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 June 30, 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) 754-9704
(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 August 1, 2022, the registrant had 49,310,909 shares of common stock, par value $0.01, outstanding.

CrossFirst Bankshares, Inc.
Form 10-Q for the Quarter Ended June 30, 2022

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Forward-Looking Information

All statements contained in this quarterly report on Form 10-Q that do not directly and exclusively relate to historical facts constitute forward-looking statements. 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 of these words or other comparable words or phrases of a future or forward-looking nature. For example, our forward-looking statements include statements regarding our expectations, opportunities or plans for growth; the proposed acquisition of Farmers & Stockmens Bank, the bank subsidiary of Central Bancorp, Inc. (collectively, Farmers & Stockmens Bank and Central Bancorp, Inc. are herein referred as "Central"); our anticipated expenses, cash requirements and sources of liquidity; and our capital allocation strategies and plans.

Unless we state otherwise or the context otherwise requires, references below to "we," "our," "us," 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.

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 due to a number of factors. Such factors include: credit quality and risk, risks associated with the ongoing COVID-19 pandemic, changes in economic conditions in the United States and the Company's market areas, legislative and regulatory changes, fluctuations in interest rates, changes in liquidity requirements, demand for loans in the Company's market areas, changes in accounting and tax principles, estimates made on income taxes, competition with other entities that offer financial services, cybersecurity incidents or other failures, disruptions or security breaches, commercial and residential real estate values, funding availability, the transition away from the London Interbank Offered Rate (LIBOR), business strategy execution, hiring and retention of key personnel, fraud committed against the Company, or other external events. Additional discussion of these and other risk factors can be found in our 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, and in our other filings with the SEC.

Except as required by law, the Company undertakes no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in our business, results of operations or financial condition over time. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

PART I - FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CROSSFIRST BANKSHARES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2022	December 31, 2021[1]
	(Unaudited)	
	(Dollars in thousands)	
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[2]	55,817	58,375
Loans, net of the allowance for credit losses on 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	95,678	32,258
Total assets	$ 5,708,310	$ 5,621,457
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	176,868	147,099
Accumulated other comprehensive income (loss)	(49,429)	21,489
Total stockholders' equity	608,015	667,573
Total liabilities and stockholders' equity	$ 5,708,310	$ 5,621,457

(1) 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.

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

See Notes to Condensed Consolidated Financial Statements (unaudited)

CROSSFIRST BANKSHARES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME - UNAUDITED

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(Dollars in thousands except per share data)			
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 gains (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. 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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(Dollars in thousands)			
Net Income	$ 15,545	$ 15,577	$ 32,373	$ 27,612
Other Comprehensive Income (Loss)				
Unrealized gain (loss) on available-for-sale securities	(39,026)	5,527	(97,982)	(3,543)
Less: income tax expense (benefit)	(9,554)	1,354	(23,987)	(867)
Unrealized gain (loss) on available-for-sale securities, net of income tax	(29,472)	4,173	(73,995)	(2,676)
Reclassification adjustment for realized losses included income	(12)	(13)	(38)	(3)
Less: income tax benefit	(3)	(3)	(9)	(1)
Less: reclassification adjustment for realized loss included in income, net of income tax	(9)	(10)	(29)	(2)
Unrealized gain on cash flow hedges	1,385	-	4,040	-
Less: income tax expense	339	-	992	-
Unrealized gain on cash flow hedges, net of income tax	1,046	-	3,048	-
Other comprehensive income (loss)	(28,417)	4,183	(70,918)	(2,674)
Comprehensive Income (Loss)	$ (12,872)	$ 19,760	$ (38,545)	$ 24,938

See Notes to Condensed Consolidated Financial Statements (unaudited)

CROSSFIRST BANKSHARES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY - UNAUDITED

	Common Stock			Additional		Accumulated Other	
	Shares	Amount	Treasury Stock	Paid-in Capital	Retained Earnings	Comprehensive Income	Total
				(Dollars in thousands)			
Balance at March 31, 2021	51,678,669	$ 523	$ (7,113)	$ 523,156	$ 89,722	$ 22,546	$ 628,834
Net income	-	-	-	-	15,577	-	15,577
Change in unrealized appreciation on available-for-sale securities	-	-	-	-	-	4,183	4,183
Issuance of shares from equity-based awards	155,707	2	-	(94)	-	-	(92)
Open market common share repurchases	(875,696)	-	(12,887)	-	-	-	(12,887)
Stock-based compensation	-	-	-	1,575	-	-	1,575
Balance at June 30, 2021	50,958,680	$ 525	$ (20,000)	$ 524,637	$ 105,299	$ 26,729	$ 637,190

	Common Stock			Additional			
	Shares	Amount	Treasury Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
				(Dollars in thousands)			
Balance at March 31, 2022	49,728,253	$ 529	$ (45,109)	$ 527,468	$ 161,323	$ (21,012)	$ 623,199
Net income	-	-	-	-	15,545	-	15,545
Other comprehensive loss	-	-	-	-	-	(28,417)	(28,417)
Issuance of shares from equity-based awards	45,689	-	-	(40)	-	-	(40)
Open market common share repurchases	(237,993)	-	(3,392)	-	-	-	(3,392)
Stock-based compensation	-	-	-	1,120	-	-	1,120
Balance June 30, 2022	49,535,949	$ 529	$ (48,501)	$ 528,548	$ 176,868	$ (49,429)	$ 608,015

See Notes to Condensed Consolidated Financial Statements (unaudited)

CROSSFIRST BANKSHARES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY - UNAUDITED

	Common Stock												
	Shares		Amount		Treasury Stock		Additional Paid-in Capital		Retained Earnings		Accumulated Other Comprehensive Income		Total
	(Dollars in thousands)												
Balance at December 31, 2020	51,679,516	$	523	$	(6,061)	$	522,911	$	77,652	$	29,403	$	624,428
Net income	-		-		-		-		27,612		-		27,612
Change in unrealized depreciation of available-for-sale securities	-		-		-		-		-		(2,674)		(2,674)
Issuance of shares from equity-based awards	243,357		2		-		(498)		-		-		(496)
Open market common share repurchases	(964,193)		-		(13,939)		-		-		-		(13,939)
Employee receivables from sale of stock	-		-		-		-		35		-		35
Stock-based compensation	-		-		-		2,224		-		-		2,224
Balance at June 30, 2021	50,958,680	$	525	$	(20,000)	$	524,637	$	105,299	$	26,729	$	637,190

	Common Stock												
	Shares		Amount		Treasury Stock		Additional Paid-in Capital		Retained Earnings		Accumulated Other Comprehensive Income (Loss)		Total
	(Dollars in thousands)												
Balance at December 31, 2021	50,450,045	$	526	$	(28,347)	$	526,806	$	147,099	$	21,489	$	667,573
Cumulative effect from changes in accounting principle[(1)]	-		-		-		-		(2,610)		-		(2,610)
Net income	-		-		-		-		32,373		-		32,373
Change in unrealized depreciation of available-for-sale securities	-		-		-		-		-		(70,918)		(70,918)
Issuance of shares from equity-based awards	348,729		3		-		(660)		-		-		(657)
Open market common share repurchases	(1,296,325)		-		(20,154)		-		-		-		(20,154)
Employee receivables from sale of stock	-		-		-		-		6		-		6
Stock-based compensation			-		-		2,235		-		-		2,235
Exercise of warrants	33,500		-		-		167		-		-		167
Balance June 30, 2022	49,535,949	$	529	$	(48,501)	$	528,548	$	176,868	$	(49,429)	$	608,015

(1) 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

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
	(Dollars in thousands)	
Operating Activities		
Net income	$ 32,373	$ 27,612
Items not requiring (providing) cash		
Depreciation and amortization	2,474	2,715
Provision for credit losses[1]	1,510	11,000
Accretion of discounts and amortization of premiums on securities	2,192	2,624
Stock based compensation	2,235	2,224
Foreclosed asset impairment	-	630
Deferred income taxes	2,557	1,235
Net increase in bank owned life insurance	(795)	(2,661)
Net realized gains on available-for-sale securities	38	3
Changes in		
Interest receivable	(1,886)	1,420
Other assets	3,780	(2,160)
Other liabilities	(21,268)	(3,151)
Net cash provided by operating activities	23,210	41,491
Investing Activities		
Net change in loans	(274,206)	193,151
Purchases of available-for-sale securities	(73,399)	(124,570)
Proceeds from maturities of available-for-sale securities	22,513	60,773
Proceeds from the sale of foreclosed assets	237	-
Purchase of premises and equipment	(1,135)	(152)
Proceeds from the sale of premises and equipment and related insurance claims	13	108
Purchase of restricted equity securities	(4,208)	-
Proceeds from sale of restricted equity securities	1,544	2,539
Proceeds from death benefit on bank owned life insurance	-	3,483
Net cash provided by (used in) investing activities	(328,641)	135,332
Financing Activities		
Net decrease in demand deposits, savings, NOW and money market accounts	(47,861)	(98,678)
Net increase (decrease) in time deposits	108,684	(239,435)
Net increase (decrease) in fed funds purchased and repurchase agreements	6	(2,306)
Proceeds from Federal Home Loan Bank advances	50,000	-
Repayment of Federal Home Loan Bank advances	(130,000)	(10,000)
Net proceeds of Federal Home Loan Bank line of credit	140,000	-
Issuance of common shares, net of issuance cost	170	2
Proceeds from employee stock purchase plan	364	172
Repurchase of common stock	(20,154)	(13,939)
Acquisition of common stock for tax withholding obligations	(833)	(670)
Net decrease in employee receivables	6	35
Net cash provided by (used in) financing activities	100,382	(364,819)
Decrease in Cash and Cash Equivalents	(205,049)	(187,996)
Cash and Cash Equivalents, Beginning of Period	482,727	408,810
Cash and Cash Equivalents, End of Period	$ 277,678	$ 220,814
Supplemental Cash Flows Information		
Interest paid	$ 10,862	$ 13,687
Income taxes paid	$ 3,880	$ 4,270

(1) For the six-months ended June 30, 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.

On June 13, 2022, the Company announced its entry into an agreement under which the Bank will acquire Farmers & Stockmens Bank, the bank subsidiary of Central Bancorp, Inc. (collectively, Farmers & Stockmens Bank and Central Bancorp, Inc. are herein referred as "Central"), for approximately $75 million in cash. Central has branches in Colorado and New Mexico. The transaction is currently expected to close in the second half of 2022, subject to approval by Central shareholders and bank regulatory authorities, as well as the satisfaction of other customary closing conditions.

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. 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 audited 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 $174 million of cash and cash equivalents at the Federal Reserve Bank of Kansas City as of June 30, 2022.

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" 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- and six-month periods ended June 30, 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. 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 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.

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 and Industrial	$ 843,024	$ 1,401,681	$ (558,657)
Commercial and Industrial 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 of the allowance for credit losses on loans	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 and industrial 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 and industrial 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" 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 non-accrual 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 non-accrual, 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 non-accrual 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 Federal Home Loan Bank ("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 non-lease components.	If not elected, the Company would be required to allocate the total consideration in a lease contract to lease and non-lease 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 June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
	(Dollars in thousands except per share data)			
Earnings per Share				
Net income available to common stockholders	$ 15,545	$ 15,577	$ 32,373	$ 27,612
Weighted average common shares	49,758,263	51,466,885	50,003,418	51,561,519
Earnings per share	$ 0.31	$ 0.30	$ 0.65	$ 0.54
Diluted Earnings per Share				
Net income available to common stockholders	$ 15,545	$ 15,577	$ 32,373	$ 27,612
Weighted average common shares	49,758,263	51,466,885	50,003,418	51,561,519
Effect of dilutive shares	445,462	742,656	558,450	733,463
Weighted average dilutive common shares	50,203,725	52,209,541	50,561,868	52,294,982
Diluted earnings per share	$ 0.31	$ 0.30	$ 0.64	$ 0.53
Stock-based awards not included because to do so would be antidilutive	711,375	417,950	450,541	639,887

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:

	June 30, 2022			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Approximate Fair Value**
	(Dollars in thousands)			
Available-for-sale securities				
Mortgage-backed - GSE residential	$ 179,119	$ 2	$ 18,352	$ 160,769
Collateralized mortgage obligations - GSE residential	13,611	-	400	13,211
State and political subdivisions	566,726	2,199	52,236	516,689
Corporate bonds	5,118	32	172	4,978
Total available-for-sale securities	$ 764,574	$ 2,233	$ 71,160	$ 695,647

	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 June 30, 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 June 30, 2022, by contractual maturity, are shown below:

	June 30, 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	$ -	$ 24	$ 117	$ 178,978	$ 179,119
Estimated fair value	$ -	$ 24	$ 117	$ 160,628	$ 160,769
Weighted average yield [2]	- %	4.71 %	4.03 %	2.00 %	2.00 %
Collateralized mortgage obligations - GSE residential [1]					
Amortized cost	$ -	$ -	$ 2,386	$ 11,225	$ 13,611
Estimated fair value	$ -	$ -	$ 2,338	$ 10,873	$ 13,211
Weighted average yield [2]	- %	- %	2.77 %	2.19 %	2.29 %
State and political subdivisions					
Amortized cost	$ 796	$ 4,746	$ 98,444	$ 462,740	$ 566,726
Estimated fair value	$ 805	$ 4,871	$ 99,175	$ 411,838	$ 516,689
Weighted average yield [2]	3.44 %	3.89 %	3.31 %	2.72 %	2.83 %
Corporate bonds					
Amortized cost	$ -	$ 499	$ 4,619	$ -	$ 5,118
Estimated fair value	$ -	$ 524	$ 4,454	$ -	$ 4,978
Weighted average yield [2]	- %	6.63 %	4.29 %	- %	4.52 %
Total available-for-sale securities					
Amortized cost	$ 796	$ 5,269	$ 105,566	$ 652,943	$ 764,574
Estimated fair value	$ 805	$ 5,419	$ 106,084	$ 583,339	$ 695,647
Weighted average yield [2]	3.44%	4.15%	3.34%	2.51%	2.64%

(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 June 30, 2022 and December 31, 2021:

	June 30, 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	$ 124,609	$ 11,678	45	$ 34,332	$ 6,674	7	$ 158,941	$ 18,352	52
Collateralized mortgage obligations - GSE residential	12,809	386	18	403	14	1	13,212	400	19
State and political subdivisions	370,681	50,096	264	7,775	2,140	9	378,456	52,236	273
Corporate bonds	4,696	172	4	-	-	-	4,696	172	4
Total temporarily impaired securities	$ 512,795	$ 62,332	331	$ 42,510	$ 8,828	17	$ 555,305	$ 71,160	348

	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	5	4	74,225	767	43
Corporate bonds	-	-	-	-	-	-	-	-	-
Total temporarily impaired securities	$ 161,024	$ 2,546	57	$ 1,310	$ 5	4	$ 162,334	$ 2,551	61

Based on the Company's evaluation at June 30, 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 June 30, 2022			For the Six Months Ended June 30, 2022		
	Gross Realized Gains	Gross Realized Losses	Net Realized Loss	Gross Realized Gains	Gross Realized Losses	Net Realized Loss
	(Dollars in thousands)					
Available-for-sale securities	$ 2	$ (14)	$ (12)	$ 3	$ (41)	$ (38)

	For the Three Months Ended June 30, 2021			For the Six Months Ended June 30, 2021		
	Gross Realized Gains	Gross Realized Losses	Net Realized Loss	Gross Realized Gains	Gross Realized Losses	Net Realized Loss
	(Dollars in thousands)					
Available-for-sale securities	$ 5	$ (18)	$ (13)	$ 26	$ (29)	$ (3)

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 or six-month periods ended June 30, 2022.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(Dollars in thousands)			
Net gains (losses) recognized during the reporting period on equity securities	$ (71)	$ 6	$ (174)	$ (33)
Less: net gains recognized during the reporting period on equity securities sold during the reporting period	-	-	-	-
Unrealized gains (losses) recognized during the reporting period on equity securities still held at the reporting date	$ (71)	$ 6	$ (174)	$ (33)

Note 4: Loans and Allowance for Credit Losses

Loan Portfolio Segments

Categories of loans at June 30, 2022 and December 31, 2021 include:

	June 30, 2022	December 31, 2021
	(Dollars in thousands)	
Commercial and industrial	$ 812,411	$ 843,024
Commercial and industrial lines of credit	787,664	617,398
Energy	233,000	278,579
Commercial real estate	1,435,893	1,278,479
Construction and land development	584,415	574,852
Residential real estate	371,337	360,046
Multifamily real estate	249,641	240,230
Consumer	53,873	63,605
Loans, net of unearned fees	4,528,234	4,256,213
Less: allowance for credit losses (1)	55,817	58,375
Loans, net	$ 4,472,417	$ 4,197,838

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

Accrued interest of $12 million and $10 million at June 30, 2022 and December 31, 2021, respectively, 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 and Industrial** - The category includes loans to commercial and industrial 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 and Industrial Lines of Credit** – The category includes lines of credit to commercial and industrial 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 ACL 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, 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 and industrial loans and commercial and industrial 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 non-accrual 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 Change in the ACL

The ACL increased by $586 thousand during the three-month period ended June 30, 2022 driven by an increase of $3.8 million related to loan growth, performance and economic factors, partially offset by $1.1 million in net charge-offs and a reduction of $2.2 million in reserves on impaired loans. The ACL declined by $2.6 million between January 1, 2022 and June 30, 2022 driven by $2.2 million in net charge-offs and a reduction of $5.2 million in reserves on impaired loans which were partially offset by an increase of $4.9 million related to loan growth, performance and economic factors.

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 non-performing 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 June 30, 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 and industrial									
Pass	$ 197,451	$ 330,830	$ 76,610	$ 58,648	$ 59,121	$ 22,720	$ -	$ 22,166	$ 767,546
Special mention	721	-	14,488	1,060	313	69	-	3,414	20,065
Substandard - accrual	-	-	-	2,290	766	49	-	16,677	19,782
Substandard - non-accrual	-	994	-	21	1,397	738	-	1,868	5,018
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 198,172	$ 331,824	$ 91,098	$ 62,019	$ 61,597	$ 23,576	$ -	$ 44,125	$ 812,411
Commercial and industrial lines of credit									
Pass	$ -	$ -	$ -	$ -	$ -	$ -	$ 734,130	$ -	$ 734,130
Special mention	-	-	-	-	-	-	35,139	-	35,139
Substandard - accrual	-	-	-	-	-	-	8,790	-	8,790
Substandard - non-accrual	-	-	-	-	-	-	9,605	-	9,605
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ 787,664	$ -	$ 787,664
Energy									
Pass	$ 7,445	$ 900	$ 264	$ 44	$ -	$ -	$ 198,257	$ 210	$ 207,120
Special mention	-	1,469	-	-	-	-	12,494	-	13,963
Substandard - accrual	-	-	-	-	10	-	6,013	-	6,023
Substandard - non-accrual	-	-	-	-	-	-	3,750	-	3,750
Doubtful	-	-	-	-	-	-	2,144	-	2,144
Total	$ 7,445	$ 2,369	$ 264	$ 44	$ 10	$ -	$ 222,658	$ 210	$ 233,000

As of June 30, 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	$ 219,481	$ 273,536	$ 152,920	$ 114,384	$ 71,024	$ 83,540	$ 330,625	$ 100,089	$ 1,345,599
Special mention	464	29,688	-	425	7,499	292	-	33,294	71,662
Substandard - accrual	10,681	-	-	-	-	-	-	992	11,673
Substandard - non-accrual	-	2,498	292	-	77	1,109	-	2,983	6,959
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 230,626	$ 305,722	$ 153,212	$ 114,809	$ 78,600	$ 84,941	$ 330,625	$ 137,358	$ 1,435,893
Construction and land development									
Pass	$ 122,363	$ 249,651	$ 131,909	$ 51,139	$ 3,751	$ 4,503	$ 13,164	$ -	$ 576,480
Special mention	-	7,935	-	-	-	-	-	-	7,935
Substandard - accrual	-	-	-	-	-	-	-	-	-
Substandard - non-accrual	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 122,363	$ 257,586	$ 131,909	$ 51,139	$ 3,751	$ 4,503	$ 13,164	$ -	$ 584,415
Residential real estate									
Pass	$ 38,134	$ 79,391	$ 121,547	$ 47,354	$ 40,803	$ 36,793	$ 626	$ -	$ 364,648
Special mention	-	-	-	-	-	-	-	-	-
Substandard - accrual	-	3,308	3,183	-	-	-	-	-	6,491
Substandard - non-accrual	-	-	-	-	-	-	-	198	198
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 38,134	$ 82,699	$ 124,730	$ 47,354	$ 40,803	$ 36,793	$ 626	$ 198	$ 371,337

	As of June 30, 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	$ 58,346	$ 28,407	$ 5,424	$ 12,070	$ 3,115	$ 1,901	$ 123,802	$ 16,538	$ 249,603
Special mention	-	-	-	-	-	-	-	38	38
Substandard - accrual	-	-	-	-	-	-	-	-	-
Substandard - non-accrual	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 58,346	$ 28,407	$ 5,424	$ 12,070	$ 3,115	$ 1,901	$ 123,802	$ 16,576	$ 249,641
Consumer									
Pass	$ 1,811	$ 2,691	$ 1,975	$ 233	$ 114	$ 10	$ 47,039	$ -	$ 53,873
Special mention	-	-	-	-	-	-	-	-	-
Substandard - accrual	-	-	-	-	-	-	-	-	-
Substandard - non-accrual	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 1,811	$ 2,691	$ 1,975	$ 233	$ 114	$ 10	$ 47,039	$ -	$ 53,873
Total									
Pass	$ 645,031	$ 965,406	$ 490,649	$ 283,872	$ 177,928	$ 149,467	$ 1,447,643	$ 139,003	$ 4,298,999
Special mention	1,185	39,092	14,488	1,485	7,812	361	47,633	36,746	148,802
Substandard - accrual	10,681	3,308	3,183	2,290	776	49	14,803	17,669	52,759
Substandard - non-accrual	-	3,492	292	21	1,474	1,847	13,355	5,049	25,530
Doubtful	-	-	-	-	-	-	2,144	-	2,144
Total	$ 656,897	$ 1,011,298	$ 508,612	$ 287,668	$ 187,990	$ 151,724	$ 1,525,578	$ 198,467	$ 4,528,234

Loan Portfolio Aging Analysis

The following tables present the Company's loan portfolio aging analysis as of June 30, 2022:

	As of June 30, 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 and industrial									
30-59 days	$ -	$ -	$ 7	$ 88	$ -	$ -	$ -	$ 126	$ 221
60-89 days	-	-	-	-	-	74	-	-	74
Greater than 90 days	-	104	3	10	1,383	655	-	-	2,155
Total past due	-	104	10	98	1,383	729	-	126	2,450
Current	198,172	331,720	91,088	61,921	60,214	22,847	-	43,999	809,961
Total	$ 198,172	$ 331,824	$ 91,098	$ 62,019	$ 61,597	$ 23,576	$ -	$ 44,125	$ 812,411
Greater than 90 days and accruing	$ -	$ -	$ 3	$ -	$ -	$ -	$ -	$ -	$ 3
Commercial and industrial lines of credit									
30-59 days	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,086	$ -	$ 2,086
60-89 days	-	-	-	-	-	-	784	-	784
Greater than 90 days	-	-	-	-	-	-	11,765	-	11,765
Total past due	-	-	-	-	-	-	14,635	-	14,635
Current	-	-	-	-	-	-	773,029	-	773,029
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ 787,664	$ -	$ 787,664
Greater than 90 days and accruing	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,160	$ -	$ 2,160
Energy									
30-59 days	$ -	$ 1,469	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,469
60-89 days	-	-	-	-	-	-	-	-	-
Greater than 90 days	-	-	-	-	-	-	5,894	-	5,894
Total past due	-	1,469	-	-	-	-	5,894	-	7,363
Current	7,445	900	264	44	10	-	216,764	210	225,637
Total	$ 7,445	$ 2,369	$ 264	$ 44	$ 10	$ -	$ 222,658	$ 210	$ 233,000
Greater than 90 days and accruing	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

As of June 30, 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	$ -	$ 9,662	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,662
60-89 days	-	-	-	-	77	-	-	-	77
Greater than 90 days	-	-	-	-	-	-	-	2,983	2,983
Total past due	-	9,662	-	-	77	-	-	2,983	12,722
Current	230,626	296,060	153,212	114,809	78,523	84,941	330,625	134,375	1,423,171
Total	$ 230,626	$ 305,722	$ 153,212	$ 114,809	$ 78,600	$ 84,941	$ 330,625	$ 137,358	$ 1,435,893
Greater than 90 days and accruing	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Construction and land development									
30-59 days	$ -	$ -	$ -	$ 2,097	$ -	$ -	$ -	$ -	$ 2,097
60-89 days	-	-	-	-	-	-	-	-	-
Greater than 90 days	-	-	-	-	-	-	-	-	-
Total past due	-	-	-	2,097	-	-	-	-	2,097
Current	122,363	257,586	131,909	49,042	3,751	4,503	13,164	-	582,318
Total	$ 122,363	$ 257,586	$ 131,909	$ 51,139	$ 3,751	$ 4,503	$ 13,164	$ -	$ 584,415
Greater than 90 days and accruing	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Residential real estate									
30-59 days	$ -	$ 121	$ -	$ -	$ -	$ -	$ -	$ -	$ 121
60-89 days	-	-	-	-	-	-	-	-	-
Greater than 90 days	-	-	-	-	-	-	-	-	-
Total past due	-	121	-	-	-	-	-	-	121
Current	38,134	82,578	124,730	47,354	40,803	36,793	626	198	371,216
Total	$ 38,134	$ 82,699	$ 124,730	$ 47,354	$ 40,803	$ 36,793	$ 626	$ 198	$ 371,337
Greater than 90 days and accruing	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

As of June 30, 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	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
60-89 days	-	-	-	-	-	-	-	-	-
Greater than 90 days	-	-	-	-	-	-	-	-	-
Total past due	-	-	-	-	-	-	-	-	-
Current	58,346	28,407	5,424	12,070	3,115	1,901	123,802	16,576	249,641
Total	$ 58,346	$ 28,407	$ 5,424	$ 12,070	$ 3,115	$ 1,901	$ 123,802	$ 16,576	$ 249,641
Greater than 90 days and accruing	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer									
30-59 days	$ -	$ 44	$ -	$ -	$ -	$ -	$ -	$ -	$ 44
60-89 days	-	-	-	-	-	-	-	-	-
Greater than 90 days	-	-	-	-	-	-	-	-	-
Total past due	-	44	-	-	-	-	-	-	44
Current	1,811	2,647	1,975	233	114	10	47,039	-	53,829
Total	$ 1,811	$ 2,691	$ 1,975	$ 233	$ 114	$ 10	$ 47,039	$ -	$ 53,873
Greater than 90 days and accruing	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total									
30-59 days	$ -	$ 11,296	$ 7	$ 2,185	$ -	$ -	$ 2,086	$ 126	$ 15,700
60-89 days	-	-	-	-	77	74	784	-	935
Greater than 90 days	-	104	3	10	1,383	655	17,659	2,983	22,797
Total past due	-	11,400	10	2,195	1,460	729	20,529	3,109	39,432
Current	656,897	999,898	508,602	285,473	186,530	150,995	1,505,049	195,358	4,488,802
Total	$ 656,897	$ 1,011,298	$ 508,612	$ 287,668	$ 187,990	$ 151,724	$ 1,525,578	$ 198,467	$ 4,528,234
Greater than 90 days and accruing	$ -	$ -	$ 3	$ -	$ -	$ -	$ 2,160	$ -	$ 2,163

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 June 30, 2022	Amortized Cost Basis by Origination Year and On Non-accrual						Amortized Cost Basis			
	2022	2021	2020	2019	2018	2017 and Prior	Revolving loans	Revolving loans converted to term loans	Total Non-accrual Loans	Non-accrual Loans with no related Allowance
	(Dollars in thousands)									
Commercial and industrial	$ -	$ 994	$ -	$ 21	$ 1,397	$ 738	$ -	$ 1,868	$ 5,018	$ 4,906
Commercial and industrial lines of credit	-	-	-	-	-	-	9,605	-	9,605	9,605
Energy	-	-	-	-	-	-	5,894	-	5,894	698
Commercial real estate	-	2,498	292	-	77	1,109	-	2,983	6,959	6,882
Construction and land development	-	-	-	-	-	-	-	-	-	-
Residential real estate	-	-	-	-	-	-	-	198	198	198
Multifamily real estate	-	-	-	-	-	-	-	-	-	-
Consumer	-	-	-	-	-	-	-	-	-	-
Total	$ -	$ 3,492	$ 292	$ 21	$ 1,474	$ 1,847	$ 15,499	$ 5,049	$ 27,674	$ 22,289

Interest income recognized on non-accrual loans was $259 thousand and $418 thousand for the three- and six-month periods ended June 30, 2022, respectively.

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 June 30, 2022:

	For the Three Months Ended June 30, 2022								
	Commercial and Industrial	Commercial and Industrial Lines of Credit	Energy	Commercial Real Estate	Construction and Land Development	Residential Real Estate	Multifamily Real Estate	Consumer	Total
	(Dollars in thousands)								
Allowance for Credit Losses:									
Beginning balance	$ 9,981	$ 9,361	$ 7,507	$ 18,628	$ 3,678	$ 3,089	$ 2,342	$ 645	$ 55,231
Charge-offs	(581)	(750)	(2,900)	-	-	(217)	-	-	(4,448)
Recoveries	-	1,758	-	1,585	-	-	-	1	3,344
Provision (credit)	1,520	898	1,821	(3,171)	240	262	85	35	1,690
Ending balance	$ 10,920	$ 11,267	$ 6,428	$ 17,042	$ 3,918	$ 3,134	$ 2,427	$ 681	$ 55,817
Allowance for Credit Losses on Off-Balance Sheet Credit Exposures:									
Beginning balance	$ 66	$ 153	$ 258	$ 753	$ 3,514	$ 4	$ 116	$ 11	$ 4,875
Provision (credit)	(3)	(153)	212	(96)	502	-	(7)	(10)	445
Ending balance	$ 63	$ -	$ 470	$ 657	$ 4,016	$ 4	$ 109	$ 1	$ 5,320

	For the Six Months Ended June 30, 2022								
	Commercial and Industrial [1]	Commercial and Industrial 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	(790)	(1,971)	(3,967)	(1,102)	-	(217)	-	(13)	(8,060)
Recoveries	755	1,779	1,754	1,585	-	-	-	2	5,875
Provision (credit)	816	2,593	(549)	(2,374)	252	305	(38)	369	1,374
Ending balance	$ 10,920	$ 11,267	$ 6,428	$ 17,042	$ 3,918	$ 3,134	$ 2,427	$ 681	$ 55,817
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)	(44)	(44)	205	(54)	102	(1)	(28)	-	136
Ending balance	$ 63	$ -	$ 470	$ 657	$ 4,016	$ 4	$ 109	$ 1	$ 5,320

[1] Prior to the adoption of ASU 2016-13, the Commercial and industrial and Commercial and industrial lines of credit were consolidated under the Commercial and industrial 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 June 30, 2022:

	As of June 30, 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 and Industrial			
All business assets	$ 5,010	$ 103	$ 4,906
Commercial and Industrial Lines of Credit			
All business assets	9,626	-	9,626
Energy			
Oil and natural gas properties	5,894	-	5,894
Commercial Real Estate			
Commercial real estate properties	3,978	77	3,901
	$ 24,508	$ 180	$ 24,327

Troubled Debt Restructurings

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 six-month period ended June 30, 2022 and 2021, no loans were restructured under the TDR guidance. The outstanding balance of TDRs was $35 million and $40 million as of June 30, 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 Non-performing**	**Doubtful**	**Loss**	**Total**
	(Dollars in thousands)						
Commercial and industrial	$ 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 and industrial	$ 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 and industrial	$ 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 and Industrial	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 non-performing 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 and industrial	$ 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 and industrial	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 and industrial	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 and six-month periods ended June 30, 2021 for impaired loans was $615 thousand and $1 million, respectively. The three- and six-month average balance of impaired loans for the period ended June 30, 2021 was $108 million and $109 million, respectively.

The following table presents the activity in the allowance for loan losses by portfolio segment for the three- and six-month periods ended June 30, 2021:

	Three Months Ended June 30, 2021							
	Commercial and Industrial	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	$ 23,464	$ 20,292	$ 20,609	$ 3,837	$ 6,056	$ -	$ 293	$ 74,551
Provision	7,532	(2,443)	(1,428)	48	(230)	-	21	3,500
Charge-offs	(2,566)	-	-	-	-	-	-	(2,566)
Recoveries	3	-	-	-	-	-	5	8
Ending balance	$ 28,433	$ 17,849	$ 19,181	$ 3,885	$ 5,826	$ -	$ 319	$ 75,493

	Six Months Ended June 30, 2021							
	Commercial and Industrial	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	14,547	(492)	(3,173)	273	(16)	-	(139)	11,000
Charge-offs	(10,832)	-	-	-	-	-	-	(10,832)
Recoveries	25	-	-	-	-	-	5	30
Ending balance	$ 28,433	$ 17,849	$ 19,181	$ 3,885	$ 5,826	$ -	$ 319	$ 75,493

Allowance for Credit Losses 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 June 30, 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 June 30, 2022 and December 31, 2021. The derivatives have various maturities ranging from August 2025 to May 2029.

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 (Loss) ("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 no amount will be reclassified as a reduction to interest expense.

The Company's derivative financial instruments have different effective dates with the first derivative effective in August 2023. As a result, the derivative financial instruments did not impact the Condensed Consolidated Statements of Income for the three- and six-month periods ended June 30, 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 52 and 54 swaps had an aggregate notional amount of $521 million and $535 million at June 30, 2022 and December 31, 2021, respectively.

Fair Values of Derivative Instruments on the Consolidated Balance Sheets

The table below presents the fair value of the Company's derivative financial instruments and their classification on the Consolidated Balance Sheets as of June 30, 2022 and December 31, 2021:

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	June 30, 2022	December 31, 2021	Balance Sheet Location	June 30, 2022	December 31, 2021
			(Dollars in thousands)			
Interest rate products:						
Derivatives not designated as hedging instruments	Other assets	$ 5,873	$ 11,305	Interest payable and other liabilities	$ 5,875	$ 11,322
Derivatives designated as hedging instruments	Other assets	3,475	3	Interest payable and other liabilities	-	565
Total		$ 9,348	$ 11,308		$ 5,875	$ 11,887

The table below presents the effect of cash flow hedge accounting on Accumulated Other Comprehensive Income as of June 30, 2022. The Company had no cash flow hedges for the six-months ended June 30, 2021.

	June 30, 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	$ 3,475	$ 3,475	$ -	Interest expense	$ -	$ -	$ -

Note 6: Time Deposits and Borrowings

The scheduled maturities, excluding interest, of the Company's borrowings at June 30, 2022 were as follows:

	June 30, 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	$ 654,313	$ 68,804	$ 5,310	$ 1,806	$ 2,838	$ -	$ 733,071
Fed funds purchased & repurchase agreements	6	-	-	-	-	-	6
FHLB borrowings	41,500	-	-	5,100	-	110,000	156,600
FHLB line of credit	140,000	-	-	-	-	-	140,000
Trust preferred securities[(1)]	-	-	-	-	-	1,035	1,035
	$ 835,819	$ 68,804	$ 5,310	$ 6,906	$ 2,838	$ 111,035	$ 1,030,712

[(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)

Amounts reclassified from AOCI and the affected line items in the Condensed Consolidated Statements of Income during the three- and six-month periods ended June 30, 2022 and 2021, were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,		Affected Line Item in the Statements of Income
	2022	2021	2022	2021	
	(Dollars in thousands)				
Unrealized losses on available-for-sale securities	$ (12)	$ (13)	$ (38)	$ (3)	Loss on sale of available-for-sale securities
Less: tax benefit effect	(3)	(3)	(9)	(1)	Income tax benefit
Net reclassified amount	$ (9)	$ (10)	$ (29)	$ (2)	

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 June 30, 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 June 30, 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)			
June 30, 2022						
Total Capital to Risk-Weighted Assets						
Consolidated	$ 719,226	12.6 %	$ 599,382	10.5 %	N/A	N/A
Bank	692,815	12.2	598,125	10.5	$ 569,643	10.0 %
Tier I Capital to Risk-Weighted Assets						
Consolidated	658,089	11.5	485,214	8.5	N/A	N/A
Bank	631,679	11.1	484,197	8.5	455,715	8.0
Common Equity Tier 1 to Risk-Weighted Assets						
Consolidated	657,055	11.5	399,588	7.0	N/A	N/A
Bank	631,679	11.1	398,750	7.0	370,268	6.5
Tier I Capital to Average Assets						
Consolidated	658,089	11.8	223,736	4.0	N/A	N/A
Bank	$ 631,679	11.3 %	$ 223,728	4.0 %	$ 279,660	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 non-vested restricted stock and stock appreciation rights under the 2018 Omnibus Equity Incentive Plan (as amended, the "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 1,486,152 shares as of June 30, 2022.

The table below summarizes the stock-based compensation for the three- and six-month periods ended June 30, 2022 and 2021:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(Dollars in thousands)			
Stock appreciation rights	$ 88	$ 198	$ 187	$ 434
Performance-based stock awards	200	528	411	262
Restricted stock units and awards	795	834	1,573	1,499
Employee stock purchase plan	37	15	64	29
Total stock-based compensation	$ 1,120	$ 1,575	$ 2,235	$ 2,224

Performance-Based Restricted Stock Units

The Company awards performance-based restricted stock units ("PBRSUs") 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 six-month period ended June 30, 2022, the Company granted 66,667 PBRSUs. 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 Restricted Stock Unit 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, June 30, 2022	140,075	$ 14.50

Unrecognized stock-based compensation related to the performance awards issued through June 30, 2022 was $2 million and is expected to be recognized over 2.3 years.

Restricted Stock Units and Restricted Stock Awards

The Company issues time-based restricted stock units ("RSUs") and restricted stock awards ("RSAs") to provide incentives to key officers, employees, and non-employee 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	238,127	15.09
Vested	(193,350)	13.83
Forfeited	(16,433)	13.95
Unvested, June 30, 2022	411,974	$ 14.26

Unrecognized stock-based compensation related to the RSUs and RSAs issued through June 30, 2022 was $5 million and is expected to be recognized over 2.0 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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(Dollars in thousands)			
Computed at the statutory rate (21%)	$ 4,110	$ 3,957	$ 8,523	$ 7,095
Increase (decrease) resulting from				
Tax-exempt income	(890)	(1,212)	(1,744)	(2,002)
Non-deductible expenses	111	40	193	90
State income taxes	728	682	1,424	1,178
Equity based compensation	15	(131)	(154)	(117)
Other adjustments	(47)	(73)	(27)	(73)
Actual tax expense	$ 4,027	$ 3,263	$ 8,215	$ 6,171

The tax effects of temporary differences related to deferred taxes located in "other assets" on the Condensed Consolidated Balance Sheets are presented below:

	June 30, 2022	December 31, 2021
	(Dollars in thousands)	
Deferred tax assets		
Net unrealized loss on securities available-for-sale	$ 16,020	$ -
Allowance for credit losses	14,716	14,051
Lease incentive	481	508
Loan fees	3,302	3,227
Accrued expenses	1,705	2,735
Deferred compensation	1,749	2,418
State tax credit	273	1,033
Other	764	2,057
Total deferred tax asset	39,010	26,029
Deferred tax liability		
Net unrealized gain on securities available-for-sale	-	(6,967)
FHLB stock basis	(722)	(757)
Premises and equipment	(2,341)	(2,602)
Other	(1,041)	(1,229)
Total deferred tax liability	(4,104)	(11,555)
Net deferred tax asset	$ 34,906	$ 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 June 30, 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

Non-recurring Measurements

The following tables present assets measured at fair value on a non-recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2022 and December 31, 2021:

		June 30, 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	$ 24,328	$ -	$ -	$ 24,328
Foreclosed assets held-for-sale	$ 1,588	$ -	$ -	$ 1,588

		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 non-recurring basis and recognized in the accompanying Condensed 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 management. 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 non-recurring Level 3 fair value measurements at June 30, 2022 and December 31, 2021:

	June 30, 2022			
	Fair Value	**Valuation Techniques**	**Unobservable Inputs**	**Range (Weighted Average)**
	(Dollars in thousands)			
Collateral dependent loans	$ 24,328	Market comparable properties	Marketability discount	- % - 100% (22)%
Foreclosed assets held-for-sale	$ 1,588	Market comparable properties	Marketability discount	(11)%

	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 June 30, 2022 and December 31, 2021:

	June 30, 2022				
	Carrying Amount	Fair Value Measurements Level 1	Level 2	Level 3	Total
	(Dollars in thousands)				
Financial Assets					
Cash and cash equivalents	$ 277,678	$ 277,678	$ -	$ -	$ 277,678
Available-for-sale securities	695,647	-	695,647	-	695,647
Loans, net of allowance for credit losses	4,472,417	-	-	4,451,704	4,451,704
Restricted equity securities	14,946	-	-	14,946	14,946
Interest receivable	17,909	-	17,909	-	17,909
Equity securities	3,513	-	2,047	1,466	3,513
Derivative assets	9,348	-	9,348	-	9,348
	$ 5,491,458	$ 277,678	$ 724,951	$ 4,468,116	$ 5,470,745
Financial Liabilities					
Deposits	$ 4,744,420	$ 1,163,462	$ -	$ 3,453,569	$ 4,617,031
Federal Home Loan Bank line of credit	140,000	-	140,000	-	140,000
Federal Home Loan Bank advances	156,600	-	153,781	-	153,781
Other borrowings	1,041	-	2,028	-	2,028
Interest payable	1,249	-	1,249	-	1,249
Derivative liabilities	5,875	-	5,875	-	5,875
	$ 5,049,185	$ 1,163,462	$ 302,933	$ 3,453,569	$ 4,919,964

	December 31, 2021				
	Carrying Amount	Fair Value Measurements 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 June 30, 2022 and December 31, 2021:

	June 30, 2022	December 31, 2021
	(Dollars in thousands)	
Commitments to originate loans	$ 274,647	$ 118,651
Standby letters of credit	57,797	51,114
Lines of credit	1,949,860	1,768,231
Future lease commitments	-	11,100
Commitments related to investment fund	4,534	2,067
	$ 2,286,838	$ 1,951,163

Note 13: Legal and Regulatory Proceedings

We accrue estimates for resolution of any legal and other contingencies when losses are probable and reasonably estimable in accordance with ASC 450, *Contingencies* ("ASC 450"). No less than quarterly, and as facts and circumstances change, we review the status of each significant matter underlying a legal proceeding or claim and assess our potential financial exposure. The Company establishes reserves for litigation-related matters 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. Significant judgment is required in both the determination of probability and the determination as to whether the amount of an exposure is reasonably estimable, and accruals are based only on the information available to our management at the time the judgment is made, which may prove to be incomplete or inaccurate or unanticipated events and circumstances may occur that might cause us to change those estimates and assumptions. Furthermore, the outcome of legal proceedings is inherently uncertain, and we may incur substantial defense costs and expenses defending any of these matters. Should any one or a combination of more than one of these proceedings be successful, or should we determine to settle any one or a combination of these matters, we may be required to pay substantial sums, become subject to the entry of an injunction or be forced to change the manner in which we operate our business, which could have a material adverse impact on our business, results of operations, cash flows or financial condition.

The Company paid $2.3 million in employee separation costs. The Company's insurance carriers agreed to cover $1.2 million of these settlement costs. The remaining $1.1 million was expensed during the three-month period ended June 30, 2022. The reimbursement receivable is located in "Other assets" on the Condensed Consolidated Balance Sheet for the period ended June 30, 2022.

The Company is subject to various other legal proceedings and claims that arise primarily in the ordinary course of business. At this time, we do not believe the range of potential losses will 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 leases primarily include bank branches located in Kansas City, Missouri; Tulsa, Oklahoma; Dallas, Texas; Frisco, Texas; and Phoenix, Arizona. The remaining lease terms on these branch leases range from less than 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 June 30, 2022, the Company recognized one finance lease and the remaining Company 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 Condensed Consolidated Balance Sheets, and was $30 million at June 30, 2022. Certain adjustments to the ROU asset may be required for items such as initial direct costs paid or incentives received. The lease liability is located in "Interest payable and other liabilities" on the Condensed Consolidated Balance Sheets of $33 million at June 30, 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 12.4 years and the weighted-average discount rate was 2.39% as of June 30, 2022.

The following table presents components of operating lease expense in the accompanying Condensed Consolidated Statements of Income for the three- and six-month periods ended June 30, 2022:

	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2022
	(Dollars in thousands)	
Finance lease amortization of right-of-use asset	$ 92	$ 92
Finance lease interest on lease liability	46	46
Operating lease expense	603	1,329
Variable lease expense	345	558
Short-term lease expense	5	10
Total lease expense	$ 1,091	$ 2,035

Future minimum commitments due under these lease agreements as of June 30, 2022 are as follows:

	Operating Leases	Finance Lease
	(Dollars in thousands)	
Remainder of 2022	$ 1,502	$ 245
2023	3,070	490
2024	2,793	490
2025	2,804	490
2026	2,836	490
Thereafter	15,243	8,823
Total lease payments	$ 28,248	$ 11,028
Less imputed interest	3,362	3,302
Total	$ 24,886	$ 7,726

Supplemental cash flow information – Operating cash flows paid for operating lease amounts included in the measurement of lease liabilities was $699 thousand and $1.4 million for the three- and six-months ended June 30, 2022, respectively. Operating cash flows paid for finance lease amounts included in the measurement of lease liabilities was $123 thousand for the three- and six-month periods ended June 30, 2022. During the three- and six-months ended June 30 2022, the Company did not record any ROU assets that were exchanged for operating lease liabilities.

Note 15: Stock Warrants

During the six-month period ended June 30, 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 June 30, 2022 and December 31, 2021, respectively. The 80,000 warrants expire on April 26, 2023.

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- and six-month periods ended June 30, 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.

Second Quarter 2022 Highlights

During the second quarter ended June 30, 2022, we accomplished the following:

- Announced on June 13, 2022, an agreement under which CrossFirst Bank will acquire Central Bancorp, Inc.'s bank subsidiary, Farmers & Stockmens Bank (collectively, Farmers & Stockmens Bank and Central Bancorp, Inc. are herein referred as "Central"), in an all-cash transaction;
- $5.7 billion of assets with basic earnings per share of $0.31 and $0.65 for the three- and six-month periods ended June 30, 2022, respectively an increase of $0.01 and $0.11 from the same periods in the prior year, respectively;
- $179 million or 4% of total loan growth from the previous quarter and $272 million or 6% loan growth from December 31, 2021;
- 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 0.64% at March 31, 2022 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

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

Central Acquisition Update

As noted above, the Company has entered into an agreement to acquire Farmers & Stockmens Bank for approximately $75 million, subject to approval by Central Bancorp, Inc. shareholders and bank regulatory authorities, as well as the satisfaction of other customary closing conditions. The Company believes the acquisition will advance its expansion strategy with access to Colorado and New Mexico while deploying a portion of the Bank's capital. The Company expects Central to increase core deposits and enhance the Company's SBA lending and mortgage operations. The Company anticipates the acquisition will close in the second half of 2022 with system integration occurring in the first half of 2023.

Interest Rate Risk Management

The Company is monitoring interest rate sensitivity closely as $3.5 billion or 63% of earning assets mature or reprice within twelve months, including $2.9 billion that reprices in the first month. $3.7 million of interest-bearing liabilities mature or reprice over the same twelve-month period. The Company is reviewing options to manage balance sheet sensitivity in the event interest rates decline in late 2023.

Credit Quality

Credit quality metrics generally improved during the second quarter of 2022. Non-performing assets declined from $36 million at March 31, 2022 to $31 million at June 30, 2022. Net charge-offs for the three-month period ended June 30, 2022 were $1 million, or 0.10% of average loans.

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 June 30, 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 in the first quarter of 2022. 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.

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

	Impact to Yield						
	For the Quarter Ended					For the Six Months Ended	
Lines Impacted	**June 30, 2022**	**March 31, 2022**	**December 31, 2021**	**September 30, 2021**	**June 30, 2021**	**June 30, 2022**	**June 30, 2021**
Previous calculation							
Yield on securities - taxable	2.77 %	2.20 %	2.11 %	1.96 %	1.96 %	2.36 %	1.83 %
Yield on securities - tax-exempt[(1)]	3.46	3.31	3.17	3.20	3.34	3.44	3.38
Total securities yield[(1)]	3.29	3.00	2.89	2.87	2.93	3.14	2.91
Yield on interest-earning assets[(1)]	4.01	3.64	3.70	3.62	3.57	3.83	3.53
Net interest spread[(1)]	3.51	3.25	3.22	3.16	3.08	3.39	3.08
Net interest margin[(1)]	3.55	3.29	3.28	3.20	3.12	3.42	3.12
As calculated going forward							
Yield on securities - taxable	2.35	2.15	2.14	2.01	1.99	2.26	1.86
Yield on securities - tax-exempt[(1)]	3.36	3.35	3.35	3.43	3.54	3.35	3.57
Total securities yield[(1)]	3.07	3.00	3.02	3.04	3.07	3.04	3.04
Yield on interest-earning assets[(1)]	3.98	3.64	3.72	3.64	3.59	3.81	3.55
Net interest spread[(1)]	3.48	3.25	3.24	3.18	3.10	3.37	3.03
Net interest margin[(1)]	3.52	3.29	3.30	3.23	3.14	3.41	3.07
Change							
Yield on securities - taxable	(0.42)	(0.05)	0.03	0.05	0.03	(0.10)	0.03
Yield on securities - tax-exempt[(1)]	(0.10)	0.04	0.18	0.23	0.20	(0.09)	0.19
Total securities yield[(1)]	(0.22)	-	0.13	0.17	0.14	(0.10)	0.13
Yield on interest-earning assets[(1)]	(0.03)	-	0.02	0.02	0.02	(0.02)	0.02
Net interest spread[(1)]	(0.03)	-	0.02	0.02	0.02	(0.02)	(0.05)
Net interest margin[(1)]	(0.03) %	- %	0.02 %	0.03 %	0.02 %	(0.01) %	(0.05) %

[(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%.

Update to Customer and Industry Concentrations

As of June 30, 2022, the Company's top 20 customer relationships represented approximately 23% or $1.1 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.

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Performance Measures

	As of or For the Quarter Ended					As of or For the Six Months Ended	
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	June 30, 2022	June 30, 2021
	(Dollars in thousands, except per share data)						
Return on average assets[1]	1.12 %	1.23 %	1.50 %	1.54 %	1.10 %	1.18 %	0.97 %
Return on average equity[1]	10.15 %	10.44 %	12.57 %	12.92 %	9.86 %	10.30 %	8.84 %
Earnings per share	$ 0.31	$ 0.33	$ 0.41	$ 0.41	$ 0.30	$ 0.65	$ 0.54
Diluted earnings per share	$ 0.31	$ 0.33	$ 0.40	$ 0.41	$ 0.30	$ 0.64	$ 0.53
Efficiency[2]	57.36 %	57.57 %	55.38 %	59.06 %	53.61%	57.46 %	52.06 %
Ratio of equity to assets	10.65 %	11.29 %	11.88 %	12.08 %	12.00 %	10.65 %	12.00 %

[1] Interim periods annualized

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

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					For the Six Months Ended	
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	June 30, 2022	June 30, 2021
Yield on securities - tax-equivalent[1]	3.07 %	3.00 %	3.02 %	3.04 %	3.07 %	3.04 %	3.04 %
Yield on loans	4.28	4.00	4.17	4.00	3.99	4.14	3.96
Yield on earning assets - tax-equivalent[1]	3.98	3.64	3.72	3.64	3.59	3.81	3.55
Cost of interest-bearing deposits	0.56	0.41	0.43	0.47	0.50	0.48	0.53
Cost of total deposits	0.42	0.31	0.33	0.38	0.41	0.36	0.45
Cost of FHLB and short-term borrowings	1.66	1.95	3.03	1.82	1.79	1.78	1.79
Cost of funds	0.50	0.39	0.48	0.46	0.49	0.44	0.52
Net interest margin - tax-equivalent[1]	3.52 %	3.29 %	3.30 %	3.23 %	3.14 %	3.41 %	3.07 %

[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					
	June 30, 2022			June 30, 2021		
	Average Balance	Interest Income / Expense	Average Yield / Rate[1]	Average Balance	Interest Income / Expense	Average Yield / Rate[1]
	(Dollars in thousands)					
Interest-earning assets:						
Securities - taxable	$ 220,763	$ 1,299	2.35 %	$ 207,835	$ 1,031	1.99 %
Securities - tax-exempt[2]	553,960	4,653	3.36	478,334	4,231	3.54
Interest-bearing deposits in other banks	198,210	369	0.75	407,801	110	0.11
Gross loans, net of unearned income[3][4]	4,437,917	47,327	4.28	4,409,280	43,846	3.99
Total interest-earning assets[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	$ 5,545,657			$ 5,673,638		
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	$ 5,545,657			$ 5,673,638		
Net interest income - tax-equivalent[2]		$ 47,519			$ 43,062	
Net interest spread - tax-equivalent[2]			3.48 %			3.10 %
Net interest margin - tax-equivalent[2]			3.52 %			3.14 %

(1) 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.

(2) 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%.

(3) Loans, net of unearned income include non-accrual loans of $28 million and $55 million as of June 30, 2022 and 2021, respectively.

(4) Loan interest income includes loan fees of $3 million and $5 million for the three months ended June 30, 2022 and 2021, respectively.

	Six Months Ended					
	June 30, 2022			June 30, 2021		
	Average Balance	Interest Income / Expense	Average Yield / Rate[1]	Average Balance	Interest Income / Expense	Average Yield / Rate[1]
	(Dollars in thousands)					
Interest-earning assets:						
Securities - taxable	$ 220,783	$ 2,487	2.26 %	$ 209,730	$ 1,947	1.86 %
Securities - tax-exempt[2]	543,873	9,120	3.35	464,208	8,286	3.57
Interest-bearing deposits in other banks	253,771	521	0.41	429,930	238	0.11
Gross loans, net of unearned income[3][4]	4,385,664	90,055	4.14	4,457,792	87,604	3.96
Total interest-earning assets[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	$ 5,554,648			$ 5,735,558		
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	$ 5,554,648			$ 5,735,558		
Net interest income - tax-equivalent[2]		$ 91,407			$ 84,883	
Net interest spread - tax-equivalent[2]			3.37 %			3.03 %
Net interest margin - tax-equivalent[2]			3.41 %			3.07 %

(1) 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.

(2) 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%.

(3) Loans, net of unearned income include non-accrual loans of $28 million and $55 million as of June 30, 2022 and 2021, respectively.

(4) Loan interest income includes loan fees of $7 million and $9 million for the six months ended June 30, 2022 and 2021, respectively.

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 June 30, 2022 over 2021			Six Months Ended June 30, 2022 over 2021		
	Average Volume	Yield/Rate	Net Change[1]	Average Volume	Yield/Rate	Net Change[1]
	(Dollars in thousands)					
Interest Income						
Securities - taxable	$ 67	$ 201	$ 268	$ 107	$ 433	$ 540
Securities - tax-exempt[2]	643	(221)	422	987	(153)	834
Interest-bearing deposits in other banks	(84)	343	259	(132)	415	283
Gross loans, net of unearned income	287	3,194	3,481	(1,434)	3,885	2,451
Total interest income[2]	$ 913	$ 3,517	$ 4,430	$ (472)	$ 4,580	$ 4,108
Interest Expense						
Transaction deposits	$ (86)	$ 147	$ 61	$ (151)	$ 70	$ (81)
Savings and money market deposits	(46)	808	762	(163)	384	221
Time deposits	(827)	(114)	(941)	(1,840)	(635)	(2,475)
Total interest-bearing deposits	(959)	841	(118)	(2,154)	(181)	(2,335)
FHLB and short-term borrowings	179	(93)	86	(71)	(18)	(89)
Trust preferred securities, net of fair value adjustments	1	4	5	2	6	8
Total interest expense	(779)	752	(27)	(2,223)	(193)	(2,416)
Net interest income[2]	$ 1,692	$ 2,765	$ 4,457	$ 1,751	$ 4,773	$ 6,524

[1] 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.
[2] 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%.

Interest income - Interest income increased for the three- and six-month periods ended June 30, 2022 compared to the same periods in 2021 driven by higher interest rates. The yield on taxable securities benefited from a slowdown in mortgage-backed securities (“MBS”) prepayments that reduced the premium amortization on MBS by $265 thousand and $509 thousand for the three- and six-month periods ended June 30, 2022, respectively. The loan yield for the three-month period ended June 30, 2022, benefited from $492 thousand in interest income related to recoveries of interest income and loans placed back on accrual status. Loan yields for the three- and six-month periods ended June 30, 2022 compared to the corresponding periods in 2021 were partially offset by lower PPP loan fees of $1.7 million and $3.2 million, respectively.

Average earning assets totaled $5.4 billion for the three- and six-month periods ended June 30, 2022, a decrease of $92 million or 2% and $158 million or 3%, respectively from the same periods in 2021. The decrease was driven by a reduction of $210 million and $176 million in average interest-bearing deposits in other banks for the three- and six-month periods ended June 30, 2022 compared to the corresponding periods in 2021.

Interest expense - Interest expense declined for the three- and six-month periods ended June 30, 2022 compared to the same periods in 2021 as higher-rate time deposits continued to mature, decreasing the cost of time deposits. In addition, the Company was able to lag the rising interest rate environment with a limited impact to liquidity.

Average interest-bearing deposits for the three- and six-month periods ending June 30, 2022 decreased $517 million or 13% and $575 million or 14% compared to the same period in the prior year, respectively. The decline was partially offset by a $348 million or 43% and $387 million or 50% increase in non-interest-bearing deposits for the three- and six-month periods ended June 30, 2022 compared to the corresponding periods in 2021.

Net interest income - Net interest income increased for the three- and six-month periods ended June 30, 2022 compared to the same periods in 2021 driven by interest-earning assets repricing quicker than the cost of interest-bearing liabilities as variable rate loans tied to 30-day London Interbank Offered Rate ("LIBOR") and Secured Overnight Financing Rate ("SOFR") rates were rising faster than the Company's deposit rates that are typically adjusted when the federal funds rate changes. The Company currently anticipates net interest margin to stay in the upper end of the range that the Company has experienced in 2022 because of the Company's variable-rate assets and the rising rate environment, although deposit migration and remaining pressure on loan pricing are expected to be headwinds.

Impact of Transition Away from LIBOR

The Company had $897 million in loans tied to LIBOR at June 30, 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 June 30, 2022, the Company had approximately $537 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

	For the Quarter Ended					For the Six Months Ended	
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	June 30, 2022	June 30, 2021
	(Dollars in thousands)						
Total non-interest income (expense)	$ 4,201	$ 4,942	$ 4,796	$ (1,105)	$ 5,825	$ 9,143	$ 9,969
Non-interest income (expense) to average assets [(1)]	0.30 %	0.36 %	0.34 %	(0.08)%	0.41 %	0.33 %	0.35 %

[(1)] Interim periods annualized.

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

	Three Months Ended June 30,				Six Months Ended June 30,			
			Change				Change	
	2022	2021	$	%	2022	2021	$	%
				(Dollars in thousands)				
Service charges and fees on customer accounts	$ 1,546	$ 1,177	$ 369	31 %	$ 2,954	$ 2,134	$ 820	38 %
Realized losses on available-for-sale securities	(12)	(13)	1	(8)	(38)	(3)	(35)	1,167
Unrealized gains (losses), net on equity securities	(71)	6	(77)	(1,283)	(174)	(33)	(141)	427
Income from bank-owned life insurance	407	2,245	(1,838)	(82)	795	2,661	(1,866)	(70)
Swap fees and credit valuation adjustments, net	12	(30)	42	(140)	130	125	5	4
ATM and credit card interchange income	1,521	1,506	15	1	4,185	3,834	351	9
Other non-interest income	798	934	(136)	(15)	1,291	1,251	40	3
Total non-interest income	$ 4,201	$ 5,825	$ (1,624)	(28)%	$ 9,143	$ 9,969	$ (826)	(8)%

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 three- and six-month periods ended June 30, 2022 compared to the corresponding periods in 2021 was driven primarily by a $352 thousand and $783 thousand increase, respectively, in account analysis fees due to customer growth, an increase in outstanding balances, and adjustments to the Company's fee structure.

Income from bank-owned life insurance ("BOLI") – The decline in BOLI income related to the recognition of $1.8 million in tax-free death benefits from a BOLI policy during the quarter ended June 30, 2021 compared to $0 such proceeds for the three- and six-month periods ended June 30, 2022.

ATM and credit card interchange income - The increase in ATM and credit card interchange income for the three- and six-month periods ended June 30, 2022 compared to the same periods in 2021 was driven by customer growth, partially offset by a $334 thousand and $331 thousand decrease in credit card interest income, respectively, associated with customers that mobilized their workforce during the COVID-19 pandemic in 2021.

Other non-interest income – The decrease in other non-interest income for the three-month period ended June 30, 2022 compared to the same period in 2021 was primarily related to $120 thousand in multiple state employment incentives received in the second quarter of 2022 compared to $243 thousand in the second quarter of 2021. For the six-month periods ended June 30, 2022 and 2021, multiple state employment incentives recognized were $246 thousand and $243 thousand, respectively.

Non-Interest Expense

	For the Quarter Ended					For the Six Months Ended	
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	June 30, 2022	June 30, 2020[1]
	(Dollars in thousands)						
Total non-interest expense	$ 29,203	$ 27,666	$ 26,715	$ 24,036	$ 25,813	$ 56,869	$ 48,631
Non-interest expense to average assets[1]	2.11 %	2.02 %	1.93 %	1.76 %	1.82 %	2.06 %	1.71 %

[1] Interim periods annualized.

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

	Quarter Ended June 30,				Six Months Ended June 30,			
			Change				Change	
	2022	2021	$	%	2022	2021	$	%
	(Dollars in thousands)							
Salary and employee benefits	$ 17,095	$ 15,660	$ 1,435	9 %	$ 35,036	$ 29,213	$ 5,823	20 %
Occupancy	2,622	2,397	225	9	5,115	4,891	224	5
Professional fees	1,068	1,138	(70)	(6)	1,873	1,920	(47)	(2)
Deposit insurance premiums	713	917	(204)	(22)	1,450	2,068	(618)	(30)
Data processing	1,160	720	440	61	1,972	1,436	536	37
Advertising	757	435	322	74	1,449	738	711	96
Software and communication	1,198	1,034	164	16	2,468	2,099	369	18
Foreclosed assets, net	15	665	(650)	(98)	(38)	715	(753)	(105)
Other non-interest expense	4,575	2,847	1,728	61	7,544	5,551	1,993	36
Total non-interest expense	$ 29,203	$ 25,813	$ 3,390	13 %	$ 56,869	$ 48,631	$ 8,238	17 %

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

Salary and Employee Benefits - Salary and employee benefit costs increased for the three- and six-month periods ended June 30, 2022 compared to the same periods in 2021 primarily due to the impact of continued hiring for production talent in a competitive environment, annual merit increases, and an increase related to a change in the maximum 401(k) plan match from 3.5% in 2021 to 5.0% in 2022.

For three-month period ended June 30, 2022 compared to the same period in 2021, the increase was partially offset by a $465 thousand decline in stock-based compensation.

For the six-month period ended June 30, 2022 compared to the same period in 2021, the increase included larger expected payouts on performance-based awards and higher taxes and benefits due to incentive payouts.

Occupancy – The increase in occupancy costs was driven by the Company’s expansion into Arizona in July 2021 and the addition of a second location in Dallas, Texas.

Deposit Insurance Premiums - The FDIC uses a risk-based premium system to calculate the quarterly fee. Our premium costs decreased for the three- and six-month periods ended June 30, 2022 compared to the same periods 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.

Data Processing – The increase in data processing costs was driven primarily by increased costs associated with the Company's digital client interface conversion.

Advertising - The increase in advertising costs was driven by increased in-person events for the three- and six-month periods ended June 30, 2022 compared to the same periods 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 customers' experience.

Foreclosed Assets, net – The decrease was due to a $630 thousand write-down in value of a commercial use facility foreclosed upon in 2020 during the three-month period ended June 30, 2021.

Other Non-interest Expense - Other non-interest expense increased for the three- and six-month periods ended June 30, 2022 compared to the same periods in 2021 driven by $1.1 million in employee separation costs. In addition, commercial card costs increased $225 thousand for the six-month period ended June 30, 2022 compared to the same period in 2021 as a result of increased use by current customers and customer growth.

Income Taxes

	For the Quarter Ended					For the Six Months Ended	
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	June 30, 2022	June 30, 2021
				(Dollars in thousands)			
Income tax expense	$ 4,027	$ 4,188	$ 5,725	$ 5,660	$ 3,263	$ 8,215	$ 6,171
Income before income taxes	19,572	21,016	26,526	26,660	18,840	40,588	33,783
Effective tax rate	21 %	20 %	22 %	21 %	17 %	20 %	18 %

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 BOLI 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- and six-month periods ended June 30, 2022, the Company's effective tax rate benefited from permanent tax differences related to tax-exempt interest. During the three- and six-month periods ended June 30, 2021, the Company benefited from permanent tax differences related to tax-exempt interest and $2 million in BOLI 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 June 30, 2022, available-for-sale investments totaled $696 million, a decrease of $50 million from December 31, 2021.

The decline in the securities portfolio was driven by a $98 million decline in the unrealized gain (loss) on available-for-sale securities. The decline was partially offset by the purchase of $41 million in tax-exempt municipal securities and $31 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).

Loan Portfolio

Refer to “Note 4: Loans and Allowance for Credit Losses” within the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information regarding the Company’s loan portfolio. As of June 30, 2022, gross loans, net of unearned fees increased $272 million or 6% from December 31, 2021 and was driven by the following:

Commercial and Industrial - The $31 million or 5% decline in commercial loans was driven by $49 million of PPP forgiveness. As of June 30, 2022, $14 million of PPP loans remained outstanding.

Commercial and Industrial Lines of Credit - The $170 million or 28% increase in commercial lines of credit was driven by approximately $126 million in loan originations and an increase in the line of credit utilization rates from 44% to 47%.

Energy - Our energy portfolio decreased $46 million or 16% from December 31, 2021 primarily due to $43 million in loans paying off.

Commercial Real Estate - The $157 million or 12% increase was driven by $312 million in loan originations, partially offset by $145 million in payoffs.

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

	As of June 30, 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 and industrial	$ 15,571	$ 29,527	$ 283,848	$ 352,124	$ 42,930	$ 68,742	$ 19,669	$ -	$ 812,411
Commercial and industrial lines of credit	52,195	303,078	19,620	396,523	15,368	880	-	-	787,664
Energy	33	52,364	9,905	170,698	-	-	-	-	233,000
Commercial real estate	43,562	216,978	413,908	378,706	165,949	202,118	-	14,672	1,435,893
Construction and land development	16,308	38,083	54,881	403,022	16,905	21,255	1,293	32,668	584,415
Residential real estate	2,685	198	12,105	1,608	81,011	2,016	1,357	270,357	371,337
Multifamily real estate	18,999	74,304	45,958	98,137	5,021	7,222	-	-	249,641
Consumer	5,534	19,437	3,002	4,081	-	20,062	-	1,757	53,873
Total	$ 154,887	$ 733,969	$ 843,227	$ 1,804,899	$ 327,184	$ 322,295	$ 22,319	$ 319,454	$ 4,528,234

Provision and Allowance for Credit Losses

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” 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.

The ACL at June 30, 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.

	For the Quarter Ended					For the Six Months Ended	
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	June 30, 2022	June 30, 2021
	(Dollars in thousands)						
Provision for credit losses[1] - loans	$ 1,690	$ (316)	$ (5,000)	$ (10,000)	$ 3,500	$ 1,374	$ 11,000
Provision for credit losses[1] - off-balance sheet	445	(309)	N/A	N/A	N/A	136	N/A
Allowance for credit losses[2] - loans	55,817	55,231	58,375	64,152	75,493	55,817	75,493
Allowance for credit losses[2] - off-balance sheet	5,320	4,875	N/A	N/A	N/A	5,320	N/A
Net charge-offs	$ 1,104	$ 1,081	$ 777	$ 1,341	$ 2,558	$ 2,185	$ 10,802

(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 and lease 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:

	June 30, 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 and industrial	$ 10,920	$ 63	$ 10,983	18 %	18 %	$ 10,139	$ 107	$ 10,246	17 %	20 %
Commercial and industrial lines of credit	11,267	-	11,267	19	17	8,866	44	8,910	14	14
Energy	6,428	470	6,898	11	5	9,190	265	9,455	15	7
Commercial real estate	17,042	657	17,699	29	32	18,933	711	19,644	32	30
Construction and land development	3,918	4,016	7,934	13	13	3,666	3,914	7,580	12	14
Residential real estate	3,134	4	3,138	5	8	3,046	5	3,051	5	8
Multifamily real estate	2,427	109	2,536	4	6	2,465	137	2,602	4	6
Consumer	681	1	682	1	1	323	1	324	1	1
Total	$ 55,817	$ 5,320	$ 61,137	100 %	100 %	$ 56,628	$ 5,184	$ 61,812	100 %	100 %

Refer to “Note 4: Loans and Allowance for Credit Losses” within the Notes to the Condensed Consolidated Financial Statements (unaudited) for a summary of the changes in the ACL. Provided below is additional information regarding changes to the ACL:

Impaired Loans:

For the three- and six-month periods ended June 30, 2022, the impaired loan reserve decreased $2.2 million and $5.2 million, respectively. The decrease included a previously restructured commercial real estate loan with improved cash flow metrics that resulted in a $1 million reduction in the required reserve and two energy loans that were partially charged-off that decreased the required reserve by $790 thousand. For the six-month period ended June 30, 2022, 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.

Charge-offs and Recoveries:

Net charge-offs were $1 million and $2 million for the three- and six-month periods ended June 30, 2022, respectively. For the three-month period ended June 30, 2022 charge-offs included $2.9 million related to two collateral-dependent energy loans, $750 thousand related to a collateral-dependent medical practice, $582 thousand related to a commercial and industrial, SBA loan originated in 2018, and $217 thousand related to a junior lien on a residential real estate loan. Recoveries included $1.6 million related to a commercial real estate loan charged-off in 2020 and $1.7 million related to a commercial and industrial line of credit charged-off in 2020.

For the six-month period ended June 30, 2022, charge-offs also included $1.2 million related to a commercial and industrial 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.

During the three months ended June 30, 2021, charge-offs primarily related to a commercial and industrial borrower. The $3 million charged-off was greater than the reserved balance in the Allowance for Loan and Lease Loss at December 31, 2020 resulting in a $2 million increase in the provision during the three- and six-month periods ended June 30, 2021.

During the three-months ended March 31, 2021, charge-offs primarily related to two commercial and industrial 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					For the Six Months Ended	
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	June 30, 2022	June 30, 2021
Commercial and industrial	0.28 %	(0.27) %	0.27 %	0.04 %	- %	0.01 %	0.02 %
Commercial and industrial lines of credit	(0.56)	0.76	0.04	0.62	2.20	0.06	4.57
Energy	4.77	(1.02)	0.68	0.64	-	1.72	-
Commercial real estate	(0.45)	0.34	-	-	-	(0.07)	-
Construction and land development	-	-	-	-	-	-	-
Residential real estate	0.21	-	(0.32)	-	-	0.11	-
Multifamily real estate	-	-	(0.06)	(0.01)	-	-	-
Consumer	-	0.05	(0.01)	(0.03)	(0.04)	0.03	0.11
Total net charge-offs to average loans	0.10 %	0.10 %	0.07 %	0.13 %	0.23 %	0.10 %	0.49 %

Non-performing Assets and Other Asset Quality Metrics

Non-performing assets include: (i) non-performing loans - includes non-accrual loans, loans past due 90 days or more and still accruing interest, and loans modified under 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.

Non-performing assets decreased to $31 million as of June 30, 2022 due to a $5 million decrease in non-accrual loans. The decline was driven by $4 million in charge-offs on non-accrual loans. Improvements in credit metrics continue to be driven by upgrades in COVID-19 impacted segments and the energy portfolio.

Non-performing 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 and industrial line of credit. The increase was partially offset by a $7 million decline in non-accrual 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 March 31, 2022, 25% of non-performing assets remained in the energy sector.

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

Credit quality metrics were generally stable during the second quarter of 2022, reflecting consistency with the prior quarter and significant improvement over the prior year.

The table below summarizes our non-performing assets and related ratios as of the dates indicated:

	For the Quarter Ended				
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
			(Dollars in thousands)		
Non-accrual loans	$ 27,698	$ 33,071	$ 31,432	$ 48,147	$ 54,652
Loans past due 90 days or more and still accruing	2,163	1,534	90	342	1,776
Total non-performing loans	29,861	34,605	31,522	48,489	56,428
Foreclosed assets held for sale	973	973	1,148	1,148	1,718
Total non-performing assets	$ 30,834	$ 35,578	$ 32,670	$ 49,637	$ 58,146
ACL to total loans	1.23 %	1.27 %	1.37 %	1.51 %	1.78 %
ACL + RUC to total loans[(1)]	1.35	1.38	N/A	N/A	N/A
ACL to non-accrual loans	202	167	186	133	138
ACL to non-performing loans	187	160	185	132	134
Non-accrual loans to total loans	0.61	0.76	0.74	1.13	1.29
Non-performing loans to total loans	0.66	0.79	0.74	1.15	1.33
Non-performing assets to total assets	0.54 %	0.64 %	0.58 %	0.92 %	1.09 %

(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 loans past due 30 - 89 days and classified, gross loans. The Company defines classified loans as loans categorized as substandard - performing, substandard – non-performing, doubtful, or loss. The definitions of substandard, doubtful and loss are provided in “Note 4: Loans and Allowance for Credit Losses” in the Notes to Condensed Consolidated Financial Statements (unaudited). The following table summarizes our loans past due 30 - 89 days, classified assets, and related ratios as of the dates indicated:

	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
			(Dollars in thousands)		
Loans Past Due Detail					
30 - 59 days past due	$ 15,700	$ 14,815	$ 1,671	$ 3,072	$ 18,758
60 - 89 days past due	935	1,135	1,858	34,528	10
Total loans 30 - 89 days past due	$ 16,635	$ 15,950	$ 3,529	$ 37,600	$ 18,768
Loans 30 - 89 days past due / loans	0.37 %	0.37 %	0.08 %	0.89 %	0.44 %
Classified Loans					
Substandard - performing	$ 52,759	$ 40,257	$ 47,275	$ 75,999	$ 116,078
Substandard - non-performing	25,530	30,619	28,879	45,063	49,300
Doubtful	2,144	2,451	2,554	3,084	5,352
Loss	-	-	-	-	-
Total classified loans	80,433	73,327	78,708	124,146	170,730
Foreclosed assets held for sale	973	973	1,148	1,148	1,718
Total classified assets	$ 81,406	$ 74,300	$ 79,856	$ 125,294	$ 172,448
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	N/A	N/A	N/A
Classified assets / (total capital + ACL)	12.3 %	11.0 %	11.0 %	17.5 %	24.2 %

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

The increase in loans past due between 30 and 89 days as of June 30, 2022 was primarily driven by the 4% loan growth from the previous quarter. Loans past due between 30 and 89 days to loans remained at 0.37% compared to the prior quarter. Classified loans increased slightly during the second quarter attributable to downgrades 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 increase in loans past due between 30 and 89 days as of March 31, 2022 was primarily driven by an $11 million commercial and industrial 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 represented 22% of total classified loans.

Deposits and Other Borrowings

The following table sets forth the maturity of time deposits as of June 30, 2022:

	As of June 30, 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	$ 88,627	$ 39,662	$ 35,927	$ 16,959	$ 181,175
Time deposits below FDIC insurance limit	214,311	144,247	131,539	61,799	551,896
Total	$ 302,938	$ 183,909	$ 167,466	$ 78,758	$ 733,071

At June 30, 2022, our deposits totaled approximately $5 billion, an increase of $61 million or 1% from December 31, 2021. The increase included $109 million in time deposits, partially offset by a decrease of $48 million in money market, NOW and savings deposits. The increase in time deposits was the result of $221 million in wholesale funding to support current and expected loan growth through the end of 2022. The wholesale deposits have an average term of five months. The decrease in money market, NOW, and savings deposits was driven by a decline in business money market deposits due to competition.

Other borrowings include Federal Home Loan Bank ("FHLB") advances and our trust preferred security. At June 30, 2022, other borrowings totaled $298 million, a $60 million or 25% increase from December 31, 2021. During the six-month period ended June 30, 2022, $15 million of FHLB advances matured and $65 million was converted into a drawdown on the FHLB line of credit. The Company withdrew an additional $75 million on the FHLB line of credit to support loan growth and changes in deposits, resulting in $140 million on the FHLB line of credit at June 30, 2022.

As of June 30, 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:

	June 30, 2022	December 31, 2021
	(Dollars in thousands)	
Total on-balance sheet liquidity	$ 971,874	$ 1,224,253
Total off-balance sheet liquidity	740,131	732,748
Total liquidity	$ 1,712,005	$ 1,957,001
On-balance sheet liquidity as a percent of assets	17 %	22 %
Total liquidity as a percent of assets	30 %	35 %

For the six-months ended June 30, 2022, the Company’s cash and cash equivalents declined $205 million from December 31, 2021 to $278 million, representing 5% of total assets. During the six-month period ended June 30, 2022, the Company increased the AFS securities portfolio on an amortized cost basis by $48 million, net of paydowns, maturities, and amortization, to improve the yield on interest-earning assets. In addition, the Company increased loan funding by $274 million, net of payoffs and charge-offs during the six-month period ended June 30, 2022 that reduced cash and cash equivalents.

The Company’s time deposits increased by $109 million primarily from wholesale funding. The increase in time deposits was partially offset by a $48 million reduction in non-interest-bearing deposits, savings, and money market deposits as the Company’s larger depositors re-allocated their investments and made tax payments. Other borrowings increased $60 million during the six-month period ended June 30, 2022, as $15 million of FHLB advances matured and $75 million was drawn down on the FHLB line of credit.

The Company continued its repurchase program, purchasing $20 million of common stock during the first six months of 2022. As of June 30, 2022, $31 million remains available for repurchase under our share repurchase programs. We will continue to repurchase shares under our share repurchase program, but the amount and timing of such repurchases will be dependent on a number of factors, including the price of our common stock and other cash flow needs. There is no assurance that we will repurchase up to the full amount remaining under our program.

The Company believes that its current liquidity will be sufficient to meet anticipated cash requirements for the next 12 months and thereafter. 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 June 30, 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" 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 and industrial segment would have reduced the required ACL by approximately $3 million for the three-month period ended June 30, 2022.

- **<u>Forward looking factors</u>** – 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 June 30, 2022, a 1% increase in the average unemployment rate would increase the ACL by approximately $453 thousand.

- **<u>Changes in the assumed utilization rate of off-balance sheet commitments</u>** – 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 and industrial lines of credit at June 30, 2022 would not impact the required ACL, because the utilization rate would remain above the average utilization rate. However, if the utilization rate decreased 3% it would increase the required ACL by $236 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

	June 30, 2022		June 30, 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	6.4 %	(9.2)%	2.9 %	(10.0)%
+200	4.1	(5.8)	1.4	(6.5)
+100	2.0	(3.0)	0.1	(3.3)
Base	- %	- %	- %	- %
-100	(2.7)	2.7	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

	June 30, 2022	June 30, 2021
Change in Interest Rate (Basis Points)	**Percent change in net interest income**	**Percent change in net interest income**
+300	3.1 %	0.9 %
+200	2.0	0.2
+100	1.0	(0.3)
Base	- %	- %
-100	(1.1)	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 June 30, 2022. The hypothetical positive change in net interest income as of June 30, 2022 in an up 100 basis point shock is mainly due to approximately $3.5 billion of the Company’s earning assets repricing or maturing within the first year, with $2.9 billion of that being in the first 90 days. In addition, $871 million of the Company’s time deposits and other borrowings mature or reprice within that same 12-month period. Due to rising interest rates a significant portion of loans with floors have moved above the floor rate. The Company currently anticipates that overall cost of funds will lag interest rate increases and will result in an increase to net interest income in all upward rate ramp and shock scenarios. In down rate scenarios, income is predicted to decrease. The Company is monitoring longer term interest rate expectations and is evaluating options to reduce the impact of any downward rate adjustments, including the use of hedges.

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 June 30, 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 June 30, 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 second 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) None.

(b) Not applicable.

(c) Share Repurchase Program

The following table summarizes our repurchases of our common shares for the three-months ended June 30, 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[1]	Approximate Dollar Value of Shares that may yet be Purchased as Part of Publicly Announced Plans or Programs[1]
April 1 - 30	82,580	$ 15.76	82,580	$ 3,587,329
May 1 - 31	-	$ -	-	$ 33,587,329
June 1 - 30	155,413	$ 13.41	155,413	$ 31,499,143
Total	237,993	$ 14.23	237,993	

(1) 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. On May 10, 2022, the Company announced that its Board of Directors approved a second share repurchase program under which the Company may repurchase up to $30 million of its common stock. As of June 30, 2022, $31 million remains available for repurchase under our share repurchase programs. Repurchases under the programs may be made in the 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 programs do not obligate the Company to acquire any amount of common stock and may be suspended at any time at the Company's discretion. No time limit has been set for completion of the programs.

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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†	Amended and Restated Employment Agreement with W. Randall Rapp, effective July 1, 2022
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.

August 3, 2022

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

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement"), effective as of July 1, 2022 (the "Effective Date"), is entered into by and between CrossFirst Bank, a state bank organized under the laws of the State of Kansas (the "Company"), and W. Randall Rapp ("Employee"), and amends and restates in full that certain Employment Agreement dated effective April 1, 2019, as amended by that certain First Amendment to Employment Agreement dated effective as of May 11, 2021.

RECITALS:

The parties have agreed to execute this Agreement in order to memorialize the terms and conditions on which the Company shall continue to employ Employee from and after the Effective Date of this Agreement.

Certain rights described below may inure to the benefit of other companies affiliated with the Company by virtue of being controlled by the Company or under common control with CrossFirst Bankshares, Inc., a Kansas corporation (the "Holding Company," each such affiliated company an ""Affiliate," and, collectively all Affiliates, the "Affiliated Companies").

AGREEMENTS:

Now, THEREFORE, the parties hereto, intending to be legally bound, do hereby agree as follows:

1. POSITION AND DUTIES.

1.1 POSITION AND TITLE. The Company hereby retains Employee to serve as the President of the Company.

(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.

1.2 ACCEPTANCE. Employee hereby accepts employment by the Company in the capacity set forth in Section 1.1, above, and agrees to continue to perform the duties of such position from and after the Effective Date of this Agreement in a diligent, efficient, trustworthy, and businesslike manner. Employee agrees that, to the best of the Employee's ability and experience, Employee at all times shall loyally and conscientiously discharge all of the duties and responsibilities imposed upon Employee pursuant to this Agreement.

1.3 BUSINESS TIME. Employee shall devote his exclusive business time to the performance of his duties to the Company under Section 1.1 and elsewhere in this Agreement. Employee shall not undertake any activities that conflict with or significantly detract from his primary duties to the Company.

1.4 LOCATION. Employee shall perform his duties under this Agreement primarily in Dallas**,** Texas and potentially other regions of the United States where the Company, or its Affiliated Companies, are active in conducting banking and other related service activities. Employee acknowledges and agrees that from time to time he shall be required to travel (at the cost and expense of the Company) to such other locations in order to discharge his duties under this Agreement.

1.5 TERM. The term of this Agreement commenced as of the Effective Date and shall be for a term of three (3) years, which term shall thereafter automatically renew for successive one (1) year terms unless: i) the Company or Employee serve a Notice of Termination upon the other party of intent to not renew the term of this Agreement within thirty (30) days prior to the ensuing termination date, or ii) earlier terminated in accordance with Section 3, below.

1.6 STOCKHOLDING REQUIREMENT. The Board of Directors of the Company believes that it will be essential for Employee to participate in the Company's future growth as an equity stakeholder as well as an employee. As a condition to Employee's employment with the Company, Employee will be required to hold a minimum of $400,000 worth of Shares of the Holding Company ("Required Stock") in accordance with the Company's stock ownership requirement policy, which may be amended from time to time by the Compensation Committee of the Board of Directors of the Holding Company (the "Committee"). Unless such failure is waived by the Committee, in the event Employee fails to hold sufficient Company stock in accordance with the stock ownership requirement policy Employee shall be deemed to be in material breach of this Agreement. Employee will have three years from the date hereof to reach the Required Stock threshold.

2. COMPENSATION. The Company shall compensate Employee for his services pursuant to this Agreement as follows:

2.1 BASE COMPENSATION.

(a) BASE SALARY. Effective June 1, 2022, the Company shall pay to Employee an initial annual salary in the amount of Four Hundred and Ten Thousand Dollars ($410,000) ("Base Salary"), payable in periodic installments in accordance with the Company's regular payroll practices as in effect from time to time. In addition, such annual salary is subject to periodic increases, in such amounts (if any) as the Company may determine to be appropriate, at the time of Employee's annual review pursuant to Section 2.1(b), below, or at such other times (if any) as the Company may select.

(b) PERIODIC REVIEWS. The Company shall review Employee's performance of his duties pursuant to this Agreement at least annually and from time to time and advise Employee of the results of that review. In connection with each such review, the Company shall evaluate whether any increase in Employee's compensation under Section 2.1(a), above, is appropriate. Any annual salary increase shall be effective as of such date as the Company, in its discretion, determines to be appropriate.

2.2 BONUSES.

(a) CRITERIA. Employee shall be eligible to receive periodic incentive bonuses in accordance with the terms and conditions of the Company's Annual Incentive Plan (the "AIP"), as amended, restated or supplemented from time to time ("each a "Bonus"), in such amounts, if any, and at such times as may be determined by the Committee, in its sole discretion. For 2022, Employee's target bonus opportunity shall be 50% of Employee's Base Salary; such bonus opportunity may, based on the Company's or Employee's performance during the applicable year, be increased to a maximum of 75% of Employee's Base Salary. In accordance with the AIP, the Committee will establish the terms and conditions of such Bonus for Employee for the following year based upon measurable goals for Employee and the Company.

(b) TIMING OF PAYMENT. The Bonus, if any, payable for each calendar year during the term of this Agreement shall be payable on or before March 15th of the calendar year immediately following the end of the calendar year in which such Bonus is earned.

(c) ONE-TIME PROMOTION BONUS. Employee shall receive a one-time cash promotion bonus of Ten Thousand Dollars ($10,000) which shall be paid in 2022.

2.3 FRINGE BENEFITS/VACATION.

(a) VACATION. Employee is trusted to take reasonable vacation time when needed. Employee will not receive compensation upon termination or credit in future calendar years for any unused vacation time.

(b) OTHER FRINGE BENEFITS. Employee shall be eligible to participate, on the same terms and conditions as all other employees of the Company, in all reasonable and customary fringe benefit plans made available to the employees of the Company and its Affiliated Companies, including but not limited to, Group Health Insurance (medical, vision and dental) and Long and Short-Term Disability Insurance.

(c) MOBILE COMMUNICATIONS. The Company at its expense shall provide Employee with mobile communication devices or a reimbursement for use of a personal device for his use in connection with the Company's business with a provider acceptable to the Company. Employee shall use and maintain such devices in a reasonable manner. The Company shall pay for the purchase of such initial devices for Employee's use and a replacement when such devices are eligible for full replacement under Employee's data plan.

(d) AUTOMOBILE ALLOWANCE. The Company shall provide Employee with an automobile allowance of $600 per month, prorated for partial months worked, which shall be in lieu of any expense reimbursement for automobile or automobile-related expenditures (other than expenditures for car service or other transportation costs associated with Employee's business travel, which shall be reimbursed in accordance with the terms of Section 2.4, below) or use of a Company-owned or leased vehicle.

2.4 REIMBURSEMENT OF EXPENSES. The Company shall reimburse Employee for business expenses incurred by Employee in the performance of his duties, provided that such expenses are authorized under the Company's Expense Reimbursement policy, in reasonable amounts, incurred for ordinary and necessary Company-related business expenses and are supported by itemized accountings and expense receipts that are timely submitted to the Company prior to any reimbursement.

2.5 EQUITY INCENTIVE PLAN. As an active key employee in the Company and its Affiliates, Employee shall have the right to participate in the current CrossFirst Bankshares, Inc. 2018 Omnibus Equity Incentive Plan, as amended, supplemented or restated from time to time (the "Equity Incentive Plan"), for certain eligible key employees, a copy of which has been provided by Company. As a part of Employee's compensation under this Agreement, Employee shall have the right to participate in the Equity Incentive Plan as determined by the Committee, subject to vesting and other rights described in the Equity Incentive Plan or as approved by the Committee. Employee's rights in any equity may change in accordance with the provisions of the Equity Incentive Plan. The Committee reserves the right, in its sole discretion and at any time, to change the type of equity incentive awards granted to Employee, provided that the Committee shall only grant to Employee awards which may be granted under the terms of the Equity Incentive Plan. For 2022, Employee will receive equity awards consisting of: (i) 5,000 time-based restricted stock units that vest ratably in annual increments over three years and (ii) 5,000 stock appreciation rights that vest ratably in annual increments over seven years with a grant date strike price equal to the fair market value of a Share of Holding Company on the grant date. For awards granted under the Equity Incentive Plan after 2022, Employee will be eligible for awards with a fair value as of the grant date equal to 40% of his then-applicable base salary.

3. TERMINATION.

3.1 DEFINITIONS. For purposes of this Agreement, the term:

(a) DATE OF TERMINATION" or "TERMINATION DATE" shall mean the date specified in a Notice of Termination (as defined below).

(b) "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 Severance Plan (as defined in Section 3.1(c) below)) specifies in reasonable detail the basis for such resignation.

(c) "SEVERANCE PLAN" shall mean the CrossFirst Bankshares, Inc. Senior Executive Severance Plan, as amended, supplemented or restated from time to time.

3.2 TERMINATION BY EMPLOYEE OR COMPANY DUE TO DEATH OR DISABILITY. If the Company terminates Employee during the term of this Agreement due to death or Disability or Employee terminates this Agreement due to Disability, then following such termination the Company shall pay to Employee or Employee's legal representative:

(a) ACCRUED OBLIGATION. A lump sum cash payment equal to Employee's accrued, earned but unpaid compensation and bonuses for the period ending on the Date of Termination, provided, that such payment shall not include any potential or unearned bonuses or any other potential or unearned or benefits ("Accrued Obligations") shall be made on the sixtieth (60th) day following the Employee's Date of Termination; and

(b) COBRA PAYMENT. A lump sum cash payment equal to twelve (12) times the Company-paid portion of the monthly COBRA continuation premium for Employee and his eligible dependents, if any, for COBRA continuation coverage under the Company's health, vision and dental plans in effect as of Employee's Date of Termination due to Disability or death. Such amount will include the Company paid portion of the cost of the premiums for coverage of Employee's dependents if, and only to the extent that, such dependents were enrolled in a health, vision or dental plan sponsored by the Company before the Date of Termination.

For purposes of this Agreement, "Disability" shall have the meaning ascribed in the Severance Plan.

3.3 OTHER TERMINATIONS. In the case of a termination for any reason other than Employee's death or Disability, Employee shall only be entitled to those severance benefits, if any, provided for under the Severance Plan ("Severance Payments").

3.4 CONDITIONAL NATURE OF SEVERANCE PAYMENTS. Notwithstanding any other provision of Section 3 or any other provision of this Agreement to the contrary:

(a) CONFIDENTIALITY. Employee understands and agrees that because of his employment with the Company that he will acquire or have access to certain information of a confidential and secret nature derived from the operations of the Company's and its Affiliated Companies' business. Employee further understands and agrees that all correspondence, customer and investor lists and information, loan pricing techniques, underwriting methods, systems and products of the Company are confidential and trade secrets ("Confidential Information") and the disclosure or unauthorized use of such information would be detrimental to the Company. On or before the Date of Termination, or upon request of the Company, Employee shall return to Company, all records, lists, compositions, documents and other items which contain, disclose and/or embody any Confidential Information (including, without limitation, all copies, reproductions, summaries and notes of the contents thereof, expressly including all electronically stored data, wherever stored), regardless of the person causing the same to be in such form, and Employee will certify that the provisions of this paragraph have been complied with. Nothing contained in this Section 3.2(a) shall be construed as preventing Employee from providing Confidential Information in compliance with a valid court order issued by a court of competent jurisdiction, providing Employee takes reasonable steps to prevent dissemination of such Confidential Information and notifies the Company in a reasonable amount of time in advance of such dissemination. Nothing in this Agreement prohibits Employee from reporting possible violations of federal or state law or regulation to any government agency or entity, including but not limited to, the Equal Employment Opportunity Commission, the Department of Justice, Congress, or other applicable regulatory agency, or making other disclosures that are protected under the whistleblower provisions of applicable law.

(b) NONSOLICITATION. Employee understands and agrees that the nature of the Company's business is such that if Employee were to directly solicit, interfere with, or attempt to interfere with any of the Company's customer relationships or to directly or indirectly solicit, interfere with, or attempt to interfere with any of the Company's other employees relationships that existed at Employee's Termination Date and during the one (1) year period following the termination of Employee's employment with the Company, then it would be injurious to the Company. Therefore, in consideration of the Company offering the compensation and perquisites provided under this Agreement, and subject to the condition precedent of the Company timely providing Employee the payments called for hereunder, Employee agrees:

(i) that, without the prior written consent of the Company, he will not directly or indirectly solicit interfere with or attempt to interfere with any of the Company's customer relationships or other employee relationships that existed at Employee's Termination Date and with whom Employee personally had any contact during Employee's employment and the one (1) year period of time thereafter;

(ii) to assist in the avoidance of the unauthorized disclosure of the Company's Confidential Information, in addition to other remedies available to the

Company and its Affiliated Companies, Employee will not, and understands and agrees that his right to receive the severance consideration described in Sections 3.2 and 3.3 above (to the extent Employee is otherwise entitled to such payments thereunder) shall be conditioned upon Employee not: i) directly or indirectly engaging in (whether as an employee, consultant, agent, proprietor, principal, partner, stockholder, corporate officer, director or otherwise); or ii) acquiring any ownership interest in or participating in the financing, operation, management or control of, any person, firm, corporation or business that directly or indirectly solicits, interferes with or attempts to interfere with any of the Company's customer relationships or other employee relationships that existed at Employee's Termination Date and with whom Employee personally had any contact in any Metropolitan Statistical Area as defined from time to time by the U.S. Office of Management and Budget, Bureau of Labor Statistics, in which the Holding Company or its successor owns a controlling voting interest in any banking or other financial institution as such banking or other financial institutions are controlled by the Company or its Affiliated Companies upon Employee's Termination Date. The limitation upon Employee's ownership of outstanding shares or other units of ownership shall be excluded from this Section 3.4, provided such ownership is less than five percent (5%) in any publicly-traded bank or financial institution;

(iii) without the prior written consent of the Company, Employee will not solicit, directly or indirectly, actively or inactively, the employees or independent contractors of the Company with whom Employee personally had any contact to become employees or independent contractors of any person, firm, corporation, business, or banking or other financial institution that directly or indirectly competes with the Company or solicits, interferes with, or attempts to interfere with the Company's customers; and,

(iv) on or before the Date of Termination, Employee shall return to Company, all records, lists, compositions, documents and other items which contain, disclose and/or embody any Confidential Information (including, without limitation, all copies, reproductions, summaries and notes of the contents thereof, expressly including all electronically stored data, wherever stored), regardless of the person causing the same to be in such form, and Employee will certify that the provisions of this paragraph have been complied with.

If Employee violates any restriction described in Section 3.4(a), then all Severance Payments and consideration to which Employee otherwise may be entitled under Section 3.2 and 3.3 above, as applicable, thereupon shall cease and Employee shall promptly return to the Company all severance payments received and other severance benefits theretofore incurred by Company for Employee's benefit. The Company agrees that nothing herein shall preclude Employee from retaining copies of his calendar, contact list or documents related to his investment in Company or responsibilities as a director to Company, and that Employee shall be entitled to freely offer employment references to the Company's other current or former employees.

(c) OTHER EMPLOYMENT. In the event Employee becomes employed as an employee or consultant for a company that provides financial services similar to services provided by the Company or its Affiliated Companies in a Metropolitan Statistical Area, described in Section 3.4(a)(ii) above, Employee shall not be entitled to receive any further amount of the severance consideration described in Sections 3.2(c) or 3.3 above, subsequent to the date of such employment. Employee acknowledges that this limitation is fair to both Employee and the Company and does not in any way restrain employee from exercising Employee's lawful profession, trade or business.

(d) GENERAL RELEASE. Employee shall not be entitled to receive any benefits upon termination of employment described in Section 3 (including any Severance Payments under the Severance Plan or described in Section 3.2 above) unless prior to receiving the same Employee executes a release pursuant to Section 9 of the Severance Plan, as applicable, or a general release of all known claims against the Company and its directors, officers, employees, stockholders, and other agents and their respective insurers, successors, and assigns, of all claims arising from or in any way relating to Employee's employment by the Company or the termination of that employment, provided that such release shall not extend to (i) any claims for benefits under any qualified retirement plan maintained by the Company, (ii) any claims for governmental unemployment benefits, (iii) any claims for workers compensation benefits; (iv) Employee's rights, if any, under the Severance Plan, (v) Employee's rights, if any, as an owner of any Shares of the Holding Company, (vi) Employee's rights under this Agreement, or (vi) Employee's right to receive indemnification from the Company under applicable provisions of the law of the State where Employee is employed or the articles of organization, articles of incorporation, By Laws or Operating Agreement of the Company or its Affiliated Companies, as the case may be.

3.5 EQUITABLE REMEDIES. Employee acknowledges that irreparable harm will result to the Company in the event of a material breach by Employee of any of the covenants contained in Section 3.4. Employee agrees that, in the event of such a breach and in addition to any other legal or equitable remedies available to the Company, the Company will be entitled to specific performance of the covenants in Section 3.4; to an injunction to restrain the violation of such covenants by Employee and all other persons acting for or with Employee; or to both specific performance and an injunction. Employee further agrees that, in the event the Company brings an action for the enforcement of any of those covenants, and if the court finds any part of the covenant unreasonable as to time, area or activity covered, then the court shall make a finding as to what is reasonable and shall enforce this Agreement by judgment or decree to the extent of such findings.

3.6 LIMITATION ON PAYMENTS. Notwithstanding any other provision of this Agreement, payments and benefits which Employee has a right to receive from the Company under Section 3.3 which result in there being a "parachute payment" under Section 280G of the Internal Revenue Code, (the "Code"), then such payments shall be reduced by the minimum amount necessary to avoid the imposition of the excise tax ("Excise Tax") under Section 4999 of the Code, provided, however, that no such reduction in such payments shall be made if by not making such reduction, Employee's Retained Amount (as hereinafter defined) would be greater than Employee's Retained Amount if such payments are so reduced. All determinations required to be made under this Section 3.6 shall be made by tax counsel selected by the Company and reasonably acceptable to Employee ("Tax Counsel"), which determinations shall be conclusive and binding on Employee and the Company absent manifest error. All fees and expenses of Tax Counsel shall be borne solely by the Company. Prior to any reduction in such payments to Employee pursuant to this Section 3.6, Tax Counsel shall provide Employee and the Company with a report setting forth its calculations and containing related supporting information. In the event any such reduction is required, such payments shall be reduced in the following order: (i) any COBRA payments, (ii) the Severance Payments, (iii) any other portion of such payments that are not subject to Section 409A of the Code (other than payments resulting from any accelerated vesting of an equity award under the Equity Incentive Plan), (iv) any payments that are subject to Section 409A of the Code in reverse order of payment, and (v) any portion of such payments that are not subject to Section 409A and arise from any accelerated vesting of an award under the Equity Incentive Plan. "Retained Amount" shall mean the present value (as determined in accordance with Sections 280G(b)(2)(A)(ii) and 280G(d)(4) of the Code) of such payments net of all federal, state and local taxes imposed on Employee with respect thereto.

4. MISCELLANEOUS

4.1 NOTICES. Any notices permitted or required to be given pursuant to this Agreement shall be sufficient if given in writing and if personally delivered by receipted hand delivery to

Employee or to the Company, or if deposited in the United States mail, postage prepaid, first class or certified mail, to Employee at his residence address or to the Company's corporate headquarters address (attention General Counsel) or to such other addresses as each party may give the other party notice in accordance with this Agreement.

4.2 EFFECT ON OTHER REMEDIES. Nothing in this Agreement is intended to preclude, and no provision of this Agreement shall be construed to preclude, the exercise of any other right or remedy which the Company or Employee may have by reason of the other's breach of obligations under this Agreement.

4.3 BINDING ON SUCCESSORS; ASSIGNMENT. This Agreement shall be binding upon, and inure to the benefit of, each of the parties hereto, as well as their respective heirs, successors, assigns, and personal representatives.

4.4 GOVERNING LAW, JURISDICTION AND VENUE. This Agreement shall be construed in accordance with and shall be governed by the laws of the State of Kansas, without regard to conflict of law principles. Each party consents to the jurisdiction of the courts of the State of Kansas as the exclusive jurisdiction for the purposes of construing or enforcing this Agreement and the venue of the District Court of the State of Kansas in Johnson, County, Kansas and that any dispute relating to this Agreement shall be brought in the District Court of the State of Kansas in Johnson, County, Kansas.

4.5 SEVERABILITY. If any of the provisions of this Agreement shall otherwise contravene or be invalid under the laws of any state, country or other jurisdiction where this Agreement is applicable but for such contravention or invalidity, such contravention or invalidity shall not invalidate all of the provisions of this Agreement but rather it shall be construed, insofar as the laws of that state or other jurisdiction are concerned, as not containing the provision or provisions contravening or invalid under the laws of that state or jurisdiction, and the rights and obligations created hereby shall be construed and enforced accordingly.

4.6 COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which, taken together, shall be one and the same instrument, binding on all the signatories.

4.7 FURTHER ASSURANCES. Each party agrees, upon the request of another party, to make, execute, and deliver, and to take such additional steps as may be necessary to effectuate the purposes of this Agreement.

4.8 REASONABLE VERIFICATION. The Company agrees that Employee shall have reasonable access to the Company's books and records in order to verify the accuracy of Bonus calculations that may be necessary following termination.

4.9 ENTIRE AGREEMENT; AMENDMENT. This Agreement (a) represents the entire understanding of the parties with respect to the subject matter hereof, and supersedes all prior and contemporaneous understandings, whether written or oral, regarding the subject matter hereof, and (b) may not be modified or amended, except by a written instrument, executed by the party against whom enforcement of such amendment may be sought.

4.10 TAXES.

(a) Anything to the contrary notwithstanding, all payments made by the Company to Employee or Employee's estate or beneficiaries will be subject to tax withholding pursuant to any applicable laws or regulations. Employee will be solely liable and responsible for the payment of taxes arising as a result of any payment hereunder including without limitation any unexpected or adverse tax consequence.

(b) This Agreement is intended to comply with the requirements of Code Section 409A ("Section 409A"). Accordingly, all provisions herein, or incorporated by reference, shall be construed and interpreted to comply with Section 409A and if necessary, any provision shall be held null and void to the extent such provision (or part thereof) fails to comply with Section 409A or regulations thereunder.

(c) If Employee is a specified employee (within the meaning of Code Section 409A) at the time Employee incurs a separation from service (within the meaning of Section 409A), then to the extent necessary to comply with Code Section 409A and avoid the imposition of taxes under Code Section 409A, the payment of certain benefits owed to Employee under this Agreement will be delayed and instead paid (without interest) to Employee upon the earlier of the first business day of the seventh month following Employee's separation from service or death.

(d) The Company and Employee agree that, for purposes of the limitations on nonqualified deferred compensation under Section 409A, each payment of compensation under this Agreement shall be treated as a separate payment of compensation for purposes of applying Section 409A deferral election rules and the exclusion from Section 409A for certain short-term deferral amounts. The Company and Employee also agree that any amounts payable solely on account of an involuntary separation from service of the Executive within the meaning of Section 409A shall be excludible from the requirements of Section 409A, either as involuntary separation pay or as short-term deferral amounts (e.g., amounts payable under the schedule prior to March 15 of the calendar year following the calendar year of involuntary separation) to the maximum possible extent.

(e) Notwithstanding anything to the contrary in this Agreement, all reimbursements and in kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during the period of time specified in this Agreement, (ii) the amount of expenses eligible for reimbursement, or in kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in kind benefits to be provided, in any other calendar year, (iii) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred, and (iv) the right to reimbursement or in kind benefits is not subject to liquidation or exchange for another benefit.

[The remainder of this page is intentionally blank. Signatures follow.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, effective as of the date set forth above.

COMPANY: **CrossFirst Bank**	EMPLOYEE:
By: /s/ Amy Fauss Amy Fauss Chief Human Resources Officer	Signature: /s/ W. Randall Rapp W. Randall Rapp

Certification of Principal 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 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: August 3, 2022

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

Certification of Principal 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: August 3, 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 June 30, 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: August 3, 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)