under this program, the SBA guarantees 100% of the amounts loaned under the PPP. The PPP opened on April 3, 2020 and expired on May 31, 2021; however, because of the short window between the passing of the CARES Act and the initial opening of the PPP, there is some ambiguity in the laws, rules and guidance regarding the operation of the PPP, which exposes the Company to risks relating to noncompliance with the PPP. For instance, other financial institutions have experienced litigation related to their process and procedures used in processing applications for the PPP. Any financial liability, litigation costs or reputational damage caused by PPP related litigation could have a material adverse impact on our business, financial condition and results of operations. In addition, the Company may be exposed to credit risk on PPP loans if a determination is made by the SBA that there is a deficiency in the manner in which the loan was originated, funded, or serviced. If a deficiency is identified, the SBA may deny its liability under the guaranty, reduce the amount of the guaranty, or, if it has already paid under the guaranty, seek recovery of any loss related to the deficiency from the Company.

SBA lending is an important part of our business. Our SBA lending program is dependent upon the U.S. federal government, and we face specific risks associated with originating SBA loans.

Our SBA lending program is dependent upon the U.S. federal government. As an approved participant in the SBA Preferred Lender's Program (a "Preferred Lender"), we enable our clients to obtain SBA loans without being subject to the potentially lengthy SBA approval process necessary for lenders that are not Preferred Lenders. The SBA periodically reviews the lending operations of participating lenders to assess, among other things, whether the lender exhibits prudent risk management. When weaknesses are identified, the SBA may request corrective actions or impose enforcement actions, including revocation of the Preferred Lender status. If we lose our status as a Preferred Lender, we may lose some or all of our customers to lenders who are Preferred Lenders, and as a result we could experience a material adverse effect to our financial results. Any changes to the SBA program, including but not limited to changes to the level of guarantee provided by the federal government on SBA loans, changes to program-specific rules impacting volume eligibility under the guaranty program, as well as changes to the program amounts authorized by Congress, may also have a material adverse effect on our business. In addition, any default by the U.S. government on its obligations or any prolonged government shutdown could, among other things, impede our ability to originate SBA loans or sell such loans in the secondary market, which could materially adversely affect our business, results of operations, and financial condition. When we originate SBA loans, we incur credit risk on the non-guaranteed portion of the loans, and if a customer defaults on a loan, we share any loss and recovery related to the loan pro-rata with the SBA. If the SBA establishes that a loss on an SBA guaranteed loan is attributable to significant technical deficiencies in the way the loan was originated, funded, or serviced by us, the SBA may seek recovery of the principal loss related to the deficiency.

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, rather than shareholders. 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.

We are subject to numerous laws designed to protect consumers, including the CRA and fair lending laws, and failure to comply with these laws could lead to a wide variety of sanctions.
The CRA, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The CFPB, the U.S. 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 CRA 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 are subject to compliance with the Bank Secrecy Act and other anti-money laundering statutes and regulations, and failure to comply with these laws could lead to a wide variety of sanctions.
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, CFPB, 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.

If the Company or the Bank incur 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 Board, 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.

Financial Risks

Our allowance for credit losses may not be adequate to cover actual loan losses.
We maintain an allowance for credit losses, which is a reserve established through a provision for credit 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 credit losses and risks inherent in the loan portfolio. We continue to monitor the adequacy of our loan credit allowance and may need to increase it if economic conditions deteriorate. In addition, bank regulatory agencies periodically review our allowance for credit losses and may require an increase in the provision for credit 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 credit loss provisions to increase the allowance for loan losses. Additional provisions to increase the allowance for credit 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.

Increased regulatory oversight, changes in the method of determining LIBOR and the phase-out of LIBOR after 2021 may adversely affect the results of our operations.
On December 31, 2021, the United Kingdom's Financial Conduct Authority ("FCA"), which regulates the LIBOR, ceased issuance of 24 of the 35 LIBOR settings. Five U.S. dollar settings (overnight, 1-month, 3-month, 6-month and 1-year) will continue to be published using panel bank issuances through June 2023. However, new contracts indexed to LIBOR are prohibited after December 31, 2021. In the United States, efforts to identify a set of alternative U.S. dollar reference interest rates are ongoing, and the Alternative Reference Rate Committee ("ARRC") has recommended the use of SOFR, which is different from LIBOR in that it is a backward looking secured rate rather than a forward looking unsecured rate. These differences could lead to a greater disconnect between our costs to raise funds for SOFR as compared to LIBOR. For cash products and loans, the ARRC has also recommended Term SOFR, which is a forward looking SOFR based on SOFR futures and may in part reduce differences between SOFR and LIBOR.

Successor or replacement interest rates to LIBOR may perform differently and we may incur significant costs to transition both our borrowing arrangements and the loan agreements with our customers from LIBOR, which may have an adverse effect on our results of operations. The Company has not yet selected a replacement index, but has begun issuing loans using SOFR published by the Federal Reserve Bank of New York. The Company has material contracts that are indexed to LIBOR. The full impact of alternatives to LIBOR on the valuations, pricing and operation of our financial instruments is not yet known.

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. Our assets and liabilities may react differently to changes in overall interest rates or conditions. 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 may not be able to maintain our historical rate of growth or profitability, 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 incur impairments to goodwill.
As of December 31, 2021, we had $365 million recorded as goodwill. 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 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 our 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.

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 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/or spread, and instability and other factors impacting 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.

We 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 includes 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, and (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. If the value of homes were to 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.

Credit and Liquidity Risks

Our loan and deposit portfolios are in certain markets which could result in increased concentration risk.

A majority of our loans are to businesses and individuals in the St. Louis, Kansas City, Phoenix, Los Alamos, Albuquerque, Santa Fe, Los Angeles, San Diego, and Las Vegas metropolitan areas. These loans are funded by deposits in the same 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 commercial loans include loans 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 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, the state-specific foreclosure laws of the jurisdictions in which our real estate collateral is located may hinder our ability to timely or fully recover on defaulted loans secured by property in certain states. For example, some states in which our collateral is located are judicial foreclosure states. In judicial foreclosure states, all foreclosures must be processed through the court system. Due to this process, it may take up to a year or longer to foreclose on real estate collateral located in those states. Our ability to recover on defaulted loans secured by property in those states may be delayed and our recovery efforts are lengthened due to this process. In addition, other states have anti-deficiency statutes with regards to certain types of residential mortgage loans. Our ability to recover on defaulted loans secured by residential mortgages in anti-deficiency statute states may be limited to the fair value of the real estate securing the loan at the time of foreclosure.

Our commercial and industrial loans and sponsor finance loans 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 experience significant losses.

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; 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 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.

Our construction and land development loans are based upon estimates of costs and value associated with the completed project. These estimates may be inaccurate and we may be exposed to more losses on these projects than on other loans.

Construction, land acquisition and development lending involves additional risks because funds are advanced based upon the projected value of the project, which is inherently uncertain prior to the project's completion. Because of the uncertainties inherent in estimating construction costs, as well as the fair value of the completed project and the effects of governmental regulation of real property and the general effects of the national and local economies, it is relatively difficult to evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. As a result, construction loans often involve the disbursement of substantial funds with repayment dependent, in part, on the success of the ultimate project and the ability of the borrower to sell or lease the property, rather than the ability of the borrower or guarantor to repay principal and interest. If our appraisal of the value of the completed project proves to be overstated, we may have inadequate security for the repayment of the loan upon completion of construction of the project. If we are forced to foreclose on a project prior to or at completion due to a default, there can be no assurance that we will be able to recover all of the unpaid balance of, and accrued interest on, the loan or the related foreclosure, sale and holding costs. In addition, we may be required to fund additional amounts to complete the project and may have to hold the property for an unspecified period of time. If any of these events occur, our financial condition, results of operations and cash flows could be materially and adversely affected.

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 may 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.

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 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 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 these properties.

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 have previously been 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 CRA. These developments could have a material adverse impact on our reputation, business, financial condition, results of operations and liquidity.

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 liquidity 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 to 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.

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 interest rates to maintain or replace these deposits could adversely affect our net interest margin and results of operations.

By engaging in derivative transactions, we are exposed to additional credit and market risk in our banking business.
We 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. The Company does not enter into derivative financial instruments for trading purposes. 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.

Competitive and Reputational Risks

The loss of any of our executive officers or other key employees, or the inability to recruit highly skilled and other key employees, may adversely affect our operations.

The Company believes that its growth and continued success will depend in large part on its executive team and other key employees. The loss of any of our executive officers or other key employees, the failure to successfully transition key roles, or the inability to hire, train, retain, and manage qualified personnel, could have a material adverse effect on our business strategy, financial condition, results of operations and cash flows.

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, technology 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 we are 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, including technological innovations to those 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.

Technology is continually changing and we must effectively implement new innovations in providing services to our customers.

The financial services industry is undergoing rapid technological changes with frequent innovations in technology-driven products and services. In addition to better serving customers, the effective use of technology increases our efficiency and enables us to reduce costs. Our future success will depend, in part, upon our ability to address the needs of our customers using innovative methods, processes and technology to provide products and services that will satisfy customer demands for convenience as well as to create additional efficiencies in our operations as we continue to grow and expand our market areas. Many national vendors provide turn-key services to community banks, such as Internet banking and remote deposit capture, that allow smaller banks to compete with institutions that have substantially greater resources to invest in technological improvements. We may not be able, however, to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers.

Costs and levels of deposits are affected by competition that could increase our funding costs or liquidity risk.
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.

Acquisition Risks
We have engaged in and may continue to engage in 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 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; and/or
- potential changes in banking or tax laws or regulations that may affect the target company.

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. In addition to the risks noted above, potential acquisitions may incur additional costs for diligence or break-up fees, even if the transaction is not consummated.

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

As we expand outside our current markets, we may encounter additional risks that may adversely affect us.
We are headquartered in Missouri, but have branch locations in the Kansas City, Phoenix, Los Angeles, and San Diego metropolitan areas, as well as Northern New Mexico and Nevada. Over time, we may acquire or open locations in other parts of the United States as well. In the course of these expansion activities, we may encounter significant risks, including unfamiliarity with the characteristics and business dynamics of new markets, increased marketing and administrative expenses and operational difficulties arising from our efforts to attract business in new markets, manage operations in noncontiguous geographic markets, comply with local laws and regulations and effectively and consistently manage personnel and business outside of the State of Missouri. If we are unable to manage these risks, our operations may be materially and adversely affected.

Technology and Cybersecurity Risks
A failure in or breach, or the inability to recognize a potential 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 and perform ongoing monitoring, 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.

Risks Relating to Our Common Stock and Depositary Shares
The price of our common stock and depositary shares may be volatile or may decline.
The trading price of our common stock and depositary shares 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 or depositary shares when you want and at prices you find attractive.

Our stock price and the price of our depositary shares 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 shareholders;
- 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 and depositary shares may be volatile. In addition, the trading volume in our common stock and depositary shares may fluctuate more than usual and cause significant price variations to occur. The trading price of the shares of our common stock and our depositary shares 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 or depositary share prices could result in substantial losses for individual shareholders and could lead to costly and disruptive securities litigation.

The trading volume in our common stock and depositary shares is less than that of other larger financial institutions.
Although our common stock and depositary shares are listed for trading on the Nasdaq Global Select Market, 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 or depositary shares at any given time, a factor over which we have no control. During any period of lower trading volume of our common stock or depositary shares, significant sales of shares of our common stock or depositary shares or the expectation of these sales could cause our common stock or depositary shares price to fall.

An investment in our common stock or depositary shares is not insured and you could lose the value of your entire investment.
An investment in our common stock or depositary shares 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 or depositary shares, 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 liquidity requirements. 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 Board 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 or preferred 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 or our outstanding preferred stock.
Holders of our common stock and depositary shares are entitled to receive dividends only when, as and if declared by the Board of Directors. Although we have historically paid cash dividends, we are not required to do so.

Our outstanding preferred stock and debt securities, including debt securities related to our trust preferred securities, restrict our ability to pay dividends on our capital stock.
We have outstanding preferred stock and subordinated debentures issued to statutory trust subsidiaries, which have issued and sold preferred securities in the Trusts to investors. These instruments prohibit the payment of dividends on our common stock in certain situations. See "Item 1. Business - Supervision and Regulation - Financial Holding Company - Dividend Restrictions and Share Repurchases" for additional information.

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 preferred stock or subordinated debentures, the market price of our common stock could be materially or adversely affected.

Anti-takeover provisions could negatively impact our shareholders.
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 shareholders 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 shareholders. 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.

General Risk Factors

Climate-related Risk
Political and social attention to the issue of climate change has increased. Federal and state legislatures and regulatory agencies continue to propose and advance numerous legislative and regulatory initiatives seeking to mitigate the effects of climate change. As a financial institution, it is unclear how future government regulations and shifts in business trends resulting from increased concern about climate change will affect our operations; however, natural or man-made disasters and severe weather events may cause operational disruptions and damage to both our properties and properties securing our loans. Losses resulting from these disasters and severe weather events may make it more difficult for borrowers to timely repay their loans. If these events occur, we may experience a decrease in the value of our loan portfolio and our revenue, and may incur additional operational expenses, each of which could have a material adverse effect on our financial condition and results of operations.

With the increased importance and focus on climate change, we are making efforts to enhance our governance of climate change-related risks and integrate climate considerations into our risk governance framework. Nonetheless, the risks associated with climate change are rapidly changing and evolving in an escalating fashion, making them difficult to assess due to limited data and other uncertainties. We could experience increased expenses resulting from strategic planning, litigation, and technology and market changes, and reputational harm as a result of negative public sentiment, regulatory scrutiny, and reduced investor and stakeholder confidence due to our response to climate change and our climate change strategy, which, in turn, could have a material negative impact on our business, results of operations, and financial condition.

ITEM 1B: UNRESOLVED STAFF COMMENTS

None.

ITEM 2: PROPERTIES

Our executive offices are located at 150 North Meramec Avenue, Clayton, Missouri, 63105. As of December 31, 2021, we had banking locations and administrative offices throughout our market areas of Arizona, California, Kansas, Missouri, Nevada, and New Mexico. Additionally, the Company has a limited network of SBA loan production offices and deposit production offices in various states. We own or lease our facilities and believe all of our properties are in good condition to meet our business needs.

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 legal proceedings pending or threatened against the Company or its subsidiaries in the ordinary course of business, directly, indirectly, or in the aggregate that, 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.

For more information on our legal proceedings, see “Item 8. Note 14 – Litigation and Other Contingencies” in this report.

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

Market for Our Common Stock

The Company’s common stock trades on the Nasdaq Global Select Market under the symbol “EFSC.” As of February 24, 2022, the Company had 1,776 registered shareholders of common stock. 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.

Dividends

The Company paid quarterly cash dividends in 2021 and 2020 and anticipates continuing to pay comparable dividends. Total dividends paid were $0.75 in 2021 and $0.72 in 2020. However, we have no obligation to pay dividends and we may change our dividend policy at any time without notice to our shareholders.

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 and Share Repurchases.” 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.

Recent Sales of Unregistered Securities and Use of Proceeds

None.

Issuer Purchases of Equity Securities

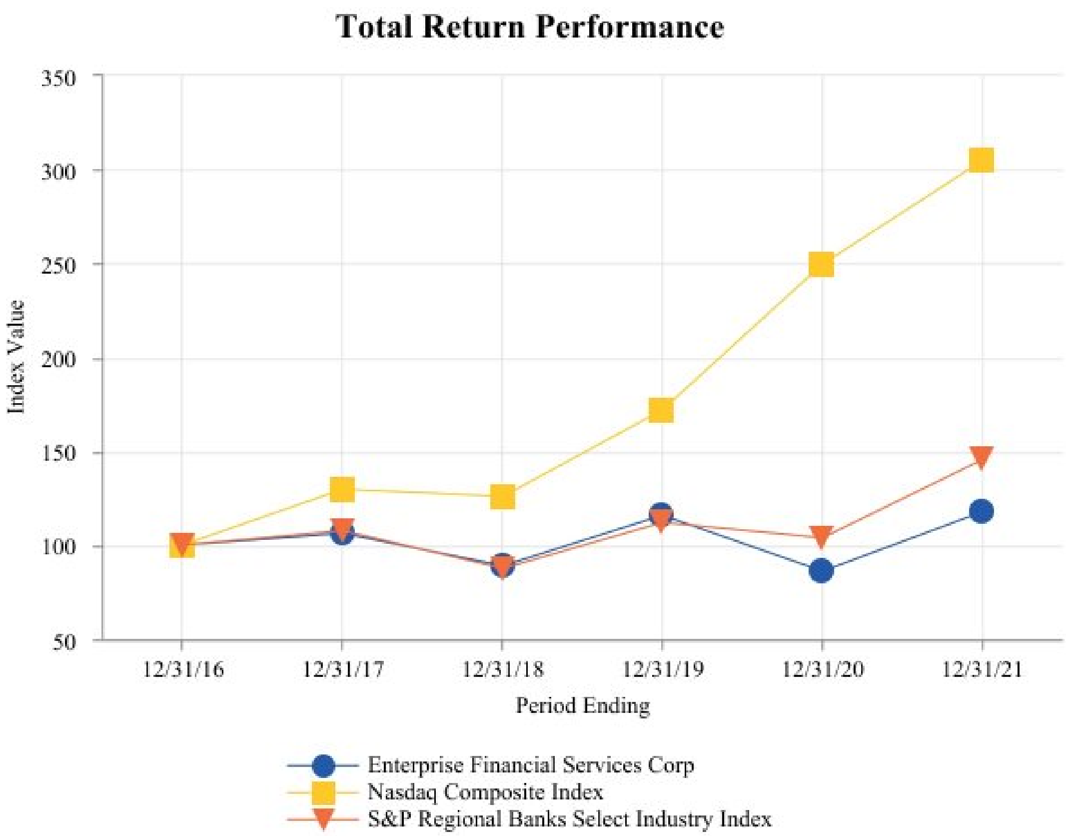
Period	Total number of shares purchased	Weighted-average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (a)	Maximum number of shares that may yet be purchased under the plans or programs (a)
October 1 - 31, 2021	—	$ —	—	1,277,951
November 1- 30, 2021	192,398	47.44	192,398	1,085,553
December 1- 31, 2021	385,080	47.76	385,080	700,473
Total	577,478	$ 47.65	577,478	

(a) In April 2021, 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 from time to time in the open market or through privately negotiated transactions.

Stock Performance Graph

The following graph compares the cumulative total shareholder return on the Company's common stock from December 31, 2016 through December 31, 2021. The graph compares the Company's common stock with the Nasdaq Composite Index (U.S. companies) and the S&P Regional Banks Select Industry Index, which is a new index in 2021. Prior to 2021, the Company used the SNL Bank $5B-$10B Index, which has not been included in the performance graph due to its retirement in August 2021.

The graph assumes an investment of $100.00 in the Company's common stock and each index at the respective closing price on December 31, 2016 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	2016	2017	2018	2019	2020	2021
Enterprise Financial Services Corp	$ 100.00	$ 106.10	$ 89.28	$ 116.05	$ 86.18	$ 117.97
Nasdaq Composite Index	$ 100.00	$ 129.64	$ 125.96	$ 172.18	$ 249.51	$ 304.85
S&P Regional Banks Select Industry Index	$ 100.00	$ 107.95	$ 87.69	$ 111.92	$ 103.98	$ 145.47

*Source: S&P Global Market Intelligence. Used with permission. All rights reserved.

ITEM 6: [RESERVED]

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 by focusing on changes in certain key measures from year to year. It should be read in conjunction with the Consolidated Financial Statements and related Notes contained in "Item 8. Financial Statements and Supplementary Data," and other financial data presented elsewhere in this report, particularly the information regarding the Company's business operations described in Item 1. A detailed discussion comparing 2020 and 2019 results is incorporated herein by reference to Item 7 of the Company's 2020 Annual Report on Form 10-K filed on February 19, 2021.

Executive Summary

Our Company offers a broad range of business and personal banking services including wealth management services. Lending services include commercial and industrial, commercial real estate, real estate construction and development, residential real estate, specialty, and other 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. The Company's results of operations are also affected by prevailing economic conditions, competition, government policies and other actions of regulatory agencies.

The Company's financial condition, operating results and liquidity in 2020 and 2021 were impacted by COVID-19 and the monetary and fiscal policy changes enacted to address the pandemic. Starting in 2020, the Federal Reserve reduced interest rates and reserve requirements, while also increasing quantitative easing through purchases of Treasuries and agency mortgage-backed securities. The federal government's fiscal support of the economy through the Cares Act, the ARA and other acts have been highly expansionary. Low interest rates, supply chain disruptions and monetary and fiscal policies contributed to higher inflation in 2021, leading the Federal Reserve to begin tapering its quantitative easing in November 2021.

The following table summarizes the significant components of the First Choice and Seacoast transactions at the date of acquisition. See "Item 8. Note 2 – Acquisitions" for more information.

($ in thousands)		First Choice July 21, 2021		Seacoast November 12, 2020
Loans, net	$	1,936,137	$	1,190,441
Securities		34,489		—
Total assets acquired		2,248,062		1,312,037
Deposits		1,840,429		1,081,006
Total liabilities assumed		2,006,857		1,193,595
Consideration paid:				
Cash	$	2,152	$	1,630
Common stock[1]		343,650		167,035
Total consideration paid	$	345,802	$	168,665

[1]Common stock consideration for First Choice was $342,280, net of $1,370 for shares withheld on the settlement of share-based awards of First Choice employees.

Financial Performance Highlights

Below are highlights of our financial performance for the years ended December 31, 2021, 2020 and 2019.

($ in thousands, except per share data)	Year ended December 31, 2021	2020	2019
EARNINGS			
Total interest income	$ 383,230	$ 304,779	$ 305,134
Total interest expense	23,036	34,778	66,417
Net interest income	360,194	270,001	238,717
Provision for credit losses	13,385	65,398	6,372
Net interest income after provision for loan losses	346,809	204,603	232,345
Total noninterest income	67,743	54,503	49,176
Total noninterest expense	245,919	167,159	165,485
Income before income tax expense	168,633	91,947	116,036
Income tax expense	35,578	17,563	23,297
Net income	$ 133,055	$ 74,384	$ 92,739
Basic earnings per share	$ 3.86	$ 2.76	$ 3.56
Diluted earnings per share	$ 3.86	$ 2.76	$ 3.55
Return on average assets	1.16 %	0.90 %	1.35 %
Return on average common equity	10.49 %	8.24 %	11.66 %
Return on average tangible common equity[1]	14.18 %	11.23 %	16.08 %
Net interest margin (fully tax equivalent)	3.41 %	3.56 %	3.80 %
Efficiency ratio	57.47 %	51.51 %	57.48 %
Core efficiency ratio[1]	51.61 %	50.96 %	52.36 %
Dividend payout ratio	19.66 %	26.61 %	17.87 %
Book value per common share	$ 38.53	$ 34.57	$ 32.67
Tangible book value per common share[1]	$ 28.28	$ 25.48	$ 23.76
Average common equity to average assets	11.14 %	10.94 %	11.54 %
Tangible common equity to tangible assets[1]	8.13 %	8.40 %	8.89 %

	At or for the year ended December 31, 2021	2020	2019
ASSET QUALITY			
Net charge-offs	$ 11,629	$ 1,907	$ 6,410
Nonperforming loans	28,024	38,507	26,425
Classified assets	100,797	123,808	85,897
Nonperforming loans to total loans	0.31 %	0.53 %	0.50 %
Nonperforming assets to total assets	0.23 %	0.45 %	0.45 %
Allowance for loan losses to total loans	1.61 %	1.89 %	0.81 %
Net charge-offs to average loans	0.14 %	0.03 %	0.13 %

[1]Non-GAAP measures. 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 2021:

- The Company reported net income of $133.1 million, or $3.86 per diluted share for 2021, compared to $74.4 million, or $2.76 per diluted share for 2020. In addition to organic growth, contributing to the increase in net income was a full year of Seacoast operations and a partial year of First Choice operations. Net income also benefited from a reduction in the provision for credit losses of $52.0 million in 2021 compared to 2020, which was partially offset by a $17.9 million increase in merger-related expenses. Acquisition related provision for credit losses of $25.4 million and $8.6 million in 2021 and 2020, respectively, were included in the provision for credit losses. This expense, commonly referred to as the "CECL double-count", is recognized when a loan portfolio is acquired. Excluding the CECL double-count, the provision for credit losses decreased in 2021 primarily due to strong credit quality, the forward-looking CECL methodology and the improved outlook for forecasted economic factors compared to 2020.

- Net interest income for 2021 totaled $360.2 million, an increase of $90.2 million, or 33%, compared to $270.0 million for 2020. PPP interest and fee income totaled $27.3 million and $19.6 million in 2021 and 2020, respectively. The First Choice acquisition added $37.9 million and the Company benefited from a full year of Seacoast operations in 2021 compared to a partial year in 2020. Organic growth in the loan portfolio also contributed to the current year increase in net interest income.

- Net interest margin decreased 15 basis points to 3.41% during 2021, compared to 3.56% in 2020. The decrease was primarily due to an increase in liquidity from deposit growth. Average interest-bearing cash accounts of $1.1 billion had a yield of 0.14% in 2021, compared to $228.8 million at a yield of 0.27% in 2020.
- Noninterest income increased $13.2 million, or 24%, to $67.7 million in 2021 compared to $54.5 million in 2020. This improvement was primarily due to organic growth and the acquisitions of Seacoast and First Choice.

- Noninterest expenses totaled $245.9 million for 2021, an increase of $78.8 million , or 47%, compared to 2020. Seacoast and First Choice increased noninterest expense $51.2 million in 2021 compared to 2020, in addition to a $17.9 million increase in merger-related expenses year-over-year. The Company's efficiency ratio was 57.5% in 2021, compared to 51.5% for the prior year. The increase in 2021 was primarily due to merger-related expenses. The Company's core efficiency ratio[1] was relatively stable at 51.6% in 2021, compared to 51.0% for the prior year.

- The Company's effective tax rate was 21.1% in 2021 compared to 19.1% in 2020. The higher rate in 2021 primarily resulted from higher pre-tax income and the Company's expanded geographic footprint and the related state apportionment.

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

2021 Significant Transactions

During 2021, we announced the following significant transactions:

- On July 21, 2021, the Company announced the completion of its acquisition of First Choice, a commercial bank based in Los Angeles, CA, with $2.3 billion in assets. The overall transaction had a value of $346 million.

- Continued supporting customers through PPP, lending an additional $341 million of PPP loans.

- The Company announced the closing of five branch locations in California and St. Louis. A lease and fixed asset impairment charge of $3.8 million was recognized, including $0.4 million reported in merger-related expenses. The Company expects to realize annual cost savings of approximately $2.3 million related to these closures.

- The Company redeemed $50.0 million of 4.75% fixed-to-floating rate subordinated notes.

- The Company issued and sold 3,000,000 depositary shares, each representing 1/40th interest in a share of 5% noncumulative, perpetual preferred stock totaling $72.0 million, net of issuance costs.

- The Company repurchased 1,299,527 of its common shares at a weighted-average share price of $46.62. At December 31, 2021, there were 700,473 shares remaining to be purchased under the existing share repurchase plan.

- Dividends paid in 2021 of $0.75 per share increased $0.03 per share, or 4%, compared to $0.72 per share in 2020.

2020 Significant Transactions
During 2020, we announced the following significant transactions:

- On November 12, 2020, the Company announced the completion of its acquisition of Seacoast which operated five full-service retail and commercial banking offices in California and Nevada as well as SBA loan production offices and deposit production offices in various states. Aggregate consideration at closing was 5.0 million shares of Company common stock to Seacoast shareholders. The overall transaction had a value of $169 million.

- Assisted new and existing customers with navigating and accessing PPP loans through the approval of approximately 3,900 loans totaling $859 million.

- In May 2020, the Company issued $63.3 million of 5.75% fixed-to-floating rate subordinated notes due in 2030. The notes are callable beginning in 2025 and are included in tier 2 capital.

- The Company repurchased 456,251 of its common shares at a weighted-average share price of $33.64.

- Dividends paid in 2020 of $0.72 per share increased $0.10 per share, or 16%, compared to $0.62 per share in 2019.

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. Average balances are presented on a daily average basis.

	Year ended December 31,								
	2021			2020			2019		
($ 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:									
Loans[1, 2]	$ 8,055,873	$ 349,112	4.33 %	$ 6,071,496	$ 270,673	4.46 %	$ 5,018,568	$ 269,864	5.38 %
Taxable securities	908,189	19,305	2.13	1,016,100	25,524	2.51	1,064,913	30,085	2.83
Non-taxable securities[2]	659,804	18,468	2.80	350,501	11,151	3.18	131,161	4,668	3.56
Total securities	1,567,993	37,773	2.41	1,366,601	36,675	2.68	1,196,074	34,753	2.91
Interest-earning deposits	1,084,853	1,496	0.14	228,760	620	0.27	107,433	2,128	1.98
Total interest-earning assets	10,708,719	388,381	3.63	7,666,857	307,968	4.02	6,322,075	306,745	4.85
Noninterest-earning assets	758,591			587,057			572,216		
Total assets	$ 11,467,310			$ 8,253,914			$ 6,894,291		
Liabilities and Shareholders' Equity									
Interest-bearing liabilities:									
Interest-bearing demand accounts	$ 2,122,752	$ 1,614	0.08 %	$ 1,494,364	$ 2,101	0.14 %	$ 1,286,641	$ 7,592	0.59 %
Money market accounts	2,557,836	4,669	0.18	1,977,826	7,754	0.39	1,608,349	26,267	1.63
Savings accounts	724,768	225	0.03	589,832	279	0.05	489,310	841	0.17
Certificates of deposit	570,496	4,160	0.73	676,889	10,915	1.61	799,079	15,156	1.90
Total interest-bearing deposits	5,975,852	10,668	0.18	4,738,911	21,049	0.44	4,183,379	49,856	1.19
Subordinated debentures and notes	195,686	10,960	5.60	179,534	9,885	5.51	136,950	7,507	5.48
FHLB advances	59,945	803	1.34	241,635	2,673	1.11	287,474	6,668	2.32
Securities sold under agreements to repurchase	225,894	235	0.10	206,338	542	0.26	169,179	1,246	0.74
Other borrowings	26,428	370	1.40	32,147	629	1.96	32,392	1,140	3.52
Total interest-bearing liabilities	6,483,805	23,036	0.36	5,398,565	34,778	0.64	4,809,374	66,417	1.38
Noninterest bearing liabilities:									
Demand deposits	3,597,204			1,854,982			1,228,832		
Other liabilities	109,148			97,492			60,608		
Total liabilities	10,190,157			7,351,039			6,098,814		
Shareholders' equity	1,277,153			902,875			795,477		
Total liabilities & shareholders' equity	$ 11,467,310			$ 8,253,914			$ 6,894,291		
Net interest income		$ 365,345			$ 273,190			$ 240,328	
Net interest spread			3.27 %			3.38 %			3.47 %
Net interest margin (tax equivalent)			3.41			3.56			3.80

[1]Average balances include non-accrual loans. Interest income includes net loan fees of $28.4 million, $18.4 million, and $4.5 million for the years ended December 31, 2021, 2020, and 2019 respectively. Loan fees in 2021 and 2020 included PPP fees of $21.7 million and $13.8 million, respectively.

[2]Non-taxable income is presented on a fully tax-equivalent basis using a 25.2% tax rate in 2021 and a 24.7% tax rate in each of 2020 and 2019. The tax-equivalent adjustments were $5.1 million for the year ended December 31, 2021, $3.2 million for the year ended December 31, 2020, and $1.6 million for the year ended December 31, 2019.

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.

	2021 compared to 2020			2020 compared to 2019		
	Increase (decrease) due to			Increase (decrease) due to		
($ in thousands)	Volume[1]	Rate[2]	Net	Volume[1]	Rate[2]	Net
Interest earned on:						
Loans	$ 86,183	$ (7,744)	$ 78,439	$ 51,290	$ (50,481)	$ 809
Taxable securities	(2,541)	(3,678)	(6,219)	(1,334)	(3,227)	(4,561)
Non-taxable securities[3]	8,799	(1,482)	7,317	7,027	(544)	6,483
Interest-earning deposits	1,313	(437)	876	1,228	(2,736)	(1,508)
Total interest-earning assets	93,754	(13,341)	80,413	58,211	(56,988)	1,223
Interest paid on:						
Interest-bearing demand accounts	$ 689	$ (1,176)	$ (487)	$ 1,063	$ (6,554)	$ (5,491)
Money market accounts	1,844	(4,929)	(3,085)	4,970	(23,483)	(18,513)
Savings	55	(109)	(54)	145	(707)	(562)
Certificates of deposit	(1,506)	(5,249)	(6,755)	(2,142)	(2,099)	(4,241)
Subordinated debentures and notes	902	173	1,075	2,345	33	2,378
FHLB advances	(2,341)	471	(1,870)	(933)	(3,062)	(3,995)
Securities sold under agreements to repurchase	47	(354)	(307)	229	(933)	(704)
Other borrowed funds	(100)	(159)	(259)	(9)	(502)	(511)
Total interest-bearing liabilities	(410)	(11,332)	(11,742)	5,668	(37,307)	(31,639)
Net interest income	$ 94,164	$ (2,009)	$ 92,155	$ 52,543	$ (19,681)	$ 32,862

[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 tax rate of 25.2% and 24.7% for 2021 and 2020, respectively.

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

Net interest income (on a tax equivalent basis) was $365.3 million for 2021, compared to $273.2 million for 2020, an increase of $92.2 million, or 34%. Total interest income increased $80.4 million and total interest expense decreased $11.7 million. The increase in net interest income in 2021 was primarily due to higher loan volumes, which benefited from the Seacoast and First Choice acquisitions, PPP loans, and a decline in the interest rate on interest-bearing liabilities.

Loans issued through the PPP bear interest at 1% and have either a two or five year maturity. As a PPP lender, the Company also receives fees for the issuance of PPP loans that vary based on the size of the loan. Interest income and loan fees included in net interest income from the PPP program totaled $27.3 million and $19.6 million in 2021 and 2020, respectively. During 2021, the Company received $14.6 million in PPP loan fees for loans originated in the year. These fees are recognized over the life of the loan, or when the loan is repaid or forgiven. At December 31, 2021, the Company has $272.0 million in PPP loans and $4.2 million in deferred fees, compared to $698.6 million in loans and $11.3 million in fees at the end of 2020.

The tax-equivalent net interest margin was 3.41% for 2021, compared to 3.56% for 2020. The primary driver of the decline in net interest margin from 2020 to 2021 was an increase in liquidity from deposit growth. Average interest-bearing cash balances grew to $1.1 billion, an increase of $856.1 million from 2020. In addition, 2021 was impacted by a full year of low interest rates following the Federal Reserve's reduction of interest rates in 2020. The federal funds target rate declined 150 basis points in 2020 and one-month LIBOR declined over 160 basis points. The decline in short-term rates reduced the yield on the Company's variable-rate loan portfolio, as well as the yield earned on new loan production. As of December 31, 2021, variable-rate loans comprised approximately 63% of total loans. In response to the decline in interest rates, the Company proactively reduced the cost of certain managed money market and interest-bearing accounts, while also reducing certificates of deposit balances and wholesale borrowings.

Average interest-earning assets increased $3.0 billion, or 40%, to $10.7 billion for the year ended December 31, 2021. The increase was due to growth in average earning assets due to the inclusion of a full year of Seacoast operations, a partial year of First Choice operations and the previously mentioned increase in liquidity from deposit generation. Average securities represented 15% of earnings assets in 2021 and 18% in 2020. The acquisitions of Seacoast and First Choice did not include any significant investment security balances. The Company has taken a measured approach to investing excess liquidity into the investment portfolio, increasing the average balance from $1.4 billion in 2020 to $1.6 billion in 2021. Average interest-earning deposits increased from 3% to 10% of earning assets, primarily due to higher liquidity from deposit growth. Volume growth of the balance sheet drove an increase in interest income on earning assets of $93.8 million. Interest income on interest-earnings assets decreased $13.3 million primarily due the decline in interest rates in 2021 compared to 2020.

Average interest-bearing liabilities increased $1.1 billion, or 20% for the year ended December 31, 2021. The increase resulted from $1.2 billion of growth in interest-bearing deposits. While average interest-bearing liabilities increased, interest expense declined $11.7 million due to a 26 basis point decline in the cost of deposits, primarily due to the run-off of higher yielding certificates of deposit. The Company issued $63.3 million of subordinated debentures in May 2020 with an interest rate of 5.75% that was included for a full year in 2021. Partially offsetting this additional expense was the redemption of the $50.0 million subordinated debentures at 4.75% in the fourth quarter 2021. The total cost of interest-bearing liabilities declined 28 basis points, from 0.64% in 2021 to 0.36% in 2021. The shift in the mix of interest-bearing liabilities from certificates of deposit and wholesale borrowings to interest-bearing and noninterest-bearing deposits reduced interest expense in 2021 by $0.4 million. Interest expense on interest-bearing liabilities decreased $11.3 million for the year ended December 31, 2021 due to lower rates.

Noninterest Income

The following table presents a comparative summary of the major components of noninterest income for each of the years in the three-year period ended December 31, 2021:

	Year ended December 31,			Change from	
($ in thousands)	2021	2020	2019	2021 vs. 2020	2020 vs. 2019
Service charges on deposit accounts	$ 15,428	$ 11,717	$ 12,801	$ 3,711	$ (1,084)
Wealth management revenue	10,259	9,732	9,932	527	(200)
Card services revenue	11,880	9,481	9,154	2,399	327
Tax credit income	8,028	6,611	5,393	1,417	1,218
Miscellaneous income	22,148	16,962	11,896	5,186	5,066
Total noninterest income	$ 67,743	$ 54,503	$ 49,176	$ 13,240	$ 5,327

Noninterest income increased $13.2 million, or 24%, in 2021 compared to 2020. This improvement was primarily due to a $5.4 million increase from Seacoast and First Choice, a $3.6 million increase in other income, primarily private equity and community development investments, a $2.4 million increase in card services income, and a $1.4 million increase in tax credit activity.

Noninterest Expense

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

	Year ended December 31,			Change from	
($ in thousands)	2021	2020	2019	2021 vs. 2020	2020 vs. 2019
Employee compensation and benefits	$ 124,904	$ 92,288	$ 81,295	$ 32,616	$ 10,993
Occupancy	16,286	13,457	12,465	2,829	992
Data processing	12,242	9,050	8,242	3,192	808
Professional fees	4,289	3,940	3,683	349	257
Branch-closure expenses	3,441	—	—	3,441	—
Merger-related expenses	22,082	4,174	17,969	17,908	(13,795)
Other expenses	62,675	44,250	41,831	18,425	2,419
Total noninterest expense	$ 245,919	$ 167,159	$ 165,485	$ 78,760	$ 1,674
Efficiency ratio	57.47 %	51.51 %	57.48 %	5.96 %	(5.97)%
Core efficiency ratio[1]	51.61 %	50.96 %	52.36 %	0.65 %	(1.40)%

[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 expense increased $78.8 million, or 47%, in 2021 compared to 2020. The acquisitions of Seacoast and First Choice added $57.2 million of operating expenses in 2021, compared to $6.0 million from Seacoast in 2020. Excluding First Choice and Seacoast, employee compensation and benefits increased $7.0 million in 2021 compared to 2020, or 8%. The primary components of the increase in compensation and benefits were $2.7 million in salaries from merit increases and net new positions, $1.3 million in employee benefits, and $1.2 million in equity-based compensation.

The Company announced in the third quarter of 2021 the closure of two branch locations in St. Louis and recognized a lease and fixed asset impairment charge of $3.4 million. The branch closures became effective in January 2022. Merger related expenses of $22.1 million on the First Choice and Seacoast acquisitions, including the cost of closing three California locations, were $17.9 million higher than the $4.2 million recorded in 2020 on the Seacoast acquisition. The Company expects to realize annual cost savings of approximately $2.3 million related to these closures.

The Company did not earn a full year of operating income, or incur a full year of expense, from First Choice in 2021, but will do so in 2022. The Company does not expect to incur any additional merger expenses on First Choice or Seacoast.

The Company expects to continue to invest in its associates and other infrastructure that supports growth. In addition, low unemployment, inflationary pressures and a shift in employee work arrangements to a virtual/hybrid model are expected to impact future operating expenses.

Income Taxes

The Company's blended federal and state tax rate is approximately 25.2% at the end of 2021, compared to 24.9% at the end of 2020. Permanent differences between pre-tax income and taxable income along with tax planning initiatives reduced the effective income tax rate in 2021 to 21.1% compared to 19.1% in 2020. The increase in the effective tax rate in 2021 was primarily due to higher pretax income in 2021 and an increase in state taxable income due to the Company's expanded geographic footprint. Additionally, in 2020, the Company was able to carryback a net operating loss to a prior period with a higher tax rate, reducing the effective tax for that year.

FINANCIAL CONDITION

Summary Balance Sheet

	December 31,			% Increase (Decrease)	
($ in thousands)	2021	2020	2019	2021 vs. 2020	2020 vs. 2019
Total cash and cash equivalents	$ 2,021,689	$ 537,703	$ 167,256	275.99 %	221.49 %
Securities	1,795,687	1,400,039	1,316,483	28.26 %	6.35 %
Total loans	9,017,642	7,224,935	5,314,337	24.81 %	35.95 %
Total assets	13,537,358	9,751,571	7,333,791	38.82 %	32.97 %
Deposits	11,343,799	7,985,389	5,771,023	42.06 %	38.37 %
Total liabilities	12,008,242	8,672,596	6,466,606	38.46 %	34.11 %
Total shareholders' equity	1,529,116	1,078,975	867,185	41.72 %	24.42 %

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, including the C&I category, is secured by real estate. The ability of the Company's borrowers to honor their contractual obligations is partially dependent upon the local economy and its effect on the real estate market.

The following table sets forth the composition of the Company's loan portfolio by type of loans:

	December 31,	
($ in thousands)	2021	2020
Commercial and industrial	$ 3,392,375	$ 3,088,995
Commercial real estate - investor owned	2,141,143	1,589,419
Commercial real estate - owner occupied	2,035,785	1,498,408
Construction and land development	734,073	546,686
Residential real estate	454,052	319,179
Other	260,214	182,248
Total loans	$ 9,017,642	$ 7,224,935

	December 31,	
	2021	2020
Commercial and industrial	37.6 %	42.8 %
Commercial real estate - investor owned	23.8 %	22.0 %
Commercial real estate - owner occupied	22.6 %	20.7 %
Construction and land development	8.1 %	7.6 %
Residential real estate	5.0 %	4.4 %
Other	2.9 %	2.5 %
Total loans	100.0 %	100.0 %

C&I 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. PPP loans of $272.0 million and $698.6 million were included in C&I loans in the tables above at the end of 2021 and 2020, respectively.

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 sponsor finance, life insurance premium financing, and tax credit financing/lending, consist of primarily C&I loans, and have contributed significantly to the Company’s C&I 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 markets. As a result, these specialized loan products offer opportunities to expand and diversify our overall geographic concentration by entering into new markets.

Real estate loans place an emphasis on the estimated cash flows from the operation of the property and/or the underlying collateral value.

- Our commercial real estate loans, including investor-owned and owner-occupied categories, primarily represent multifamily and other commercial property loans on which the primary source of repayment is income from the property. These loans are principally 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. Commercial real estate loans also represent owner-occupied C&I loans for which the primary source of repayment is dependent on sources other than the underlying collateral.

- Construction and land development loans relating primarily to residential and commercial properties, represent financing secured by real estate under development for eventual sale or undeveloped ground. At December 31, 2021, $289.8 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 at origination.

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 and thereafter.

The following table presents a breakdown of loans by NAICS code at December 31, 2021 and 2020:

	December 31, 2021		December 31, 2020	
($ in thousands)	Outstanding Balance	%	Outstanding Balance	%
Accomodation and Food Services	$ 785,485	9 %	$ 577,026	8 %
Administrative and Support and Waste Management and Remediation Services	176,601	2 %	167,023	2 %
Agriculture, Forestry, Fishing and Hunting[1]	195,342	2 %	207,335	3 %
Arts, Entertainment, and Recreation	120,805	1 %	110,422	2 %
Construction	580,731	6 %	451,050	6 %
Educational Services	52,034	1 %	53,708	1 %
Finance and Insurance	1,344,389	15 %	1,057,888	15 %
Health Care and Social Assistance	372,109	4 %	320,556	4 %
Information	64,686	1 %	53,696	1 %
Management of Companies and Enterprises	84,110	1 %	54,563	1 %
Manufacturing	613,725	7 %	590,652	8 %
Mining, Quarrying, and Oil and Gas Extraction	9,771	— %	3,375	— %
Other Services (except Public Administration)	593,149	7 %	509,006	7 %
Professional, Scientific, and Technical Services	329,009	4 %	304,701	4 %
Public Administration	11,358	— %	13,811	— %
Real Estate and Rental and Leasing	2,462,088	27 %	1,722,630	24 %
Retail Trade	460,763	5 %	398,251	6 %
Transportation and Warehousing	214,132	2 %	151,273	2 %
Utilities	25,393	— %	19,321	— %
Wholesale Trade	445,771	5 %	360,630	5 %
Other	76,191	1 %	98,018	1 %
Total Loans	$ 9,017,642	100 %	$ 7,224,935	100 %

[1]Includes $95.5 million in animal production and $92.1 million in crop production at December 31, 2021.

The following table presents a breakdown of commercial & industrial loans by size at December 31, 2021.

($ in thousands)	Number of Loans	Outstanding Balance	Average Balance
<$2 million	3,326	$ 921,537	$ 277
$2-5 million	289	915,656	3,168
$5-10 million	92	627,728	6,823
>$10 million	60	927,454	15,458
Total	3,767	$ 3,392,375	$ 901

The following table presents a breakdown of commercial real estate loans by size at December 31, 2021.

($ in thousands)	Number of Loans	Outstanding Balance	Average Balance
<$2 million	3,300	$ 1,840,760	$ 558
$2-5 million	383	1,184,292	3,092
$5-10 million	90	626,733	6,964
>$10 million	34	525,143	15,445
Total	3,807	$ 4,176,928	$ 1,097

The following table presents a breakdown of construction loans by size at December 31, 2021.

($ in thousands)	Number of Loans	Outstanding Balance	Average Balance
<$2 million	539	$ 212,129	$ 394
$2-5 million	63	200,775	3,187
$5-10 million	30	206,262	6,875
>$10 million	8	114,907	14,363
Total	640	$ 734,073	$ 1,147

The following table presents a breakdown of residential loans by size at December 31, 2021.

($ in thousands)	Number of Loans	Outstanding Balance	Average Balance
<$2 million	2,457	$ 304,224	$ 124
$2-5 million	27	83,666	3,099
$5-10 million	8	54,019	6,752
>$10 million	1	12,143	12,143
Total	2,493	$ 454,052	$ 182

The following table presents a breakdown of other loans by size at December 31, 2021.

($ in thousands)	Number of Loans	Outstanding Balance	Average Balance
<$2 million	1,415	$ 154,663	$ 109
$2-5 million	16	43,306	2,707
$5-10 million	7	41,262	5,895
>$10 million	2	20,983	10,491
Total	1,440	$ 260,214	$ 181

The following table presents a breakdown of total loans by geographic region at December 31, 2021:

($ in thousands)	December 31, 2021
St. Louis	$ 2,153,749
Kansas City	785,342
Arizona	545,362
New Mexico	538,981
California	1,715,978
Specialty, PPP and Other loans	3,278,230
Total	$ 9,017,642

The following table illustrates selected specialty lending detail, at December 31, 2021 and 2020:

	December 31,				First Choice Acquired Loans
($ in thousands)	2021	2020	Change	% Change	at 12/31/21
C&I	$ 1,538,155	$ 1,103,060	$ 435,095	39.4 %	$ 298,545
CRE investor owned	1,955,087	1,420,905	534,182	37.6 %	553,986
CRE owner occupied	1,112,463	825,846	286,617	34.7 %	290,876
SBA loans	1,241,449	895,930	345,519	38.6 %	164,094
Sponsor finance	508,469	396,487	111,982	28.2 %	—
Life insurance premium financing	593,562	534,092	59,470	11.1 %	—
Tax credits	486,881	382,602	104,279	27.3 %	—
SBA PPP loans	271,958	698,645	(426,687)	(61.1)%	149,334
Residential real estate	430,985	318,091	112,894	35.5 %	151,970
Construction and land development	625,526	474,399	151,127	31.9 %	173,969
Other	253,107	174,878	78,229	44.7 %	32,351
Total Loans	$ 9,017,642	$ 7,224,935	$ 1,792,707	24.8 %	$ 1,815,125

The sponsor finance portfolio is primarily comprised of loans in the manufacturing and wholesale trade sectors. It includes mid-market company mergers and acquisitions, targeted private equity firms, principally SBICs, and senior debt financing to portfolio companies.

The life insurance premium financing category specializes in financing whole life insurance premiums utilized in high net worth estate planning, through relationships with boutique estate planners throughout the United States.

The tax credit portfolio includes tax credit-related lending on affordable housing projects funded through the use of federal and state low income housing tax credits. In addition, we provide leveraged and other loans on projects funded through the CDFI New Markets Tax Credit Program. This portfolio also includes tax credit brokerage through 10-year streams of Missouri state tax credits from affordable housing development funds. The tax credits are sold to clients and other individuals for tax planning purposes.

SBA 7(a) loans are primarily owner-occupied, commercial real estate loans secured by a 1st lien. These loans predominantly have a 75% portion guaranteed by the SBA.

SBA PPP loans originated in 2020 in response to the COVID-19 pandemic and are guaranteed by the SBA. The loans may be forgivable by the SBA if certain requirements are met.

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, 2021, no significant concentrations exceeding 10% of total loans existed in the Company’s loan portfolio, except as described above.

The following table presents the maturity distribution of loans at December 31, 2021 categorized by fixed or variable interest rates, net of unearned loan fees:

($ in thousands)	Due in One Year or Less (1)	After One Through Five Years	After Five Through Fifteen Years	After Fifteen Years	Total	Percent of Total Loans
Fixed Rate Loans						
Commercial and industrial	$ 135,942	$ 549,283	$ 278,445	$ 15,871	$ 979,541	11 %
Real estate:						
Commercial	159,983	1,240,531	374,708	24,532	1,799,754	20 %
Construction and land development	57,205	143,742	9,336	89	210,372	2 %
Residential	24,272	75,214	13,377	31,750	144,613	2 %
Other	4,018	9,019	70,578	114,154	197,769	2 %
Total	$ 381,420	$ 2,017,789	$ 746,444	$ 186,396	$ 3,332,049	37 %
Variable Rate Loans						
Commercial and industrial	$ 976,252	$ 1,217,215	$ 206,655	$ 12,712	$ 2,412,834	27 %
Real estate:						
Commercial	191,202	414,017	450,615	1,321,340	2,377,174	26 %
Construction and land development	164,306	171,528	95,703	92,164	523,701	6 %
Residential	32,458	36,302	76,791	163,888	309,439	3 %
Other	9,913	12,726	39,676	130	62,445	1 %
Total	$ 1,374,131	$ 1,851,788	$ 869,440	$ 1,590,234	$ 5,685,593	63 %
Total Loans						
Commercial and industrial	$ 1,112,194	$ 1,766,498	$ 485,100	$ 28,583	$ 3,392,375	38 %
Real estate:						
Commercial	351,185	1,654,548	825,323	1,345,872	4,176,928	46 %
Construction and land development	221,511	315,270	105,039	92,253	734,073	8 %
Residential	56,730	111,516	90,168	195,638	454,052	5 %
Other	13,931	21,745	110,254	114,284	260,214	3 %
Total	$ 1,755,551	$ 3,869,577	$ 1,615,884	$ 1,776,630	$ 9,017,642	100 %

(1) Includes loans with no stated maturity and overdraft lines of credit.

The majority of variable loans are based on the prime rate or LIBOR. At December 31, 2021, $3.2 billion or 57% of variable rate loans were subject to an interest rate floor. 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.

Provision and Allowance for Credit Losses

The adoption of CECL on January 1, 2020 increased the ACL on loans by $28.4 million, or 65%, and the allowance for unfunded commitments by $2.4 million as compared to 2019. These increases were offset in retained earnings and did not impact the consolidated statement of operations.

The provision for credit losses, which includes a provision for losses on unfunded commitments, is a charge to earnings to maintain the ACL at a level consistent with management's assessment of expected losses in the loan portfolio at the balance sheet date. The Company also records reversals of interest on nonaccrual loans and interest recoveries directly through the provision of credit losses. CECL requires economic forecasts to be factored into determining estimated losses. As a result, CECL will typically require a higher level of provision at the start of an economic downturn. The decrease in the provision for credit losses in 2021 was primarily due to a change in economic forecasts, which has significantly improved since the start of the COVID-19 pandemic in March 2020. Two of the primary economic loss drivers used in estimating the ACL include the percentage change in GDP and unemployment. At December 31, 2021, the Company's forecast of the percentage change in GDP included a range of (2.2)% to 6.7% and the percentage change in unemployment included a range of 3.0% to 8.7%. At the beginning of the pandemic at March 2020, the forecast of the percentage change in GDP included a range of (9.6)% to 2.1% and the percentage change in unemployment included a range of 6.0% to 13.0%. The Company utilizes a one-year reasonable and supportable forecast and a one-year reversion period.

In the acquisition of First Choice, we recognized an allowance of $7.6 million on PCD loans and an allowance of $23.9 million on non-PCD loans. Similarly, in the acquisition of Seacoast we recognized an allowance of $3.5 million on PCD loans and $8.6 million on non-PCD loans. Pursuant to the CECL accounting methodology, the allowance on PCD loans is recorded as part of the acquired loan portfolio. The allowance on non-PCD loans is established through a charge to the provision for credit losses in the post-combination financial statements.

To the extent the Company does not recognize charge-offs and economic forecasts improve in future periods, the Company could recognize a reversal of provision for credit losses. Conversely, if economic conditions and the Company's forecast worsens, the Company could recognize elevated levels of provision for credit losses. The provision is also reflective of charge-offs in the period.

The following table presents the components of the provision for credit losses for the periods indicated:

	December 31,	
(in thousands)	2021	2020
Provision (benefit) for loan losses	$ (10,911)	$ 54,822
Provision on acquired loans	23,904	8,557
Provision for off-balance sheet commitments[1]	1,911	2,877
Provision for held-to-maturity securities	165	147
Recovery of accrued interest	(1,684)	(1,005)
Provision for credit losses	$ 13,385	$ 65,398

[1] 2021 includes $1.5 million as part of the First Choice acquired commitments.

The following table is a summary of the allocation of the allowance for credit losses for the periods indicated:

($ in thousands)	December 31, 2021		December 31, 2020	
Balance at End of Period Applicable to:	Amount	Percent of loans in each category to total loans	Amount	Percent of loans in each category to total loans
Commercial and industrial	$ 63,825	37.6 %	$ 58,812	42.8 %
Real estate:				
Commercial	53,437	46.3 %	49,074	42.7 %
Construction and land development	14,536	8.1 %	21,413	7.6 %
Residential	7,927	5.1 %	4,585	4.4 %
Other	5,316	2.9 %	2,787	2.5 %
Total allowance	$ 145,041	100.0 %	$ 136,671	100.0 %

The allowance for credit losses was 1.61% of total loans at December 31, 2021, compared to 1.89%, and 0.81%, at December 31, 2020 and 2019, respectively. The decline in the allowance to total loans ratio in 2021 was primarily due to the comparatively lower ACL on the First Choice loan portfolio, net loan charge-offs of $11.6 million, improved credit metrics, and continued improvement in economic forecasts. The increase in the ratio in 2020 compared to 2019 was due to the adoption of CECL and higher provision expense due to the pandemic, partially offset by the acquisition of Seacoast and PPP loans which included $1.3 billion in government-guaranteed loans with no allowance.

The following table is a summary of net charge-offs (recoveries) to average loans for the periods indicated:

	December 31, 2021			December 31, 2020		
($ in thousands)	Net Charge-offs (Recoveries)	Average Loans[1]	Net Charge-offs (Recoveries)/Average Loans	Net Charge-offs (Recoveries)	Average Loans[1]	Net Charge-offs (Recoveries)/Average Loans
Commercial and industrial	$ 10,425	$ 3,195,017	0.33 %	$ 3,533	$ 2,917,784	0.12 %
Real estate:						
Commercial	810	3,586,773	0.02 %	(2,607)	2,179,246	(0.12) %
Construction and land development	(451)	673,646	(0.07) %	(136)	483,835	(0.03) %
Residential	558	396,777	0.14 %	842	337,759	0.25 %
Other	287	197,172	0.15 %	275	142,312	0.19 %
Total	$ 11,629	$ 8,049,385	0.14 %	$ 1,907	$ 6,060,936	0.03 %

[1] Excludes loans held for sale.

See "Critical Accounting Policies and Estimates" of this MD&A section for more information on the allowance for credit losses methodology.

Nonperforming loans and assets

See "Item 8. Note 1 – Summary of Significant Accounting Policies" for more information on impaired loans and other real estate.

The following table presents the categories of nonperforming assets, excluding government guaranteed portions:

	December 31,	
($ in thousands)	2021	2020
Non-accrual loans	$ 23,449	$ 34,818
Loans past due 90 days or more and still accruing interest	1,716	130
Restructured loans	2,859	3,559
Total nonperforming loans	28,024	38,507
Other real estate	3,493	5,330
Total nonperforming assets	$ 31,517	$ 43,837
Total assets	$ 13,537,358	$ 9,751,571
Total loans	9,017,642	7,224,935
Total allowance for credit losses	145,041	136,671
Allowance for credit losses to nonaccrual loans	619 %	393 %
Allowance for credit losses to nonperforming loans	518 %	355 %
Allowance for credit losses to total loans	1.61 %	1.89 %
Nonaccrual loans to total loans	0.26 %	0.48 %
Nonperforming loans to total loans	0.31 %	0.53 %
Nonperforming assets to total assets	0.23 %	0.45 %

Nonperforming loans based on loan type were as follows:

($ in thousands)	December 31, 2021		Number of loans	December 31, 2020		Number of loans
Commercial and industrial	$ 21,538	77 %	34	$ 21,770	57 %	21
Commercial real estate	4,414	16 %	14	12,519	32 %	27
Residential real estate	2,048	7 %	12	4,189	11 %	3
Other	24	— %	4	29	— %	33
Total	$ 28,024	100 %	64	$ 38,507	100 %	84

The following table summarizes the changes in nonperforming loans:

	Year ended December 31,	
($ in thousands)	2021	2020
Nonperforming loans, beginning of period	$ 38,507	$ 26,425
Additions to nonaccrual loans	43,350	30,424
Charge-offs	(17,185)	(6,739)
Principal payments	(36,648)	(18,385)
Nonperforming loans, end of period	$ 28,024	$ 38,507

Nonperforming loans at December 31, 2021 decreased $10.5 million, or 27%, when compared to December 31, 2020. The decrease in nonperforming loans during 2021 was primarily from principal payments of $36.6 million and charge-offs of $17.2 million.

The Company implemented several loan programs to assist its customers impacted by the COVID-19 pandemic, including providing short-term payment deferrals, primarily for 90 days or less. As of December 31, 2021, substantially all of these loans have returned to a paying status.

Other real estate

Other real estate at December 31, 2021 and December 31, 2020 was $3.5 million and $5.3 million, respectively.

The following table summarizes the changes in other real estate:

($ in thousands)	Year ended December 31, 2021	2020
Other real estate, beginning of period	$ 5,330	$ 6,344
Additions	3,175	756
Writedowns in value	(29)	(1,104)
Sales	(4,983)	(666)
Other real estate, end of period	$ 3,493	$ 5,330

Writedowns in fair value were recorded in loan, legal, and other real estate expense.

Investments

At December 31, 2021, our portfolio of investment securities was $1.8 billion, or 13%, of total assets, compared to $1.4 million, or 14%, of total assets as of December 31, 2020. The portfolio is comprised of both available-for-sale and held-to-maturity securities.

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

	December 31,			
	2021		2020	
($ in thousands)	Amount	%	Amount	%
Obligations of U.S. Government sponsored enterprises	$ 173,511	9.6 %	$ 15,161	1.1 %
Obligations of states and political subdivisions	811,463	45.2 %	592,556	42.3 %
Agency mortgage-backed securities	581,964	32.4 %	639,314	45.7 %
U.S. Treasury Bills	91,170	5.1 %	11,466	0.8 %
Corporate debt securities	138,193	7.7 %	141,991	10.1 %
Total	$ 1,796,301	100.0 %	$ 1,400,488	100.0 %

The allowance for credit losses on held-to-maturity debt securities was $0.6 million and $0.4 million at December 31, 2021 and 2020, respectively. The Company had no debt securities classified as trading at December 31, 2021, or 2020.

The following table summarizes expected maturity and tax-equivalent yield information on the investment portfolio at December 31, 2021:

	Within 1 year		1 to 5 years		5 to 10 years		Over 10 years		Total	
($ in thousands)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Obligations of U.S. Government-sponsored enterprises	$ —	— %	$ 142,292	1.03 %	$ 19,292	1.5 %	$ 11,927	2.36 %	$ 173,511	1.18 %
Obligations of states and political subdivisions	1,048	4.39 %	22,870	2.35 %	39,607	2.88 %	747,938	2.71 %	811,463	2.71 %
Agency mortgage-backed securities	22,541	2.97 %	335,215	2.83 %	205,739	1.68 %	18,469	1.91 %	581,964	2.40 %
U.S. Treasury Bills	80,961	0.07 %	10,209	2.47 %	—	— %	—	— %	91,170	0.34 %
Corporate debt securities	—	— %	5,181	3.28 %	133,012	3.37 %	—	— %	138,193	3.37 %
Total	$ 104,550	0.74 %	$ 515,767	2.31 %	$ 397,650	2.36 %	$ 778,334	2.69 %	$ 1,796,301	2.39 %

Yields on tax-exempt securities are computed on a taxable equivalent basis using a tax rate of 25.2%. Expected maturities will differ from contractual maturities, as borrowers may have the right to call or repay obligations with or without prepayment penalties.

Other investments primarily consist of the FHLB capital stock, common stock investments related to our trust preferred securities, community development funds, and other investments in private equity funds, primarily SBICs.

	December 31,			
	2021		2020	
($ in thousands)	Amount	%	Amount	%
FHLB capital stock	$ 12,075	20.2 %	$ 10,774	22.1 %
Other investments	47,821	79.8 %	37,991	77.9 %
Total	$ 59,896	100.0 %	$ 48,765	100.0 %

The following table summarizes expected maturity and tax-equivalent yield information on other investments at December 31, 2021:

	No Stated Maturity	
($ in thousands)	Amount	Yield
FHLB capital stock	$ 12,075	4.13 %
Other investments	47,821	1.78 %
Total	$ 59,896	2.25 %

Deposits

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

($ in thousands)	Years ended December 31, 2021	Years ended December 31, 2020	% Increase (decrease) 2021 vs. 2020
Noninterest-bearing demand accounts	$ 4,578,436	$ 2,711,828	68.8 %
Interest-bearing demand accounts	2,465,884	1,768,497	39.4 %
Money market accounts	2,890,976	2,327,066	24.2 %
Savings accounts	800,210	627,903	27.4 %
Certificates of deposit:			
Brokered	128,970	50,209	156.9 %
Other	479,323	499,886	(4.1) %
Total deposits	$ 11,343,799	$ 7,985,389	42.1 %
Noninterest-bearing deposits / Total deposits	40 %	34 %	

The following table shows the average balance and average rate of the Company's deposits by type:

	Years ended December 31,					
	2021		2020		2019	
($ in thousands)	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
Noninterest-bearing deposit accounts	$ 3,597,204	— %	$ 1,854,982	— %	$ 1,228,832	— %
Interest-bearing demand accounts	2,122,752	0.08 %	1,494,364	0.14 %	1,286,641	0.59 %
Money market accounts	2,557,836	0.18	1,977,826	0.39	1,608,349	1.63
Savings accounts	724,768	0.03	589,832	0.05	489,310	0.17
Certificates of deposit	570,496	0.73	676,889	1.61	799,079	1.90
Total interest-bearing deposits	$ 5,975,852	0.18	$ 4,738,911	0.44	$ 4,183,379	1.19
Total average deposits	$ 9,573,056	0.11	$ 6,593,893	0.32	$ 5,412,211	0.92

Average total deposits were $9.6 billion for the year ended December 31, 2021, an increase of $3.0 billion, or 45%, from December 31, 2020. The increase in 2021 was primarily due to the First Choice and Seacoast acquisitions and the high level of liquidity in the economy. The increase in 2020 was primarily due to the Seacoast acquisition and PPP loan fundings.

The following table sets forth the maturities of estimated uninsured certificates of deposit as of December 31, 2021:

($ in thousands)	Total
Three months or less	$ 15,074
Over three through six months	9,098
Over six through twelve months	47,855
Over twelve months	21,645
Total	$ 93,672

As of December 31, 2021, estimated uninsured deposits totaled $5.9 billion, including $93.7 million of certificates of deposit. At December 31, 2020, estimated uninsured deposits totaled $3.3 billion.

Shareholders' equity
Shareholders' equity totaled $1.5 billion at December 31, 2021, an increase of $450.1 million, or 42%, from December 31, 2020.

Significant activity during the year ended December 31, 2021 included the following:

- increase from the issuance of approximately 7.8 million shares of common stock for the First Choice acquisition reflecting $342.3 million of consideration;
- increase from net income of $133.1 million;
- increase from issuance of preferred stock of $72.0 million, net;
- decrease from share repurchases of $60.6 million, pursuant to the Company's publicly-announced stock repurchase program;
- decrease from dividends paid on common stock of $26.2 million; and
- net decrease in fair value of available-for-sale securities and cash flow hedges of $18.3 million.

Liquidity and Capital Resources

Liquidity
The objective of liquidity management is to ensure we have the ability to generate sufficient cash or cash equivalents in a timely and cost-effective manner to meet our commitments as they become due. Typical demands on liquidity are 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 loan and security repayments and maturities.

Additionally, liquidity is provided from lines of credit with the FHLB, the Federal Reserve, and correspondent banks; 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 Company'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 daily. Our liquidity management framework includes measurement of several key elements, such as a 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.

Liquidity from assets is available primarily from cash balances and the investment portfolio. Cash and interest-bearing deposits with other banks totaled $2.0 billion at December 31, 2021, compared to $537.7 million at December 31, 2020. The low interest rate environment, coupled with an uncertain outlook and government stimulus, such as the PPP, has increased liquidity within the banking industry, including the Company. Investment securities are another important tool to the Company's liquidity objectives. Securities totaled $1.8 billion at December 31, 2021, and included $753 million pledged as collateral for deposits of public institutions, treasury, loan notes, and other requirements. The remaining $1.0 billion could be pledged or sold to enhance liquidity, if necessary.

Liability liquidity funding sources are available to increase financial flexibility. In addition to amounts borrowed at December 31, 2021, the Company could borrow an additional $709 million from the FHLB of Des Moines under blanket loan pledges and has additional real estate loans of approximately $970.0 million that could be pledged. The Company also has $1.1 billion available from the Federal Reserve Bank under a pledged loan agreement. The Company also has unsecured federal funds lines with six correspondent banks totaling $90 million.

In the normal course of business, the Company enters into certain forms of off-balance sheet transactions, including unfunded loan commitments and letters of credit. These transactions are managed through the Company'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 Company has $2.6 billion in unused commitments as of December 31, 2021. 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.

At the holding company level, our primary funding sources are dividends and payments from the Bank and proceeds from the issuance of equity (i.e. stock option exercises, stock offerings) and debt instruments. The main use of this liquidity is to provide the funds necessary to pay dividends to shareholders, service debt, invest in subsidiaries as necessary, and satisfy other operating requirements. In 2021, the holding company maintained a revolving line of credit for an aggregate amount up to $25 million, all of which was available at December 31, 2021. The line of credit has a one-year term that was renewed in February 2022. The proceeds can be used for general corporate purposes.

The Company has an effective automatic shelf registration statement on Form S-3 allowing for the issuance of various forms of equity and debt securities. 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.

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.

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 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. For additional information on the Company's contractual obligations and commitments see the following footnotes in Item 8: "Note 6 – Leases," "Note 7 – Derivative Financial Instruments," "Note 11 – Subordinated Debentures," "Note 12 – Federal Home Loan Bank Advances," "Note 13 – Other Borrowings," and "Note 18 – Commitments."

Capital Resources

The Company and the Bank are subject to various regulatory capital requirements administered by the state and 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 and results of operations of the Company. 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, 2021, and December 31, 2020, the Company and the Bank met all capital adequacy requirements to which they are subject.

The Bank met the definition of "well-capitalized" at each of December 31, 2021 and 2020. Refer to "Item 8. Note 15 – Regulatory Capital" for a summary of our risk-based capital and leverage ratios.

The following table summarizes the Company's capital ratios:

	December 31, 2021		December 31, 2020			
($ in thousands)	EFSC	Bank	EFSC	Bank	To Be Well-Capitalized	Minimum Ratio with CCB
Common Equity Tier 1 Capital to Risk Weighted Assets	11.3 %	12.5 %	10.9 %	12.5 %	6.5 %	7.0 %
Tier 1 Capital to Risk Weighted Assets	13.0 %	12.5 %	12.1 %	12.5 %	8.0 %	8.5 %
Total Capital to Risk Weighted Assets	14.7 %	13.5 %	14.9 %	13.7 %	10.0 %	10.5 %
Leverage Ratio (Tier 1 Capital to Average Assets)	9.7 %	9.3 %	10.0 %	10.3 %	5.0 %	4.0 %
Tangible common equity to tangible assets[1]	8.1 %		8.4 %			
Common equity tier 1 capital	$ 1,091,823	$ 1,201,340	$ 795,873	$ 913,116		
Tier 1 capital	1,257,462	1,201,391	889,527	913,169		
Total risk-based capital	1,423,036	1,303,715	1,094,601	1,004,839		

[1] 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 included in this MD&A section under the caption "Use of Non-GAAP Financial Measures" 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, either upward or downward. The Company does not have any direct market risk from commodity exposures.

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 parallel rate shock.

The following table summarizes the projected impact of interest rate shocks on net interest income at December 31, 2021:

Rate Shock[1]	Annual % change in net interest income
+ 300 bp	22.9%
+ 200 bp	14.1%
+ 100 bp	5.6%

[1] Due to the current levels of interest rates, the downward shock scenarios are not shown.

In addition to the rate shocks shown in the table above, the Company models net interest income under various dynamic interest rate scenarios. In general, changes in interest rates are positively correlated with changes in net interest income.

The Company occasionally uses interest rate derivative 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, 2021, the Company had $62.0 million in derivative contracts used to manage interest rate risk. Derivative financial instruments are also discussed in "Item 8. Note 7 – Derivative Financial Instruments."

The FCA has announced that the most common USD LIBOR settings (overnight, 1-month. 3-month, 6-month and 12-month) will cease publication after June 30, 2023. LIBOR is the most liquid and common interest rate index in the world and is commonly referenced in financial instruments. The Federal Reserve's Alternative Reference Rates Committee has proposed that SOFR replace LIBOR. The Company expects to select a replacement index and provide customer notification in early 2023, prior to the cessation of the USD LIBOR settings. While a replacement index has not yet been selected, the Company ceased using LIBOR and ICE swap rates in new contracts and began issuing SOFR based loans in December 2021.

We have exposure to LIBOR in various financial contracts. Instruments that may be impacted include loans, securities, debt instruments and derivatives, among other financial contracts indexed to LIBOR and that mature after December 31, 2021. We also have loans that are indirectly linked to LIBOR through reference to the ICE swap rate. We have an internal working group composed of members from legal, credit, finance, operations, risk and audit to monitor developments, develop policies and procedures, assess the impact to the Company, consider relevant options and to determine an appropriate replacement index for affected contracts that expire after the expected discontinuation of LIBOR on June 30, 2023. We are actively working to amend and address impacted contracts to allow for a replacement index. However, amending certain contracts indexed to LIBOR may require consent from the counterparties which could be difficult and costly to obtain in certain circumstances. As of December 31, 2021, the Company's financial contracts indexed to LIBOR included $2.8 billion in loans (including $618.4 million indirectly linked to LIBOR through reference to an ICE swap rate), $125.3 million in borrowings, and $889.0 million (notional) in derivatives.

In addition, LIBOR is used in the Company's analysis of the fair value of tax credits and may be referenced in other financial contracts not included in the discussion above.

The Company had $5.7 billion in variable rate loans as of December 31, 2021. Of these loans, $3.2 billion have an interest rate floor and 95% of those loans were at the floor. $2.8 billion in variable rate loans are indexed to LIBOR, $2.4 billion are indexed to the prime rate, and $382.8 million are indexed to other rates.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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 experience. 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 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. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using loss 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. 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 statements in future periods. There can be no assurances that actual results will not differ from those estimates.

Allowance for Credit Losses

On January 1, 2020, the Company adopted Accounting Standard Update 2016-13 "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." This standard, referred to as CECL, requires an estimate of lifetime expected credit losses on certain financial assets measured at amortized cost.

The Company maintains separate allowances for funded loans, unfunded loans, and held-to-maturity securities, collectively the ACL. The ACL is a valuation account to adjust the cost basis to the amount expected to be collected, based on management's estimate of experience, current conditions, and reasonable and supportable forecasts. For purposes of determining the allowance for funded and unfunded loans, the portfolios are segregated into pools that share similar risk characteristics that are then further segregated by credit grades. Loans that do not share similar risk characteristics are evaluated on an individual basis and are not included in the collective evaluation. The Company estimates the amount of the allowance based on loan loss experience, adjusted for current and forecasted economic conditions, including unemployment, changes in GDP, and commercial and residential real estate prices. The Company's forecast of economic conditions uses internal and external information and considers a weighted average of a baseline, upside, and downside scenarios. Because economic conditions can change and are difficult to predict, the anticipated amount of estimated loan defaults and losses, and therefore the adequacy of the allowance, could change significantly and have a direct impact on the Company's credit costs. The Company's allowance for credit losses on loans was $145.0 million at December 31, 2021 based on the weighting of the different economic scenarios. As a hypothetical example, if the Company had only used the upside scenario, the allowance would have decreased $20.5 million. Conversely, the allowance would have increased $43.9 million using only the downside scenario.

Acquisitions

Acquisitions and Business Combinations are accounted for using the acquisition method of accounting. 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 acquired, 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. To determine the fair values, the Company relies on third party valuations, such as appraisals, or internal valuations based on discounted cash flow analyses or other valuation techniques. The results of operations of the acquired business are included in the Company’s consolidated financial statements from the respective date of acquisition. Merger-related costs are costs the Company incurs to effect a business combination. Merger-related expenses include costs directly related to merger or acquisition activity and include legal and professional fees, system consolidation and conversion costs, and compensation costs such as severance and retention incentives for employees impacted by acquisition activity. The Company accounts for merger-related costs as expenses in the periods in which the costs are incurred and the services are received.

Income Taxes

Management uses certain assumptions and estimates in determining income taxes payable or refundable for the current year, deferred income tax assets and liabilities and income tax expense. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. If current available information raises doubt as to the realization of the deferred tax assets, a valuation allowance may be established. We consider the determination of this valuation allowance to be a critical accounting policy because of the need to exercise significant judgment in evaluating the amount and timing of recognition of deferred tax liabilities and assets, including projections of future taxable income. These judgments and estimates are reviewed on a continual basis as regulatory and business factors change. A valuation allowance for deferred tax assets may be required in the future if the amounts of taxes recoverable through loss carry backs decline, if we project lower levels of future taxable income, or we project lower levels of tax planning strategies. Such valuation allowance would be established through a charge to income tax expense that would adversely affect our operating results.

Effects of New Accounting Pronouncements

See “Item 8. Note 1 – Summary of Significant Accounting Policies – Recent Accounting Pronouncements” 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 U.S. GAAP and the prevailing practices in the banking industry. However, the Company provides other financial measures, such as core efficiency ratio, tangible common equity ratio, return on average tangible common equity, and tangible book value per common share, in this report 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 efficiency ratio, tangible common equity ratio, return on average tangible common equity, and tangible book value per common share, collectively “core performance measures” presented in this report, as relevant measures of financial performance, even though they are non-GAAP measures, as they provide supplemental information by which to evaluate the impact of certain non-comparable items, and the Company’s operating performance on an ongoing basis. Core performance measures exclude certain other income and expense items such as merger-related expenses, facilities charges, and the gain or loss on sale of investment securities, which 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 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 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 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. 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.

Reconciliations of Non-GAAP Financial Measures

Core Efficiency Ratio

	For the Years ended December 31,		
($ in thousands)	2021	2020	2019
Net interest income	$ 360,194	$ 270,001	$ 238,717
Less incremental accretion income	—	4,083	4,783
Core net interest income	360,194	265,918	233,934
Total noninterest income	67,743	54,503	49,176
Less gain on sale of other real estate	884	—	—
Less other income from non-core acquired assets	—	—	1,372
Less gain on sale of investment securities	—	421	243
Less other non-core income	—	265	266
Core noninterest income	66,859	53,817	47,295
Total core revenue	$ 427,053	$ 319,735	$ 281,229
Total noninterest expense	$ 245,919	$ 167,159	$ 165,485
Less merger-related expenses	22,082	4,174	17,969
Less branch-closure expenses	3,441	—	—
Less other non-core expenses	—	57	257
Core noninterest expense	$ 220,396	$ 162,928	$ 147,259
Core efficiency ratio	51.61 %	50.96 %	52.36 %

Tangible Common Equity and Tangible Common Equity Ratio

	For the Years ended December 31,		
($ in thousands)	2021	2020	2019
Total shareholders' equity	$ 1,529,116	$ 1,078,975	$ 867,185
Less preferred stock	71,988	—	—
Less goodwill	365,164	260,567	210,344
Less intangible assets	22,286	23,084	26,076
Tangible common equity	$ 1,069,678	$ 795,324	$ 630,765
Total assets	$ 13,537,358	$ 9,751,571	$ 7,333,791
Less goodwill	365,164	260,567	210,344
Less intangible assets	22,286	23,084	26,076
Tangible assets	$ 13,149,908	$ 9,467,920	$ 7,097,371
Tangible common equity to tangible assets	8.13 %	8.40 %	8.89 %

Return on Average Tangible Common Equity

	For the Years ended December 31,		
($ in thousands)	2021	2020	2019
Average shareholder’s equity	$ 1,277,153	$ 902,875	$ 795,477
Less average preferred stock	8,903	—	—
Less average goodwill	307,614	217,205	193,804
Less average intangible assets	22,460	23,551	24,957
Average tangible common equity	$ 938,176	$ 662,119	$ 576,716
Net Income	$ 133,055	$ 74,384	$ 92,739
Return on average tangible common equity	14.18 %	11.23 %	16.08 %

Tangible Book Value Per Common Share

	For the Years ended December 31,		
($ and shares in thousands)	2021	2020	2019
Tangible common equity (calculated above)	$ 1,069,678	$ 795,324	$ 630,765
Period end shares outstanding	37,820	31,210	26,543
Tangible book value per common share	$ 28.28	$ 25.48	$ 23.76

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Please refer to “Risk Factors” included in Item 1A and “Risk Management” and “Interest Rate Risk” 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 shareholders and Board of Directors of Enterprise Financial Services Corp

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Enterprise Financial Services Corp and subsidiaries (the "Company") as of December 31, 2021 and 2020, 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, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, 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) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2022 expressed an unqualified opinion on the Company's internal control over financial reporting.

Change in Accounting Principles

As discussed in Note 1 to the financial statements, on January 1, 2020, the Company adopted ASU 2016-13 *"Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,"* applicable to financial assets measured at amortized cost including loan receivables and held to maturity debt securities.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Allowance for Credit Losses — Refer to Note 1 to the financial statements

Critical Audit Matter Description

The Company utilizes a discounted cash flow ("DCF") method to measure the Allowance for Credit Losses ("ACL") on loans collectively evaluated that are sub-segmented by credit risk levels. The DCF method incorporates assumptions for probability of default, loss given default, prepayments and curtailments over the contractual term of the loans. In determining the probability of default, the Company utilized a regression analysis to determine certain economic factors that are relevant loss drivers in the portfolio segments based on historical or peer evaluations such as unemployment or gross domestic product. Additionally, the Company applies qualitative adjustments to address risks not directly captured in the quantitative reserve; including to address macroeconomic uncertainty by weighting the forecasted baseline, upside, and downside economic factors.

We identified the allowance for credit losses as a critical audit matter because of the complexity of the Company's model and the significant assumptions used by management. Auditing the allowance for credit losses required a high degree of auditor judgment and an increased extent of effort, including the need to involve credit specialists when performing audit procedures to evaluate the reasonableness of management's models and assumptions.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the Company's ACL included the following, among others:

a. We tested the design and operating effectiveness of management's controls covering the key data, assumptions and judgments impacting the allowance for credit losses.

b. We evaluated the appropriateness of the Company's accounting policies, methodologies, and elections involved in determining the allowance.

c. We involved credit specialists to assist us in evaluating the Company's development of the CECL model, including the selection of and calibration to economic factors.

d. We assessed the reasonableness of the Company's qualitative methodology, tested key calculations utilized within the qualitative estimate and agreed underlying data within the calculation to source documents.

Acquisition of First Choice Bancorp ("FCB") – Valuation of Loans – Refer to Note 2 to the financial statements

Critical Audit Matter Description

On July 21, 2021, the Company closed its acquisition of 100% of First Choice Bancorp and its wholly-owned subsidiary, First Choice Bank. The value of the transaction consideration was approximately $346 million. The acquisition of FCB has been 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. Goodwill arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations into the Company.
Given that the fair value determination of net assets, specifically the credit assumptions related to the acquired loan balance, required management to make significant estimates and assumptions related to the associated credit risk, performing audit procedures to evaluate the reasonableness of these estimates and assumptions required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to management's determination of the credit risk associated with these loans included the following, among others:

- We tested the design and operating effectiveness of controls over the valuation of the acquired loans, including management's controls over the determination of credit risk.

- With the assistance of our fair value specialists, we obtained an understanding and evaluated the reasonableness of the Company's valuation methodology and assumptions.
- We compared the accuracy of the Company's fair value pricing to the pricing independently developed by our fair value specialists.

/s/ Deloitte & Touche LLP

St. Louis, Missouri
February 25, 2022

We have served as the Company's auditor since 2010.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and Board of Directors of Enterprise Financial Services Corp

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Enterprise Financial Services Corp and subsidiaries (the "Company") as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2021, of the Company and our report dated February 25, 2022, expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company's adoption of accounting standard update (ASU) 2016-13 *"Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments"*.

Basis for Opinion

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 of 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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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 its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

St. Louis, Missouri
February 25, 2022

ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES
Consolidated Balance Sheets
As of December 31, 2021 and 2020

($ in thousands, except per share data)	December 31, 2021	December 31, 2020
Assets		
Cash and due from banks	$ 209,177	$ 99,760
Federal funds sold	1,356	1,519
Interest-earning deposits (including $14,595 and $36,525 pledged as collateral, respectively)	1,811,156	436,424
Total cash and cash equivalents	2,021,689	537,703
Interest-earning deposits greater than 90 days	6,996	7,626
Securities available-for-sale	1,366,006	912,429
Securities held-to-maturity, net	429,681	487,610
Loans held-for-sale	6,389	13,564
Loans	9,017,642	7,224,935
Allowance for credit losses on loans	(145,041)	(136,671)
Total loans, net	8,872,601	7,088,264
Other investments	59,896	48,764
Fixed assets, net	47,915	53,169
Goodwill	365,164	260,567
Intangible assets, net	22,286	23,084
Other assets	338,735	318,791
Total assets	$ 13,537,358	$ 9,751,571
Liabilities and Shareholders' equity		
Noninterest-bearing demand accounts	$ 4,578,436	$ 2,711,828
Interest-bearing demand accounts	2,465,884	1,768,497
Money market accounts	2,890,976	2,327,066
Savings accounts	800,210	627,903
Certificates of deposit:		
Brokered	128,970	50,209
Other	479,323	499,886
Total deposits	11,343,799	7,985,389
Subordinated debentures and notes	154,899	203,637
FHLB advances	50,000	50,000
Other borrowings	353,863	301,081
Other liabilities	105,681	132,489
Total liabilities	12,008,242	8,672,596
Commitments and contingent liabilities (Note 18)		
Shareholders' equity:		
Preferred stock, $0.01 par value; 5,000,000 shares authorized; 75,000 and 0 shares issued and outstanding, respectively ($1,000 per share liquidation preference)	71,988	—
Common stock, $0.01 par value; 75,000,000 and 45,000,000 shares authorized; 39,799,615 and 33,190,306 shares issued, respectively	398	332
Treasury stock, at cost; 1,980,093 shares	(73,528)	(73,528)
Additional paid in capital	1,018,799	697,839
Retained earnings	492,682	417,212
Accumulated other comprehensive income	18,777	37,120
Total shareholders' equity	1,529,116	1,078,975
Total liabilities and shareholders' equity	$ 13,537,358	$ 9,751,571

See accompanying notes to consolidated financial statements.

ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES
Consolidated Statements of Operations
Years ended December 31, 2021, 2020, and 2019

	Year ended December 31,		
($ in thousands, except per share data)	2021	2020	2019
Interest income:			
Loans	$ 348,615	$ 270,238	$ 269,406
Debt securities:			
Taxable	18,030	24,629	29,030
Nontaxable	13,814	8,397	3,515
Interest-earning deposits	1,496	620	2,128
Dividends on equity securities	1,275	895	1,055
Total interest income	383,230	304,779	305,134
Interest expense:			
Deposits	10,668	21,049	49,856
Subordinated debentures and notes	10,960	9,885	7,507
FHLB advances	803	2,673	6,668
Other borrowings	605	1,171	2,386
Total interest expense	23,036	34,778	66,417
Net interest income	360,194	270,001	238,717
Provision for credit losses	13,385	65,398	6,372
Net interest income after provision for credit losses	346,809	204,603	232,345
Noninterest income:			
Service charges on deposit accounts	15,428	11,717	12,801
Wealth management revenue	10,259	9,732	9,932
Card services revenue	11,880	9,481	9,154
Tax credit income	8,028	6,611	5,393
Miscellaneous income	22,148	16,962	11,896
Total noninterest income	67,743	54,503	49,176
Noninterest expense:			
Employee compensation and benefits	124,904	92,288	81,295
Occupancy	16,286	13,457	12,465
Data processing	12,242	9,050	8,242
Professional fees	4,289	3,940	3,683
Branch-closure expenses	3,441	—	—
Merger-related expenses	22,082	4,174	17,969
Other	62,675	44,250	41,831
Total noninterest expense	245,919	167,159	165,485
Income before income tax expense	168,633	91,947	116,036
Income tax expense	35,578	17,563	23,297
Net income	$ 133,055	$ 74,384	$ 92,739
Earnings per common share			
Basic	$ 3.86	$ 2.76	$ 3.56
Diluted	3.86	2.76	3.55

See accompanying notes to consolidated financial statements.

ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
Years ended December 31, 2021, 2020, and 2019

($ in thousands)	Year ended December 31, 2021	2020	2019
Net income	$ 133,055	$ 74,384	$ 92,739
Other comprehensive income (loss), net of tax:			
Change in unrealized gain (loss) on available-for-sale debt securities	(17,049)	23,944	29,189
Reclassification adjustment for realized (gain) loss on the sale of available-for-sale debt securities	—	(317)	37
Reclassification of gain on held-to-maturity securities	(3,624)	(1,910)	(33)
Change in unrealized gain (loss) on cash flow hedges arising during the period	1,161	(5,947)	(2,262)
Reclassification of loss on cash flow hedges	1,169	3,601	100
Other comprehensive income (loss), net	(18,343)	19,371	27,031
Total comprehensive income	$ 114,712	$ 93,755	$ 119,770

See accompanying notes to consolidated financial statements.

ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
Years ended December 31, 2021, 2020, and 2019

($ 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, 2018	$ —	$ 239	$ (42,655)	$ 350,936	$ 304,566	$ (9,282)	$ 603,804
Net income	$ —	$ —	$ —	$ —	$ 92,739	$ —	$ 92,739
Other comprehensive loss, net	—	—	—	—	—	27,031	27,031
Cash dividends paid on common shares, $0.62 per share	—	—	—	—	(16,568)	—	(16,568)
Repurchase of common shares, 396,737 shares	—	—	(15,526)	—	—	—	(15,526)
Issuance under equity compensation plans, 137,271 shares, net	—	2	—	(214)	—	—	(212)
Shares issued in connection with acquisition of Trinity Capital Corporation, 3,990,822 shares		40	—	171,845	—	—	171,885
Share-based compensation	—	—	—	4,032	—	—	4,032
Balance December 31, 2019	$ —	$ 281	$ (58,181)	$ 526,599	$ 380,737	$ 17,749	$ 867,185
Net income	$ —	$ —	$ —	$ —	$ 74,384	$ —	$ 74,384
Other comprehensive income, net	—	—	—	—	—	19,371	19,371
Cash dividends paid on common shares, $0.72 per share	—	—	—	—	(19,795)	—	(19,795)
Repurchase of common shares, 456,251 shares	—	—	(15,347)	—	—	—	(15,347)
Issuance under equity compensation plans, 146,005 shares, net	—	1	—	77	—	—	78
Shares issued in connection with acquisition of Seacoast Commerce Banc Holdings, 4,977,214 shares	—	50	—	166,985	—	—	167,035
Share-based compensation	—	—	—	4,178	—	—	4,178
Reclassification for the adoption of ASU 2016-13 (CECL)		—	—	—	(18,114)	—	(18,114)
Balance December 31, 2020	$ —	$ 332	$ (73,528)	$ 697,839	$ 417,212	$ 37,120	$ 1,078,975
Net income	$ —	$ —	$ —	$ —	$ 133,055	$ —	$ 133,055
Other comprehensive loss, net	—	—	—	—	—	(18,343)	(18,343)
Cash dividends paid on common shares, $0.75 per share	—	—	—	—	(26,153)	—	(26,153)
Repurchase of common shares, 1,299,527 shares	—	(12)	—	(30,518)	(30,059)	—	(60,589)
Issuance under equity compensation plans, 131,564 shares, net	—	—	—	2,549	(663)	—	1,886
Shares issued in connection with acquisition of First Choice Bancorp, 7,777,272 shares, net (gross issuance 7,808,459 shares)	—	78	—	342,912	(710)	—	342,280
Preferred stock issuance, net of $3,012 issuance cost	71,988	—	—	—	—	—	71,988
Share-based compensation	—	—	—	6,017	—	—	6,017
Balance December 31, 2021	$ 71,988	$ 398	$ (73,528)	$ 1,018,799	$ 492,682	$ 18,777	$ 1,529,116

See accompanying notes to consolidated financial statements.

ENTERPRISE FINANCIAL SERVICES CORP AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended December 31, 2021, 2020, and 2019

	Year ended December 31,		
($ in thousands)	2021	2020	2019
Cash flows from operating activities:			
Net income	$ 133,055	$ 74,384	$ 92,739
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	6,147	6,152	5,719
Provision for credit losses	13,385	65,398	6,372
Deferred income taxes	545	(12,578)	5,800
Net amortization of debt securities	7,343	6,745	2,973
Net accretion of loan discount	(1,140)	(7,767)	(10,494)
Amortization of intangible assets	5,690	5,673	5,543
Amortization of servicing assets	2,311	37	—
Mortgage loans originated-for-sale	(159,670)	(223,094)	(81,941)
Proceeds from mortgage loans sold	163,864	217,934	77,302
Loss (gain) on:			
Sale of investment securities	—	(421)	49
Sale of other real estate	(931)	13	(113)
Sale of state tax credits	(2,220)	(2,016)	(2,549)
Asset impairment	3,441	—	—
Share-based compensation	6,017	4,178	4,032
Changes in other assets and liabilities, net	(17,262)	876	(12,975)
Net cash provided by operating activities	160,575	135,514	92,457
Cash flows from investing activities:			
Acquisition cash purchase price, net of cash and cash equivalents acquired	212,642	62,114	(23,377)
Net decrease (increase) in loans	138,455	(700,096)	(284,235)
Proceeds received from:			
Sale of debt securities, available-for-sale	27,135	20,221	357,976
Paydown or maturity of debt securities, available-for-sale	306,360	329,350	146,132
Paydown or maturity of debt securities, held-to-maturity	49,947	41,377	7,447
Redemption of other investments	18,159	43,555	61,917
Sale of state tax credits held-for-sale	18,507	14,252	14,689
Sale of other real estate	5,915	652	4,798
Settlement of bank-owned life insurance policies	—	1,993	—
Payments for the purchase of:			
Available-for-sale debt securities	(779,481)	(452,541)	(577,211)
Other investments	(9,564)	(50,421)	(68,963)
State tax credits held-for-sale	(8,689)	(11,026)	(11,356)
Fixed assets	(2,500)	(2,259)	(6,337)
Net cash used in investing activities	(23,114)	(702,829)	(378,520)

($ in thousands)	Year ended December 31, 2021	2020	2019
Cash flows from financing activities:			
Net increase in noninterest-bearing deposit accounts	$ 869,203	$ 627,756	$ 57,551
Net increase in interest-bearing deposit accounts	648,778	505,604	44,300
Proceeds from the issuance of subordinated notes	—	61,953	—
Payments for the redemption of subordinated notes	(50,000)	—	—
Proceeds (repayments) from short-term FHLB advances, net	(160,000)	(172,300)	95,500
Proceeds from long-term FHLB advances	—	—	50,000
Repayment of PPPLF advances	—	(86,096)	—
Proceeds from notes payable	—	—	41,000
Repayments of notes payable	(7,143)	(4,286)	(8,714)
Net increase in other borrowings	59,925	40,195	9,436
Cash dividends paid on common stock	(26,153)	(19,795)	(16,568)
Repurchase of common stock	(60,589)	(15,347)	(15,526)
Proceeds from issuance of preferred stock, net	71,988	—	—
Other, net	516	78	(212)
Net cash provided by financing activities	1,346,525	937,762	256,767
Net increase (decrease) in cash and cash equivalents	1,483,986	370,447	(29,296)
Cash and cash equivalents, beginning of period	537,703	167,256	196,552
Cash and cash equivalents, end of period	$ 2,021,689	$ 537,703	$ 167,256
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	$ 23,957	$ 35,423	$ 65,667
Income taxes	56,845	7,514	13,582
Noncash investing and financing transactions:			
Transfer to other real estate owned in settlement of loans	$ 3,227	$ 798	$ 8,148
Sales of other real estate financed	228	48	621
Transfer of securities from available-for-sale to held-to-maturity	—	352,665	116,303
Transfer to loans from fixed assets for deconsolidation of partnership	—	3,336	—
Right-of-use assets obtained in exchange for lease obligations	5,658	1,623	5,208
Common shares issued in connection with acquisitions	343,650	167,035	171,885

See accompanying 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 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 Arizona, California, Kansas, Missouri, Nevada, and New Mexico markets through its banking subsidiary, Enterprise Bank & Trust. All intercompany accounts and transactions have been eliminated.

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 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, 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. 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 of the balance sheet date to be cash and cash equivalents. The balances at December 31, 2021 and 2020 were not subject to reserve requirements from the Federal Reserve.

Recent Accounting Pronouncements

ASU 2021-01, *Reference Rate Reform (Topic 848): Scope (ASU 2021-01).* ASU 2021-01 was issued in January 2021 and provided optional expedients and exceptions in ASC 848 to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendment only applies to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by the amendments will not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. The amendments in this update were effective immediately upon issuance and did not have a material effect on the consolidated financial statements.

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 amortized cost and adjusted for amortization of premiums and accretion of discounts.

Prior to the adoption of ASU 2016-13 on January 1, 2020, declines in the fair value of securities below their cost deemed to be other-than-temporary were reflected in operations as realized losses. In estimating other-than-temporary impairment losses, management evaluated investment securities for other-than-temporary declines in fair value on a quarterly basis. This analysis required management to consider various factors, which included (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.

An ACL on held-to-maturity securities is deducted from the amortized cost basis of the securities to reflect the expected amount to be collected. When it is determined that a security will not be collected, the balance is written-off through the allowance. In evaluating the need for an ACL, securities with similar risk characteristics are grouped and an estimate of expected cash flows is determined using loss experience, adjusted for current and reasonable and supportable forecasts of economic conditions.

For available-for-sale securities in a loss position, the Company evaluates whether the decline in fair value below amortized cost resulted from a credit loss or other factors. Losses attributed to credit are recognized through an ACL on available-for-sale securities, limited to the amount that the fair value of securities is less than the amortized cost basis. In assessing credit loss, the Company considers, among other things, (1) the extent to which fair value is less than the amortized cost basis, (2) adverse conditions specific to the security or industry, (3) historical payment patterns, (4) the likelihood of future payments, and (5) changes to the rating of a security by a rating agency.

The Company has elected to exclude accrued interest receivable balances from the estimate of the ACL as these amounts are timely written off as a credit loss expense. Adjustments to the ACL on held-to-maturity and available-for-sale securities are recognized as a component of the provision for credit losses in the Consolidated Statements of Operations.

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 and Servicing Assets
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 usually 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 these loans.

The Company also originates SBA7(a) loans that generally provide for a guarantee of 75% up to a maximum amount. The guaranteed portion of the loan can be sold in an active secondary market. For the years ended December 31, 2021 and 2020, all SBA7(a) loans are considered held-for-investment; however, as the Company makes the determination to sell the loans, they will be moved into the held-for-sale category. Sales of SBA guaranteed loans are executed on a servicing retained basis, and the Company retains the rights and obligations to service the loans. At December 31, 2021, the Company was servicing SBA loans that had been sold and has recorded a related servicing asset of $6.7 million. The servicing asset is accounted for under the amortization method and is evaluated for impairment. Amortization of the servicing asset is recorded as a reduction to servicing income.

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.

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 on loans is accrued to income based on the principal balance 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 generally applied to principal if any doubt exists as to the collectibility of such principal. 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.

The Company has elected to present the accrued interest receivable balance separate from amortized cost basis, to exclude accrued interest receivable balances from the tabular disclosures, and not to estimate an ACL on accrued interest receivable as these amounts are timely written off as a credit loss expense.

Accrued interest receivable totaled $31.1 million and $30.6 million at December 31, 2020 and 2021, respectively, and were reported in Other Assets on the consolidated balance sheets.

Acquired Loans

Prior to the adoption of ASU 2016-13 on January 1, 2020, PCI loans were acquired in a business combination or transaction, had evidence of deterioration of credit quality since origination and for which it was probable, at acquisition, that the Company would 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," was recognized as interest income on a level-yield method over the life of the loans. Contractually required payments for interest and principal that exceeded the undiscounted cash flows expected at acquisition, or the "nonaccretable difference," were not recognized as a yield adjustment or as a loss accrual or a valuation allowance. The Company aggregated individual loans with common risk characteristics into pools of loans. Increases in expected cash flows subsequent to the initial investment were 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 were recognized as impairment through the provision for loan losses account. Any allowance for loan loss on these pools reflected only losses incurred after the acquisition. Disposals of loans, including sales of loans, paydowns, payments in full or foreclosures resulted in the removal or reduction of the loan from the loan pool.

Subsequent to the adoption of ASU 2016-13, acquired loans are separated into two categories based on the credit risk characteristics of the underlying borrowers as either PCD, for loans which have experienced more than insignificant credit deterioration since origination, or loans with no credit deterioration (non-PCD). At the date of acquisition, an ACL on PCD loans is determined and added to the amortized cost basis of the individual loans. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan. The ACL on PCD loans is recorded in the acquisition accounting and no provision for credit losses is recognized at the acquisition date. Subsequent changes to the ACL are recorded through provision expense. For non-PCD loans, an ACL is established immediately after the acquisition through a charge to the provision for credit losses.

The ACL for both PCD and non-PCD is determined by pooling loans with similar risk characteristics and using the approach discussed below under “Allowance for Credit Losses on Loans”.

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 on the terms of a loan to a borrower experiencing financial difficulty. Concessions may be granted in various forms, including 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. Loans and leases, which are deemed uncollectible, are charged off to the allowance for credit losses, while recoveries of amounts previously charged off are credited to the allowance for credit losses.

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 a determination has been made that the principal balance of the loan is collectible and the interest payments are subsequently received in cash, or for a restructured loan, the borrower has made six consecutive contractual payments. If collectibility 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 covers principal and accrued interest) and in the process of collection.

Allowance for Credit Losses on Loans
The ACL on loans is a valuation account that is deducted from the amortized cost basis to present the net amount expected to be collected. Loans are charged-off against the allowance when management believes the uncollectibility of a loan balance is confirmed.

Management estimates the allowance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors.

The ACL on loans is measured on a collective basis when similar risk characteristics exist. The Company has identified the following portfolio segments:

C&I – C&I loans consist of loans to small and medium-sized businesses in a wide variety of industries. These loans are generally collateralized by inventory, accounts receivable, equipment, real estate and other commercial assets, and may be supported by other credit enhancements such as personal guarantees. Risk arises primarily due to a difference between expected and actual cash flows of the borrower. However, the recoverability of these loans is also dependent on other factors primarily dictated by the type of collateral securing these loans. The fair value of the collateral securing these loans may fluctuate as market conditions change. Included within C&I are revolving loans supported by borrowing bases that fluctuate depending on the amount of underlying collateral. A portion of C&I loans consists of sponsor finance, which are loans with senior debt exposure to private equity backed companies.

CRE – CRE loans include various types of loans for which the Company holds real property as collateral. Commercial real estate lending activity is typically restricted to owner-occupied properties or to investor properties that are owned by customers with a current banking relationship. The primary risks of CRE loans include the borrower's inability to pay, material decreases in the value of the real estate being held as collateral and significant increases in interest rates, which may make the real estate mortgage loan unprofitable. Real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy.

Construction and Land Development – The Company originates loans to finance construction projects including 1-4 family residences, multifamily residences, commercial office, and industrial projects. Construction loans are generally collateralized by first liens on the real estate and have floating interest rates. Construction loans are considered to have higher risks due to construction completion and timing risk, and the ultimate repayment being sensitive to interest rate changes, governmental regulation of real property and the availability of long-term financing. Additionally, economic conditions may impact the Company's ability to recover its investment in construction loans. Adverse economic conditions may negatively impact the real estate market which could affect the borrowers' ability to complete and sell the project. Additionally, the fair value of the underlying collateral may fluctuate as market conditions change.

Residential Real Estate – The Company originates loans to finance one- to four-family residences, secured by both first and second liens. Repayment of these loans is dependent on the borrowers' ability to pay and the fair value of the underlying collateral. Residential loans with a second lien are inherently riskier due to the junior lien position.

Agricultural – Agricultural loans are generally secured with equipment, livestock, crops or other non-real property and at times the underlying real property. Agricultural loans are primarily included as a component of CRE and C&I loans.

Consumer – The Company provides a broad range of consumer loans to customers, including personal lines of credit, credit cards, recreational vehicles, yachts and automobile loans. Repayment of these loans is dependent on the borrowers' ability to pay and the fair value of the underlying collateral. Consumer loans are included as a component of Other loans.

The Company utilizes a DCF method to measure the ACL on loans collectively evaluated that are sub-segmented by credit risk levels. The DCF method incorporates assumptions for probability of default, loss given default, prepayments and curtailments over the contractual term of the loans. In determining the probability of default, the Company utilized regression analysis to determine certain economic factors that are relevant loss drivers in the portfolio segments based on historical or peer evaluations. National unemployment is a loss driver used in nearly all portfolios, except Consumer and first lien Residential Real Estate. The annual percentage change in gross domestic product is also used in C&I, Construction, Agricultural first lien Residential Real Estate, and Consumer portfolios. The annual percentage change in a commercial real estate index, national house price index and national retail sales are used in the CRE, second lien Residential Real Estate and Consumer portfolios, respectively. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled debt restructuring will be executed with an individual borrower, or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

The Company uses a one-year reasonable and supportable forecast that considers baseline, upside and downside economic scenarios. For periods beyond the forecast period, the Company reverts to historical loss rates on a straight-line basis over a one-year period.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines foreclosure is probable, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

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.

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.

Fixed Assets
Buildings, leasehold improvements, furniture, fixtures, and equipment 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 and buildings and leasehold improvements over ten to forty years, based upon estimated lives or lease obligation periods.

State Tax Credits
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. State tax credits are accounted for at cost. The Company is also a minority partner in a joint venture, accounted for as an equity method investment, that purchases state income tax credits for resale to customers. Income from both the sale of state tax credits and earnings from the joint venture are reported as tax credit income in the 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, including death benefits in excess of the carrying amount, are included in noninterest income.

Federal Home Loan Bank Stock
The Bank, as a member of the 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 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, 2021. Such tests involve the use of estimates and assumptions.

Potential impairments to goodwill must first be identified by performing a qualitative assessment which evaluates relevant events or circumstances to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If this test indicates it is more likely than not that goodwill has been impaired, then a quantitative impairment test is completed. The quantitative impairment test calculates the fair value of the reporting unit and compares it with its carrying amount, including goodwill. 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.

Core deposit intangibles are amortized using an accelerated method over an estimated useful life of approximately 10 years.

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 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 managing 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 hedges as part of a customer interest-rate swap product. 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. The fair value amounts recognized for derivative instruments and the fair value amounts recognized for the right to reclaim or obligation to return cash collateral are not offset when represented under a master netting arrangement. Generally, the only derivative instruments used by the Company have been interest rate swaps, forward currency contracts, and interest rate caps.

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. The need for deferred tax asset valuation allowances is 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. The following possible sources of taxable income are considered: 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, performance stock units, and restricted stock units granted to employees, directors, and advisors in return for service. Equity classified awards are measured at the grant date fair value using either an observable market value or a valuation methodology, and are recognized over the requisite service period on a straight-line basis. Forfeitures are recorded as they occur. A description of the Company's stock-based employee compensation plan is included in "Note 16 - Shareholders' Equity and Compensation Plans."

Acquisitions and Divestitures

Acquisitions and business combinations are accounted for using the acquisition method of accounting. 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 acquired, 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. To determine the fair values, the Company relies on third party valuations, such as appraisals, or internal valuations based on discounted cash flow analyses or other valuation techniques. The results of operations of the acquired business are included in the Company's consolidated financial statements from the date of acquisition. Merger-related expenses include costs directly related to merger or acquisition activity and include legal and professional fees, system consolidation and conversion costs, and compensation costs such as severance and retention incentives for employees impacted by acquisition activity. The Company accounts for merger-related expenses in the periods in which the costs are incurred and the services are received.

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 such as 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.

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.

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.

Share Repurchases

The Company periodically adopts share repurchase plans that authorize open market repurchases of common stock. Shares acquired through the repurchase plan are classified as treasury stock or the shares are immediately retired upon settlement, depending on plan authorization. When shares are retired, the excess of repurchase price over par is allocated between additional paid in capital and retained earnings. The amount allocated to additional paid in capital is limited to the pro rata portion of additional paid in capital at the time of repurchase.

Reclassifications

Certain amounts reported in prior periods have been reclassified to conform to the current presentation. The reclassifications had no effect on net income or shareholders' equity.

NOTE 2 - ACQUISITIONS

The acquisition noted below has been 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. Goodwill arising from the acquisitions consist largely of the synergies and economies of scale expected from combining the operations into Enterprise. None of the goodwill recognized is expected to be deductible for income tax purposes.

Acquisition of First Choice Bancorp

On July 21, 2021, the Company closed its acquisition of 100% of First Choice and its wholly-owned subsidiary, FCB, which operated eight full-service branches in California.

First Choice shareholders received 0.6603 shares of EFSC common stock for each First Choice common share and cash in lieu of any fractional shares. In connection with the merger, Enterprise issued approximately 7.8 million shares of EFSC Common Stock valued at $44.01 per share, which was the closing price of Enterprise common stock on July 21, 2021. The value of the transaction consideration was approximately $346 million, which includes approximately $2.1 million payable to holders of First Choice stock options. For the year ended December 31, 2021, the Company recognized $18.8 million of merger-related costs recorded in noninterest expense in the statement of operations related to the First Choice acquisition.

The following tables present the assets acquired and liabilities assumed. The consideration exchanged, assets acquired and liabilities assumed of First Choice were recorded at estimated fair value on the date of acquisition. Fair values are considered preliminary until final fair values are determined, or the measurement period has passed, which is no later than one year from the date of acquisition.

(in thousands)	As Recorded by First Choice	Adjustments		As Recorded by EFSC
Assets acquired:				
Cash and cash equivalents	$ 214,794	$ —		$ 214,794
Securities	34,533	(44)	(a)	34,489
Loans	1,937,635	5,508	(b)	1,943,143
Allowance	(19,626)	12,620	(b)	(7,006)
Other investments	19,178	138	(c)	19,316
Fixed assets	1,869	(870)	(c)	999
Accrued interest receivable	7,131	20	(c)	7,151
Goodwill	73,425	(73,425)	(d)	—
Intangible assets	4,517	375	(e)	4,892
Deferred tax assets	7,558	(1,943)	(c)	5,615
Other assets	23,024	1,645	(c)	24,669
Total assets acquired	$ 2,304,038	$ (55,976)		$ 2,248,062
Liabilities assumed:				
Deposits	$ 1,840,716	$ (287)	(c)	$ 1,840,429
FHLB advances	160,000	—		160,000
Accrued interest payable	124	—		124
Other liabilities	8,464	(2,160)	(c)	6,304
Total liabilities assumed	$ 2,009,304	$ (2,447)		$ 2,006,857
Net assets acquired	$ 294,734	$ (53,529)		$ 241,205
Consideration paid:				
Cash				$ 2,152
Common stock[1]				343,650
Total consideration paid				$ 345,802
Goodwill				$ 104,597

[1] Common stock consideration was $342,280, net of $1,370 for shares withheld on the settlement of share-based awards of FCBP employees.

(a) Fair value adjustments based on the Company's evaluation of the acquired securities portfolio.

(b) Fair value adjustments based on the Company's evaluation of the acquired loan portfolio, write-off of net deferred loan costs and elimination of the allowance for loan losses recorded by FCBP.

(c) Other miscellaneous fair value adjustments.

(d) Adjustment to eliminate goodwill.

(e) Eliminate acquired intangibles and record the core deposit intangible asset on the acquired core deposit accounts. Amount to be amortized using a sum-of-years digits method over a useful life of 10 years.

The following table provides the unaudited pro forma information for the results of operations for the twelve months ended December 31, 2021 and 2020, as if the acquisition had occurred on January 1, 2020. The pro forma results combine the historical results of FCBP with the Company's Consolidated Statements of Income, adjusted for the impact of the application of the acquisition method of accounting including amortization and accretion of fair value adjustments. The pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the results that would have been obtained had the acquisition actually occurred on January 1, 2020. No assumptions have been applied to the pro forma results of operations regarding possible revenue enhancements, expense efficiencies or asset dispositions. Only the acquisition-related expenses that have been incurred as of December 31, 2021 are included in net income in the table below.

	Twelve months ended December 31,	
(in thousands, except per share data)	2021	2020
Total revenues (net interest income plus noninterest income)	$ 488,280	$ 420,487
Net income	188,416	67,275
Diluted earnings per common share	4.86	1.94

For the year ended December 31, 2021, total revenue and pre-tax net income from FCBP of $40.5 million and $25.9 million (excluding the provision for credit losses of $25.4 million on the acquired loan portfolio and unfunded loan commitments) were included in the Company's consolidated results.

NOTE 3 - EARNINGS PER SHARE

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

	Year ended December 31,		
($ in thousands, except per share data)	2021	2020	2019
Net income available to common shareholders	$ 133,055	$ 74,384	$ 92,739
Weighted average common shares outstanding	34,436	26,954	26,045
Additional dilutive common stock equivalents	60	35	114
Weighted average diluted common shares outstanding	34,496	26,989	26,159
Basic earnings per common share	$ 3.86	$ 2.76	$ 3.56
Diluted earnings per common share	$ 3.86	$ 2.76	$ 3.55

For 2021, 2020 and 2019, common stock equivalents of approximately 158,000, 156,000 and 21,000, respectively, were excluded from the earnings per share calculation because their effect would have been 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:

($ in thousands)	December 31, 2021 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
Obligations of U.S. Government-sponsored enterprises	$ 175,409	$ 3	$ (1,901)	$ 173,511
Obligations of states and political subdivisions	571,587	5,907	(2,410)	575,084
Agency mortgage-backed securities	509,243	8,485	(3,869)	513,859
Corporate debt securities	11,750	632	—	12,382
U.S. Treasury Bills	90,971	220	(21)	91,170
Total securities available-for-sale	$ 1,358,960	$ 15,247	$ (8,201)	$ 1,366,006
Held-to-maturity securities:				
Obligations of states and political subdivisions	$ 236,379	$ 1,794	$ (730)	$ 237,443
Agency mortgage-backed securities	68,105	940	(666)	68,379
Corporate debt securities	125,811	3,039	—	128,850
Total securities held-to-maturity	$ 430,295	$ 5,773	$ (1,396)	$ 434,672
Allowance for credit losses	(614)			
Total securities held-to-maturity, net	$ 429,681			

($ in thousands)	December 31, 2020 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
Obligations of U.S. Government-sponsored enterprises	$ 14,978	$ 186	$ (3)	$ 15,161
Obligations of states and political subdivisions	335,271	8,994	(33)	344,232
Agency mortgage-backed securities	506,703	20,190	(321)	526,572
Corporate debt securities	14,750	248	—	14,998
U.S. Treasury Bills	10,980	486	—	11,466
Total securities available-for-sale	$ 882,682	$ 30,104	$ (357)	$ 912,429
Held-to-maturity securities:				
Obligations of states and political subdivisions	$ 248,324	$ 2,814	$ —	$ 251,138
Agency mortgage-backed securities	112,742	2,295	(496)	114,541
Corporate debt securities	126,993	8,851	—	135,844
Total securities held-to-maturity	$ 488,059	$ 13,960	$ (496)	$ 501,523
Allowance for credit losses	(449)			
Total securities held-to-maturity, net	$ 487,610			

During 2020, the Company transferred securities with a book value of $331.0 million and fair value of $352.6 million from available-for-sale to held-to-maturity. The Company believes the held-to-maturity category is more consistent with the Company's intent for these securities. The transfer of securities was made at fair value at the time of transfer. The unamortized portion of the unrealized holding gain at the time of transfer is retained in accumulated other comprehensive income and in the carrying value of held-to-maturity securities. Accordingly, the balance of held-to-maturity securities in the "Amortized cost" column in the table above includes a net unamortized unrealized gain of $21.0 million and $25.6 million at December 31, 2021 and 2020, respectively. Such amounts are amortized over the remaining life of the securities. In January 2022, the Company transferred securities with a book value of $116.7 million from available-for-sale to held-to-maturity.

At December 31, 2021, and 2020, 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. Securities having a fair value of $752.7 million and $525.8 million at December 31, 2021, and December 31, 2020, 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, 2021, 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.

	Available-for-sale		Held-to-maturity	
($ in thousands)	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 81,809	$ 81,797	$ 211	$ 214
Due after one year through five years	166,470	165,161	13,793	13,998
Due after five years through ten years	40,130	40,568	143,900	146,933
Due after ten years	561,308	564,621	204,286	205,148
Agency mortgage-backed securities	509,243	513,859	68,105	68,379
	$ 1,358,960	$ 1,366,006	$ 430,295	$ 434,672

There were approximately 290 available-for-sale securities and 30 available-for-sale securities in an unrealized loss position as of December 31, 2021 and December 31, 2020, respectively, included in the following tables:

	December 31, 2021					
	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 U.S. Government-sponsored enterprises	$ 163,634	$ 1,775	$ 4,874	$ 126	$ 168,508	$ 1,901
Obligations of states and political subdivisions	242,188	2,361	1,776	49	243,964	2,410
Agency mortgage-backed securities	259,047	3,685	6,467	184	265,514	3,869
U.S. Treasury Bills	60,961	21	—	—	60,961	21
	$ 725,830	$ 7,842	$ 13,117	$ 359	$ 738,947	$ 8,201

	December 31, 2020					
	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 U.S. Government-sponsored enterprises	$ 4,997	$ 3	$ —	$ —	$ 4,997	$ 3
Obligations of states and political subdivisions	4,079	33	—	—	4,079	33
Agency mortgage-backed securities	65,986	321	—	—	65,986	321
	$ 75,062	$ 357	$ —	$ —	$ 75,062	$ 357

The unrealized losses at both December 31, 2021, and 2020, were primarily attributable to changes in market interest rates since the securities were purchased. At both December 31, 2021 and 2020, the Company had not recorded an ACL on available-for-sale securities.

Accrued interest receivable on held-to-maturity debt securities totaled $3.4 million and $3.6 million at December 31, 2021 and 2020, respectively, and is excluded from the estimate of expected credit losses. The estimate of expected credit losses considers historical credit loss information adjusted for current conditions and reasonable and supportable forecasts. At December 31, 2021 and 2020, the ACL on held-to-maturity securities was $0.6 million and $0.4 million, respectively.

The proceeds, gross gains and losses realized from sales of available-for-sale investment securities were as follows:

	December 31,		
($ in thousands)	2021	2020	2019
Gross gains realized	$ —	$ 421	$ 400
Gross losses realized	—	—	(449)
Proceeds from sales	27,135	20,221	357,976

Other Investments

At December 31, 2021, and 2020, other investments totaled $59.9 million and $48.8 million, respectively. 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 consisting of membership stock and activity-based stock. The FHLB capital stock of $12.1 million, and $10.8 million at December 31, 2021, and 2020, respectively, 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 primarily include various investments in SBICs, CDFIs, and the Company's investment in unconsolidated trusts used to issue preferred securities to third parties, see "Note 11 – Subordinated Debentures."

NOTE 5 - LOANS

Below is a summary of loans by category at December 31, 2021 and 2020:

($ in thousands)	December 31, 2021	December 31, 2020
Commercial and industrial	$ 3,396,590	$ 3,100,299
Real estate loans:		
Commercial - investor owned	2,141,143	1,589,419
Commercial - owner occupied	2,035,785	1,498,408
Construction and land development	734,073	546,686
Residential	454,052	319,179
Total real estate loans	5,365,053	3,953,692
Other	265,137	187,083
Loans, before unearned loan fees	9,026,780	7,241,074
Unearned loan fees, net	(9,138)	(16,139)
Loans, including unearned loan fees	$ 9,017,642	$ 7,224,935

PPP loans totaled $276.2 million at December 31, 2021, or $272.0 million net of unearned fees of $4.2 million. PPP loans totaled $709.9 million at December 31, 2020, or $698.6 million net of unearned fees of $11.3 million. The loan balance includes a net premium on acquired loans of $11.9 million and $16.1 million at December 31, 2021 and 2020, respectively. At December 31, 2021 loans of $2.5 billion were pledged to the FHLB and the Federal Reserve.

Loans to executive officers and directors, or to entities in which such individuals had beneficial interests as a shareholder, officer, or director totaled $5.7 million for each year ended December 31, 2021 and 2020. 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.

A summary of the activity, by loan category, in the allowance for loan losses for 2019, excluding the allowance on PCI loans, and the ACL on loans for 2020 and 2021 is as follows:

($ in thousands)	Commercial and industrial	CRE - investor owned	CRE - owner occupied	Construction and land development	Residential real estate	Other	Total
Balance at December 31, 2019							
Allowance for loan losses:							
Balance, beginning of year	$ 29,039	$ 4,683	$ 4,239	$ 1,987	$ 1,616	$ 731	$ 42,295
Provision for loan losses	4,801	1,708	673	(237)	(330)	67	6,682
Charge-offs	(6,882)	(551)	(58)	(54)	(667)	(382)	(8,594)
Recoveries	338	95	19	776	661	295	2,184
Balance, end of year	$ 27,296	$ 5,935	$ 4,873	$ 2,472	$ 1,280	$ 711	$ 42,567
Balance at December 31, 2020							
Allowance for loan losses:							
Balance at December 31, 2019	$ 27,296	$ 5,935	$ 4,873	$ 2,472	$ 1,280	$ 711	$ 42,567
PCI allowance at December 31, 2019	159	—	—	139	—	423	721
CECL adoption	6,494	10,726	2,598	5,183	3,470	(84)	28,387
PCD loans immediately charged off	—	(5)	(57)	(217)	(1,401)	—	(1,680)
Balance, beginning of year	$ 33,949	$ 16,656	$ 7,414	$ 7,577	$ 3,349	$ 1,050	$ 69,995
Provision for loan losses	28,373	11,037	7,845	13,438	674	2,012	63,379
Initial allowance on acquired PCD loans	23	2,026	1,427	45	3	—	3,524
Charge-offs	(5,381)	(498)	(30)	(31)	(408)	(391)	(6,739)
Recoveries	1,848	2,841	356	384	967	116	6,512
Balance, end of year	$ 58,812	$ 32,062	$ 17,012	$ 21,413	$ 4,585	$ 2,787	$ 136,671
Balance at December 31, 2021							
Allowance for credit losses:							
Balance, beginning of year	$ 58,812	$ 32,062	$ 17,012	$ 21,413	$ 4,585	$ 2,787	$ 136,671
Provision (benefit) for loan losses	14,361	568	(550)	(7,365)	3,900	2,079	12,993
Initial allowance on acquired PCD loans	1,077	3,651	1,504	37	—	737	7,006
Charge-offs	(12,113)	(2,487)	(602)	(3)	(1,521)	(459)	(17,185)
Recoveries	1,688	2,083	196	454	963	172	5,556
Balance, end of year	$ 63,825	$ 35,877	$ 17,560	$ 14,536	$ 7,927	$ 5,316	$ 145,041

The ACL on sponsor finance loans, which is included in the categories above, represented $18.2 million and $19.0 million as of December 31, 2021 and 2020, respectively.

On January 1, 2020, the Company adopted the CECL methodology which added $28.4 million to the ACL on loans. Upon adoption, $1.7 million of nonaccrual PCD loans with individual outstanding balances of less than $100,000 were immediately charged-off. Under the CECL method, the Company recorded $13.0 million and $63.4 million in provision for credit losses on loans for the years ended December 31, 2021 and 2020, respectively. An additional provision for credit losses of $0.4 million and $2.0 million was recorded in 2021 and 2020, respectively, for HTM securities, unfunded commitments and the recapture of accrued interest on nonaccrual loans. In 2019, a $6.7 million provision for loan losses (excluding the allowance release on PCI loans) was recorded under the incurred loss method. Acquisition-related provision expense of $25.4 million and $8.6 million in 2021 and 2020, respectively, was included in the provision for credit losses. This expense, commonly referred to as the “CECL double-count”, is recognized when a loan portfolio is acquired.

The CECL methodology incorporates various economic scenarios. The Company utilizes three forecasts in the model; Moody’s baseline, a stronger near-term growth upside and a moderate recession downside forecast. The Company weights these scenarios at 40%, 30%, and 30%, respectively, which added approximately $17.5 million to the ACL over the baseline model. These forecasts incorporate an expectation that government stimulus will decline, the Federal Reserve will wind down quantitative easing and begin raising the federal funds rate, and that the pandemic will begin to slowly recede. The Company has also recognized the risk posed by loans that have received multiple deferrals of principal and interest payments, including the hospitality sector, by allocating additional reserves to those segments. Some of the key risks to the forecasts that could result in future provision for credit losses are additional shutdowns and self-quarantines from another significant wave of COVID, continued or worsening supply-chain issues, labor supply and job growth worsens, or financial market conditions tighten.

In addition to the CECL methodology, the Company incorporates qualitative adjustments into the ACL on loans to capture credit risks inherent within the loan portfolio that are not captured in the DCF model. Included in these risks are 1) changes in lending policies and procedures, 2) actual and expected changes in business and economic conditions, 3) changes in the nature and volume of the portfolio, 4) changes in lending management, 5) changes in volume and the severity of past due loans, 6) changes in the quality of the loan review system, 7) changes in the value of underlying collateral, 8) the existence and effect of concentrations of credit and 9) other factors such as the regulatory, legal and competitive environments and events such as natural disasters and pandemics. At December 31, 2021, the ACL on loans included a qualitative adjustment of approximately $39.1 million. Of this amount, approximately $8.6 million was allocated to Sponsor Finance loans due to their unsecured nature.

The recorded investment in nonperforming loans by category at December 31, 2021 and 2020 is as follows:

	December 31, 2021				
($ in thousands)	Non-accrual	Restructured, accruing	Loans over 90 days past due and still accruing interest	Total nonperforming loans	Nonaccrual loans with no allowance
Commercial and industrial	$ 17,052	$ 2,783	$ 1,703	$ 21,538	$ 5,685
Real estate:					
Commercial - investor owned	1,575	—	—	1,575	168
Commercial - owner occupied	2,839	—	—	2,839	2,550
Residential	1,971	76	1	2,048	1,348
Other	12	—	12	24	—
Total	$ 23,449	$ 2,859	$ 1,716	$ 28,024	$ 9,751

	December 31, 2020				
($ in thousands)	Non-accrual	Restructured, accruing	Loans over 90 days past due and still accruing interest	Total nonperforming loans	Nonaccrual loans with no allowance
Commercial and industrial	$ 18,158	$ 3,482	$ 130	$ 21,770	$ 8,316
Real estate:					
Commercial - investor owned	9,579	—	—	9,579	716
Commercial - owner occupied	2,940	—	—	2,940	6,024
Residential	4,112	77	—	4,189	—
Other	29	—	—	29	3,190
Total	$ 34,818	$ 3,559	$ 130	$ 38,507	$ 18,246

The amortized cost basis of collateral-dependent nonperforming loans by class of loan is presented for the periods indicated:

	December 31, 2021		
	Type of Collateral		
(in thousands)	Commercial Real Estate	Residential Real Estate	Blanket Lien
Commercial and industrial	$ 4,271	$ 209	$ 9,312
Real estate:			
Commercial - investor owned	169	1,200	—
Commercial - owner occupied	2,807	32	—
Residential	—	2,048	—
Total	$ 7,247	$ 3,489	$ 9,312

	December 31, 2020			
	Type of Collateral			
(in thousands)	Commercial Real Estate	Residential Real Estate	Blanket Lien	Other
Commercial and industrial	$ 8,316	$ —	$ 394	$ —
Real estate:				
Commercial - investor owned	9,579	—	—	—
Commercial - owner occupied	2,940	—	—	—
Residential	—	4,135	—	—
Other	—	—	—	17
Total	$ 20,835	$ 4,135	$ 394	$ 17

The recorded investment by category for loans restructured during the years ended December 31, 2021 and 2020 is as follows:

	Year ended December 31, 2021			Year ended December 31, 2020		
($ 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	—	$ —	$ —	3	$ 7,447	$ 7,447
Real estate:						
Residential	1	221	221	3	372	372
Total	1	$ 221	$ 221	6	$ 7,819	$ 7,819

Restructured loans primarily resulted from interest rate concessions. As of December 31, 2021, the Company allocated an immaterial amount in specific reserves to loans that have been restructured.

Loans restructured that subsequently defaulted during the year ended December 31, 2021 are as follows:

	Year ended December 31, 2021	
($ in thousands, except for number of loans)	Number of Loans	Recorded Balance
Real Estate:		
Residential	1	148

There were no restructured loans that subsequently defaulted during the year ended December 31, 2020.

In response to the COVID-19 pandemic, the Company implemented short-term deferral programs allowing customers to primarily defer payments for up to 90 days. Deferrals under the CARES Act or interagency guidance are not included above as troubled debt restructurings. As of December 31, 2021, substantially all of these loans have returned to a current payment status.

The aging of the recorded investment in past due loans by class and category at December 31, 2021 and 2020 is shown below:

	December 31, 2021				
($ in thousands)	30-89 Days Past Due	90 or More Days Past Due	Total Past Due	Current	Total
Commercial and industrial	$ 24,447	$ 14,158	$ 38,605	$ 3,353,770	$ 3,392,375
Real estate:					
Commercial - investor owned	3,880	—	3,880	2,137,263	2,141,143
Commercial - owner occupied	10,070	289	10,359	2,025,426	2,035,785
Construction and land development	24	—	24	734,049	734,073
Residential	3,181	1,305	4,486	449,566	454,052
Other	37	11	48	260,166	260,214
Total	$ 41,639	$ 15,763	$ 57,402	$ 8,960,240	$ 9,017,642

	December 31, 2020				
($ in thousands)	30-89 Days Past Due	90 or More Days Past Due	Total Past Due	Current	Total
Commercial and industrial	$ 8,652	$ 12,928	$ 21,580	$ 3,067,415	$ 3,088,995
Real estate:					
Commercial - investor owned	734	9,301	10,035	1,579,384	1,589,419
Commercial - owner occupied	328	4,647	4,975	1,493,433	1,498,408
Construction and land development	13	—	13	546,673	546,686
Residential	2,071	2,118	4,189	314,990	319,179
Other	1,731	50	1,781	180,467	182,248
Total	$ 13,529	$ 29,044	$ 42,573	$ 7,182,362	$ 7,224,935

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 loans by class and year of origination is presented in the following tables as of the dates indicated:

	December 31, 2021								
	Term Loans by Origination Year								
(in thousands)	2021	2020	2019	2018	2017	Prior	Revolving Loans Converted to Term Loans	Revolving Loans	Total
Commercial and industrial									
Pass (1-6)	$ 1,180,601	$ 477,374	$ 317,869	$ 132,851	$ 116,738	$ 82,846	$ 11,648	$ 854,102	$ 3,174,029
Watch (7)	35,005	17,502	9,404	9,880	12,217	10,979	4,037	53,595	152,619
Classified (8-9)	14,917	3,530	3,840	1,689	2,988	813	787	10,996	39,560
Total Commercial and industrial	$ 1,230,523	$ 498,406	$ 331,113	$ 144,420	$ 131,943	$ 94,638	$ 16,472	$ 918,693	$ 3,366,208
Commercial real estate-investor owned									
Pass (1-6)	$ 651,740	$ 476,946	$ 346,245	$ 146,107	$ 112,043	$ 217,808	$ 3,625	$ 68,236	$ 2,022,750
Watch (7)	16,871	35,908	32,755	1,003	502	17,478	300	2,062	106,879
Classified (8-9)	1,376	3,135	835	817	1,159	4,141	—	50	11,513
Total Commercial real estate-investor owned	$ 669,987	$ 515,989	$ 379,835	$ 147,927	$ 113,704	$ 239,427	$ 3,925	$ 70,348	$ 2,141,142
Commercial real estate-owner occupied									
Pass (1-6)	$ 604,975	$ 423,263	$ 278,830	$ 164,210	$ 140,515	$ 235,973	$ 250	$ 48,349	$ 1,896,365
Watch (7)	12,825	13,585	4,301	16,774	10,274	15,764	—	300	73,823
Classified (8-9)	2,048	556	9,181	17,016	6,432	6,959	—	—	42,192
Total Commercial real estate-owner occupied	$ 619,848	$ 437,404	$ 292,312	$ 198,000	$ 157,221	$ 258,696	$ 250	$ 48,649	$ 2,012,380
Construction real estate									
Pass (1-6)	$ 310,140	$ 229,396	$ 70,531	$ 35,936	$ 14,860	$ 7,180	$ 568	$ 2,992	$ 671,603
Watch (7)	28,947	15,348	60	1,199	11,068	2,330	—	—	58,952
Classified (8-9)	—	—	387	419	—	22	—	—	828
Total Construction real estate	$ 339,087	$ 244,744	$ 70,978	$ 37,554	$ 25,928	$ 9,532	$ 568	$ 2,992	$ 731,383
Residential real estate									
Pass (1-6)	$ 116,352	$ 66,481	$ 21,356	$ 14,841	$ 24,778	$ 103,840	$ 9,980	$ 87,146	$ 444,774
Watch (7)	2,425	2	622	1,157	248	1,305	—	79	5,838
Classified (8-9)	414	169	554	—	12	2,024	—	—	3,173
Total residential real estate	$ 119,191	$ 66,652	$ 22,532	$ 15,998	$ 25,038	$ 107,169	$ 9,980	$ 87,225	$ 453,785
Other									
Pass (1-6)	$ 108,209	$ 68,806	$ 22,684	$ 23,145	$ 6,924	$ 13,832	$ 1,500	$ 9,166	$ 254,266
Watch (7)	—	—	—	4	—	2,440	—	1	2,445
Classified (8-9)	—	—	10	10	—	16	—	2	38
Total Other	$ 108,209	$ 68,806	$ 22,694	$ 23,159	$ 6,924	$ 16,288	$ 1,500	$ 9,169	$ 256,749
Total loans classified by risk category	$ 3,086,845	$ 1,832,001	$ 1,119,464	$ 567,058	$ 460,758	$ 725,750	$ 32,695	$ 1,137,076	$ 8,961,647
Total loans classified by performing status									55,995
Total loans									$ 9,017,642

	December 31, 2020								
	Term Loans by Origination Year								
(in thousands)	2020	2019	2018	2017	2016	Prior	Revolving Loans Converted to Term Loans	Revolving Loans	Total
Commercial and industrial									
Pass (1-6)	$ 1,402,276	$ 454,729	$ 262,258	$ 132,832	$ 25,057	$ 58,315	$ 14,118	$ 527,170	$ 2,876,755
Watch (7)	44,922	15,369	9,585	7,509	19,613	110	—	60,448	157,556
Classified (8-9)	6,602	9,219	3,115	3,964	4,490	1,080	1,281	22,432	52,183
Total Commercial and industrial	$ 1,453,800	$ 479,317	$ 274,958	$ 144,305	$ 49,160	$ 59,505	$ 15,399	$ 610,050	$ 3,086,494
Commercial real estate-investor owned									
Pass (1-6)	$ 481,867	$ 338,843	$ 189,305	$ 131,718	$ 138,288	$ 161,439	$ 6,509	$ 32,058	$ 1,480,027
Watch (7)	32,308	19,722	6,656	—	9,647	17,370	—	—	85,703
Classified (8-9)	—	5,278	8,716	5,830	1,245	2,620	—	—	23,689
Total Commercial real estate-investor owned	$ 514,175	$ 363,843	$ 204,677	$ 137,548	$ 149,180	$ 181,429	$ 6,509	$ 32,058	$ 1,589,419
Commercial real estate-owner occupied									
Pass (1-6)	$ 419,142	$ 287,001	$ 215,181	$ 179,382	$ 104,470	$ 167,456	$ 2,672	$ 45,323	$ 1,420,627
Watch (7)	13,657	5,257	3,113	6,198	4,338	8,460	1,776	941	43,740
Classified (8-9)	2,420	7,427	5,822	6,140	1,309	10,860	—	63	34,041
Total Commercial real estate-owner occupied	$ 435,219	$ 299,685	$ 224,116	$ 191,720	$ 110,117	$ 186,776	$ 4,448	$ 46,327	$ 1,498,408
Construction real estate									
Pass (1-6)	$ 223,069	$ 156,360	$ 45,460	$ 18,579	$ 11,539	$ 9,144	$ —	$ 28,880	$ 493,031
Watch (7)	2,544	86	34,179	11,632	—	2,499	—	—	50,940
Classified (8-9)	56	2,124	503	1	—	31	—	—	2,715
Total Construction real estate	$ 225,669	$ 158,570	$ 80,142	$ 30,212	$ 11,539	$ 11,674	$ —	$ 28,880	$ 546,686
Residential real estate									
Pass (1-6)	$ 57,059	$ 27,907	$ 17,718	$ 17,138	$ 27,443	$ 92,657	$ 1,172	$ 66,902	$ 307,996
Watch (7)	210	840	526	—	514	1,603	287	511	4,491
Classified (8-9)	571	733	121	14	898	3,181	—	253	5,771
Total residential real estate	$ 57,840	$ 29,480	$ 18,365	$ 17,152	$ 28,855	$ 97,441	$ 1,459	$ 67,666	$ 318,258
Other									
Pass (1-6)	$ 43,526	$ 28,195	$ 30,074	$ 9,646	$ 5,641	$ 17,027	$ —	$ 40,779	$ 174,888
Watch (7)	—	1	8	—	—	2,637	—	1	2,647
Classified (8-9)	—	18	19	13	—	17	8	4	79
Total Other	$ 43,526	$ 28,214	$ 30,101	$ 9,659	$ 5,641	$ 19,681	$ 8	$ 40,784	$ 177,614
Total loans classified by risk category	$ 2,730,229	$ 1,359,109	$ 832,359	$ 530,596	$ 354,492	$ 556,506	$ 27,823	$ 825,765	$ 7,216,879
Total loans classified by performing status									8,056
Total loans									$ 7,224,935

In the tables above, loan originations in 2021 and 2020 with a classification of watch or classified primarily represent renewals or modifications initially underwritten and originated in prior years.

For certain loans, primarily credit cards, the Company evaluates credit quality based on the aging status.

The following tables present the recorded investment on loans based on aging status:

	December 31, 2021		
(in thousands)	Performing	Non Performing	Total
Commercial and industrial	$ 26,166	$ 1	$ 26,167
Real estate:			
Commercial - investor owned	1	—	1
Commercial - owner occupied	23,405	—	23,405
Construction and land development	2,690	—	2,690
Residential	267	—	267
Other	3,453	12	3,465
Total	$ 55,982	$ 13	$ 55,995

	December 31, 2020		
(in thousands)	Performing	Non Performing	Total
Commercial and industrial	$ 2,502	$ —	$ 2,502
Real estate:			
Residential	921	—	921
Other	4,612	21	4,633
Total	$ 8,035	$ 21	$ 8,056

The Company has purchased loans, for which there was, at acquisition, evidence of more than insignificant deterioration of credit quality since origination. The carrying amount of those loans is as follows:

($ in thousands)	At July 21, 2021
Par value of acquired loans	$ 180,440
Allowance for credit losses	(7,006)
Non-credit discount	(6,428)
Purchase price of acquired loans	$ 167,006

NOTE 6 - LEASES

The Company has banking and limited-service facilities, datacenters, and certain equipment leased under agreements. Most of the leases expire between 2022 and 2027 and include one or more renewal options for up to 5 years. One lease expires in 2031. All leases are classified as operating leases.

	For the twelve months ended	
($ in thousands)	December 31, 2021	December 31, 2020
Operating lease cost	$ 4,877	$ 3,207
Short-term lease cost	833	201
Total lease cost	$ 5,710	$ 3,408

Payments on operating leases included in the measurement of lease liabilities during the twelve months ended December 31, 2021 and 2020 totaled $5.2 million and $3.3 million, respectively. Right-of-use assets obtained in exchange for lease obligations totaled $5.7 million and $1.6 million during the twelve months ended December 31, 2021 and 2020, respectively. The additions in 2021 and 2020 were primarily from the First Choice acquisition and Seacoast acquisition, respectively. In 2021, an impairment of $1.1 million was recognized on right-of-use assets concurrent with the announced closure of certain leased locations. For further discussion see "Note 8 - Fixed Assets."

Supplemental balance sheet information related to leases is as follows:

($ in thousands)	December 31, 2021	December 31, 2020
Operating lease right-of-use assets, included in other assets	$ 13,483	$ 13,636
Operating lease liabilities, included in other liabilities	14,865	14,152
Operating leases		
Weighted average remaining lease term	4 years	5 years
Weighted average discount rate	2.0 %	2.5 %

Maturities of operating lease liabilities are as follows:

($ in thousands)	
Year	Amount
2022	$ 5,191
2023	3,688
2024	2,670
2025	1,326
2026	1,138
Thereafter	1,566
Total operating lease liabilities, payments	15,579
Less: present value adjustment	714
Operating lease liabilities	$ 14,865

Lessor income was $1.9 million and $1.8 million during the twelve months ended December 31, 2021, and 2020, respectively.

NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS

Risk Management Objective of Using Derivatives

The Company is exposed to certain risk arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its assets and liabilities and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's borrowings. The Company does not enter into derivative financial instruments for trading purposes.

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. The Company has executed a series of cash flow hedges to fix the effective interest rate for payments due on $62.0 million of LIBOR-based junior subordinated debentures to a weighted-average-fixed rate of 2.62%. Select terms of the hedges are as follows:

$ in thousands

Notional	Fixed Rate	Maturity Date
$15,465	2.60%	March 15, 2024
$14,433	2.60%	March 30, 2024
$18,558	2.64%	March 15, 2026
$13,506	2.64%	March 17, 2026

For derivatives designated and qualified as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in accumulated other comprehensive income and subsequently reclassified into interest expense in the same period(s) during which the hedged transaction affects earnings. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are paid on the Company's variable-rate debt. During the next twelve months, the Company estimates an additional $1.3 million will be reclassified as an increase to interest expense. Concurrently with the repayment of $200 million of variable-rate FHLB advances in the fourth quarter of 2020, the Company terminated two interest rate swaps with a notional value of $200.0 million. A loss of $3.2 million was recognized on the termination of the swaps.

Non-designated Hedges

Derivatives not designated as hedges are not considered speculative and result from a service the Company provides to certain customers. The Company executes interest rate swaps with commercial banking customers to facilitate their respective risk management strategies. Those interest rate swaps are simultaneously hedged by offsetting derivatives that the Company executes with a third party, such that the Company minimizes its net risk exposure resulting from such transactions. As the interest rate derivatives associated with this program do not meet the strict hedge accounting requirements, changes in the fair value of both the customer derivatives and the offsetting derivatives are recognized directly in earnings as a component of other noninterest income.

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the Balance Sheet as of December 31, 2021 and December 31, 2020.

	Notional Amount		Derivative Assets		Derivative Liabilities	
($ in thousands)	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Derivatives designated as hedging instruments						
Interest rate swaps	$ 61,962	$ 61,962	$ —	$ —	$ 2,911	$ 5,987
Derivatives not designated as hedging instruments						
Interest rate swaps	$ 918,698	$ 1,026,016	$ 12,869	$ 28,703	$ 12,883	$ 28,980

The tables below present a gross presentation, the effects of offsetting, and a net presentation of the Company's financial instruments subject to offsetting as of December 31, 2021 and December 31, 2020. The gross amounts of assets or liabilities can be reconciled to the tabular disclosure of fair value. The tabular disclosure of fair value provides the location that financial assets and liabilities are presented on the Balance Sheet.

As of December 31, 2021

				Gross Amounts Not Offset in the Statement of Financial Position		
($ in thousands)	Gross Amounts Recognized	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets presented in the Statement of Financial Position	Financial Instruments	Fair Value Collateral Posted	Net Amount
Assets:						
Interest rate swaps	$ 12,869	$ —	$ 12,869	$ 1,033	$ —	$ 11,836
Liabilities:						
Interest rate swaps	$ 15,794	$ —	$ 15,794	$ 1,033	$ 14,031	$ 730
Securities sold under agreements to repurchase	331,006	—	331,006	—	331,006	—

As of December 31, 2020

				Gross Amounts Not Offset in the Statement of Financial Position		
($ in thousands)	Gross Amounts Recognized	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets presented in the Statement of Financial Position	Financial Instruments	Fair Value Collateral Posted	Net Amount
Assets:						
Interest rate swaps	$ 28,703	$ —	$ 28,703	$ 2	$ —	$ 28,701
Liabilities:						
Interest rate swaps	$ 34,967	$ —	$ 34,967	$ 2	$ 34,903	$ 62
Securities sold under agreements to repurchase	271,081	—	271,081	—	271,081	—

As of December 31, 2021, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was $16.6 million. Further, the Company has minimum collateral posting thresholds with certain of its derivative counterparties and has posted collateral of $14.0 million.

NOTE 8 - FIXED ASSETS

A summary of fixed assets at December 31, 2021 and 2020, is as follows:

	December 31,	
($ in thousands)	2021	2020
Land	$ 12,849	$ 13,389
Buildings and leasehold improvements	52,012	53,007
Furniture, fixtures and equipment	18,821	17,933
	83,682	84,329
Less accumulated depreciation and amortization	35,767	31,160
Total fixed assets	$ 47,915	$ 53,169

Depreciation and amortization of fixed assets included in noninterest expense amounted to $6.1 million, $6.2 million, and $5.7 million in 2021, 2020, and 2019, respectively.

In 2021 the Company commenced the process to close three branch locations in California related to the First Choice acquisition. A lease and fixed asset impairment charge of $0.4 million was recognized and reported in merger-related expenses. Additionally, the Company also commenced the process to close two branches in St. Louis and consolidate the operations and customers of these branches with other nearby locations. An impairment charge of $3.4 million on these branches was recognized in 2021 for buildings, leases and fixed assets.

NOTE 9 - GOODWILL AND INTANGIBLE ASSETS

The table below presents a summary of goodwill:

	Years ended December 31,	
($ in thousands)	2021	2020
Goodwill, beginning of year	$ 260,567	$ 210,344
Additions from acquisition	104,597	50,223
Goodwill, end of year	$ 365,164	$ 260,567

The table below presents a summary of intangible assets:

	Years ended December 31,	
($ in thousands)	2021	2020
Core deposit intangible, net, beginning of year	$ 23,084	$ 26,076
Additions from acquisition	4,892	2,681
Amortization	(5,690)	(5,673)
Core deposit intangible, net, end of year	$ 22,286	$ 23,084

Amortization expense on the core deposit intangibles was $5.7 million for the each of the years ended December 31, 2021 and 2020, and $5.5 million for the year ended December 31, 2019. The core deposit intangibles are being amortized over a 10-year period.

The following table reflects the amortization schedule for the core deposit intangible at December 31, 2021.

Year		Core Deposit Intangible ($ in thousands)
2022	$	5,367
2023		4,601
2024		3,834
2025		3,068
2026		2,301
After 2026		3,115
	$	22,286

NOTE 10 - DEPOSITS

Following is a summary of certificates of deposit maturities at December 31, 2021:

($ in thousands)		Brokered		Customer		Total
Less than 1 year	$	10,062	$	365,902	$	375,964
Greater than 1 year and less than 2 years		61,173		67,859		129,032
Greater than 2 years and less than 3 years		37,847		21,010		58,857
Greater than 3 years and less than 4 years		19,888		14,238		34,126
Greater than 4 years and less than 5 years		—		5,564		5,564
Greater than 5 years		—		4,750		4,750
	$	128,970	$	479,323	$	608,293

Certificates of deposit balances over the FDIC insurance limit of $250,000 were $93.7 million as of December 31, 2021.

At December 31, 2021, deposit accounts of executive officers and directors, or to entities in which such individuals had beneficial interests as a shareholder, officer, or director totaled $5.7 million.

The Company is a participant in the Promontory Interfinancial Network, a network that offers deposit placement services such as CDARS and ICS, which offers products that qualify large deposits for FDIC insurance. At December 31, 2021, the Company had $22.0 million of CDARS deposits and $118.2 million of ICS deposits. At December 31, 2021 and 2020, overdraft deposits of $1.3 million and $1.0 million, respectively, were reclassified to loans.

NOTE 11 - SUBORDINATED DEBENTURES

The amounts and terms of each issuance of the Company's subordinated debentures at December 31, 2021 and 2020 were as follows:

	Amount				
($ in thousands)	2021	2020	Maturity Date	Initial Call Date (1)	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%
JEFFCO Stat Trust I (2)	7,732	7,752	February 22, 2031	February 22, 2011	Fixed @ 10.20%
JEFFCO Stat Trust II (2)	4,496	4,443	March 17, 2034	March 17, 2009	Floats @ 3MO LIBOR + 2.75%
Trinity Capital Trust III (2)	5,339	5,272	September 8, 2034	September 8, 2009	Floats @ 3MO LIBOR + 2.70%
Trinity Capital Trust IV	10,310	10,310	November 23, 2035	August 23, 2010	Fixed @ 6.88%
Trinity Capital Trust V (2)	7,869	7,706	December 15, 2036	September 15, 2011	Floats @ 3MO LIBOR + 1.65%
Total junior subordinated debentures	92,553	92,290			
5.75% Fixed-to-floating rate subordinated notes	63,250	63,250	June 1, 2030	June 1, 2025	Fixed @ 5.75% until June 1, 2025, then floats @ Benchmark rate (3 month term SOFR) + 5.66%
4.75% 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%
Debt issuance costs	(904)	(1,903)			
Total fixed-to-floating rate subordinated notes	62,346	111,347			
Total subordinated debentures and notes	$ 154,899	$ 203,637			

(1) Callable each quarter after initial call date.

(2) Purchase accounting adjustments are reflected in the balance and also impact the effective interest rate.

The Company has 13 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 $2.9 million at December 31, 2021, in these trusts is included in other investments in the consolidated balance sheets. The Company has fixed the interest rate on a portion of its junior subordinated debentures through a series of interest rate swaps. For further discussion of the interest rate swaps and the corresponding terms, see "Note 7 - Derivative Financial Instruments."

On November 1, 2016, the Company issued $50 million of fixed-to-floating rate subordinated notes. The notes initially bore 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. On November 1, 2021, the Company redeemed the $50.0 million of subordinated debentures at par. A loss of $0.7 million on the redemption was recognized for the write-off of unamortized debt issuance costs.

On May 21, 2020, EFSC issued $63.3 million of 5.75% fixed-to-floating rate subordinated notes due in 2030 in a public offering (the "2030 Notes"). From and including the date of issuance to, but excluding, June 1, 2025, the 2030 Notes will bear interest at a rate equal to 5.75% per annum, payable semiannually in arrears on each June 1 and December 1. From and including June 1, 2025 to, but excluding, the maturity date or the date of earlier redemption, the 2030 Notes will bear interest at a floating rate per annum equal to a benchmark rate (which is expected to be three-month term SOFR (as defined in the Indenture, dated May 21, 2020, between EFSC and U.S. Bank National Association, as trustee, and subsequent First Supplemental Indenture)), plus 566.0 basis points, payable quarterly in arrears on March 1, June 1, September 1 and December 1 of each year, commencing on September 1, 2025. Notwithstanding the foregoing, in event that the benchmark rate is less than zero, then the benchmark rate shall be deemed to be zero. 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, 2021 and 2020, the carrying value of the loans pledged to the FHLB of Des Moines was $1.4 billion at both periods. The secured line of credit had availability of approximately $708.6 million at December 31, 2021.

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

		2021		2020	
($ in thousands)	Term	Outstanding Balance	Weighted Rate	Outstanding Balance	Weighted Rate
Non-amortizing fixed advance	Greater than 1 year	$ 50,000	1.56 %	$ 50,000	1.56 %

In August 2019, the Company entered into agreements totaling $50 million for convertible advances with a weighted average rate of 1.56% that mature in 2024 and are currently puttable by the FHLB.

At December 31, 2021, the Company used $60.0 million of collateral value to secure confirming letters of credit for public unit deposits and industrial development bonds.

NOTE 13 - OTHER BORROWINGS

Securities Sold Under Agreement to Repurchase

The Company enters into sales of securities under agreements to repurchase. The agreements are transacted with deposit customers and are utilized as an overnight investment product. The amounts received under these agreements represent short-term borrowings and are reflected as a liability in the consolidated balance sheets. The securities underlying these agreements are included in investment securities in the Consolidated Balance Sheets. The Company has no control over the market value of the securities, which fluctuates due to market conditions. However, the Company is obligated to promptly transfer additional securities if the market value of the securities falls below the repurchase agreement price. The Company manages this risk by maintaining an unpledged securities portfolio that it believes is sufficient to cover a decline in the market value of the securities sold under agreements to repurchase.

A summary of securities sold under agreements to repurchase is as follows:

	December 31,	
($ in thousands)	2021	2020
Securities sold under agreement to repurchase	$ 331,006	$ 271,081
Average balance during the year	225,895	206,338
Maximum balance outstanding at any month-end	331,006	271,081
Average interest rate during the year	0.10 %	0.23 %
Average interest rate at December 31	0.06 %	0.07 %

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, 2021, $1.1 billion was available under this line. This line is secured by a pledge of certain eligible loans aggregating $1.3 billion. There were no amounts drawn on the Federal Reserve line of credit as of December 31, 2021.

Federal Reserve PPPLF

The Company acquired $86.1 million of Federal Reserve PPPLF funds from the Seacoast acquisition which were paid off in November 2020.

Revolving Credit Line

In February 2016, the Company entered into a senior unsecured revolving credit agreement (the "Revolving Agreement") with another bank. The Revolving Agreement has a one-year term, maturing on February 22, 2022. It allows for borrowings up to $25 million. The interest rate is the one-month LIBOR plus 125 basis points. 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. In February 2022, the Revolving Agreement was renewed for a one-year term and the interest rate was amended to one-month Term SOFR plus 136 basis points. The revolving credit line was not accessed in 2021 or 2020.

Term Loan

In February 2019, the Company entered into a five year, $40.0 million unsecured term loan agreement (the "Term Loan") with another bank with the proceeds primarily used to fund the company's cash portion of an acquisition in 2019. The interest rate is one-month LIBOR plus 125 basis points. In February 2022, the interest rate on the Term Loan was amended to one-month Term SOFR plus 136 basis points.

A summary of the Term Loan is as follows:

	December 31,	
($ in thousands)	2021	2020
Term Loan	$ 22,857	$ 30,000
Average balance during the year	26,427	32,123
Maximum balance outstanding at any month-end	28,571	34,286
Weighted average interest rate during the year	1.40 %	1.96 %
Average interest rate at December 31	1.38 %	1.44 %

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 there are no such legal proceedings pending or threatened against the Company or its subsidiaries in the ordinary course of business, directly, indirectly, or in the aggregate that, 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 CAPITAL

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum 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, 2021 and 2020, that the Company met all capital adequacy requirements to which it is subject.

As of December 31, 2021 and 2020, 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. In addition, the Company must maintain an additional CCB above the regulatory minimum ratio requirements. The CCB is designed to insulate banks from periods of stress and impose constraints on dividends, share repurchases and discretionary bonus payments when capital levels fall below prescribed levels.

The capital ratios are presented in the following table:

	December 31, 2021		December 31, 2020			
	EFSC	Bank	EFSC	Bank	To Be Well-Capitalized	Minimum Ratio with CCB
Common Equity Tier 1 Capital to Risk Weighted Assets	11.3 %	12.5 %	10.9 %	12.5 %	6.5 %	7.0 %
Tier 1 Capital to Risk Weighted Assets	13.0 %	12.5 %	12.1 %	12.5 %	8.0 %	8.5 %
Total Capital to Risk Weighted Assets	14.7 %	13.5 %	14.9 %	13.7 %	10.0 %	10.5 %
Leverage Ratio (Tier 1 Capital to Average Assets)	9.7 %	9.3 %	10.0 %	10.3 %	5.0 %	4.0 %

NOTE 16 - SHAREHOLDERS' EQUITY AND COMPENSATION PLANS

Shareholders' Equity

Common Stock

At December 31, 2021 and 2020, the Company has reserved the following shares of its authorized but unissued common stock for possible future issuance in connection with the following:

	December 31, 2021	December 31, 2020
Outstanding performance units (maximum issuance)	169,244	125,176
Outstanding RSU's	181,657	157,428
Outstanding options and appreciation rights	112,927	—
2018 Stock Incentive Plan	670,326	339,691
Non-Management Director Plan	73,618	86,616
2018 Employee Stock Purchase Plan	571,064	635,890
Total	1,778,836	1,344,801

Common Stock Repurchase Plan

In April 2021, 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 stock repurchase program will remain in effect until fully utilized or until modified, superseded or terminated. At December 31, 2021, there were 700,473 shares available for repurchase under the plan.

Preferred Stock

The Company has 5,000,000 shares of authorized preferred stock with a par value of $0.01 with 75,000 shares issued and outstanding at the end of 2021. The Board of Directors has the right to set for each series of preferred stock, subject to the laws of the State of Delaware, the dividend rate, conversion and redemption terms, voting rights and liquidation preferences, among others. In the fourth quarter 2021, the Company issued and sold 3,000,000 depositary shares, each representing 1/40th interest in a share of the Company's 5% Noncumulative, Perpetual Preferred Stock, Series A ("Series A Preferred Stock"), totaling $72.0 million, net of issuance costs. The depositary shares trade under the ticker "EFSCP". The Series A Preferred Stock may be redeemed at the Company's option, subject to prior regulatory approval, in whole or in part on any dividend payment date on or after December 15, 2026 or within 90 days following a regulatory capital event, as defined in the offering documents. If any Series A Preferred Stock are redeemed, a proportionate number of depositary shares will also be redeemed.

Dividends, when and if declared by the board of directors, are payable, quarterly in arrears, on March 15, June 15, September 15 and December 15 of each year. If dividends on the Series A Preferred stock have not been declared or paid in six quarterly periods, whether or not consecutive, the number of directors on the board will automatically be increased by two and the holders of the Series A preferred stock will be entitled to vote for the additional directors.

Dividends

The Company's ability to pay dividends to its shareholders is generally dependent upon the payment of dividends by the Bank to the parent company. The Bank cannot pay dividends to the extent it would be deemed undercapitalized by the FDIC after making such dividend.

Dividends on the Company's capital stock are prohibited under the terms of the junior subordinated debenture agreements, see "Note 11 - Subordinated Debentures," if the Company is in continuous default on its payment obligations to the capital trusts, has elected to defer interest payments on the debentures or extends the interest payment period. Furthermore, unless dividends on all outstanding shares of the Series A Preferred Stock for the most recently completed dividend period have been paid or declared, dividends on, and repurchases of, common stock is prohibited. At December 31, 2021, the Company was not in default on any of the junior subordinated debenture issuances or preferred stock.

Accumulated Other Comprehensive Income (Loss)

The following table presents the changes in accumulated other comprehensive income (loss) after-tax by component:

($ in thousands)	Net Unrealized Gain (Loss) on Available-for-Sale Debt Securities	Unamortized Gain (Loss) on Held-to-Maturity Securities	Net Unrealized Loss on Cash Flow Hedges	Total
Balance, December 31, 2018	$ (9,047)	$ (235)	$ —	$ (9,282)
Net change	29,226	(33)	(2,162)	27,031
Transfer from available-for-sale to held-to-maturity	(5,202)	5,202	—	—
Balance, December 31, 2019	$ 14,977	$ 4,934	$ (2,162)	$ 17,749
Net change	23,627	(1,910)	(2,346)	19,371
Transfer from available-for-sale to held-to-maturity	(16,284)	16,284	—	—
Balance, December 31, 2020	$ 22,320	$ 19,308	$ (4,508)	$ 37,120
Net change	(17,049)	(3,624)	2,330	(18,343)
Balance, December 31, 2021	$ 5,271	$ 15,684	$ (2,178)	$ 18,777

The following table presents the pre-tax and after-tax changes in the components of other comprehensive income:

	2021			2020			2019		
($ in thousands)	Pre-tax	Tax effect	After-tax	Pre-tax	Tax effect	After-tax	Pre-tax	Tax effect	After-tax
Change in unrealized gain (loss) on available-for-sale debt securities	$ (22,701)	$ (5,652)	$ (17,049)	$ 31,798	$ 7,854	$ 23,944	$ 38,764	$ 9,575	$ 29,189
Reclassification adjustment for realized (gain) loss on sale of available-for-sale debt securities(a)	—	—	—	(421)	(104)	(317)	49	12	37
Reclassification of gain on held-to-maturity securities(b)	(4,672)	(1,048)	(3,624)	(2,537)	(627)	(1,910)	(44)	(11)	(33)
Change in unrealized gain (loss) on cash flow hedges arising during the period(b)	1,533	372	1,161	(7,898)	(1,951)	(5,947)	(3,004)	(742)	(2,262)
Reclassification of loss on cash flow hedges(b)	1,543	374	1,169	4,782	1,181	3,601	133	33	100
Total other comprehensive income (loss)	$ (24,297)	$ (5,954)	$ (18,343)	$ 25,724	$ 6,353	$ 19,371	$ 35,898	$ 8,867	$ 27,031

(a)The pre-tax amount is reported in noninterest income/expense in the Consolidated Statements of Operations.
(b)The pre-tax amount is reported in interest income/expense in the Consolidated Statements of Operations, except for a $3.2 million termination fee in 2020 recognized in noninterest expense.

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 including its subsidiaries. These plans provide for the granting of stock, stock options, stock-settled stock appreciation rights, and restricted stock units (“RSUs”), and may contain performance terms for key employees 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.

The total excess income tax benefit (expense) for share-based compensation arrangements was $(0.1) million, $0.2 million, and $0.5 million for the years ended December 31, 2021, 2020, and 2019, respectively. At December 31, 2021, there was $8.2 million of total unrecognized compensation cost related to unvested share-based compensation awards. The cost is expected to be recognized over a weighted-average term of 2 years.

The following table summarizes share-based compensation expense:

($ in thousands)	2021	2020	2019
Performance stock units	$ 1,777	$ 1,097	$ 1,699
Restricted stock units	3,109	2,613	1,969
Stock options	396	—	—
Employee stock purchase plan	735	468	364
Total share-based compensation expense	$ 6,017	$ 4,178	$ 4,032

Performance Units

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 three-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 is determined at the end of the three-year vesting and performance period. The fair value of performance units vesting in 2021, 2020, and 2019 were $0.9 million, $2.8 million, and $4.6 million, respectively.

Information related to the outstanding grants at December 31, 2021 is shown below:

($ in thousands)	2019 - 2021 Cycle	2020 - 2022 Cycle	2021 - 2023 Cycle
Shares issuable at target	19,576	24,674	40,372
Maximum shares issuable	39,152	49,348	80,744
Unrecognized compensation cost	$ 27	$ 538	$ 1,981
Weighted average grant date fair value	$ 47.46	$ 38.09	$ 47.16

	Maximum Shares Issuable
Outstanding at December 31, 2020	125,176
Granted	84,628
Vested (issued 23,251 shares)	(31,452)
Forfeited	(9,108)
Outstanding at December 31, 2021	169,244

Restricted Stock Units

The Company awards nonvested stock, in the form of RSUs to employees. RSUs generally are subject to continued employment and generally vest ratably over three 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)	2021	2020	2019
Total fair value at vesting date	$ 2,855	$ 1,702	$ 1,067
Unrecognized compensation cost	4,622	3,899	3,417
Expected years to recognize unearned compensation	1.9 years	1.9 years	1.9 years
Weighted average grant date fair value	$ 44.01	$ 39.63	$ 45.00

A summary of the status of the Company's RSU awards as of December 31, 2021 and changes during the year then ended is presented below.

	Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2020	157,428	$ 42.44
Granted	100,220	44.01
Vested	(65,755)	43.91
Forfeited	(10,236)	43.51
Outstanding at December 31, 2021	181,657	$ 42.71

Stock Options

In determining compensation cost for stock options, the Black-Scholes option-pricing model is used to estimate the fair value on date of grant. The model utilizes several assumptions in its calculations. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield in effect at the time of the grant. The expected term of options granted is based on the option's vesting schedule and expected exercise patterns and represent the period of time that options granted are expected to be outstanding. The expected volatility is based on the historical volatility of the Company's stock and expected term of the option. The dividend yield is determined by annualizing the dividend rate as a percentage of the Company's stock price.

The following weighted average assumptions were used for grants issued during the year ended December 31, 2021.

	Weighted Average
Risk Free Interest Rate	1.06%
Expected Dividend Yield	1.65%
Expected Volatility	33.92%
Expected Term (years)	6.2

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.

Following is a summary of stock option activity for 2021.

($ in thousands, except per share data)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Outstanding at December 31, 2020	—	$ —	
Granted	118,604	43.80	9.2 years
Forfeited	(5,677)	43.81	
Outstanding at December 31, 2021	112,927	$ 43.80	9.2 years
Exercisable at December 31, 2021	460	$ 43.81	9.2 years

Employee Stock Purchase Plan

The Company's Employee Stock Purchase Plan ("ESPP") provides its eligible employees with an opportunity to purchase common stock through accumulated payroll contributions. The ESPP provides for shares to be purchased at 85% of the lesser of the stock price at the enrollment date or the exercise date. The maximum number of shares of common stock available for sale under the ESPP is 750,000. In 2021, 2020, and 2019, employees purchased 64,826, 58,195, and 41,116 shares, respectively.

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, 2021, there were 59,760 shares of stock available for grant under the Stock Plan for Non-Management Directors, exclusive of 13,858 shares to be issued upon deferral release.

Various information related to the Director Plan is shown below.

	2021	2020	2019
Shares granted	12,998	15,901	11,382
Weighted average grant date fair value	$ 46.05	$ 30.28	$ 41.63

401(k) Plan

The Company has a 401(k) savings plan which covers substantially all full-time employees over the age of 21 and matches 100% of the first 6% of employee contributions. The amount charged to expense for the Company's contributions to the plan was $4.9 million, $3.8 million and $3.2 million for 2021, 2020, and 2019, respectively.

Deferred Compensation Plan

The Company's Nonqualified Deferred Compensation Plan permits certain executives to participate and defer up to 25% of their base salary and/or up to 100% of their eligible bonus for a plan year. Participants make an irrevocable election when they elect to participate for a plan year to receive the vested account balance following their retirement date, or at a future date not less than five years after the beginning of the plan year. At December 31, 2021, the Company had a liability of $5.0 million related to the Deferred Compensation Plan.

NOTE 17 - INCOME TAXES

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

	Year ended December 31,		
($ in thousands)	2021	2020	2019
Current:			
Federal	$ 29,835	$ 25,132	$ 15,470
State and local	5,198	5,009	2,027
Total current	35,033	30,141	17,497
Deferred:			
Federal	870	(10,651)	4,262
State and local	(325)	(1,927)	1,538
Total deferred	545	(12,578)	5,800
Total income tax expense	$ 35,578	$ 17,563	$ 23,297

A reconciliation of expected income tax expense, computed by applying the statutory federal income tax rate in 2021, 2020, and 2019 to income before income taxes and the amounts reflected in the consolidated statements of operations is as follows:

	Year ended December 31,		
($ in thousands)	2021	2020	2019
Income tax expense at statutory rate	$ 35,413	$ 19,309	$ 24,368
Increase (reduction) in income tax resulting from:			
Tax-exempt interest income, net	(3,198)	(2,010)	(962)
State and local income taxes, net	4,936	3,254	2,816
Bank-owned life insurance, net	(713)	(778)	(628)
Non-deductible expenses	1,090	637	749
Tax benefit of low-income housing tax credit ("LIHTC") investments, net	(132)	(444)	(278)
Excess tax benefits	146	(175)	(526)
Federal tax credits	(1,136)	(1,327)	(913)
Non-taxable donation to charitable foundation	(263)	—	(420)
Other, net	(565)	(903)	(909)
Total income tax expense	$ 35,578	$ 17,563	$ 23,297

The net amount recognized as a component of tax expense for tax credits, other tax benefits, and amortization from LIHTC investments recognized per the table above was $0.1 million for the year ended December 31, 2021. The net amount recognized as a benefit component of income tax expense per the table above was $0.4 million for the year ended December 31, 2020, and $0.3 million for the year ended December 31, 2019. As of December 31, 2021 and 2020, the carrying value of the investments related to low-income housing tax credits was $7.6 million and $4.2 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.

A net deferred income tax asset of $40.9 million and $29.8 million is included in other assets in the consolidated balance sheets at December 31, 2021 and 2020, 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:

	Year ended December 31,	
($ in thousands)	2021	2020
Deferred tax assets:		
Allowance for loan losses	$ 36,550	$ 34,031
Loans held-for-sale	6,971	8,058
Other real estate	305	896
Deferred compensation	2,704	2,585
Accrued compensation	5,881	5,391
Net operating losses and tax credits	6,061	6,460
Other deferred tax assets	5,671	3,086
Total deferred tax assets	64,143	60,507
Deferred tax liabilities:		
Acquired loans	1,709	3,413
Unrealized gains on securities	6,171	12,189
Intangible assets	8,789	7,800
Other deferred tax liabilities	3,754	4,369
Total deferred tax liabilities	20,423	27,771
Net deferred tax asset before valuation allowance	43,720	32,736
Less: valuation allowance	2,830	2,932
Net deferred tax asset	$ 40,890	$ 29,804

As part of the Trinity Capital Corporation acquisition in 2019, the company acquired net operating loss, tax credit, and capital loss deferred tax assets. Net operating losses originated in the years 2012, 2014-2017, and 2019 and will expire in the years between 2032-2037. Tax credit carryforwards originated in years 2010-2015 and will expire in the years between 2030-2035.

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. In 2019, as part of the Trinity Capital Corporation acquisition, the company acquired net operating loss, tax credit, and capital loss deferred tax assets. The company determined it was more likely than not that some of the assets would not be realized. As such, the company has a valuation allowance recorded of $2.8 million and $2.9 million as of December 31, 2021 and 2020, respectively.

The Company and its subsidiaries file income tax returns in the federal jurisdiction and in thirty states. The Company is no longer subject to federal, state or local income tax audits by tax authorities for years before 2017, with the exception of 2016 being an open year by one state taxing authority. Net operating losses generated prior to 2016 that are utilized going forward would still be subject to examination.

As of December 31, 2021, the gross amount of unrecognized tax benefits was $2.7 million and the total amount of net unrecognized tax benefits that would impact the effective tax rate, if recognized, was $2.5 million. As of December 31, 2020 and 2019, the total amount of the net unrecognized tax benefits that would impact the effective tax rate, if recognized, was $3.1 million and $1.1 million, respectively. The Company believes it is reasonably possible the gross amount of unrecognized benefits will be reduced by approximately $0.4 million as a result of a lapse of statute of limitations in the next 12 months. The Company is under audit by the state of Missouri, and while the Company has concluded it has adequately provided for uncertain tax positions, the outcome of such audits are always uncertain and could result in additional tax expense, though immaterial.

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 amount accrued for interest and penalties was $0.5 million as of December 31, 2021, $0.9 million for 2020 and was not significant for 2019.

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

($ in thousands)	2021	2020	2019
Balance at beginning of year	$ 3,157	$ 1,497	$ 1,301
Additions based on tax positions related to the current year	563	395	401
Additions for tax positions of prior years	436	1,556	62
Settlements for tax positions of prior years	(1,289)	—	—
Settlements or lapse of statute of limitations	(170)	(291)	(267)
Balance at end of year	$ 2,697	$ 3,157	$ 1,497

NOTE 18 - COMMITMENTS

Long-term Lease Commitments
See "Note 6 – Leases" in this report for information regarding the Company's long-term lease commitments.

Off-balance-Sheet 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, 2021, and December 31, 2020, are as follows:

(in thousands)	December 31, 2021	December 31, 2020
Commitments to extend credit	$ 2,481,173	$ 1,946,068
Letters of credit	77,314	50,971
State tax credits	18,118	24,473
Limited partnership commitments	21,553	23,400

There was an insignificant amount of unadvanced commitments on impaired loans at December 31, 2021 and December 31, 2020. Other liabilities include approximately $7.6 million for an allowance for credit losses attributable to unadvanced commitments at December 31, 2021.

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, 2021, and December 31, 2020, $238.7 million and $160.6 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 11 years at December 31, 2021.

The Company also has off-balance sheet commitments for purchases of state tax credits and commitments for various capital raises for SBICs.

NOTE 19 - FAIR VALUE MEASUREMENTS

The fair value of an asset or liability is the exchange 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. 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, 2021 and 2020, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value.

	December 31, 2021			
($ 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	$ —	$ 173,511	$ —	$ 173,511
Obligations of states and political subdivisions	—	575,084	—	575,084
Residential mortgage-backed securities	—	513,859	—	513,859
Corporate debt securities	—	12,382	—	12,382
U.S. Treasury Bills	—	91,170	—	91,170
Total securities available-for-sale	—	1,366,006	—	1,366,006
Other investments	—	3,012	—	3,012
Derivative financial instruments	—	12,869	—	12,869
Total assets	$ —	$ 1,381,887	$ —	$ 1,381,887
Liabilities				
Derivative financial instruments	$ —	$ 15,794	$ —	$ 15,794
Total liabilities	$ —	$ 15,794	$ —	$ 15,794

	December 31, 2020			
($ 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	$ —	$ 15,161	$ —	$ 15,161
Obligations of states and political subdivisions	—	344,232	—	344,232
Residential mortgage-backed securities	—	526,572	—	526,572
Corporate debt securities	—	14,998	—	14,998
U.S. Treasury Bills	—	11,466	—	11,466
Total securities available-for-sale	—	912,429	—	912,429
Derivative financial instruments	—	28,703	—	28,703
Total assets	$ —	$ 941,132	$ —	$ 941,132
Liabilities				
Derivative financial instruments	$ —	$ 34,967	$ —	$ 34,967
Total liabilities	$ —	$ 34,967	$ —	$ 34,967

- *Securities available-for-sale*. Securities classified as available-for-sale are reported at fair value utilizing Level 2 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. Changes in fair value are recognized through accumulated other comprehensive income.

- *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. Changes in the fair value of client-related derivative instruments are recognized through net income. For the years ended December 31, 2021 and 2020, the gains and losses substantially offset each other due to the Company's hedging of the client swaps with other bank counterparties.

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*. On a quarterly basis, fair value adjustments are recorded as necessary on impaired loans to account for (1) partial write-downs 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.

- *Loan servicing asset*. The loan servicing asset is included in Other assets on the Company's consolidated balance sheets and assessed for impairment on a quarterly basis. Market-based cash flow modeling and discounting models specific to the SBA industry are provided by a third-party valuation service and are considered Level 2 inputs.

The following table presents financial instruments and non-financial assets measured at fair value on a non-recurring basis as of December 31, 2021 and 2020.

	December 31, 2021				
($ in thousands)	(1) Total Fair Value	(1) Quoted Prices in Active Markets for Identical Assets (Level 1)	(1) Significant Other Observable Inputs (Level 2)	(1) Significant Unobservable Inputs (Level 3)	Total losses for the year ended December 31, 2021
Impaired loans	$ 6,406	$ —	$ —	$ 6,406	$ 3,500
Other real estate	632	—	—	632	29
Loan servicing asset	3,146		$ 3,146	$ —	$ 156
Total	$ 10,184	$ —	$ 3,146	$ 7,038	$ 3,685

($ in thousands)	December 31, 2020 (1) Total Fair Value	(1) Quoted Prices in Active Markets for Identical Assets (Level 1)	(1) Significant Other Observable Inputs (Level 2)	(1) Significant Unobservable Inputs (Level 3)	Total losses for the year ended December 31, 2020
Impaired loans	$ 1,247	$ —	$ —	$ 1,247	$ 4,486
Other real estate	3,600	—	—	3,600	1,000
Total	$ 4,847	$ —	$ —	$ 4,847	$ 5,486

(1) The amounts represent balances measured at fair value during the period and still held as of the reporting date.

Carrying amount and fair value at December 31, 2021 and 2020

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, 2021 and 2020. This summary excludes certain financial assets and liabilities for which carrying value approximates fair value and financial instruments that are recorded at fair value on a recurring basis disclosed above. Financial instruments for which carrying values approximate fair value include cash and due from banks, federal funds sold, interest bearing deposits, accrued interest receivable/payable, demand, savings and money market deposits.

	December 31, 2021			December 31, 2020		
($ in thousands)	Carrying Amount	Estimated fair value	Level	Carrying Amount	Estimated fair value	Level
Balance sheet assets						
Securities held-to-maturity	$ 429,681	$ 434,672	Level 2	$ 487,610	$ 501,523	Level 2
Other investments	56,884	56,884	Level 2	48,764	48,764	Level 2
Loans held-for-sale	6,389	6,389	Level 2	13,564	13,564	Level 2
Loans, net	8,872,601	8,869,891	Level 3	7,088,264	7,067,562	Level 3
State tax credits, held-for-sale	27,994	30,686	Level 3	36,853	39,925	Level 3
Servicing asset	6,714	6,714	Level 2	5,721	5,721	Level 2
Balance sheet liabilities						
Certificates of deposit	$ 608,293	$ 606,177	Level 3	$ 550,095	$ 553,946	Level 3
Subordinated debentures and notes	154,899	155,972	Level 2	203,637	192,889	Level 2
FHLB advances	50,000	51,527	Level 2	50,000	51,871	Level 2
Other borrowings	353,863	353,863	Level 2	301,081	301,081	Level 2

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. Such estimates and assumptions are adjusted when facts and circumstances dictate. Changing 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 statements 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)	2021	2020
Assets		
Cash	$ 94,760	$ 75,475
Investment in Bank	1,568,796	1,200,689
Investment in nonbank subsidiaries	14,302	9,778
Other assets	33,847	35,108
Total assets	$ 1,711,705	$ 1,321,050
Liabilities and Shareholders' Equity		
Subordinated debentures and notes	$ 154,899	$ 203,637
Notes payable	22,857	30,000
Accounts payable and other liabilities	4,833	8,439
Shareholders' equity	1,529,116	1,078,974
Total liabilities and shareholders' equity	$ 1,711,705	$ 1,321,050

Condensed Statements of Operations

($ in thousands)	Year ended December 31, 2021	2020	2019
Income:			
Dividends from Bank	$ 95,000	$ 37,000	$ 60,000
Dividends from nonbank subsidiaries	2,000	1,400	1,500
Other	3,600	483	663
Total income	100,600	38,883	62,163
Expenses:			
Interest expense	11,406	10,590	8,689
Other expenses	11,037	6,946	6,936
Total expenses	22,443	17,536	15,625
Income before taxes and equity in undistributed earnings of subsidiaries	78,157	21,347	46,538
Income tax benefit	3,710	3,448	3,478
Net income before equity in undistributed earnings of subsidiaries	81,867	24,795	50,016
Equity in undistributed earnings of subsidiaries	51,188	49,589	42,723
Net income	$ 133,055	$ 74,384	$ 92,739

Condensed Statements of Cash Flows

($ in thousands)	Year ended December 31, 2021	2020	2019
Cash flows from operating activities:			
Net income	$ 133,055	$ 74,384	$ 92,739
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Share-based compensation	6,017	4,178	4,032
Net income of subsidiaries	(148,188)	(87,989)	(104,223)
Dividends from subsidiaries	97,000	38,400	61,500
Other, net	(16)	3,588	(1,063)
Net cash provided by operating activities	87,868	32,561	52,985
Cash flows from investing activities:			
Proceeds (cash paid) for acquisitions, net of cash acquired	2,346	(1,243)	(36,015)
Purchases of other investments	(2,204)	(1,166)	(2,634)
Proceeds from distributions on other investments	2,656	765	1,271
Net cash provided by (used in) investing activities	2,798	(1,644)	(37,378)
Cash flows from financing activities:			
Proceeds from issuance of subordinated notes	—	61,953	—
Payments for the redemption of subordinated notes	(50,000)	—	—
Proceeds from notes payable	—	—	1,000
Repayments of notes payable	—	—	(3,000)
Proceeds from issuance of long-term debt	—	—	40,000
Repayment of long-term debt	(7,143)	(4,286)	(5,714)
Cash dividends paid	(26,153)	(19,795)	(16,569)
Payments for the repurchase of common stock	(60,589)	(15,347)	(15,526)
Proceeds from issuance of preferred stock	71,988	—	—
Other	516	78	(212)
Net cash provided by (used in) financing activities	(71,381)	22,603	(21)
Net increase in cash and cash equivalents	19,285	53,520	15,586
Cash and cash equivalents, beginning of year	75,475	21,955	6,369
Cash and cash equivalents, end of year	$ 94,760	$ 75,475	$ 21,955
Supplemental disclosures of cash flow information:			
Noncash transactions:			
Common shares issued in connection with acquisitions	$ 343,650	$ 167,035	$ 171,885

NOTE 21 - SUPPLEMENTAL FINANCIAL INFORMATION

The following table presents miscellaneous income and other expense components that exceed one percent of the aggregate of total interest income and other income in one or more of the periods indicated:

	Year ended December 31,		
($ in thousands)	2021	2020	2019
Miscellaneous income:			
Community development fees	$ 5,491	$ 3,353	$ 889
Other miscellaneous income	16,657	13,609	11,007
Total miscellaneous income	$ 22,148	$ 16,962	$ 11,896
Other expense:			
Amortization expense	$ 5,691	$ 5,673	$ 5,543
Banking expenses	6,123	4,921	5,258
Customer analysis expense	12,104	1,246	—
FDIC and other insurance	5,789	3,897	2,380
Loan, legal expenses	7,130	4,003	3,526
Meals and entertainment	1,253	742	3,670
Outside services	4,992	4,961	4,335
Other expenses	19,593	18,807	17,119
Total other noninterest expenses	$ 62,675	$ 44,250	$ 41,831

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, 2021. Based upon this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that as of December 31, 2021, 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(f) and 15(d)-15(f) under 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, 2021. 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, 2021.

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, 2021, 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, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B: OTHER INFORMATION

None.

ITEM 9C: DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

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 2022 Annual Meeting of Shareholders, which will be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, not later than 120 days after December 31, 2021.

Governance:
The Company has adopted a Code of Ethics applicable to all of its directors and employees, including the principal executive officer, principal financial officer and principal accounting officer. A copy of the Code of Ethics is available on the Company's website at www.enterprisebank.com.

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 2022 Annual Meeting of Stockholders, which will be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, not later than 120 days after December 31, 2021.

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

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information regarding the securities authorized for issuance under our equity compensation plans as of December 31, 2021.

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (c)
Equity compensation plans approved by security holders	477,686	$ 43.80	1,301,150
Equity compensation plans not approved by security holders	—	—	—
Total	477,686	$ 43.80	1,301,150

(a) Includes the following:

- 181,657 shares of common stock to be issued upon vesting of outstanding restricted stock units under the 2018 Stock Incentive Plan;
- 169,244 shares of common stock to be issued upon vesting of outstanding performance units under the 2018 Stock Incentive Plan;
- 112,927 shares of common stock to be issued upon exercise of outstanding non-qualified stock options; and
- 22,300 shares of common stock to be issued upon deferral release of common stock under the 2018 Stock Incentive Plan and the Non-Management Director Stock Plan.

(b) Includes the following:

- price only applicable to the outstanding non-qualified stock options.

(c) Includes the following:

- 670,326 shares of common stock available for issuance under the 2018 Stock Incentive Plan;
- 73,618 shares of common stock available for issuance under the Non-Management Director Stock Plan; and
- 571,064 shares of common stock available for issuance under the 2018 Employee Stock Purchase Plan.

Additional 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 2022 Annual Meeting of Stockholders, which will be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, not later than 120 days after December 31, 2021.

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 2022 Annual Meeting of Stockholders, which will be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, not later than 120 days after December 31, 2021.

ITEM 14: PRINCIPAL ACCOUNTING 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 2022 Annual Meeting of Stockholders, which will be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, not later than 120 days after December 31, 2021.

PART IV

ITEM 15: EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial Statements

The following 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 and are incorporated by reference from Part II, Item 8 hereof:

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets at December 31, 2021 and 2020
Consolidated Statements of Operations for the years ended December 31, 2021, 2020, and 2019
Consolidated Statements of Comprehensive Income for the years ended December 31, 2021, 2020, and 2019
Consolidated Statements of Shareholders' Equity for the years ended December 31, 2021, 2020, and 2019
Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020, and 2019
Notes to Consolidated Financial Statements

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 Enterprise Financial Services Corp, Enterprise Bank & Trust, Trinity Capital Corporation and Los Alamos National Bank, dated November 1, 2018 (incorporated herein by reference to Exhibit 2.1 to Registrant's Current Report on Form 8-K filed on November 2, 2018 (File No. 001-15373)).
2.2	Agreement and Plan of Merger, dated August 20, 2020 by and among Enterprise Financial Services Corp, Enterprise Bank & Trust, Seacoast Commerce Banc Holdings and Seacoast Commerce Bank (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the SEC on August 21, 2020 (File No. 001-15373)).
2.3	Agreement and Plan of Merger, dated April 26, 2021 by and among Enterprise Financial Services Corp, Enterprise Bank & Trust, First Choice Bancorp and First Choice Bank (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the SEC on April 26, 20210 (File No. 001-15373)).
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 (File No. 001-15373)).

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 (File No. 001-15373)).

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 (File No. 001-15373)).

3.6 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 (File No. 001-15373)).

3.7 Amendment to the Certificate of Incorporation of Registrant (incorporated herein by reference to Exhibit 3.8 to Registrant’s Quarterly Report on Form 10-Q filed on July 26, 2019 (File No. 001-15373)).

3.8 Amendment to the Certificate of Incorporation of Registrant (incorporated herein by reference to Appendix C to Registrant’s Registration Statement on Form S-4/A filed on June 2, 2021 (File No. 333-256265)).

3.9 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 (File No. 001-15373)).

3.10 Certificate of Elimination of Registrant’s Certificate of Designation, Preferences, and Rights of the Fixed Rate Cumulative Perpetual Preferred Stock, Series A, dated November 9, 2021 (incorporated herein by reference to Exhibit 3.1 to Registrant’s Current Report on Form 8-K filed on November 9, 2021 (File No. 001-15373)).

3.11 Certificate of Designation of Registrant of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series A, dated November 16, 2021 (incorporated herein by reference to Exhibit 3.1 to Registrant’s Current Report on Form 8-K filed on November 17, 2021 (File No. 001-15373)).

3.12 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 (File No. 001-15373)).

4.1+ Description of Registrant’s Securities.

4.2 Long-term borrowing instruments are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. The Company undertakes to furnish copies of such instruments to the Securities and Exchange Commission upon request.

10.1.1* Executive Employment Agreement by and between Enterprise Financial Services Corp and James B. Lally, dated May 2, 2017 (incorporated by reference to Exhibit 10.1.1 to the Current Report on Form 8-K of Registrant, filed with the Commission on June 6, 2017 (File No. 001-15373)).

10.1.2* Executive Employment Agreement dated September 13, 2013 by and between Enterprise Financial Services Corp 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 (File No. 001-15373)), 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 (File No. 001-15373)), 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 (File No. 001-15373)).

10.1.3* Restricted Stock Unit Agreement dated as of December 7, 2018 by and between Registrant and Keene S. Turner (incorporated herein by reference to Exhibit 10.1.15 to Registrant’s Annual Report on Form 10-K for the year ended December 31, 2018 (File No. 001-15373)).

10.1.4* Executive Employment Agreement dated effective January 1, 2005 by and between Enterprise Financial Services Corp 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 (File 001-15373)), 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 (File 001-15373)).

10.1.5* Amended and Restated Executive Employment Agreement dated as of October 24, 2019 by and between Enterprise Financial Services Corp and Douglas N. Bauche (incorporated herein by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of the Registrant, filed with the Commission on October 25, 2019 (File No. 001-15373)).

10.1.6* Executive Employment Agreement dated as of October 24, 2019 by and between Enterprise Financial Services Corp and Nicole M. Iannacone (incorporated herein by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of the Registrant, filed with the Commission on October 25, 2019 (File No. 001-15373)).

10.1.7* Executive Employment Agreement dated as of October 24, 2019 by and between Enterprise Financial Services Corp and Mark G. Ponder (incorporated herein by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q of the Registrant, filed with the Commission on October 25, 2019 (File No. 001-15373)).

10.1.8* 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 (File No. 001-15373)).

10.1.9* 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, as amended on Schedule 14A filed on April 23, 2012 (File No. 001-15373), and as amended on Schedule 14A filed on April 17, 2019 (File No. 001-15373)).

10.1.10* 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 April 23, 2012 (File No. 001-15373)).

10.1.11* Enterprise Financial Services Corp. Amended and Restated 2018 Stock Incentive Plan (incorporated herein by reference to Appendix A to Registrant's Proxy Statement on Schedule 14A, filed on March 14, 2018 (File No. 001-15373)).

10.1.12* Enterprise Financial Services Corp. 2018 Employee Stock Purchase Plan (incorporated herein by reference to Appendix B to Registrant's Proxy Statement on Schedule 14A, filed on March 14, 2018 (File No. 001-15373)).

10.1.13* Form of Enterprise Financial Services Corp LTIP Grant Agreement, pursuant to Amended and Restated 2018 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2018 (File No. 001-15373)).

10.1.14* Form of Enterprise Financial Services Corp Stock Option Award Agreement, pursuant to Amended and Restated 2018 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.1.14 to Registrant's Annual Report on Form 10-K filed on February 19, 2021 (File No. 001-15373)).

10.1.15* Enterprise Financial Services Corp. Amendment to the Amended and Restated 2018 Stock Incentive Plan (incorporated herein by reference to Appendix A to Registrant's Proxy Statement on Schedule 14A, filed on March 17, 2021 (File No. 001-15373)).

10.2 Form of Voting Agreements, dated November 1, 2018, between Enterprise Financial Services Corp and shareholders of Trinity Capital Corporation (incorporated herein by reference to Exhibit A to

Exhibit 2.1 to Registrant's Current Report on Form 8-K filed on November 2, 2018 (File No. 001-15373)).

10.3 Loan 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 (File No. 001-15373)), amended by the First Amendment to Loan Agreement dated as of February 23, 2017 (incorporated herein by reference to Exhibit 10.2 to Registrant's Report on Form 10-K for the year ended December 31, 2016 (File No. 001-15373)), amended by the Second Amendment to Loan agreement dated as of February 23, 2018 (incorporated herein by reference to Exhibit 10.2 to Registrant's Report on Form 10-K for the year ended December 31, 2017 (File No. 001-15373)),amended by the Third Amendment to Loan agreement dated as of February 22, 2019 (incorporated herein by reference to Exhibit 10.3 to the Registrant's Report on Form 10-K for the year ended December 31, 2018 (File No. 001-15373)), amended by the Fourth Amendment to Loan agreement dated as of February 22, 2020, (incorporated herein by reference to Exhibit 10.3 to Registrant's Annual Report on Form 10-K filed on February 22, 2020 (File No. 001-15373)), amended by the Fifth Amendment to Loan Agreement dated as of February 22, 2021, and amended by the Sixth Amendment to Loan Agreement dated as of February 22, 2022, (filed herewith).

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.

101+ Pursuant to Rule 405 of Regulation S-T, the following financial information from the Company's Annual Report on Form 10-K for the period ended December 31, 2021, is formatted in Inline XBRL interactive data files: (i) Consolidated Balance Sheet at December 31, 2021 and December 31, 2020; (ii) Consolidated Statements of Operations for the years ended December 31, 2021, 2020, and 2019; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2021, 2020, and 2019; (iv) Consolidated Statements of Shareholders' Equity for the years ended December 31, 2021, 2020, and 2019; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020, and 2019; and (vi) Notes to Consolidated Financial Statements.

104+ The cover page of Enterprise Financial Services Corp's Annual Report on Form 10-K for the year ended December 31, 2021, formatted in Inline XBRL (contained in Exhibit 101).

* Management contract or compensatory plan or arrangement.
+ Filed herewith

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.

ITEM 16: FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on February 25, 2022.

ENTERPRISE FINANCIAL SERVICES CORP

/s/ James B. Lally

James B. Lally
Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on February 25, 2022.

Signatures	**Title**
/s/ James B. Lally James B. Lally	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/ Troy R. Dumlao Troy R. Dumlao	Chief Accounting Officer (Principal Accounting Officer)
/s/ John S. Eulich* John S. Eulich	Chairman of the Board of Directors
/s/ Michael A. DeCola* Michael A. DeCola	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/ Peter H. Hui* Peter H. Hui	Director
/s/ Nevada A. Kent, IV* Nevada A. Kent, IV	Director
/s/ Richard M. Sanborn* Richard M. Sanborn	Director
/s/ Anthony R. Scavuzzo* Anthony R. Scavuzzo	Director
/s/ Eloise E. Schmitz* Eloise E. Schmitz	Director
/s/ Sandra A. Van Trease* Sandra A. Van Trease	Director

*By: /s/ Keene S. Turner
Keene S. Turner
Attorney-In-Fact
February 25, 2022

EXHIBIT 4.1

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934 AS OF DECEMBER 31, 2021

The following is a brief description of the rights of the authorized capital stock of Enterprise Financial Services Corp (the "Company") and related provisions of our Certificate of Incorporation, as amended (the "Certificate of Incorporation"), our Amended and Restated Bylaws (the "Bylaws") and applicable Delaware law. This description is not complete, and is subject to and qualified in its entirety by, and should be read in conjunction with, the Certificate of Incorporation and the Bylaws, which are filed as exhibits to this Annual Report on Form 10-K and are incorporated by reference herein, and the applicable provisions of the Delaware General Corporation Law, as amended from time to time (the "DGCL") and federal law governing bank holding companies.

AUTHORIZED CAPITAL STOCK

Under our Certificate of Incorporation, we are authorized to issue up to 75,000,000 shares of common stock, $0.01 par value ("Common Stock"), and 5,000,000 shares of preferred stock, $0.01 par value ("Preferred Stock").

LISTING

The Company's Common Stock is listed on the Nasdaq Global Select Market under the trading symbol "EFSC". The Company's Preferred Stock is listed on the Nasdaq Global Select Market under the trading symbol "EFSCP".

DESCRIPTION OF COMMON STOCK

Fully Paid and Nonassessable

All of the issued and outstanding shares of Common Stock are fully paid and nonassessable.

Voting Rights

The holders of our Common Stock are entitled to vote upon all matters submitted to a vote of our stockholders and are entitled to one vote for each share of Common Stock held. There is no cumulative voting.

Dividends

Subject to the prior rights and preferences applicable to shares of Preferred Stock or any series of Preferred Stock, the holders of Common Stock are entitled to participate ratably in all dividends, payable in cash, stock or otherwise, that may be declared by our Board of Directors out of any funds legally available for the payment of dividends. Each such distribution will be payable to holders of record as they appear on our stock transfer books on such record dates and dividend dates as may be fixed by our Board of Directors. The payment of dividends is also subject to the restrictions set forth in the DGCL and the limitations imposed under bank regulatory requirements and capital guidelines.

Liquidation/Dissolution Rights

If we voluntarily or involuntarily liquidate, dissolve or wind-up, or upon any distribution of our assets, the holders of our Common Stock will be entitled to receive, after distribution in full of the preferential amounts, if any, to be distributed to the holders of Preferred Stock or any series of Preferred Stock, all of the remaining assets available for distribution equally and ratably in proportion to the number of shares of Common Stock held by them.

Other Rights

Holders of our Common Stock do not have preemptive rights under the DGCL, or our Certificate of Incorporation or Bylaws. Shares of our Common Stock are not redeemable and have no subscription or conversion rights.

Transfer Agent

The transfer agent and registrar for our Common Stock is Computershare N.A.

DESCRIPTION OF PREFERRED STOCK

On November 16, 2021, the Company filed a certificate of designations to its Certificate of Incorporation (the "Certificate of Designation") with the Secretary of State of the State of Delaware, establishing the voting powers, designations, preferences, special rights, and qualifications of the Series A Preferred Stock (as defined below). On November 17, 2021, the Company issued and sold 3,000,000 depositary shares each representing a 1/40th ownership interest in the 5.00% Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series A (the "Series A Preferred Stock"), par value $.01 per share, with a liquidation preference of $1,000 per share of Series A Preferred Stock (equivalent to $25.00 per depositary share) (the "Depositary Shares"), all of which were outstanding as of December 31, 2021. For additional information, see "Series A Preferred Stock" and "Depositary Shares" below.

Series A Preferred Stock

Generally

The Series A Preferred Stock is a single series of Preferred Stock. 75,000 shares of Preferred Stock are designated as Series A Preferred Stock. The Series A Preferred Stock is not convertible into, or exchangeable for, shares of Common Stock or any other class or series of other securities of the Company. The Series A Preferred Stock has no stated maturity and is not subject to any sinking fund or other obligation of the Company to redeem, retire or repurchase the Series A Preferred Stock. The Series A Preferred Stock represents non-withdrawable capital, is not an account of an insurable type, and is not insured or guaranteed by the Federal Deposit Insurance Corporation (the "FDIC") or any other governmental agency or instrumentality.

The number of designated shares of Series A Preferred Stock may from time to time be increased (but not in excess of the total number of authorized shares of Preferred Stock) or decreased (but not below the number of shares of Series A Preferred Stock then outstanding) by resolution of our Board of Directors (or a duly authorized committee thereof), without the vote or consent of the holders of the Series A Preferred Stock. Shares of Series A Preferred Stock that are redeemed, purchased or otherwise acquired by us will be cancelled and will revert to authorized but unissued shares of Preferred Stock undesignated as to series. We have the authority to issue fractional shares of Series A Preferred Stock.

We reserve the right to re-open this series and issue additional shares of the Series A Preferred Stock and the related Depositary Shares either through public or private sales at any time and from time to time without notice to or the consent of holders of the Series A Preferred Stock, provided that such additional shares of Series A Preferred Stock will only be issued if they are fungible with the original shares for U.S. federal income tax purposes. The additional shares of Series A Preferred Stock and the related Depositary Shares will form a single series with the Series A Preferred Stock and the related Depositary Shares, respectively.

Rank

With respect to the payment of dividends by, and distributions of assets upon any liquidation, dissolution or winding up of, the Company, the Series A Preferred Stock rank:

- senior to our Common Stock and any class or series of our stock that may be issued in the future that is not expressly stated to be on parity with or senior to the Series A Preferred Stock with respect to such dividend and distributions (“Junior Stock”);
- on parity with, or equally to, any class or series of our capital stock we have issued and may issue in the future that is expressly stated to be on parity with the Series A Preferred Stock with respect to such dividends and distributions;
- junior to any class or series of our capital stock we may issue in the future that is expressly stated to be senior to the Series A Preferred Stock with respect to such dividends and distributions, if the issuance is approved by the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock; and
- junior to our secured and unsecured debt.

Dividends

Dividends on the Series A Preferred Stock are not cumulative or mandatory. If our Board of Directors, or a duly authorized committee thereof, does not declare a dividend on the Series A Preferred Stock in respect of a dividend period, then no dividend shall be deemed to be payable for such dividend period, or be cumulative, and we will have no obligation to pay any dividend for that dividend period, whether or not our Board of Directors, or a duly authorized committee thereof, declares a dividend on the Series A Preferred Stock or any other class or series of our capital stock for any future dividend period. A “dividend period” is the period from and including a dividend payment date to but excluding the next dividend payment date.

Holders of Series A Preferred Stock will be entitled to receive, when, as and if declared by our Board of Directors, or a duly authorized committee thereof, only out of funds legally available for the payment of dividends, non-cumulative cash dividends payable on the stated amount of $1,000 per share at a rate of 5.00% per annum, and no more, payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year; provided, however, that if any such dividend payment date is not a business day, then such date shall nevertheless be a dividend payment date but dividends on the Series A Preferred Stock shall be paid on the next succeeding business day (without interest or any other adjustment to the amount of dividends paid in respect of such delayed payment). In the event that we issue additional shares of Series A Preferred Stock after the original issue date, those shares will be entitled to dividends that are declared on or after the date they are issued.

If any dividend payment date is not a business day, then the applicable dividend will be paid on the next business day without any adjustment to, or interest on, the amount of dividends paid. We will not pay interest or any sum of money instead of interest on any dividend, or in lieu of dividends not declared. A business day means any weekday that is not a legal holiday in New York, New York, and is not a day on which banking institutions in New York, New York or Clayton, Missouri, are closed.

Dividends will be payable to holders of record of Series A Preferred Stock as they appear on our stock register on the applicable record date, which shall be the 15th calendar day before the applicable dividend payment date, or such other record date, not exceeding 60 days nor less than 10 days before the applicable dividend payment date, as shall be fixed by our Board of Directors, or a duly authorized committee thereof, in advance of payment of each particular dividend. The corresponding record dates for the Depositary Shares will be the same as the record dates for the Series A Preferred Stock.

Dividends payable on the Series A Preferred Stock will be calculated for each dividend period (or portion thereof) on the basis of a 360-day year consisting of twelve 30-day months. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward. Dividends on the Series A Preferred Stock will cease to accrue on the redemption date, if any, unless we default in the payment of the redemption price of the shares of the Series A Preferred Stock called for redemption.

Restrictions on Dividends, Redemptions and Repurchases

Under the DGCL, subject to limited exceptions relating to our net earnings in specified periods, we may declare or pay dividends on the Series A Preferred Stock only if, after payment of such dividends, we would be able to pay our indebtedness as it becomes due in the usual course of business and only to the extent by which our total assets after payment of such dividends exceed the sum of our total liabilities. When the need to make these determinations arises, our Board of Directors will determine the amount of our total assets, total liabilities and liquidation preference amount with regard to outstanding shares of Series A Preferred Stock in accordance with the DGCL.

Our ability to pay dividends on the Series A Preferred Stock also depends on the ability of the Enterprise Bank & Trust, our wholly-owned bank subsidiary, to pay dividends to the Company. The ability of the Company and Enterprise Bank & Trust to pay dividends in the future is subject to bank regulatory requirements and capital guidelines and policies established by the Board of Governors of the Federal Reserve System (the "Federal Reserve"), the FDIC and the Missouri Division of Finance, as applicable.

So long as any share of Series A Preferred Stock remains outstanding, unless dividends on all outstanding shares of Series A Preferred Stock for the most recently completed dividend period have been paid in full or declared and a sum sufficient for the payment thereof has been set aside for payment:

- no dividend shall be declared or paid or set aside for payment and no distribution shall be declared or made or set aside for payment on any Junior Stock (other than (i) a dividend payable solely in Junior Stock or (ii) any dividend in connection with the implementation of a stockholders' rights plan, or the redemption or repurchase of any rights under any such plan);

- no monies may be paid or made available for a sinking fund for the redemption or retirement of any Junior Stock nor shall any shares of Junior Stock be repurchased, redeemed or otherwise acquired for consideration by us, directly or indirectly, during a dividend period (other than (i) as a result of a reclassification of Junior Stock for or into other Junior Stock, (ii) the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock, (iii) through the use of the proceeds of a substantially contemporaneous sale of other shares of Junior Stock, (iv) purchases, redemptions or other acquisitions of shares of the Junior Stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors or consultants, (v) purchases of shares of Junior Stock pursuant to a contractually binding requirement to buy Junior Stock existing prior to or during the most recently completed preceding dividend period, including under a contractually binding stock repurchase plan, (vi) the purchase of fractional interests in shares of Junior Stock pursuant to the conversion or exchange provisions of such stock or the security being converted or exchanged or (vii) the acquisition by us or any of our subsidiaries of record ownership in Junior Stock for the beneficial ownership of any other persons (other than for the beneficial ownership by us or any of our subsidiaries), including as trustees or custodians, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such securities by us); and

- no monies may be paid or made available for a sinking fund for the redemption or retirement of any Parity Stock nor shall any shares of Parity Stock, be repurchased, redeemed or otherwise acquired for consideration by us, directly or indirectly, during a dividend period (other than (i) any purchase or other acquisition of shares of Series A Preferred Stock and Parity Stock in accordance with a purchase offer made in writing or by publication (as determined by our Board of Directors, or a duly authorized committee thereof), to all holders of such shares on such terms as our Board of Directors (or a duly authorized committee thereof), after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes, (ii) as a result of a reclassification of Parity Stock for or into other Parity Stock, (iii) the exchange or conversion of Parity Stock for or into other Parity Stock or Junior Stock, (iv) through the use of the proceeds of a substantially contemporaneous sale of other shares of Parity Stock, (v) purchases of shares of Parity Stock pursuant to a contractually binding requirement to buy Parity Stock existing prior to or during the preceding dividend period, including under a contractually binding stock repurchase plan, (vi) the purchase of fractional interests in shares of Parity Stock pursuant to the conversion or exchange provisions of such stock or the security being converted or exchanged, or (vii) the acquisition by us or any of our subsidiaries of record ownership in Parity Stock for the beneficial ownership of any other persons (other than for the beneficial ownership by us or any of our subsidiaries), including as trustees or custodians).

If our Board of Directors (or a duly authorized committee thereof) elects to declare only partial instead of full dividends for a dividend payment date and the related dividend period on the shares of Series A Preferred Stock or any class or series of our stock that ranks on a parity with the Series A Preferred Stock in the payment of current dividends, then, to the extent permitted by the terms of the Series A Preferred Stock and each outstanding series of Dividend Parity Stock, such partial dividends shall be declared on shares of Series A Preferred Stock and Dividend Parity Stock, and dividends so declared shall be paid, as to any such dividend payment date and related dividend period in amounts such that the ratio of the partial dividends declared and paid on each such series to full dividends on each such series is the same. As used in this paragraph, “full dividends” means, as to any Dividend Parity Stock that bears dividends on a cumulative basis, the amount of dividends that would need to be declared and paid to bring such Dividend Parity Stock current in dividends, including undeclared dividends for past dividend periods. To the extent a dividend period with respect to the Series A Preferred Stock or any series of Dividend Parity Stock (in either case, the “First Series”) coincides with more than one dividend period with respect to another series applicable (in either case, a “Second Series”), then, for purposes of this paragraph, our Board of Directors (or a duly authorized committee thereof) may, to the extent permitted by the terms of each affected series, treat such dividend period for the First Series as two or more consecutive dividend periods, none of which coincides with more than one dividend period with respect to the Second Series, or may treat such dividend period(s) with respect to any Dividend Parity Stock and dividend period(s) with respect to the Series A Preferred Stock for purposes of this paragraph in any other manner that it deems to be fair and equitable in order to achieve ratable payments of dividends on such Dividend Parity Stock and the Series A Preferred Stock.

As used herein, “Parity Stock” means any other class or series of stock of the Company that ranks on a parity with the Series A Preferred Stock in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Company. As used herein, “Dividend Parity Stock” means any class or series of our stock that ranks on a parity with the Series A Preferred Stock in the payment of current dividends. As of the date hereof, there are no series of Parity Stock outstanding.

As used herein, “Senior Stock” means any other class or series of stock of the Company ranking senior to the Series A Preferred Stock with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up of the Company. As of the date hereof, there are no series of Senior Stock outstanding.

Subject to the considerations described above, and not otherwise, dividends (payable in cash, stock or otherwise), as may be determined by our Board of Directors, or a duly authorized committee thereof, may be declared and paid on our Common Stock and any other Junior Stock from time to time out of any assets legally available for such payment, and the holders of Series A Preferred Stock shall not be entitled to participate in any such dividend.

Dividends on the Series A Preferred Stock will not be declared, paid or set aside for payment to the extent such act would cause us to fail to comply with applicable laws and regulations, including applicable capital adequacy rules.

Redemption

Optional Redemption

The Series A Preferred Stock is perpetual and has no maturity date. The Series A Preferred Stock is not subject to any mandatory redemption, sinking fund or other similar provisions. We may redeem the Series A Preferred Stock at our option, in whole or in part, from time to time, on any dividend payment date on or after December 15, 2026, at a redemption price equal to the stated amount of $1,000 per share (equivalent to $25.00 per Depositary Share), together (except as otherwise provided herein) with any declared and unpaid dividends, without regard to any undeclared dividends, to but excluding the redemption date. Neither the holders of Series A Preferred Stock nor holders of Depositary Shares will have the right to require the redemption or repurchase of the Series A Preferred Stock, and should not expect such redemption or repurchase. Notwithstanding the foregoing, we may not redeem shares of the Series A Preferred Stock without having received the prior approval of the Appropriate Federal Banking Agency (as defined below) with respect to us, as defined in Section 3(q) of the Federal Deposit Insurance Act, or any successor provision (the "Appropriate Federal Banking Agency"), if then required under capital rules applicable to us. Our Appropriate Federal Banking Agency is the Federal Reserve.

Redemption Following a Regulatory Capital Treatment Event

We may redeem shares of the Series A Preferred Stock at any time within 90 days following a Regulatory Capital Treatment Event (as defined below), in whole but not in part, at a redemption price equal to $1,000 per share (equivalent to $25.00 per Depositary Share), together (except as otherwise provided herein) with any declared and unpaid dividends, without regard to any undeclared dividends, to but excluding the redemption date. Such redemption shall be subject to prior approval of the Federal Reserve, if the Series A Preferred Stock is capital for bank regulatory purposes or such approval is otherwise required.

A "Regulatory Capital Treatment Event" means the good faith determination by the Company that, as a result of (i) any amendment to, or change in, the laws, rules or regulations of the United States (including, for avoidance of doubt, any agency or instrumentality of the United States, including the Federal Reserve and other federal bank regulatory agencies) or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of Series A Preferred Stock, (ii) any proposed change in those laws, rules or regulations that is announced or becomes effective after the initial issuance of any share of the Series A Preferred Stock, or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws, rules or regulations or policies with respect thereto that is announced after the initial issuance of any share of the Series A Preferred Stock, there is more than an insubstantial risk that the Company will not be entitled to treat the full stated amount of $1,000 per share of Series A Preferred Stock then outstanding as Tier 1 Capital (or its equivalent) for purposes of the capital adequacy rules of the Federal Reserve (or, as and if applicable, the capital adequacy rules or regulations of any successor Appropriate Federal Banking Agency), as then in effect and applicable, for as long as any share of Series A Preferred Stock is outstanding. Dividends will cease to accrue on those shares on the redemption date.

Redemption Procedures

If shares of the Series A Preferred Stock are to be redeemed, the notice of redemption shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on our books, mailed not less than 30 days nor more than 60 days prior to the date fixed for redemption thereof (provided that, if the Series A Preferred Stock or any Depositary Shares representing interests in the Series A Preferred Stock are held in book-entry form through The Depositary Trust Company ("DTC") or any other similar facility, we may give such notice at such time and in any manner permitted by such facility). Any notice delivered as provided in this paragraph shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the delivery thereof, to any holder of shares of Series A Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series A Preferred Stock. Each notice of redemption will include a statement setting forth:

- the redemption date;

- the number of shares of the Series A Preferred Stock to be redeemed and, if less than all the shares held by the holder are to be redeemed, the number of shares of Series A Preferred Stock to be redeemed from the holder;

- the redemption price;

- the place or places where the certificates evidencing shares of Series A Preferred Stock are to be surrendered for payment of the redemption price; and

- that dividends on such shares will cease to accrue on the redemption date.

If notice of redemption of any shares of Series A Preferred Stock has been duly given and if on or before the redemption date specified in the notice all funds necessary for such redemption have been irrevocably set aside by us separate and apart from our other assets, in trust for the pro rata benefit of the holders of any shares of Series A Preferred Stock so called for redemption so as to be and continue to be available therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation in the case that the shares of Series A Preferred Stock are issued in certificated form, on and after the redemption date, unless we default in the payment of the redemption price of the shares of the Series A Preferred Stock called for redemption, dividends will cease to accrue on all shares of Series A Preferred Stock so called for redemption, and all such shares of Series A Preferred Stock so called for redemption shall no longer be deemed outstanding and all rights of the holders of such shares with respect to such shares will terminate, including rights described below under the heading "Voting Rights", except the right to receive the amount payable on such redemption, without interest. Any funds unclaimed at the end of two years from the redemption date, to the extent permitted by law, shall be released from the trust so established and may be commingled with our other funds, and after that time the holders of the shares so called for redemption shall look only to us for payment of the redemption price of such shares.

The redemption price for any shares of Series A Preferred Stock shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to us or our agent, if the shares of Series A Preferred Stock are issued in certificated form. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the applicable record date for a dividend period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such record date relating to the applicable dividend payment date.

In case of any redemption of only part of the shares of the Series A Preferred Stock at the time outstanding, the shares to be redeemed shall be selected pro rata or by lot. Subject to the provisions hereof (or, if the Depositary Shares are issued or held in book-entry form through DTC or another facility, in accordance with the procedures of such facility), our Board of Directors, or a duly authorized committee thereof, has full power and authority to prescribe the terms and conditions upon which shares of Series A Preferred Stock shall be redeemed from time to time. If we have issued certificates for the Series A Preferred Stock and fewer than all shares represented by any certificates are redeemed, new certificates shall be issued representing the unredeemed shares without charge to the holders thereof.

Under the Federal Reserve's current capital regulations applicable to financial holding companies, any redemption of the Series A Preferred Stock is subject to prior approval by the Federal Reserve and we must either replace the shares to be redeemed with an equal amount of Tier 1 Capital or additional Tier 1 Capital or demonstrate to the Federal Reserve that the Company will continue to hold capital commensurate with its risk. Any redemption of the Series A Preferred Stock is subject to our receipt of any required prior approval by the Federal Reserve and to the satisfaction of any conditions set forth by the Federal Reserve applicable to redemption of the Series A Preferred Stock.

The Series A Preferred Stock is not subject to any mandatory redemption, sinking fund or other similar provisions. Neither the holders of the Series A Preferred Stock nor the holders of the related Depositary Shares have the right to require the redemption or repurchase of the Series A Preferred Stock.

Liquidation Rights

In the event we liquidate, dissolve or wind-up our business and affairs, either voluntarily or involuntarily, before any distribution or payment out of our assets may be made to or set aside for the holders of any Junior Stock, holders of the Series A Preferred Stock are entitled to receive out of our assets legally available for distribution to our stockholders (i.e., after satisfaction of all our liabilities to creditors, if any) an amount equal to the stated amount of $1,000 per share (equivalent to $25.00 per Depositary Share), together with any declared and unpaid dividends, without regard to any undeclared dividends, to but excluding the date of such payment (the “Liquidation Preference”). Holders of the Series A Preferred Stock will not be entitled to any other amounts from us after they have received their full liquidating distribution.

In any such distribution, if the assets of the Company are not sufficient to pay the Liquidation Preference in full to all holders of the Series A Preferred Stock and all holders of any class or series of our stock that ranks on parity with the Series A Preferred Stock in the distribution of assets on liquidation (the “Liquidation Preference Parity Stock”), the amounts paid to the holders of Series A Preferred Stock and to the holders of all Liquidation Preference Parity Stock will be paid pro rata in accordance with the respective aggregate Liquidation Preferences of the Series A Preferred Stock and all such Liquidation Preference Parity Stock. In any such distribution, the “liquidation preference” of any holder of our stock other than the Series A Preferred Stock means the amount otherwise payable to such holder in such distribution (assuming no limitation on our assets available for such distribution), including an amount equal to any declared but unpaid dividends in the case of any holder or stock on which dividends accrue on a noncumulative basis and, in the case of any holder of stock on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not earned or declared, as applicable. If the Liquidation Preference has been paid in full to all holders of Series A Preferred Stock and all holders of any Liquidation Preference Parity Stock, the holders of our Junior Stock will be entitled to receive all remaining assets of the Company according to their respective rights and preferences.

For purposes of this section, the merger, consolidation or other business combination of the Company with any other entity, including a transaction in which the holders of Series A Preferred Stock receive cash, securities or property for their shares, or the sale, lease, conveyance, transfer or exchange of all or substantially all of the assets of the Company for cash, securities or other property, shall not constitute a liquidation, dissolution or winding up of the Company.

Because we are a holding company, our rights and the rights of our creditors and our stockholders, including the holders of the Series A Preferred Stock, to participate in the distribution of assets of any of our subsidiaries upon that subsidiary’s liquidation or recapitalization may be subject to the prior claims of that subsidiary’s creditors, except to the extent that we are a creditor with recognized claims against the subsidiary.

Voting Rights

Except as provided below or otherwise required by law, the holders of the Series A Preferred Stock will have no voting rights.

Right to Elect Two Directors upon Nonpayment of Dividends

If and whenever dividends payable on Series A Preferred Stock or any class or series of Parity Stock having voting rights equivalent to those described in this paragraph (“Voting Parity Stock”), have not been declared and paid (or, in the case of Voting Parity Stock bearing dividends on a cumulative basis, shall be in arrears) in an aggregate amount equal to full dividends for at least six quarterly dividend periods or their equivalent, whether or not consecutive (a “Nonpayment Event”), the number of directors on the Board of Directors shall automatically be increased by two and the holders of Series A Preferred Stock, together with the holders of any outstanding Voting Parity Stock then entitled to vote for additional directors, voting together as a single class, shall be entitled to elect by a vote of the holders of record of a majority of the outstanding Series A Preferred Stock the two additional directors (the “Preferred Stock Directors”); provided that the election of any such directors shall not cause us to violate the corporate governance requirement of Nasdaq Global Select Market (“Nasdaq”) (or any other exchange on which our securities may be listed) that listed companies must have a majority of independent directors and provided further that our Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of voting Preferred Stock are entitled to elect pursuant to like voting rights).

In the event that the holders of Series A Preferred Stock and such other holders of Voting Parity Stock shall be entitled to vote for the election of the Preferred Stock Directors following a Nonpayment Event, such directors shall be initially elected following such Nonpayment Event only at a special meeting called at the request of the holders of record of at least 20% of the stated amount of the Series A Preferred Stock and each other series of Voting Parity Stock then outstanding (unless such request for a special meeting is received less than 90 days before the date fixed for the next annual or special meeting of our stockholders, in which event such election shall be held only at such next annual or special meeting of stockholders), and at each subsequent annual meeting of our stockholders. Such request to call a special meeting for the initial election of the Preferred Stock Directors after a Nonpayment Event shall be made by written notice, signed by the requisite holders of Series A Preferred Stock or Voting Parity Stock, and delivered to our Corporate Secretary in such manner as provided for in the Certificate of Designation, or as may otherwise be required or permitted by applicable law. If our Corporate Secretary fails to call a special meeting for the election of the Preferred Stock Directors within 20 days of receiving proper notice, any holder of Series A Preferred Stock or Voting Parity Stock may call such a meeting at our expense solely for the election of the Preferred Stock Directors, and for this purpose and no other (unless provided otherwise by applicable law) such Series A Preferred Stock holder shall have access to our stock ledger.

Any Preferred Stock Director may be removed at any time without cause by the holders of record of a majority of the outstanding shares of Series A Preferred Stock and Voting Parity Stock, voting together as a single class in proportion to their respective stated amounts. The Preferred Stock Directors elected at a special meeting shall hold office until the next annual meeting of the stockholders if such office shall not have previously terminated as described below. In case any vacancy shall occur among the Preferred Stock Directors, a successor shall be elected by our Board of Directors to serve until the next annual meeting of the stockholders on the nomination of the then remaining Preferred Stock Director or, if no Preferred Stock Director remains in office, by a vote of the holders of record of a majority of the outstanding Series A Preferred Stock and such Voting Parity Stock for which dividends have not been paid, voting as a single class, provided that the election of any such directors shall not cause us to violate the corporate governance requirement of Nasdaq (or any other exchange on which our securities may be listed) that listed companies must have a majority of independent directors. Any such vote of stockholders to remove, or to fill a vacancy in the office of, a Preferred Stock Director may be taken only at a special meeting of such stockholders, called as provided above for an initial election of a Preferred Stock Director after a Nonpayment Event (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders). The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before our Board of Directors for a vote.

When (i) dividends have been paid (or declared and a sum sufficient for payment thereof set aside) in full on the Series A Preferred Stock on four consecutive dividend payment dates following a Nonpayment Event and (ii) the rights of holders of any Voting Parity Stock to participate in electing the Preferred Stock Directors shall have ceased, the right of holders of the Series A Preferred Stock to participate in the election of Preferred Stock Directors shall cease (but subject always to the revesting of such voting rights in the case of any future Nonpayment Event), the terms of office of all the Preferred Stock Directors shall immediately terminate, and the number of directors constituting our Board of Directors shall automatically be reduced accordingly. In determining whether dividends have been paid for at least four consecutive quarterly dividend periods following a Nonpayment Event, we may take account of any dividend we elect to pay for any dividend period after the regular dividend payment date for that period has passed.

In addition, if and when the rights of holders of Series A Preferred Stock terminate for any reason, including under circumstances described above under the heading "Redemption", such voting rights shall terminate along with the other rights (except, if applicable, the right to receive the redemption price, together with any declared and unpaid dividends, without regard to any undeclared dividends, to but excluding the redemption date) and the terms of any additional directors elected by the holders of Series A Preferred Stock and any Voting Parity Stock shall terminate automatically and the number of directors reduced by two, assuming that the rights of holders of Voting Parity Stock have similarly terminated.

Under regulations adopted by the Federal Reserve, if the holders of any series of preferred stock (including the Series A Preferred Stock) are or become entitled to vote for the election of directors, such series, along with any other holders of stock that are entitled to vote for the election of directors with that series, will be deemed a class of voting securities. A company holding 25% or more of that class, or less if it otherwise exercises a "controlling influence" over us, will be subject to regulation as a bank holding company under the Bank Holding Company Act of 1956, as amended (the "BHC Act"). In addition, at the time the series is deemed a class of voting securities, any other bank holding company will be required to obtain the prior approval of the Federal Reserve under the BHC Act to acquire or retain more than 5% of that class. Any other person (other than a bank holding company) will be required to obtain the non-objection of the Federal Reserve under the Change in Bank Control Act of 1978, as amended, to acquire or retain 10% or more of that class.

Other Voting Rights

So long as any shares of Series A Preferred Stock remain outstanding, in addition to any other vote or consent of stockholders required by law or our Certificate of Incorporation, the affirmative vote or consent of the holders of at least two-thirds of all outstanding shares of the Series A Preferred Stock, voting together with any other series of Preferred Stock that would be adversely affected in substantially the same manner and entitled to vote as a single class in proportion to their respective stated amounts (to the exclusion of all other series of Preferred Stock), given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, will be necessary to:

- amend or alter our Certificate of Incorporation to authorize or increase the authorized amount of, or issue shares of, any class or series of our capital stock ranking senior to the Series A Preferred Stock in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Company, or issue any obligation or security convertible into or evidencing the right to purchase any such shares;

- amend, alter or repeal the provisions of our Certificate of Incorporation so as to materially and adversely affect the powers, preferences, privileges or rights of the Series A Preferred Stock, taken as a whole; provided, however, that any amendment to authorize or create, or increase the authorized amount of, any class or series of stock that does not rank senior to the Series A Preferred Stock in either payment of dividends (whether such dividends are cumulative or non-cumulative) or in the distribution of assets upon liquidation, dissolution or winding up of the Company will not be deemed to affect adversely the powers, preferences, privileges or rights of the Series A Preferred Stock; or

- consummate (i) a binding share-exchange or reclassification involving the Series A Preferred Stock or (ii) a merger or consolidation of the Company with or into another entity (whether or not a corporation), unless in each case (A) the shares of the Series A Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which we are not the surviving or resulting entity, the Series A Preferred Stock is converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent and (B) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and restrictions and limitations thereof, of the Series A Preferred Stock immediately prior to such consummation, taken as a whole.

If an amendment, alteration, repeal, share exchange, reclassification, merger or consolidation described above would adversely affect one or more but not all series of Preferred Stock (including the Series A Preferred

Stock for this purpose), then only the series affected and entitled to vote shall vote to the exclusion of all other series of Preferred Stock.

Without the consent of the holders of the Series A Preferred Stock, so long as such action does not adversely affect the rights, preferences, privileges and voting powers of the Series A Preferred Stock, we may amend, alter, supplement or repeal any terms of the Series A Preferred Stock:

- to cure any ambiguity, or to cure, correct or supplement any provision contained in the Certificate of Designation for the Series A Preferred Stock that may be defective or inconsistent; or

- to make any provision with respect to matters or questions arising with respect to the Series A Preferred Stock that is not inconsistent with the provisions of the Certificate of Designation.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Series A Preferred Stock shall have been redeemed or called for redemption on proper notice and sufficient funds have been set aside by us for the benefit of the holders of the Series A Preferred Stock to effect the redemption.

Voting Rights under the DGCL

Delaware law provides that the holders of preferred stock will have the right to vote separately as a class on any amendment to our Certificate of Incorporation that would increase or decrease the aggregate number of authorized shares of such class, increase or decrease the par value of the shares of such class, or alter or change the powers, preferences, or special rights of the shares of such class so as to affect them adversely. If any such proposed amendment would alter or change the powers, preferences or special rights of one or more series of preferred stock so as to affect them adversely, but would not so affect the entire class of preferred stock, only the shares of the series so affected shall be considered a separate class for purposes of this vote on the amendment. This right is in addition to any voting rights that may be provided for in our Certificate of Incorporation.

Depositary Agent, Transfer Agent and Registrar

Computershare N.A. is the depositary and transfer agent and registrar for the Series A Preferred Stock. We may, in our sole discretion, remove the depositary in accordance with the agreement between us and the depositary; provided that we will use our best efforts to ensure that there is, at all relevant times when the Series A Preferred Stock is outstanding, a person or entity appointed and serving as transfer agent and/or registrar. The transfer agent and/or registrar may be a person or entity affiliated with us.

Preemptive and Conversion Rights

The holders of the Series A Preferred Stock do not have any preemptive rights. The Series A Preferred Stock is not convertible into or exchangeable for property or shares of any other series or class of our capital stock.

Depositary Shares, Each Representing 1/40th Interest in a Share of Series A Preferred Stock

General

Each Depositary Share represents a 1/40th ownership interest in a share of Series A Preferred Stock and will be evidenced by depositary receipts. We will deposit the underlying shares of the Series A Preferred Stock with Computershare N.A., acting as depositary (the "Depositary") pursuant to a deposit agreement among us, the Depositary, and the holders from time to time of the depositary receipts evidencing the Depositary Shares (the "Deposit Agreement"). Subject to the terms of the Deposit Agreement, each holder of a Depositary Share will be entitled, through the Depositary, in proportion to the applicable fraction of a share of Series A Preferred Stock represented by such Depositary Share, to all the rights and preferences of the Series A Preferred Stock represented thereby (including dividend, voting, redemption and liquidation rights). References herein to "holders" of

Depositary Shares mean those who own Depositary Shares registered in their own names on the books that we or the Depositary maintain for this purpose, and not indirect holders who own beneficial interests in Depositary Shares registered in street name or issued in book-entry form through DTC.

Amendment and Termination of the Deposit Agreement

We may amend the form of depositary receipt evidencing the Depositary Shares and any provision of the Deposit Agreement at any time and from time to time by agreement with the Depositary without the consent of the holders of depositary receipts. However, any amendment that will materially and adversely alter the rights of the holders of depositary receipts will not be effective unless the holders of at least two-thirds of the affected Depositary Shares then outstanding approve the amendment. Every holder of an outstanding depositary receipt at the time any such amendment becomes effective shall be deemed, by continuing to hold such depositary receipts, to consent and agree to such amendment and to be bound by the Deposit Agreement as amended thereby.

We will make no amendment that impairs the right of any holder of Depositary Shares to receive shares of the Series A Preferred Stock and any money or other property represented by those Depositary Shares, except in order to comply with mandatory provisions of applicable law or the rules and regulations of any governmental body, agency, or commission, or applicable securities exchange.

The Deposit Agreement may be terminated:

- if all outstanding Depositary Shares have been redeemed pursuant to the Deposit Agreement;
- if there shall have been a final distribution made in respect of the Series A Preferred Stock in connection with any liquidation, dissolution or winding up of the Company and such distribution shall have been distributed to the holders of depositary receipts representing Depositary Shares pursuant to the terms of the Deposit Agreement; or
- upon the consent of holders of depositary receipts representing in the aggregate not less than two-thirds of the Depositary Shares outstanding.

We may terminate the Deposit Agreement at any time, and the Depositary will give notice of that termination to the holders of all outstanding depositary receipts not less than 30 days before the termination date. In that event, the Depositary will deliver or make available for delivery to holders of Depositary Shares, upon surrender of the depositary receipts evidencing the Depositary Shares, the number of whole or fractional shares of the Series A Preferred Stock as are represented by those Depositary Shares.

Dividends and Other Distributions

Each dividend payable on a Depositary Share will be in an amount equal to 1/40th of the dividend declared and payable on the related share of the Series A Preferred Stock.

The Depositary will distribute any cash dividends or other cash distributions received in respect of the deposited Series A Preferred Stock to the record holders of Depositary Shares relating to the underlying Series A Preferred Stock in proportion to the number of Depositary Shares held by the holders. If we make a distribution other than in cash, the Depositary will distribute any property received by it to the record holders of Depositary Shares entitled to those distributions, unless it determines that the distribution cannot be made proportionally among those holders or that it is not feasible to make a distribution. In that event, the Depositary may, with our approval, sell the property and distribute the net proceeds from the sale to the holders of the Depositary Shares.

Record dates for the payment of dividends and other matters relating to the Depositary Shares will be the same as the corresponding record dates for the Series A Preferred Stock.

The amounts distributed to holders of Depositary Shares will be reduced by any amounts required to be withheld by the Depositary or by us on account of taxes or other governmental charges. The Depositary may refuse to make any payment or distribution, or any transfer, exchange or withdrawal of any Depositary Shares or the shares of the Series A Preferred Stock until such taxes or other governmental charges are paid.

Redemption of Depositary Shares

If we redeem the Series A Preferred Stock represented by the Depositary Shares, the Depositary Shares will be redeemed from the proceeds received by the Depositary resulting from the redemption of the Series A Preferred Stock held by the Depositary. The redemption price per Depositary Share is expected to be equal to 1/40th of the redemption price per share payable with respect to the Series A Preferred Stock (or $25.00 per Depositary Share), plus any declared and unpaid dividends, without regard to any undeclared dividends, to, but excluding, the redemption date, on the shares of the Series A Preferred Stock.

Whenever we redeem shares of Series A Preferred Stock held by the Depositary, the Depositary will redeem, as of the same redemption date, the number of Depositary Shares representing shares of Series A Preferred Stock so redeemed. If fewer than all of the outstanding Depositary Shares are redeemed, the Depositary will select the Depositary Shares to be redeemed pro rata or by lot. In any case, the Depositary will redeem the Depositary Shares only in increments of 40 Depositary Shares and any integral multiple thereof. The Depositary will provide notice of redemption to record holders of the depositary receipts not less than 30 and not more than 60 days prior to the date fixed for redemption of the Series A Preferred Stock and the related Depositary Shares.

Voting of the Series A Preferred Stock

Because each Depositary Share represents a 1/40th interest in a share of the Series A Preferred Stock, holders of depositary receipts will be entitled to 1/40th of a vote per Depositary Share under those limited circumstances in which holders of the Series A Preferred Stock are entitled to a vote, as described above.

When the Depositary receives notice of any meeting at which the holders of the Series A Preferred Stock are entitled to vote, the Depositary will mail (or otherwise transmit by an authorized method) the information contained in the notice to the record holders of the Depositary Shares relating to the Series A Preferred Stock. Each record holder of the Depositary Shares on the record date, which will be the same date as the record date for the Series A Preferred Stock, may instruct the Depositary to vote the amount of the Series A Preferred Stock represented by the holder’s Depositary Shares. To the extent possible, the Depositary will vote the amount of the Series A Preferred Stock represented by Depositary Shares in accordance with the instructions it receives. We will agree to take all reasonable actions that the Depositary determines are necessary to enable the Depositary to vote as instructed. If the Depositary does not receive specific instructions from the holders of any Depositary Shares representing the Series A Preferred Stock, it will vote all Depositary Shares held by it proportionately with instructions received.

Depositary Agent, Transfer Agent and Registrar

Computershare N.A. is the depositary and transfer agent and registrar for the Depositary Shares. We may, in our sole discretion, remove the Depositary in accordance with the agreement between us and the Depositary; provided that we will appoint a successor depositary who will accept such appointment prior to the effectiveness of the prior depositary’s removal.

Form and Notices

The Series A Preferred Stock will be issued in registered form to the Depositary, and the Depositary Shares will be issued in book-entry form through DTC. The Depositary will forward to the holders of the Depositary Shares all reports, notices, and communications from us that are delivered to the Depositary and that we are required to furnish to the holders of the Series A Preferred Stock.

Other Preferred Stock

Our Certificate of Incorporation authorizes our Board of Directors to create and provide for the issuance of one or more series of Preferred Stock, without the approval of our stockholders. Our Board of Directors or a duly authorized committee thereof can also determine the terms, including the designations, powers, preferences and rights (including conversion, voting and other rights) and the qualifications, limitations or restrictions, of any Preferred Stock.

CERTAIN ANTI-TAKEOVER EFFECTS

Certificate of Incorporation and Bylaws

Our Certificate of Incorporation and Bylaws contain various protective provisions that would have the effect of impeding an attempt to change or remove our Board of Directors or to gain control of our outstanding capital stock.

Our Certificate of Incorporation and Bylaws provide:

- that directors can be removed only upon the vote of the holders of a majority of shares then entitled to votes at an election of directors;

- that we may issue Preferred Stock with such rights, preferences, privileges and limitations as our Board of Directors may, without prior stockholder approval, establish;

- that special meetings of stockholders may only be called by the Chairman of the Board or Directors, the Chief Executive Officer, resolution of a majority of our Board of Directors, or the holders of not less than 50% of the shares of Common Stock then-outstanding; and

- advance notice procedures with regard to the nomination, other than by or at the direction of our Board of Directors or a committee of the Board of Directors, of candidates for election as directors.

Restrictions on Ownership

The BHC Act requires any bank holding company, as defined in the BHC Act, to obtain the approval of the Federal Reserve prior to the acquisition of 5% or more of our Common Stock. Any person, other than a bank holding company, is required to obtain prior approval of the Federal Reserve to acquire 10% or more of our Common Stock under the Change in Bank Control Act. Any holder of 25% or more of our Common Stock, or a holder of 5% or more if such holder otherwise exercises a controlling influence over us, is subject to regulation as a bank holding company under the BHC Act.

Delaware General Corporation Law.

Section 203 of the DGCL applies to the Company because it is listed on a national securities exchange. Pursuant to Section 203, with certain exceptions, a Delaware corporation may not engage in any of a broad range of business combinations, such as mergers, consolidations and sales of assets, with an “interested stockholder,” as defined below, for a period of three years from the date that person became an interested stockholder, unless:

- the transaction that results in a person becoming an interested stockholder or the business combination is approved by the board of directors of the corporation before the person becomes an interested stockholder;

- upon consummation of the transaction that results in the stockholder becoming an interested stockholder, the interested stockholder owned 85% or more of the voting stock of the corporation outstanding at the time the transaction commenced, excluding shares owned by persons who are directors and also officers and shares owned by certain employee stock plans; or

- at or after the time the person becomes an interested stockholder, the business combination is approved by the corporation's board of directors and by holders of at least two-thirds of the corporation's outstanding voting stock, excluding shares owned by the interested stockholder, at a meeting of stockholders.

Under Section 203, an "interested stockholder" is defined as any person, other than the corporation and any direct or indirect majority-owned subsidiary, that is:

- the owner of 15% or more of the outstanding voting stock of the corporation; or

- an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation at any time within the three-year period immediately before the date on which it is sought to be determined whether such person is an interested stockholder.

EXHIBIT 10.3

SIXTH AMENDMENT TO LOAN AGREEMENT

THIS SIXTH AMENDMENT TO LOAN AGREEMENT (this "Amendment") is made and entered into as of February 22, 2022 (the "Sixth Amendment 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. The Agreement was previously amended as described in the First Amendment to Loan Agreement dated as of February 23, 2017, the Second Amendment to Loan Agreement dated as of February 23, 2018, the Third Amendment to Loan Agreement dated as of February 22, 2019, the Fourth Amendment to Loan Agreement dated as of February 22, 2020 and the Fifth Amendment to Loan Agreement dated as of February 22, 2021; Borrower desires to further extend the Revolving Credit Period in the manner set forth below and Lender agrees to said requests 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 and Lender 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 Sixth Amendment Effective Date, the Agreement is amended as follows:

(a) The definitions of "***Applicable Margin***", "***Benchmark***", ***"New York Banking Day***", "***Permitted Acquisition***", "***Rate Adjustment Date***", "***Revolving Credit Period***" and "***Term SOFR***" in Section 1.01 (Definitions) of the Agreement are deleted and replaced with the following:

Applicable Margin means an annual rate of 1.36%.

Benchmark is defined in Section 2.03(d)(i).

New York Banking Day means any day (other than a Saturday or Sunday) on which commercial banks are open for business in New York, New York,

Permitted Acquisition means any Acquisition by Borrower of the assets or Capital Stock of an ongoing business similar to, consistent with or complementary of the lines of business of Borrower, Subsidiary Bank and their Subsidiaries as of the date of this Agreement which satisfies each of the following conditions: (a) Borrower provides Lender with such financial and other information concerning such Acquisition as Lender may reasonably request; (b) the total purchase price (including fees and expenses) for the Acquisition in question (whether payable at closing or at any time or times after closing of such Acquisition, and if payable after closing and not determinable prior to closing, as reasonably estimated by Borrower and in any event including the amount of any

Indebtedness or liabilities assumed by Borrower as a part of such Acquisition) does not exceed an amount greater than 30% of Consolidated Net Assets; (c) both immediately before and immediately after giving effect to such Acquisition, no Default or Event of Default shall exist; and (d) such Acquisition is not prohibited under the terms of any other agreement executed by Borrower, Subsidiary Bank or any of their Subsidiaries, including, without limitation, any agreement pertaining to or evidencing any other permitted Indebtedness of Borrower, Subsidiary Bank or any of their Subsidiaries.

Rate Adjustment Date means the first day of each month; provided that If the initial Loan made on or after the Sixth Amendment Effective Date occurs other than on a Rate Adjustment Date, the initial Term SOFR that Term SOFR in effect two (2) New York Banking Days prior to the later of (a) the immediately preceding Rate Adjustment Date and (b) Sixth Amendment Effective Date, which rate plus the Applicable Margin shall be in effect until the next Rate Adjustment Date.

Revolving Credit Period means the period commencing on the date of this Agreement and ending **February 22, 2023**; provided, however, that the Revolving Credit Period shall end on the date the Revolving Credit Commitment is terminated pursuant to Section 7 or otherwise.

Term SOFR means the one-month forward-looking term rate based on SOFR, quoted by Lender from the Term SOFR Administrator's Website (or other commercially available source providing such quotations as may be selected by Lender from time to time), which shall be that one-month Term SOFR in effect two (2) New York Banking Days prior to the Rate Adjustment Date, adjusted for any reserve requirement and any subsequent costs arising from a change in government regulation, and reset monthly on each Rate Adjustment Date; provided that if the Term SOFR rate is not published on such New York Banking Day due to a holiday or other circumstance that Lender deems in its sole discretion to be temporary, the applicable Term SOFR shall be the Term SOFR last published prior to such New York Banking Day.

(b) The following definitions of "***Sixth Amendment Effective Date***" and "***Term SOFR Administrator's Website***" are added to Section 1.01 (Definitions) of the Agreement:

Sixth Amendment Effective Date is February 22, 2022.

Term SOFR Administrator's Website means the website or any successor source for Term SOFR identified by CME Group Benchmark Administration Ltd. (or a successor administrator of Term SOFR).

(c) Section 2.03(a) (Interest Rates and Payments) of the Agreement is deleted and replaced with the following:

(a) Interest on the principal balance of each Loan shall accrue at an annual rate equal to the Applicable Margin plus the greater of (i) 0% and (ii) Term SOFR.

(d) Section 2.03(d) (Interest Rates and Payments) of the Agreement is deleted and replaced with the following:

(d) Lender's internal records of applicable interest rates (including without limitation Lender's designation of any successor interest rate index if the rate index described above shall become temporarily unavailable) shall be determinative in the absence of manifest error. If Lender determines in its sole discretion that (i) the administrator of Term SOFR, or any relevant agency or authority for such administrator of Term SOFR (or any substitute index which replaces Term SOFR (Term SOFR or such replacement, the "***Benchmark***")), has announced that such Benchmark will no longer be provided, (ii) any relevant agency or authority has announced that such Benchmark is no longer representative, or (iii) any similar circumstance exists such that such Benchmark has become permanently unavailable or ceased to exist, Lender will (x) replace such Benchmark with a replacement rate or (y) if any such circumstance applies to fewer than all tenors of such Benchmark used for determining an interest period hereunder, discontinue the availability of the affected interest periods. In the case of Term SOFR, such replacement rate will be Daily Simple SOFR. In the case of a replacement rate other than Term SOFR, Lender may add a spread adjustment selected by Lender, taking into consideration any selection or recommendation of a replacement rate by any relevant agency or authority, and evolving or prevailing market practice. In connection with the selection and implementation of any such replacement rate, Lender may make any technical, administrative or operational changes that Lender decides may be appropriate to reflect the adoption and implementation of such replacement rate. Without limitation of the foregoing, in the case of a transition to Daily Simple SOFR, Lender will remove any option to select another rate that may change or is reset on a daily basis, including, without limitation, the Prime Rate. Lender does not warrant or accept any responsibility for the administration or submission of, or any other matter related to, Term SOFR or with respect to any alternative or successor rate thereto, or replacement rate thereof, including without limitation whether any such alternative, successor or replacement rate will have the same value as, or be economically equivalent to, Term SOFR. Lender's internal records of applicable interest rates shall be determinative in the absence of manifest error.

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 agrees 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 as of the Sixth Amendment Effective Date:

(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) 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) recent 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.

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

[SIGNATURES ON FOLLOWING PAGES]

SIGNATURE PAGE- BORROWER
SIXTH AMENDMENT TO LOAN AGREEMENT

Borrower:

ENTERPRISE FINANCIAL SERVICES CORP

By: /s/ Matt Eusterbrock
Name: Matt Eusterbrock
Title: Senior Vice President- Finance

SIGNATURE PAGE- LENDER
SIXTH AMENDMENT TO LOAN AGREEMENT

Lender:

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Phillip S. Hoerchler
Name: Phillip S. Hoerchler
Title: Vice President

FIFTH AMENDMENT TO LOAN AGREEMENT

THIS FIFTH AMENDMENT TO LOAN AGREEMENT (this "Amendment") is made and entered into as of February 22, 2021 (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. The Agreement was previously amended as described in the First Amendment to Loan Agreement dated as of February 23, 2017, the Second Amendment to Loan Agreement dated as of February 23, 2018, the Third Amendment to Loan Agreement dated as of February 22, 2019 and the Fourth Amendment to Loan Agreement dated as of February 22, 2020; Borrower desires to further extend the Revolving Credit Period in the manner set forth below and Lender agrees to said requests 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 and Lender 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 "***Reprice Date***" and "***Revolving Credit Period***" in Section 1.01 (Definitions) of the Agreement are deleted and replaced with the following:

Rate Adjustment Date means the first day of each month. If the initial Loan under this Agreement occurs other than on the Rate Adjustment Date, the initial one-month LIBOR rate shall be that one-month LIBOR rate in effect two New York Banking Days prior to the later of (a) the immediately preceding Rate Adjustment Date and (b) the Fifth Amendment Effective Date, which rate plus the Applicable Margin shall be in effect until the next Rate Adjustment Date.

Revolving Credit Period means the period commencing on the date of this Agreement and ending February 22, 2022; provided, however, that the Revolving Credit Period shall end on the date the Revolving Credit Commitment is terminated pursuant to Section 7 or otherwise.

(b) The following definitions of "***Benchmark***", "***Board***", "***Daily Simple SOFR***", "***E-SIGN***", "***Fifth Amendment Effective Date***", "***LIBOR***", "***SOFR***", "***Term SOFR***" and "***UETA***" are added to Section 1.01 (Definitions) of the Agreement:

"***Benchmark***" is defined in Section 2.03(d)(i)(A).

"***Daily Simple SOFR***" "means a daily rate based on SOFR and determined by Lender in accordance with the conventions for such rate.

"***E-SIGN***" means the Federal Electronic Signatures in Global and National Commerce Act (15 U.S.C. Chapter 29), as amended from time to time, and any successor statute, and any regulations promulgated thereunder from time to time.

"***Fifth Amendment Effective Date***" is February 22, 2021.

"***LIBOR***" is defined in Section 2.03(d)(i)(A).

"***SOFR***" means the secured overnight financing rate which is published by the Board of Governors of the Federal Reserve System (the "***Board***") and available at www.newyorkfed.org.

"***Term SOFR***" means a forward-looking term rate based on SOFR and recommended by the Board.

"***UETA***" means the Uniform Electronic Transactions Act as in effect in the State of Missouri (§§432.200 – 432.295 R.S. Mo.), as amended from time to time, and any successor statute, and any regulations promulgated thereunder from time to time.

(c) Section 2.03(a) (Interest Rates and Payments) of the Agreement is deleted and replaced with the following:

(a) Interest on the principal balance of each Loan shall accrue at an annual rate equal to the Applicable Margin plus the greater of (i) 0% and (ii) the one-month LIBOR rate quoted by Lender from Reuters Screen LIBOR01 Page or any successor thereto which may be designated by Lender as provided below, which shall be that one-month LIBOR rate in effect two New York Banking Days prior to the Rate Adjustment Date, adjusted for any reserve requirement and any subsequent costs arising from a change in government regulation, such rate rounded up to the nearest one-sixteenth percent] and such rate to be reset monthly on each Rate Adjustment Date.

(d) Section 2.03(d) (Interest Rates and Payments) of the Agreement is deleted and replaced with the following:

(d) Lender's internal records of applicable interest rates (including without limitation Lender's designation of any successor interest rate index if the rate index described above shall become temporarily unavailable) shall be determinative in the absence of manifest error. If Lender has determined that (i)(A) the administrator, or any relevant agency or authority for such administrator, of the rate index described above ("***LIBOR***") (or any substitute index which replaces LIBOR (LIBOR or such replacement, the "***Benchmark***") has announced that such Benchmark will no longer be provided, (B) any relevant agency or authority has announced that such Benchmark is no longer representative, or (C) any similar circumstance exists such that such Benchmark has become unavailable or ceased to exist, or (ii) similar loans are being documented with a replacement rate to such Benchmark, Lender will (x) replace such Benchmark with a replacement rate or (y) if any such circumstance applies to fewer than all tenors of such Benchmark used for determining an interest period hereunder, discontinue the availability of the affected interest periods. In the case of LIBOR, (1) for any Loan where the rate is reset daily, such replacement rate will be Daily Simple SOFR plus the Applicable Margin and (2) for any Loan where the rate is reset at monthly or longer intervals, such replacement rate will be Term SOFR plus the Applicable Margin; provided that if Lender determines in its sole discretion that (I) Term SOFR is not available for the applicable advance at the time of such replacement or (II) the administration of Term SOFR is not administratively feasible for Lender, then such replacement rate will be Daily Simple SOFR, plus the adjustment described below. In each case, Lender will add an adjustment to Term SOFR or Daily Simple SOFR that is selected or recommended by the Board. In connection with the selection and implementation of any such replacement rate, Lender may make any technical, administrative or operational changes that Lender decides may be appropriate to reflect the adoption and implementation of such replacement rate. Lender does not warrant or accept any responsibility for the administration or submission of, or any other matter related to, LIBOR or with respect to any alternative or successor rate thereto, or replacement rate thereof, including without limitation whether any such alternative, successor or replacement rate will have the same value as, or be economically equivalent to, LIBOR.

(e) The following is added to the Agreement as Section 8.22 (Document Imaging; Telecopy and PDF Signatures; Electronic Signatures):

8.22. Document Imaging; Telecopy and PDF Signatures; Electronic Signatures. Without notice to or consent of Borrower, Lender may create electronic images of any Loan Documents and destroy paper originals of any such imaged documents. Such images have the same legal force and effect as the paper originals and are enforceable against Borrower and any other parties thereto. Lender may convert any Loan Document into a "transferrable record" as such term is defined under, and to the extent permitted by, UETA, with the image of such instrument in Lender's possession constituting an "authoritative copy" under UETA. If Lender agrees, in its sole discretion, to accept delivery by telecopy or PDF of an executed counterpart of a signature page of any Loan Document or other document required to be delivered under the Loan Documents, such delivery will be valid and effective as delivery of an original manually executed counterpart of such document for all purposes. If Lender agrees, in its sole discretion, to accept any electronic signatures of any Loan Document or other document required to be delivered under the Loan Documents, the words "execution," "signed," and "signature," and words of like import, in or referring to any document so signed will deemed to include electronic signatures and/or the keeping of records in electronic form, which will be of the same legal effect, validity and enforceability as a manually executed signature and/or the use of a paper-based recordkeeping system, to the extent and as provided for in any applicable law, including UETA, E-SIGN, or any other state laws based on, or similar in effect to, such acts. Lender may rely on any such electronic signatures without further inquiry.

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 agrees 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 as of the Effective Date:

(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 Effective Date 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) recent 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.

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

[SIGNATURES ON FOLLOWING PAGES]

SIGNATURE PAGE- BORROWER
FIFTH AMENDMENT TO LOAN AGREEMENT

Borrower:

ENTERPRISE FINANCIAL SERVICES CORP

By: /s/ Matt Eusterbrock
Name: Matt Eusterbrock
Title: Senior Vice President- Finance

SIGNATURE PAGE- LENDER
FIFTH AMENDMENT TO LOAN AGREEMENT

Lender:

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Phillip S. Hoerchler
Name: Phillip S. Hoerchler
Title: Vice President

EXHIBIT 21.1

SUBSIDIARIES OF THE REGISTRANT

Company	State of Organization
Enterprise Bank & Trust	Missouri
Enterprise Real Estate Mortgage Company, LLC	Missouri
Enterprise IHC, LLC	Missouri
Enterprise Portfolio Holdings, Inc.	Nevada

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, 333-215345, 333-226407, 333-192497, and 333-258962 on Form S-8, and 333-237612 on Form S-3 of our report dated February 25, 2022 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 for the year ended December 31, 2021.

/s/ Deloitte & Touche LLP
St. Louis, Missouri
February 25, 2022

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 James Lally 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, 2021.

Signature	Title	Date
/s/ John S. Eulich John S. Eulich	Chairman of the Board of Directors	February 25, 2022
/s/ Michael A. DeCola Michael A. DeCola	Director	February 25, 2022
/s/ Robert E. Guest, Jr. Robert E. Guest, Jr.	Director	February 25, 2022
/s/ James M. Havel James M. Havel	Director	February 25, 2022
/s/ Judith S. Heeter Judith S. Heeter	Director	February 25, 2022
/s/ Michael R. Holmes Michael R. Holmes	Director	February 25, 2022
/s/ Peter H. Hui Peter H. Hui	Director	February 25, 2022
/s/ Nevada A. Kent, IV Nevada A. Kent, IV	Director	February 25, 2022
/s/ Richard M. Sanborn Richard M. Sanborn	Director	February 25, 2022
/s/ Anthony R. Scavuzzo Anthony R. Scavuzzo	Director	February 25, 2022
/s/ Eloise E. Schmitz Eloise E. Schmitz	Director	February 25, 2022
/s/ Sandra A. Van Trease Sandra A. Van Trease	Director	February 25, 2022

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, James B. Lally, 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 Rules 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; and

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/ James B. Lally
James B. Lally
Chief Executive Officer

Date: February 25, 2022

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 Rules 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; and

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 25, 2022

Keene S. Turner
Chief Financial Officer

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, 2021 as filed with the Securities and Exchange Commission (the “Report”), I, James B. Lally, 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/ James B. Lally
James B. Lally
Chief Executive Officer
February 25, 2022

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, 2021 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 25, 2022