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CrossFirst Bankshares, Inc. Reports Second Quarter 2022 Results

Second Quarter 2022 Key Financial Performance Metrics

Net Income	ROAA	Net Interest Margin (FTE)	Diluted EPS	ROE
\$15.5 million	1.12%	3.52% ⁽¹⁾	\$0.31	10.15%

LEAWOOD, Kan., July 18, 2022 (GLOBE NEWSWIRE) -- CrossFirst Bankshares, Inc. (Nasdaq: CFB), the bank holding company for CrossFirst Bank, today reported operating results for the second quarter of 2022, with second quarter net income of \$15.5 million, or \$0.31 per diluted share, and year-to-date net income of \$32.4 million, or \$0.64 per diluted share.

CEO Commentary:

"In addition to our announcement about our planned acquisition of Central, we produced a very strong quarter of organic loan growth. We also invested in talent to support our continued success by filling key roles with both internal promotions and adding high-caliber talent from the outside," said CrossFirst's CEO and President, Mike Maddox. "We remain highly focused on credit quality, and we are committed to managing through a challenging economy while delivering for our clients and stockholders."

2022 Second Quarter Highlights:

- Announced on June 13, 2022, an agreement under which CrossFirst Bank will acquire Central Bancorp, Inc.'s bank subsidiary, Farmers & Stockmens Bank ("Central"), in an all-cash transaction
- \$5.7 billion of assets with 6% operating revenue growth compared to the second quarter of 2021
- \$179 million or 4% of total loan growth from the previous quarter and \$290 million or 7% loan growth from the same quarter last year; excluding PPP loans⁽²⁾, loan growth was \$195 million from the previous quarter or 5% and was \$473 million or 12% from the same quarter last year
- Continued improvement in credit quality during the second quarter of 2022 as evidenced by the decrease in non-performing assets to total assets ratio from 1.09% at June 30, 2021 to 0.54% at June 30, 2022
- Return on Average Assets of 1.12% and a Return on Equity of 10.15% for the quarter ended June 30, 2022
- Net Interest Margin (Fully Tax-Equivalent)⁽¹⁾ of 3.52% for the quarter ended June 30, 2022, compared to 3.14% for the same quarter last year

(Dollars in millions except per share data)	Quarter-to-Date June 30,		Year-to-Date June 30,	
	2022	2021	2022	2021
Operating revenue ⁽³⁾	\$ 50.9	\$ 48.2	\$ 99.0	\$ 93.4
Net income	\$ 15.5	\$ 15.6	\$ 32.4	\$ 27.6
Diluted earnings per share	\$ 0.31	\$ 0.30	\$ 0.64	\$ 0.53
Return on average assets	1.12 %	1.10 %	1.18 %	0.97 %
Return on average common equity	10.15 %	9.86 %	10.30 %	8.84 %
Net interest margin ⁽¹⁾	3.46 %	3.08 %	3.35 %	3.02 %
Net interest margin, fully tax-equivalent ⁽¹⁾⁽⁴⁾	3.52 %	3.14 %	3.41 %	3.07 %
Efficiency ratio	57.36 %	53.61 %	57.46 %	52.06 %
Non-GAAP core operating efficiency ratio, fully tax-equivalent ⁽²⁾⁽⁴⁾	55.08 %	53.34 %	55.83 %	51.51 %

⁽¹⁾ The Company changed the annualization method on the available-for-sale securities portfolio from Actual/Actual to 30/360 and moved the unrealized gain (loss) on available-for-sale securities from an interest-earning asset to a non-interest earning asset. All periods presented reflect this change.

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

⁽³⁾ Net interest income plus non-interest income.

⁽⁴⁾ Tax exempt income is calculated on a tax-equivalent basis. Tax-free municipal securities are exempt from federal income taxes. The incremental federal income tax rate used is 21.0%.

Income from Operations

Net Interest Income

Interest income was \$52.8 million for the second quarter of 2022, an increase of 9% from the second quarter of 2021 and an increase of 11% from the previous quarter due to higher average loans outstanding and higher interest rates. Average earning assets totaled \$5.4 billion for the second quarter of 2022, a decrease of \$92 million or 2% from the same quarter in 2021. This decline in average earning assets was largely driven by a decrease of \$210 million in average interest-bearing deposits in other banks, the impact of which was outweighed by the increase of \$29 million in average loans and the associated loan yield increase.

Interest expense for the second quarter of 2022 was \$6.1 million, slightly lower than the second quarter of 2021 and 32% higher than the previous quarter. Average interest-bearing deposits decreased to \$3.4 billion in the second quarter of 2022, a 13% decrease from the same prior year period. The cost of funds increased from the previous quarter to 0.50%, compared to 0.39% for the first quarter of 2022, driven by the higher interest rate environment.

Net interest income totaled \$46.7 million for the second quarter of 2022, which was 8% higher than the first quarter of 2022, and 10% higher than the second quarter of 2021. Tax-equivalent net interest margin increased to 3.52% in the current quarter from 3.29% in the previous quarter and 3.14% in the second quarter of 2021. The tax-equivalent adjustment, which accounts for income taxes saved on the interest earned on non-taxable securities and loans, was \$0.8 million for the second quarter of 2022.

Non-Interest Income

Non-interest income decreased \$1.6 million in the second quarter of 2022 or 28% compared to the same quarter of 2021 and decreased \$0.7 million compared to the first quarter of 2022. The decrease in non-interest income compared to the previous quarter was due to a \$1.1 million decrease in credit card fees and \$0.1 million decrease in swap fee income, partly offset by a \$0.3 million increase in letter of credit fees and \$0.1 million increase in service charge income. The decrease in non-interest income compared to the same quarter of 2021, was primarily due to \$1.8 million in income from bank-owned life insurance proceeds received last year.

Non-Interest Expense

Non-interest expense for the second quarter of 2022 was \$29.2 million, which increased 13% compared to the second quarter of 2021 and increased 6% from the first quarter of 2022. Salaries and benefit costs were lower in the current quarter by \$0.8 million compared to the prior quarter. Furthermore, professional fees increased \$0.3 million and data processing expenses increased \$0.3 million, partly offset by a slight decrease in software and communication expenses. Compared to the same quarter in the prior year, salaries and benefit costs were \$1.4 million higher mainly due to increased hiring for market expansion and increased incentive expenses. Additionally, software and communication expenses increased \$0.2 million, and data processing expenses increased \$0.4 million, offset by a \$0.7 million decrease in foreclosed assets. The other non-interest expense increase for the second quarter of 2022 was primarily due to increases in travel and meeting expenses and employee separation expense of \$1.1 million.

CrossFirst's effective tax rate for the second quarter of 2022 was 21%, as compared to 17% for the second quarter of 2021 and 20% in the first quarter of 2022. The 4% effective tax rate increase compared to the same quarter in the prior year was primarily due to the \$1.8 million in income from bank-owned life insurance proceeds received last year, which was not subject to tax. For both comparable periods, the Company continued to benefit from its tax-exempt municipal bond portfolio and bank-owned life insurance. The tax-exempt benefit diminishes as the Company's ratio of taxable income to tax-exempt income increases.

Balance Sheet Performance & Analysis

During the second quarter of 2022, total assets increased by \$190 million or 3% compared to March 31, 2022, and increased \$397 million or 7% compared to June 30, 2021. Total assets increased on a linked quarter basis primarily due to a \$179 million increase in loans. The year-over-year increase was due to increases in loans of \$310 million and cash and cash equivalents of \$57 million. Non-interest-bearing deposits increased \$53 million compared to March 31, 2022, and increased \$345 million from June 30, 2021. During the second quarter of 2022, available-for-sale investment securities decreased \$27 million to \$696 million compared to March 31, 2022 primarily due to unrealized losses from interest rate increases. The securities yields increased 7 basis points to a tax equivalent yield of 3.07% for the second quarter of 2022 compared to the prior quarter.

Loan Results

During the second quarter of 2022, the Company produced an increase in average loans of \$105 million compared to the first quarter of 2022, and an increase of \$29 million or 1% compared to the second quarter of 2021. The linked quarter increase in average loans was primarily a result of growth in the commercial and commercial real estate portfolios. Net of PPP loans, average loans grew 3% compared to the quarter ended March 31, 2022. Loan yields increased 28 basis points to 4.28% during the second quarter of 2022 and increased 29 basis points compared to the same prior year quarter.

	2Q22	1Q22	4Q21	3Q21	2Q21	QoQ Growth (\$)	QoQ Growth (%) ⁽¹⁾	YoY Growth (\$)	YoY Growth (%) ⁽¹⁾
<i>(Dollars in millions)</i>									
Average loans (gross)									
Commercial and industrial	\$ 1,532	\$ 1,434	\$ 1,328	\$ 1,233	\$ 1,221	\$ 98	7 %	\$ 311	25 %
Energy	241	274	290	311	341	(33)	(12)	(100)	(29)
Commercial real estate	1,399	1,327	1,272	1,213	1,203	72	5	196	16
Construction and land development	581	593	579	611	633	(12)	(2)	(52)	(8)
Residential and multifamily real estate	609	604	612	659	659	5	1	(50)	(8)
Paycheck Protection Program	20	42	84	147	296	(22)	(52)	(276)	(93)
Consumer	56	59	56	57	56	(3)	(5)	-	0
Total	\$ 4,438	\$ 4,333	\$ 4,221	\$ 4,231	\$ 4,409	\$ 105	2 %	\$ 29	1 %

Yield on average loans for the period ending

4.28% 4.00% 4.17% 4.00% 3.99%

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

Deposit & Other Borrowing Results

During the second quarter of 2022, the Company experienced a decrease in average deposits of 2% compared to the previous quarter, and a 4% decline in average deposits compared to the second quarter of 2021. The deposit reduction for the quarter was driven by decreases in transaction deposits and time deposits. As a result of the increasing interest rate environment, the Company had an increase of 11 basis points in the overall cost of deposits during the second quarter of 2022, and the cost of interest-bearing deposits has increased 6 basis points over the last twelve months.

	2Q22	1Q22	4Q21	3Q21	2Q21	QoQ Growth (\$)	QoQ Growth (%) ⁽¹⁾	YoY Growth (\$)	YoY Growth (%) ⁽¹⁾
<i>(Dollars in millions)</i>									
Average deposits									
Non-interest-bearing deposits	\$ 1,150	\$ 1,157	\$ 1,058	\$ 910	\$ 802	\$ (7)	(1)%	\$ 348	43 %
Transaction deposits	507	586	543	511	665	(79)	(13)	(158)	(23)
Savings and money market deposits	2,334	2,303	2,272	2,276	2,385	31	1	(51)	(2)
Time deposits	560	587	662	752	869	(27)	(5)	(309)	(36)
Total	\$ 4,551	\$ 4,633	\$ 4,535	\$ 4,449	\$ 4,721	\$ (82)	(2)%	\$ (170)	(4)%

Cost of deposits for the period ending

0.42% 0.31% 0.33% 0.38% 0.41%

Cost of interest-bearing deposits for the period ending

0.56% 0.41% 0.43% 0.47% 0.50%

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

At June 30, 2022, other borrowings totaled \$298 million, as compared to \$228 million at March 31, 2022, and \$284 million at June 30, 2021.

CROSSFIRST BANKSHARES, INC.

Asset Quality Position

Non-performing assets decreased to \$30.8 million due to a \$5.4 million decrease in non-accrual loans. The decline is attributable to decreases in non-accrual commercial and industrial and energy loans. The non-performing assets to total assets ratio decreased from 1.09% at June 30, 2021 to 0.54% at June 30, 2022. Classified loans increased slightly during the second quarter due to some grade changes in the commercial and industrial portfolio, but remained in an acceptable range at 12.1% of total capital plus the allowance for credit losses.

The allowance for credit losses was \$56 million or 1.23% of outstanding loans and 202% of non-accruing loans at June 30, 2022. The combined allowance for credit losses and accrual for off-balance sheet credit risk from unfunded commitments ("RUC") was \$61 million or 1.35% of outstanding loans and 221% of non-accruing loans at June 30, 2022.

The allowance for credit losses to total loans decreased to 1.23% at June 30, 2022 from 1.27% at March 31, 2022. The improvements in credit metrics compared to June 30, 2021 were primarily driven by upgrades in COVID-19 impacted segments and the Energy portfolio. Net charge-offs were \$1.1 million for the second quarter of 2022 and were consistent with the prior quarter. The charge-offs for the current quarter were primarily related to commercial and industrial and energy credits. The following table provides information regarding asset quality.

Asset quality (Dollars in millions)	2Q22	1Q22	4Q21	3Q21	2Q21
Non-accrual loans	\$ 27.7	\$ 33.1	\$ 31.4	\$ 48.1	\$ 54.7
Other real estate owned	1.0	1.0	1.1	1.1	1.7
Non-performing assets	30.8	35.6	32.7	49.8	58.1
Loans 90+ days past due and still accruing	2.2	1.5	0.1	0.5	1.8
Loans 30 - 89 days past due	16.6	15.9	3.5	37.6	18.8
Net charge-offs (recoveries)	1.1	1.1	0.8	1.3	2.6

Asset quality metrics (%)	2Q22	1Q22	4Q21	3Q21	2Q21
Non-performing assets to total assets	0.54 %	0.64 %	0.58 %	0.92 %	1.09 %
Allowance for credit loss to total loans	1.23	1.27	1.37	1.51	1.78
Allowance for credit loss + RUC to total loans ⁽¹⁾	1.35	1.38	-	-	-
Allowance for credit loss to non-performing loans	187	160	185	132	134
Net charge-offs (recoveries) to average loans ⁽²⁾	0.10	0.10	0.07	0.13	0.23
Provision to average loans ⁽²⁾	0.19	(0.06)	(0.47)	(0.94)	0.32
Classified Loans / (Total Capital + ACL)	12.1	10.8	10.8	17.3	24.0
Classified Loans / (Total Capital + ACL + RUC) ⁽¹⁾	12.0	10.7	-	-	-

⁽¹⁾ Includes the accrual for off-balance sheet credit risk from unfunded commitments that resulted from CECL adoption on January 1, 2022.

⁽²⁾ Interim periods annualized.

Capital Position

At June 30, 2022, stockholders' equity totaled \$608 million, or \$12.27 per share, compared to \$668 million, or \$13.23 per share, at December 31, 2021. During the second quarter of 2022, CrossFirst continued its share repurchase program by purchasing 237,993 shares of common stock outstanding. In addition, accumulated other comprehensive income (loss) declined by \$71 million between December 31, 2021 and June 30, 2022; driven by a \$74 million decrease in the unrealized gain (loss) on available-for-sale securities, net of tax.

The ratio of common equity Tier 1 capital to risk-weighted assets was approximately 12% and the total capital to risk-weighted assets was approximately 13% at June 30, 2022. The Company remains well-capitalized.

CROSSFIRST BANKSHARES, INC.

Conference Call and Webcast

CrossFirst will host a conference call to review second quarter 2022 financial results on Tuesday, July 19, 2022, at 10 a.m. CT / 11 a.m. ET. The conference call and webcast may also include discussion of Company developments, forward-looking statements and other material information about business and financial matters. To access the event by telephone, please dial (877) 270-2148 at least fifteen minutes prior to the start of the call and request access to the CrossFirst Bankshares, Inc. call. International callers should dial +1 (412) 902-6510 and request access as directed above.

The call will also be broadcast live over the internet and can be accessed via the following link: <https://edge.media-server.com/mmc/p/px7sxoby>. Please visit the site at least 15 minutes prior to the call to allow time for registration.

For those unable to join the presentation, a replay of the call will be available two hours after the conclusion of the live call. To access the replay, dial (877) 344-7529 and enter the replay access code 4987463. International callers should dial +1 (412) 317-0088 and enter the same access code. A replay of the webcast will also be available for 90 days on the company's website <https://investors.crossfirstbankshares.com/>.

Cautionary Notice about Forward-Looking Statements

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

Accordingly, the Company cautions you that any such forward-looking statements are not a guarantee of future performance and that actual results may prove to be materially different from the results expressed or implied by the forward-looking statements due to a number of factors. Such factors include, without limitation, credit quality and risk, ongoing impact of the COVID-19 pandemic, industry and technological changes, cyber incidents or other failures, disruptions or security breaches, interest rates, commercial and residential real estate values, economic and market conditions in the United States or internationally, funding availability, accounting estimates and risk management processes, the transition away from the London Interbank Offered Rate (LIBOR), legislative and regulatory changes, business strategy execution, hiring and retention of key personnel, competition, mortgage markets, fraud committed against the Company, environmental liability and severe weather, natural disasters, acts of war or terrorism or other external events. These and other factors that could cause results to differ materially from those described in the forward-looking statements, as well as a discussion of the risks and uncertainties that may affect our business, can be found in our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q and in other filings we make with the Securities and Exchange Commission. These forward-looking statements are made as of the date of this communication, and we disclaim any obligation to update any forward-looking statement or to publicly announce the results of any revisions to any of the forward-looking statements included herein, except as required by law.

About CrossFirst Bankshares, Inc.

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

Unaudited Financial Tables

- [Table 1. Consolidated Balance Sheets](#)
- [Table 2. Consolidated Statements of Operations](#)
- [Table 3. 2021 - 2022 Year-to-Date Analysis of Changes in Net Interest Income](#)
- [Table 4. 2021 - 2022 Quarterly Analysis of Changes in Net Interest Income](#)
- [Table 5. Non-GAAP Financial Measures](#)

TABLE 1. CONSOLIDATED BALANCE SHEETS

	June 30, 2022	December 31, 2021 ⁽²⁾
	(Unaudited)	
	<i>(Dollars in thousands)</i>	
Assets		
Cash and cash equivalents	\$ 277,678	\$ 482,727
Available-for-sale securities - taxable	186,154	192,146
Available-for-sale securities - tax-exempt	509,493	553,823
Loans, net of unearned fees	4,528,234	4,256,213
Allowance for credit losses on loans ⁽¹⁾	55,817	58,375
Net loans	4,472,417	4,197,838
Premises and equipment, net	64,769	66,069
Restricted equity securities	14,946	11,927
Interest receivable	17,909	16,023
Foreclosed assets held for sale	973	1,148
Bank-owned life insurance	68,293	67,498
Other	95,679	32,258
Total assets	<u>\$ 5,708,311</u>	<u>\$ 5,621,457</u>
Liabilities and stockholders' equity		
Deposits		
Non-interest-bearing	\$ 1,163,462	\$ 1,163,224
Savings, NOW and money market	2,847,887	2,895,986
Time	733,071	624,387
Total deposits	4,744,420	4,683,597
Federal Home Loan Bank advances	296,600	236,600
Other borrowings	1,041	1,009
Interest payable and other liabilities	58,234	32,678
Total liabilities	5,100,295	4,953,884
Stockholders' equity		
Common stock, \$0.01 par value:		
authorized - 200,000,000 shares, issued - 52,972,244 and 52,590,015 shares at June 30, 2022 and December 31, 2021, respectively	529	526
Treasury stock, at cost:		
3,436,295 and 2,139,970 shares held at June 30, 2022 and December 31, 2021, respectively	(48,501)	(28,347)
Additional paid-in capital	528,548	526,806
Retained earnings	176,869	147,099
Accumulated other comprehensive income (loss)	(49,429)	21,489
Total stockholders' equity	608,016	667,573
Total liabilities and stockholders' equity	<u>\$ 5,708,311</u>	<u>\$ 5,621,457</u>

(1) As of December 31, 2021, this line represents the allowance for loan and lease losses.

(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.

TABLE 2. CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2022	2021	2022	2021
<i>(Dollars in thousands except per share data)</i>				
Interest Income				
Loans, including fees	\$ 47,327	\$ 43,846	\$ 90,055	\$ 87,604
Available-for-sale securities - taxable	1,086	869	2,130	1,620
Available-for-sale securities - tax-exempt	3,845	3,497	7,537	6,848
Deposits with financial institutions	369	110	521	238
Dividends on bank stocks	213	162	357	327
Total interest income	52,840	48,484	100,600	96,637
Interest Expense				
Deposits	4,732	4,850	8,243	10,578
Fed funds purchased and repurchase agreements	74	2	74	3
Federal Home Loan Bank Advances	1,294	1,280	2,403	2,563
Other borrowings	31	24	56	48
Total interest expense	6,131	6,156	10,776	13,192
Net Interest Income	46,709	42,328	89,824	83,445
Provision for Credit Losses⁽¹⁾	2,135	3,500	1,510	11,000
Net Interest Income after Provision for Credit Losses⁽¹⁾	44,574	38,828	88,314	72,445
Non-Interest Income				
Service charges and fees on customer accounts	1,546	1,177	2,954	2,134
Realized losses on available-for-sale securities	(12)	(13)	(38)	(3)
Unrealized losses on equity securities, net	(71)	6	(174)	(33)
Income from bank-owned life insurance	407	2,245	795	2,661
Swap fees and credit valuation adjustments, net	12	(30)	130	125
ATM and credit card interchange income	1,521	1,506	4,185	3,834
Other non-interest income	798	934	1,291	1,251
Total non-interest income	4,201	5,825	9,143	9,969
Non-Interest Expense				
Salaries and employee benefits	17,095	15,660	35,036	29,213
Occupancy	2,622	2,397	5,115	4,891
Professional fees	1,068	1,138	1,873	1,920
Deposit insurance premiums	713	917	1,450	2,068
Data processing	1,160	720	1,972	1,436
Advertising	757	435	1,449	738
Software and communication	1,198	1,034	2,468	2,099
Foreclosed assets, net	15	665	(38)	715
Other non-interest expense	4,575	2,847	7,544	5,551
Total non-interest expense	29,203	25,813	56,869	48,631
Net Income Before Taxes	19,572	18,840	40,588	33,783
Income tax expense	4,027	3,263	8,215	6,171
Net Income	\$ 15,545	\$ 15,577	\$ 32,373	\$ 27,612
Basic Earnings Per Share	\$ 0.31	\$ 0.30	\$ 0.65	\$ 0.54
Diluted Earnings Per Share	\$ 0.31	\$ 0.30	\$ 0.64	\$ 0.53

(1) For the three and six-months ended June 30, 2021, this line represents the provision for loan and lease losses.

**TABLE 3. YEAR-TO-DATE ANALYSIS OF CHANGES IN NET INTEREST INCOME
(UNAUDITED)**

	Six Months Ended					
	June 30,					
	2022			2021		
Average Balance	Interest Income / Expense	Average Yield / Rate ⁽⁴⁾	Average Balance	Interest Income / Expense	Average Yield / Rate ⁽⁴⁾	
<i>(Dollars in thousands)</i>						
Interest-earning assets:						
Securities - taxable ⁽¹⁾	\$ 220,783	\$ 2,487	2.26%	\$ 209,730	\$ 1,947	1.86%
Securities - tax-exempt ⁽¹⁾⁽²⁾	543,873	9,120	3.35	464,208	8,286	3.57
Federal funds sold	-	-	-	-	-	-
Interest-bearing deposits in other banks	253,771	521	0.41	429,930	238	0.11
Gross loans, net of unearned income ⁽³⁾	4,385,664	90,055	4.14	4,457,792	87,604	3.96
Total interest-earning assets ⁽¹⁾⁽²⁾	5,404,091	\$ 102,183	3.81%	5,561,660	\$ 98,075	3.55%
Allowance for credit losses	(57,324)			(77,552)		
Other non-interest-earning assets	207,881			251,450		
Total assets	<u>\$ 5,554,648</u>			<u>\$ 5,735,558</u>		
Interest-bearing liabilities						
Transaction deposits	\$ 546,982	\$ 596	0.22%	\$ 690,514	\$ 677	0.20%
Savings and money market deposits	2,318,415	4,716	0.41	2,403,318	4,495	0.38
Time deposits	573,503	2,931	1.03	920,307	5,406	1.18
Total interest-bearing deposits	3,438,900	8,243	0.48	4,014,139	10,578	0.53
FHLB and short-term borrowings	280,883	2,477	1.78	289,039	2,566	1.79
Trust preferred securities, net of fair value adjustments	1,018	56	11.11	971	48	9.89
Non-interest-bearing deposits	1,153,499	-	-	766,725	-	-
Cost of funds	4,874,300	\$ 10,776	0.44%	5,070,874	\$ 13,192	0.52%
Other liabilities	46,312			35,017		
Stockholders' equity	634,036			629,667		
Total liabilities and stockholders' equity	<u>\$ 5,554,648</u>			<u>\$ 5,735,558</u>		
Net interest income ⁽²⁾		<u>\$ 91,407</u>			<u>\$ 84,883</u>	
Net interest spread ⁽¹⁾⁽²⁾			3.37%			3.03%
Net interest margin ⁽¹⁾⁽²⁾			3.41%			3.07%

⁽¹⁾ The Company changed the annualization method on the available-for-sale securities portfolio from Actual/Actual to 30/360 and moved the unrealized gain (loss) on available-for-sale securities from an interest-earning asset to a non-interest-earning asset. All periods presented reflect this change.

⁽²⁾ Tax exempt income is calculated on a tax-equivalent basis. Tax-free municipal securities are exempt from federal income taxes. The incremental income tax rate used is 21.0%.

⁽³⁾ Average gross loan balances include non-accrual loans.

⁽⁴⁾ Actual unrounded values are used to calculate the reported yield or rate disclosed. Accordingly, recalculations using the amounts in thousands as disclosed in this release may not produce the same amounts.

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

	Six Months Ended		
	June 30, 2022 over 2021		
	Average Volume	Yield/Rate	Net Change ⁽²⁾
	<i>(Dollars in thousands)</i>		
Interest Income			
Securities - taxable	\$ 107	\$ 433	\$ 540
Securities - tax-exempt ⁽¹⁾	987	(153)	834
Federal funds sold	-	-	-
Interest-bearing deposits in other banks	(132)	415	283
Gross loans, net of unearned income	(1,434)	3,885	2,451
Total interest income ⁽¹⁾	(472)	4,580	4,108
Interest Expense			
Transaction deposits	(151)	70	(81)
Savings and money market deposits	(163)	384	221
Time deposits	(1,840)	(635)	(2,475)
Total interest-bearing deposits	(2,154)	(181)	(2,335)
FHLB and short-term borrowings	(71)	(18)	(89)
Trust preferred securities, net of fair value adjustments	2	6	8
Total interest expense	(2,223)	(193)	(2,416)
Net interest income ⁽¹⁾	\$ 1,751	\$ 4,773	\$ 6,524

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

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

**TABLE 4. 2021 - 2022 QUARTERLY ANALYSIS OF CHANGES IN NET INTEREST INCOME
(UNAUDITED)**

	Three Months Ended					
	June 30,					
	2022			2021		
Average Balance	Interest Income / Expense	Average Yield / Rate ⁽⁴⁾	Average Balance	Interest Income / Expense	Average Yield / Rate ⁽⁴⁾	
<i>(Dollars in thousands)</i>						
Interest-earning assets:						
Securities - taxable ⁽¹⁾	\$ 220,763	\$ 1,299	2.35%	\$ 207,835	\$ 1,031	1.99%
Securities - tax-exempt ⁽¹⁾⁽²⁾	553,960	4,653	3.36	478,334	4,231	3.54
Federal funds sold	-	-	-	-	-	-
Interest-bearing deposits in other banks	198,210	369	0.75	407,801	110	0.11
Gross loans, net of unearned income ⁽³⁾	4,437,917	47,327	4.28	4,409,280	43,846	3.99
Total interest-earning assets ⁽¹⁾⁽²⁾	5,410,850	\$ 53,648	3.98%	5,503,250	\$ 49,218	3.59%
Allowance for credit losses	(56,732)			(76,741)		
Other non-interest-earning assets	191,539			247,129		
Total assets	<u>\$ 5,545,657</u>			<u>\$ 5,673,638</u>		
Interest-bearing liabilities						
Transaction deposits	\$ 508,403	\$ 374	0.29%	\$ 664,552	\$ 313	0.19%
Savings and money market deposits	2,334,103	2,869	0.49	2,385,074	2,107	0.35
Time deposits	559,708	1,489	1.07	869,176	2,430	1.12
Total interest-bearing deposits	3,402,214	4,732	0.56	3,918,802	4,850	0.50
FHLB and short-term borrowings	330,064	1,368	1.66	287,904	1,282	1.79
Trust preferred securities, net of fair value adjustments	1,024	29	11.94	976	24	9.82
Non-interest-bearing deposits	1,149,654	-	-	801,591	-	-
Cost of funds	4,882,956	\$ 6,129	0.50%	5,009,273	\$ 6,156	0.49%
Other liabilities	48,160			30,948		
Stockholders' equity	614,541			633,417		
Total liabilities and stockholders' equity	<u>\$ 5,545,657</u>			<u>\$ 5,673,638</u>		
Net interest income ⁽²⁾		<u>\$ 47,519</u>			<u>\$ 43,062</u>	
Net interest spread ⁽¹⁾⁽²⁾			3.48%			3.10%
Net interest margin ⁽¹⁾⁽²⁾			3.52%			3.14%

⁽¹⁾ The Company changed the annualization method on the available-for-sale securities portfolio from Actual/Actual to 30/360 and moved the unrealized gain (loss) on available-for-sale securities from an interest-earning asset to a non-interest-earning asset. All periods presented reflect this change.

⁽²⁾ Tax exempt income is calculated on a tax-equivalent basis. Tax-free municipal securities are exempt from federal income taxes. The incremental income tax rate used is 21.0%.

⁽³⁾ Average loan balances include non-accrual loans.

⁽⁴⁾ Actual unrounded values are used to calculate the reported yield or rate disclosed. Accordingly, recalculations using the amounts in thousands as disclosed in this release may not produce the same amounts.

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

Three Months Ended
June 30, 2022 over 2021

	Average Volume	Yield/Rate	Net Change ⁽²⁾
	<i>(Dollars in thousands)</i>		
Interest Income			
Securities - taxable	\$ 67	\$ 201	\$ 268
Securities - tax-exempt ⁽¹⁾	643	(221)	422
Federal funds sold	-	-	-
Interest-bearing deposits in other banks	(84)	343	259
Gross loans, net of unearned income	287	3,194	3,481
Total interest income ⁽¹⁾	913	3,517	4,430
Interest Expense			
Transaction deposits	(86)	147	61
Savings and money market deposits	(46)	808	762
Time deposits	(827)	(114)	(941)
Total interest-bearing deposits	(959)	841	(118)
FHLB and short-term borrowings	179	(93)	86
Trust preferred securities, net of fair value adjustments	1	4	5
Total interest expense	(779)	752	(27)
Net interest income ⁽¹⁾	\$ 1,692	\$ 2,765	\$ 4,457

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

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

TABLE 5. NON-GAAP FINANCIAL MEASURES

Non-GAAP Financial Measures

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

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

- We calculate “non-GAAP core operating income” as net income adjusted to remove non-core income and expense items related to:
 - Acquisition costs - We incurred expenses in the second quarter of 2022 related to the announced acquisition of Central Bancorp, Inc.'s bank subsidiary, Farmers & Stockmens Bank.
 - Employee separation - During the quarter ended June 30, 2022, the Company recorded \$1.1 million expense related to employee separation.
 - Charges and adjustments associated with the full vesting of a former executive - We incurred additional charges in the second quarter of 2021 related to the acceleration of \$0.7 million of certain cash, stock-based compensation, and employee costs.
 - Bank Owned Life Insurance - We obtain bank owned life insurance on key employees throughout the organization and received a \$1.8 million benefit in the second quarter of 2021.
 - Unrealized loss on equity security - During the quarter ended September 30, 2021, the Company recorded a \$6.2 million impairment loss related to an equity investment that was received as part of a restructured loan agreement.

The most directly comparable GAAP financial measure for non-GAAP core operating income is net income. Management believes that non-GAAP core operating income removes events that are not part of core business activities and are useful analytical tools for investors to compare periods excluding these non-core expenses and charges.

- We calculate "non-GAAP core return on average tangible common equity" as non-GAAP core operating income (as defined above) divided by average tangible common equity. Average tangible common equity is calculated as average common equity less average goodwill and intangibles and average preferred equity. The most directly comparable GAAP measure is return on average common equity. Management believes that non-GAAP core return on average tangible common equity removes events that are not part of core business activities and are useful analytical tools for investors to compare periods excluding these non-core expenses and charges.
- We calculate "non-GAAP core operating return on average assets" as non-GAAP core operating income (as defined above) divided by average assets. The most directly comparable GAAP financial measure is return on average assets, which is calculated as net income divided by average assets. Management believes that non-GAAP core operating return on average assets removes events that are not part of core business activities and are useful analytical tools for investors to compare periods excluding these non-core expenses and charges.
- We calculate "tangible common stockholders' equity" as total stockholders' equity less goodwill and intangibles and preferred equity. The most directly comparable GAAP measure is total stockholders' equity. Management believes that tangible stockholders' equity is important to many investors in the marketplace who are interested in changes from period to period in our stockholders' equity, exclusive of changes in intangible assets.
- We calculate “tangible book value per share” as tangible common stockholders' equity (as defined above) divided by the total number of shares outstanding. The most directly comparable GAAP measure is book value per share. Management believes that tangible book value per share is important to many investors in the marketplace who are interested in changes from period to period in our stockholders' equity, exclusive of changes in intangible assets.
- We calculate “non-GAAP loan growth, excluding PPP loans” as gross loans, net of unearned income subtracted by PPP loans, net of unearned income. Management believes that loan growth, excluding PPP loans is important to investors because it is a better representation of the overall loan portfolio activity when comparing between periods.

CROSSFIRST BANKSHARES, INC.

- We calculate "non-GAAP core operating efficiency ratio - fully tax equivalent (FTE)" as non-interest expense adjusted to remove non-core, non-interest expenses as defined above under non-GAAP core operating income divided by net interest income on a fully tax-equivalent basis plus non-interest income adjusted to remove non-core, non-interest income as defined above under non-GAAP core operating income. The most directly comparable financial measure is the efficiency ratio. Management believes that the non-GAAP core operating efficiency ratio is important to many investors because the ratio removes events that are not part of core business activities and is a useful analytical tool.
- We calculate "non-GAAP pre-tax pre-provision profit" as net income before taxes plus the provision for credit losses. Management believes that non-GAAP pre-tax pre-provision profit is important to many investors because the calculation removes the tax impact on the financials and gives investors insight into the operating income of the company.

CROSSFIRST BANKSHARES, INC.

	Quarter Ended					Six Months Ended	
	6/30/2022	3/31/2022	12/31/2021	9/30/2021	6/30/2021	6/30/2022	6/30/2021
	<i>(Dollars in thousands)</i>						
Non-GAAP core operating income:							
Net income	\$ 15,545	\$ 16,828	\$ 20,801	\$ 21,000	\$ 15,577	\$ 32,373	\$ 27,612
Add: Acquisition costs	239	-	-	-	-	239	-
Less: Tax effect ⁽¹⁾	50	-	-	-	-	50	-
Acquisition costs, net of tax	189	-	-	-	-	189	-
Add: Employee separation	1,063	-	-	-	-	1,063	-
Less: Tax effect ⁽¹⁾	223	-	-	-	-	223	-
Employee separation, net of tax	840	-	-	-	-	840	-
Add: Unrealized loss on equity security	-	-	-	6,200	-	-	-
Less: Tax effect ⁽¹⁾	-	-	-	1,302	-	-	-
Unrealized loss on equity security, net of tax	-	-	-	4,898	-	-	-
Add: Accelerated employee benefits	-	-	-	-	719	-	719
Less: Tax effect ⁽²⁾	-	-	-	-	210	-	210
Accelerated employee benefits, net of tax	-	-	-	-	509	-	509
Less: BOLI settlement benefits ⁽³⁾	-	-	-	-	1,841	-	1,841
Non-GAAP core operating income	\$ 16,574	\$ 16,828	\$ 20,801	\$ 25,898	\$ 14,245	\$ 33,402	\$ 26,280

⁽¹⁾ Represents the tax impact of the adjustments at a tax rate of 21.0%.

⁽²⁾ Represents the tax impact of the adjustments above at a tax rate of 21.0%, plus a permanent tax benefit associated with stock-based grants.

⁽³⁾ No tax effect.

	Quarter Ended					Six Months Ended	
	6/30/2022	3/31/2022	12/31/2021	9/30/2021	6/30/2021	6/30/2022	6/30/2021
	<i>(Dollars in thousands)</i>						
Non-GAAP core return on average tangible common equity:							
Net income available to common stockholders	\$ 15,545	\$ 16,828	\$ 20,801	\$ 21,000	\$ 15,577	\$ 32,373	\$ 27,612
Non-GAAP core operating income	16,574	16,828	20,801	25,898	14,245	33,402	26,280
Average common equity	614,541	653,747	656,415	644,715	633,417	634,036	629,667
Less: average goodwill and intangibles	101	121	140	160	179	111	189
Average tangible common equity	\$ 614,440	\$ 653,626	\$ 656,275	\$ 644,555	\$ 633,238	\$ 633,925	\$ 629,478
Return on average common equity	10.15 %	10.44 %	12.57 %	12.92 %	9.86 %	10.30 %	8.84 %
Non-GAAP core return on average tangible common equity	10.82 %	10.44 %	12.57 %	15.94 %	9.02 %	10.63 %	8.42 %

CROSSFIRST BANKSHARES, INC.

	Quarter Ended					Six Months Ended	
	6/30/2022	3/31/2022	12/31/2021	9/30/2021	6/30/2021	6/30/2022	6/30/2021
	<i>(Dollars in thousands)</i>						
Non-GAAP core operating return on average assets:							
Net income	\$ 15,545	\$ 16,828	\$ 20,801	\$ 21,000	\$ 15,577	\$ 32,373	\$ 27,612
Non-GAAP core operating income	16,574	16,828	20,801	25,898	14,245	33,402	26,280
Average assets	\$ 5,545,657	\$ 5,563,738	\$ 5,490,482	\$ 5,408,984	\$ 5,673,638	\$ 5,554,648	\$ 5,735,558
Return on average assets	1.12 %	1.23 %	1.50 %	1.54 %	1.10 %	1.18 %	0.97 %
Non-GAAP core operating return on average assets	1.20 %	1.23 %	1.50 %	1.90 %	1.01 %	1.21 %	0.92 %

	Quarter Ended				
	6/30/2022	3/31/2022	12/31/2021	9/30/2021	6/30/2021
	<i>(Dollars in thousands except per share data)</i>				
Tangible common stockholders' equity:					
Total stockholders' equity	\$ 608,016	\$ 623,199	\$ 667,573	\$ 652,407	\$ 637,190
Less: goodwill and other intangible assets	91	110	130	149	169
Tangible common stockholders' equity	\$ 607,925	\$ 623,089	\$ 667,443	\$ 652,258	\$ 637,021
Tangible book value per share:					
Tangible common stockholders' equity	\$ 607,925	\$ 623,089	\$ 667,443	\$ 652,257	\$ 637,021
Shares outstanding at end of period	49,535,949	49,728,253	50,450,045	51,002,698	50,958,680
Book value per share	\$ 12.27	\$ 12.53	\$ 13.23	\$ 12.79	\$ 12.50
Tangible book value per share	\$ 12.27	\$ 12.53	\$ 13.23	\$ 12.79	\$ 12.50

	Quarter Ended				
	6/30/2022	3/31/2022	12/31/2021	9/30/2021	6/30/2021
	<i>(Dollars in thousands)</i>				
Non-GAAP loan growth, excluding PPP loans:					
Gross loans, net of unearned income	\$ 4,528,234	\$ 4,349,558	\$ 4,256,213	\$ 4,233,117	\$ 4,237,944
Less: PPP loans, net of unearned income	14,536	31,200	64,805	109,465	197,084
Non-PPP gross loans, net of unearned income	\$ 4,513,698	\$ 4,318,358	\$ 4,191,408	\$ 4,123,652	\$ 4,040,860
Year-over-year loan growth	6.85 %				
Non-GAAP year-over-year loan growth excluding PPP loans	12.00				
Linked quarter loan growth	4.11				
Non-GAAP linked quarter loan growth excluding PPP loans	4.52 %				

CROSSFIRST BANKSHARES, INC.

	Quarter Ended					Six Months Ended	
	6/30/2022	3/31/2022	12/31/2021	9/30/2021	6/30/2021	6/30/2022	6/30/2021
	<i>(Dollars in thousands)</i>						
Non-GAAP Core Operating Efficiency Ratio - Fully Tax Equivalent (FTE)							
Non-interest expense	\$ 29,203	\$ 27,666	\$ 26,715	\$ 24,036	\$ 25,813	\$ 56,869	\$ 48,631
Less: Accelerated employee benefits	-	-	-	-	719	-	719
Adjusted Non-interest expense (numerator)	\$ 29,203	\$ 27,666	\$ 26,715	\$ 24,036	\$ 25,094	\$ 56,869	\$ 47,912
Net interest income	46,709	43,115	43,445	41,801	42,328	89,824	83,445
Tax equivalent interest income ⁽¹⁾	810	775	762	748	734	1,583	1,438
Non-interest income (loss)	4,201	4,942	4,796	(1,105)	5,825	9,143	9,969
Add: Acquisition costs	239	-	-	-	-	239	-
Add: Employee separation	1,063	-	-	-	-	1,063	-
Add: Unrealized loss on equity security	-	-	-	6,200	-	-	-
Less: BOLI settlement benefits ⁽²⁾	-	-	-	-	1,841	-	1,841
Total tax-equivalent income (denominator)	\$ 53,022	\$ 48,832	\$ 49,003	\$ 47,644	\$ 47,046	\$ 101,852	\$ 93,011
Efficiency Ratio	57.36 %	57.57 %	55.38 %	59.06 %	53.61 %	57.46 %	52.06 %
Non-GAAP Core Operating Efficiency Ratio - Fully Tax Equivalent (FTE)	55.08 %	56.66 %	54.52 %	50.45 %	53.34 %	55.83 %	51.51 %

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

⁽²⁾ No tax effect.

	Quarter Ended					Six Months Ended	
	6/30/2022	3/31/2022	12/31/2021	9/30/2021	6/30/2021	6/30/2022	6/30/2021
	<i>(Dollars in thousands)</i>						
Non-GAAP Pre-Tax Pre-Provision Profit							
Net income before taxes	\$ 19,572	\$ 21,016	\$ 26,526	\$ 26,660	\$ 18,840	\$ 40,588	\$ 33,783
Add: Provision for credit losses	2,135	(625)	(5,000)	(10,000)	3,500	1,510	11,000
Non-GAAP Pre-Tax Pre-Provision Profit	\$ 21,707	\$ 20,391	\$ 21,526	\$ 16,660	\$ 22,340	\$ 42,098	\$ 44,783