CrossFirst Bankshares, Inc. Reports Third Quarter 2023 Results

LEAWOOD, Kan., October 16, 2023 (GLOBE NEWSWIRE) -- CrossFirst Bankshares, Inc. (Nasdaq: CFB), the bank holding company for CrossFirst Bank, today reported third quarter net income of $16.9 million, or $0.34 per diluted common share, and adjusted net income of $18.6 million, or $0.37 per diluted common share on an adjusted basis.

Third Quarter 2023 Key Financial Performance Metrics

Net Income	ROAA(1)	Net Interest Margin – Fully Tax Equivalent ("FTE")(1)	Diluted EPS	ROCE(1)
$16.9 million	0.94%	3.19%	$0.34	10.19%

Adjusted Third Quarter 2023 Key Financial Performance Metrics(2)

Adjusted Net Income	Adjusted ROAA(1)	Net Interest Margin - FTE(1)	Adjusted Diluted EPS	Adjusted ROCE(1)
$18.6 million	1.04%	3.19%	$0.37	11.26%

CEO Commentary:

"We continued to execute on our strategic plans with growth in operating revenue, core deposits and earnings this quarter in a difficult macro economic environment for banking," said CrossFirst's CEO and President, Mike Maddox. Mr. Maddox continued, "We remain focused on driving scale and gaining operating leverage through our high-growth, dynamic markets and verticals all while remaining diligent on credit quality."

2023 Third Quarter Highlights:

- Improved profitability as operating revenue, adjusted diluted earnings per common share, and adjusted return on average common equity increased compared to the prior quarter and the prior year third quarter; Year-to-date 2023 operating revenue grew 21% compared to the prior year
- Completed the previously-announced acquisition of Canyon Bancorporation, Inc. and its wholly owned subsidiary, Canyon Community Bank, N.A. ("Tucson acquisition")
  - Added $106 million of loans net of $5.2 million in acquired loan marks, $165 million of deposits and $4.5 million of core deposit intangible
  - Deepened our Arizona franchise; system integration planned for the fourth quarter of 2023
- Loans grew $149 million, or 2.6%, for the quarter and grew 10.7% year-to date
  - Excluding the Tucson acquisition, loans grew 0.8% for the quarter and 8.7% year-to-date
- Deposits grew $232 million, or 3.8%, for the quarter and grew 12.0% year-to-date
  - Excluding the Tucson acquisition, deposits grew 1.1% for the quarter and 9.1% year-to-date
  - Non-interest-bearing deposits increased 11% from the prior quarter, and increased 6% excluding the impact of the Tucson acquisition
- Non-performing assets increased to 0.50% of total assets but were contained within a few relationships of manageable size; Net charge-offs of $1.3 million were previously reserved and represented an annualized rate of 0.09% of average loans
- Reduced non-interest expense compared to the linked quarter, progressing towards our longer-term efficiency goal

(1) Ratios are annualized.
(2) With the exception of Net Interest Margin - FTE, represents a non-GAAP financial measure. See "Table 5. Non-GAAP Financial Measures" for a reconciliation of these measures.

CROSSFIRST BANKSHARES, INC.

	Quarter-to-Date						Year-to-Date			
(Dollars in millions except per share data)	September 30, 2023		June 30, 2023		September 30, 2022		September 30, 2023		September 30, 2022	
Operating revenue[1]	**$**	**61.1**	**$**	**60.3**	**$**	**53.5**	**$**	**184.1**	**$**	**152.4**
Net income	**$**	**16.9**	**$**	**16.0**	**$**	**17.3**	**$**	**49.0**	**$**	**49.7**
Adjusted net income[2]	**$**	**18.6**	**$**	**17.3**	**$**	**17.3**	**$**	**53.2**	**$**	**50.7**
Diluted earnings per common share	**$**	**0.34**	**$**	**0.33**	**$**	**0.35**	**$**	**0.99**	**$**	**0.99**
Adjusted diluted earnings per common share[2]	**$**	**0.37**	**$**	**0.35**	**$**	**0.35**	**$**	**1.08**	**$**	**1.01**
Return on average assets		0.94%		0.93%		1.19%		0.95%		1.18%
Adjusted return on average assets[2]		1.04%		1.00%		1.19%		1.03%		1.21%
Return on average common equity		10.19%		10.00%		11.18%		10.24%		10.59%
Adjusted return on average common equity[2]		11.26%		10.81%		11.22%		11.12%		10.82%
Net interest margin		3.15%		3.23%		3.50%		3.32%		3.40%
Net interest margin -FTE[3]		3.19%		3.27%		3.56%		3.36%		3.46%
Efficiency ratio		59.49%		62.02%		53.20%		60.77%		55.97%
Adjusted efficiency ratio - FTE[2][3]		55.17%		57.27%		52.25%		56.28%		54.21%

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

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

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

Income from Operations

Net income totaled $16.9 million, or $0.34 per diluted common share, for the third quarter of 2023, compared to $16.0 million, or $0.33 per diluted common share, during the second quarter of 2023 and $17.3 million, or $0.35 per diluted common share, during the third quarter of 2022. On a linked quarter basis, net income was higher due to increases in net interest income and non-interest income as well as lower non-interest expense, partially offset by higher provision expense. Compared to the same period in the prior year, the quarter's results were impacted by higher net interest income and non-interest income that were more than offset by higher non-interest expense.

The third quarter included acquisition-related charges of $1.3 million and Day 1 CECL provision expense on acquired loans of $0.9 million, resulting in adjusted net income of $18.6 million, or $0.37 per diluted common share on an adjusted basis, compared to adjusted net income of $17.3 million, or $0.35 per diluted common share, on an adjusted basis for the second quarter of 2023.

Net Interest Income

Fully tax equivalent net interest income totaled $55.8 million for the quarter, compared to $55.3 million for the second quarter of 2023, as the benefit from higher average earning assets, higher loan yields and one additional day were partially offset by higher cost of funds. Net interest margin – FTE narrowed to 3.19% primarily due to the impact of non-accrual loan interest reversals.

Average earning assets increased $183 million compared to the prior quarter primarily due to higher average loan balances, higher average cash balances and the impact of the Tucson acquisition. The yield on earning assets widened 8 basis points entirely due to stronger loan yields from the repricing of variable rate loans as well as higher pricing on new loans, partially offset by the impact of non-accrual loan interest reversals. The cost of interest-bearing liabilities increased 23 basis points due to continued pricing pressure on interest-bearing deposits from the higher interest rate environment.

Compared to the third quarter of 2022, net interest income – FTE increased $5.3 million while net interest margin - FTE decreased 37 basis points. The higher income is due to 23% growth in average earning assets while the net interest margin – FTE decreased as higher loan yields were more than offset by a higher cost of funds due to the rising rate environment. The increase in average earning assets was entirely driven by higher average loan and investment balances, partially offset by lower average cash balances. The yield on earning assets increased 1.79% due to new loan production as well as repricing of variable rate loans. The cost of funds increased 2.37% over the same period due to pricing pressure on deposits as well as client migration into higher cost deposit products compared to the prior year.

Non-Interest Income

Non-interest income increased $0.2 million compared to the second quarter of 2023 and increased $2.2 million compared to the same quarter in 2022. The increase in non-interest income compared to both prior periods was due to increases in service charges and fees, stronger credit card interchange income and other client-related non-interest income. Additionally, gains on sale of loans decreased compared to the prior quarter due to stronger SBA loan sales in the prior quarter.

Non-Interest Expense

Non-interest expense decreased $1.1 million from the second quarter of 2023 and increased $7.9 million from the third quarter of 2022. The third quarter of 2023 included $1.3 million of acquisition-related expenses with $0.8 million included in professional fees, $0.3 million in salaries and employee benefits, $0.1 million in software and communication, and $0.1 million in other non-interest expense. The second quarter of 2023 included $0.3 million of acquisition-related expenses, most of which were included in professional fees, and $1.3 million of employee separation costs included in salaries and employee benefits. The third quarter of 2022 included $0.1 million of acquisition-related expenses, which were included in advertising, professional fees and other non-interest expense. Excluding these acquisition-related expenses and employee separation costs, non-interest expense decreased $0.7 million compared to the second quarter of 2023 and increased $6.7 million compared to the third quarter of 2022.

On an adjusted basis, salaries and employee benefits were $1.0 million lower than the prior quarter due to reductions in headcount. Additionally, other non-interest expenses decreased $0.3 million primarily due to a decrease in discretionary expenses. Partially offsetting these decreases was a $0.4 million increase in other professional fees and a $0.1 million increase in occupancy expense. Core deposit intangible amortization also increased $0.1 million due to the Tucson acquisition. Compared to the third quarter of 2022, salaries and employee benefits costs were higher due to the addition of employees as part of the Colorado and New Mexico and Tucson acquisitions, as well as merit increases. Occupancy costs increased due to the addition of a second location in Dallas, Texas and new properties in Colorado and New Mexico. Additionally, deposit insurance premiums increased due to growth in assets and a higher assessment rate. Software and communication expenses increased due to headcount and client account growth as well as new technology implementation. Core deposit intangible amortization expense also increased compared to the prior year as a result of the previously mentioned acquisitions.

The Company’s effective tax rate for the third quarter of 2023 was 21.3%, as compared to 20.8% in the second quarter of 2023 and 20.3% for the third quarter of 2022. The higher rate for the third quarter of 2023 was primarily related to discrete impacts of stock compensation activity.

Statement of Financial Condition Performance & Analysis

During the third quarter of 2023, total assets increased slightly compared to the end of the prior quarter and increased $1.3 billion, or 23%, compared to September 30, 2022. Total assets increased on a linked quarter basis primarily due to an increase in loans, primarily from the Tucson acquisition. The year-over-year increase was primarily due to an increase in loans of $1.3 billion, including $0.5 billion in acquired loans. Deposits increased $0.2 billion compared to June 30, 2023, and increased $1.3 billion from September 30, 2022, including $0.7 billion in acquired deposits.

Loan Results

During the third quarter of 2023, loans increased $149 million compared to June 30, 2023, including $106 million, net, from the Tucson acquisition. Loans increased $1.3 billion, or 27%, compared to September 30, 2022, including the impact of acquired loans which added 11%. The loan increase compared to September 30, 2022 was primarily due to growth in the commercial and industrial, commercial real estate – owner-occupied and commercial real estate – non-owner-occupied portfolios.

	9/30/23	6/30/23	3/31/23	12/31/22	9/30/22	% of Total	QoQ Growth ($)	QoQ Growth (%)	YoY Growth ($)	YoY Growth (%)
					(Dollars in millions)					
Period-end loans (gross)										
Commercial and industrial	$ 2,056	$ 2,058	$ 2,034	$ 1,975	$ 1,689	34%	$ (2)	(0)%	$ 367	22 %
Energy	214	233	194	173	179	4	(19)	(8)	35	20
Commercial real estate - owner-occupied	584	543	478	437	362	10	41	8	222	61
Commercial real estate - non-owner-occupied	2,593	2,480	2,472	2,315	1,988	43	113	5	605	30
Residential real estate	456	440	440	439	421	8	16	4	35	8
Consumer	43	43	30	34	39	1	-	0	4	10
Total	$ 5,946	$ 5,797	$ 5,648	$ 5,373	$ 4,678	100%	$ 149	3 %	$ 1,268	27 %

Deposit & Other Borrowing Results

During the third quarter of 2023, deposits increased 4%, compared to June 30, 2023, and increased 27%, compared to September 30, 2022. The deposit increase compared to June 30, 2023 was due to increases in non-interest-bearing deposits, transaction deposits and savings and money market deposits, partially offset by decreases in time deposits. Increases in deposits include $165 million related to the Tucson acquisition. Decreases in time deposits were due to decreases in wholesale funding with increases in client deposits more than offsetting these amounts. The total deposit increase compared to September 30, 2022 was due to increases in transaction deposits, savings and money market deposits and time deposits, including acquired deposits, partially offset by decreases in non-interest-bearing deposits.

	9/30/23	6/30/23	3/31/23	12/31/22	9/30/22	QoQ Growth ($)	QoQ Growth (%)	YoY Growth ($)	YoY Growth (%)
				(Dollars in millions)					
Period-end deposits									
Non-interest-bearing deposits	$ 1,029	$ 928	$ 970	$ 1,400	$ 1,114	$ 101	11 %	$ (85)	(8) %
Transaction deposits	802	604	665	544	519	198	33	283	55
Savings and money market deposits	2,757	2,730	2,826	2,761	2,605	27	1	152	6
Time deposits	1,744	1,838	1,376	946	750	(94)	(5)	994	133
Total	$ 6,332	$ 6,100	$ 5,837	$ 5,651	$ 4,988	$ 232	4 %	$ 1,344	27 %

FHLB and Other borrowings ended the quarter at $106.6 million compared to $277.0 million in the linked quarter and $206.4 million at September 30, 2022. Borrowings were reduced due to client deposit growth and acquired deposit balances across both comparative periods.

Asset Quality and Provision for Credit Losses

The Company recorded $3.3 million of provision expense, compared to $2.6 million in the prior quarter and $3.3 million in the prior year third quarter. The current quarter's provision expense was driven by $0.9 million of Day 1 CECL provision for the Tucson acquisition as well as increases due to economic factors, specific reserves, and loan growth. Provision expense was partially offset by a $1.6 million reversal of reserves for unfunded commitments.

Non-performing assets increased $22.8 million to $36.1 million at September 30, 2023 primarily due to one commercial and industrial credit and one commercial real estate – non-owner-occupied credit that moved to nonaccrual during the quarter and several credits that were 90+ days past due and still accruing at quarter-end. Annualized net charge-offs were 0.09% for the quarter compared to 0.04% in the prior quarter and 0.16% in the prior year third quarter.

The allowance for credit losses was $71.6 million and increased to 1.20% of outstanding loans at September 30, 2023. The combined allowance for credit losses and accrual for off-balance sheet credit risk from unfunded commitments ("RUC") was $77.7 million or 1.31% of outstanding loans which was slightly higher compared to the linked quarter and lower than the prior year third quarter due to a reduction in unfunded commitments and the related reserve.

The following table provides information regarding asset quality.

Asset quality *(Dollars in millions)*	**9/30/23**	**6/30/23**	**3/31/23**	**12/31/22**	**9/30/22**
Non-accrual loans	$ 20.4	$ 12.9	$ 9.5	$ 11.3	$ 16.9
Other real estate owned	-	-	0.9	1.1	1.0
Loans 90+ days past due and still accruing	15.7	0.4	0.8	0.8	0.3
Non-performing assets	$ 36.1	$ 13.3	$ 11.2	$ 13.2	$ 18.2
Loans 30 - 89 days past due	29.5	13.3	5.1	19.6	21.4
Net charge-offs (recoveries)	1.3	0.6	1.6	(0.3)	1.9

Asset quality metrics *(%)*	**9/30/23**	**6/30/23**	**3/31/23**	**12/31/22**	**9/30/22**
Nonperforming assets to total assets	0.50 %	0.19 %	0.16 %	0.20 %	0.31 %
Allowance for credit losses to total loans	1.20	1.17	1.15	1.15	1.19
Allowance for credit losses + RUC to total loans[(2)]	1.31	1.30	1.30	1.31	1.34
Allowance for credit losses to non-performing loans	198	508	629	514	324
Net charge-offs (recoveries) to average loans[(1)]	0.09	0.04	0.12	(0.02)	0.16
Provision to average loans[(1)]	0.23	0.18	0.32	0.53	0.29
Classified Loans / (Total Capital + ACL)	14.2	9.7	9.4	10.1	11.3
Classified Loans / (Total Capital + ACL + RUC)[(2)]	14.0	9.6	9.3	10.0	11.2

[(1)] Interim periods annualized.

[(2)] Includes the accrual for off-balance sheet credit risk from unfunded commitments

Capital Position

At September 30, 2023, stockholders' equity totaled $643 million, or $13.04 of book value per common share, compared to $651 million, or $13.39 of book value per common share, at June 30, 2023. The decrease was due to an increase in accumulated other comprehensive loss from the unrealized loss on available-for-sale securities, net of tax, partially offset by net income and the issuance of shares as part of the consideration in the Tucson acquisition.

Tangible book value per common share[(1)] was $12.23 at September 30, 2023, a decrease of $0.44, or 3%, from June 30, 2023. The ratio of common equity Tier 1 capital to risk-weighted assets was approximately 9.7%, and the ratio of total capital to risk-weighted assets was approximately 10.9% at September 30, 2023.

(1) Represents a non-GAAP financial measure. See “Table 5. Non-GAAP Financial Measures” for a reconciliation of this measure.

Conference Call and Webcast

Management will host a conference call to review third quarter financial results on Tuesday, October 17, 2023, at 10 a.m. CT / 11 a.m. ET. The conference call and webcast may also include discussion of Company developments, forward-looking statements and other material information about business and financial matters. To access the event by telephone, please dial (844) 481-2831 at least fifteen minutes prior to the start of the call and request access to the CrossFirst Bankshares call. International callers should dial +1 (412) 317-1851 and request access as directed above. The call will also be broadcast live over the internet and can be accessed via the following link: https://edge.media-server.com/mmc/p/c7g6sbx8. Please visit the site at least 15 minutes prior to the call to allow time for registration. For those unable to join the presentation, a replay of the call will be available two hours after the conclusion of the live call. To access the replay, dial (877) 344-7529 and enter the replay access code 6090856. International callers should dial +1 (412) 317-0088 and enter the same access code. A replay of the webcast will also be available for 90 days on the Company's website https://investors.crossfirstbankshares.com/.

Cautionary Notice about Forward-Looking Statements

The financial results in this press release reflect preliminary, unaudited results, which are not final until the Company's Quarterly Report on Form 10-Q is filed. This earnings release contains forward-looking statements regarding, among other things, our business plans; expansion and growth opportunities; post-closing plans, objectives, expectations and intentions with respect to the Tucson acquisition; expense control initiatives; anticipated expenses, cash requirements and sources of liquidity; capital allocation strategies and plans; and future financial performance. These statements are often, but not always, made through the use of words or phrases such as "growth," "planned," "guidance," "believe," "future," "opportunity," "anticipated," "expectations," "expect," "will," "could," "goal," "focused," "work toward," "aim," "intend," "position" and similar words or phrases of a future or forward-looking nature. The inclusion of forward-looking information herein should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry, management's beliefs, certain assumptions made by management, and financial trends that may affect our financial condition, results of operations, business strategy or financial needs, many of which, by their nature, are inherently uncertain and beyond our control. Our actual results could differ materially from those anticipated in such forward-looking statements.

Accordingly, we caution 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 we believe 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, including , without limitation, the following: impact on us and our clients of a decline in general business and economic conditions and any regulatory responses thereto, including uncertainty and volatility in the financial markets; interest rate fluctuations; our ability to effectively execute our growth strategy and manage our growth, including identifying and consummating suitable mergers and acquisitions, our ability to successfully integrate Canyon Bancorporation, Inc. and Canyon Community Bank, N.A., entering new lines of business or offering new or enhanced services or products; fluctuations in fair value of our investments due to factors outside of our control; our ability to successfully manage credit risk and the sufficiency of our allowance; geographic concentration of our markets; economic impact on our commercial real estate and commercial-based loan portfolios, including declines in commercial and residential real estate values; an increase in non-performing assets; our ability to attract, hire and retain key personnel; maintaining and increasing customer deposits, funding availability, liquidity and our ability to raise and maintain sufficient capital; competition from banks, credit unions and other financial services providers; the effectiveness of our risk management framework; accounting estimates; our ability to maintain effective internal control over financial reporting; our ability to keep pace with technological changes; cyber incidents or other failures, disruptions or security breaches; employee error, fraud committed against the Company or our clients, or incomplete or inaccurate information about clients and counterparties; mortgage markets; our ability to maintain our reputation; costs and effects of litigation; environmental liability; risk exposure from transactions with financial counterparties; severe weather, natural disasters, pandemics, acts of war or terrorism or other external events; and changes in laws, rules, regulations, interpretations or policies relating to financial institutions, including stringent capital requirements, higher FDIC insurance premiums and assessments, consumer protection laws and privacy laws. These and other factors that could cause results to differ materially from those described in the forward-looking statements, as well as a discussion of the risks and uncertainties that may affect our business, can be found in our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q and in other filings we make with the Securities and Exchange Commission. These forward-looking statements are made as of the date hereof, and we disclaim any obligation to update any forward-looking statement or to publicly announce the results of any revisions to any of the forward-looking statements included herein, except as required by law.

About CrossFirst Bankshares, Inc.

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

INVESTOR CONTACT

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TABLE 1. CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)

	September 30, 2023	June 30, 2023	December 31, 2022
		(Dollars in thousands)	
Assets			
Cash and cash equivalents	$ 233,191	$ 342,497	$ 300,138
Available-for-sale securities - taxable	345,708	297,097	198,808
Available-for-sale securities - tax-exempt	404,779	446,803	488,093
Loans, net of unearned fees	5,945,753	5,796,599	5,372,729
Allowance for credit losses on loans	71,556	67,567	61,775
Loans, net of the allowance for credit losses on loans	5,874,197	5,729,032	5,310,954
Premises and equipment, net	70,245	68,539	65,984
Restricted equity securities	4,396	13,060	12,536
Interest receivable	35,814	33,303	29,507
Foreclosed assets held for sale	-	-	1,130
Goodwill and other intangible assets, net	32,293	27,457	29,081
Bank-owned life insurance	70,367	69,929	69,101
Other	108,489	92,461	95,754
Total assets	$ 7,179,479	$ 7,120,178	$ 6,601,086
Liabilities and stockholders' equity			
Deposits			
Non-interest-bearing	$ 1,028,974	$ 928,098	$ 1,400,260
Savings, NOW and money market	3,558,994	3,333,514	3,305,481
Time	1,743,653	1,838,455	945,567
Total deposits	6,331,621	6,100,067	5,651,308
Federal Home Loan Bank advances	88,531	262,708	218,111
Other borrowings	18,059	14,320	35,457
Interest payable and other liabilities	98,217	91,600	87,611
Total liabilities	6,536,428	6,468,695	5,992,487
Stockholders' equity			
Preferred Stock, $0.01 par value: Authorized - 15,000 shares, issued - 7,750 at September 30, 2023 and June 30, 2023 and no shares at December 31, 2022	-	-	-
Common Stock, $0.01 par value: Authorized - 200,000,000 shares, issued - 53,285,789, 53,241,855 and 53,036,613 shares at September 30, 2023, June 30, 2023 and December 31, 2022, respectively	533	532	530
Treasury stock, at cost: 3,990,753 shares held at September 30, 2023 and 4,588,398 shares held at June 30, 2023 and December 31, 2022	(58,195)	(64,127)	(64,127)
Additional paid-in capital	542,191	539,793	530,658
Retained earnings	254,855	238,147	206,095
Accumulated other comprehensive loss	(96,333)	(62,862)	(64,557)
Total stockholders' equity	643,051	651,483	608,599
Total liabilities and stockholders' equity	$ 7,179,479	$ 7,120,178	$ 6,601,086

TABLE 2. CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended			Nine Months Ended	
	September 30, 2023	June 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	(Dollars in thousands except per share data)				
Interest Income					
Loans, including fees	$ 103,631	$ 98,982	$ 59,211	$ 292,231	$ 149,266
Available-for-sale securities - taxable	3,089	2,622	1,119	7,560	3,250
Available-for-sale securities - tax-exempt	3,365	3,571	3,905	10,730	11,442
Deposits with financial institutions	2,444	1,609	1,193	6,067	1,714
Dividends on bank stocks	127	364	122	753	478
Total interest income	112,656	107,148	65,550	317,341	166,150
Interest Expense					
Deposits	56,297	48,663	14,909	141,685	23,152
Fed funds purchased and repurchase agreements	5	-	9	51	83
Federal Home Loan Bank Advances	1,003	3,734	898	7,128	3,302
Other borrowings	224	212	39	590	94
Total interest expense	57,529	52,609	15,855	149,454	26,631
Net Interest Income	55,127	54,539	49,695	167,887	139,519
Provision for Credit Losses	3,329	2,640	3,334	10,390	4,844
Net Interest Income after Provision for Credit Losses	51,798	51,899	46,361	157,497	134,675
Non-Interest Income					
Service charges and fees on customer accounts	2,249	2,110	1,566	6,188	4,520
ATM and credit card interchange income	1,436	1,213	1,326	3,913	5,513
Gain on sale of loans	739	1,205	-	2,131	-
Income from bank-owned life insurance	437	418	405	1,266	1,200
Swap fees and credit valuation adjustments, net	57	84	(7)	231	123
Other non-interest income	1,063	749	490	2,452	1,566
Total non-interest income	5,981	5,779	3,780	16,181	12,922
Non-Interest Expense					
Salaries and employee benefits	22,017	24,061	18,252	68,700	53,288
Occupancy	3,183	3,054	2,736	9,211	7,851
Professional fees	1,945	970	580	5,533	2,453
Deposit insurance premiums	1,947	1,881	903	5,359	2,355
Data processing	904	1,057	877	3,203	2,849
Advertising	593	649	796	1,994	2,247
Software and communication	1,898	1,655	1,222	5,204	3,689
Foreclosed assets, net	-	(21)	9	128	(30)
Other non-interest expense	2,945	3,304	3,057	9,980	10,559
Core deposit intangible amortization	922	802	19	2,546	58
Total non-interest expense	36,354	37,412	28,451	111,858	85,319
Net Income Before Taxes	21,425	20,266	21,690	61,820	62,278
Income tax expense	4,562	4,219	4,410	12,802	12,625
Net Income	$ 16,863	$ 16,047	$ 17,280	$ 49,018	$ 49,653
Basic Earnings Per Common Share	$ 0.34	$ 0.33	$ 0.35	$ 1.00	$ 1.00
Diluted Earnings Per Common Share	$ 0.34	$ 0.33	$ 0.35	$ 0.99	$ 0.99

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

	Nine Months Ended September 30,					
	2023			2022		
	Average Balance	Interest Income / Expense	Average Yield / Rate[3]	Average Balance	Interest Income / Expense	Average Yield / Rate[3]
			(Dollars in thousands)			
Interest-earning assets:						
Securities - taxable	$ 321,128	$ 8,313	3.45%	$ 218,421	$ 3,728	2.28%
Securities - tax-exempt - FTE[1]	514,333	12,984	3.37	549,490	13,845	3.36
Federal funds sold	691	11	2.13	-	-	-
Interest-bearing deposits in other banks	179,649	6,056	4.51	246,213	1,714	0.93
Gross loans, net of unearned income[2]	5,742,621	292,231	6.80	4,466,887	149,266	4.47
Total interest-earning assets - FTE[1]	6,758,422	$ 319,595	6.32%	5,481,011	$ 168,553	4.11%
Allowance for loan losses	(66,265)			(57,213)		
Other non-interest-earning assets	228,314			201,519		
Total assets	$ 6,920,471			$ 5,625,317		
Interest-bearing liabilities						
Transaction deposits	$ 610,869	$ 13,566	2.97%	$ 541,933	$ 2,134	0.89%
Savings and money market deposits	2,787,915	80,151	3.84	2,386,205	15,285	0.86
Time deposits	1,505,329	47,968	4.26	627,458	5,733	1.22
Total interest-bearing deposits	4,904,113	141,685	3.86	3,555,596	23,152	0.87
FHLB and short-term borrowings	250,795	7,593	4.05	241,897	3,385	1.87
Trust preferred securities, net of fair value adjustments	1,077	176	21.85	1,024	94	12.29
Non-interest-bearing deposits	1,022,469	-	-	1,148,150	-	-
Cost of funds	6,178,454	$ 149,454	3.23%	4,946,667	$ 26,631	0.72%
Other liabilities	99,896			51,634		
Stockholders' equity	642,121			627,016		
Total liabilities and stockholders' equity	$ 6,920,471			$ 5,625,317		
Net interest income - FTE[1]		$ 170,141			$ 141,922	
Net interest spread - FTE[1]			3.09%			3.39%
Net interest margin - FTE[1]			3.36%			3.46%

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

[2] Average gross loan balances include non-accrual loans.

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

TABLE 4. QUARTERLY ANALYSIS OF CHANGES IN NET INTEREST INCOME – FTE (UNAUDITED)

	September 30, 2023			June 30, 2023			September 30, 2022		
	Average Balance	Interest Income / Expense	Average Yield / Rate[3]	Average Balance	Interest Income / Expense	Average Yield / Rate[3]	Average Balance	Interest Income / Expense	Average Yield / Rate[3]
				(Dollars in thousands)					
Interest-earning assets:									
Securities - taxable	$ 357,260	$ 3,216	3.60%	$ 336,446	$ 2,986	3.55%	$ 213,775	$ 1,241	2.32%
Securities - tax-exempt - FTE[1]	489,320	4,072	3.33	511,993	4,321	3.38	560,541	4,725	3.37
Federal funds sold	332	5	5.97	-	-	-	-	-	-
Interest-bearing deposits in other banks	198,068	2,439	4.89	145,559	1,609	4.43	231,345	1,193	2.05
Gross loans, net of unearned income[2]	5,907,730	103,631	6.96	5,776,137	98,982	6.87	4,626,684	59,211	5.08
Total interest-earning assets - FTE[1]	6,952,710	$ 113,363	6.47%	6,770,135	$ 107,898	6.39%	5,632,345	$ 66,370	4.68%
Allowance for loan losses	(69,415)			(66,078)			(56,995)		
Other non-interest-earning assets	230,933			225,915			188,997		
Total assets	$ 7,114,228			$ 6,929,972			$ 5,764,347		
Interest-bearing liabilities									
Transaction deposits	$ 689,973	$ 5,727	3.29%	$ 598,646	$ 4,339	2.91%	$ 531,999	$ 1,539	1.95%
Savings and money market deposits	2,775,549	29,655	4.24	2,707,637	26,927	3.99	2,519,574	10,568	1.66
Time deposits	1,795,798	20,915	4.62	1,612,105	17,397	4.33	733,607	2,802	1.52
Total interest-bearing deposits	5,261,320	56,297	4.25	4,918,388	48,663	3.97	3,785,180	14,909	1.56
FHLB and short-term borrowings	131,420	1,169	3.53	349,763	3,888	4.46	165,196	907	2.18
Trust preferred securities, net of fair value adjustments	1,091	63	22.91	1,077	58	21.60	1,037	39	14.58
Non-interest-bearing deposits	954,005	-	-	921,259	-	-	1,137,626	-	-
Cost of funds	6,347,836	$ 57,529	3.60%	6,190,487	$ 52,609	3.41%	5,089,039	$ 15,855	1.23%
Other liabilities	108,148			91,994			62,102		
Stockholders' equity	658,244			647,491			613,206		
Total liabilities and stockholders' equity	$ 7,114,228			$ 6,929,972			$ 5,764,347		
Net interest income - FTE[1]		$ 55,834			$ 55,289			$ 50,515	
Net interest spread - FTE[1]			2.87%			2.98%			3.45%
Net interest margin - FTE[1]			3.19%			3.27%			3.56%

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

[2] Average loan balances include non-accrual loans.

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

TABLE 5. NON-GAAP FINANCIAL MEASURES

Non-GAAP Financial Measures

In addition to disclosing financial measures determined in accordance with U.S. generally accepted accounting principles (GAAP), the Company discloses non-GAAP financial measures in this release including “tangible common stockholders’ equity,” “tangible book value per common share,” “adjusted efficiency ratio – fully tax equivalent (FTE),” “adjusted net income,” “adjusted diluted earnings per common share,” “adjusted return on average assets (ROAA),” and “adjusted return on average common equity (ROCE).” We consider the use of select non-GAAP financial measures and ratios to be useful for financial and operational decision making and useful in evaluating period-to-period comparisons. We believe that these non-GAAP financial measures provide meaningful supplemental information regarding our performance by excluding certain expenditures or gains that we believe are not indicative of our primary business operating results. We believe that management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting, analyzing and comparing past, present and future periods.

These non-GAAP financial measures should not be considered a substitute for financial information presented in accordance with GAAP and you should not rely on non-GAAP financial measures alone as measures of our performance. The non-GAAP financial measures we present may differ from non-GAAP financial measures used by our peers or other companies. We compensate for these limitations by providing the equivalent GAAP measures whenever we present the non-GAAP financial measures and by including a reconciliation of the impact of the components adjusted for in the non-GAAP financial measure so that both measures and the individual components may be considered when analyzing our performance.

A reconciliation of non-GAAP financial measures to the comparable GAAP financial measures follows.

	Quarter Ended					Nine Months Ended	
	9/30/2023	6/30/2023	3/31/2023	12/31/2022	9/30/2022	9/30/2023	9/30/2022
	(Dollars in thousands, except per share data)						
Adjusted net income:							
Net income	$ 16,863	$ 16,047	$ 16,108	$ 11,946	$ 17,280	$ 49,018	$ 49,653
Add: Acquisition costs	1,328	338	1,477	3,570	81	3,143	320
Add: Acquisition - Day 1 CECL provision	900	-	-	4,400	-	900	-
Add: Employee separation	-	1,300	-	-	-	1,300	1,063
Less: Tax effect[(1)]	(468)	(344)	(310)	(2,045)	(17)	(1,122)	(290)
Adjusted net income	**$ 18,623**	**$ 17,341**	**$ 17,275**	**$ 17,871**	**$ 17,344**	**$ 53,239**	**$ 50,746**
Preferred stock dividends	$ 155	$ 103	$ -	$ -	$ -	$ 258	$ -
Diluted weighted average common shares outstanding	49,480,107	48,943,325	49,043,621	49,165,578	49,725,207	49,184,810	50,280,593
Diluted earnings per common share	**$ 0.34**	**$ 0.33**	**$ 0.33**	**$ 0.24**	**$ 0.35**	**$ 0.99**	**$ 0.99**
Adjusted diluted earnings per common share	**$ 0.37**	**$ 0.35**	**$ 0.35**	**$ 0.36**	**$ 0.35**	**$ 1.08**	**$ 1.01**

[(1)] Represents the tax impact of the adjustments at a tax rate of 21.0%, plus permanent tax expense associated with merger related transactions.

	Quarter Ended					Nine Months Ended	
	9/30/2023	6/30/2023	3/31/2023	12/31/2022	9/30/2022	9/30/2023	9/30/2022
	(Dollars in thousands)						
Adjusted return on average assets:							
Net income	$ 16,863	$ 16,047	$ 16,108	$ 11,946	$ 17,280	$ 49,018	$ 49,653
Adjusted net income	18,623	17,341	17,275	17,871	17,344	53,239	50,746
Average assets	$ 7,114,228	$ 6,929,972	$ 6,712,801	$ 6,159,783	$ 5,764,347	$ 6,920,471	$ 5,625,317
Return on average assets	**0.94 %**	**0.93 %**	**0.97 %**	**0.77 %**	**1.19 %**	**0.95 %**	**1.18 %**
Adjusted return on average assets	**1.04 %**	**1.00 %**	**1.04 %**	**1.15 %**	**1.19 %**	**1.03 %**	**1.21 %**

	Quarter Ended					Nine Months Ended	
	9/30/2023	6/30/2023	3/31/2023	12/31/2022	9/30/2022	9/30/2023	9/30/2022
	(Dollars in thousands)						
Adjusted return on average common equity:							
Net income	$ 16,863	$ 16,047	$ 16,108	$ 11,946	$ 17,280	$ 49,018	$ 49,653
Preferred stock dividends	155	103	-	-	-	258	-
Net income attributable to common shareholders	$ 16,708	$ 15,944	$ 16,108	$ 11,946	$ 17,280	$ 48,760	$ 49,653
Adjusted net income	$ 18,623	$ 17,341	$ 17,275	$ 17,871	$ 17,344	$ 53,239	$ 50,746
Preferred stock dividends	155	103	-	-	-	258	-
Adjusted net income attributable to common shareholders	$ 18,468	$ 17,238	$ 17,275	$ 17,871	$ 17,344	$ 52,981	$ 50,746
Average common equity	$ 650,494	$ 639,741	$ 619,952	$ 589,587	$ 613,206	$ 636,841	$ 627,016
Return on average common equity	**10.19 %**	**10.00 %**	**10.54 %**	**8.04 %**	**11.18 %**	**10.24 %**	**10.59 %**
Adjusted return on average common equity	**11.26 %**	**10.81 %**	**11.30 %**	**12.03 %**	**11.22 %**	**11.12 %**	**10.82 %**

	Quarter Ended				
	9/30/2023	6/30/2023	3/31/2023	12/31/2022	9/30/2022
	(Dollars in thousands, except per share data)				
Tangible common stockholders' equity:					
Total stockholders' equity	$ 643,051	$ 651,483	$ 645,491	$ 608,599	$ 580,547
Less: goodwill and other intangible assets	32,293	27,457	28,259	29,081	71
Less: preferred stock	7,750	7,750	7,750	-	-
Tangible common stockholders' equity	$ 603,008	$ 616,276	$ 609,482	$ 579,518	$ 580,476
Common shares outstanding at end of period	49,295,036	48,653,487	48,600,618	48,448,215	48,787,696
Book value per common share	**$ 13.04**	**$ 13.39**	**$ 13.28**	**$ 12.56**	**$ 11.90**
Tangible book value per common share	**$ 12.23**	**$ 12.67**	**$ 12.54**	**$ 11.96**	**$ 11.90**

	Quarter Ended					Nine Months Ended	
	9/30/2023	6/30/2023	3/31/2023	12/31/2022	9/30/2022	9/30/2023	9/30/2022
				(Dollars in thousands)			
Adjusted Efficiency Ratio - Fully Tax Equivalent (FTE)[1]							
Non-interest expense	$ 36,354	$ 37,412	$ 38,092	$ 36,423	$ 28,451	$ 111,858	$ 85,319
Less: Acquisition costs	(1,328)	(338)	(1,477)	(3,570)	(81)	(3,143)	(320)
Less: Core deposit intangible amortization	(922)	(802)	(822)	(291)	-	(2,546)	-
Less: Employee separation	-	(1,300)	-	-	-	(1,300)	(1,063)
Adjusted Non-interest expense (numerator)	$ 34,104	$ 34,972	$ 35,793	$ 32,562	$ 28,370	$ 104,869	$ 83,936
Net interest income	55,127	54,539	58,221	54,015	49,695	167,887	139,519
Tax equivalent interest income[1]	707	750	797	818	820	2,254	2,403
Non-interest income	5,981	5,779	4,421	4,359	3,780	16,181	12,922
Total tax-equivalent income (denominator)	$ 61,815	$ 61,068	$ 63,439	$ 59,192	$ 54,295	$ 186,322	$ 154,844
Efficiency Ratio	**59.49 %**	**62.02 %**	**60.81 %**	**62.40 %**	**53.20 %**	**60.77 %**	**55.97 %**
Adjusted Efficiency Ratio - Fully Tax Equivalent (FTE)[1]	**55.17 %**	**57.27 %**	**56.42 %**	**55.01 %**	**52.25 %**	**56.28 %**	**54.21 %**

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