UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2022
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 001-39028

CROSSFIRST BANKSHARES, INC.

(Exact Name of Registrant as Specified in its Charter)

Kansas	26-3212879
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
11440 Tomahawk Creek Parkway Leawood, KS	66211
(Address of principal executive offices)	(Zip Code)

(913) 312-6822
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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 $0.01 per share	CFB	The Nasdaq Stock Market LLC

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 (Section 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 4, 2022, the registrant had 49,645,914 shares of common stock, par value $0.01, outstanding.

CrossFirst Bankshares, Inc.
Form 10-Q for the Quarter Ended March 31, 2022

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Forward-Looking Information

This report may contain forward-looking statements that reflect our current views with respect to, among other things, future events and our financial performance. These statements are often, but not always, made through the use of words or phrases such as “may,” “might,” “should,” “could,” “predict,” “potential,” “believe,” “expect,” “continue,” “will,” “anticipate,” “seek,” “estimate,” “intend,” “plan,” “strive,” “projection,” “goal,” “target,” “outlook,” “aim,” “would,” “annualized” and “outlook,” or the negative version of those words or other comparable words or phrases of a future or forward-looking nature.

These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry, management’s beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, the Company cautions you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions, estimates and uncertainties that are difficult to predict. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements. Such possible events or factors include: risks associated with the current outbreak of the novel coronavirus, or the COVID-19 pandemic, changes in economic conditions in the Company’s market area, changes in policies by regulatory agencies, governmental legislation and regulation, fluctuations in interest rates, changes in liquidity requirements, demand for loans in the Company’s market area, changes in accounting and tax principles, estimates made on income taxes, competition with other entities that offer financial services, cybersecurity threats, and such other factors as discussed in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2021, filed with the Securities and Exchange Commission (“SEC”) on February 28, 2022, any subsequent quarterly report on Form 10-Q as well as in the Company’s other filings with the SEC.

The Company undertakes no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

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PART I - FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CROSSFIRST BANKSHARES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2022	December 31, 2021[2]
	(Unaudited)	
	(Dollars in thousands)	
Assets		
Cash and cash equivalents	$ 276,927	$ 482,727
Available-for-sale securities - taxable	196,721	192,146
Available-for-sale securities - tax-exempt	526,057	553,823
Loans, net of unearned fees	4,349,568	4,256,213
Allowance for credit losses on loans[1]	55,231	58,375
Net loans	4,294,337	4,197,838
Premises and equipment, net	65,799	66,069
Restricted equity securities	10,526	11,927
Interest receivable	16,933	16,023
Foreclosed assets held for sale	973	1,148
Bank-owned life insurance	67,886	67,498
Other	61,962	32,258
Total assets	$ 5,518,121	$ 5,621,457
Liabilities and stockholders' equity		
Deposits		
Noninterest-bearing	$ 1,110,284	$ 1,163,224
Savings, NOW and money market	2,999,329	2,895,986
Time	512,067	624,387
Total deposits	4,621,680	4,683,597
Federal Home Loan Bank advances	226,600	236,600
Other borrowings	1,022	1,009
Interest payable and other liabilities	45,620	32,678
Total liabilities	4,894,922	4,953,884
Stockholders' equity		
Common stock, $0.01 par value:		
authorized - 200,000,000 shares, issued - 52,926,555 and 52,590,015 shares at March 31, 2022 and December 31, 2021, respectively	529	526
Treasury stock, at cost:		
3,198,302 and 2,139,970 shares held at March 31, 2022 and December 31, 2021, respectively	(45,109)	(28,347)
Additional paid-in capital	527,468	526,806
Retained earnings	161,323	147,099
Accumulated other comprehensive income (loss)	(21,012)	21,489
Total stockholders' equity	623,199	667,573
Total liabilities and stockholders' equity	$ 5,518,121	$ 5,621,457

(1) As of December 31, 2021, this line represents the allowance for loan losses. See further discussion in *"Note 1: Nature of Operations and Summary of Significant Accounting Policies"* in the Notes to Condensed Consolidated Financial Statements (unaudited).

(2) The year-end Condensed Consolidated Balance Sheet was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

See Notes to Condensed Consolidated Financial Statements (unaudited)

CROSSFIRST BANKSHARES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME - UNAUDITED

	Three Months Ended March 31,	
	2022	**2021**
	(Dollars in thousands except per share data)	
Interest Income		
Loans, including fees	$ 42,728	$ 43,758
Available-for-sale securities - taxable	1,044	751
Available-for-sale securities - tax-exempt	3,692	3,351
Deposits with financial institutions	152	128
Dividends on bank stocks	144	165
Total interest income	47,760	48,153
Interest Expense		
Deposits	3,511	5,728
Fed funds purchased and repurchase agreements	-	1
Federal Home Loan Bank Advances	1,109	1,283
Other borrowings	25	24
Total interest expense	4,645	7,036
Net Interest Income	43,115	41,117
Provision for Credit Losses (1)	(625)	7,500
Net Interest Income after Provision for Credit Losses (1)	43,740	33,617
Non-Interest Income		
Service charges and fees on customer accounts	1,408	957
Realized gains (losses) on available-for-sale securities	(26)	10
Unrealized losses, net on equity securities	(103)	(39)
Income from bank-owned life insurance	388	416
Swap fees and credit valuation adjustments, net	118	155
ATM and credit card interchange income	2,664	2,328
Other non-interest income	493	317
Total non-interest income	4,942	4,144
Non-Interest Expense		
Salaries and employee benefits	17,941	13,553
Occupancy	2,493	2,494
Professional fees	805	782
Deposit insurance premiums	737	1,151
Data processing	812	716
Advertising	692	303
Software and communication	1,270	1,065
Foreclosed assets, net	(53)	50
Other non-interest expense	2,969	2,704
Total non-interest expense	27,666	22,818
Net Income Before Taxes	21,016	14,943
Income tax expense	4,188	2,908
Net Income	$ 16,828	$ 12,035
Basic Earnings Per Share	$ 0.33	$ 0.23
Diluted Earnings Per Share	$ 0.33	$ 0.23

(1) For the three-months ended March 31, 2021, this line represents the provision for loan losses. See further discussion of this change in *"Note 1: Nature of Operations and Summary of Significant Accounting Policies"* in the Notes to Condensed Consolidated Financial Statements (unaudited).

See Notes to Condensed Consolidated Financial Statements (unaudited)

CROSSFIRST BANKSHARES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) - UNAUDITED

	Three Months Ended March 31,	
	2022	**2021**
	(Dollars in thousands)	
Net Income	$ 16,828	$ 12,035
Other Comprehensive Loss		
Unrealized loss on available-for-sale securities	(58,956)	(9,070)
Less: income tax benefit	(14,433)	(2,221)
Unrealized loss on available-for-sale securities	(44,523)	(6,849)
Reclassification adjustment for realized gains (losses) included in income	(26)	10
Less: income tax expense (benefit)	(6)	2
Less: reclassification adjustment for realized gain (loss) included in income, net of income tax	(20)	8
Unrealized gain on cash flow hedges	2,655	-
Less: income tax expense	653	-
Unrealized gain on cash flow hedges, net of income tax	2,002	-
Other comprehensive loss	(42,501)	(6,857)
Comprehensive Income (Loss)	$ (25,673)	$ 5,178

See Notes to Condensed Consolidated Financial Statements (unaudited)

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CROSSFIRST BANKSHARES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY - UNAUDITED

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
	Shares	Amount					
				(Dollars in thousands)			
Balance at December 31, 2020	51,679,516	$ 523	$ 522,911	$ 77,652	$ 29,403	$ (6,061)	$ 624,428
Net income	-	-	-	12,035	-	-	12,035
Change in unrealized depreciation of available-for-sale securities	-	-	-	-	(6,857)	-	(6,857)
Issuance of shares from equity-based awards	87,650	-	(404)	-	-	-	(404)
Open market common share repurchases	(88,497)	-	-	-	-	(1,052)	(1,052)
Employee receivables from sale of stock	-	-	-	35	-	-	35
Stock-based compensation	-	-	649	-	-	-	649
Balance at March 31, 2021	51,678,669	$ 523	$ 523,156	$ 89,722	$ 22,546	$ (7,113)	$ 628,834

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
	Shares	Amount					
				(Dollars in thousands)			
Balance at December 31, 2021	50,450,045	$ 526	$ 526,806	$ 147,099	$ 21,489	$ (28,347)	$ 667,573
Cumulative effect from changes in accounting principle[(a)]	-	-	-	(2,610)	-	-	(2,610)
Net income	-	-	-	16,828	-	-	16,828
Other comprehensive loss	-	-	-	-	(42,501)	-	(42,501)
Issuance of shares from equity-based awards	303,040	3	(620)	-	-	-	(617)
Open market common share repurchases	(1,058,332)	-	-	-	-	(16,762)	(16,762)
Employee receivables from sale of stock	-	-	-	6	-	-	6
Stock-based compensation	-	-	1,115	-	-	-	1,115
Exercise of warrants	33,500	-	167	-	-	-	167
Balance at March 31, 2022	49,728,253	$ 529	$ 527,468	$ 161,323	$ (21,012)	$ (45,109)	$ 623,199

[(a)] Includes the impact of implementing Accounting Standards Update ("ASU") 2016-13, Financial Instruments - Credit Losses (Accounting Standard Codification ("ASC") 326): Measurement of Credit Losses on Financial Instruments. See "Note 1: Nature of Operations and Summary of Significant Accounting Policies" in the Notes to Condensed Consolidated Financial Statements (unaudited) for more information on the Company's adoption of this guidance and the impact to the Company's results of operations.

See Notes to Condensed Consolidated Financial Statements (unaudited)

CROSSFIRST BANKSHARES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED

	Three Months Ended March 31,	
	2022	**2021**
	(Dollars in thousands)	
Operating Activities		
Net income	$ 16,828	$ 12,035
Items not requiring (providing) cash		
Depreciation and amortization	1,241	1,375
Provision for credit losses[(1)]	(625)	7,500
Accretion of discounts and amortization of premiums on securities	1,116	1,310
Equity based compensation	1,115	649
Deferred income taxes	3,358	1,824
Net realized (gains) losses on available-for-sale securities	26	(10)
Changes in		
Interest receivable	(910)	(751)
Other assets	14,115	(28,730)
Other liabilities	(21,779)	(4,937)
Net cash provided by (used in) operating activities	14,485	(9,735)
Investing Activities		
Net change in loans	(94,437)	(74,947)
Purchases of available-for-sale securities	(49,138)	(74,575)
Proceeds from maturities of available-for-sale securities	11,582	33,329
Proceeds from the sale of foreclosed assets	237	-
Purchase of premises and equipment	(962)	(118)
Proceeds from the sale of premises and equipment and related insurance claims	13	-
Proceeds from sale of restricted equity securities	1,544	1,626
Net cash used in investing activities	(131,161)	(114,685)
Financing Activities		
Net increase in demand deposits, savings, NOW and money market accounts	50,403	468,521
Net decrease in time deposits	(112,320)	(111,691)
Net increase (decrease) in fed funds purchased and repurchase agreements	-	988
Repayment of Federal Home Loan Bank advances	(10,000)	(10,000)
Issuance of common shares, net of issuance cost	170	-
Proceeds from employee stock purchase plan	172	-
Repurchase of common stock	(16,762)	(1,052)
Acquisition of common stock for tax withholding obligations	(793)	(404)
Net decrease in employee receivables	6	35
Net cash provided by (used in) financing activities	(89,124)	346,397
Increase (Decrease) in Cash and Cash Equivalents	(205,800)	221,977
Cash and Cash Equivalents, Beginning of Period	482,727	408,810
Cash and Cash Equivalents, End of Period	$ 276,927	$ 630,787
Supplemental Cash Flows Information		
Interest paid	$ 4,784	$ 7,287
Income taxes paid	$ -	$ 130

[(1)] For the three-months ended March 31, 2021, this line represents the Provision for loan losses.

See Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Organization and Nature of Operations

CrossFirst Bankshares, Inc. (the “Company”) is a bank holding company whose principal activities are the ownership and management of its wholly-owned subsidiary, CrossFirst Bank (the “Bank”). In addition, the Bank has three subsidiaries including CrossFirst Investments, Inc. (“CFI”) that holds investments in marketable securities, CFBSA I, LLC and CFBSA II, LLC.

The Bank is primarily engaged in providing a full range of banking and financial services to individual and corporate customers through its branches in: (i) Leawood, Kansas; (ii) Wichita, Kansas; (iii) Kansas City, Missouri; (iv) Oklahoma City, Oklahoma; (v) Tulsa, Oklahoma; (vi) Dallas, Texas; (vii) Frisco, Texas; and (viii) Phoenix, Arizona.

During the first quarter of 2022, the Company expanded its restaurant finance group. The group will provide established and high-growth restaurant chains customized banking solutions, including financing, treasury services, commercial cards, merchant processing, and international banking services.

Basis of Presentation

The Company’s accounting and reporting policies conform to accounting principles generally accepted in the United States (“GAAP”). The consolidated financial statements include the accounts of the Company, the Bank, CFI, CFBSA I, LLC and CFBSA II, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

The condensed consolidated interim financial statements are unaudited. Certain information and footnote disclosures presented in accordance with GAAP have been condensed or omitted and should be read in conjunction with the Company’s consolidated financial statements and footnotes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021 (the “2021 Form 10-K”), filed with the Securities and Exchange Commission (the “SEC”) on February 28, 2022.

In the opinion of management, the interim financial statements include all adjustments which are of a normal, recurring nature necessary for the fair presentation of the financial position, results of operations, and cash flows of the Company and the disclosures made are adequate to make the interim financial information not misleading. The consolidated financial statements have been prepared in accordance with GAAP for interim financial information and the instructions to Form 10-Q adopted by the SEC.

Refer to the “accounting pronouncements implemented” below for changes in the accounting policies of the Company. No significant changes to the Company’s accounting policies, other than those mentioned under “accounting pronouncements implemented” below, have occurred since December 31, 2021, the most recent date financial statements were provided within the Company’s 2021 Form 10-K. Operating results for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for a full year or any future period.

Use of Estimates

The Company identified accounting policies and estimates that, due to the difficult, subjective or complex judgments and assumptions inherent in those policies and estimates and the potential sensitivity of the Company’s financial statements to those judgments and assumptions, are critical to an understanding of the Company’s financial condition and results of operations. Actual results could differ from those estimates. The allowance for credit losses, deferred tax asset, and fair value of financial instruments are particularly susceptible to significant change.

Cash Equivalents

The Company had $182 million of cash and cash equivalents at the Federal Reserve Bank of Kansas City as of March 31, 2022. The reserve required at March 31, 2022 was $0.

Emerging Growth Company ("EGC")

The Company is currently an EGC. An EGC may take advantage of reduced reporting requirements and is relieved of certain other significant requirements that are otherwise generally applicable to public companies. Among the reductions and reliefs, the Company elected to extend the transition period for complying with new or revised accounting standards affecting public companies. This means that the financial statements the Company files or furnishes will not be subject to all new or revised accounting standards generally applicable to public companies for the transition period for so long as the Company remains an EGC or until the Company affirmatively and irrevocably opts out of the extended transition period under the JOBS Act.

Accounting Pronouncements Implemented

ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments:

Background – ASU 2016-13 and its subsequent amendments provide new guidance on the impairment model for financial assets measured at amortized cost, including loans held-for-investment and off-balance sheet credit exposures. The Current Expected Credit Loss ("CECL") model requires an estimate of expected credit losses, measured over the contractual life of an instrument, that considers forecasts of future economic conditions in addition to information about past events and current conditions. ASU 2016-13 requires new disclosures, including the use of vintage analysis on the Company's credit quality indicators.

In addition, ASU 2016-13 removes the available-for-sale ("AFS") securities other-than-temporary-impairment model that reduced the cost basis of the investment and is replaced with an impairment model that will recognize an allowance for credit losses on available-for-sale securities.

Implementation – The Company established a CECL committee to formulate and oversee the implementation process including selection, implementation, and testing of third-party software.

The Company used a loss-rate ("cohort") method to estimate the expected allowance for credit losses ("ACL") for all loan pools. The cohort method identifies and captures the balance of a pool of loans with similar risk characteristics, as of a particular point in time to form a cohort, then tracks the respective losses generated by that cohort of loans over their remaining lives, or until the loans are "exhausted" (i.e.; have reached an acceptable point in time at which a significant majority of all losses are expected to have been recognized). The cohort method closely aligned with the Company's incurred loss model. This allowed the Company to take advantages of the efficiencies of processes and procedures already in practice.

The Company began parallel processing with the existing allowance for loan losses model during the first quarter of 2019 recalibrating inputs as necessary. The Company formulated changes to policies, procedures, disclosures, and internal controls that were necessary to transition to the new standard. A third-party completed validation of the completeness, accuracy, and reasonableness of the model in the fourth quarter of 2021. Refer to "Note 4: Loans and Allowance for Credit Losses ("ACL")" for additional information regarding the policies, procedures, and credit quality indicators used by the Company.

Impact of adoption – The Company adopted ASU 2016-13 on January 1, 2022 using the modified retrospective approach. All disclosures as of and for the three-months ended March 31, 2022 are presented in accordance with ASC 326, Financial Instruments-Credit Losses. The Company did not recast comparative financial periods and has presented those disclosures under previously applicable GAAP.

The Company used the prospective transition approach for AFS securities for which other-than-temporary-impairment has been recognized prior to January 1, 2022. As a result, the amortized cost basis remains the same before and after the effective date of ASU 2016-13.

Because the Company chose the cohort method, the model must consider net deferred fees and costs. As a result, the Company transferred the previously disclosed unearned fees into the applicable loan segments.

The following table illustrates the impact of adopting ASU 2016-13 and details how outstanding loan balances have been reclassified because of changes made to the Company's loan segments under CECL:

	January 1, 2022		
	As Reported under ASU 2016-13	**Pre-ASU 2016-13**	**Impact of ASU 2016-13 Adoption**
		(Dollars in thousands)	
Assets:			
Loans (outstanding balance)			
Commercial	$ 843,024	$ 1,401,681	$ (558,657)
Commercial lines of credit	617,398	-	617,398
Energy	278,579	278,860	(281)
Commercial real estate	1,278,479	1,281,095	(2,616)
Construction and land development	574,852	578,758	(3,906)
Residential real estate	360,046	600,816	(240,770)
Multifamily real estate	240,230	-	240,230
PPP	-	64,805	(64,805)
Consumer	63,605	63,605	-
Gross Loans	4,256,213	4,269,620	(13,407)
Net deferred loan fees and costs	-	13,407	(13,407)
Allowance for credit losses on loans	56,628	58,375	(1,747)
Loans, net	4,199,585	4,197,838	1,747
Deferred tax asset	$ 13,647	$ 14,474	$ (827)
Liabilities			
Allowance for credit losses on off-balance sheet exposures	$ 5,184	$ -	$ 5,184
Stockholders' equity			
Retained earnings	$ 144,489	$ 147,099	$ (2,610)

In connection with adoption of ASU 2016-13, changes were made to the Company's loan segments to align with the methodology applied in determining the allowance under CECL. The commercial loan portfolio was separated into term loans and lines of credit. In addition, the remaining Paycheck Protection Program ("PPP") loans were consolidated into the commercial term loan segment due to their declining outstanding balance. The Company also separated the residential and multifamily real estate loan segments. Refer to "Note 4: Loans and Allowance for Credit Losses ("ACL")" for detail on the loan segments.

Accounting Policies: The Company updated the below accounting policies due to adoption of ASU 2016-13:

Accrued Interest -

The Company made an accounting policy election to exclude accrued interest from the amortized cost basis of loans. In addition, the Company elected not to measure an allowance for credit losses for accrued interest receivable, because a timely write-off policy exists. The policy generally requires loans to be placed on nonaccrual when principal or interest is 90 days or more past due unless the loan is well-secured and in the process of collection. A well-secured loan means that collateral or a guaranty has sufficient value to pay off the loan in full. When a loan is placed on nonaccrual, accrued interest is reversed against interest income.

The Company made a policy election to exclude accrued interest from the amortized cost basis of AFS securities. AFS securities are placed on non-accrual status when the Company no longer expects to receive all contractual amounts due, which is generally at 90 days past due. Accrued interest receivable is reversed against interest income when a security is placed on nonaccrual status. Accordingly, the Company did not recognize an allowance for credit loss against accrued interest receivable.

Available-for-sale Securities in an Unrealized Loss Position –

For AFS securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the securities' amortized cost basis is written down to fair value through income. For AFS securities that do not meet the criteria above, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. Management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors.

If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than amortized cost basis.

ASU 2016-02, Leases (Topic 842):

Background – ASU 2016-02 and its subsequent amendments require lessees to recognize the assets and liabilities that arise from such leases. This represents a change from previous GAAP that did not require operating leases to be recognized on the lessees' balance sheet. The purpose of Topic 842 is to increase transparency and comparability between organizations that enter into lease agreements. The update modifies lease disclosure requirements as well.

On the lease commencement date (or on the date of adoption), a lessee is required to measure and record a lease liability equal to the present value of the remaining lease payments, discounted using an appropriate discount rate. In addition, a right-of-use asset is recorded that consists of the initial measurement of the lease liability adjusted for certain payments, including lease incentives received and initial direct costs.

For operating leases, after lease commencement, the lease liability is reported at the present value of the unpaid lease payments discounted using the discount rate established at lease commencement. The lease expense is calculated by summing all future lease payments in the lease term and lease incentives not yet recognized. The sum is then amortized on a straight-line basis over the lease term. The right-of-use asset is amortized as the difference between the straight-line expense and the amortizing lease liability.

Implementation – The Company's lease agreements to which Topic 842 has been applied primarily relate to branch real estate properties located in the Kansas City, Missouri; Tulsa, Oklahoma; Dallas, Texas; Frisco, Texas; and Phoenix, Arizona markets. The remaining lease terms range from two to twenty years with potential renewal terms. The leases include various payment

terms including fixed payments with annual increases to variable payments. In addition, several of the leases include lease incentives.

The discount rates were not readily determinable in the lease agreements. As a result, the Company used the incremental borrowing rate in accordance with Topic 842. The Company used the FHLB yield curve as the incremental borrowing rate.

The Company elected several practical expedients that are listed below:

Practical Expedient Elected	Impact to Lease Accounting Implementation
An entity need not reassess whether any expired or existing contracts are or contain leases.	The Company was not required to re-evaluate previously identified leases, including embedded leases, that existed as of the adoption date.
An entity need not reassess the lease classification for an expired or existing leases.	The Company was not required to re-classify previously identified operating leases that existed as of the adoption date. The Company did not have any capital leases as of December 31, 2021.
An entity need not reassess initial direct costs for any existing leases.	The Company was not required to review previously established lease agreements as of the adoption date for initial direct costs. Initial direct costs increase the right-of-use asset and do not impact the lease liability.
An entity may combine lease and nonlease components.	If not elected, the Company would be required to allocate the total consideration in a lease contract to lease and nonlease components based on their relative standalone price. The election results in higher right-of-use assets and lease liabilities.
Short-term lease exemption.	The Company is not required to record a right-of-use asset and lease liability for a lease whose term is 12 months or less and does not include a purchase option that the lessee is reasonably certain to exercise.

Impact of Adoption – The Company adopted ASU 2016-02 on January 1, 2022 using the modified retrospective approach. The Company did not recast comparative financial periods and has presented those disclosures under previously applicable GAAP.

The following table illustrates the impact of adopting ASU 2016-02 on the Company's financial statements:

	January 1, 2022		
	As Reported under ASU 2016-02	**Pre-ASU 2016-02**	**Impact of ASU 2016-02 Adoption**
		(Dollars in thousands)	
Assets:			
Right-of-use asset	$ 23,589	$ -	$ 23,589
Liabilities:			
Lease incentive	-	2,125	(2,125)
Accrued rent payable	-	904	(904)
Lease liability	$ 26,618	$ -	$ 26,618

Recent Accounting Pronouncements

ASU 2022-02, Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures

Background – ASU 2022-02 provides new guidance on (i) troubled debt restructurings ("TDRs") and (ii) vintage disclosures for gross write-offs. The update eliminates the accounting guidance for TDRs and requires a company to determine if a modification results in a new loan or a continuation of an existing loan. The update enhances the required disclosures for certain modifications made to borrowers experiencing financial difficulty.

In addition, the update requires disclosure of current-period gross charge-offs by year of origination for financing receivables.

For the Company, the amendments are effective as of January 1, 2023, but early adoption is permitted and would be applied as of the beginning of the fiscal year of adoption.

Impact of adoption – The Company anticipates adopting ASU 2022-02 as of January 1, 2023. At this time, an estimate of the impact cannot be established.

Note 2: Earnings Per Share

The following table presents the computation of basic and diluted earnings per share:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
	(Dollars in thousands except per share data)	
Earnings per Share		
Net income available to common stockholders	$ 16,828	$ 12,035
Weighted average common shares	50,251,297	51,657,204
Earnings per share	$ 0.33	$ 0.23
Diluted Earnings per Share		
Net income available to common stockholders	$ 16,828	$ 12,035
Weighted average common shares	50,251,297	51,657,204
Effect of dilutive shares	659,193	724,270
Weighted average dilutive common shares	50,910,490	52,381,474
Diluted earnings per share	$ 0.33	$ 0.23
Stock-based awards not included because to do so would be antidilutive	285,672	669,112

Note 3: Securities

The amortized cost and approximate fair values, together with gross unrealized gains and losses, of period end available-for-sale securities consisted of the following:

	March 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
	(Dollars in thousands)			
Available-for-sale securities				
Mortgage-backed - GSE residential	$ 179,842	$ 105	$ 11,113	$ 168,834
Collateralized mortgage obligations - GSE residential	15,557	16	251	15,322
State and political subdivisions	552,069	6,820	25,437	533,452
Corporate bonds	5,223	46	99	5,170
Total available-for-sale securities	$ 752,691	$ 6,987	$ 36,900	$ 722,778

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
	(Dollars in thousands)			
Available-for-sale securities				
Mortgage-backed - GSE residential	$ 161,675	$ 1,809	$ 1,774	$ 161,710
Collateralized mortgage obligations - GSE residential	18,130	311	10	18,431
State and political subdivisions	532,906	29,329	767	561,468
Corporate bonds	4,241	119	-	4,360
Total available-for-sale securities	$ 716,952	$ 31,568	$ 2,551	$ 745,969

As of March 31, 2022, the available-for-sale securities had $ 6 million of accrued interest, excluded from the amortized cost basis.

The amortized cost and fair value of available-for-sale securities at March 31, 2022, by contractual maturity, are shown below:

	March 31, 2022				
	Within One Year	After One to Five Years	After Five to Ten Years	After Ten Years	Total
	(Dollars in thousands)				
Available-for-sale securities					
Mortgage-backed - GSE residential [1]					
Amortized cost	$ -	$ 30	$ 117	$ 179,695	$ 179,842
Estimated fair value	$ -	$ 31	$ 118	$ 168,685	$ 168,834
Weighted average yield [2]	- %	4.71 %	3.97 %	1.90 %	1.90 %
Collateralized mortgage obligations - GSE residential [1]					
Amortized cost	$ -	$ -	$ 2,405	$ 13,152	$ 15,557
Estimated fair value	$ -	$ -	$ 2,420	$ 12,902	$ 15,322
Weighted average yield [2]	- %	- %	2.78 %	2.01 %	2.13 %
State and political subdivisions					
Amortized cost	$ 741	$ 5,186	$ 92,361	$ 453,781	$ 552,069
Estimated fair value	$ 747	$ 5,334	$ 94,719	$ 432,652	$ 533,452
Weighted average yield [2]	3.49 %	3.95 %	3.29 %	2.67 %	2.79 %
Corporate bonds					
Amortized cost	$ -	$ 604	$ 4,619	$ -	$ 5,223
Estimated fair value	$ -	$ 644	$ 4,526	$ -	$ 5,170
Weighted average yield [2]	- %	5.84 %	4.30 %	- %	4.48 %
Total available-for-sale securities					
Amortized cost	$ 741	$ 5,820	$ 99,502	$ 646,628	$ 752,691
Estimated fair value	$ 747	$ 6,009	$ 101,783	$ 614,239	$ 722,778
Weighted average yield [2]	3.49%	4.15%	3.32%	2.44%	2.57%

1) Actual maturities may differ from contractual maturities because issuers may have the rights to call or prepay obligations with or without prepayment penalties.
2) Yields are calculated based on amortized cost.

The following tables show the number of securities, unrealized loss, and fair value of the Company's investments with unrealized losses, aggregated by investment class and length of time that individual securities have been in a continuous unrealized loss position at March 31, 2022 and December 31, 2021:

	March 31, 2022								
	Less than 12 Months			12 Months or More			Total		
	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities
	(Dollars in thousands)								
Available-for-sale securities									
Mortgage-backed - GSE residential	$ 124,358	$ 6,835	30	$ 36,252	$ 4,278	6	$ 160,610	$ 11,113	36
Collateralized mortgage obligations - GSE residential	12,339	237	17	560	14	1	12,899	251	18
State and political subdivisions	232,842	24,747	149	5,900	690	8	238,742	25,437	157
Corporate bonds	4,745	99	3	-	-	-	4,745	99	3
Total temporarily impaired securities	$ 374,284	$ 31,918	199	$ 42,712	$ 4,982	15	$ 416,996	$ 36,900	214

	December 31, 2021								
	Less than 12 Months			12 Months or More			Total		
	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities
	(Dollars in thousands)								
Available-for-sale securities									
Mortgage-backed - GSE residential	$ 87,306	$ 1,774	16	$ -	$ -	-	$ 87,306	$ 1,774	16
Collateralized mortgage obligations - GSE residential	803	10	2	-	-	-	803	10	2
State and political subdivisions	72,915	762	39	1,310	-	4	74,225	762	43
Corporate bonds	-	-	-	-	-	-	-	-	-
Total temporarily impaired securities	$ 161,024	$ 2,546	57	$ 1,310	$ -	4	$ 162,334	$ 2,546	61

Based on the Company's evaluation at March 31, 2022, under the new impairment model, an allowance for credit losses has not been recorded nor have unrealized losses been recognized into income. The issuers of the securities are of high credit quality and have a long history of no credit losses, management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely attributed to changes in interest rates and other market conditions. The issuers continue to make timely principal and interest payments.

The following tables show the gross gains and losses on securities that matured or were sold:

	For the Three Months Ended March 31, 2022		
	Gross Realized Gains	Gross Realized Losses	Net Realized Loss
		(Dollars in thousands)	
Available-for-sale securities	$ 1	$ 27	$ (26)

	For the Three Months Ended March 31, 2021		
	Gross Realized Gains	Gross Realized Losses	Net Realized Gain
		(Dollars in thousands)	
Available-for-sale securities	$ 21	$ 11	$ 10

Equity Securities

Equity securities consist of a $2 million investment in a Community Reinvestment Act ("CRA") mutual fund and $1 million in three private equity funds. Equity securities are included in "other assets" on the Consolidated Balance Sheets.

The Company elected a measurement alternative for the three private equity funds that allows the securities to remain at cost until an impairment is identified or an observable price change for an identical or similar investment of the same issuer occurs. Impairment is recorded when there is evidence that the expected fair value of the investment has declined to below the recorded cost. No such events occurred during the three-month period ended March 31, 2022.

The following is a summary of the unrealized and realized losses recognized in net income on equity securities:

	Three Months Ended March 31,	
	2022	2021
	(Dollars in thousands)	
Net losses recognized during the reporting period on equity securities	$ (103)	$ (39)
Less: net gains recognized during the reporting period on equity securities sold during the reporting period	-	-
Unrealized losses recognized during the reporting period on equity securities still held at the reporting date	$ (103)	$ (39)

Note 4: Loans and Allowance for Credit Losses (“ACL”)

Loan Portfolio Segments

Categories of loans at March 31, 2022 and December 31, 2021 include:

	March 31, 2022	December 31, 2021
	(Dollars in thousands)	
Commercial	$ 802,774	$ 843,024
Commercial lines of credit	678,127	617,398
Energy	271,309	278,579
Commercial real estate	1,375,655	1,278,479
Construction and land development	563,538	574,852
Residential real estate	365,719	360,046
Multifamily real estate	243,107	240,230
Consumer	49,339	63,605
Loans, net of unearned fees	4,349,568	4,256,213
Less: allowance for credit losses [1]	55,231	58,375
Loans, net	$ 4,294,337	$ 4,197,838

[1] As of December 31, 2021, this line represents the allowance for loan losses. See further discussion in "Note 1: Nature of Operations and Summary of Significant Accounting Policies.”

Accrued interest of $10 million at March 31, 2022 and December 31, 2021 presented in “other assets” on the Consolidated Balance Sheets is excluded from the amortized cost basis disclosed in the above table.

The Company aggregates the loan portfolio by similar credit risk characteristics. The loan segments are described in additional detail below:

- **Commercial** - The category includes loans to commercial customers for use in property, plant, and equipment purchases and expansions. Loan terms typically require principal and interest payments that decrease the outstanding loan balance. Repayment is primarily from the cash flow of a borrower’s principal business operation. Credit risk is driven by creditworthiness of a borrower and the economic conditions that impact the cash flow stability from business operations.

  The category also includes the remaining PPP loans outstanding. These loans were established by the Coronavirus Aid, Relief, and Economic Security Act which authorized forgivable loans to small businesses to pay their employees during the COVID-19 pandemic. The loans are 100 percent guaranteed by the Small Business Administration (“SBA”) and repayment is primarily dependent on the borrower’s cash flow or SBA repayment approval.

- **Commercial Lines of Credit** – The category includes lines of credit to commercial customers for working capital needs. The loan terms typically require interest-only payments, mature in one year, and require the full balance paid-off at maturity. Lines of credit allow the borrower to drawdown and repay the line of credit based on the customer’s cash flow needs. Repayment is primarily from the operating cash flow of the business. Credit risk is driven by creditworthiness of a borrower and the economic conditions that impact the cash flow stability from business operations.

- **Energy** - The category includes loans to oil and natural gas customers for use in financing working capital needs, exploration and production activities, and acquisitions. The loans are repaid primarily from the conversion of crude oil and natural gas to cash. Credit risk is driven by creditworthiness of a borrower and the economic conditions that impact the cash flow stability from business operations. Energy loans are typically collateralized with the underlying oil and gas reserves.

- **Commercial Real Estate** - The category includes loans that typically involve larger principal amounts and repayment of these loans is generally dependent on the successful operations of the property securing the loan or the business conducted on the property securing the loan. These are viewed primarily as cash flow loans and secondarily as loans

secured by real estate. Credit risk may be impacted by the creditworthiness of a borrower, property values and the local economies in the borrower's market areas.

- **Construction and Land Development** - The category includes loans that are usually based upon estimates of costs and estimated value of the completed project and include independent appraisal reviews and a financial analysis of the developers and property owners. Sources of repayment include permanent loans, sales of developed property or an interim loan commitment from the Company until permanent financing is obtained. These loans are higher risk than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, general economic conditions and the availability of long-term financing. Credit risk may be impacted by the creditworthiness of a borrower, property values and the local economies in the borrower's market areas.
- **Residential Real Estate** - The category includes loans that are generally secured by owner-occupied 1-4 family residences. Repayment of these loans is primarily dependent on the personal income and credit rating of the borrowers. Credit risk in these loans can be impacted by economic conditions within or outside the borrower's market areas that might impact either property values or a borrower's personal income.
- **Multifamily Real Estate** - The category includes loans that are generally secured by multifamily properties. Repayment of these loans is primarily dependent on occupancy rates and the personal income of the tenants. Credit risk in these loans can be impacted by economic conditions within or outside the borrower's market areas that might impact either property values or the tenants' personal income.
- **Consumer** - The category includes revolving lines of credit and various term loans such as automobile loans and loans for other personal purposes. Repayment is primarily dependent on the personal income and credit rating of the borrowers. Credit risk is driven by consumer economic factors (such as unemployment and general economic conditions in the borrower's market area) and the creditworthiness of a borrower.

Allowance for Credit Losses

The Company established a CECL committee that meets at least quarterly to oversee the Allowance for Credit Loss methodology. The committee estimates the ACL using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The ACL represents the Company's current estimate of lifetime credit losses inherent in the loan portfolio at the balance sheet date. The ACL is adjusted for expected prepayments when appropriate and excludes expected extensions, renewals, and modifications.

The ACL is the sum of three components: (i) asset specific / individual loan reserves; (ii) quantitative (formulaic or pooled) reserves; and (iii) qualitative (judgmental) reserves.

Asset Specific - When unique qualities cause a loan's exposure to loss to be inconsistent with the pool segments, the loan is individually evaluated. Individual reserves are calculated for loans that are risk-rated substandard and on non-accrual and loans that are risk-rated doubtful or loss that are greater than a defined dollar threshold. In addition, troubled debt restructurings ("TDRs") are also individually evaluated. Reserves on asset specific loans may be based on collateral, for collateral-dependent loans, or on quantitative and qualitative factors, including expected cash flow, market sentiment, and guarantor support.

Quantitative - The Company used the cohort method, which identifies and captures the balance of a pool of loans with similar risk characteristics as of a particular time to form a cohort. For example, the outstanding commercial loans and commercial lines of credit loan segments as of quarter-end are considered cohorts. The cohort is then tracked for losses over the remaining life of loans or until the pool is exhausted. The Company used a lookback period of approximately six-years to establish the cohort population. By using the historical data timeframe, the Company can establish a historical loss factor for each of its loan segments and adjust the losses with qualitative and forecast factors.

Qualitative – The Company uses qualitative factors to adjust the historical loss factors for current conditions. The Company primarily uses the following qualitative factors:

- The nature and volume of changes in risk ratings;
- The volume and severity of past due loans;

- The volume of nonaccrual loans;
- The nature and volume of the loan portfolio, including the existence, growth, and effect of any concentrations of credit;
- Changes in the Institute of Supply Management’s Purchasing Manager Indices (“PMI”) for services and manufacturing;
- Changes in collateral values;
- Changes in lending policies, procedures, and quality of loan reviews;
- Changes in lending staff; and
- Changes in competition, legal and regulatory environments

In addition to the current condition, qualitative adjustments, the Company uses the Federal Reserve’s unemployment forecast to adjust the ACL based on forward looking guidance. The Federal Reserve’s unemployment forecast extends three-years and is eventually reverted to the mean of six percent by year 10.

Drivers of Quarterly Change in the ACL

The ACL declined by $3 million between January 1, 2022 and March 31, 2022 and was driven by:

- A $3 million decline in the required reserve for asset specific loans. The change included a commercial real estate loan with an improved collateral valuation that resulted in a $1 million reduction in the required reserve, a $628 thousand decline related to a commercial real estate loan charged down and two energy loans that paid down their outstanding balance, resulting in a $1 million decrease to the required reserve.

- A $2 million increase in the required reserve because of changes in loan balances that included a $97 million increase in commercial real estate loans and required a $1.6 million increase to the ACL.

- A $1 million reduction in the ACL due to improved credit quality metrics including improved risk ratings and lower nonaccruals, driven by the energy portfolio that decreased the required ACL by $830 thousand.

- $1 million in net charge-offs. Charge-offs included $1 million related to a medical practice, $1 million related to an energy loan impacted by low prices in 2020 and 2021, and $750 thousand related to a commercial real estate project. Recoveries were driven by $2 million related to an energy loan charged off in 2020.

- The unemployment forecast provided by the Federal Reserve in March 2022 was consistent with the previously presented forecast. As a result, no forward-looking adjustment was made during the first quarter of 2022.

Credit Quality Indicators

Internal Credit Risk Ratings

The Company uses a weighted average risk rating factor to adjust the historical loss factors for current events. Risk ratings incorporate the criteria utilized by regulatory authorities to describe criticized assets, but separate various levels of risk concentrated within the regulatory “Pass” category. Risk ratings are established for loans at origination and are monitored on an ongoing basis. The rating assigned to a loan reflects the risks posed by the borrower’s expected performance and the transaction’s structure. Performance metrics used to determine a risk rating include, but are not limited to, cash flow adequacy, liquidity, and collateral. A description of the loan risk ratings follows:

Loan Grades

- **Pass (risk rating 1-4)** - The category includes loans that are considered satisfactory. The category includes borrowers that generally maintain good liquidity and financial condition or the credit is currently protected with sales trends remaining flat or declining. Most ratios compare favorably with industry norms and Company policies. Debt is programmed and timely repayment is expected.
- **Special Mention (risk rating 5)** - The category includes borrowers that generally exhibit adverse trends in operations or an imbalanced position in their balance sheet that has not reached a point where repayment is jeopardized. Credits are currently protected but, if left uncorrected, the potential weaknesses may result in deterioration of the repayment

prospects for the credit or in the Company's credit or lien position at a future date. These credits are not adversely classified and do not expose the Company to enough risk to warrant adverse classification.

- **Substandard (risk rating 6)** - The category includes borrowers that generally exhibit well-defined weakness(es) that jeopardize repayment. Credits are inadequately protected by the current worth and paying capacity of the obligor or of the collateral pledged. A distinct possibility exists that the Company will sustain some loss if deficiencies are not corrected. Loss potential, while existing in the aggregate amount of substandard assets, does not have to exist in individual assets classified substandard. Substandard loans include both performing and nonperforming loans and are broken out in the table below.
- **Doubtful (risk rating 7)** - The category includes borrowers that exhibit weaknesses inherent in a substandard credit and characteristics that these weaknesses make collection or liquidation in full highly questionable or improbable based on existing facts, conditions and values. Because of reasonably specific pending factors, which may work to the advantage and strengthening of the assets, classification as a loss is deferred until its more exact status may be determined.
- **Loss (risk rating 8)** - Credits which are considered uncollectible or of such little value that their continuance as a bankable asset is not warranted.

The following tables present the credit risk profile of the Company's loan portfolio based on internal rating categories and loan segments:

	As of March 31, 2022								
	Amortized Cost Basis by Origination Year and Internal Risk Rating						Amortized Cost Basis		
	2022	2021	2020	2019	2018	2017 and Prior	Revolving loans	Revolving loans converted to term loans	Total
	(Dollars in thousands)								
Commercial									
Pass	$ 85,347	$ 372,703	$ 133,962	$ 62,737	$ 62,941	$ 29,629	$ -	$ 37,196	$ 784,515
Special mention	-	-	1,568	1,127	324	49	-	3,522	6,590
Substandard - accrual	1,500	210	-	2,415	782	51	-	1,947	6,905
Substandard - non-accrual	-	1,572	13	24	481	760	-	1,914	4,764
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 86,847	$ 374,485	$ 135,543	$ 66,303	$ 64,528	$ 30,489	$ -	$ 44,579	$ 802,774
Commercial lines of credit									
Pass	$ -	$ -	$ -	$ -	$ -	$ -	$ 649,230	$ -	$ 649,230
Special mention	-	-	-	-	-	-	15,504	-	15,504
Substandard - accrual	-	-	-	-	-	-	2,431	-	2,431
Substandard - non-accrual	-	-	-	-	-	-	10,962	-	10,962
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ 678,127	$ -	$ 678,127
Energy									
Pass	$ -	$ 1,382	$ 264	$ 63	$ -	$ -	$ 230,193	$ 221	$ 232,123
Special mention	-	-	-	1,494	-	-	21,493	-	22,987
Substandard - accrual	-	-	-	-	13	-	7,392	-	7,405
Substandard - non-accrual	-	-	-	-	-	-	6,343	-	6,343
Doubtful	-	-	-	-	-	-	2,451	-	2,451
Total	$ -	$ 1,382	$ 264	$ 1,557	$ 13	$ -	$ 267,872	$ 221	$ 271,309

	As of March 31, 2022								
	Amortized Cost Basis by Origination Year and Internal Risk Rating						Amortized Cost Basis		
	2022	2021	2020	2019	2018	2017 and Prior	Revolving loans	Revolving loans converted to term loans	Total
	(Dollars in thousands)								
Commercial real estate									
Pass	$ 74,272	$ 319,575	$ 158,034	$ 121,203	$ 82,028	$ 97,987	$ 330,590	$ 82,459	$ 1,266,148
Special mention	-	27,210	-	-	7,536	761	-	48,709	84,216
Substandard - accrual	10,826	655	-	695	-	3,801	-	992	16,969
Substandard - non-accrual	-	3,750	303	-	83	1,135	-	3,051	8,322
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 85,098	$ 351,190	$ 158,337	$ 121,898	$ 89,647	$ 103,684	$ 330,590	$ 135,211	$ 1,375,655
Construction and land development									
Pass	$ 86,020	$ 228,922	$ 141,357	$ 73,650	$ 20,346	$ 4,611	$ 8,632	$ -	$ 563,538
Special mention	-	-	-	-	-	-	-	-	-
Substandard - accrual	-	-	-	-	-	-	-	-	-
Substandard - non-accrual	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 86,020	$ 228,922	$ 141,357	$ 73,650	$ 20,346	$ 4,611	$ 8,632	$ -	$ 563,538
Residential real estate									
Pass	$ 12,954	$ 77,243	$ 126,735	$ 48,600	$ 53,487	$ 38,565	$ 1,208	$ -	$ 358,792
Special mention	-	217	-	-	-	-	-	-	217
Substandard - accrual	-	3,326	3,183	-	-	-	-	-	6,509
Substandard - non-accrual	-	-	-	-	-	-	-	201	201
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 12,954	$ 80,786	$ 129,918	$ 48,600	$ 53,487	$ 38,565	$ 1,208	$ 201	$ 365,719

	As of March 31, 2022								
	Amortized Cost Basis by Origination Year and Internal Risk Rating						Amortized Cost Basis		
	2022	2021	2020	2019	2018	2017 and Prior	Revolving loans	Revolving loans converted to term loans	Total
	(Dollars in thousands)								
Multifamily real estate									
Pass	$ 25,829	$ 46,511	$ 6,733	$ 12,134	$ 3,238	$ 1,961	$ 121,985	$ 24,676	$ 243,067
Special mention	-	-	-	-	-	-	-	40	40
Substandard - accrual	-	-	-	-	-	-	-	-	-
Substandard - non-accrual	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 25,829	$ 46,511	$ 6,733	$ 12,134	$ 3,238	$ 1,961	$ 121,985	$ 24,716	$ 243,107
Consumer									
Pass	$ 485	$ 2,750	$ 1,988	$ 248	$ 118	$ 144	$ 43,606	$ -	$ 49,339
Special mention	-	-	-	-	-	-	-	-	-
Substandard - accrual	-	-	-	-	-	-	-	-	-
Substandard - non-accrual	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 485	$ 2,750	$ 1,988	$ 248	$ 118	$ 144	$ 43,606	$ -	$ 49,339
Total									
Pass	$ 284,907	$ 1,049,086	$ 569,073	$ 318,635	$ 222,158	$ 172,897	$ 1,385,444	$ 144,552	$ 4,146,752
Special mention	-	27,427	1,568	2,621	7,860	810	36,997	52,271	129,554
Substandard - accrual	12,326	4,191	3,183	3,110	795	3,852	9,823	2,939	40,219
Substandard - non-accrual	-	5,322	316	24	564	1,895	17,305	5,166	30,592
Doubtful	-	-	-	-	-	-	2,451	-	2,451
Total	$ 297,233	$ 1,086,026	$ 574,140	$ 324,390	$ 231,377	$ 179,454	$ 1,452,020	$ 204,928	$ 4,349,568

Loan Portfolio Aging Analysis

The following tables present the Company's loan portfolio aging analysis as of March 31, 2022:

As of March 31, 2022									
	Amortized Cost Basis by Origination Year and Past Due Status						Amortized Cost Basis		
	2022	2021	2020	2019	2018	2017 and Prior	Revolving loans	Revolving loans converted to term loans	Total
	(Dollars in thousands)								
Commercial									
30-59 days	$ -	$ -	$ 3	$ 5	$ 4	$ -	$ -	$ -	$ 12
60-89 days	-	-	-	10	-	98	-	-	108
Greater than 90 days	-	-	-	-	468	662	-	-	1,130
Total past due	-	-	3	15	472	760	-	-	1,250
Current	86,847	374,485	135,540	66,288	64,056	29,729	-	44,579	801,524
Total	$ 86,847	$ 374,485	$ 135,543	$ 66,303	$ 64,528	$ 30,489	$ -	$ 44,579	$ 802,774
Greater than 90 days and accruing	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial lines of credit									
30-59 days	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,910	$ -	$ 11,910
60-89 days	-	-	-	-	-	-	300	-	300
Greater than 90 days	-	-	-	-	-	-	-	-	-
Total past due	-	-	-	-	-	-	12,210	-	12,210
Current	-	-	-	-	-	-	665,917	-	665,917
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ 678,127	$ -	$ 678,127
Greater than 90 days and accruing	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Energy									
30-59 days	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,114	$ -	$ 2,114
60-89 days	-	-	-	-	-	-	-	-	-
Greater than 90 days	-	-	-	1,494	-	-	8,097	-	9,591
Total past due	-	-	-	1,494	-	-	10,211	-	11,705
Current	-	1,382	264	63	13	-	257,661	221	259,604
Total	$ -	$ 1,382	$ 264	$ 1,557	$ 13	$ -	$ 267,872	$ 221	$ 271,309
Greater than 90 days and accruing	$ -	$ -	$ -	$ 1,494	$ -	$ -	$ -	$ -	$ 1,494

As of March 31, 2022									
	Amortized Cost Basis by Origination Year and Past Due Status						Amortized Cost Basis		
	2022	2021	2020	2019	2018	2017 and Prior	Revolving loans	Revolving loans converted to term loans	Total
	(Dollars in thousands)								
Commercial real estate									
30-59 days	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
60-89 days	-	277	-	-	83	-	-	-	360
Greater than 90 days	-	-	-	-	-	-	-	-	-
Total past due	-	277	-	-	83	-	-	-	360
Current	85,098	350,913	158,337	121,898	89,564	103,684	330,590	135,211	1,375,295
Total	$ 85,098	$ 351,190	$ 158,337	$ 121,898	$ 89,647	$ 103,684	$ 330,590	$ 135,211	$ 1,375,655
Greater than 90 days and accruing	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Construction and land development									
30-59 days	$ -	$ 553	$ -	$ -	$ -	$ -	$ -	$ -	$ 553
60-89 days	-	-	-	-	-	-	-	-	-
Greater than 90 days	-	-	-	-	-	-	-	-	-
Total past due	-	553	-	-	-	-	-	-	553
Current	86,020	228,369	141,357	73,650	20,346	4,611	8,632	-	562,985
Total	$ 86,020	$ 228,922	$ 141,357	$ 73,650	$ 20,346	$ 4,611	$ 8,632	$ -	$ 563,538
Greater than 90 days and accruing	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Residential real estate									
30-59 days	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
60-89 days	-	217	-	-	-	-	-	-	217
Greater than 90 days	-	-	-	-	-	-	-	-	-
Total past due	-	217	-	-	-	-	-	-	217
Current	12,954	80,569	129,918	48,600	53,487	38,565	1,208	201	365,502
Total	$ 12,954	$ 80,786	$ 129,918	$ 48,600	$ 53,487	$ 38,565	$ 1,208	$ 201	$ 365,719

	As of March 31, 2022								
	Amortized Cost Basis by Origination Year and Past Due Status						Amortized Cost Basis		
	2022	2021	2020	2019	2018	2017 and Prior	Revolving loans	Revolving loans converted to term loans	Total
	(Dollars in thousands)								
Multifamily real estate									
30-59 days	$ -	$ 192	$ -	$ -	$ -	$ -	$ -	$ -	$ 192
60-89 days	-	150	-	-	-	-	-	-	150
Greater than 90 days	-	-	-	-	-	-	-	40	40
Total past due	-	342	-	-	-	-	-	40	382
Current	25,829	46,169	6,733	12,134	3,238	1,961	121,985	24,676	242,725
Total	$ 25,829	$ 46,511	$ 6,733	$ 12,134	$ 3,238	$ 1,961	$ 121,985	$ 24,716	$ 243,107
Greater than 90 days and accruing	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 40	$ 40
Consumer									
30-59 days	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
60-89 days	-	-	-	-	-	-	-	-	-
Greater than 90 days	-	-	-	-	-	-	-	-	-
Total past due	-	-	-	-	-	-	-	-	-
Current	485	2,750	1,988	248	118	144	43,606	-	49,339
Total	$ 485	$ 2,750	$ 1,988	$ 248	$ 118	$ 144	$ 43,606	$ -	$ 49,339
Greater than 90 days and accruing	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total									
30-59 days	$ -	$ 745	$ 3	$ 5	$ 4	$ -	$ 14,024	$ -	$ 14,781
60-89 days	-	644	-	10	83	98	300	-	1,135
Greater than 90 days	-	-	-	1,494	468	662	8,097	40	10,761
Total past due	-	1,389	3	1,509	555	760	22,421	40	26,677
Current	297,233	1,084,637	574,137	322,881	230,822	178,694	1,429,599	204,888	4,322,891
Total	$ 297,233	$ 1,086,026	$ 574,140	$ 324,390	$ 231,377	$ 179,454	$ 1,452,020	$ 204,928	$ 4,349,568
Greater than 90 days and accruing	$ -	$ -	$ -	$ 1,494	$ -	$ -	$ -	$ 40	$ 1,534

Non-accrual Loan Analysis

Non-accrual loans are loans for which the Company does not record interest income. The accrual of interest on loans is discontinued at the time the loan is 90 days past due unless the credit is well secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual or charged off at an earlier date, if collection of principal or interest is considered doubtful. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. The following table presents the Company's non-accrual loans by loan segments:

As of March 31, 2022										
	Amortized Cost Basis by Origination Year and On Nonaccrual						Amortized Cost Basis			
	2022	2021	2020	2019	2018	2017 and Prior	Revolving loans	Revolving loans converted to term loans	Total Nonaccrual Loans	Nonaccrual Loans with no related Allowance
	(Dollars in thousands)									
Commercial	$ -	$ 1,572	$ 13	$ 24	$ 482	$ 760	$ -	$ 1,914	$ 4,765	$ 3,257
Commercial lines of credit	-	-	-	-	-	-	10,987	-	10,987	10,987
Energy	-	-	-	-	-	-	8,795	-	8,795	698
Commercial real estate	-	3,750	303	-	83	1,136	-	3,051	8,323	8,241
Construction and land development	-	-	-	-	-	-	-	-	-	-
Residential real estate	-	-	-	-	-	-	-	201	201	201
Multifamily real estate	-	-	-	-	-	-	-	-	-	-
Consumer	-	-	-	-	-	-	-	-	-	-
Total	$ -	$ 5,322	$ 316	$ 24	$ 565	$ 1,896	$ 19,782	$ 5,166	$ 33,071	$ 23,384

Interest income recognized on nonaccrual loans was $1 thousand for the three-month period ended March 31, 2022.

Allowance for Credit Losses

The following table presents the activity in the allowance for credit losses and allowance for credit losses on off-balance sheet credit exposures by portfolio segment for the three-month period ended March 31, 2022:

	For the Three Months Ended March 31, 2022								
	Commercial[1]	Commercial Lines of Credit[1]	Energy	Commercial Real Estate	Construction and Land Development	Residential Real Estate[2]	Multifamily Real Estate[2]	Consumer	Total
	(Dollars in thousands)								
Allowance for Credit Losses:									
Beginning balance, prior to adoption of ASU 2016-13	$ 20,352	$ -	$ 9,229	$ 19,119	$ 3,749	$ 5,598	$ -	$ 328	$ 58,375
Impact of ASU 2016-13 adoption	(10,213)	8,866	(39)	(186)	(83)	(2,552)	2,465	(5)	(1,747)
Charge-offs	(209)	(1,221)	(1,067)	(1,102)	-	-	-	(13)	(3,612)
Recoveries	755	21	1,754	-	-	-	-	1	2,531
Provision (credit)	(704)	1,695	(2,370)	797	12	43	(123)	334	(316)
Ending balance	$ 9,981	$ 9,361	$ 7,507	$ 18,628	$ 3,678	$ 3,089	$ 2,342	$ 645	$ 55,231
Allowance for Credit Losses on Off-Balance Sheet Credit Exposures:									
Beginning balance, prior to adoption of ASU 2016-13	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Impact of ASU 2016-13 adoption	107	44	265	711	3,914	5	137	1	5,184
Provision (credit)	(41)	109	(7)	42	(400)	(1)	(21)	10	(309)
Ending balance	$ 66	$ 153	$ 258	$ 753	$ 3,514	$ 4	$ 116	$ 11	$ 4,875

[1] Prior to the adoption of ASU 2016-13, the Commercial and Commercial lines of credit were consolidated under the Commercial segment.
[2] Prior to the adoption of ASU 2016-13, the Residential real estate and Multifamily real estate segments were consolidated under the Residential and Multifamily Real Estate segment.

Collateral Dependent Loans:

Collateral dependent loans are loans for which the repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty. The following table presents the amortized cost balance of loans considered collateral dependent by loan segment and collateral type as of March 31, 2022:

As of March 31, 2022			
Loan Segment and Collateral Description	**Amortized Cost of Collateral Dependent Loans**	**Related Allowance for Credit Losses**	**Amortized Cost of Collateral Dependent Loans with no related Allowance**
		(Dollars in thousands)	
Commercial			
All business assets	$ 4,040	$ 130	$ 3,257
Commercial lines of credit			
All business assets	10,987	-	10,987
Energy			
Oil and natural gas properties	8,795	790	698
	$ 23,822	$ 920	$ 14,942

Troubled Debt Restructurings ("TDR")

TDRs are those extended to borrowers who are experiencing financial difficulty and who have been granted a concession, excluding loan modifications as a result of the COVID-19 pandemic. The modification of terms typically includes the extension of maturity, reduction or deferment of monthly payment, or reduction of the stated interest rate.

For the three-month periods ended March 31, 2022 and 2021, no loans were restructured under the TDR guidance. The outstanding balance of TDRs was $38 million and $40 million as of March 31, 2022 and December 31, 2021, respectively.

Disclosures under Previously Applicable GAAP

The following disclosures are presented under previously applicable GAAP. The description of the general characteristics of the loan rating categories is as described above. The following table presents the credit risk profile of the Company's loan portfolio based on an internal rating category and portfolio segment as of December 31, 2021:

As of December 31, 2021							
	Pass	**Special Mention**	**Substandard Performing**	**Substandard Nonperforming**	**Doubtful**	**Loss**	**Total**
				(Dollars in thousands)			
Commercial	$ 1,356,883	$ 16,201	$ 23,739	$ 4,858	$ -	$ -	$ 1,401,681
Energy	184,269	73,196	5,246	13,595	2,554	-	278,860
Commercial real estate	1,172,323	86,768	11,782	10,222	-	-	1,281,095
Construction and land development	578,758	-	-	-	-	-	578,758
Residential and multifamily real estate	593,847	257	6,508	204	-	-	600,816
PPP	64,805	-	-	-	-	-	64,805
Consumer	63,605	-	-	-	-	-	63,605
	$ 4,014,490	$ 176,422	$ 47,275	$ 28,879	$ 2,554	$ -	$ 4,269,620

The following table presents the Company’s loan portfolio aging analysis of the recorded investment in loans as of December 31, 2021:

	As of December 31, 2021						
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More	Total Past Due	Current	Total Loans Receivable	Loans >= 90 Days and Accruing
	(Dollars in thousands)						
Commercial	$ 183	$ 499	$ 1,037	$ 1,719	$ 1,399,962	$ 1,401,681	$ 90
Energy	-	-	4,644	4,644	274,216	278,860	-
Commercial real estate	85	992	-	1,077	1,280,018	1,281,095	-
Construction and land development	966	117	-	1,083	577,675	578,758	-
Residential and multifamily real estate	437	151	-	588	600,228	600,816	-
PPP	-	-	-	-	64,805	64,805	-
Consumer	-	99	-	99	63,506	63,605	-
	$ 1,671	$ 1,858	$ 5,681	$ 9,210	$ 4,260,410	$ 4,269,620	$ 90

The following table presents the Company’s loans on non-accrual as of December 31, 2021:

	December 31, 2021
	(Dollars in thousands)
Commercial	$ 4,858
Energy	16,148
Commercial real estate	10,222
Construction and land development	-
Residential and multifamily real estate	204
PPP	-
Consumer	-
Total non-accrual loans	$ 31,432

The following table presents the allowance for loan losses by portfolio segment and disaggregated based on the Company's impairment methodology:

	As of December 31, 2021							
	Commercial	**Energy**	**Commercial Real Estate**	**Construction and Land Development**	**Residential and Multifamily Real Estate**	**PPP**	**Consumer**	**Total**
	(Dollars in thousands)							
Period end allowance for loan losses allocated to:								
Individually evaluated for impairment	$ 333	$ 2,100	$ 3,164	$ -	$ -	$ -	$ -	$ 5,597
Collectively evaluated for impairment	20,019	7,129	15,955	3,749	5,598	-	328	52,778
Ending balance	$ 20,352	$ 9,229	$ 19,119	$ 3,749	$ 5,598	$ -	$ 328	$ 58,375
Allocated to loans:								
Individually evaluated for impairment	$ 5,739	$ 16,204	$ 31,597	$ -	$ 3,387	$ -	$ -	$ 56,927
Collectively evaluated for impairment	1,395,942	262,656	1,249,498	578,758	597,429	64,805	63,605	4,212,693
Ending balance	$ 1,401,681	$ 278,860	$ 1,281,095	$ 578,758	$ 600,816	$ 64,805	$ 63,605	$ 4,269,620

A loan is considered impaired when based on current information and events, it is probable the Company will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming loans but also include loans modified in TDRs where concessions have been granted to borrowers experiencing financial difficulties. The intent of concessions is to maximize collection. The following table presents loans individually evaluated for impairment:

	As of December 31, 2021		
	Recorded Balance	Unpaid Principal Balance	Specific Allowance
		(Dollars in thousands)	
Loans without a specific valuation			
Commercial	$ 4,659	$ 4,740	$ -
Energy	3,509	7,322	-
Commercial real estate	1,729	1,729	-
Construction and land development	-	-	-
Residential and multifamily real estate	3,387	3,387	-
PPP	-	-	-
Consumer	-	-	-
Loans with a specific valuation			
Commercial	1,080	1,080	333
Energy	12,695	17,977	2,100
Commercial real estate	29,868	30,854	3,164
Construction and land development	-	-	-
Residential and multifamily real estate	-	-	-
PPP	-	-	-
Consumer	-	-	-
Total			
Commercial	5,739	5,820	333
Energy	16,204	25,299	2,100
Commercial real estate	31,597	32,583	3,164
Construction and land development	-	-	-
Residential and multifamily real estate	3,387	3,387	-
PPP	-	-	-
Consumer	-	-	-
	56,927	67,089	5,597

Total interest income recognized during the three-month period ended March 31, 2021 for impaired loans was $642 thousand. The three-month average balance of impaired loans for the period ended March 31, 2021 was $112 million.

The following table presents the activity in the allowance for loan losses by portfolio segment for the three-month period ended March 31, 2021:

	Three Months Ended March 31, 2021							
	Commercial	**Energy**	**Commercial Real Estate**	**Construction and Land Development**	**Residential and Multifamily Real Estate**	**PPP**	**Consumer**	**Total**
	(Dollars in thousands)							
Allowance for loan losses:								
Beginning balance	$ 24,693	$ 18,341	$ 22,354	$ 3,612	$ 5,842	$ -	$ 453	$ 75,295
Provision	7,015	1,951	(1,745)	225	214	-	(160)	7,500
Charge-offs	(8,266)	-	-	-	-	-	-	(8,266)
Recoveries	22	-	-	-	-	-	-	22
Ending balance	$ 23,464	$ 20,292	$ 20,609	$ 3,837	$ 6,056	$ -	$ 293	$ 74,551

Allowance for Credit Losses (“ACL”) on Off-Balance Sheet Credit Exposures

The Company estimates expected credit losses for off-balance sheet credit exposures unless the obligation is unconditionally cancellable by the Company. The ACL on off-balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate is calculated for each loan segment and includes consideration of the likelihood that funding will occur and an estimate of the expected credit losses on commitments expected to be funded over its estimated life. For each pool of contractual obligations expected to be funded, the Company uses the reserve rate established for the related loan pools. The $5 million allowance for credit losses on off balance sheet credit exposures at March 31, 2022 is included in “interest payable and other liabilities” on the balance sheet.

The following categories of off-balance sheet credit exposures have been identified:

Loan commitments – include revolving lines of credit, non-revolving lines of credit, and loans approved that are not yet funded. Risks inherent to revolving lines of credit often are related to the susceptibility of an individual or business experiencing unpredictable cash flow or financial troubles, thus leading to payment default. The primary risk associated with non-revolving lines of credit is the diversion of funds for other expenditures.

Letters of credit – are primarily established to provide assurance to the beneficiary that the applicant will perform certain obligations arising out of a separate transaction between the beneficiary and applicant. If the obligation is not met, it gives the beneficiary the right to draw on the letter of credit.

Note 5: Derivatives and Hedging

The Company is exposed to certain risks arising from both its business operations and economic conditions, including interest rate, liquidity, and credit risk. The Company uses derivative financial instruments as part of its risk management activities 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.

Cash Flow Hedges of Interest Rate Risk

The Company uses interest rate derivatives to add stability to interest expense and to manage its exposure to interest rate movements. 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. During 2021, the Company entered into forward-looking derivatives that will be used to hedge variable cash flows associated with variable-rate funding. These 5 swaps had an aggregate notional amount of $100 million at March 31, 2022 and December 31, 2021.

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in Accumulated Other Comprehensive Income ("AOCI") and subsequently reclassified into interest expense in the same period(s) during which the hedged transaction affects earnings. Amounts reported in AOCI related to derivatives will be reclassified to interest expense as interest payments are made on the Company's related, variable-rate debt. During the next twelve months, the Company estimates that an additional $0 will be reclassified as a reduction to interest expense.

The Company's derivative financial instruments are not effective until 2023. As a result, the derivative financial instruments did not impact the Consolidated Statement of Income for the three-month period ended March 31, 2022.

Non-designated Hedges

Derivatives not designated as hedges are not speculative and result from a service provided to clients. The Company executes interest rate swaps with 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. Interest rate derivatives associated with this program do not meet the strict hedge accounting requirements and changes in the fair value of both the customer derivatives and the offsetting derivatives are recognized directly in earnings.

Swap fees earned upon origination and credit valuation adjustments that represent the risk of a counterparty's default are reported on the Consolidated Statements of Income as swap fee income, net. The effect of the Company's derivative financial instruments gain (loss) are reported on the Consolidated Statements of Cash Flows within "other assets" and "other liabilities".

These 56 and 54 swaps had an aggregate notional amount of $563 million and $535 million at March 31, 2022 and December 31, 2021, respectively.

Fair Values of Derivative Instruments on the Balance Sheet

The table below presents the fair value of the Company's derivative financial instruments and their classification on the balance sheet as of March 31, 2022 and December 31, 2021:

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Asset Derivatives	March 31, 2022	December 31, 2021	Balance Sheet Location	March 31, 2022	December 31, 2021
			(Dollars in thousands)			
Interest rate products:						
Derivatives not designated as hedging instruments	Other assets	$ 3,857	$ 11,305	Interest payable and other liabilities	$ 3,862	$ 11,322
Derivatives designated as hedging instruments	Other assets	2,090	3	Interest payable and other liabilities	-	565
Total		$ 5,947	$ 11,308		$ 3,862	$ 11,887

The table below presents the effect of cash flow hedge accounting on Accumulated Other Comprehensive Income as of March 31, 2022. The Company had no cash flow hedges for the three-months ended March 31, 2021.

	March 31, 2022						
	Gain or (Loss) Recognized in OCI on Derivative	Gain or (Loss) Recognized in OCI Included Component	Gain or (Loss) Recognized in OCI Excluded Component	Location of Gain or (Loss) Recognized from Accumulated Other Comprehensive Income into Income	Gain or (Loss) Reclassified from Accumulated OCI into Income	Gain or (Loss) Reclassified from Accumulated OCI into Income Included Component	Gain or (Loss) Reclassified from Accumulated OCI into Income Excluded Component
				(Dollars in thousands)			
Derivatives in Cash Flow Hedging Relationships							
Interest Rate Products	$ 2,655	$ 2,655	$ -	Interest expense	$ -	$ -	$ -

Note 6: Time Deposits and Borrowings

The scheduled maturities, excluding interest, of the Company's borrowings at March 31, 2022 were as follows:

	March 31, 2022						
	Within One Year	One to Two Years	Two to Three Years	Three to Four Years	Four to Five Years	After Five Years	Total
				(Dollars in thousands)			
Time deposits	$ 445,252	$ 54,360	$ 10,248	$ 1,151	$ 1,056	$ -	$ 512,067
FHLB borrowings	11,500	35,000	-	5,100	-	175,000	226,600
Trust preferred securities[(1)]	-	-	-	-	-	1,022	1,022
	$ 456,752	$ 89,360	$ 10,248	$ 6,251	$ 1,056	$ 176,022	$ 739,689

[(1)] The contract value of the trust preferred securities is $ 2.6 million and is currently being accreted to the maturity date of 2035.

Note 7: Change in Accumulated Other Comprehensive Income (Loss) ("AOCI")

Amounts reclassified from AOCI and the affected line items in the Condensed Consolidated Statements of Income during the three-month periods ended March 31, 2022 and 2021, were as follows:

	Three Months Ended March 31,		Affected Line Item in the Statements of Income
	2022	2021	
	(Dollars in thousands)		
Unrealized gains (losses) on available-for-sale securities	$ (26)	$ 10	Gain (loss) on sale of available-for-sale securities
Less: tax expense (benefit) effect	(6)	2	Income tax expense (benefit)
Net reclassified amount	$ (20)	$ 8	

Note 8: Regulatory Matters

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Management believes that, as of March 31, 2022, the Company and the Bank met all capital adequacy requirements to which they are subject.

The capital rules require the Company to maintain a 2.5% capital conservation buffer with respect to Common Equity Tier I capital, Tier I capital to risk-weighted assets, and total capital to risk-weighted assets, which is included in the column "Minimum Capital Required - Basel III" within the table below. A financial institution with a conservation buffer of less than the required amount is subject to limitations on capital distributions, including dividend payments and stock repurchases, as well as certain discretionary bonus payments to executive officers.

The Company and the Bank opted to exclude AOCI from the regulatory capital calculations. As a result, change in AOCI, including the recent decrease in the available-for-sale securities portfolio, net of tax, did not impact the Company's or Bank's capital ratios.

The Company's and the Bank's actual capital amounts and ratios as of March 31, 2022 and December 31, 2021 are presented in the following table:

	Actual		Minimum Capital Required - Basel III		Required to be Considered Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
March 31, 2022						
Total Capital to Risk-Weighted Assets						
Consolidated	$ 704,612	13.0 %	$ 568,675	10.5 %	N/A	N/A
Bank	698,888	12.9	567,544	10.5	$ 540,518	10.0 %
Tier I Capital to Risk-Weighted Assets						
Consolidated	644,506	11.9	460,356	8.5	N/A	N/A
Bank	638,782	11.8	459,440	8.5	432,414	8.0
Common Equity Tier 1 to Risk-Weighted Assets						
Consolidated	643,484	11.9	379,117	7.0	N/A	N/A
Bank	638,782	11.8	378,363	7.0	351,337	6.5
Tier I Capital to Average Assets						
Consolidated	644,506	11.6	222,092	4.0	N/A	N/A
Bank	$ 638,782	11.5 %	$ 222,000	4.0 %	$ 277,500	5.0 %
December 31, 2021						
Total Capital to Risk-Weighted Assets						
Consolidated	$ 704,544	13.6 %	$ 544,060	10.5 %	N/A	N/A
Bank	681,980	13.2	543,708	10.5	$ 517,817	10.0 %
Tier I Capital to Risk-Weighted Assets						
Consolidated	646,169	12.5	440,430	8.5	N/A	N/A
Bank	623,605	12.0	440,144	8.5	414,253	8.0
Common Equity Tier 1 to Risk-Weighted Assets						
Consolidated	645,160	12.5	362,707	7.0	N/A	N/A
Bank	623,605	12.0	362,472	7.0	336,581	6.5
Tier I Capital to Average Assets						
Consolidated	646,169	11.8	218,510	4.0	N/A	N/A
Bank	$ 623,605	11.4 %	$ 218,366	4.0 %	$ 272,958	5.0 %

Note 9: Stock-Based Compensation

The Company issues stock-based compensation in the form of nonvested restricted stock and stock appreciation rights under the 2018 Omnibus Equity Incentive Plan ("Omnibus Plan"). The Omnibus Plan will expire on the tenth anniversary of its effective date. In addition, the Company has an Employee Stock Purchase Plan that was reinstated during the third quarter of 2020. The aggregate number of shares authorized for future issuance under the Omnibus Plan is 1,546,521 shares as of March 31, 2022.

The table below summarizes the stock-based compensation for the three-month periods ended March 31, 2022 and 2021:

	Three Months Ended March 31,	
	2022	2021
	(Dollars in thousands)	
Stock appreciation rights	$ 99	$ 236
Performance-based stock awards	211	(266)
Restricted stock units and awards	778	665
Employee stock purchase plan	27	14
Total stock-based compensation	$ 1,115	$ 649

Performance-Based Stock Awards (“PBSAs”)

The Company awards PBSAs to key officers of the Company. The performance-based shares typically cliff-vest at the end of three years based on attainment of certain performance metrics developed by the Compensation Committee. The ultimate number of shares issuable under each performance award is the product of the award target and the award payout percentage given the level of achievement. The award payout percentages by level of achievement range between 0% of target and 150% of target.

During the three-month period ended March 31, 2022, the Company granted 66,667 PBSAs. The performance metrics include three-year cumulative, adjusted earnings per share and relative total shareholder return.

The following table summarizes the status of and changes in the performance-based awards:

	Performance-Based Awards	
	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested, January 1, 2022	98,352	$ 13.59
Granted	66,667	16.04
Vested	-	-
Forfeited	(24,944)	15.03
Unvested, March 31, 2022	140,075	$ 14.50

Unrecognized stock-based compensation related to the performance awards issued through March 31, 2022 was $2 million and is expected to be recognized over 2.5 years.

Restricted Stock Units (“RSUs”) and Restricted Stock Awards (“RSAs”)

The Company issues RSUs and RSAs to provide incentives to key officers, employees, and nonemployee directors. Awards are typically granted annually as determined by the Compensation Committee. The service-based RSUs typically vest in equal amounts over three years. The service-based RSAs typically cliff-vest after one year.

The following table summarizes the status of and changes in the RSUs and RSAs:

	Restricted Stock Units and Awards	
	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested, January 1, 2022	383,630	$ 13.52
Granted	176,351	15.86
Vested	(137,224)	13.62
Forfeited	(10,441)	13.72
Unvested, March 31, 2022	412,316	$ 14.48

Unrecognized stock-based compensation related to the RSUs and RSAs issued through March 31, 2022 was $5 million and is expected to be recognized over 2.3 years.

Note 10: Income Tax

An income tax expense reconciliation at the statutory rate to the Company's actual income tax expense is shown below:

	Three Months Ended March 31,	
	2022	2021
	(Dollars in thousands)	
Computed at the statutory rate (21%)	$ 4,413	$ 3,138
Increase (decrease) resulting from		
Tax-exempt income	(854)	(790)
Nondeductible expenses	82	50
State income taxes	696	496
Equity based compensation	(169)	14
Other adjustments	20	-
Actual tax expense	$ 4,188	$ 2,908

The tax effects of temporary differences related to deferred taxes shown on the Consolidated Balance Sheets are presented below:

	March 31, 2022	December 31, 2021
	(Dollars in thousands)	
Deferred tax assets		
Net unrealized loss on securities available-for-sale	$ 6,808	$ -
Allowance for credit losses	14,467	14,051
Lease incentive	495	508
Loan fees	3,190	3,227
Accrued expenses	1,073	2,735
Deferred compensation	1,653	2,418
State tax credit	774	1,033
Other	561	2,057
Total deferred tax asset	29,021	26,029
Deferred tax liability		
Net unrealized gain on securities available-for-sale	-	(6,967)
FHLB stock basis	(689)	(757)
Premises and equipment	(2,470)	(2,602)
Other	(969)	(1,229)
Total deferred tax liability	(4,128)	(11,555)
Net deferred tax asset	$ 24,893	$ 14,474

Note 11: Disclosures about Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs supported by little or no market activity and significant to the fair value of the assets or liabilities.

Recurring Measurements

The following list presents the assets and liabilities recognized in the accompanying Condensed Consolidated Balance Sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at March 31, 2022 and December 31, 2021:

	Fair Value Description	Valuation Hierarchy Level	Where Fair Value Balance Can Be Found
Available-for-Sale Securities and CRA Equity Security	Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows.	Level 2	Note 3: Securities
Derivatives	Fair value of the interest rate swaps is obtained from independent pricing services based on quoted market prices for similar derivative contracts.	Level 2	Note 5: Derivatives and Hedging

Nonrecurring Measurements

The following tables present assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at March 31, 2022 and December 31, 2021:

		March 31, 2022 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
		(Dollars in thousands)		
Collateral-dependent loans	$ 22,902	$ -	$ -	$ 22,902
Foreclosed assets held-for-sale	$ 973	$ -	$ -	$ 973

		December 31, 2021 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
		(Dollars in thousands)		
Collateral-dependent impaired loans	$ 38,046	$ -	$ -	$ 38,046
Foreclosed assets held-for-sale	$ 1,148	$ -	$ -	$ 1,148

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying Consolidated Balance Sheets.

Collateral-Dependent Loans, Net of ACL

The estimated fair value of collateral-dependent loans is based on the appraised fair value of the collateral, less estimated cost to sell. If the fair value of the collateral is below the loan’s amortized cost, the ACL is netted against the loan balance. Collateral-dependent loans are classified within Level 3 of the fair value hierarchy.

The Company considers the appraisal or evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals of the collateral underlying collateral dependent loans are obtained when the loan is determined to be collateral dependent and subsequently as deemed necessary by the Office of the Chief Credit Officer.

Appraisals are reviewed for accuracy and consistency by the Office of the Chief Credit Officer. Appraisers are selected from the list of approved appraisers maintained by management. The appraised values are reduced by discounts to consider lack of marketability and estimated cost to sell if repayment or satisfaction of the loan is dependent on the sale of the collateral. These discounts and estimates are developed by the Office of the Chief Credit Officer by comparison to historical results.

Foreclosed Assets Held-for-Sale

The fair value of foreclosed assets-held-for-sale is based on the appraised fair value of the collateral, less estimated cost to sell.

Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in nonrecurring Level 3 fair value measurements at March 31, 2022 and December 31, 2021:

	March 31, 2022			
	Fair Value	**Valuation Techniques**	**Unobservable Inputs**	**Range (Weighted Average)**
	(Dollars in thousands)			
Collateral dependent loans	$ 22,902	Market comparable properties	Marketability discount	4 % - 100% (8)%
Foreclosed assets held-for-sale	$ 973	Market comparable properties	Marketability discount	(10)%

	December 31, 2021			
	Fair Value	**Valuation Techniques**	**Unobservable Inputs**	**Range (Weighted Average)**
	(Dollars in thousands)			
Collateral-dependent impaired loans	$ 38,046	Market comparable properties	Marketability discount	7 % - 100 % (26)%
Foreclosed assets held-for-sale	$ 1,148	Market comparable properties	Marketability discount	(10)%

The following tables present the estimated fair values of the Company's financial instruments at March 31, 2022 and December 31, 2021:

	March 31, 2022				
	Carrying	Fair Value Measurements			
	Amount	Level 1	Level 2	Level 3	Total
	(Dollars in thousands)				
Financial Assets					
Cash and cash equivalents	$ 276,927	$ 276,927	$ -	$ -	$ 276,927
Available-for-sale securities	722,778	-	722,778	-	722,778
Loans, net of allowance for credit losses	4,294,337	-	-	4,284,841	4,284,841
Restricted equity securities	10,526	-	-	10,526	10,526
Interest receivable	16,933	-	16,933	-	16,933
Equity securities	3,222	-	2,112	1,110	3,222
Derivative assets	5,947	-	5,947	-	5,947
	$ 5,330,670	$ 276,927	$ 747,770	$ 4,296,477	$ 5,321,174
Financial Liabilities					
Deposits	$ 4,621,680	$ 1,110,284	$ -	$ 3,369,350	$ 4,479,634
Federal Home Loan Bank advances	226,600	-	226,388	-	226,388
Other borrowings	1,022	-	2,230	-	2,230
Interest payable	1,196	-	1,196	-	1,196
Derivative liabilities	3,862	-	3,862	-	3,862
	$ 4,854,360	$ 1,110,284	$ 233,676	$ 3,369,350	$ 4,713,310

	December 31, 2021				
	Carrying	Fair Value Measurements			
	Amount	Level 1	Level 2	Level 3	Total
	(Dollars in thousands)				
Financial Assets					
Cash and cash equivalents	$ 482,727	$ 482,727	$ -	$ -	$ 482,727
Available-for-sale securities	745,969	-	745,969	-	745,969
Loans, net of allowance for loan losses	4,197,838	-	-	4,178,268	4,178,268
Restricted equity securities	11,927	-	-	11,927	11,927
Interest receivable	16,023	-	16,023	-	16,023
Equity securities	2,642	-	2,209	433	2,642
Derivative assets	11,308	-	11,308	-	11,308
	$ 5,468,434	$ 482,727	$ 775,509	$ 4,190,628	$ 5,448,864
Financial Liabilities					
Deposits	$ 4,683,597	$ 1,163,224	$ -	$ 3,482,218	$ 4,645,442
Federal Home Loan Bank advances	236,600	-	241,981	-	241,981
Other borrowings	1,009	-	2,318	-	2,318
Interest payable	1,336	-	1,336	-	1,336
Derivative liabilities	11,887	-	11,887	-	11,887
	$ 4,934,429	$ 1,163,224	$ 257,522	$ 3,482,218	$ 4,902,964

Note 12: Commitments and Credit Risk

Commitments

The Company had the following commitments at March 31, 2022 and December 31, 2021:

	March 31, 2022	December 31, 2021
	(Dollars in thousands)	
Commitments to originate loans	$ 226,902	$ 118,651
Standby letters of credit	53,761	51,114
Lines of credit	1,876,281	1,768,231
Future lease commitments	11,100	11,100
Commitments related to investment fund	4,890	2,067
	$ 2,172,934	$ 1,951,163

Note 13: Legal and Regulatory Proceedings

General Litigation

The Company establishes reserves for litigation-related matters that arise in the ordinary course of business activities when it is probable that a loss associated with a claim or proceeding has been incurred and the amount of the loss can be reasonably estimated. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

The Company is in preliminary settlement negotiations in connection with a former employee's departure. At this time, a range of loss is not estimatable. The Company currently expects that a portion of any settlement will be paid by the Company's insurance carriers.

The Company is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position, results of operations and cash flows of the Company.

Note 14: Leases

The Company's operating leases primarily include bank branches located in Kansas City, Missouri; Tulsa, Oklahoma; Dallas, Texas; Frisco, Texas; and Phoenix, Arizona. The remaining lease terms range from one year to twenty years with certain options to renew. Renewal terms can extend the lease term between five years and twenty years. The exercise of lease renewal options is at the Company's sole discretion. When it is reasonably certain that the Company will exercise its option to renew or extend the lease term, that option is included in the estimated value of the right of use ("ROU") asset and lease liability. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. As of March 31, 2022, the Company's leases are classified as operating leases.

Under ASC 842, a modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. The Company chose to use the adoption date of January 1, 2022, for ASC 842. As such, all periods presented after January 1, 2022, are under ASC 842 whereas periods presented prior to January 1, 2022, are in accordance with prior lease accounting of ASC 840. Financial information was not updated and the disclosures required under ASC 842 were not provided for dates and periods before January 1, 2022.

The Company's right to use an asset over the life of a lease is recorded as an ROU asset, is included in other assets on the Consolidated Balance Sheets, and was $23 million at March 31, 2022. Certain adjustments to the ROU asset may be required for items such as initial direct costs paid or incentives received. The Company recorded a lease liability in interest payable and other liabilities on the Consolidated Balance Sheets of $26 million at March 31, 2022.

The Company was unable to determine the implicit rate in the leases and used the incremental borrowing rate instead. The Company used the FHLB yield curve on the lease commencement date and selected the rate closest to the remaining lease term. The remaining weighted-average lease term is 10.5 years and the weighted-average discount rate is 1.90%.

The following table presents components of operating lease expense in the accompanying consolidated statements of income for the three-months ended March 31, 2022:

		For the Three Months Ended March 31, 2022
		(Dollars in thousands)
Operating lease expense	$	726
Variable lease expense		213
Short-term lease expense		5
Total lease expense	$	944

Future minimum commitments due under these lease agreements as of March 31, 2022 are as follows:

		Operating Leases
		(Dollars in thousands)
Remainder of 2022	$	2,305
2023		3,168
2024		2,892
2025		2,903
2026		2,935
Thereafter		15,509
Total lease payments	$	29,712
Less imputed interest		4,084
Total	$	25,628

Supplemental cash flow information – Operating cash flows paid for operating lease amounts included in the measurement of lease liabilities was $743 thousand for the three months ended March 31, 2022. During the three months ended March 31, 2022, the Company did not record any ROU assets that were exchanged for operating lease liabilities.

Note 15: Stock Warrants

During the three-month period ended March 31, 2022, 33,500 warrants were exercised at a strike price of $5.00 per share and 33,500 common shares were issued.

The Company had 80,000 and 113,500 outstanding, fully vested warrants to purchase common stock at a strike price of $5.00 per share as of March 31, 2022 and December 31, 2021, respectively. The 80,000 warrants expire on April 26, 2023 and have a strike price of $5.00 per share.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes and with the statistical information and financial data appearing in this report as well as in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021 filed with the Securities and Exchange Commission ("SEC") on February 28, 2022 (the "2021 Form 10-K"). Results of operations for the three-month period ended March 31, 2022 are not necessarily indicative of results to be attained for any other period. Certain statements in this report contain forward-looking statements regarding our plans, objectives, beliefs, expectations, representations, and projections. See "Forward-Looking Information" which is incorporated herein by reference. Actual results could differ materially from the anticipated results and other expectations expressed in our forward-looking statements because of several factors, including but not limited to those discussed in Item 1A – "Risk Factors" in the 2021 Form 10-K.

Unless we state otherwise or the context otherwise requires, references below to "we," "our," "us," "ourselves," "our company," and the "Company" refer to CrossFirst Bankshares, Inc., and its consolidated subsidiaries. References to "CrossFirst Bank" and the "Bank" refer to CrossFirst Bank, our wholly owned consolidated bank subsidiary.

First Quarter 2022 Highlights

During the first quarter ended March 31, 2022, we accomplished the following:

- $5.5 billion of assets with net income for the quarter ended March 31, 2022 of $16.8 million, an increase of $4.8 million or 40% compared to the first quarter of 2021;
- Implemented CECL on January 1, 2022, with a combined allowance for credit losses ("ACL") and ACL on off-balance sheet credit exposures totaling $62 million or 1.45% of outstanding loans, compared to $60 million or 1.38% of outstanding loans at March 31, 2022;
- Return on Average Assets of 1.23% and a Return on Equity of 10.44% for the quarter ended March 31, 2022;
- Net Interest Margin (Fully Tax-Equivalent) of 3.29%[(1)] for the quarter ended March 31, 2022, compared to 3.01%[(1)] from the same quarter last year;
- $93 million of loan growth from the previous quarter;
- Book value per share of $12.53 at March 31, 2022 compared to $12.17 at March 31, 2021.

[(1)] The Company modified the yield calculation. Refer to the section "Update to Net Interest Margin Methodology" below for additional information.

Credit Quality and Implementation of the Current Expected Credit Loss ("CECL") Methodology

The Company implemented the CECL model as of January 1, 2022. Refer to "Note 1: Nature of Operations and Summary of Significant Accounting Policies" and "Note 4: Loans and Allowance for Credit Losses ("ACL")" within the Notes to Condensed Consolidated Financial Statements (unaudited) for details regarding the transition, including the impact to the financial statements. The CECL model compared to the incurred loss model may accelerate the provision for credit losses if the Company's loan portfolio continues to grow. In addition, positive (negative) forward-looking indicators may decrease (increase) the required provision for credit losses.

Credit quality metrics generally improved during the first quarter of 2022 as classified loans decreased $5 million to $73 million at March 31, 2022, including a $5 million decline in classified energy loans. Nonperforming assets increased to $36 million or 0.64% of total assets due primarily to a commercial loan that was placed on nonaccrual during the three-month period ended March 31, 2022. Net charge-offs for the three-month period ended March 31, 2022 were $1 million, or 0.10% of average loans. The Company currently expects net charge-offs to average loans to remain in the range of 0.13% to 0.15% for the remainder of 2022.

The Company continues to monitor the U.S. economic indicators, including the inflation rate, commodity prices, interest rates, and potential supply chain disruptions and the impact it may have on the Company's markets, clients, and prospects. The Company is

monitoring the impact of a rising interest rate environment on the commercial real estate market and enterprise and leverage loans that is currently mitigated by low debt-to-equity ratios. As of March 31, 2022, the Company did not identify any systemic issues within its loan portfolio that would significantly affect the credit quality of the loan portfolio.

Update to Net Interest Margin Methodology

The Company modified the yield calculation on the available-for-sale security portfolio to better conform to peer disclosures. All earning-asset yields and net interest margins presented were retroactively updated for the change in methodology. The following changes were made:

- The average unrealized gain (loss) on available-for-sale securities balance was removed from the security lines and placed in other non-interest earning assets.
- The annualization method was changed from Actual/Actual to 30/360 for the security yields.

	Impact to Yield				
Lines Impacted	**March 31, 2022**	**December 31, 2021**	**September 30, 2021**	**June 30, 2021**	**March 31, 2021**
Previous calculation					
Yield on securities - taxable	2.20 %	2.11 %	1.96 %	1.96 %	1.71 %
Yield on securities - tax-exempt [1]	3.31	3.17	3.20	3.34	3.43
Total securities yield [1]	3.00	2.89	2.87	2.93	2.89
Yield on interest-earning assets [1]	3.64	3.70	3.62	3.57	3.50
Net interest spread [1]	3.25	3.22	3.16	3.08	2.94
Net interest margin [1]	3.29	3.28	3.20	3.12	3.00
As calculated going forward					
Yield on securities - taxable	2.15	2.14	2.01	1.99	1.73
Yield on securities - tax-exempt [1]	3.35	3.35	3.43	3.54	3.61
Total securities yield [1]	3.00	3.02	3.04	3.07	3.01
Yield on interest-earning assets [1]	3.64	3.72	3.64	3.59	3.52
Net interest spread [1]	3.25	3.24	3.18	3.10	2.96
Net interest margin [1]	3.29	3.30	3.23	3.14	3.01
Change					
Yield on securities - taxable	(0.05)	0.03	0.05	0.03	0.02
Yield on securities - tax-exempt [1]	0.04	0.18	0.23	0.20	0.18
Total securities yield [1]	-	0.13	0.17	0.14	0.12
Yield on interest-earning assets [1]	-	0.02	0.02	0.02	0.02
Net interest spread [1]	-	0.02	0.02	0.02	0.02
Net interest margin [1]	- %	0.02 %	0.03 %	0.02 %	0.01 %

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

The Company believes the new calculation provides better insight into why the security yields and net interest margin changed period-to-period.

Update on the COVID-19 Global Pandemic ("COVID-19") Impact

The COVID-19 pandemic has caused, and may continue to cause, economic uncertainty and a disruption to the financial markets, the duration and extent of which is not currently known. A discussion of the impact of the COVID-19 pandemic on the Company and its operations is provided below.

Paycheck Protection Program ("PPP") Lending Facility and Loans

The PPP was established by the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") in March 2020 and authorized forgivable loans to small businesses. The Bank provided PPP loans to support current customers and foster relationships with new customers. The loans earn interest at 1%, include fees between 1% and 5% and typically mature in two years. The Consolidated

Appropriations Act of 2021 allocated additional PPP funding. The second round of PPP loans have similar terms to the first round of PPP loans mentioned above, but typically mature in five years.

The following table summarizes the impact of the PPP loans on our financials:

	As of or for the Three Months Ended March 31,	
	2022	2021
	(Dollars in thousands)	
PPP Loan Activity		
Outstanding loan balance, beginning	$ 64,805	$ 292,230
Loan increases	-	110,962
Loan payoffs	(33,487)	(66,837)
Outstanding loan balance, end	$ 31,318	$ 336,355
PPP Loan Fee Activity		
Unearned fee balance, beginning	$ 1,683	$ 4,189
Unearned fees added	-	4,105
Earned fees recognized	(876)	(2,415)
Unearned fee balance, end	$ 808	$ 5,879

Update to Customer and Industry Concentrations

As of March 31, 2022, the Company's top 20 customer relationships, represented approximately 28% or $1.3 billion of total deposits. The Company believes that there are sufficient funding sources, including on-balance sheet liquid assets and wholesale deposit options, so that an immediate reduction in these deposit balances would not be expected to have a material, detrimental effect on the Company's financial position or operations.

For the three-month period ended March 31, 2022, approximately 68% of credit card interchange income came from customers that mobilized their workforce directly impacted by the COVID-19 pandemic. We currently anticipate the concentration to decline over the remainder of 2022 as we grow the Company's credit card business.

Performance Measures

	As of or For the Quarter Ended				
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
	(Dollars in thousands, except per share data)				
Return on average assets[1]	1.23 %	1.50 %	1.54 %	1.10 %	0.84 %
Return on average equity[1]	10.44 %	12.57 %	12.92 %	9.86 %	7.80 %
Earnings per share	$ 0.33	$ 0.41	$ 0.41	$ 0.30	$ 0.23
Diluted earnings per share	$ 0.33	$ 0.40	$ 0.41	$ 0.30	$ 0.23
Efficiency[2]	57.57 %	55.38 %	59.06 %	53.61 %	50.41%
Ratio of equity to assets	11.29 %	11.88 %	12.08 %	12.00 %	10.48 %

[1] Interim periods annualized

[2] We calculate efficiency ratio as noninterest expense divided by the sum of net interest income and noninterest income.

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Results of Operations

Net Interest Income

Net interest income is presented on a tax-equivalent basis below. A tax-equivalent basis makes all income taxable at the same rate. For example, $100 of tax-exempt income would be presented as $126.58, an amount that, if taxed at the statutory federal income tax rate of 21% would yield $100. We believe a tax-equivalent basis provides for improved comparability between the various earning assets.

	For the Quarter Ended				
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Yield on securities - tax-equivalent [1]	3.00 %	3.02 %	3.04 %	3.07 %	3.01 %
Yield on loans	4.00	4.17	4.00	3.99	3.94
Yield on earning assets - tax-equivalent [1]	3.64	3.72	3.64	3.59	3.52
Cost of interest-bearing deposits	0.41	0.43	0.47	0.50	0.57
Cost of total deposits	0.31	0.33	0.38	0.41	0.48
Cost of FHLB and short-term borrowings	1.95	3.03	1.82	1.79	1.79
Cost of funds	0.39	0.48	0.46	0.49	0.56
Net interest margin - tax-equivalent [1]	3.29 %	3.30 %	3.23 %	3.14 %	3.01 %

[1] Tax-exempt income is calculated on a tax-equivalent basis. Tax-free municipal securities are exempt from Federal income taxes. The incremental tax rate used is 21%.

The following tables present, for the periods indicated, average balance sheet information, interest income, interest expense and the corresponding average yield and rates paid:

	Three Months Ended					
	March 31, 2022			March 31, 2021		
	Average Balance	Interest Income / Expense	Average Yield / Rate[4]	Average Balance	Interest Income / Expense	Average Yield / Rate[4]
	(Dollars in thousands)					
Interest-earning assets:						
Securities - taxable	$ 220,802	$ 1,188	2.15 %	$ 211,646	$ 916	1.73 %
Securities - tax-exempt[1]	533,674	4,467	3.35	449,925	4,055	3.61
Interest-bearing deposits in other banks	309,948	152	0.20	452,305	128	0.11
Gross loans, net of unearned income[2][3]	4,332,831	42,728	4.00	4,506,843	43,758	3.94
Total interest-earning assets[1]	5,397,255	$ 48,535	3.64 %	5,620,719	$ 48,857	3.52 %
Allowance for credit losses	(57,922)			(78,371)		
Other non-interest-earning assets	224,405			255,819		
Total assets	$ 5,563,738			$ 5,798,167		
Interest-bearing liabilities						
Transaction deposits	$ 585,990	$ 222	0.15 %	$ 716,763	$ 364	0.21 %
Savings and money market deposits	2,302,552	1,847	0.33	2,421,765	2,388	0.40
Time deposits	587,452	1,442	1.00	972,006	2,976	1.24
Total interest-bearing deposits	3,475,994	3,511	0.41	4,110,534	5,728	0.57
FHLB and short-term borrowings	231,156	1,109	1.95	290,187	1,284	1.79
Trust preferred securities, net of fair value adjustments	1,012	25	10.25	965	24	9.96
Non-interest-bearing deposits	1,157,387	-	-	731,472	-	-
Cost of funds	4,865,549	$ 4,645	0.39 %	5,133,158	$ 7,036	0.56 %
Other liabilities	44,442			39,134		
Stockholders’ equity	653,747			625,875		
Total liabilities and stockholders’ equity	$ 5,563,738			$ 5,798,167		
Net interest income - tax-equivalent[1]		$ 43,890			$ 41,821	
Net interest spread - tax-equivalent[1]			3.25 %			2.96 %
Net interest margin - tax-equivalent[1]			3.29 %			3.01 %

(1) Tax exempt income is calculated on a tax equivalent basis. Tax-free municipal securities are exempt from Federal income taxes. The incremental tax rate used is 21.0%.
(2) Loans, net of unearned income include non-accrual loans of $33 million and $63 million as of March 31, 2022 and 2021, respectively.
(3) Loan interest income includes loan fees of $4 million and $4 million for the three months ended March 31, 2022 and 2021, respectively.
(4) Actual unrounded values are used to calculate the reported yield or rate. Accordingly, recalculations using the amounts in thousands as disclosed in this report may not produce the same amounts.

Changes in interest income and interest expense result from changes in average balances (volume) of interest earning assets and interest-bearing liabilities, as well as changes in average interest rates. The following table sets forth the effects of changing rates and volumes on our net interest income during the periods shown. Information is provided with respect to: (i) changes in volume (change in volume times old rate); (ii) changes in rates (change in rate times old volume); and (iii) changes in rate/volume (change in rate times the change in volume).

	Three Months Ended March 31, 2022 over 2021		
	Average Volume	Yield/Rate	Net Change[2]
		(Dollars in thousands)	
Interest Income			
Securities - taxable	$ 41	$ 231	$ 272
Securities - tax-exempt[1]	716	(304)	412
Interest-bearing deposits in other banks	(49)	73	24
Gross loans, net of unearned income	(1,708)	678	(1,030)
Total interest income[1]	$ (1,000)	$ 678	$ (322)
Interest Expense			
Transaction deposits	$ (59)	$ (83)	$ (142)
Savings and money market deposits	(113)	(428)	(541)
Time deposits	(1,022)	(512)	(1,534)
Total interest-bearing deposits	(1,194)	(1,023)	(2,217)
FHLB and short-term borrowings	(277)	102	(175)
Trust preferred securities, net of fair value adjustments	1	-	1
Total interest expense	(1,470)	(921)	(2,391)
Net interest income[1]	$ 470	$ 1,599	$ 2,069

[1] Tax exempt income is calculated on a tax equivalent basis. Tax-free municipal securities are exempt from Federal income taxes. The incremental 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.

Interest income - Interest income declined for the three-month period ended March 31, 2022 compared to the same period in 2021 driven by lower average loans outstanding and a $1.5 million reduction of PPP fee income. Average earning assets decreased $223 million or 4% from the same quarter in 2021, which included a $269 million or 86% decrease in average PPP loans.

Interest expense - Interest expense declined for the three-month period ended March 31, 2022 compared to the same period in 2021 as $385 million in higher-rate time deposits matured that decreased the cost of time deposits by 24 basis points. Average interest-bearing deposits decreased $635 million or 15% to $3.5 billion in the first quarter of 2022 from the same prior year period, partially offset by a $426 million or 58% increase in non-interest-bearing deposits. The change in deposit mix improved the overall cost of funds.

Net interest income - Net interest income increased for the three-month period ended March 31, 2022 compared to the same period in 2021 driven by rate and volume declines in interest-bearing liabilities. The Company currently anticipates net interest margin to increase for the remainder of 2022 because of the Company's variable-rate assets and the rising rate environment, although deposit migration and remaining pressure on loan pricing will be headwinds.

Impact of Transition Away from LIBOR

The Company had $1.0 billion in loans tied to LIBOR at March 31, 2022. Starting in October 2021, the Company began limiting loans originated using the LIBOR index. For current borrowers, the Company is modifying loan document language to account for the transition away from LIBOR as loans renew or originate. The Company plans to replace LIBOR-based loans with the Secured Overnight Financing Rate ("SOFR"). At March 31, 2022, the Company had $322 million in loans tied to SOFR. The Company adopted Accounting Standards Update ("ASU") 2020-04 "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting" in 2020. The ASU allows the Company to recognize the modification related to LIBOR as a

continuation of the old contract, rather than a cancellation of the old contract resulting in a write-off of unamortized fees and creation of a new contract.

Non-Interest Income (Expense)

	For the Quarter Ended				
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
	(Dollars in thousands)				
Total non-interest income (expense)	$ 4,942	$ 4,796	$ (1,105)	$ 5,825	$ 4,144
Non-interest income (expense) to average assets[1]	0.36 %	0.34 %	(0.08)%	0.41 %	0.29 %

[1] Interim periods annualized.

The components of non-interest income were as follows for the periods shown:

	Three Months Ended March 31,			
			Change	
	2022	2021	$	%
	(Dollars in thousands)			
Service charges and fees on customer accounts	$ 1,408	$ 957	$ 451	47 %
Realized gains (losses) on available-for-sale securities	(26)	10	(36)	(360)
Unrealized gains (losses), net on equity securities	(103)	(39)	(64)	164
Income from bank-owned life insurance	388	416	(28)	(7)
Swap fees and credit valuation adjustments, net	118	155	(37)	(24)
ATM and credit card interchange income	2,664	2,328	336	14
Other non-interest income	493	317	176	56
Total non-interest income	$ 4,942	$ 4,144	$ 798	19 %

The changes in non-interest income were driven primarily by the following:

Service charges and fees on customer accounts - This category includes account analysis fees offset by a customer rebate program. The increase for the quarter ended March 31, 2022 compared to the corresponding period in 2021 was driven by a $431 thousand increase in account analysis fees due to customer growth and an increase in outstanding balances.

ATM and credit card interchange income - The increase in ATM and credit card interchange income for the quarter ended March 31, 2022 compared to the same period in 2021 was primarily the result of customer growth.

For the three-month period ended March 31, 2022, approximately 68% of credit card interchange income came from customers that mobilized their workforce directly impacted by the COVID-19 pandemic. The Company anticipates a portion of credit card activity and related income will continue to fluctuate in connection with changes in COVID-19 cases and demand for a temporary, mobilized workforce.

Other non-interest income - The increase in other non-interest income for the quarter ended March 31, 2022 compared to the same period in 2021 was primarily related to $126 thousand in state employment incentives received during 2022. We expect to continue to receive the incentives quarterly going forward for three years, but at significantly lower amounts. The Company also saw a $53 thousand increase in foreign exchange fees for the quarter ended March 31, 2022 compared to the same period in 2021.

Non-Interest Expense

	For the Quarter Ended				
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
	(Dollars in thousands)				
Total non-interest expense	$ 27,666	$ 26,715	$ 24,036	$ 25,813	$ 22,818
Non-interest expense to average assets[1]	2.02 %	1.93 %	1.76 %	1.82 %	1.60 %

[1] Interim periods annualized.

The components of non-interest expense were as follows for the periods indicated:

	Quarter Ended March 31,			
			Change	
	2022	2021	$	%
	(Dollars in thousands)			
Salary and employee benefits	$ 17,941	$ 13,553	$ 4,388	32 %
Occupancy	2,493	2,494	(1)	-
Professional fees	805	782	23	3
Deposit insurance premiums	737	1,151	(414)	(36)
Data processing	812	716	96	13
Advertising	692	303	389	128
Software and communication	1,270	1,065	205	19
Foreclosed assets, net	(53)	50	(103)	(206)
Other non-interest expense	2,969	2,704	265	10
Total non-interest expense	$ 27,666	$ 22,818	$ 4,848	21 %

The changes in non-interest expense were driven primarily by the following:

Salary and Employee Benefits - Salary and employee benefit costs increased for the quarter ended March 31, 2022 compared to the same period in 2021 primarily due to the impact of continued hiring for production talent in a very competitive environment, annual merit increases, increased stock-based compensation costs due to improved, expected payouts on performance-based awards, and higher taxes and benefits due to incentive payouts.

Deposit Insurance Premiums - The FDIC uses a risk-based premium system to calculate the quarterly fee. Our premium costs decreased for the quarter ended March 31, 2022 compared to the same period in 2021 as a result of asset balance changes, changes in asset quality and changes in capital ratios. We currently anticipate deposit insurance premiums will increase over the next quarter because of expected loan growth and the common stock repurchase program.

Advertising - The increase in advertising costs was driven by increased in-person events for the quarter ended March 31, 2022 compared to the same quarter in 2021 because of COVID-19 pandemic restrictions being lifted.

Software and Communication - The increase was driven by our continued strategy to invest in technologies that allow us to cover beginning-to-end loan originations, provide customers with a suite of online tools and analyze operational trends. In addition to the growing number of technologies implemented, a portion of the increase in costs was due to our growth. We currently anticipate our software and communication costs to continue to increase in 2022 as we continue adding and implementing new software products that improve our customer’s experience.

Other Non-interest Expense - Other non-interest expense increased for the quarter ended March 31, 2022 compared to the same period in 2021 primarily due to an increase in commercial card costs as a result of our growing customer base and increased use as a result of the COVID-19 pandemic. In addition, insured cash sweep deposits increased in 2022 from 2021, which drove related fees higher and the Company’s travel costs increased as COVID-19 restrictions have eased. The increase was partially offset by a recovery from a previously expensed fraud claim.

Income Taxes

	For the Quarter Ended				
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
	(Dollars in thousands)				
Income tax expense	$ 4,188	$ 5,725	$ 5,660	$ 3,263	$ 2,908
Income before income taxes	21,016	26,526	26,660	18,840	14,943
Effective tax rate	20 %	22 %	21 %	17 %	19 %

Our income tax expense differs from the amount that would be calculated using the federal statutory tax rate, primarily from investments in tax advantaged assets, including bank-owned life insurance and tax-exempt municipal securities; state tax credits; and permanent tax differences from equity-based compensation. Refer to “Note 10: Income Tax” within the Notes to Condensed Consolidated Financial Statements (unaudited) for a reconciliation of the statutory rate to the Company’s actual income tax expense.

During the three-month period ended March 31, 2022, the Company’s effective tax rate benefited from permanent tax differences related to stock-compensation awards that vested during the first quarter of 2022 and tax-exempt interest. During the three-month period ended June 30, 2021, the Company benefited from $2 million in bank-owned life insurance settlement benefits that reduced income taxes by $387 thousand and reduced the effective tax rate by approximately 2%.

We currently anticipate the Company’s effective tax rate to remain within the 20% to 23% range in the near term.

Analysis of Financial Condition

Securities Portfolio

The securities portfolio is maintained to serve as a contingent, on-balance sheet source of liquidity. The objective of the investment portfolio is to optimize earnings, manage credit and interest rate risk, ensure adequate liquidity, and meet pledging and regulatory capital requirements. As of March 31, 2022, available-for-sale investments totaled $723 million, a decrease of $23 million from December 31, 2021.

The decline in the securities portfolio was driven by a $59 million decline in the unrealized gain (loss) on AFS securities. The decline was partially offset by the purchase of $22 million in tax-exempt municipal securities and $26 million in mortgage-backed securities. The Company currently anticipates continuing to grow the securities portfolio in proportion to the growth of the balance sheet. For additional information, see “Note 3: Securities” in the Notes to Condensed Consolidated Financial Statements (unaudited).

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Loan Portfolio

Refer to "Note 4: Loans and Allowance for Credit Losses ("ACL")" within the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information regarding the Company's loan portfolio. As of March 31, 2022, gross loans increased $93 million or 2% from December 31, 2021 and was driven by the following:

Commercial - The $41 million or 5% decline in commercial loans was driven by $34 million of PPP forgiveness, as well as, commercial loan paydowns.

Commercial lines of credit - The $61 million or 10% increase in commercial lines of credit was driven by loan originations and drawdowns in excess of loan paydowns.

Energy - Our energy portfolio decreased $7 million or 3% from December 31, 2021 primarily due to paydowns on outstanding lines of credit.

Commercial Real Estate - The $97 million or 8% increase was driven by strong originations and customer drawdowns on lines of credit primarily for commercial projects.

The following table shows the contractual maturities of our gross loans and sensitivity to interest rate changes:

	As of March 31, 2022								
	Due in One Year or Less		Due in One Year through Five Years		Due in Five Year through Fifteen Years		Due after Fifteen Years		
	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	Total
	(Dollars in thousands)								
Commercial	$ 17,593	$ 32,254	$ 287,935	$ 305,912	$ 42,807	$ 98,726	$ 20,000	$ -	$ 805,227
Commercial lines of credit	28,508	292,359	14,886	316,691	11,636	17,012	-	-	681,092
Energy	39	69,129	10,614	192,037	-	-	-	-	271,819
Commercial real estate	55,607	157,631	336,844	471,575	144,706	198,154	-	14,013	1,378,530
Construction and land development	14,676	73,954	35,785	373,212	9,244	25,531	2,587	32,488	567,477
Residential real estate	2,585	990	15,081	1,331	86,011	2,642	272	256,932	365,844
Multifamily real estate	8,459	65,485	54,163	101,382	6,142	7,877	-	-	243,508
Consumer	5,203	16,213	2,540	3,694	-	19,316	-	2,359	49,325
Total	$ 132,670	$ 708,015	$ 757,848	$ 1,765,834	$ 300,546	$ 369,258	$ 22,859	$ 305,792	$ 4,362,822

Provision and Allowance for Credit Losses ("ACL")

On January 1, 2022, the Company adopted ASU 2016-13, Financial Instruments-Credit Losses. Refer to "Note 1: Nature of Operations and Summary of Significant Accounting Policies" and "Note 4: Loans and Allowance for Credit Losses ("ACL")" within the Notes to Condensed Consolidated Financial Statements (unaudited) for information regarding the Company's ACL implementation and the ACL process.

The ACL at March 31, 2022 represents our best estimate of the expected credit losses in the Company's loan portfolio and off-balance sheet commitments, measured over the contractual life of the underlying instrument.

	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
			(Dollars in thousands)		
Provision for credit losses[1] - loans	$ (316)	$ (5,000)	$ (10,000)	$ 3,500	$ 7,500
Provision for credit losses[1] - off-balance sheet	(309)	N/A	N/A	N/A	N/A
Allowance for credit losses[2] - loans	55,231	58,375	64,152	75,493	74,551
Allowance for credit losses[2] - off-balance sheet	4,875	N/A	N/A	N/A	N/A
Net charge-offs	$ 1,081	$ 777	$ 1,341	$ 2,558	$ 8,244

(1) Prior to March 31, 2022, this line represents the provision for loan losses

(2) Prior to March 31, 2022, this line represents the allowance for loan losses

January 1, 2022, the adoption date, is presented below instead of December 31, 2021 for comparability purposes. The allocation in one portfolio segment does not preclude its availability to absorb losses in other segments. The table below presents the allocation of the allowance for credit losses as of the dates indicated:

	March 31, 2022					January 1, 2022				
	ACL Amount					ACL Amount				
	Loans	Off-Balance Sheet	Total	Percent of ACL to Total ACL	Percent of Loans to Total Loans	Loans	Off-Balance Sheet	Total	Percent of ACL to Total ACL	Percent of Loans to Total Loans
					(Dollars in thousands)					
Commercial	$ 9,981	$ 66	$ 10,047	17 %	18 %	$ 10,139	$ 107	$ 10,246	17 %	20 %
Commercial lines of credit	9,361	153	9,514	16	16	8,866	44	8,910	14	14
Energy	7,507	258	7,765	13	6	9,190	265	9,455	15	7
Commercial real estate	18,628	753	19,381	32	32	18,933	711	19,644	32	30
Construction and land development	3,678	3,514	7,192	12	13	3,666	3,914	7,580	12	14
Residential real estate	3,089	4	3,093	5	8	3,046	5	3,051	5	8
Multifamily real estate	2,342	116	2,458	4	6	2,465	137	2,602	4	6
Consumer	645	11	656	1	1	323	1	324	1	1
Total	$ 55,231	$ 4,875	$ 60,106	100 %	100 %	$ 56,628	$ 5,184	$ 61,812	100 %	100 %

Refer to "Note 4: Loans and Allowance for Credit Losses ("ACL")" within the Notes to the Condensed Consolidated Financial Statements (unaudited) for a discussion of the changes in the ACL. Provided below is additional information regarding charge-offs and recoveries:

Charge-offs and Recoveries:

For the three months ended March 31, 2022, net charge-offs were $1 million. Charge-offs included $1 million related to a commercial line of credit that originated in 2018 and started to deteriorate at the end of 2021, a $1 million charge-off related to an energy loan originated in 2016 that was significantly impacted by lower oil prices over the past few years, and a $750 thousand charge-off on a commercial real estate project that originated in 2017 and started to deteriorate in 2020. Charge-offs were partially offset primarily by a $1.8 million recovery on an energy loan that was charged-off in 2020. The trailing twelve-month net charge-off rate was 0.13%. The Company currently expects the current trailing twelve-month net charge-off rate to better represent the anticipated activity for 2022.

During the three-months ended March 31, 2021, charge-offs primarily related to two commercial borrowers that were unable to support their debt obligations. The $8 million charged-off was greater than the reserved balance in the allowance for loan losses at December 31, 2020 resulting in a $5 million increase in the provision during the quarter ended March 31, 2021.

The below table provides the ratio of net charge-offs (recoveries) to average loans outstanding based on our loan categories for the periods indicated:

	For the Quarter Ended				
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Commercial	(0.27) %	0.27 %	0.04 %	- %	0.02 %
Commercial lines of credit	0.76	0.04	0.62	2.20	5.93
Energy	(1.02)	0.68	0.64	-	-
Commercial real estate	0.34	-	-	-	-
Construction and land development	-	-	-	-	-
Residential real estate	-	(0.32)	-	-	-
Multifamily real estate	-	(0.06)	(0.01)	-	-
Consumer	0.05	(0.01)	(0.03)	(0.04)	0.29
Total	0.10 %	0.07 %	0.13 %	0.23 %	0.74 %

Nonperforming Assets and Other Asset Quality Metrics

Nonperforming assets include: (i) nonperforming loans - includes non-accrual loans, loans past due 90 days or more and still accruing interest, and loans modified under troubled debt restructurings (“TDRs”) that are not performing in accordance with their modified terms; (ii) foreclosed assets held for sale; (iii) repossessed assets; and (iv) impaired debt securities.

Nonperforming assets increased slightly to $36 million or 0.64% of total assets as of March 31, 2022 primarily due to an $11 million, previously identified substandard commercial line of credit. The increase was partially offset by a $7 million decline in nonaccrual energy loans due to $1 million in charge-offs, $3 million in payoffs and $3 million in loans placed back on accrual status. As of period end, 25% of nonperforming assets remain in the energy sector, which continues to be positively impacted by the sustained higher commodity prices.

During 2021, nonperforming assets continued to decrease due primarily to upgrades and pay offs in the commercial and energy portfolios. As of December 31, 2021, 49% of nonperforming assets related to energy credits that were significantly impacted by lower oil prices over the past few years.

Credit quality metrics generally improved during the first quarter of 2022 as the ACL decreased compared to the prior quarter, reflecting some stabilization in the Company's economic outlook.

The table below summarizes our nonperforming assets and related ratios as of the dates indicated:

	For the Quarter Ended				
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
	(Dollars in thousands)				
Nonaccrual loans	$ 33,071	$ 31,432	$ 48,147	$ 54,652	$ 63,319
Loans past due 90 days or more and still accruing	1,534	90	342	1,776	3,183
Total nonperforming loans	34,605	31,522	48,489	56,428	66,502
Foreclosed assets held for sale	973	1,148	1,148	1,718	2,347
Total nonperforming assets	$ 35,578	$ 32,670	$ 49,637	$ 58,146	$ 68,849
ACL to total loans	1.27 %	1.37 %	1.51 %	1.78 %	1.65 %
ACL + RUC to total loans[1]	1.38	N/A	N/A	N/A	N/A
ACL to nonaccrual loans	167	186	133	138	118
ACL to nonperforming loans	160	185	132	134	112
Nonaccrual loans to total loans	0.76	0.74	1.13	1.29	1.40
Nonperforming loans to total loans	0.79	0.74	1.15	1.33	1.48
Nonperforming assets to total assets	0.64 %	0.58 %	0.92 %	1.09 %	1.15 %

(1) Includes the ACL on off-balance sheet credit exposure that resulted from CECL adoption on January 1, 2022.

Other asset quality metrics management reviews include gross loans past due 30 - 89 days and classified, gross loans. The Company defines classified, gross loans as gross loans (deferred loan fees and costs are excluded) categorized as substandard - performing, substandard - nonperforming, doubtful, or loss. The definitions of substandard, doubtful and loss are provided in "Note 4: Loans and Allowance for Credit Losses ("ACL")" in the Notes to Condensed Consolidated Financial Statements (unaudited). The following table summarizes our gross loans past due 30 - 89 days, classified assets, and related ratios as of the dates indicated:

	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
			(Dollars in thousands)		
Gross Loans Past Due Detail					
30 - 59 days past due	$ 14,815	$ 1,671	$ 3,072	$ 18,758	$ 10,583
60 - 89 days past due	1,135	1,858	34,528	10	403
Total gross loans 30 - 89 days past due	$ 15,950	$ 3,529	$ 37,600	$ 18,768	$ 10,986
Loans 30 - 89 days past due / gross loans	0.37 %	0.08 %	0.89 %	0.44 %	0.24 %
Classified, Gross Loans					
Substandard - performing	$ 40,257	$ 47,275	$ 75,999	$ 116,078	$ 205,560
Substandard - nonperforming	30,619	28,879	45,063	49,300	57,967
Doubtful	2,451	2,554	3,084	5,352	5,352
Loss	-	-	-	-	-
Total classified, gross loans	73,327	78,708	124,146	170,730	268,879
Foreclosed assets held for sale	973	1,148	1,148	1,718	2,347
Total classified assets	$ 74,300	$ 79,856	$ 125,294	$ 172,448	$ 271,226
Classified loans / (total capital + ACL)	10.8 %	10.8 %	17.3 %	24.0 %	38.2 %
Classified loans / (total capital + ACL + RUC)[1]	10.7	N/A	N/A	N/A	N/A
Classified assets / (total capital + ACL)	11.0 %	11.0 %	17.5 %	24.2 %	38.6 %

(1) Includes the ACL on off-balance sheet credit exposure that resulted from CECL adoption on January 1, 2022.

The increase in gross loans past due between 30 and 89 days as of March 31, 2022 was primarily driven by an $11 million commercial line of credit. In the first quarter of 2022, we experienced improvement in our classified loan totals as classified loans decreased 7% during the quarter to $73 million. Classified totals in the energy portfolio decreased 24% to $16 million compared to the prior quarter and now represent 22% of total classified loans. The improvements in credit metrics compared to March 31, 2021 were primarily driven by upgrades in COVID-19 impacted segments and the energy portfolio.

The Company continually analyzes economic and other factors including the impact of the COVID-19 pandemic and changes in oil and gas prices among other considerations.

Deposits and Other Borrowings

The following table sets forth the maturity of time deposits as of March 31, 2022:

	As of March 31, 2022				
	Three Months or Less	Three to Six Months	Six to Twelve Months	After Twelve Months	Total
			(Dollars in thousands)		
Time deposits in excess of FDIC insurance limit	$ 22,772	$ 89,837	$ 61,600	$ 12,320	$ 186,529
Time deposits below FDIC insurance limit	72,515	94,392	104,135	54,496	325,538
Total	$ 95,287	$ 184,229	$ 165,735	$ 66,816	$ 512,067

At March 31, 2022, our deposits totaled $5 billion, a decrease of $62 million or 1% from December 31, 2021. The decrease, included a decline of $112 million in time deposits and $53 million of non-interest bearing deposits, partially offset by an increase in $103 million in money market, NOW and savings deposits. The increase in money market, Now, and savings deposits. was driven by required payments from our customers to the Internal Revenue Service and interest rate competition. The decrease in time deposits resulted from maturities, primarily from 6-month CD's and the current interest rate environment.

Other borrowings include FHLB advances and our trust preferred security. At March 31, 2022, other borrowings totaled $228 million, a $10 million or 4% decrease from December 31, 2021. The decline was driven by borrowings that matured and were not replaced due to increased Company liquidity.

As of March 31, 2022, the Company had approximately $330 million of deposits with one customer relationship. The Company evaluated the deposit concentration and determined that a significant reduction to these deposits would not adversely impact the Company as sufficient liquidity is accessible and at favorable rates.

As of March 31, 2022, the Company had approximately $2.3 billion of uninsured deposits, which is an estimated amount based on the same methodologies and assumptions used for the Bank's regulatory requirements. The Company believes that its current capital ratios and liquidity are sufficient to mitigate the risks of uninsured deposits.

Liquidity and Capital Resources

Contractual Obligations and Off-Balance Sheet Arrangements

The Company is subject to contractual obligations made in the ordinary course of business. The obligations include deposit liabilities, other borrowed funds, and operating leases. Refer to "Note 6: Time Deposits and Other Borrowings" within the Notes to Condensed Consolidated Financial Statements (unaudited) for a listing of the Company's significant contractual cash obligations. Refer to "Note 14: Leases" within the Notes to Condensed Consolidated Financial Statements (unaudited) for the Company's contractual obligations to third parties on lease obligations.

As a financial services provider, the Company is a party to various financial instruments with off-balance sheet risks, such as commitments to extend credit. Off-balance sheet arrangements represent the Company's future cash requirements. However, a portion of these commitments may expire without being drawn upon. Refer to "Note 12: Commitments and Credit Risk" within the Notes to Condensed Consolidated Financial Statements (unaudited) for a listing of the Company's off-balance sheet arrangements.

The Company's short-term and long-term contractual obligations, including off-balance sheet obligations, may be satisfied through the Company's on-balance sheet and off-balance sheet liquidity discussed below.

Liquidity

The Company's liquidity strategy is to maintain adequate, but not excessive, liquidity to meet the daily cash flow needs of its clients while attempting to achieve adequate earnings for its stockholders. The liquidity position is monitored continuously by the Company's finance department. The Company's short-term and long-term liquidity requirements are primarily met through cash flow from operations, redeployment of prepaying and maturing balances in our loan portfolio and security portfolio, increases in client deposits and wholesale deposits. Liquidity resources can be derived from two sources: (i) on-balance sheet liquidity resources, which represent funds currently on the balance sheet and (ii) off-balance sheet liquidity resources, which represent funds available from third-party sources. The Company's on-balance sheet and off-balance sheet liquidity resources consisted of the following as of the dates indicated:

	March 31, 2022	December 31, 2021
	(Dollars in thousands)	
Total on-balance sheet liquidity	$ 1,000,925	$ 1,224,253
Total off-balance sheet liquidity	779,725	732,748
Total liquidity	$ 1,780,650	$ 1,957,001
On-balance sheet liquidity as a percent of assets	18 %	22 %
Total liquidity as a percent of assets	32 %	35 %

For the three-months ended March 31, 2022, the Company's cash and cash equivalents declined $206 million from December 31, 2021 to $277 million, representing 5% of total assets. During the first quarter of 2022, the Company increased the available-for-sale security portfolio on an amortized cost basis by $36 million, net of paydowns and maturities, to improve the yield on interest-earning assets. In addition, the Company's loan growth of $93 million during the three-months ended March 31, 2022 reduced cash and cash equivalents. The Company's time deposits declined by $112 million due to maturities and the current interest rate environment, which was partially offset by a $50 million increase in other deposit products. The Company continued its repurchase program, purchasing $17 million of common stock during the first quarter of 2022.

The Company believes that its current liquidity will be sufficient to meet anticipated cash requirements for the next 12 months and thereafter. In the near-term, the Company currently anticipates a continued decline in time deposits as approximately $95 million will mature within the next three months of 2022. In addition, the Company anticipates $5 million of FHLB borrowings to mature by June 30, 2022 with an additional $65 million that is callable by June 2022. The Company has several on and off-balance sheet options to ensure any resulting reductions in cash and cash equivalents are appropriately offset to ensure appropriate liquidity.

Capital Requirements

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. The regulatory capital requirements involve quantitative measures of the Company's assets, liabilities, select off-balance sheet items and equity. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Refer to "Note 8: Regulatory Matters" in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information. Management believes that as of March 31, 2022, the Company and the Bank met all capital adequacy requirements to which they are subject.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with GAAP and with general practices within the financial services industry. Application of these principles requires management to make complex and subjective estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company bases estimates on historical experience and on various other assumptions that it believes to be reasonable under current circumstances. These assumptions form the basis for management judgments about the carrying values of assets and liabilities that are not readily available from independent, objective sources. The Company evaluates estimates on an ongoing basis. Use of alternative assumptions may have resulted in significantly different estimates. Actual results may differ from these estimates.

A discussion of these policies can be found in the section captioned "Critical Accounting Policies and Estimates" in Management's Discussion and Analysis of Financial Condition and Results of Operations included in the 2021 Form 10-K.

On January 1, 2022, the Company adopted ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. Refer to "Note 1: Nature of Operations and Summary of Significant Accounting Policies" and "Note 4: Loans and Allowance for Credit Losses ("ACL")" within the Notes to Condensed Consolidated Financial Statements (unaudited) for information regarding the Company's ACL implementation and the ACL process. Determining the appropriateness of the ACL is complex and requires judgment by management about the effect of matters that are inherently uncertain. These critical estimates include significant use of the Company's historical data and complex methods to interpret them.

It is difficult to estimate how potential changes in any one input might affect the overall ACL because inputs may change at different rates and may not be consistent across the loan segments. In addition, changes in inputs may be directionally inconsistent such that one factor may offset deterioration in others. The Company identified the following estimates and assumptions as the main drivers in the required ACL for loans and the reserve for off-balance sheet commitments:

- **Fully exhausted loan pool** – The historical loss factor is calculated by identifying a group of loans at a point in time (a "cohort") and tracking the cohort's charge-offs, net of recoveries, over a 10-year period (known as the estimated economic life). A charge-off rate for each cohort is calculated based on charge-offs, net of recoveries over the initial loan balance. The charge-off rate for a specific cohort is not included in the weighted average historical loss rate until "fully exhausted."

  A cohort balance declines due to modifications, renewals, and paydowns. The Company requires the remaining cohort balance to be less than 15% of its original cohort balance before being included in the historical loss factor. The 15% represents the exhaustion rate. Changes to the assumed exhaustion rate could increase or decrease the historical loss rates based on the timing of charge-offs, net of recoveries. For example, an exhaustion rate of 50% on the commercial segment would have reduced the required ACL by approximately $264 thousand for the three-month period ended March 31, 2022.

- **Forward looking factors** – The Company uses the Federal Reserve Bank's unemployment rate forecast to adjust expected losses based on an economic outlook. The Company's current methodology increases the ACL one basis point

for each 1% increase in the average unemployment rate forecast. As of March 31, 2022, a 1% increase in the average unemployment rate would increase the ACL by approximately $436 thousand.

- **Changes in the assumed utilization rate of off-balance sheet commitments** – The Company uses a 12-month historical utilization rate for all loan segments, excluding construction and development loans that use a higher utilization rate. An ACL on off-balance sheet commitments is required if the end of period utilization rate is less than the 12-month historical utilization rate. For example, a 1% decrease in the utilization rate of commercial lines of credit at March 31, 2022 would increase the required ACL by $221 thousand.

Besides the ACL methodology mentioned above, there have been no additional changes in the Company's application of critical accounting policies and estimates since December 31, 2021.

Recent Accounting Pronouncements

Refer to "Note 1: Nature of Operations and Summary of Significant Accounting Policies" included in the Notes to Condensed Consolidated Financial Statements (unaudited) included elsewhere in this Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

A primary component of market risk is interest rate volatility. Interest rate risk management is a key element of the Company's balance sheet management. Interest rate risk is the risk that net interest margins will erode over time due to changing market conditions. Many factors can cause margins to erode: (i) lower loan demand; (ii) increased competition for funds; (iii) weak pricing policies; (iv) balance sheet mismatches; and (v) changing liquidity demands. The objective is to maximize income while minimizing interest rate risk. The Company manages its sensitivity position using its interest rate risk policy. The management of interest rate risk is a three-step process and involves: (i) measuring the interest rate risk position; (ii) policy constraints; and (iii) strategic review and implementation.

Our exposure to interest rate risk is managed by the Funds Management Committee ("FMC"). The FMC uses a combination of three systems to measure the balance sheet's interest rate risk position. The three systems in combination are expected to provide a better overall result than a single system alone. The three systems include: (i) gap reports; (ii) earnings simulation; and (iii) economic value of equity. The FMC's primary tools to change the interest rate risk position are: (i) investment portfolio duration; (ii) deposit and borrowing mix; and (iii) on balance sheet derivatives.

The FMC evaluates interest rate risk using a rate shock method and rate ramp method. In a rate shock analysis, rates change immediately, and the change is sustained over the time horizon. In a rate ramp analysis, rate changes occur gradually over time. The following tables summarize the simulated changes in net interest income and fair value of equity over a 12-month horizon using a rate shock and rate ramp method as of the dates indicated:

Hypothetical Change in Interest Rate - Rate Shock

	March 31, 2022		March 31, 2021	
Change in Interest Rate (Basis Points)	**Percent change in net interest income**	**Percent change in fair value of equity**	**Percent change in net interest income**	**Percent change in fair value of equity**
+300	6.5 %	(8.1)%	0.7 %	(12.2)%
+200	3.9	(4.6)	(0.1)	(7.5)
+100	1.6	(2.0)	(0.6)	(3.6)
Base	- %	- %	- %	- %
-100	NA[(1)]	NA[(1)]	NA[(1)]	NA[(1)]
-200	NA[(1)]	NA[(1)]	NA[(1)]	NA[(1)]

[(1)] The Company decided to exclude the down rate environment from its analysis due to the already low interest rate environment.

Hypothetical Change in Interest Rate - Rate Ramp		
	March 31, 2022	March 31, 2021
Change in Interest Rate (Basis Points)	Percent change in net interest income	Percent change in net interest income
+300	2.8 %	0.3 %
+200	1.6	(0.2)
+100	0.6	(0.4)
Base	- %	- %
-100	NA[1]	NA[1]
-200	NA[1]	NA[1]

[1] The Company decided to exclude the down rate environment from its analysis due to the already low interest rate environment.

The Company's position is slightly asset sensitive as of March 31, 2022. The hypothetical positive change in net interest income as of March 31, 2022 in an up 100 basis point shock is mainly due to approximately two-thirds of the Company's earning assets repricing or maturing within the first year, with much of that being in the first 90 days. In addition, the Company's time deposits and other borrowings will continue to mature. Increases in the up 100 environment are impacted by floors on variable rate loans. In an up 200 and 300 environment, floors on variable rate loans become less impactful and earning assets reprice faster than interest-bearing liabilities. Future rate increases will drive higher loan yields as the impact of floors diminishes. The Company currently anticipates that overall cost of funds will lag interest rate increases and will result in an increase to net interest income. The Company currently anticipates the use of cash flow hedges in the near term to manage rate sensitivity.

The models the Company uses include assumptions regarding interest rates while balances remain unchanged. These assumptions are inherently uncertain and, as a result, the model cannot precisely estimate net interest income or precisely predict the impact of higher or lower interest rates on net interest income. Actual results will differ from simulated results due to timing, magnitude, and frequency of interest rate changes as well as changes in market conditions, customer behavior and management strategies, among other factors.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 ("Exchange Act")) as of March 31, 2022. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of March 31, 2022.

Changes in Internal Control over Financial Reporting

The Company implemented internal controls to ensure the Company adequately calculated changes due to, and properly assessed the impact of, the accounting standard updates related to the adoption of ASC 326 on January 1, 2022. There were no significant changes to our internal control over financial reporting due to the adoption of the new standard.

No change in the Company's internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that occurred during the first quarter of 2022 has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the normal course of business, we are named or threatened to be named as a defendant in various lawsuits. Management, following consultation with legal counsel, does not expect the ultimate disposition of any or a combination of these matters to have a

material adverse effect on our business, financial condition, results of operations, cash flows or growth prospects. However, given the nature, scope and complexity of the extensive legal and regulatory landscape applicable to our business (including laws and regulations governing consumer protection, fair lending, fair labor, privacy, information security and anti-money laundering and anti-terrorism laws), we, like all banking organizations, are subject to heightened legal and regulatory compliance and litigation risk.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our 2021 Form 10-K, which could materially affect our business, financial condition or results of operations in future periods. There were no material changes from the risk factors disclosed in the 2021 Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) Recent Sales of Unregistered Securities

During the quarter-ended March 31, 2022, 33,500 warrants were exercised at a strike price of $5.00 per warrant. A total of 33,500 common shares were issued. 80,000 warrants remain outstanding at a strike price of $5.00 per warrant.

(b) None.

(c) Share Repurchase Program

The following table summarizes our repurchases of our common shares for the three-months ended March 31, 2022:

Calendar Month	Total Number of Shares Repurchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that may yet be Purchased as Part of Publicly Announced Plans or Programs
January 1 - 31	185,466	$ 15.71	185,466	$ 18,735,409
February 1 - 28	284,972	15.92	284,972	14,193,758
March 1 - 31	587,894	15.80	587,894	$ 4,890,785
Total	1,058,332	$ 15.82	1,058,332	

On October 18, 2021, the Company announced that its Board of Directors approved a share repurchase program under which the Company may repurchase up to $30 million of its common stock. Repurchases under the program may be made in open market or privately negotiated transactions in compliance with SEC Rule 10b-18, subject to market conditions, applicable legal requirements and other relevant factors. The program does not obligate the Company to acquire any amount of common stock, and it may be suspended at any time at the Company's discretion. No time limit has been set for completion of the program.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
3.1	Articles of Incorporation of CrossFirst Bankshares, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 as filed with the SEC on July 18, 2019, File No. 333-232704).
3.2	Amendment to Articles of Incorporation of CrossFirst Bankshares, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1 as filed with the SEC on July 18, 2019, File No. 333-232704).
3.3	Bylaws of CrossFirst Bankshares, Inc. (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form S-1 as filed with the SEC on July 18, 2019, File No. 333-232704).
10.1*†	First Amendment to Employment Agreement with W. Randall Rapp, dated May 11, 2021
31.1*	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formation in Inline XBRL and contained in Exhibit 101)

* Filed Herewith

** Furnished Herewith

† Indicates a compensatory Plan

SIGNATURE

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

CrossFirst Bankshares, Inc.

May 5, 2022

/s/ Benjamin R. Clouse
Benjamin R. Clouse
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Certification of Chief Executive Officer
Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Michael J. Maddox, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CrossFirst Bankshares, Inc.;

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 the 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

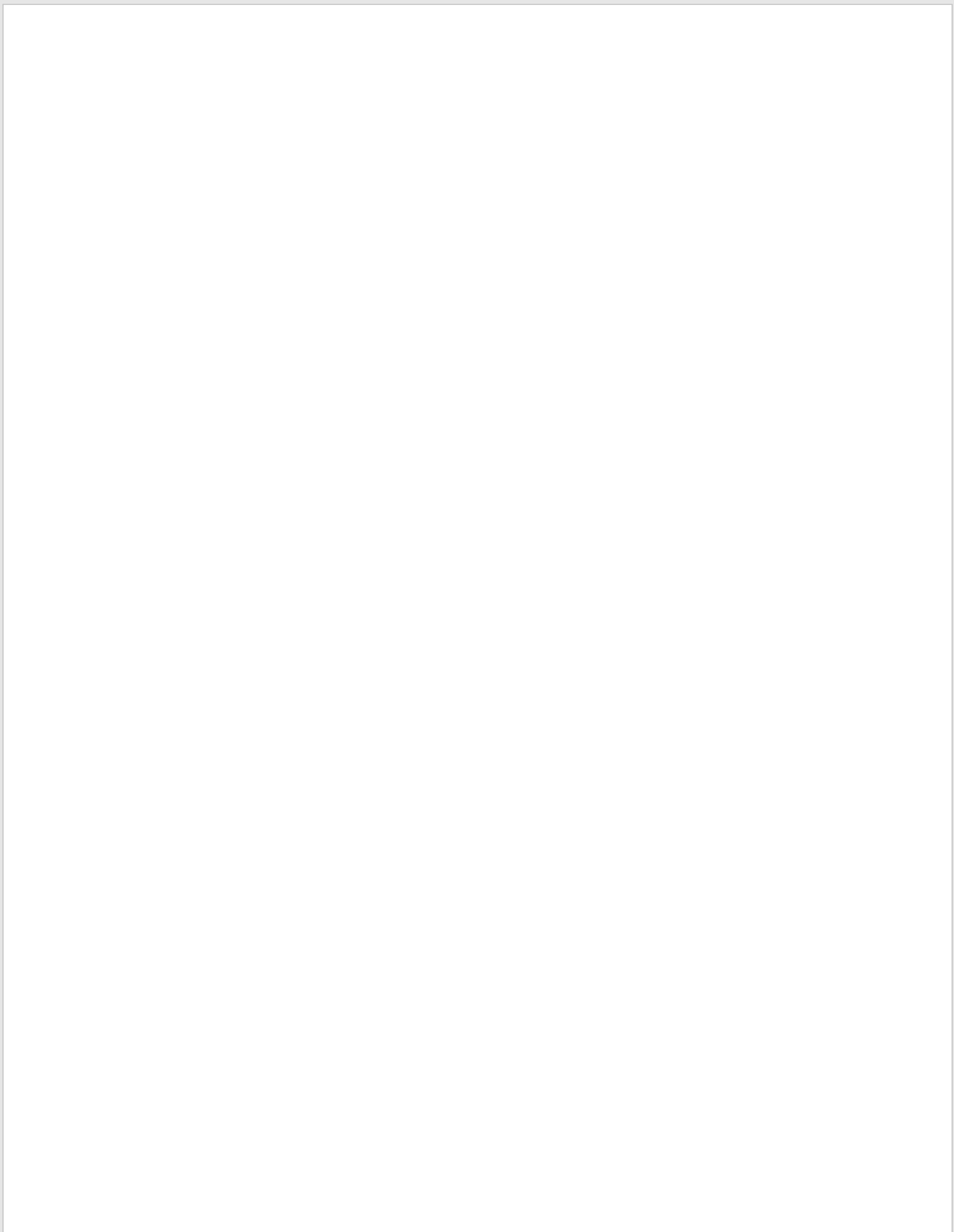
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (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.

Date: May 5, 2022

/s/ Michael J. Maddox
Michael J. Maddox
Chief Executive Officer
(Principal Executive Officer)



Certification of Chief Financial Officer
Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Benjamin R. Clouse, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CrossFirst Bankshares, Inc.;
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.

Date: May 5, 2022

/s/ Benjamin R. Clouse
Benjamin R. Clouse
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER UNDER 18 U.S.C. § 1350 FURNISHED PURSUANT TO SECURITIES EXCHANGE ACT RULE 13a-14(b)

In connection with the Quarterly Report of CrossFirst Bankshares, Inc. (the “Company”) on Form 10-Q for the period ended on March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned, in his respective capacities indicated below, hereby certifies, pursuant to 18 U.S.C. § 1350, as enacted by Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge and belief, (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 5, 2022

/s/ Michael J. Maddox
Michael J. Maddox
President and Chief Executive Officer (Principal Executive Officer)

/s/ Benjamin R. Clouse
Benjamin R. Clouse
Chief Financial Officer (Principal Financial Officer)

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

THIS FIRST AMENDMENT TO EMPLOYMENT AGREEMENT ("Amendment") is made and entered into on May 11, 2021, amends certain terms, effective as of the date provided below, of that employment agreement entered into, by and between CrossFirst Bank, a state bank organized under the laws of the State of Kansas (the "Company"), CrossFirst Bankshares, Inc., a Kansas Corporation (the "Holding Company"), and W. Randall Rapp ("Employee") on April 1, 2019 (the "Employment Agreement").

WHEREAS, the Company, the Holding Company, and Employee entered into the Employment Agreement for the purpose of memorializing the terms of Employee's employment with the Company;

WHEREAS, section 5.9(b) of the Employment Agreement permits the Employment Agreement to be modified or amended by a written instrument, executed by the party against whom enforcement of such amendment may be sought;

WHEREAS, Employees title has changed and the Company and Employee desire to amend ·the Employment Agreement to reflect such changes;

WHEREAS, section 3 of the Employment Agreement provides Employee with certain rights in the event of a termination of employment, including the right to receive certain financial benefits in the event of Employee's involuntary termination of employment;

WHEREAS, effective as June 2, 2020, the Holding Company adopted the CrossFirst Bankshares, Inc. Senior Executive Severance Plan (the "Severance Plan") which is intended to provide financial protection in the event of unexpected job loss to senior executives of the Holding Company or the Company;

WHEREAS, the Company, the Holding Company, and Employee desire to amend the Employment Agreement such that Employee will no longer be entitled to the benefits described in section 3 of the Employment Agreement, but instead will participate in the Severance Plan, and effective from the date provided below, section 3 of the Employment Agreement, other than sections 3.l(c), 3.l(h), and 3.7, will be null and void and of no application; and

WHEREAS, section l.l(a) and section 3 of the Employment Agreement will be amended as provided herein.

NOW, THEREFORE, effective as provided below, the following amendments are hereby made to the Employment Agreement:

1. As of the date hereof, section 1.1 of the Employment Agreement is hereby deleted and replaced with the following:

    1.1 POSITION AND TITLE. The Company hereby hires Employee to serve as the Chief Risk and Credit Officer.

    (a) LIMITS ON AUTHORITY. Employee shall, to the best of his abilities, perform his duties in such capacity pursuant to this Agreement in compliance with applicable law, consistent with such direction as the Company provides to Employee from time to

time, and in accordance with Company's policies and procedures as published from time to time.

(b) REPORTING AND AUTHORITY. Employee shall report to the Company as directed by the Company. Subject to the directions of the Company, Employee shall have full authority and responsibility for supervising and managing to the best of his ability, the daily affairs in his scope of work or as assigned including but not limited to: (i) presenting to the Company all business opportunities that come to his attention that are reasonably in the scope of business of the Company; (ii) working with the Company to develop and approve business objectives, policies and plans that improve the Company's profitability; (iii) communicating business objectives and plans to subordinates, (iv) ensuring that plans and policies are promulgated to and implemented by subordinate managers, (v) ensuring that each business plan provides those functions required for achieving its business objectives and that each plan is properly organized, staffed and directed to fulfill its responsibilities, (vi) assisting the Company in directing periodic reviews of the Company's strategic position and combining this information with corollary analysis of the Company's production and financial resources, (vii) providing periodic financial information concerning the operations of the projects and growth plans to the Company, and (viii) ensuring that the operation of the projects comply with applicable laws.

2. Effective upon Employee's participation in the Severance Plan (the "Effective Date"), all of section 3 of the Employment Agreement, with the exception of sections 3. l(c), 3.l(h), and 3.7, is null and void and has been superseded by the terms of the Severance Plan, such that the terms of the Severance Plan shall exclusively govern the rights of and benefits available to Employee in the event of a termination of employment.

3. As of the Effective Date. section 3.l(h) of the Employment Agreement is hereby deleted and replaced with the following:

"(h) "NOTICE OF TERMINATION" shall mean a written notice, which includes the effective Date of Termination and (i) if delivered by the Company in connection with the Company's decision to terminate Employee's employment with the Company, sets forth in reasonable detail the reason for termination of Employee's employment. or (ii) if delivered by Employee in connection with a "Constructive Termination" as such term is defined in the CrossFirst Bankshares. Inc. Senior Executive Severance Plan, specifies in reasonable detail the basis for such resignation. [11]

4. As of the Effective Date. a new subsection 3.7 is added to section 3 of the Employment Agreement which reads as follows:

[11]3.7 SUPERSESSION OF SEVERANCE BENEFITS. In the event the Committee designates Employee as a participant in the CrossFirst Bankshares, Inc. Senior Executive Severance Plan (the "Severance Plan"), upon such a designation becoming effective, the terms and conditions of the Severance Plan shall supersede the terms and conditions of this Section 3, other than sections 3.l(c), 3.l(h), and 3.7, and the Severance Plan alone shall govern and control Employee's entitlement to severance benefits, the amount of any severance benefits, and the payment terms of such severance benefits.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment, on the date set forth above.

CROSSFIRST BANKSHARES, INC.
NAME: Michael J. Maddox
SIGNATURE: /s/ Michael J. Maddox
TITLE: CEO

CROSSFIRST BANK
NAME: Michael J. Maddox
SIGNATURE: /s/ Michael J. Maddox
TITLE: CEO

EMPLOYEE
NAME: W. Randall Rapp
SIGNATURE: /s/ W. Randall Rapp