

CrossFirst Bankshares, Inc. Reports Third Quarter 2021 Results

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Third Quarter 2021 Key Financial Performance Metrics

Net Income	ROAA	Net Interest Margin (FTE)	Diluted EPS	ROE
\$21.0 million	1.54%	3.20%	\$0.41	12.92%

LEAWOOD, Kan., Oct. 18, 2021 (GLOBE NEWSWIRE) -- CrossFirst Bankshares, Inc. (Nasdaq: CFB), the bank holding company for CrossFirst Bank, today reported its results for the third quarter of 2021, with net income of \$21.0 million, or \$0.41 per diluted share, and year-to-date net income of \$48.6 million, or \$0.93 per diluted share. Results this quarter included a \$6.2 million asset impairment relating to an equity investment and a \$10 million release from reserves due to continuing improvement in credit quality. Subsequent to quarter end, the Board of Directors authorized the repurchase of up to \$30 million of common stock over time.

CEO Commentary:

"We had another quarter of strong profitability and have continued our strong earnings momentum as the economy accelerates and credit quality improves from last year's low points," said CrossFirst's CEO and President, Mike Maddox. "We continue to take a long-term view that will best serve our constituents well into the future by investing in talent to grow our top-line revenue and by investing in technology to better serve our clients. At the same time, we remain committed to delivering value to our shareholders and are pleased to be able to continue the return of capital with the new buyback program."

2021 Third Quarter Highlights:

- \$5.4 billion of assets with 162% net income growth compared to the third quarter of 2020
- Return on Average Assets of 1.54% and a Return on Equity of 12.92% with a non-GAAP Core Return on Average Assets of 1.90% and non-GAAP Return on Equity of 15.94%
- Efficiency ratio of 59.06% for the third quarter of 2021 and a non-GAAP core efficiency ratio of 50.45% after adjusting for nonrecurring or non-core items and tax equivalent interest
- Net Interest Margin (Fully Tax-Equivalent) of 3.20% compared to 3.12% in the previous quarter
- Non-interest-bearing deposit growth of 27% from September 30, 2020 which accounts for 22% of total deposits
- Book value per share of \$12.79 at September 30, 2021 compared to \$11.84 at September 30, 2020

	Quarter-to-Date September 30,		Year-to-Date September 30,	
	2021	2020	2021	2020
<i>(Dollars in millions except per share data)</i>				
Operating revenue⁽¹⁾	\$ 40.7	\$ 43.4	\$ 134.1	\$ 127.5
Net income	\$ 21.0	\$ 8.0	\$ 48.6	\$ 4.5
Diluted earnings per share	\$ 0.41	\$ 0.15	\$ 0.93	\$ 0.09
Return on average assets	1.54 %	0.58 %	1.16 %	0.11 %
Return on average common equity	12.92 %	5.19 %	10.24 %	0.98 %
Non-GAAP core return on average tangible common equity ⁽²⁾	15.94 %	5.19 %	10.99 %	2.62 %
Net interest margin	3.14 %	2.93 %	3.05 %	3.08 %
Net interest margin, fully tax-equivalent ⁽³⁾	3.20 %	2.98 %	3.10 %	3.13 %
Efficiency ratio	59.06 %	53.03 %	54.18 %	59.44 %
Non-GAAP core operating efficiency ratio, fully tax-equivalent ⁽²⁾⁽³⁾	50.45 %	52.23 %	51.15 %	53.14 %

(1) Net interest income plus non-interest income.

(2) Represents a non-GAAP measure. See "Table 5. Non-GAAP Financial Measures" for a reconciliation of these measures.

(3) Tax exempt income is calculated on a tax-equivalent basis. Tax-free municipal securities are exempt from federal income taxes. The incremental federal income tax rate used is 21.0%.

Income from Operations

Net Interest Income

Interest income was \$47.3 million for the third quarter of 2021, a decrease of 2% from the third quarter of 2020 and a 1% decrease from the previous quarter. Interest income was down from the third quarter of 2020 as a result of lower average loans outstanding. Average earning assets totaled \$5.3 billion for the third quarter of 2021, a decrease of \$68 million or 1% from the same quarter in 2020. The tax-equivalent yield on earning assets increased from 3.57% to 3.62% during the third quarter of 2021, and was down from 3.66% in the third quarter of 2020, primarily due to the movement of variable rate assets indexed to market rates. Year-to-date, interest income was \$143.9 million, which declined compared to the same period in 2020 primarily due to the yield movements on earning assets.

Interest expense for the third quarter of 2021 was \$5.5 million, or 40% lower than the third quarter of 2020 and 10% lower than the previous quarter. Average interest-bearing deposits decreased to \$3.5 billion in the third quarter of 2021, or a 3% decrease from the same prior year period. Cost of funds for the quarter was 0.46%, compared to 0.49% for the second quarter of 2021. Year-to-date, interest expense was \$18.7 million, a decrease of 47% from the same period in the prior year due to lower market rates.

Net interest income totaled \$41.8 million for the third quarter of 2021 or 1% lower than the second quarter of 2021, and 6% higher than the third quarter of 2020. Tax-equivalent net interest margin increased to 3.20% in the current quarter, from 3.12% in the previous quarter, and increased from 2.98% in the same quarter in 2020. During the third quarter of 2021, CrossFirst realized \$1.7 million in fees from the forgiveness of \$88 million of PPP loans. Including fees recognized, the PPP loans yielded 5.50% for the current quarter and the Company will continue to recognize fees over the life of the loans or as the loans are forgiven. The tax-equivalent adjustment, which accounts for income taxes saved on the interest earned on nontaxable securities and loans, was \$0.7 million for the third quarter of 2021. Year-to-date net interest income grew to \$125.2 million, an increase of 6% from the same period in the prior year, while tax-equivalent net interest margin declined to 3.10% from 3.13% for the same prior year period.

Non-Interest Income

Non-interest income decreased \$5.2 million in the third quarter of 2021 or 127% compared to the same quarter of 2020 and decreased \$6.9 million compared to the second quarter of 2021. During the third quarter of 2021, the Company recorded a \$6.2 million impairment loss related to an equity investment that was received as part of a restructured loan agreement, which was partially offset by increases of \$0.3 million in credit card fees and \$0.4 million in service charge income as compared to the same quarter of 2020. Year-to-date non-interest income was up \$0.1 million or 1% compared to the same period in the prior year.

Non-Interest Expense

Non-interest expense for the third quarter of 2021 was \$24.0 million, which increased 4% compared to the third quarter of 2020 and decreased 7% from the second quarter of 2021. Salaries and benefit costs were lower in the current quarter by \$0.3 million compared to the prior quarter and \$0.8 million higher than the same quarter in the prior year mainly due to increased hiring for market expansion. Year-to-date non-interest expense decreased \$3.6 million or 5% from the same period in the prior year primarily due to a \$7.4 million goodwill impairment recorded in the second quarter of 2020. This decrease was partly offset by a \$1.6 million increase in salary and employee benefits, \$1.0 million increase in occupancy, and \$1.5 million increase in other non-interest expense as compared to the same period in the prior year.

CrossFirst's effective tax rate for the third quarter of 2021 was 21% as compared to 16% for the third quarter of 2020. The 2021 quarter-to-date income tax expense was impacted by a \$17.2 million increase in income before income taxes that increased taxes at the statutory rate by \$3.6 million. For both of the comparable periods, the Company continued to benefit from the tax-exempt municipal bond portfolio and bank-owned life insurance. The tax-exempt benefit diminishes as the Company's pre-tax income improves.

Balance Sheet Performance & Analysis

During the third quarter of 2021, total assets increased by \$90 million or 2% compared to June 30, 2021 and decreased \$105 million or 2% compared to September 30, 2020. The total assets change was negatively impacted by the \$88 million in PPP loans that were forgiven in the third quarter. Non-interest-bearing deposits increased \$142 million compared to June 30, 2021, which was the main driver of the cost of funds 3 basis points decrease. During the third quarter of 2021, available-for-sale investment securities decreased \$4 million to \$708 million compared to June 30, 2021, while the overall average for the third quarter was \$730 million. The securities yields decreased 6 basis points to a tax equivalent yield of 2.87% for the third quarter of 2021 compared to the prior quarter.

Loan Results

The Company experienced a decrease in average loans of 4% since June 30, 2021 and a decrease of 5% year-over-year from September 30, 2020. The reduction in average loans was primarily a result of PPP loan forgiveness. Loan yields increased slightly to 4.00% during the third quarter and increased 10 basis points over the last twelve months.

	3Q21	2Q21	1Q21	4Q20	3Q20	QoQ Growth (\$)	QoQ Growth (%) ⁽¹⁾	YoY Growth (\$)	YoY Growth (%) ⁽¹⁾
	<i>(Dollars in millions)</i>								
Average loans (gross)									
Commercial	\$ 1,233	\$ 1,221	\$ 1,329	\$ 1,367	\$ 1,308	\$ 12	1 %	\$ (75)	(6) %
Energy	311	341	351	381	393	(30)	(9)	(82)	(21)
Commercial real estate	1,213	1,203	1,183	1,194	1,169	10	1	44	4
Construction and land development	611	633	598	585	617	(22)	(3)	(6)	(1)
Residential and multifamily real estate	659	659	688	664	583	0	0	76	13
Paycheck Protection Program	147	296	308	258	362	(149)	(50)	(215)	(59)
Consumer	57	56	50	45	45	1	2	12	27
Total	<u>\$ 4,231</u>	<u>\$ 4,409</u>	<u>\$ 4,507</u>	<u>\$ 4,494</u>	<u>\$ 4,477</u>	<u>\$ (178)</u>	<u>(4) %</u>	<u>\$ (246)</u>	<u>(5) %</u>
<i>Yield on average loans for the period ending</i>	<i>4.00 %</i>	<i>3.99 %</i>	<i>3.94 %</i>	<i>4.00 %</i>	<i>3.90 %</i>				

⁽¹⁾ Actual unrounded values are used to calculate the reported percent disclosed. Accordingly, recalculations using the amounts in millions as disclosed in this release may not produce the same amounts.

Deposit & Other Borrowing Results

The Company experienced a reduction in average deposits of 6% since June 30, 2021, and increased average deposits 2% year-over-year from September 30, 2020. The deposit decrease for the quarter was driven by a continued decrease in time deposits and a reduction in money market accounts. In addition, the Company continued to improve the overall cost of deposits, which declined 3 basis points during the third quarter of 2021, reflective of average non-interest-bearing deposit increases. The cost of interest-bearing deposits has declined 33 basis points over the last twelve months primarily as a result of the lower interest rate environment.

	3Q21	2Q21	1Q21	4Q20	3Q20	QoQ Growth (\$)	QoQ Growth (%) ⁽¹⁾	YoY Growth (\$)	YoY Growth (%) ⁽¹⁾
	<i>(Dollars in millions)</i>								
Average deposits									
Non-interest bearing deposits	\$ 910	\$ 802	\$ 731	\$ 732	\$ 714	\$ 108	13 %	\$ 196	27 %
Transaction deposits	511	665	717	575	460	(154)	(23)	51	11
Savings and money market deposits	2,276	2,385	2,422	2,158	1,995	(109)	(5)	281	14
Time deposits	752	869	972	1,087	1,175	(117)	(13)	(423)	(36)
Total	<u>\$ 4,449</u>	<u>\$ 4,721</u>	<u>\$ 4,842</u>	<u>\$ 4,552</u>	<u>\$ 4,344</u>	<u>\$ (272)</u>	(6) %	<u>\$ 105</u>	2 %
<i>Cost of deposits for the period ending</i>	<i>0.38 %</i>	<i>0.41 %</i>	<i>0.48 %</i>	<i>0.58 %</i>	<i>0.67 %</i>				
<i>Cost of interest-bearing deposits for the period ending</i>	<i>0.47 %</i>	<i>0.50 %</i>	<i>0.57 %</i>	<i>0.69 %</i>	<i>0.80 %</i>				

⁽¹⁾ Actual unrounded values are used to calculate the reported percent disclosed. Accordingly, recalculations using the amounts in millions as disclosed in this release may not produce the same amounts.

At September 30, 2021, other borrowings totaled \$278 million, as compared to \$284 million at June 30, 2021, and \$351 million at September 30, 2020.

Asset Quality Position

Credit quality metrics generally improved during the third quarter of 2021 as classified assets decreased \$47 million and the ratio of nonperforming assets to total assets decreased to 0.92% from 1.09% in the previous quarter. The improvements in credit metrics were primarily driven by upgrades in COVID-19 impacted segments and the Energy portfolio. Net charge-offs were \$1.3 million for the third quarter of 2021 as compared to \$2.6 million for the second quarter of 2021. The charge-offs for the current quarter were related to energy and commercial and industrial credits.

The overall decrease in the allowance for loan losses for the current quarter reflects a relatively minor change in net period-end loan balances, stabilization in the Company's economic outlook and improved credit performance. These factors resulted in a \$10 million release of reserves during the third quarter. The following table provides information regarding asset quality.

Asset quality <i>(Dollars in millions)</i>	3Q21	2Q21	1Q21	4Q20	3Q20
Non-accrual loans	\$ 48.1	\$ 54.7	\$ 63.3	\$ 75.1	\$ 75.6
Other real estate owned	1.1	1.7	2.3	2.3	2.3
Nonperforming assets	49.8	58.1	68.9	78.4	82.2
Loans 90+ days past due and still accruing	0.5	1.8	3.2	1.0	4.3
Loans 30 - 89 days past due	37.6	18.8	11.0	18.1	45.4
Net charge-offs (recoveries)	1.3	2.6	8.2	11.6	6.0

Asset quality metrics (%)	3Q21	2Q21	1Q21	4Q20	3Q20
Nonperforming assets to total assets	0.92 %	1.09 %	1.15 %	1.39 %	1.49 %
Allowance for loan loss to total loans	1.51	1.78	1.65	1.70	1.70
Allowance for loan loss to nonperforming loans	132	134	112	99	95
Net charge-offs (recoveries) to average loans ⁽¹⁾	0.13	0.23	0.74	1.03	0.54
Provision to average loans ⁽¹⁾	(0.94)	0.32	0.67	0.96	0.97
Classified Loans / (Total Capital + ALLL)	17.3	24.0	38.2	40.9	43.2

⁽¹⁾ Interim periods annualized.

Capital Position

At September 30, 2021, stockholders' equity totaled \$652 million, or \$12.79 per share, compared to \$624 million, or \$12.08 per share, at December 31, 2020. Subsequent to quarter end, the Board of Directors authorized a stock repurchase program under which the Company may repurchase up to \$30 million of common stock over time. The actual timing, number and value of shares of common stock repurchased under the stock repurchase program will be determined by management at its discretion and will depend on a number of factors, including, but not limited to, the market price of the Company's common stock, general market and economic conditions, and applicable legal requirements. Stock repurchases under the program may be modified, suspended or terminated by the Company at any time without prior notice. Under the stock repurchase program, the Company may repurchase its common stock in the open market, through block trades, in privately negotiated transactions, pursuant to a trading plan separately adopted in the future, or by other means, in accordance with federal securities laws and other applicable laws.

The ratio of common equity Tier 1 capital to risk-weighted assets was approximately 13% and the total capital to risk-weighted assets was approximately 14% at September 30, 2021. The Company remains well-capitalized.

Conference Call and Webcast

CrossFirst will hold a conference call and webcast to discuss third quarter 2021 results on Tuesday, October 19, 2021, at 10 a.m. CDT / 11 a.m. EDT. The conference call and webcast may also include discussion of Company developments, forward-looking statements and other material information about business and financial matters. Investors, news media, and other participants should register for the call or audio webcast at <https://investors.crossfirstbankshares.com>. To access the call, dial toll-free (877) 621-5851 from anywhere in the U.S. or +1 (470) 495-9492 for international callers and provide conference number 8025119. Participants are encouraged to dial into the call or access the webcast approximately 15

minutes prior to the start time.

A replay of the call will be available two hours after the conclusion of the live call. To access the replay, dial (855) 859-2056 and provide conference number 8025119, passcode 9067. International callers should dial +1 (404) 537-3406 and enter the same confirmation number. A replay of the webcast will also be available for 90 days on the company's website <https://investors.crossfirstbankshares.com>.

Cautionary Notice about Forward-Looking Statements

The financial results in this press release reflect preliminary, unaudited results, which are not final until the Company's Quarterly Report on Form 10-Q is filed. This earnings release contains forward-looking statements. These forward-looking statements reflect the Company's current views with respect to, among other things, future events and its financial performance. Any statements about management's expectations, beliefs, plans, predictions, forecasts, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "anticipate," "believes," "can," "could," "may," "predicts," "potential," "should," "will," "estimate," "plans," "projects," "continuing," "ongoing," "expects," "intends" and similar words or phrases. Any or all of the forward-looking statements in this earnings release may turn out to be inaccurate. The inclusion of forward-looking information in this earnings release should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. The Company has based these forward-looking statements largely on its current expectations and projections about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs. Our actual results could differ materially from those anticipated in such forward-looking statements.

Accordingly, the Company cautions you that any such forward-looking statements are not a guarantee of future performance and that actual results may prove to be materially different from the results expressed or implied by the forward-looking statements due to a number of factors. Such factors include, without limitation, those listed from time to time in reports that the Company files with the Securities and Exchange Commission as well as the uncertain impact of the COVID-19 pandemic. These forward-looking statements are made as of the date of this communication, and the Company does not intend, and assumes no obligation, to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events or circumstances, except as required by law.

About CrossFirst Bank

CrossFirst Bankshares, Inc. (Nasdaq: CFB) is a Kansas corporation and a registered bank holding company for its wholly owned subsidiary CrossFirst Bank, which is headquartered in Leawood, Kansas. CrossFirst has nine full-service banking locations in Kansas, Missouri, Oklahoma, Texas, and Arizona that offer products and services to businesses, professionals, individuals, and families.

Unaudited Financial Tables

- o Table 1. Consolidated Balance Sheets
- o Table 2. Consolidated Statements of Operations
- o Table 3. 2020 - 2021 Year-to-Date Analysis of Changes in Net Interest Income
- o Table 4. 2020 - 2021 Quarterly Analysis of Changes in Net Interest Income
- o Table 5. Non-GAAP Financial Measures

TABLE 1. CONSOLIDATED BALANCE SHEETS

	September 30, 2021 (Unaudited)	December 31, 2020
	<i>(Dollars in thousands)</i>	
Assets		
Cash and cash equivalents	\$ 316,722	\$ 408,810
Available-for-sale securities - taxable	168,182	177,238
Available-for-sale securities - tax-exempt	539,924	477,350
Loans, net of allowance for loan losses of \$64,152 and \$75,295 at September 30, 2021 and December 31, 2020, respectively	4,168,965	4,366,602
Premises and equipment, net	66,598	70,509
Restricted equity securities	12,885	15,543
Interest receivable	15,928	17,236
Foreclosed assets held for sale	1,148	2,347
Bank-owned life insurance	67,104	67,498
Other	43,695	56,170
Total assets	<u>\$ 5,401,151</u>	<u>\$ 5,659,303</u>
Liabilities and stockholders' equity		
Deposits		
Noninterest-bearing	\$ 960,999	\$ 718,459
Savings, NOW and money market	2,774,477	2,932,799
Time	701,121	1,043,482
Total deposits	<u>4,436,597</u>	<u>4,694,740</u>
Federal funds purchased and repurchase agreements	-	2,306
Federal Home Loan Bank advances	276,600	293,100
Other borrowings	997	963

Interest payable and other liabilities	34,550	43,766
Total liabilities	4,748,744	5,034,875
Stockholders' equity		
Common stock, \$0.01 par value:		
authorized - 200,000,000 shares, issued - 52,576,504 and 52,289,129 shares at September 30, 2021 and December 31, 2020, respectively	526	523
Treasury stock, at cost:		
1,573,806 and 609,613 shares held at September 30, 2021 and December 31, 2020, respectively	(20,000)	(6,061)
Additional paid-in capital	525,676	522,911
Retained earnings	126,299	77,652
Accumulated other comprehensive income	19,906	29,403
Total stockholders' equity	652,407	624,428
Total liabilities and stockholders' equity	\$ 5,401,151	\$ 5,659,303

TABLE 2. CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
	<i>(Dollars in thousands except per share data)</i>			
Interest Income				
Loans, including fees	\$ 42,664	\$ 43,929	\$ 130,268	\$ 138,591
Available-for-sale securities - taxable	803	1,042	2,423	4,174
Available-for-sale securities - tax-exempt	3,562	3,186	10,410	9,758
Deposits with financial institutions	121	47	359	583
Dividends on bank stocks	161	248	488	808
Total interest income	47,311	48,452	143,948	153,914
Interest Expense				
Deposits	4,211	7,298	14,789	29,975
Fed funds purchased and repurchase agreements	-	54	3	162
Federal Home Loan Bank Advances	1,275	1,749	3,838	4,980
Other borrowings	24	24	72	85
Total interest expense	5,510	9,125	18,702	35,202
Net Interest Income	41,801	39,327	125,246	118,712
Provision for Loan Losses	(10,000)	10,875	1,000	45,825
Net Interest Income after Provision for Loan Losses	51,801	28,452	124,246	72,887
Non-Interest Income (Loss)				
Service charges and fees on customer accounts	1,196	792	3,330	1,947
Realized gains on available-for-sale securities	1,046	1,012	1,043	1,725
Unrealized gains (losses), net on equity securities	(6,210)	-	(6,243)	53
Income from bank-owned life insurance	427	464	3,088	1,373
Swap fees and credit valuation adjustments, net	31	121	156	80
ATM and credit card interchange income	1,735	1,482	5,569	2,863
Other non-interest income	670	192	1,921	751
Total non-interest income (loss)	(1,105)	4,063	8,864	8,792
Non-Interest Expense				
Salaries and employee benefits	15,399	14,628	44,612	43,022
Occupancy	2,416	2,144	7,307	6,274
Professional fees	618	1,132	2,538	3,098
Deposit insurance premiums	927	1,096	2,995	3,151
Data processing	700	652	2,136	2,065
Advertising	596	147	1,334	870
Software and communication	999	959	3,098	2,772
Foreclosed assets, net	(35)	20	680	1,174
Goodwill impairment	-	-	-	7,397
Other non-interest expense	2,416	2,233	7,967	6,421
Total non-interest expense	24,036	23,011	72,667	76,244
Net Income Before Taxes	26,660	9,504	60,443	5,435
Income tax expense	5,660	1,498	11,831	928
Net Income	\$ 21,000	\$ 8,006	\$ 48,612	\$ 4,507
Basic Earnings Per Share	\$ 0.41	\$ 0.15	\$ 0.95	\$ 0.09
Diluted Earnings Per Share	\$ 0.41	\$ 0.15	\$ 0.93	\$ 0.09

TABLE 3. YEAR-TO-DATE ANALYSIS OF CHANGES IN NET INTEREST INCOME

(UNAUDITED)

Nine Months Ended
September 30,

	2021			2020		
	Average Balance	Interest Income / Expense	Average Yield / Rate ⁽³⁾	Average Balance	Interest Income / Expense	Average Yield / Rate ⁽³⁾
<i>(Dollars in thousands)</i>						
Interest-earning assets:						
Securities - taxable	\$ 207,691	\$ 2,911	1.87 %	\$ 285,363	\$ 4,982	2.33 %
Securities - tax-exempt ⁽¹⁾	507,986	12,596	3.32	443,506	11,807	3.56
Federal funds sold	-	-	-	1,364	18	1.73
Interest-bearing deposits in other banks	390,588	359	0.12	170,316	566	0.44
Gross loans, net of unearned income ⁽²⁾	4,381,213	130,268	3.98	4,248,520	138,591	4.36
Total interest-earning assets ⁽¹⁾	5,487,478	\$ 146,134	3.56 %	5,149,069	\$ 155,964	4.05 %
Allowance for loan losses	(76,726)			(64,896)		
Other non-interest-earning assets	214,752			218,797		
Total assets	<u>\$ 5,625,504</u>			<u>\$ 5,302,970</u>		
Interest-bearing liabilities						
Transaction deposits	\$ 629,959	\$ 936	0.20 %	\$ 404,967	\$ 1,391	0.46 %
Savings and money market deposits	2,360,559	6,402	0.36	1,938,669	11,689	0.81
Time deposits	863,592	7,451	1.15	1,178,632	16,895	1.91
Total interest-bearing deposits	3,854,110	14,789	0.51	3,522,268	29,975	1.14
FHLB and short-term borrowings	285,371	3,841	1.80	456,048	5,145	1.51
Trust preferred securities, net of fair value adjustments	976	72	9.80	933	82	11.81
Non-interest-bearing deposits	814,924	-	-	668,208	-	-
Cost of funds	4,955,381	\$ 18,702	0.50 %	4,647,457	\$ 35,202	1.01 %
Other liabilities	35,385			42,731		
Stockholders' equity	634,738			612,782		
Total liabilities and stockholders' equity	<u>\$ 5,625,504</u>			<u>\$ 5,302,970</u>		
Net interest income ⁽¹⁾		<u>\$ 127,432</u>			<u>\$ 120,762</u>	
Net interest spread ⁽¹⁾			3.06 %			3.04 %
Net interest margin ⁽¹⁾			3.10 %			3.13 %

(1) Tax exempt income is calculated on a tax-equivalent basis. Tax-free municipal securities are exempt from federal income taxes. The incremental income tax rate used is 21.0%.

(2) Average loan balances include nonaccrual loans.

(3) Actual unrounded values are used to calculate the reported yield or rate disclosed. Accordingly, recalculations using the amounts in thousands as disclosed in this release may not produce the same amounts.

YEAR-TO-DATE VOLUME & RATE VARIANCE TO NET INTEREST INCOME (UNAUDITED)

	Nine Months Ended September 30, 2021 over 2020		
	Average Volume	Yield/Rate	Net Change ⁽²⁾
<i>(Dollars in thousands)</i>			
Interest Income			
Securities - taxable	\$ (1,200)	\$ (871)	\$ (2,071)
Securities - tax-exempt ⁽¹⁾	1,627	(838)	789
Federal funds sold	(18)	-	(18)
Interest-bearing deposits in other banks	390	(597)	(207)
Gross loans, net of unearned income	4,176	(12,499)	(8,323)
Total interest income ⁽¹⁾	4,975	(14,805)	(9,830)
Interest Expense			
Transaction deposits	555	(1,010)	(455)
Savings and money market deposits	2,185	(7,472)	(5,287)
Time deposits	(3,795)	(5,649)	(9,444)
Total interest-bearing deposits	(1,055)	(14,131)	(15,186)
FHLB and short-term borrowings	(2,169)	865	(1,304)
Trust preferred securities, net of fair value adjustments	4	(14)	(10)
Total interest expense	(3,220)	(13,280)	(16,500)
Net interest income ⁽¹⁾	<u>\$ 8,195</u>	<u>\$ (1,525)</u>	<u>\$ 6,670</u>

(1) Tax exempt income is calculated on a tax-equivalent basis. Tax-free municipal securities are exempt from federal income taxes. The incremental income tax rate used is 21.0%.

(2) The change in interest not due solely to volume or rate has been allocated in proportion to the respective absolute dollar amounts of the change in volume or rate.

TABLE 4. 2020 - 2021 QUARTERLY ANALYSIS OF CHANGES IN NET INTEREST INCOME (UNAUDITED)

	Three Months Ended September 30,					
	2021			2020		
	Average Balance	Interest Income / Expense	Average Yield / Rate ⁽³⁾	Average Balance	Interest Income / Expense	Average Yield / Rate ⁽³⁾
	<i>(Dollars in thousands)</i>					
Interest-earning assets:						
Securities - taxable	\$ 194,929	\$ 964	1.96 %	\$ 257,637	\$ 1,290	1.99 %
Securities - tax-exempt ⁽¹⁾	534,917	4,310	3.20	440,669	3,855	3.48
Federal funds sold	-	-	-	-	-	-
Interest-bearing deposits in other banks	313,188	121	0.15	166,423	47	0.11
Gross loans, net of unearned income ⁽²⁾	4,230,553	42,664	4.00	4,477,211	43,929	3.90
Total interest-earning assets ⁽¹⁾	5,273,587	\$ 48,059	3.62 %	5,341,940	\$ 49,121	3.66 %
Allowance for loan losses	(75,103)			(75,970)		
Other non-interest-earning assets	210,500			220,282		
Total assets	<u>\$ 5,408,984</u>			<u>\$ 5,486,252</u>		
Interest-bearing liabilities						
Transaction deposits	\$ 510,823	\$ 259	0.20 %	\$ 460,420	\$ 260	0.22 %
Savings and money market deposits	2,276,436	1,907	0.33	1,995,307	2,301	0.46
Time deposits	752,012	2,045	1.08	1,174,555	4,737	1.60
Total interest-bearing deposits	3,539,271	4,211	0.47	3,630,282	7,298	0.80
FHLB and short-term borrowings	278,154	1,275	1.82	479,475	1,803	1.50
Trust preferred securities, net of fair value adjustments	988	24	9.63	944	24	10.19
Non-interest-bearing deposits	909,750	-	-	714,337	-	-
Cost of funds	4,728,163	\$ 5,510	0.46 %	4,825,038	\$ 9,125	0.75 %
Other liabilities	36,106			47,304		
Stockholders' equity	644,715			613,910		
Total liabilities and stockholders' equity	<u>\$ 5,408,984</u>			<u>\$ 5,486,252</u>		
Net interest income ⁽¹⁾		<u>\$ 42,549</u>			<u>\$ 39,996</u>	
Net interest spread ⁽¹⁾			3.16 %			2.91 %
Net interest margin ⁽¹⁾			3.20 %			2.98 %

(1) Tax exempt income is calculated on a tax-equivalent basis. Tax-free municipal securities are exempt from federal income taxes. The incremental income tax rate used is 21.0%.

(2) Average gross loan balances include non-accrual loans.

(3) Actual unrounded values are used to calculate the reported yield or rate disclosed. Accordingly, recalculations using the amounts in thousands as disclosed in this release may not produce the same amounts.

QUARTER-TO-DATE VOLUME & RATE VARIANCE TO NET INTEREST INCOME (UNAUDITED)

	Three Months Ended September 30, 2021 over 2020		
	Average Volume	Yield/Rate	Net Change ⁽²⁾
	<i>(Dollars in thousands)</i>		
Interest Income			
Securities - taxable	\$ (307)	\$ (19)	\$ (326)
Securities - tax-exempt ⁽¹⁾	782	(327)	455
Federal funds sold	-	-	-
Interest-bearing deposits in other banks	51	23	74
Gross loans, net of unearned income	(2,403)	1,138	(1,265)
Total interest income ⁽¹⁾	(1,877)	815	(1,062)
Interest Expense			
Transaction deposits	26	(27)	(1)

Savings and money market deposits	304	(698)	(394)
Time deposits	(1,414)	(1,278)	(2,692)
Total interest-bearing deposits	(1,084)	(2,003)	(3,087)
FHLB and short-term borrowings	(863)	335	(528)
Trust preferred securities, net of fair value adjustments	1	(1)	-
Total interest expense	(1,946)	(1,669)	(3,615)
Net interest income ⁽¹⁾	\$ 69	\$ 2,484	\$ 2,553

(1) Tax exempt income is calculated on a tax-equivalent basis. Tax-free municipal securities are exempt from federal income taxes. The incremental income tax rate used is 21.0%.

(2) The change in interest not due solely to volume or rate has been allocated in proportion to the respective absolute dollar amounts of the change in volume or rate.

TABLE 5. NON-GAAP FINANCIAL MEASURES

Non-GAAP Financial Measures

In addition to disclosing financial measures determined in accordance with GAAP, the Company discloses non-GAAP financial measures in this release. The Company believes that the non-GAAP financial measures presented in this release reflect industry conventions, or standard measures within the industry, and provide useful information to the Company's management, investors and other parties interested in the Company's operating performance. These measurements should be considered in addition to, but not as a substitute for, financial information prepared in accordance with GAAP. We have defined below each of the non-GAAP measures we use in this release, but these measures may not be synonymous to similar measurement terms used by other companies.

CrossFirst provides reconciliations of these non-GAAP measures below. The measures used in this release include the following:

- We calculate "non-GAAP core operating income" as net income adjusted to remove non-recurring or non-core income and expense items related to:
 - Goodwill impairment - We performed an interim review of goodwill as of June 30, 2020. The book value of goodwill exceeded its fair market value and resulted in a full \$7.4 million impairment.
 - Charges and adjustments associated with the full vesting of a former executive - We incurred additional charges in the second quarter of 2021 related to the acceleration of \$0.7 million of certain cash, stock-based compensation, and employee costs.
 - Bank Owned Life Insurance - We obtain bank owned life insurance on key employees throughout the organization and received a \$1.8 million benefit in the second quarter of 2021.
 - Unrealized loss on equity security – During the quarter ended September 30, 2021, the Company recorded a \$6.2 million impairment loss related to an equity investment that was received as part of a restructured loan agreement.

The most directly comparable GAAP financial measure for non-GAAP core operating income is net income.

- We calculate "core return on average tangible common equity" as Non-GAAP core operating income (as defined above) divided by average tangible common equity. Average tangible common equity is calculated as average common equity less average goodwill and intangibles and average preferred equity. The most directly comparable GAAP measure is return on average common equity.
- We calculate "Non-GAAP core operating return on average assets" as non-GAAP core operating income (as defined above) divided by average assets. The most directly comparable GAAP financial measure is return on average assets, which is calculated as net income divided by average assets.

- We calculate “non-GAAP core operating return on average common equity” as non-GAAP core operating income (as defined above) less preferred dividends divided by average common equity. The most directly comparable GAAP financial measure is return on average common equity, which is calculated as net income less preferred dividends divided by average common equity.
- We calculate "tangible common stockholders' equity" as total stockholders' equity less goodwill and intangibles and preferred equity. The most directly comparable GAAP measure is total stockholders' equity.
- We calculate “tangible book value per share” as tangible common stockholders' equity (as defined above) divided by the total number of shares outstanding. The most directly comparable GAAP measure is book value per share.
- We calculate "non-GAAP core operating efficiency ratio - fully tax equivalent (FTE)" as non-interest expense adjusted to remove non-recurring, or non-core, non-interest expenses as defined above under non-GAAP core operating income divided by net interest income on a fully tax-equivalent basis plus non-interest income adjusted to remove non-recurring, or non-core, non-interest income as defined above under non-GAAP core operating income. The most directly comparable financial measure is the efficiency ratio.
- We calculate "non-GAAP pre-tax pre-provision profit" as net income before taxes plus the provision for loan losses.

	Quarter Ended					Nine Months Ended	
	9/30/2021	6/30/2021	3/31/2021	12/31/2020	9/30/2020	9/30/2021	9/30/2020
	<i>(Dollars in thousands)</i>						
Non-GAAP core operating income:							
Net income	\$ 21,000	\$ 15,577	\$ 12,035	\$ 8,094	\$ 8,006	\$ 48,612	\$ 4,507
Add: Unrealized loss on equity security	6,200	-	-	-	-	6,200	-
Less: Tax effect ⁽²⁾	1,302	-	-	-	-	1,302	-
Unrealized loss on equity security, net of tax	4,898	-	-	-	-	4,898	-
Add: Goodwill impairment ⁽¹⁾	-	-	-	-	-	-	7,397
Add: Accelerated employee benefits	-	719	-	-	-	719	-
Less: Tax effect ⁽³⁾	-	210	-	-	-	210	-
Accelerated employee benefits, net of tax	-	509	-	-	-	509	-
Less: BOLI settlement benefits ⁽¹⁾	-	1,841	-	-	-	1,841	-
Non-GAAP core operating income	\$ 25,898	\$ 14,245	\$ 12,035	\$ 8,094	\$ 8,006	\$ 52,178	\$ 11,904

(1) No tax effect.

(2) Represents the tax impact of the adjustments at a tax rate of 21.0%.

(3) Represents the tax impact of the adjustments above at a tax rate of 21.0%, plus a permanent tax benefit associated with stock-based grants.

	Quarter Ended					Nine Months Ended	
	9/30/2021	6/30/2021	3/31/2021	12/31/2020	9/30/2020	9/30/2021	9/30/2020
	<i>(Dollars in thousands)</i>						
Non-GAAP core return on average tangible common equity:							
Net income available to common stockholders	\$ 21,000	\$ 15,577	\$ 12,035	\$ 8,094	\$ 8,006	\$ 48,612	\$ 4,507
Non-GAAP core operating income	25,898	14,245	12,035	8,094	8,006	52,178	11,904
Average common equity	644,715	633,417	625,875	620,496	613,910	634,738	612,782
Less: average goodwill and intangibles	160	179	199	218	238	179	5,138
Average tangible common equity	\$ 644,555	\$ 633,238	\$ 625,676	\$ 620,278	\$ 613,672	\$ 634,559	\$ 607,644
Return on average common equity	12.92 %	9.86 %	7.80 %	5.19 %	5.19 %	10.24 %	0.98 %
Non-GAAP core return on average tangible common equity	15.94 %	9.02 %	7.80 %	5.19 %	5.19 %	10.99 %	2.62 %

	Quarter Ended					Nine Months Ended	
	9/30/2021	6/30/2021	3/31/2021	12/31/2020	9/30/2020	9/30/2021	9/30/2020
	<i>(Dollars in thousands)</i>						
Non-GAAP core operating return on average assets:							
Net income	\$ 21,000	\$ 15,577	\$ 12,035	\$ 8,094	\$ 8,006	\$ 48,612	\$ 4,507
Non-GAAP core operating income	25,898	14,245	12,035	8,094	8,006	52,178	11,904
Average assets	\$ 5,408,984	\$ 5,673,638	\$ 5,798,167	\$ 5,523,196	\$ 5,486,252	\$ 5,625,504	\$ 5,302,970
Return on average assets	1.54 %	1.10 %	0.84 %	0.58 %	0.58 %	1.16 %	0.11 %
Non-GAAP core operating return on average assets	1.90 %	1.01 %	0.84 %	0.58 %	0.58 %	1.24 %	0.30 %

	Quarter Ended				
	9/30/2021	6/30/2021	3/31/2021	12/31/2020	9/30/2020
	<i>(Dollars in thousands except per share data)</i>				
Tangible common stockholders' equity:					
Total stockholders' equity	\$ 652,407	\$ 637,190	\$ 628,834	\$ 624,428	\$ 617,883
Less: goodwill and other intangible assets	149	169	188	208	227
Tangible common stockholders' equity	\$ 652,258	\$ 637,021	\$ 628,646	\$ 624,220	\$ 617,656
Tangible book value per share:					
Tangible common stockholders' equity	\$ 652,258	\$ 637,021	\$ 628,646	\$ 624,220	\$ 617,656
Shares outstanding at end of period	51,002,698	50,958,680	51,678,669	51,679,516	52,195,778
Book value per share	\$ 12.79	\$ 12.50	\$ 12.17	\$ 12.08	\$ 11.84
Tangible book value per share	\$ 12.79	\$ 12.50	\$ 12.16	\$ 12.08	\$ 11.83

	Quarter Ended					Nine Months Ended	
	9/30/2021	6/30/2021	3/31/2021	12/31/2020	9/30/2020	9/30/2021	9/30/2020
	<i>(Dollars in thousands)</i>						
Non-GAAP Core Operating Efficiency Ratio - Fully Tax Equivalent (FTE)							
Non-interest expense	\$ 24,036	\$ 25,813	\$ 22,818	\$ 23,732	\$ 23,011	\$ 72,667	\$ 76,244
Less: Accelerated employee benefits	-	719	-	-	-	719	-
Less: goodwill impairment	-	-	-	-	-	-	7,397
Adjusted Non-interest expense (numerator)	\$ 24,036	\$ 25,094	\$ 22,818	\$ 23,732	\$ 23,011	\$ 71,948	\$ 68,847
Net interest income	41,801	42,328	41,117	41,537	39,327	125,246	118,712
Tax equivalent interest income ⁽¹⁾	748	734	704	683	669	2,186	2,050
Non-interest income (loss)	(1,105)	5,825	4,144	2,949	4,063	8,864	8,792
Add: Unrealized loss on equity security	6,200	-	-	-	-	6,200	-
Less: BOLI settlement benefits	-	1,841	-	-	-	1,841	-
Total tax-equivalent income (denominator)	\$ 47,644	\$ 47,046	\$ 45,965	\$ 45,169	\$ 44,059	\$ 140,655	\$ 129,554
Efficiency Ratio	59.06 %	53.61 %	50.41 %	53.35 %	53.03 %	54.18 %	59.44 %
Non-GAAP Core Operating Efficiency Ratio - Fully Tax Equivalent (FTE)	50.45 %	53.34 %	49.64 %	52.54 %	52.23 %	51.15 %	53.14 %

⁽¹⁾ Tax exempt income (tax-free municipal securities) is calculated on a tax equivalent basis. The incremental tax rate used is 21.0%.

	Quarter Ended					Nine Months Ended	
	9/30/2021	6/30/2021	3/31/2021	12/31/2020	9/30/2020	9/30/2021	9/30/2020
	<i>(Dollars in thousands)</i>						
Non-GAAP Pre-Tax Pre-Provision Profit							
Net income before taxes	\$ 26,660	\$ 18,840	\$ 14,943	\$ 9,879	\$ 9,504	\$ 60,443	\$ 5,435
Add: Provision for loan losses	(10,000)	3,500	7,500	10,875	10,875	1,000	45,825
Non-GAAP Pre-Tax Pre-Provision Profit	\$ 16,660	\$ 22,340	\$ 22,443	\$ 20,754	\$ 20,379	\$ 61,443	\$ 51,260

CROSSFIRST BANKSHARES, INC. CONTACT:
Heather Worley, Investor Relations / Media Contact
Heather@crossfirst.com / (214) 442-5898
<https://investors.crossfirstbankshares.com>

