

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2021

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

(State or other jurisdiction of incorporation or organization)

26-3212879

(I.R.S. Employer Identification No.)

11440 Tomahawk Creek Parkway

Leawood KS

(Address of principal executive offices)

66211

(Zip Code)

(913) 312-6822

(Registrant's telephone number, including area code)

N/A

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Trading Symbol

Name of each exchange on which registered

Common Stock, par value \$0.01 per share

CFB

The Nasdaq Stock Market LLC

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No
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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of voting stock held by nonaffiliates of the Registrant was \$643,860,140 (based on the June 30, 2021, closing price of CrossFirst Bankshares, Inc. Common Shares of \$13.75 as reported on the NASDAQ Global Select Market).

As of February 25, 2022, the registrant had 50,209,009 shares of common stock, par value \$0.01, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: Part III of this Annual Report on Form 10-K incorporates by reference certain information from the registrant's definitive proxy statement with respect to its 2022 annual meeting of stockholders, which will be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Annual Report on Form 10-K relates.

CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements. These forward-looking statements reflect our current views with respect to, among other things, future events and our financial performance. These statements are often, but not always, made through the use of words or phrases such as “may,” “might,” “should,” “could,” “predict,” “potential,” “believe,” “expect,” “continue,” “will,” “anticipate,” “seek,” “estimate,” “intend,” “plan,” “strive,” “projection,” “goal,” “target,” “aim,” “would,” “annualized” and “outlook,” or the negative version of those words or other comparable words or phrases of a future or forward-looking nature. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry, management’s beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, we caution 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.

There are or will be important factors that could cause our actual results to differ materially from those indicated in these forward-looking statements, including, but not limited to, the following:

- risks associated with the current outbreak of the novel coronavirus, or COVID-19;
- our ability to effectively execute our expansion strategy and manage our growth, including identifying and consummating suitable mergers and acquisitions and integrating merged and acquired companies;
- business and economic conditions, particularly those affecting our market areas in Kansas, Missouri, Oklahoma, Texas and Arizona, including a decrease in or the volatility of oil and gas prices or agricultural commodity prices within the region;
- the geographic concentration of our markets in Kansas, Missouri, Oklahoma, Texas and Arizona;
- concentrations of loans secured by real estate and energy located in our market areas;
- risks associated with our commercial loan portfolio, including the risk for deterioration in value of the general business assets that secure such loans;
- borrower and depositor concentration risks;
- our ability to maintain our reputation;
- our ability to successfully manage our credit risk and the sufficiency of our allowance;
- reinvestment risks associated with a significant portion of our loan portfolio maturing in one year or less;
- our ability to attract, hire and retain qualified management personnel;
- our dependence on our management team, including our ability to retain executive officers and key employees and their customer and community relationships;
- changes in the anticipated rate hikes by the Federal Open Market Committee;
- fluctuations in interest rates and the fair value of our investment securities, which could have an adverse effect on our profitability;
- competition from banks, credit unions and other financial services providers;
- our ability to maintain sufficient liquidity and capital;
- system failures, service denials, cyber-attacks and security breaches;
- our ability to maintain effective internal control over financial reporting;
- employee error, fraudulent activity by employees or customers and inaccurate or incomplete information about our customers and counterparties;
- increased capital requirements imposed by banking regulators, which may require us to raise capital at a time when capital is not available on favorable terms or at all;
- costs and effects of litigation, investigations or similar matters to which we may be subject, including any effect on our reputation;
- severe weather, acts of god, acts of war or terrorism;
- compliance with governmental and regulatory requirements, including the Dodd-Frank and Wall Street Consumer Protection Act (“Dodd-Frank Act”) and other regulations relating to banking, consumer protection, securities and tax matters;
- changes in the laws, rules, regulations, interpretations or policies relating to financial institutions, accounting, tax, trade, monetary and fiscal matters, including the policies of the Federal Reserve and as a result of initiatives of the current administration;

- risks associated with our common stock; and
- those factors set forth below under the heading "Part I, Item 1A. Risk Factors," in this Annual Report on Form 10-K

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this report. Because of these risks and other uncertainties, our actual future results, performance or achievements, or industry results, may be materially different from the results indicated by the forward-looking statements in this report. In addition, our past results of operations are not necessarily indicative of our future results. Accordingly, no forward-looking statements should be relied upon, which represent our beliefs, assumptions and estimates only as of the dates on which such forward-looking statements were made. Any forward-looking statement speaks only as of the date on which it is made, and we do not undertake any obligation to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

CrossFirst Bankshares, Inc.
2021 Form 10-K Annual Report
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Part I

ITEM 1. BUSINESS

Our Company

CrossFirst Bankshares, Inc., a Kansas corporation and registered bank holding company (the “Company”), is the holding company for CrossFirst Bank (the “Bank”). The Company was initially formed as a limited liability company, CrossFirst Holdings, LLC, on September 1, 2008, to become the holding company for the Bank and converted to a corporation in 2017. The Bank was established as a Kansas state-chartered bank in 2007 and provides a full suite of financial services to businesses, business owners, professionals, and their personal networks through our eight offices located in Kansas, Missouri, Oklahoma, Texas, and Arizona.

Unless we state otherwise or the context otherwise requires, references in the below section to “we,” “our,” “us,” “ourselves,” “our company,” and the “Company” refer to CrossFirst Bankshares, Inc., a Kansas corporation, its predecessors and its consolidated subsidiaries. References to “CrossFirst Bank” and the “Bank” refer to CrossFirst Bank, a Kansas chartered bank and our wholly owned consolidated subsidiary.

Since opening our first branch in 2007, we have grown organically primarily by establishing eight branches, attracting new clients and expanding our relationships with existing clients, as well as through two strategic acquisitions. Since inception, our strategy has been to build the most trusted bank serving our markets, which we believe has driven value for our shareholders. We are committed to a culture of serving our clients and communities in extraordinary ways by providing personalized, relationship-based banking. We believe that success is achieved through establishing and growing the trust of our clients, employees, shareholders, and communities. We remain focused on growth and are equally focused on building stockholder value through greater efficiency and increased profitability. We intend to execute our strategic plan through the following:

- Continue organic growth;
- Selectively pursue opportunities to expand through acquisitions or new market development;
- Improve financial performance;
- Attract, retain and develop talent;
- Maintain a branch-lite business model with strategically placed locations; and
- Leverage technology to enhance the client experience and improve profitability.

Developments during the Fiscal Year ended December 31, 2021

As a result of the COVID-19 pandemic, the Paycheck Protection Program (“PPP”) was established by the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act and authorized forgivable loans to small businesses. The Consolidated Appropriations Act of 2021 allocated an additional \$284 billion in PPP funding that started in January of 2021. The Company provided an additional \$134 million in PPP funding during 2021. These PPP loans earn interest at 1%, include fees between 1% and 5%, and typically mature in five years. Additional information related to the COVID-19 pandemic impact can be found in the “COVID-19 Pandemic Impact” section within Management’s Discussion and Analysis.

The Company implemented its business continuity procedures in March 2020 that included having employees work from home or on a rotation basis and meet with customers by appointment only. In April of 2021, substantially all employees returned to on-premises work and the bank lobbies were re-opened to the public.

In January of 2021, the Company hired Jana Merfen to lead our enterprise technology strategies and services for the Bank. During the year ended December 31, 2021, the Company continued to strengthen its technology strategy to enhance the digital experience for clients.

In April of 2021, the Company became a limited partner in a \$150 million venture capital investment fund designed to help accelerate technology adoption at community banks. The Company committed to a total investment of \$3 million. The investment fund will help community banks find solutions that make them more competitive and cost-efficient by identifying and investing in companies that solve problems the community banks face.

During the second quarter of 2021, Benjamin R. Clouse was named as the Company's Chief Financial Officer effective, July 12, 2021, to succeed David O'Toole.

In June of 2021, the Company announced that it was expanding its footprint with the opening of a branch in Phoenix, Arizona.

The Company completed its \$20 million share repurchase program in June of 2021. A total of 1,573,806 common shares were repurchased at an average per share price of \$12.68.

In July of 2021, Jay Shadwick notified the Company of his decision to retire from the Company's Board of Directors.

In October of 2021, the Company announced a new share repurchase program under which we may repurchase up to \$30 million of Company common stock. As of December 31, 2021, the Company had repurchased 566,164 common shares at an average per share price of \$14.75.

In December of 2021, the Company executed a contract to partner with Q2 to begin the implementation phase of providing a unified digital platform for clients across all channels. The Q2 platform provides a responsive design with features and functionality parity between online and mobile banking and gives the Company the ability to enhance our digital client experience with additional revenue generating opportunities.

The Company is also in the process of transitioning our credit card services program in house, which will eliminate our utilization of a third-party service provider. We anticipate the transition to be completed in 2022.

Products and Services

The Bank operates as a regional bank providing a broad offering of deposit and lending products to commercial and consumer clients. The Bank's branches are 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. We focus mainly on delivering products and services to small and middle market commercial businesses and affluent consumers. We believe that this is a client segment that is underserved by larger bank competitors.

We offer cash and treasury management solutions to our clients to help build and maintain our commercial relationships. We focus on the following loan categories: (i) commercial loans, including enterprise value lending; (ii) commercial real estate loans; (iii) construction and development loans, including home builder lending; (iv) 1-4 family real estate loans; (v) energy loans; and (vi) consumer loans.

We offer deposit banking products including: (i) personal and business checking and savings accounts; (ii) international banking services; (iii) treasury management services; (iv) money market accounts; (v) certificates of deposits; (vi) negotiable order of withdrawal accounts; (vii) automated teller machine access; and (viii) mobile banking.

Competition

The banking and financial services industry is highly competitive, and we compete with a wide range of financial institutions within our markets, including local, regional and national commercial banks and credit unions. We also compete with mortgage companies, trust companies, brokerage firms, consumer finance companies, securities firms, insurance companies, third-party payment processors, financial technology ("Fintech") companies, and other financial intermediaries. Some of our competitors are not subject to the regulatory restrictions and level of regulatory supervision applicable to us.

Human Capital Resources

Employee Profile

As of December 31, 2021, the Company had 360 full-time equivalent employees in locations across the states of Kansas, Missouri, Oklahoma, Texas and Arizona. As of December 31, 2021, approximately 59% of our current workforce is female, 41% male.

Compensation and Benefits Program

As part of our compensation philosophy, the Company offers and maintains competitive total rewards programs to attract and retain superior talent throughout our market footprint. In addition to competitive base pay, additional programs include annual bonus opportunities, long-term incentive opportunities, a Company augmented Employee Stock Ownership Plan, Company matched 401(k) Plan, healthcare and insurance benefits, health savings and flexible spending accounts, paid time off, family leave, a Volunteer Time Off ("VTO") program, flexible work schedules, and employee assistance programs.

Diversity and Inclusion

We believe that an equitable and inclusive environment with diverse teams supports our core values and strategic initiatives, and it is crucial to our efforts to attract and retain key talent. We are focused on maintaining and enhancing our inclusive culture through our CrossFirst Cares program and our IDEA Champions employee resource group. These groups enhance an inclusive culture through company events, participation in our recruitment efforts, and input into our development strategies.

Our ongoing diversity and inclusion initiatives support our goal of engaging employees throughout the Company in creating an inclusive workplace. We are focused on sourcing and hiring candidates with fair and equitable strategies and creating an environment where all employees can develop and thrive.

Community Involvement

We build strong relationships within the communities we serve and support the passions of our employees. We encourage our employees to volunteer their time and talent by serving on boards and supporting the communities where they live and work.

We understand that helping our employees devote their energies to causes that matter to them, to their communities and to those individuals who are most in need makes a broader impact. Our CrossFirst Volunteer Time Off program provides paid leave for these volunteer activities.

Our spirit of employee giving is also championed through our Generous Giving program. Through this program, we offer every employee the opportunity to provide financial support for another individual by matching up to \$500 per employee gift, per year. Our Generous Giving is designed to give our employees additional resources to make a difference in people's lives.

We focus on giving back to the communities we serve and providing opportunities to our employees to share in that effort. At the same time, we recognize that participating in these activities enriches all our lives.

Health and Safety

The success of our business is fundamentally connected to the well-being of our people. Accordingly, we are committed to the health, safety and wellness of our employees. We provide our employees and their families with access to a variety of flexible and convenient health and welfare programs. This includes offering benefits to support their physical and mental well-being; providing tools and resources to help improve or maintain their health status; and offering choices where possible for employees to customize their benefits to meet their needs and the needs of their families. In response to the COVID-19 pandemic, the Company implemented significant operating environment changes that leadership determined were in the best interest of our employees, the communities in which we operate, and which comply with government regulations. This includes providing flexible work from home options for a large percentage of our employees, while implementing additional safety measures for employees continuing critical on-site work.

Talent Development

We prioritize and invest in creating opportunities to help our employees grow and build their careers through a variety of training and development programs. These include online, classroom and on-the-job learning formats paired with an individualized development approach.

A core tenet of our talent system is to both develop talent from within and supplement with external candidates. This approach has yielded loyalty and commitment in our employee base which benefits our business, our products, and our clients. In 2021, over 19% of our current employees were promoted into roles with increased responsibilities. The addition of new employees and external ideas supports our culture of continuous improvement and a diverse and inclusive workforce.

Our performance management framework includes monthly business and functional reviews, along with one-on-one and quarterly forward-looking goal setting and development discussions, followed by annual opportunities for pay differentiation based on overall employee performance distinction.

Supervision and Regulation

The following is a general summary of the material aspects of certain statutes and regulations that are applicable to us. These summary descriptions are not complete. Please refer to the full text of the statutes, regulations, and corresponding guidance for more information. These statutes and regulations are subject to change, and additional statutes, regulations, and corresponding guidance may be adopted. We are unable to predict future changes or the effects, if any, that these changes could have on our business or our revenues.

General

We are extensively regulated under U.S. federal and state law. As a result, our growth and earnings performance may be affected not only by management decisions and general economic conditions, but also by federal and state statutes and by the regulations and policies of various bank regulatory agencies, including the Office of the State Bank Commissioner of Kansas, the Federal Reserve, the Federal Deposit Insurance Corporation (“FDIC”) and the Consumer Financial Protection Bureau (“CFPB”). Furthermore, tax laws administered by the Internal Revenue Service (“IRS”) and state and local taxing authorities, accounting rules developed by the Financial Accounting Standards Board (“FASB”), securities laws administered by the Securities and Exchange Commission (“SEC”) and state securities authorities and Anti-Money Laundering (“AML”) laws enforced by the U.S. Department of the Treasury also impact our business. The effect of these statutes, regulations, regulatory policies and rules are significant to our financial condition and results of operations. Further, the nature and extent of future legislative, regulatory or other changes affecting financial institutions are impossible to predict with any certainty.

Federal and state banking laws impose a comprehensive system of supervision, regulation, and enforcement on the operations of banks, their holding companies and their affiliates. These laws are intended primarily for the protection of depositors, clients and the Deposit Insurance Fund of the FDIC (“DIF”) rather than for stockholders.

This supervisory and regulatory framework subjects banks and bank holding companies to regular examination by their respective regulatory agencies, which results in examination reports and ratings that, while not publicly available, can affect the conduct and growth of their businesses.

Regulatory Capital Requirements

The federal banking agencies require that banking organizations meet several risk-based capital adequacy requirements known as the “Basel III Capital Rules.” The Basel III Capital Rules implement the Basel Committee’s December 2010 framework for strengthening international capital standards and certain provisions of the Dodd-Frank Act.

The Basel III Capital Rules require the Company and the Bank to comply with four minimum capital standards: (i) a tier 1 leverage ratio of at least 4.0%; (ii) a CET1 to risk-weighted assets of at least 4.5%; (iii) a tier 1 capital to risk-weighted assets of at least 6.0%; and (iv) a total capital to risk-weighted assets of at least 8.0%. CET1 capital is generally comprised of common stockholders’ equity and retained earnings subject to applicable regulatory adjustments. Tier 1 capital is generally comprised of CET1 and additional tier 1 capital. Additional tier 1 capital generally includes certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries. We are permitted to include qualifying trust preferred securities issued prior to May 19, 2010 as additional tier 1 capital. Total capital includes tier 1 capital (CET1 capital plus additional tier 1 capital) and tier 2 capital. Tier 2 capital is generally comprised of capital instruments and related surplus meeting specified requirements, and may include cumulative preferred stock and long-term perpetual preferred stock, mandatory convertible securities, intermediate preferred stock, and subordinated debt. Also included in tier 2 capital is the allowance for loan and lease losses (“ALLL”) limited to a maximum of 1.25% of risk-weighted assets. The calculation of all types of regulatory capital is subject to deductions and adjustments specified in the regulations.

The Basel III Capital Rules also establish a “capital conservation buffer” of 2.5% above the regulatory minimum risk-based capital requirements. The capital conservation buffer requirement was phased in beginning in January 2016 and is now fully implemented. An institution is subject to limitations on certain activities, including payment of dividends, share repurchases and discretionary bonuses to executive officers, if its capital level is below the buffered ratio.

The Basel III minimum capital ratios as applicable to the Bank and to the Company are summarized in the table below:

	Basel III Minimum For Capital Adequacy Purposes	Basel III Additional Capital Conservation Buffer	Basel III Ratio With Capital Conservation Buffer
Total risk based capital (total capital to risk-weighted assets)	8.00%	2.50%	10.50%
Tier 1 risk based capital (tier 1 to risk-weighted assets)	6.00	2.50	8.50
Common equity tier 1 risk based capital (CET1 to risk-weighted assets)	4.50	2.50	7.00
Tier 1 leverage ratio (tier 1 to average assets)	4.00%	—%	4.00%

In determining the amount of risk-weighted assets for purposes of calculating risk-based capital ratios, a banking organization’s assets, including certain off-balance sheet assets are multiplied by a risk weight factor assigned by the regulations based on perceived risks inherent in the type of asset. As a result, higher levels of capital are required for asset categories believed to present greater risk.

As of December 31, 2021, the Company's and the Bank's capital ratios exceeded the minimum capital adequacy guideline percentage requirements under the Basel III Capital Rules.

Prompt Corrective Action

The Federal Deposit Insurance Act requires federal banking agencies to take "prompt corrective action" with respect to depository institutions that do not meet minimum capital requirements. For purposes of prompt corrective action, the law establishes five capital tiers: "well-capitalized," "adequately-capitalized," "under-capitalized," "significantly under-capitalized," and "critically under-capitalized." A depository institution's capital tier depends on its capital levels and certain other factors established by regulation. In order to be a "well-capitalized" depository institution, a bank must maintain a CET1 risk-based capital ratio of 6.5% or more, a tier 1 risk-based capital ratio of 8% or more, a total risk-based capital ratio of 10% or more and a leverage ratio of 5% or more (and is not subject to any order or written directive specifying any higher capital ratio). At each successively lower capital category, a bank is subject to increased restrictions on its operations.

As of December 31, 2021, the Bank met the requirements for being deemed "well-capitalized" for purposes of the prompt corrective action regulations and was not otherwise subject to any order or written directive specifying any higher capital ratios.

Enforcement Powers of Federal and State Banking Agencies

The federal banking regulatory agencies have broad enforcement powers, including the power to terminate deposit insurance, impose substantial fines and other civil and criminal penalties, and appoint a conservator or receiver for financial institutions. Failure to comply with applicable laws and regulations could subject us and our officers and directors to administrative sanctions and potentially substantial civil money penalties.

The Company

General

As a bank holding company, the Company is subject to regulation and supervision by the Federal Reserve under the Bank Holding Company Act of 1956, as amended ("BHCA"). Under the BHCA, the Company is subject to periodic examination by the Federal Reserve. The Company is required to file with the Federal Reserve periodic reports of its operations and such additional information as the Federal Reserve may require.

Acquisitions, Activities and Change in Control

The BHCA generally requires the prior approval by the Federal Reserve for any merger involving a bank holding company or a bank holding company's acquisition of more than 5% of a class of voting securities of any additional bank or bank holding company or to acquire all or substantially all the assets of any additional bank or bank holding company.

Federal law also prohibits any person or company from acquiring "control" of an FDIC-insured depository institution or its holding company without prior notice to the appropriate federal bank regulator. "Control" is conclusively presumed to exist upon the acquisition of 25% or more of the outstanding voting securities of a bank or bank holding company, but may arise under certain circumstances between 5% and 24.99% ownership.

Permitted Activities

The BHCA generally prohibits the Company from controlling or engaging in any business other than that of banking, managing and controlling banks or furnishing services to banks and their subsidiaries. This general prohibition is subject to a number of exceptions. The principal exception allows bank holding companies to engage in, and to own shares of companies engaged in, certain businesses found by the Federal Reserve prior to November 11, 1999 to be "so closely related to banking as to be a proper incident thereto."

Additionally, bank holding companies that meet certain eligibility requirements prescribed by the BHCA and elect to operate as financial holding companies may engage in, or own shares in companies engaged in, a wider range of nonbanking activities, including securities and insurance underwriting and sales, merchant banking and any other activity that the Federal Reserve, in consultation with the Secretary of the Treasury, determines by regulation or order is financial in nature or incidental to any such financial activity or that the Federal Reserve determines by order to be complementary to any such financial activity and does not pose a substantial risk to the safety or soundness of depository institutions or the financial system generally. The Company has not elected to be a financial holding company, and we have not engaged in any activities determined by the Federal Reserve to be financial in nature or incidental or complementary to activities that are financial in nature.

Source of Strength

Bank holding companies, such as the Company, are required by statute to serve as a source of financial strength for their subsidiary depository institutions, by providing financial assistance to their insured depository institution subsidiaries in the event of financial distress. Under the source of strength requirement, the Company could be required to provide financial assistance to the Bank should it experience financial distress. Furthermore, the Federal Reserve has the right to order a bank holding company to terminate any activity that the Federal Reserve believes is a serious risk to the financial safety, soundness or stability of any subsidiary bank. The regulators may require these and other actions in support of controlled banks even if such action is not in the best interests of the bank holding company or its stockholders.

Safe and Sound Banking Practices

Bank holding companies and their nonbanking subsidiaries are prohibited from engaging in activities that represent unsafe and unsound banking practices or that constitute a violation of law or regulations. Under certain conditions the Federal Reserve may conclude that certain actions of a bank holding company, such as a payment of a cash dividend, would constitute an unsafe and unsound banking practice. The Federal Reserve also has the authority to regulate the debt of bank holding companies, including the authority to impose interest rate ceilings and reserve requirements on such debt. Under certain circumstances the Federal Reserve may require a bank holding company to file written notice and obtain its approval prior to purchasing or redeeming its equity securities, unless certain conditions are met.

Dividend Payments, Stock Redemptions and Repurchases

The Company's ability to pay dividends to its stockholders is affected by both general corporate law considerations and the regulations and policies of the Federal Reserve applicable to bank holding companies, including the Basel III Capital Rules. Generally, a Kansas corporation may declare and pay dividends upon the shares of its capital stock either out of its surplus, as defined in and computed in accordance with K.S.A. 17-6404 and 17-6604, and amendments thereto, or in case there is not any surplus, out of its net profits for the fiscal year in which the dividend is declared or the preceding fiscal year, or both. If the capital of the corporation, computed in accordance with K.S.A. 17-6404 and 17-6604, and amendments thereto, is diminished by depreciation in the value of its property, or by losses, or otherwise, to an amount less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets, then no dividends may be paid out of such net profits until the deficiency in the amount of capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets shall have been repaired.

It is the Federal Reserve's policy that bank holding companies should generally pay dividends on common stock only out of income available over the past year, and only if prospective earnings retention is consistent with the organization's expected future needs and financial condition. It is also the Federal Reserve's policy that bank holding companies should not maintain dividend levels that undermine their ability to be a source of strength to its banking subsidiaries. Additionally, the Federal Reserve has indicated that bank holding companies should carefully review their dividend policy and has discouraged payment ratios that are at maximum allowable levels unless both asset quality and capital are very strong.

Bank holding companies must consult with the Federal Reserve before redeeming any equity or other capital instrument included in tier 1 or tier 2 capital prior to stated maturity, if such redemption could have a material effect on the level or composition of the organization's capital base. In addition, bank holding companies are unable to repurchase shares equal to 10% or more of their net worth if they would not be well-capitalized (as defined by the Federal Reserve) after giving effect to such repurchase. Bank holding companies experiencing financial weaknesses, or that are at significant risk of developing financial weaknesses, must consult with the Federal Reserve before redeeming or repurchasing common stock or other regulatory capital instruments.

Other Regulation

As a company whose stock is publicly traded, the Company is subject to various federal and state securities laws, including the Securities Act of 1933, as amended (the "Securities Act"), the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the Sarbanes-Oxley Act of 2002, and the Company files periodic reports with the Securities and Exchange Commission. In addition, because the Company's common stock is listed with The Nasdaq Stock Market LLC, the Company is subject to the listing rules of that exchange.

The Bank

General

The Bank is a Kansas state-chartered bank and is not a member bank of the Federal Reserve. As a Kansas state-chartered bank, the Bank is subject to the examination, supervision and regulation by the Office of the State Bank Commissioner of Kansas ("OSBCK"), the chartering authority for Kansas banks, and by the FDIC. The Bank is also subject to certain regulations of the CFPB.

The OSBCK supervises and regulates all areas of the Bank's operations including, without limitation, the making of loans, the issuance of securities, the conduct of the Bank's corporate affairs, the satisfaction of capital adequacy requirements, the payment of dividends, and the establishment or closing of banking offices. The FDIC is the Bank's primary federal regulatory agency, and periodically examines the Bank's operations and financial condition and compliance with federal law. In addition, the Bank's deposit accounts are insured by the DIF to the maximum extent provided under federal law and FDIC regulations, and the FDIC has certain enforcement powers over the Bank.

Depositor Preference

In the event of the "liquidation or other resolution" of an insured depository institution, the claims of depositors of the institution, including the claims of the FDIC as subrogee of insured depositors, and certain claims for administrative expenses of the FDIC as a receiver, will have priority over other general unsecured claims against the institution. If an insured depository institution fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured, non-deposit creditors including the parent bank holding company with respect to any extensions of credit they have made to that insured depository institution.

Brokered Deposit and Deposit Rate Restrictions

In December of 2020, the FDIC finalized revisions to its regulations relating to brokered deposits and interest rate restrictions that apply to less than well-capitalized insured depository institutions. The final rule became effective April 1, 2021 and full compliance with the revised brokered deposit regulation was extended to January 1, 2022.

Well-capitalized institutions are not subject to limitations on brokered deposits, while adequately-capitalized institutions are able to accept, renew or roll over brokered deposits, only with a waiver from the FDIC and subject to certain restrictions on the yield paid on such deposits. Under-capitalized institutions are generally not permitted to accept, renew, or roll over brokered deposits and are subject to a deposit rate cap, pursuant to which the institutions would be prohibited from paying in excess of the higher of (1) 75 basis points above published national deposit rates or (2) for maturity deposits, 120 percent of the current yield on similar maturity U.S. Treasury obligations and, for non-maturity deposits, the federal funds rate plus 75 basis points, unless the FDIC determined that the institutions' local market rate was above the national rate. As of December 31, 2021, the Bank was eligible to accept brokered deposits without a waiver from the FDIC and was not subject to the deposit rate cap.

Deposit Insurance

As an FDIC-insured institution, the Bank is required to pay deposit insurance premiums to the FDIC. The FDIC has adopted a risk-based assessment system whereby FDIC-insured depository institutions pay insurance premiums at rates based on their risk classification. An institution's risk classification is assigned based on its capital levels and the level of supervisory concern the institution poses to the regulators. For deposit insurance assessment purposes, an insured depository institution is placed in one of four risk categories each quarter. An institution's assessment is determined by multiplying its assessment rate by its assessment base. The total base assessment rates range from 1.5 basis points to 40 basis points. While in the past an insured depository institution's assessment base was determined by its deposit base, amendments to the Federal Deposit Insurance Act revised the assessment base so that it is calculated using average consolidated total assets minus average tangible equity.

Additionally, the Dodd-Frank Act altered the minimum designated reserve ratio of the DIF, increasing the minimum from 1.15% to 1.35% of the estimated amount of total insured deposits, and eliminating the requirement that the FDIC pay dividends to depository institutions when the reserve ratio exceeds certain thresholds. The FDIC had until September 3, 2020 to meet the 1.35% reserve ratio target, but it announced in November 2018 that the DIF had reached 1.36%, exceeding the 1.35% reserve ratio target. At least semi-annually, the FDIC updates its loss and income projections for the DIF and, if needed, may increase or decrease the assessment rates, following notice and comment on proposed rule-making. However, as of June 30, 2020, the reserve ratio fell to 1.30%, below the statutory minimum of 1.35%. On September 15, 2020, the FDIC adopted a Restoration Plan to restore the reserve ratio to at least 1.35% within eight years. The FDIC projects that the reserve ratio will return to 1.35% without further action by the FDIC before the end of that eight-year period, but the FDIC will closely monitor deposit balance trends, potential losses, and other factors that affect the reserve ratio. As a result, the Bank's FDIC deposit insurance premiums could increase or decrease. During the year ended December 31, 2021, the Bank paid \$4 million in FDIC deposit insurance premiums.

Audit Reports

Since the Bank is an insured depository institution with total assets of \$1 billion or more, financial statements are prepared in accordance with Generally Accepted Accounting Principles ("GAAP"), management's certifications signed by the Company's and the Bank's chief executive officer and chief accounting or financial officer concerning management's responsibility for the financial statements, and an attestation by the auditors regarding the Bank's internal controls must be submitted to the FDIC and OSBCK. The Federal Deposit Insurance Corporation Improvement Act of 1991 requires that the Bank (or, as explained below, the Company) have an independent audit committee, consisting of outside directors who are independent of management of the Company and the Bank. The audit committee must include at least

two members with experience in banking or related financial management, must have access to outside counsel and must not include representatives of large clients. Certain insured depository institutions with total assets of less than \$5 billion, or \$5 billion or more and a composite CAMELS (i.e., capital adequacy, assets, management capability, earnings, liquidity, sensitivity) rating of 1 or 2, may satisfy these audit committee requirements if its holding company has an audit committee that satisfies these requirements. The Company's audit committee satisfies these requirements.

Examination Assessments

Pursuant to the Kansas Banking Code, the expense of every regular examination, together with the expense of administering the banking and savings and loan laws, including salaries, travel expenses, supplies and equipment are paid by the banks and savings and loan associations of Kansas, which are generally allocated among them based on total asset size. During the year ended December 31, 2021, the Bank paid examination assessments to the OSBCK totaling \$685 thousand.

Capital Requirements

Banks are generally required to maintain minimum capital ratios. For a discussion of the capital requirements applicable to the Bank, see "Regulatory Capital Requirements" above.

Bank Reserves

The Federal Reserve requires all depository institutions to maintain reserves against some transaction accounts (primarily Negotiable Order of Withdrawal ("NOW") and Super NOW checking accounts). The balances maintained to meet the reserve requirements imposed by the Federal Reserve may be used to satisfy liquidity requirements. An institution may borrow from the Federal Reserve "discount window" as a secondary source of funds if the institution meets the Federal Reserve's credit standards. The Federal Reserve reduced the reserve requirement to 0% effective March 26, 2020.

Dividend Payments

A primary source of funds for the Company is dividends from the Bank. The Bank is not permitted to pay a dividend to the Company under certain circumstances, including if the Bank is under-capitalized under the prompt corrective action framework or if the Bank fails to maintain the required capital conservation buffer. The Kansas Banking Code also places restrictions on the declaration of dividends by the Bank to the Company. No dividend may be paid from the capital stock account of the Bank. The current dividends of the Bank may only be paid from undivided profits after deducting losses. Before declaring any cash dividend from undivided profits, the Bank's board of directors must ensure that the surplus fund equals or exceeds the capital stock account. If the surplus fund is less than the capital stock account, the Bank's board of directors may transfer 25% of the net profits of the Bank, since the last preceding dividend from undivided profits, to the surplus fund, except no additional transfers are required once the surplus fund equals or exceeds the capital stock account. Any other dividend (whether in cash or other property) from the Bank to the Company requires the prior approval of the OSBCK.

The payment of dividends by any financial institution is affected by the requirement to maintain adequate capital pursuant to applicable capital adequacy guidelines and regulations, and a financial institution generally is prohibited from paying any dividends if, following payment thereof, the institution would be under-capitalized. As described above, the Bank exceeded its minimum capital requirements under applicable regulatory guidelines as of December 31, 2021.

Transactions with Affiliates

The Bank is subject to Sections 23A and 23B of the Federal Reserve Act (the "Affiliates Act") and the Federal Reserve's implementation of Regulation W. An affiliate of a bank under the Affiliates Act is any company or entity that controls, is controlled by or is under common control with the bank. Accordingly, transactions between the Company, the Bank and any nonbank subsidiaries will be subject to a number of restrictions. The amount of loans or extensions of credit which the Bank may make to nonbank affiliates, or to third parties secured by securities or obligations of the nonbank affiliates, are substantially limited by the Affiliates Act. Such acts further restrict the range of permissible transactions between a bank and an affiliated company. A bank and its subsidiaries may engage in certain transactions, including loans and purchases of assets, with an affiliated company only if the terms and conditions of the transaction, including credit standards, are substantially the same as, or at least as favorable to the bank as, those prevailing at the time for comparable transactions with non-affiliated companies or, in the absence of comparable transactions, on terms and conditions that would be offered to non-affiliated companies.

Loans to Directors, Executive Officers and Principal Stockholders

The authority of the Bank to extend credit to its directors, executive officers and principal stockholders, including their immediate family members and corporations and other entities they control, is subject to substantial restrictions and requirements under the Federal Reserve's Regulation O, as well as the Sarbanes-Oxley Act.

Limits on Loans to One Borrower

As a Kansas state-chartered bank, the Bank is subject to limits on the amount of loans it can make to one borrower. With certain limited exceptions, loans and extensions of credit from Kansas state-chartered banks outstanding to any borrower (including certain related entities of the borrower) at any one time may not exceed 25% of the capital of the bank. Certain types of loans are exempt from the lending limits, including loans fully secured by segregated deposits held by the bank or bonds or notes of the United States. A Kansas state-chartered bank may lend an additional amount if the loan is fully secured by certain types of real estate. In addition to the single borrower limitation described above, loans to a borrower and its subsidiaries generally may not exceed 50% of the capital of the bank. The Bank's legal lending limit to any one borrower was \$170 million as of December 31, 2021.

Safety and Soundness Standards/Risk Management

The federal banking agencies have adopted guidelines establishing operational and managerial standards to promote the safety and soundness of federally insured depository institutions. The guidelines set forth standards for internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, asset quality and earnings. In general, the safety and soundness guidelines prescribe the goals to be achieved in each area, and each institution is responsible for establishing its own procedures to achieve those goals. If an institution fails to comply with any of the standards set forth in the guidelines, the financial institution's primary federal regulator may require the institution to submit a plan for achieving and maintaining compliance. If a financial institution fails to submit an acceptable compliance plan, or fails in any material respect to implement a compliance plan that has been accepted by its primary federal regulator, the regulator is required to issue an order directing the institution to cure the deficiency. Until the deficiency cited in the regulator's order is cured, the regulator may restrict the financial institution's rate of growth, require the financial institution to increase its capital, restrict the rates the institution pays on deposits or require the institution to take any action the regulator deems appropriate under the circumstances. Noncompliance with the standards established by the safety and soundness guidelines may also constitute grounds for other enforcement action by the federal bank regulatory agencies, including cease and desist orders and civil money penalty assessments.

Community Reinvestment Act ("CRA")

The CRA is intended to encourage insured depository institutions, while operating safely and soundly, to help meet the credit needs of their communities. The CRA specifically directs the federal bank regulatory agencies, in examining insured depository institutions, to assess their record of helping to meet the credit needs of their entire community, including low and moderate income neighborhoods, consistent with safe and sound banking practices. The CRA further requires the agencies to take a financial institution's record of meeting its community credit needs into account when evaluating applications for, among other things, domestic branches, consummating mergers or acquisitions or holding company formations.

The federal banking agencies have adopted regulations which measure a bank's compliance with its CRA obligations on a performance based evaluation system. This system bases CRA ratings on an institution's actual lending service and investment performance rather than the extent to which the institution conducts needs assessments, documents community outreach or complies with other procedural requirements. The ratings range from a high of "outstanding" to a low of "substantial noncompliance." The Bank had a CRA rating of "satisfactory" as of its most recent CRA assessment.

Anti-Money Laundering and the Office of Foreign Assets Control Regulation

The Company and the Bank must comply with the requirements of the Bank Secrecy Act ("BSA"). The BSA was enacted to prevent banks and other financial service providers from being used as intermediaries for, or to hide the transfer or deposit of money derived from, drug trafficking, money laundering, and other crimes. Since its passage, the BSA has been amended several times. These amendments include the Money Laundering Control Act of 1986, which made money laundering a criminal act, as well as the Money Laundering Suppression Act of 1994, which required regulators to develop enhanced examination procedures and increased examiner training to improve the identification of money laundering schemes in financial institutions. The USA Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 ("PATRIOT Act"), substantially broadened the scope of U.S. anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent, and report money laundering and terrorist financing. The regulations include significant penalties for non-compliance. Likewise, Office of Foreign Assets Control ("OFAC") administers and enforces

economic and trade sanctions against targeted foreign countries and regimes under authority of various laws, including designated foreign countries, nationals and others. OFAC publishes lists of specially designated targets and countries. Financial institutions are responsible for, among other things, blocking accounts of and transactions with such targets and countries, prohibiting unlicensed trade and financial transactions with them and reporting blocked transactions after their occurrence. Failure of a financial institution to maintain and implement adequate anti-money laundering and OFAC programs, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for the institution.

Concentrations in Commercial Real Estate (“CRE”)

Concentration risk exists when financial institutions deploy too many assets to any one industry or segment. Concentration stemming from CRE is one area of regulatory concern. The CRE Concentration Guidance, provides supervisory criteria, including the following numerical indicators, to assist bank examiners in identifying banks with potentially significant CRE loan concentrations that may warrant greater supervisory scrutiny: (i) CRE loans exceeding 300% of capital and increasing 50% or more in the preceding three years; or (ii) construction and land development loans exceeding 100% of capital. The CRE Concentration Guidance does not limit banks’ levels of CRE lending activities, but rather guides institutions in developing risk management practices and levels of capital that are commensurate with the level and nature of their CRE concentrations. If a concentration is present, management must employ heightened risk management practices that address the following key elements: (i) board and management oversight and strategic planning; (ii) portfolio management; (iii) development of underwriting standards; (iv) risk assessment and monitoring through market analysis and stress testing; and (v) maintenance of increased capital levels as needed to support the level of commercial real estate lending. On December 18, 2015, the federal banking agencies jointly issued a “statement on prudent risk management for commercial real estate lending” reminding financial institutions of developing risk management practices. See also “Risk Factors—We have a concentration in commercial real estate lending that could cause our regulators to restrict our ability to grow” in this Form 10-K.

Consumer Financial Services

The Bank is subject to federal and state consumer protection statutes and regulations promulgated under those laws, including, without limitation, regulations issued by the CFPB. These laws and regulations could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance among financial institutions.

Incentive Compensation Guidance

The federal bank regulatory agencies have issued comprehensive guidance intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of those organizations by encouraging excessive risk-taking. The incentive compensation guidance sets expectations for banking organizations concerning their incentive compensation arrangements and related risk management, control and governance processes. The incentive compensation guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon three primary principles: (i) balanced risk taking incentives; (ii) compatibility with effective controls and risk management; and (iii) strong corporate governance. Any deficiencies in compensation practices that are identified may be incorporated into the organization’s supervisory ratings, which can affect its ability to make acquisitions or take other actions. In addition, under the incentive compensation guidance, a banking organization’s federal supervisor may initiate enforcement action if the organization’s incentive compensation arrangements pose a risk to the safety and soundness of the organization. Further, the Basel III capital rules limit discretionary bonus payments to bank executives if the institution’s regulatory capital ratios fail to exceed certain thresholds. Although the federal bank regulatory agencies proposed additional rules in 2016 related to incentive compensation for all banks with more than \$1 billion in assets, those rules have not yet been finalized. The scope and content of the U.S. banking regulators’ policies on executive compensation are continuing to develop and are likely to continue evolving in the near future.

The Dodd-Frank Act requires public companies to include, at least once every three years, a separate non-binding “say-on-pay” vote in their proxy statement by which stockholders may vote on the compensation of the public company’s named executive officers. In addition, if such public companies are involved in a merger, acquisition, or consolidation, or if they propose to sell or dispose of all or substantially all of their assets, stockholders have a right to an advisory vote on any golden parachute arrangements in connection with such transaction (frequently referred to as “say-on-golden parachute” vote). Other provisions of the Dodd-Frank Act may impact our corporate governance. For instance, the SEC adopted rules prohibiting the listing of any equity security of a company that does not have a compensation committee consisting solely of independent directors, subject to certain exceptions. In addition, the Dodd-Frank Act requires the SEC to adopt rules requiring all exchange-traded companies to adopt claw-back policies for incentive compensation paid to executive officers in the event of accounting restatements based on material non-compliance with financial reporting requirements. Those rules, however, have not yet been finalized. Additionally, the Company is an emerging growth company (“EGC”) under the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”) and therefore subject to reduced disclosure requirements related to, among other things, executive compensation.

Financial Privacy

The federal bank regulatory agencies have adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about consumers to non-affiliated third parties. These limitations require disclosure of privacy policies to consumers and,

in some circumstances, allow consumers to prevent disclosure of certain personal information to a nonaffiliated third party. These regulations affect how consumer information is transmitted through financial services companies and conveyed to outside vendors. In addition, consumers may also prevent disclosure of certain information among affiliated companies that is assembled or used to determine eligibility for a product or service, such as that shown on consumer credit reports and asset and income information from applications. Consumers also have the option to direct banks and other financial institutions not to share information about transactions and experiences with affiliated companies for the purpose of marketing products or services.

Impact of Monetary Policy

The monetary policy of the Federal Reserve has a significant effect on the operating results of financial or bank holding companies and their subsidiaries. Among the tools available to the Federal Reserve to affect the money supply are open market transactions in U.S. government securities, changes in the discount rate on member bank borrowings and changes in reserve requirements against member bank deposits. These tools are used in varying combinations to influence overall growth and distribution of bank loans, investments and deposits, and their use may affect interest rates charged on loans or paid on deposits.

New Banking Reform Legislation

Key provisions of the EGRRCPA as it relates to community banks and bank holding companies include, but are not limited to: (i) designating mortgages held in portfolio as “qualified mortgages” for banks with less than \$10 billion in assets, subject to certain documentation and product limitations; (ii) exempting banks with less than \$10 billion in assets (and total trading assets and trading liabilities of 5% or less of total assets) from Volcker Rule requirements relating to proprietary trading; (iii) simplifying capital calculations for certain banks with less than \$10 billion in assets as described above regarding the final rule for the community bank leverage ratio; (iv) assisting smaller banks with obtaining stable funding by providing an exception for reciprocal deposits from FDIC restrictions on acceptance of brokered deposits; (v) raising the eligibility for use of short-form Call Reports from \$1 billion to \$5 billion in assets; (vi) clarifying definitions pertaining to high-volatility commercial real estate, which require higher capital allocations, so that only loans with increased risk are subject to higher risk weightings; and (vii) changing the eligibility for use of the small bank holding company policy statement from institutions with under \$1 billion in assets to institutions with under \$3 billion in assets.

Other Pending and Proposed Legislation

Other legislative and regulatory initiatives which could affect the Company, the Bank and the banking industry in general may be proposed or introduced before the U.S. Congress, the Kansas Legislature and other governmental bodies in the future. Such proposals, if enacted, may further alter the structure, regulation and competitive relationship among financial institutions, and may subject the Company or the Bank to increased regulation, disclosure and reporting requirements. In addition, the various banking regulatory agencies often adopt new rules and regulations to implement and enforce existing legislation. It cannot be predicted whether, or in what form, any such legislation or regulations may be enacted or the extent to which the business of the Company or the Bank would be affected thereby.

Website Access to Company Reports

The Company’s annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports are available free of charge on the Company’s website at investors.crossfirstbankshares.com as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. In addition, copies of the Company’s annual report will be made available, free of charge, upon written request. The Company does not intend for information contained in its website to be part of this annual report on Form 10-K.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the following factors, which could materially affect our business, financial condition, results of operations or cash flows in future periods. While we believe we have identified and discussed below the key risk factors affecting our business, there may be additional risks and uncertainties not currently known to us or that we currently deem to be immaterial that may adversely affect our business, financial condition, results of operations, cash flows or share price in the future.

Risks Relating to Our Business and Market

The further spread of COVID-19 and its variants may adversely impact our business, financial condition and results of operations in the short-term and for the foreseeable future.

The COVID-19 pandemic caused significant disruption to economic activity and financial markets and adversely impacted our business, financial condition and results of operations. Given the ongoing and dynamic nature of COVID-19 and its variants, the ultimate effects on the broader economy and the markets in which we serve are highly uncertain and difficult to predict. Future impacts to our business and customers could be widespread and material, such as increased unemployment, supply-chain interruptions; declines in demand for loans and other banking services and products; reduction in business activity and financial transactions; increased commercial property vacancy rates, declines in the value of loan collateral, including energy and real-estate collateral; declines in the credit quality of our loan portfolio; volatile performance of our investment securities portfolio; and overall economic and financial market instability.

Actions taken by governmental and regulatory authorities in response to the pandemic have impacted, and may continue to impact, the banking and financial services industries. In March 2020, the Federal Reserve lowered the Federal Funds rate, which may reduce our net interest income and earnings. Additional regulation of the financial markets may be enacted in the future that could further impact our business. We also participate in the Paycheck Protection Program, or PPP, a government lending program implemented to aid individuals and businesses. Since the inception of the PPP, many banks have been subject to litigation related to agent fees and application processing. As a result of our ongoing and future participation in the PPP and similar government stimulus and relief programs, we may experience losses arising from fraud, litigation or regulatory action.

Any of the factors discussed above, taken together or in combination with other events or occurrences that may not yet be known or anticipated, may materially and adversely affect our business, financial condition and results of operations. The further spread of the COVID-19 outbreak, as well as ongoing or new governmental, regulatory and private sector responses to the pandemic, may materially disrupt banking and other economic activity in the areas in which we operate. The ultimate impacts of the pandemic on our business, financial condition and results of operations will depend on future developments and other factors that are highly uncertain and difficult to predict.

A decline in general business and economic conditions and any regulatory responses to such conditions could have a material adverse effect on our business, financial position, results of operations and growth prospects.

Our business and operations, which primarily consist of lending money to clients in the form of loans and borrowing money from clients in the form of deposits, are sensitive to general economic conditions, particularly in Kansas, Missouri, Oklahoma, Texas and Arizona. Unfavorable or uncertain economic and market conditions may constrain our growth and profitability from our lending and deposit operations, lead to credit quality concerns related to borrower repayment ability and collateral protection, and reduce demand for the products and services we offer. Our business is also significantly affected by monetary and other regulatory policies, which are influenced by macroeconomic conditions and other factors beyond our control. Uncertainty surrounding the federal fiscal policymaking process, the medium and long-term fiscal outlook of the federal government and future tax rates are concerns for businesses, consumers and investors. Adverse economic conditions and governmental policy responses to such conditions could have a material adverse effect on our business, financial position, results of operations, and growth prospects.

Our profitability depends on interest rates generally, and we may be adversely affected by changes in market interest rates.

Our profitability depends in substantial part on our net interest income, which depends on many factors that are partly or completely outside of our control, including competition, economic conditions and monetary and fiscal policies. Changes in interest rates could affect our ability to originate loans and deposits, reduce the carrying value of assets on our balance sheet, reduce the value and marketability of loan collateral, and create higher payment burdens for our borrowers (which may increase potential for default). Sustained periods of low interest rates may cause us to experience net interest margin compression. The ratio of variable- to fixed-rate loans in our loan portfolio, the ratio of short-term (maturing at a given time within 12 months) to long-term loans, and the ratio of our demand, money market and savings deposits to certificates of deposit (and their time periods) are the primary factors affecting the sensitivity of our net interest income to changes in market interest rates. Fluctuations in market rates and other market disruptions are neither predictable nor controllable and may adversely affect our financial condition, earnings and results of operation.

We may not be able to implement aspects of our growth strategy, which may adversely affect our ability to maintain our historical earnings trends.

We may not be able to sustain our growth at the rate we have enjoyed during the past several years, which has been driven primarily by new market expansion, the strength of commercial and real estate lending in our market areas, and our ability to identify and attract high caliber experienced banking talent. During the COVID-19 pandemic our growth was bolstered by government programs that may not continue, such as PPP loans issued in 2020 and 2021. A downturn in local economic market conditions, our failure to attract and retain high performing personnel, and the inability to attract core funding and quality lending clients, among other factors, could limit our ability to grow as rapidly as we have in the past and may have a negative effect on our business, financial condition, and results of operations.

We may not be able to manage the risks associated with our anticipated growth and expansion through de novo branching, mergers and acquisitions, new lines of business, or new offerings of services, products or product enhancements.

If our business continues to grow as anticipated, we may become more susceptible to risks related to both general growth and specific areas of growth. Generally, risks are associated with attempting to maintain effective financial and operational controls as we grow, such as maintaining appropriate loan underwriting and credit monitoring procedures, maintaining an adequate allowance for loan losses, controlling concentrations and complying with regulatory or accounting requirements. Such risks may result in, among other effects, in increased loan losses, reduced earnings, potential regulatory penalties and future restrictions on growth. We may also be exposed to certain risks associated with the specific components of our growth strategy, as discussed in more detail below.

Expansion through De Novo Branching: Our growth strategy includes evaluating opportunities to grow through de novo branching. De novo branching carries with it certain potential risks, including significant startup costs and anticipated initial operating losses; an inability to gain regulatory approval; an inability to hire or retain qualified senior management to successfully operate the branch and integrate our corporate culture; challenges associated with securing attractive locations at a reasonable cost; poor market reception in locations where we do not have a preexisting reputation; unfavorable local economic conditions; and the additional strain on management resources and internal systems and controls. Failure to adequately manage any of the foregoing risks could have an adverse effect on our business, financial condition and results of operations.

Mergers and Acquisitions: As part of our growth strategy, we may pursue mergers and acquisitions of banks and nonbank financial services companies within or outside our principal market areas. Mergers and acquisitions involve numerous risks associated with entry into new markets or locations; integration and management of the combined entities; diversion of financial and management resources from existing operations; assumption of unanticipated problems, such as nonperforming loans and latent liabilities; unanticipated costs; and potential future impairments to goodwill and other intangible assets. If we finance acquisitions by issuing convertible debt or equity securities, our existing stockholders may be diluted, which could affect the market price of our common stock. As a condition to receiving regulatory approval, we may also be required to sell banking locations, which may not be acceptable to us or may reduce the benefit of the acquisition. The failure to obtain these regulatory approvals could impact our business plans and restrict our growth. Any one or more of these factors could materially and adversely affect our business, financial condition and results of operations.

New Lines of Business, Services, Products or Product Enhancements: From time to time, we may implement or acquire new lines of business or offer new services, products or product enhancements. There are substantial risks and uncertainties associated with developing, implementing and marketing such offerings, including significant investment of financial and other resources, inability to accurately predict price and profitability targets, failure to realize expected benefits, regulatory compliance and shifting market preferences. These risks could have a material adverse effect on our business, results of operations and financial condition.

Phase-out of the London Inter-Bank Offered Rate (“LIBOR”) and uncertainty relating to alternative reference rates may adversely affect our results of operations.

LIBOR is used extensively as a reference rate for various financial contracts, including adjustable-rate loans, asset-backed securities, and interest rate swaps. In July 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021, such date was later extended to June 30, 2023. Accordingly, continuation of LIBOR cannot be guaranteed after June 30, 2023 and alternative reference rates must be established. Management is currently evaluating the impact of this transition as it relates to new and existing contracts and customers. We will be required to implement substitute indices for the calculation of interest rates under our loan agreements and we are currently evaluating appropriate alternatives to LIBOR. Implementing the LIBOR phase-out will involve additional expense and may reduce the value of our LIBOR-based loans and securities and impact the availability and cost of hedging instruments and borrowings. If we fail to successfully execute the transition, we may be subject to disputes or litigation with clients over the appropriateness of substitute LIBOR indices. The ultimate impact of the LIBOR phase-out on the valuations, pricing and operation of our financial instruments is not yet known and difficult to predict and may adversely affect our results of operations. At December 31, 2021, \$1.3 billion of our loans were tied to LIBOR.

The fair value of our investment securities can fluctuate due to factors outside of our control.

As of December 31, 2021, 2020 and 2019, the fair value of our debt securities portfolio was approximately \$746 million, \$655 million, and \$739 million, respectively. Factors beyond our control can significantly influence the fair value of securities in our portfolio and may cause potential adverse changes to the fair value of these securities. These factors include, but are not limited to, rating agency actions, defaults by the issuer or with respect to the underlying securities, changes in market interest rates and instability in the capital markets. These and other factors could cause other-than-temporary impairments, realized or unrealized losses in future periods and declines in other comprehensive income and the value of our common stock, any of which could materially and adversely affect our business, results of operations, financial condition and prospects. Our inability to accurately predict the future performance of an issuer or to efficiently respond to changing market conditions could result in a decline in the value of our investment securities portfolio, which could have an adverse effect on our business, results of operations and financial condition.

We could suffer material credit losses if we do not appropriately manage our credit risk.

There are risks inherent in making any loan, including risks inherent in dealing with individual borrowers, risks of non-payment, risks resulting from uncertainties as to the future value of collateral and risks resulting from changes in economic and industry conditions. There is no assurance that our loan approval and credit risk monitoring procedures are or will be adequate to reduce the inherent risks associated with lending. Our credit administration personnel and our policies and procedures may not adequately adapt to changes in economic or any other conditions affecting clients and the quality of our loan portfolio, including any impacts of the continuing COVID-19 outbreak. Any failure to manage such credit risks may materially adversely affect our business, financial condition, and results of operations.

We have credit exposure to the energy industry.

We have credit exposure to the energy industry in each of our primary markets and across the United States. A downturn or lack of growth in the energy industry and energy-related business could adversely affect our business, financial condition, and results of operations. Prolonged or further pricing pressure on oil and gas could lead to increased credit stress in our energy portfolio, increased losses associated with our energy portfolio, increased utilization of our contractual obligations to extend credit, and weaker demand for energy lending. Such a decline or general uncertainty resulting from continued volatility could have other adverse impacts that are difficult to isolate or quantify, all of which could have an adverse effect on our business, financial condition and results of operations.

A concentration in commercial real estate lending could cause our regulators to restrict our ability to grow.

As a part of their regulatory oversight, the federal regulators have issued guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices (the “CRE Concentration Guidance”) with respect to a financial institution’s concentrations in CRE lending activities. Such guidance identifies certain concentration levels that, if exceeded, will expose an institution to additional supervisory analysis. The guidelines identify the following as preliminary indications of possible CRE concentration risk: (i) the institution’s total construction, land development and other land loans represent 100% or more of total capital and reserves; or (ii) total CRE loans as defined in the guidance, or Regulatory CRE, represent 300% or more of the institution’s total capital and reserves, and the institution’s Regulatory CRE has increased by 50% or more during the prior 36-month period. We believe that the CRE Concentration Guidance is applicable to us. The FDIC or other federal regulators may become concerned about our CRE loan portfolio, and they could limit our ability to grow by restricting approvals of new branches and other growth opportunities or by requiring us to raise additional capital, reduce our loan concentrations or undertake other remedial actions.

Many of our loans are to commercial borrowers, which have a higher degree of risk than other types of loans.

As of December 31, 2021, approximately 83% of our loan portfolio related to commercial-based lending. Commercial purpose loans are often larger and involve greater risks than other types of lending. Repayment of these loans often depend on the successful operation or development of the property or business involved and are highly sensitive to adverse conditions in the real estate market or the general economy. Accordingly, a downturn in the real estate market or the general economy could impair the borrowers’ ability to repay and heightens our risk related to commercial purpose loans, particularly CRE loans. Losses incurred on a small number of commercial purpose loans could have a material adverse impact on our financial condition and results of operations due to the larger-than-average size of each commercial purpose loan and collateral that is generally less readily-marketable.

Because a portion of our loan portfolio is comprised of real estate loans, negative changes in the economy affecting real estate values could impair the value of collateral securing our real estate loans and result in loan and other losses.

Adverse changes affecting real estate values or operating cash flows of real estate, particularly in the markets in which we operate, could increase the credit risk associated with our loan portfolio, and could result in losses that adversely affect credit quality and our financial condition and results of operation. Market value of real estate can fluctuate significantly in a short period of time. Negative changes in the economy affecting real estate values or operating cash flows in our market areas could significantly impair the value and marketability of

property pledged loan collateral and may require us to increase our allowance for loan losses, any of which could have a material adverse impact on our business, results of operations and growth prospects.

Our largest loan relationships make up a significant percentage of our total loan portfolio.

As of December 31, 2021, our 25 largest borrowing relationships totaled approximately \$1 billion in total commitments (representing, in the aggregate, 21% of our total outstanding commitments as of December 31, 2021). Our five largest borrowing relationships, based on total commitments, accounted for 7% of total commitments as of December 31, 2021. This concentration of borrowers may expose us to material losses if one or more of these relationships becomes delinquent or suffers default. The allowance for loan losses may not be adequate to cover such losses, and any loss or increase in the allowance would negatively affect our earnings and capital. Even if these loans are adequately collateralized, an increase in classified assets could harm our reputation with our regulators and inhibit our ability to execute our business plan.

A portion of our loan portfolio is comprised of participation and syndicated transaction interests, which could have an adverse effect on our ability to monitor the lending relationships and lead to an increased risk of loss.

As of December 31, 2021, we had \$97 million of purchased loan participations from other financial institutions and a combination of shared national credits and syndication interests purchased totaling \$371 million. Although we comply with our general underwriting criteria on these loan participations and syndicated loans, these loans may have a higher risk of loss than loans we originate and administer. In such transactions in which we are not the lead lender, we rely in part on the lead lender or the agent, as the case may be, to monitor the performance of the loan and provide information that we use to classify the loan and associated loan loss provisions. If our underwriting or monitoring of these loans is not sufficient, our nonperforming loans may increase and our earnings may decrease.

Our levels of nonperforming assets could increase, which would adversely affect our results of operations and financial condition, and could result in losses in the future.

As of December 31, 2021, our nonperforming loans (which consist of nonaccrual loans, loans past due 90 days or more and still accruing interest and loans modified under troubled debt restructurings that are not performing in accordance with their modified terms) totaled \$32 million and our nonperforming assets (which include nonperforming loans plus other real estate owned) totaled \$33 million. However, we can give no assurance that our nonperforming assets will continue to remain at these levels and we may experience increases in nonperforming assets in the future. Nonperforming assets adversely affect our management resources, net income, risk profile and capital maintenance levels, efficiency ratio and returns on assets and equity, any of which may adversely affect our business, financial condition and results of operation.

Our allowance may not be adequate to cover actual loan losses.

A significant source of risk arises from the possibility that we could sustain losses due to loan defaults and nonperformance on loans. We maintain an allowance in accordance with GAAP to provide for such defaults and other nonperformance. As of December 31, 2021, our allowance as a percentage of total loans was 1.37% and our allowance as a percentage of nonperforming loans was 185.19%. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates and the continuing impact of the COVID-19 pandemic, many of which are beyond our control. Our underwriting policies, adherence to credit monitoring processes and risk management systems and controls may not prevent unexpected losses. Our allowance may not be adequate to cover actual loan losses. Moreover, any increase in our allowance will adversely affect our earnings by decreasing our net income.

Determining the appropriate level of allowance is an inherently difficult process based on numerous assumptions. In June 2016, the Financial Accounting Standards Board issued ASU 2016-13, *Financial Instruments-Credit Losses*, which significantly altered the way the allowance for credit losses is determined. The new Current Expected Credit Losses (“CECL”) model will become effective for us, on January 1, 2022, the implementation date. Under the new CECL model, we will be required to use historical information, current conditions and reasonable forecasts to estimate the expected loss over the life of the loan.

Smaller commercial borrowers may have fewer resources, which may impair their ability to repay loans.

We have many small- to medium-sized business customers, which frequently have smaller market shares and fewer financial resources (in terms of capital or borrowing capacity) than larger entities. Accordingly, these businesses may be more vulnerable to economic downturns, often need substantial additional capital to expand or compete, and may experience substantial volatility in operating results, any of which may impair a borrower’s ability to repay a loan. If these or other borrowers are harmed by adverse business conditions, our business, financial condition and results of operations could be adversely affected.

We rely on our senior management team and may have difficulty identifying, attracting and retaining necessary personnel, which may divert resources and limit our ability to execute our business strategy and successfully grow our business.

Our continued growth and successful operation of our business depends, in large part, on our ability to hire and retain highly qualified and motivated personnel at every level. Our senior management team has significant industry experience, and their knowledge and relationships would be difficult to replace in the event of departure or retirement of senior managers. We must also hire and retain qualified banking personnel to continue to grow our business. Competition for senior executives and skilled personnel in the financial services and banking industry is significant, and costs associated with incenting and retaining skilled personnel may be material and continue to increase. If we are unable to hire and retain qualified personnel or successfully address management succession issues, we may be unable to successfully execute our business strategy and manage our growth, which could have a material adverse effect on our business, financial condition or results of operations.

We rely on short-term funding, which can be adversely affected by local and general economic conditions.

As of December 31, 2021, approximately \$4 billion, or 87%, of our deposits consisted of demand, savings, money market, and transaction accounts (including negotiable order of withdrawal accounts). The approximately \$1 billion remaining balance of deposits consisted of certificates of deposit, of which approximately \$538 million, or 11% of our total deposits, was due to mature within one year. Based on our experience, we believe that our savings, money market and noninterest-bearing accounts are relatively stable sources of funds. Our ability to attract and maintain deposits, as well as our cost of funds, has been, and will continue to be significantly affected by general economic conditions. In addition, as market interest rates rise, we will have competitive pressure to increase the rates we pay on deposits. If we increase interest rates paid to retain deposits, our earnings may be adversely affected.

Our largest deposit relationships currently make up a significant percentage of our deposits and the withdrawal of deposits by our largest depositors could force us to fund our business through more expensive and less stable sources.

At December 31, 2021, our 30 largest depositors accounted for 29% of our total deposits and our five largest depositors accounted for 10% of our total deposits. Withdrawals of deposits by any one of our largest depositors or by one of our related client groups could force us to rely more heavily on borrowings and other sources of funding to meet business and withdrawal demands, adversely affecting our net interest margin and results of operations. Such circumstances may require us raise deposit rates to attract new deposits and rely more heavily on other funding sources that could be more expensive and less stable. Under applicable regulations, if the Company was no longer “well-capitalized,” we would be required to obtain FDIC approval to accept brokered deposits and could also be subject to a deposit rate cap prohibiting us from paying in excess of 75 basis points above national deposit rates.

Liquidity risk could impair our ability to fund operations and meet our obligations as they become due, and failure to maintain sufficient liquidity could materially adversely affect our growth, business, profitability and financial condition.

Liquidity is essential to our business, sufficient levels of which are required to fund asset growth, serve client demand for loans, pay our debt obligations, and meet other cash commitments. Liquidity risk is the potential that we will be unable to meet our obligations as they come due because of an inability to liquidate assets or obtain adequate funding without adverse conditions or consequences. Liquidity risk can increase due to a number of factors, including an over-reliance on a particular source of funding, market-wide phenomena such as market dislocation and major disasters, and a high concentration of large depositors. The Bank’s primary funding source is client deposits. Other sources of funding may include advances from the Federal Home Loan Bank (“FHLB”), the Federal Reserve Bank of Kansas City (“FRB”), and our acquisition of brokered deposits, internet subscription certificates of deposit, and reciprocal deposits through the Intrafi Network. Although the Bank has historically been able to replace maturing deposits and advances as necessary, it might not be able to replace such funds in the future. An inability to raise funds through deposits, borrowings, the sale of loans, securities and other sources could have a substantial negative effect on liquidity. Any substantial, unexpected or prolonged change in the level or cost of liquidity could have a material adverse effect on our financial condition and results of operations, and could impair our ability to fund operations and meet our obligations as they become due and could jeopardize our financial condition.

Our historical growth rate and performance may not be indicative of our future growth or financial results and our ability to continue to grow is dependent upon our ability to effectively manage the increases in scale of our operations.

We may not be able to sustain our historical rate of growth or grow our business at all. Additionally, we may not be able to maintain historical levels of expenses. Consequently, our historical results of operations will not necessarily be indicative of our future operations.

We may not be able to maintain sufficient capital in the future, which may adversely affect our financial condition, liquidity, results of operations, and our ability to maintain regulatory compliance.

Our business strategy calls for continued growth. We may need to raise additional capital in the future to support our continued growth and to maintain our required regulatory capital levels. Our ability to raise additional capital depends on conditions in the capital markets, economic conditions, and a number of other factors, including investor perceptions regarding the banking industry, market conditions and governmental activities, our financial condition and performance, and competition with other financial institutions for capital sources. We cannot guarantee that we will be able to raise additional capital in the future on acceptable terms, which may adversely affect our liquidity, growth strategy, financial condition and results of operations.

We face strong competition from banks, credit unions, Financial Technology Company (“FinTech”) and other financial services providers that offer banking services, which may limit our ability to attract and retain banking clients.

Competition in the banking industry generally, and in our primary markets specifically, is intense. Competitors include banks and other financial services providers, such as savings and loan institutions, brokerage firms, credit unions, mortgage banks, and other financial intermediaries. In particular, we compete with larger national and regional financial institutions, whose greater resources afford them many competitive advantages. Such resources may enable our competitors to achieve larger economies of scale; offer more services; spend more on advertising and technological investments; offer better lending rates to clients; better diversify their loan portfolio; and have less vulnerability to downturns in local economies and real estate markets. If we are unable to offer competitive products and services as quickly as our larger competitors, our business may be negatively affected. We also compete against community banks, credit unions and nonbank financial services companies with strong local ties to small- and medium-sized businesses that we target, and we may be unable to attract and retain such clients as effectively as these smaller competitors. Additionally, we face growing competition from so-called “online businesses” with few or no physical locations, including financial technology companies, online banks, lenders and consumer and commercial lending platforms, and automated retirement and investment service providers. New technology and other changes increasingly allow parties to effectuate online financial transactions with little to no involvement from banks, including bill payment, funds transfers, and maintenance of funds in brokerage accounts or mutual funds that would have historically been held as bank deposits. The process of eliminating banks as intermediaries, known as “disintermediation,” could reduce our income from fees and deposits. Ultimately, we may be unable to compete successfully against current and future competitors, which may reduce our revenue stream and prevent us from growing our loan and deposit portfolios, any of which may adversely affect our results of operations and financial condition.

Our risk management framework may not be effective in mitigating risks or losses to us, and we may incur losses due to ineffective risk management processes and strategies.

Our risk management framework is comprised of various processes, systems and strategies designed to manage our risk exposure, including credit, market, liquidity, interest rate, operational, reputation, business, and compliance risks. Our framework also includes financial or other modeling methodologies that involve highly subjective management assumptions and judgment. Our risk management framework may not be effective under all circumstances and may not adequately mitigate risks or losses, which could result in adverse regulatory consequences and unexpected losses and our business, financial condition, results of operations or growth prospects could be materially and adversely affected. We may also be subject to potentially adverse regulatory consequences.

We are required to make significant judgments, assumptions and estimates in the preparation of our financial statements and our judgments, assumptions and estimates may not be accurate.

The preparation of financial statements and related disclosures in conformity with GAAP requires us to make judgments, assumptions and estimates that affect the amounts reported in our consolidated financial statements and accompanying notes. Our critical accounting policies, which are included in the section captioned “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” describe those significant accounting policies and methods used in the preparation of our consolidated financial statements that we consider “critical” because they require judgments, assumptions, and estimates that materially affect our consolidated financial statements and related disclosures. As a result, if future events or regulatory views concerning such analysis differ significantly from the judgments, assumptions, and estimates in our critical accounting policies, those events or assumptions could have a material impact on our consolidated financial statements and related disclosures, in each case resulting in our need to revise or restate prior period financial statements, cause damage to our reputation and the price of our common stock and adversely affect our business, financial condition and results of operations.

If we fail to maintain effective internal control over financial reporting, we may not be able to report accurate and timely financial results, which may cause material harm to our business.

Our management team is responsible for establishing and maintaining adequate internal control over financial reporting and for evaluating and reporting on that system of internal control. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. As a public company, we are required to comply with the Sarbanes-Oxley Act and other rules that govern public

companies. Unless we remain an EGC and elect additional transitional relief available to EGCs, our independent registered public accounting firm may be required to report on the effectiveness of our internal control over financial reporting beginning as of that annual report on Form 10-K. We will continue to periodically test and update, as necessary, our internal control systems, including our financial reporting controls. Our actions, however, may not be sufficient to result in an effective internal control environment, and any future failure to maintain effective internal control over financial reporting could impair the reliability of our financial statements which in turn could harm our business, impair investor confidence in the accuracy and completeness of our financial reports and our access to the capital markets, cause the price of our common stock to decline and subject us to regulatory penalties.

Failure to keep pace with technological change could adversely affect our business.

Advances and changes in technology could significantly affect our business, financial condition, results of operations, and future prospects. The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. Failure to successfully keep pace with technological change affecting our industry could harm our ability to compete effectively. Many of our competitors have substantially greater resources to invest in technological improvements. We face many challenges, including the increased demand to provide clients electronic access to their accounts and the cost and implementation of systems to perform electronic banking transactions. Our ability to compete depends on our ability to continue to adapt technology on a timely and cost-effective basis to meet these demands. We may not be able to effectively or timely implement new technology-driven products and services or be successful in marketing these products and services to our clients. As these technologies are improved in the future, we may be required to make significant capital expenditures in order to remain competitive, which may increase our overall expenses and have a material adverse effect on our business, financial condition, results of operations and cash flows.

We are exposed to cybersecurity threats and potential security breaches, and our efforts to minimize or respond to such threats may not be effective to prevent significant harm to the Company.

We conduct a portion of our business over the Internet. We rely heavily upon data processing, software, communications and information systems from a number of third parties to conduct our business. Our business involves the storage and transmission of clients' proprietary information and security breaches could expose us to a risk of loss or misuse of such information, litigation and potential liability. Our operations are vulnerable to disruptions from human error, natural disasters, power loss, computer viruses, spam attacks, denial of service attacks, unauthorized access, and other unforeseen events. Undiscovered data corruption could render our client information inaccurate. Third-party or internal systems and networks may fail to operate properly or become disabled due to deliberate attacks or unintentional events. Security breaches and cyberattacks may cause significant increases in operating costs, including the costs of compensating clients for any resulting losses they may incur and the costs and capital expenditures required to correct the deficiencies in and strengthen the security of data processing and storage systems.

While we believe we are in compliance with all applicable privacy and data security laws, an incident could put our client confidential information at risk and expose us to significant liability. We have been the target of data and cyber security attacks and may experience attacks in the future. While we have not experienced a material cyber-incident or security breach that has been successful in compromising our data or systems to date, we can never be certain that all of our systems are entirely free from vulnerability to breaches of security or other technological difficulties or failures. The perpetual evolution of known cyber-threats requires us to devote significant resources to maintain, regularly update and backup our data security systems and processes, as we may not be able to anticipate, or effectively implement preventative measures against, all cyber-attacks. A security breach or other cyber-incident could have an adverse impact on, among other things, our revenue, ability to attract and maintain clients and our reputation. In addition, a security breach could also subject us to additional regulatory scrutiny and expose us to civil litigation and possible financial liability, all of which could have a material adverse effect on our business, financial condition and results of operations.

We rely on client, counterparty and third-party information, which subjects us to risks if that information is not accurate or is incomplete.

In deciding whether to extend credit or enter into other transactions with clients and counterparties, we rely on information furnished to us by or on behalf of clients and counterparties, including financial statements and other financial information. We also rely on representations of clients and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. While we have a practice of seeking to independently verify client information that we use in deciding whether to extend credit or to agree to a loan modification, including employment, assets, income and credit score, not all client information is independently verified, and if any of the information that is independently verified (or any other information considered in the loan review process) is misrepresented and such misrepresentation is not detected prior to loan funding, the value of the loan may be significantly lower than expected. Whether a misrepresentation is made by the applicant, another third party or one of our employees, we generally bear the risk of loss associated with the misrepresentation. We may not detect all misrepresented information in our approval process. Any such misrepresented information could adversely affect our business, financial condition and results of operations.

We are subject to certain operating risks related to employee error and client, employee and third-party misconduct, which could harm our reputation and business.

Employee error or employee and client misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. Misconduct by our employees could include hiding unauthorized activities from us, improper or unauthorized activities on behalf of our clients or improper use of confidential information. It is not always possible to prevent employee error or misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Because the nature of the financial services business involves a high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. Our necessary dependence upon processing systems to record and process transactions and our large transaction volume may further increase the risk that employee errors, tampering or manipulation of those systems will result in losses that are difficult to detect. Employee error or misconduct could also subject us to financial claims. If our internal control systems fail to prevent or detect an occurrence, it could have a material adverse effect on our business, financial condition and results of operations.

Fraudulent activity could damage our reputation, disrupt our businesses, increase our costs and cause losses.

As a financial institution, we are inherently exposed to operational risk in the form of theft and other fraudulent activity by employees, clients and other third parties targeting us and our clients or data. Such activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing, social engineering, and other dishonest acts. Although the Company devotes substantial resources to maintaining effective policies and internal controls to identify and prevent such incidents, given the increasing sophistication of possible perpetrators, the Company may experience financial losses or reputational harm as a result of fraud. In addition, we may be required to make significant capital expenditures in order to modify and enhance our protective measures or to investigate and remediate fraudulent activity. Although we have not experienced any material business or reputational harm as a result of fraudulent activities in the past, the occurrence of fraudulent activity could damage our reputation, disrupt our business, increase our costs and cause losses in the future.

Our operations could be interrupted if our third-party service providers experience difficulty, terminate their services or fail to comply with banking regulations.

We depend, to a significant extent, on a number of relationships with third-party service providers. Specifically, we receive core systems processing, essential web hosting and other internet systems, loan and deposit processing, and other processing services from third-party service providers. If these third-party service providers experience financial, operational or technological difficulties or terminate their services and we are unable to replace them with other service providers, our operations could be interrupted. If an interruption were to continue for a significant period of time, our business, financial condition and results of operations could be adversely affected, perhaps materially. Even if we are able to replace our service providers, it may be at a higher cost to us, which could adversely affect our business, financial condition and results of operations.

We follow a relationship-based operating model and negative public opinion could damage our reputation and adversely impact our earnings.

Reputation risk, or the risk to our business, earnings and capital from negative public opinion, is inherent in our business. Negative public opinion can result from our actual or alleged conduct in any number of activities, including lending practices, corporate governance and acquisitions, and from actions taken by government regulators and community organizations in response to those activities. Negative public opinion can adversely affect our ability to keep and attract clients and employees and can expose us to litigation and regulatory action and adversely affect our results of operations. Although we take steps to minimize reputation risk in dealing with our clients and communities, this risk will always be present given the nature of our business.

If third parties infringe upon our intellectual property or if we were to infringe upon the intellectual property of third parties, we may expend significant resources enforcing or defending our rights or suffer competitive injury.

We rely on a combination of copyright, trademark, trade secret laws, and confidentiality provisions to establish and protect our intellectual property rights. If we fail to successfully maintain, protect and enforce our intellectual property rights, our competitive position could suffer. Similarly, if we were to infringe on the intellectual property rights of others, our competitive position could suffer. Third parties may challenge, invalidate, circumvent, infringe or misappropriate our intellectual property, or such intellectual property may not be sufficient to permit us to take advantage of current market trends or otherwise to provide competitive advantages, which could result in costly redesign efforts, discontinuance of certain product or service offerings or other competitive harm.

We may also be required to spend significant resources to monitor and police our intellectual property rights. Some of our competitors may independently develop similar technology, duplicate our products or services or design around our intellectual property, and in such cases we may not be able to assert our intellectual property rights against such parties. Further, our contractual arrangements may not effectively prevent disclosure of our confidential information or provide an adequate remedy in the event of unauthorized disclosure of our confidential or proprietary information. We may have to litigate to enforce or determine the scope and enforceability of our intellectual

property rights, trade secrets and know-how, which could be time-consuming and expensive, could cause a diversion of resources and may not prove successful. The loss of intellectual property protection or the inability to obtain rights with respect to third-party intellectual property could harm our business and ability to compete. In addition, because of the rapid pace of technological change in our industry, aspects of our business and our products and services rely on technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses and technologies from these third parties on reasonable terms or at all.

We may be exposed to risk of environmental liabilities or failure to comply with regulatory requirements with respect to properties to which we take title.

In the course of our business, we may foreclose and take title to real estate, and these properties could subject us to environmental liabilities and other federal, state or local regulatory requirements, such as the Americans with Disabilities Act. We do not know whether existing requirements will change or whether compliance with future requirements will involve significant expenditures. We may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination, or we may be required to investigate or clean up hazardous or toxic substances, or chemical releases at a property. The costs associated with these investigation or remediation activities could be substantial. In addition, if we are the owner or former owner of a contaminated site, we may be subject to claims and damages from third parties related to environmental contamination emanating from the property. If we ever become subject to significant environmental liabilities or costs or fail to comply with regulatory requirements with respect to these properties, our business, financial condition, liquidity and results of operations could be materially and adversely affected.

The costs and effects of litigation, investigations or similar matters, or adverse facts and developments related thereto, could materially affect our business, operating results and financial condition.

We may be involved from time to time in a variety of litigation, investigations or similar matters arising out of our business. It is inherently difficult to assess the outcome of these matters, and we may not prevail in proceedings or litigation. Insurance may not cover all such claims or losses, our indemnification rights may not be honored, and we may suffer damage to our reputation, regardless of the merit or eventual outcome of a claim. The ultimate judgments or settlements in any litigation or investigation could have a material adverse effect on our business, financial condition and results of operations. In addition, premiums for insurance covering the financial and banking sectors are rising. We may not be able to obtain appropriate types or levels of insurance in the future, nor may we be able to obtain adequate replacement policies with acceptable terms or at historic rates, if at all.

Financial counterparties expose the Company to risks.

We maintain correspondent bank relationships, manage certain loan participations, engage in securities transactions and engage in other activities with financial counterparties that are customary to our industry. Many of these transactions expose us to counterparty credit, liquidity and/or reputational risk in the event of default by the counterparty, negative publicity, and complaints about the counterparty or the financial services industry in general. Although we seek to manage these risks through internal controls and procedures, we may experience loss or interruption of business, damage to our reputation, or incur additional costs or liabilities as a result of unforeseen events with these counterparties. Any financial cost, liability or reputational damage could have a material adverse effect on our business, which in turn, could have a material adverse effect on our financial condition and results of operations.

Severe weather, natural disasters, pandemics, and other external events could significantly impact our business.

Severe weather, including tornadoes, droughts, hailstorms and other natural disasters, pandemics, such as the recent outbreak of COVID-19, acts of war or terrorism and other adverse external events could have a significant impact on our ability to conduct business. Such events could affect the stability of our deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue or cause us to incur additional expenses. Operations in our markets could be disrupted by both the evacuation of large portions of the population as well as damage or lack of access to our banking and operation facilities. Other severe weather or natural disasters, pandemics, acts of war or terrorism or other adverse external events may occur in the future. Although management has established business continuity plans and procedures, the occurrence of any such events could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to Our Regulatory Environment

We are subject to extensive regulation, which increases the cost and expense of compliance and could limit or restrict our activities, which in turn may adversely impact our earnings and ability to grow.

We operate in a highly regulated environment and are subject to regulation, supervision and examination by a number of governmental regulatory agencies, including, with respect to the Bank, the FDIC and the OSBCK and, with respect to the Company, the Federal Reserve. Regulations adopted by these agencies govern a comprehensive range of matters relating to ownership and control of our shares, our

acquisition of other companies and businesses, permissible activities for us to engage in, maintenance of adequate capital levels, dividend payments and other aspects of our operations. Bank regulators possess broad authority to prevent or remedy unsafe or unsound practices or violations of law. If, as a result of an examination, a banking agency determines that an aspect of our operations were unsatisfactory, or that we were, or our management was, in violation of any law or regulation, they may take a number of different remedial actions as they deem appropriate. These actions include the power to enjoin “unsafe or unsound” practices, to require affirmative action to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in our capital, to restrict our growth, to assess civil money penalties against us, our officers or directors, to fine or remove officers and directors and, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate the Bank’s FDIC deposit insurance and place the Bank into receivership or conservatorship. Any regulatory action against us could have a material adverse effect on our business, financial condition and results of operations.

Government policy, legislation and regulation, particularly monetary policy from the Federal Reserve, significantly affect economic growth and financial operations, including our distribution of credit, bank loans, investments, deposits, product offerings and disclosures, interest rates and bankruptcy proceedings for consumer residential real estate mortgages. The laws and regulations applicable to the banking industry could change at any time and we cannot predict the effects of these changes on our business, profitability or growth strategy. Increased regulation could increase our cost of compliance, adversely affect profitability and inhibit our ability to conduct business consistent with historical performance. If we do not comply with governmental regulations, we may be subject to fines, penalties, lawsuits or material restrictions on our businesses and growth that may damage our reputation and adversely affect our business operations. Proposed legislative and regulatory actions may not occur within expected time frames, or at all, which creates additional uncertainty for our business and industry. Accordingly, legislative and regulatory actions taken now or in the future could have a material adverse impact our business, financial condition and results of operation.

Many of our expansion and growth plans require regulatory approvals, and failure to obtain them may restrict our growth.

As part of our growth strategy, we may expand our business by pursuing strategic acquisitions of financial institutions, adding branches and other complementary businesses. Generally, we must receive federal and state regulatory approval before we can acquire an FDIC-insured depository institution or related business. In determining whether to approve a proposed acquisition, federal and state banking regulators will consider, among other factors, the effect of the acquisition on competition, our financial condition, our future prospects and the impact of the proposal on U.S. financial stability. The regulators also review current and projected capital ratios, the competence, experience and integrity of management and its record of compliance with laws and regulations, the convenience and needs of the communities to be served and the effectiveness of the acquiring institution in combating money laundering activities.

The Federal Reserve may require the Company to commit capital resources to support the Bank.

As a matter of policy, the Federal Reserve expects a bank holding company to act as a source of financial and managerial strength to its subsidiary banks. The Federal Reserve may charge the bank holding company with engaging in unsafe and unsound practices for failure to adequately commit resources to a subsidiary bank. Accordingly, we may be required to make capital injections into a troubled subsidiary bank, even if such contribution creates a detriment to the Company or its stockholders. If we do not have sufficient resources on hand to fund the capital injection, we may be required borrow funds or raise capital. Any such loans are subordinate in right of payment to deposits and to certain indebtedness of the subsidiary bank. In the event of bankruptcy of the bank holding company, claims based upon any commitments to fund capital injections are entitled to a priority of payment over claims made by general unsecured creditors, including holders of indebtedness. Thus, any borrowing incurred by the Company to make required capital injections to the Bank are difficult and expensive, and will adversely impact our financial condition, results of operations and future prospects. Additionally, under the Financial Institutions Reform Recovery and Enforcement Act of 1989 (“FIRREA”), losses caused by a failing bank subsidiary might be charged to the capital of an affiliate bank. Moreover, any bank operating under the Company’s common control may also be required to contribute capital to a failing affiliate bank within the Company’s control group. This is known as FIRREA’s “cross-guarantee” provision. The Company currently has one bank subsidiary.

The Company and the Bank are subject to stringent capital requirements that may limit our operations and potential growth.

The Company and the Bank are subject to various regulatory capital requirements. Failure to meet minimum capital requirements will result in certain mandatory and discretionary actions by regulators that, if undertaken, could have a direct material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of our assets, liabilities and certain off-balance sheet commitments as calculated under these regulations. In order to be a “well-capitalized” depository institution under prompt corrective action standards (but without taking into account the capital conservation buffer requirement described below), a bank must maintain a CET1 risk-based capital ratio of 6.5% or more, a tier 1 risk-based capital ratio of 8.0% or more, a total risk-based capital ratio of 10.0% or more and a leverage ratio of 5.0% or more (and is not subject to any order or written directive specifying any higher capital ratio). The failure to meet the established capital requirements under the prompt corrective action framework could result in one or more of our regulators placing limitations or conditions on our activities, including our growth initiatives, or restricting the commencement of new activities, and such failure could subject us to a variety of enforcement remedies available to the federal regulatory authorities, including limiting our ability to pay dividends,

issuing a directive to increase our capital and terminating the Bank's FDIC deposit insurance, which is critical to the continued operation of the Bank.

Due to the completed phase-in of a capital conservation buffer requirement, the Company and the Bank must effectively maintain a CET1 capital ratio of 7.0% or more, a tier 1 risk-based capital ratio of 8.5% or more, a total risk-based capital ratio of 10.5% or more and, for the Bank, a leverage ratio of 5.0% or more and for the Company, a leverage ratio of 4.0% or more. Many factors affect the calculation of our risk-based assets and our ability to maintain the level of capital required to achieve acceptable capital ratios, such as increases to our risk-weighted assets, loan impairments, loan losses exceeding the amount reserved for such losses and other factors that decrease our capital, thereby reducing the level of the applicable ratios. Our failure to remain well-capitalized could affect client and investor confidence, our ability to grow, our costs of funds, the interest rates that we pay on deposits, FDIC insurance costs, our ability to pay dividends on common stock, our ability to make acquisitions, and our business, results of operations and financial condition.

Higher FDIC deposit insurance premiums and assessments could adversely affect our financial condition.

Our deposits are insured up to applicable limits by the DIF and are subject to deposit insurance assessments to maintain deposit insurance. As an FDIC-insured institution, we are required to pay quarterly deposit insurance premium assessments to the FDIC. Although we cannot predict what the insurance assessment rates will be in the future, either a deterioration in our risk-based capital ratios or adjustments to the base assessment rates could have a material adverse impact on our business, financial condition, results of operations and cash flows.

We face a risk of noncompliance and enforcement action with respect to the Bank Secrecy Act and other anti-money laundering statutes and regulations.

The BSA, the PATRIOT Act and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti-money laundering program and to file reports such as suspicious activity reports and currency transaction reports. Violation of such requirements may result in significant civil money penalties imposed by federal banking agencies and Financial Crimes Enforcement Network, which agencies have recently engaged in coordinated enforcement efforts against banks and other financial services providers with the U.S. Department of Justice ("DOJ"), the Drug Enforcement Administration and the IRS. We are also subject to increased scrutiny of compliance with the rules enforced by the OFAC, which may require sanctions for dealing with certain persons or countries. If the policies, procedures and systems of our company, or any of our subsidiaries, are deemed deficient, we would be subject to fines and regulatory actions, which may include restrictions on our ability to pay dividends and requirements to obtain regulatory approvals to proceed with certain aspects of our business plan, including our acquisition plans. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us. Any of these results could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

Regulations relating to privacy, information security and data protection could increase our costs, affect or limit how we collect and use personal information and adversely affect our business opportunities.

We are subject to various privacy, information security and data protection laws, including requirements concerning security breach notification, and we could be negatively impacted by these laws. For example, our business is subject to the Gramm-Leach-Bliley Act which, among other things: (i) imposes certain limitations on our ability to share non-public personal information about our clients with non-affiliated third parties; (ii) requires that we provide certain disclosures to clients about our information collection, sharing and security practices and afford clients the right to "opt out" of any information sharing by us with non-affiliated third parties (with certain exceptions); and (iii) requires that we develop, implement and maintain a written comprehensive information security program containing safeguards that are appropriate based on our size and complexity, the nature and scope of our activities and the sensitivity of client information we process, as well as plans for responding to data security breaches. Many state and federal banking regulators, states and foreign countries have also enacted data security breach notification requirements with varying levels of individual, consumer, regulatory or law enforcement notification in certain circumstances in the event of a security breach. Moreover, legislators and regulators in the United States and other countries are increasingly adopting or revising privacy, information security and data protection laws that potentially could have a significant impact on our current and planned privacy, data protection and information security-related practices, our collection, use, sharing, retention and safeguarding of client or employee information, and some of our current or planned business activities. This could also increase our costs of compliance and business operations and could reduce income from certain business initiatives. This includes increased privacy-related enforcement activity at the federal level by the Federal Trade Commission, as well as at the state level.

Compliance with current or future privacy, data protection and information security laws (including those regarding security breach notification) affecting client or employee data to which we are subject could result in higher compliance and technology costs and could restrict our ability to provide certain products and services, which could have a material adverse effect on our business, financial conditions or results of operations. Our failure to comply with privacy, data protection and information security laws could result in potentially significant regulatory or governmental investigations or actions, litigation, fines, sanctions and damage to our reputation, which could have a material adverse effect on our business, financial condition or results of operations.

We face increased risk under the terms of the CRA as we accept additional deposits in new geographic markets.

Under the terms of the CRA, each appropriate federal bank regulatory agency is required, in connection with its examination of a bank, to assess such bank's record in assessing and meeting the credit needs of the communities served by that bank, including low- and moderate-income neighborhoods. During these examinations, the regulatory agency rates such bank's compliance with the CRA as "Outstanding," "Satisfactory," "Needs to Improve" or "Substantial Noncompliance." The Bank had a CRA rating of "Satisfactory" as of its most recent CRA assessment. The regulatory agency's assessment of an institution's record is part of the regulatory agency's consideration of applications to acquire, merge or consolidate with another banking institution or its holding company, or to open or relocate a branch office. As we accept additional deposits in new geographic markets, we will be required to maintain an acceptable CRA rating, which may be difficult.

We are subject to numerous laws designed to protect consumers, including the CRA and fair lending laws, and failure to comply with these laws could lead to a wide variety of sanctions.

The CRA, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The U.S. Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. A successful regulatory challenge to an institution's performance under the CRA or fair lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions activity, restrictions on expansion and restrictions on entering new business lines. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on our business, financial condition, results of operations and future prospects. We may be subject to liability for potential violations of predatory lending laws, which could adversely impact our results of operations, financial condition and business.

Risks Related to Our Common Stock

The price of our common stock could be volatile.

The market price of our common stock may be volatile and could be subject to wide price fluctuations in response to various factors, some of which are beyond our control. These factors include, among other things, actual or anticipated variations in our quarterly or annual results of operations; recommendations by securities analysts; operating performance or fluctuations in the stock price performance of other companies that investors deem comparable to us; news reports relating to trends, concerns and other issues in the financial services industry generally; conditions in the banking industry such as credit quality and monetary policies; domestic and international economic factors unrelated to our performance; perceptions, general market conditions and, in particular, developments related to market conditions for the financial services industry; loss of investor confidence in the market for stocks; new technology used, or services offered, by competitors; loss of investor confidence and changes in government regulations. If any of the foregoing occurs, it could cause our stock price to fall and may expose us to lawsuits that, even if unsuccessful, could be costly to defend and be a distraction to management.

Kansas law and the provisions of our articles of incorporation and bylaws may have an anti-takeover effect, and there are substantial regulatory limitations on changes of control of bank holding companies.

Kansas corporate law and provisions of our articles of incorporation and our bylaws could make it more difficult for a third party to acquire us, even if doing so would be perceived to be beneficial by our stockholders. Furthermore, with certain limited exceptions, federal regulations prohibit a person or company or a group of persons deemed to be "acting in concert" from, directly or indirectly, acquiring more than 10% (5% if the acquirer is a bank holding company) of any class of our voting stock or obtaining the ability to control in any manner the election of a majority of our directors or otherwise direct the management or policies of our Company without prior notice or application to and the approval of the Federal Reserve. Accordingly, prospective investors need to be aware of and comply with these requirements, if applicable, in connection with any purchase of shares of our common stock. Collectively, provisions of our articles of incorporation and bylaws and other statutory and regulatory provisions may delay, prevent or deter a merger, acquisition, tender offer, proxy contest or other transaction that might otherwise result in our stockholders receiving a premium over the market price for their common stock. Moreover, the combination of these provisions effectively inhibits certain business combinations, which, in turn, could adversely affect the market price of our common stock.

Future equity issuances could result in dilution, which could cause the price of our shares of common stock to decline.

We are generally not restricted from issuing additional shares of stock, up to the 200,000,000 shares of voting common stock and 5,000,000 shares of preferred stock authorized in our articles of incorporation. In addition, we may issue additional shares of our common stock in the future pursuant to current or future equity compensation plans, upon conversions of preferred stock or debt, upon exercise of warrants or in connection with future acquisitions or financings. If we choose to issue additional shares of our common stock, or securities

convertible into shares of our common stock, for any reason, the issuance would have a dilutive effect on the holders of our common stock and could have a material negative effect on the market price of our common stock.

We may issue shares of preferred stock in the future, which could make it difficult for another company to acquire us or could otherwise adversely affect holders of our common stock.

Our articles of incorporation authorize us to issue up to 5,000,000 shares of one or more series of preferred stock. Our Board of Directors has the power to set the terms of any series of preferred stock that may be issued, including voting rights, dividend rights, conversion rights, preferences over our voting common stock with respect to dividends or in the event of a dissolution, liquidation or winding up and other terms. If we issue preferred stock in the future that has preference over our common stock with respect to payment of dividends or upon our liquidation, dissolution or winding up, the rights of the holders of our common stock or the market price of our common stock could be adversely affected.

Our dividend policy may change without notice, and our future ability to pay dividends is subject to restrictions.

Holders of our common stock are entitled to receive only such dividends as our Board of Directors may declare out of funds legally available for such payments. The Federal Reserve has indicated that bank holding companies should carefully review their dividend policy in relation to the organization's overall asset quality, current and prospective earnings, and capital level, composition and quality. Furthermore, the Federal Reserve may prohibit payment of dividends that are deemed unsafe or unsound practice. Accordingly, any declaration and payment of dividends on our common stock will depend upon many factors, including our earnings and financial condition, liquidity and capital requirements, the general economic and regulatory climate, our ability to service any equity or debt obligations senior to our common stock, our capital management policies and strategic plans; our growth initiatives; and other factors deemed relevant by our Board of Directors. Any such factor could adversely affect the amount of dividends, if any, paid to our common stockholders. If declared, dividends will be payable to the holders of shares of our common stock on a pro rata basis in accordance with their shares held. If preferred shares are issued, such shares may be entitled to priority over the common shares as to dividends. Other than the stock dividend provided to our stockholders pursuant to our two-for-one stock split in 2018, we have no history of paying dividends to holders of our common stock.

We are a bank holding company and our only source of cash, other than further issuances of securities, is distributions from our wholly-owned subsidiaries.

We are a bank holding company with no material activities other than activities incidental to holding the common stock of the Bank. Our principal source of funds to pay distributions on our common stock and service any of our obligations, other than further issuances of securities, would be dividends received from our wholly-owned subsidiaries. Furthermore, our wholly-owned subsidiaries are not obligated to pay dividends to us, and any dividends paid to us would depend on the earnings or financial condition of our wholly-owned subsidiaries and various business considerations. As is the case with all financial institutions, the profitability of our wholly-owned subsidiaries is subject to the fluctuating cost and availability of money, changes in interest rates and economic conditions in general. In addition, various federal and state statutes limit the amount of dividends that our wholly-owned subsidiaries may pay to the Company without regulatory approval.

As an emerging growth company, or EGC, we utilize certain exemptions from disclosure requirements which could make our shares less attractive to investors and make it more difficult to compare our performance with other public companies.

As an "emerging growth company", we may take advantage of certain exemptions from various reporting requirements including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and reduced disclosure obligations regarding executive compensation. In addition, as an emerging growth company we are not required to comply with new or revised financial accounting standards until private companies are required to comply, and we have not opted out of this extended transition period. When a standard is issued or revised and it has different application dates for public or private companies, we can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of the extended transition period difficult or impossible because of the potential differences in accounting standards used. If some investors find our shares less attractive as a result of our reliance on these exemptions, the trading prices of our shares may be lower than they otherwise would be.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our headquarters is located at 11440 Tomahawk Creek Parkway, Leawood, Kansas. Including our headquarters building, we operate nine full-service banking centers located in: Leawood, Kansas; Wichita, Kansas; Kansas City, Missouri; Oklahoma City, Oklahoma; Tulsa, Oklahoma; Dallas, Texas; Frisco, Texas; and Phoenix, Arizona. We own our headquarters building, our banking centers in Wichita, Kansas, and Oklahoma City, Oklahoma and we lease the remainder of our locations. In addition, the Company signed a second lease agreement in Dallas, Texas. We anticipate the additional location will be open to our customers in 2022. We believe that the leases to which we are subject are generally on terms consistent with prevailing market terms. We also believe that our facilities are in good condition and are adequate to meet our operating needs for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

From time to time, the Company or the Bank is a party to claims and legal proceedings arising in the ordinary course of business. Management does not believe any present litigation or the resolution thereof will have a material adverse effect on the business, consolidated financial condition or results of operations of the Company.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The following table sets forth certain information regarding our executive officers and the executive officers of the Bank, including their names, ages and positions:

Name	Age as of March 1, 2022	Position(s)
Michael J. Maddox	52	President and Chief Executive Officer of the Company
Benjamin R. Clouse	48	Chief Financial Officer of the Company and the Bank
Steve Peterson	57	Chief Banking Officer of the Bank
W. Randall Rapp	57	Chief Risk and Chief Credit Officer of the Bank
Amy Fauss	54	Chief Operating Officer of the Bank
Jana Merfen	40	Chief Technology Officer of the Bank

Michael J. Maddox—Mr. Maddox has served as President and Chief Executive Officer of the Company since June 1, 2020, and as President and Chief Executive Officer of the Bank since November 28, 2008. Prior to joining the Bank, he was a Regional President for Intrust Bank. In this role, he managed the bank’s operations in Northeast Kansas. Mr. Maddox has over 20 years of banking experience. Mr. Maddox attended the University of Kansas from which he received a Business degree in 1991 and a law degree in 1994. While at KU, Mr. Maddox was a four-year basketball letterman and a member of the KU team that won the National Championship in 1988. Mr. Maddox completed the Graduate School of Banking at the University of Wisconsin - Madison in 2003. Mr. Maddox is a member of the Economic Development Board of Johnson County. Mr. Maddox serves on the Kansas City Civic Council. He has served on the board of CrossFirst Bank since 2008.

Benjamin R. Clouse—Mr. Clouse was appointed as Chief Financial Officer effective July 12, 2021. Mr. Clouse previously served as Chief Financial Officer of Waddell & Reed Financial, Inc., a financial services firm, from 2018 until its acquisition in 2021. Previously, Mr. Clouse served at that company as Vice President and Chief Accounting Officer from February 2017 to February 2018, Vice President and Principal Accounting Officer from March 2016 to February 2017 and Vice President from October 2015 until March 2016. Prior thereto, Mr. Clouse served as Chief Financial Officer of Executive AirShare Corporation, a private aviation company, from September 2012 to October 2015. From 2006 to 2012 and from 2002 to 2005, he served in various roles with H&R Block, Inc., a tax preparation company in Kansas City, Missouri, including Assistant Vice President — Audit Services and Assistant Vice President and Controller — Tax Services. From 2005 to 2006, Mr. Clouse served as Vice President — Finance and Corporate Controller of Gold Bank Corporation, Inc., a bank holding company. From September 1996 to January 2002, he served in various roles in the audit practice of Deloitte.

Steve Peterson—Mr. Peterson became Chief Banking Officer of the Bank effective on July 1, 2020. Prior to this role, Mr. Peterson served as the Wichita Bank President since August 2011. Prior to joining CrossFirst Bank, Mr. Peterson served as Division President of Stillwater National Bank from 2004 to August 2011.

W. Randall Rapp—Mr. Rapp has served as the Chief Credit Officer of the Bank since April 2019. Prior to joining the Bank, Mr. Rapp held various positions at Texas Capital Bank, N.A. from March 2000 until March 2019, including serving as Executive Vice President and Chief Credit Officer from May 2015 until March 2019, and as a Senior Credit Officer from 2013 until May 2015.

Amy Fauss—Ms. Fauss has served as the Chief Operating Officer of the Bank since December 2009. She previously served as Executive Vice President and Chief Operating Officer of Solutions Bank, where she directed all aspects of daily operations. Her experience also includes senior management positions at Hillcrest Bank and Citizens-Jackson County Bank.

Jana Merfen—Ms. Merfen joined CrossFirst Bank in January 2021. Prior to that she served as Chief Information Officer of Dickinson Financial Corp. and Academy Bank from April 2017 to January 2021. Prior to working at Dickinson Financial Corp. and Academy Bank, she worked at CommunityAmerica Credit Union where she was the Director of Information Systems & Enterprise Project Manager Officer from July 2016 to April 2017 and was the Director of Enterprise Risk Management and Business Process Operations from September 2014 to July 2016. Ms. Merfen has a degree in accounting from Miami University in Ohio.

Part II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the Nasdaq Global Select Market under the symbol “CFB” with 420 holders of record at December 31, 2021.

Stock Performance

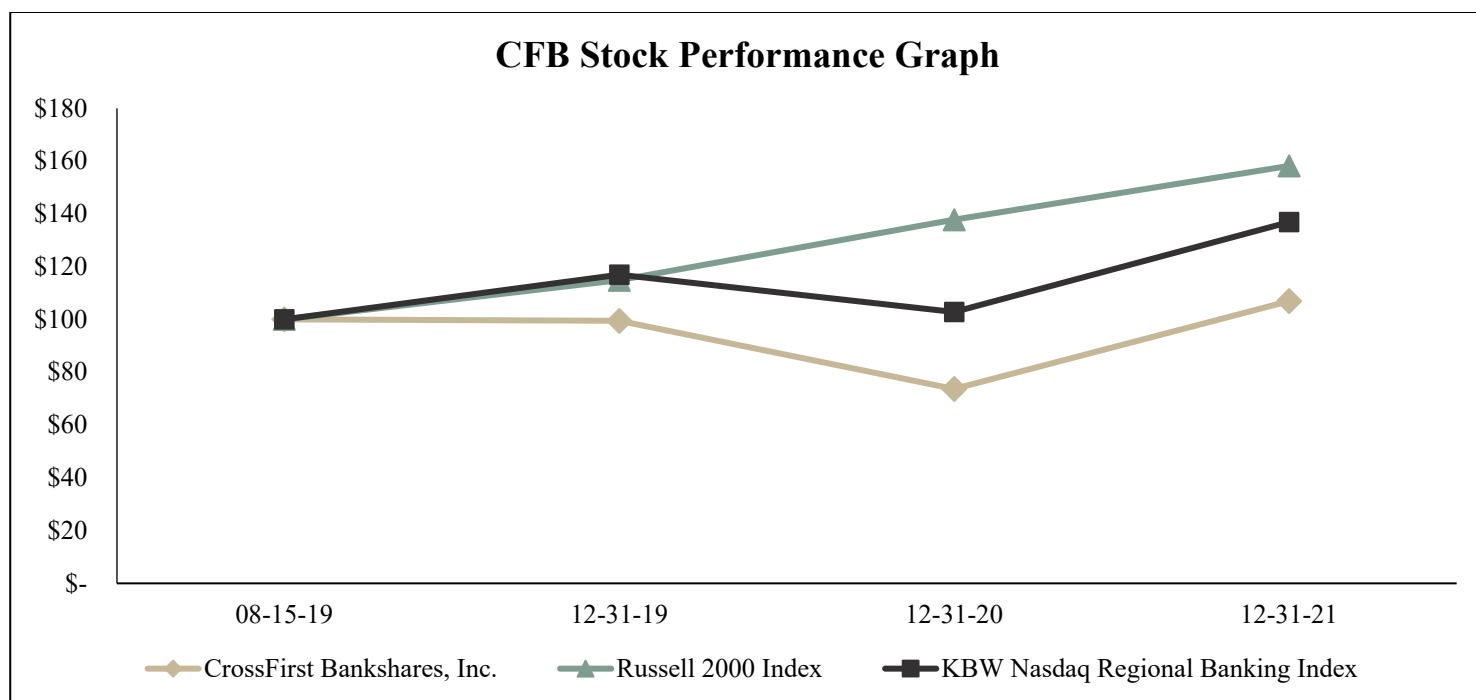
Our book value per share for the periods indicated was:

	As of December 31,					
	2021		2020		2019	
Book value per share	\$	13.23	\$	12.08	\$	11.58

The following table shows the high and low closing prices per share of the Company’s common stock since our IPO:

	Price per Share in 2021		Price per Share in 2020		Price per Share in 2019							
	High	Low	High	Low	High	Low						
Stock Price	\$	15.66	\$	10.70	\$	14.40	\$	5.74	\$	15.50	\$	11.11

The following table and graph sets forth the cumulative total stockholder return for the Company’s common stock from August 15, 2019 (the date that our common stock commenced trading on the Nasdaq Global Select Market) through December 31, 2021 compared to an overall stock market index (Russell 2000 Index) and one peer group index (KBW Nasdaq Regional Banking Index) for the same period. The indices are based on total returns assuming reinvestment of dividends. The graph assumes an investment of \$100 on August 15, 2019. The performance graph represents past performance and should not be considered to be an indication of future performance.



The performance graph and related text are being furnished to and not filed with the SEC, and will not be deemed “soliciting material” or subject to Regulation 14A or 14C under the Exchange Act or to the liabilities of Section 18 of the Exchange Act, and will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent we specifically incorporate such information by reference into such a filing.

	August 15, 2019	December 31, 2019	December 31, 2020	December 31, 2021
CrossFirst Bankshares, Inc.	\$ 100.00	\$ 99.45	\$ 73.63	\$ 106.92
Russell 2000 Index	\$ 100.00	\$ 114.85	\$ 137.77	\$ 158.19
KBW Nasdaq Regional Banking Index	\$ 100.00	\$ 116.94	\$ 102.79	\$ 136.92

Dividends

Historically, CrossFirst has not declared or paid any dividends on its common stock. Payments of future dividends, if any, will be at the discretion of our Board of Directors and will depend upon our results of operations, our financial condition, capital requirements, general economic conditions, regulatory and contractual restrictions, our business strategy, our ability to service any equity or debt obligations senior to our common stock and other factors that our Board of Directors deems relevant. We are not obligated to pay dividends on our common stock and are subject to restrictions on paying dividends on our common stock.

Our principal source of funds to pay dividends on our common stock would be dividends received from our wholly-owned subsidiaries. Furthermore, our wholly-owned subsidiaries are not obligated to pay dividends to us, and any dividends paid to us would depend on the earnings or financial condition of our wholly-owned subsidiaries and various business considerations. As is the case with all financial institutions, the profitability of our wholly-owned subsidiaries is subject to the fluctuating cost and availability of money, changes in interest rates and economic conditions in general. In addition, various federal and state statutes limit the amount of dividends that our wholly-owned subsidiaries may pay to the Company without regulatory approval.

Share Repurchase Program

The following table summarizes our repurchases of our common shares for the three months ended December 31, 2021:

Calendar Month	Total Number of Shares Repurchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that may yet be Purchased as Part of Publicly Announced Plans or Programs
October 1 - 31	73,536	\$ 14.33	73,536	\$ 28,945,720
November 1 - 30	166,973	\$ 14.83	166,973	\$ 26,468,522
December 1 - 31	325,655	\$ 14.81	325,655	\$ 21,652,540
Total	566,164	\$ 14.75	566,164	

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

On October 20, 2020, the Company announced that its Board of Directors approved a share repurchase program under which the Company could repurchase up to \$20 million of its common stock. On June 30, 2021, the Company completed its share repurchase program under which the Company purchased \$20 million of its common stock. A total of 1,573,806 common shares were repurchased.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

This section includes a discussion of the financial condition and results of operations of CrossFirst Bankshares, Inc. and its subsidiaries. Refer to [Management's Discussion and Analysis of Financial Condition and Results of Operations](#) in our 2020 Form 10-K filed with the SEC on February 26, 2021 for a discussion of the financial condition and results of operations of the Company for the period ended December 31, 2019 and a comparison between the 2019 and 2020 results.

Tables may include additional periods to comply with disclosure requirements or to illustrate trends in greater depth. You should read the following financial data in conjunction with the other information contained in this 10-K, including under "Part I, Item 1A. Risk Factors," and in the financial statements and related notes included elsewhere in this 10-K.

Growth History

We have grown organically primarily by establishing our branch lite network in five states, attracting new clients and expanding our relationships with existing clients, as well as through two strategic acquisitions. The data below presents the business' growth in key areas for the past five years and the related compound annual growth rate ("CAGR"):

	2017 to 2021 CAGR	As of December 31,				
		2021	2020	2019	2018	2017
<i>(Dollars in thousands)</i>						
Available-for-sale securities	2 %	\$ 745,969	\$ 654,588	\$ 739,473	\$ 661,628	\$ 701,534
Gross loans (net of unearned income) ⁽¹⁾	21	4,256,213	4,441,897	3,852,244	3,060,747	1,996,029
Total assets	17	5,621,457	5,659,303	4,931,233	4,107,215	2,961,118
Noninterest-bearing deposits	41	1,163,224	718,459	521,826	484,284	290,906
Total deposits	19 %	\$ 4,683,597	\$ 4,694,740	\$ 3,923,759	\$ 3,208,097	\$ 2,303,364

⁽¹⁾ Includes \$65 million and \$292 million of PPP loans at December 31, 2021 and 2020, respectively.

Our Strategy

Our strategy has been to build the most trusted bank in our markets, which we believe drives value for our stockholders. We are committed to a culture of serving our clients in extraordinary ways by providing personalized, relationship-based banking. We believe that success is achieved through establishing and growing the trust of our clients, employees, stakeholders, and communities.

During 2021, the COVID-19 pandemic allowed us to serve our customers by providing PPP loan funding, modifying loans through payment deferrals and rate adjustments, and using our technology to reduce contact exposure. Despite the impact of the COVID-19 pandemic in 2021, we remain focused on growth and building stockholder value through greater efficiency and increased profitability. We intend to execute our strategic plan through the following:

- Continue organic growth;
- Selectively pursue opportunities to expand through acquisitions or new market development;
- Attract and develop talent;
- Improve financial performance;
- Maintain a branch-lite business model with strategically placed locations; and
- Leverage technology to enhance the client experience and improve profitability.

Performance Measures

	As of or for the Year Ended December 31,		
	2021	2020	2019
	<i>(Dollars in thousands, except per share data)</i>		
Return on average assets	1.24 %	0.24 %	0.63 %
Return on average equity	10.84 %	2.05 %	5.38 %
Earnings per share ⁽¹⁾	\$ 1.35	\$ 0.24	\$ 0.59
Diluted earnings per share ⁽¹⁾	\$ 1.33	\$ 0.24	\$ 0.58
Efficiency ⁽²⁾	54.50 %	58.13 %	58.37 %
Equity to assets	11.88 %	11.03 %	12.20 %

⁽¹⁾ Retroactively adjusted per share figures to account for a two-for-one split of our common stock in the form of a stock dividend, whereby each holder of our common stock received one additional share of common stock for each share owned as of the record date of December 19, 2018.

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

2021 Highlights:

- Net income for the fiscal year ended December 31, 2021 was \$69 million, an increase of \$57 million or 451% from the prior year ended December 31, 2020.
- Total assets were \$5.6 billion primarily made up of \$4.3 billion in loans and \$746 million in available-for-sale securities.
- Improved our fiscal year efficiency ratio from 58.13% in 2020 to 54.50% in 2021.
- Purchased 1,530,357 or \$22 million of outstanding shares as part of the share repurchase programs in 2021.
- Expanded into Phoenix, Arizona.
- Increased tangible book value per share to \$13.23 at December 31, 2021 compared to \$12.08 at December 31, 2020.

COVID-19 Pandemic Impact

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

Bank Operations

The Company has a business continuity plan to mitigate operational risks in unusual, unexpected events. The plan identifies key components of our operations and creates responses to ensure normal operations continue and to minimize the effects of potential loss. We implemented the business continuity procedures in March 2020 as a result of the COVID-19 pandemic. In April 2021, substantially all employees returned to on-premises work. In addition, a hybrid work opportunity was created for most employees. No material interruptions to our business operations have occurred to date.

Paycheck Protection Program (“PPP”) Lending Facility

The PPP was established by the CARES Act and authorized forgivable loans to small businesses. The Consolidated Appropriations Act of 2021 allocated additional PPP funding. The Bank provided PPP loans to support current customers and foster relationships with new customers. The loans earned interest at 1%, included fees between 1% and 5% and typically matured in two or five years. The loans originated under the PPP received a 0% risk weight under the regulatory capital rules which resulted in increased Common Equity Tier 1, Tier 1, and Tier 2 capital ratios, but the PPP loans are included in the calculation of our Leverage ratio.

The following table summarizes the impact of the PPP loans on our 2021 and 2020 financials:

	For the Year Ended December 31,	
	2021	2020
	<i>(Dollars in thousands)</i>	
PPP Loan Activity		
Outstanding loan balance, beginning	\$ 292,230	\$ —
Loan increases	133,778	369,260
Loan payoffs	(361,203)	(77,030)
Outstanding loan balance, end	<u>\$ 64,805</u>	<u>\$ 292,230</u>

	For the Year Ended December 31,	
	2021	2020
	<i>(Dollars in thousands)</i>	
PPP Loan Fee Activity		
Unearned fee balance, beginning	\$ 4,189	\$ —
Unearned fees added	5,062	9,946
Earned fees recognized	(7,568)	(5,757)
Unearned fee balance, end	<u>\$ 1,683</u>	<u>\$ 4,189</u>

† Earned fees include fees earned from loans forgiven and monthly amortization fees on loans outstanding.

Loan Modifications

The CARES Act as extended by the Consolidated Appropriations Act of 2021, allowed financial institutions to elect to suspend GAAP principles and regulatory determinations for loan modifications relating to the COVID-19 pandemic that would otherwise require evaluation as troubled debt restructurings (“TDR”) from March 1, 2020 to January 2, 2022 as long as the loan was not more than 30 days past due as of December 31, 2019. The Company elected to use this guidance and started the modified loan process during the first quarter of 2020. As of December 31, 2021, the Company had 6 loans with an outstanding balance of \$17 million that were still under these modified terms.

Current Expected Credit Loss (“CECL”) Implementation

On January 1, 2022, the Company adopted ASU 2016-13, “Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” Topic 326 replaces the incurred loss model for determining the allowance for credit losses (“ACL”), formerly presented as the allowance for loan losses (“ALLL”). The CECL approach requires immediate recognition of estimated credit losses expected to occur over the estimated remaining life of the asset. As a result, the new approach may accelerate the recording of credit losses compared to the former, incurred loss model. The new standard does not change the credit risk of the Company’s loans or the ultimate losses incurred by the Company on those loans. Topic 326 may result in increased volatility in the Company’s net income and capital levels due to changes in the reasonable and supportable forecast of future economic conditions on a quarterly basis.

For information regarding our implementation process, refer to “*Note 1: Nature of Operations and Summary of Significant Accounting Policies*” within the Notes to the Consolidated Financial Statements included elsewhere in this Form 10-K.

The Company adopted Topic 326 through a modified retrospective approach that results in a cumulative-effect adjustment to retained earnings as of the day of adoption. The Company anticipates the January 1, 2022 ACL to be between \$55 million and \$61 million compared to \$58 million as of December 31, 2021.

In addition, CECL applies to off-balance sheet credit exposures, such as unfunded lines of credit, financial guarantees not accounted for as derivatives, and other unfunded loan commitments. The expected credit loss liability for off-balance sheet credit exposures is estimated over the contractual period in which the Company is exposed to credit risk unless the obligation is unconditionally cancellable by the issuer. The credit loss estimate for off-balance sheet credit exposure considers the likelihood that funding will occur and if funded, the related estimate of expected credit losses. Changes in the estimated credit loss are reported in the statement of income and the expected credit loss estimate for unfunded commitments is reported as a liability on the balance sheet. Once a loan is funded, the expected credit loss for off-balance sheet exposures will be transferred to the ACL.

The Company expects to record a \$4 million to \$8 million credit loss liability for off-balance sheet credit exposures. The credit loss liability will result in a decrease to retained earnings, net of the deferred tax asset.

The change in the required ACL is primarily a result of: (i) consolidation of previously disaggregated loan pools, (ii) an increase in the lookback period, and (iii) incorporation of reasonable and supportable forecasts. Under the incurred loss model, the Company disaggregated loans by risk ratings and loan categories. Under the CECL model, the Company’s pools were reduced and did not sub-segment by risk rating. The change in the Company’s loan pools is expected to decrease the required reserve as of January 1, 2022. The incurred loss model’s look-back period was short compared to the CECL methodology that requires the use of a full economic cycle. The change in the look-back period is expected to decrease the required reserve. The application of forward-looking guidance is new under the CECL methodology. The Company uses the unemployment rate guidance provided by the Federal Reserve and reverts to an average unemployment rate outside of the forecast periods. The change in methodology does not materially impact the Company’s loans that were impaired as of December 31, 2021.

The reserve for unfunded commitments that are not unconditionally cancelable by the Company will be driven by: (i) The type of loan commitment which are grouped using the same loan pools for the loan portfolio. For example, the expected funding of residential construction loans is expected to be higher than funding for energy loans; (ii) changes in historical loss rates; (iii) qualitative factors; and (iv) average utilization rates.

Topic 326 eliminates the other than temporary impairment (“OTTI”) methodology on available-for-sale securities. The OTTI method is replaced with an allowance and related credit loss expense. This allows subsequent increases in fair market value of the security to be recognized by reducing the allowance and reversing previous credit loss expense recorded. The Company’s available-for-sale securities were not materially impacted by Topic 326’s implementation.

We anticipate the implementation of Topic 326 will not have a material impact on our capital ratios. The Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency adopted a joint final rule for an optional phase-in period of three years for banks to absorb the impact to regulatory capital of implementing the new CECL standard. For the first year of the transition, the Company may reduce the impact of CECL on retained earnings by 75%. For years two and three, the regulatory capital schedules would continue to be adjusted based on declining amount of 25% each year.

Customer and Industry Concentrations

As of December 31, 2021, the Company’s top 20 customer relationships, represented approximately 27% or \$1.2 billion of total deposits. The majority of the \$1.2 billion are money market deposit accounts. 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 detrimental effect on the Company’s financial position or operations.

For the year ended December 31, 2021, a significant portion of the Company's ATM and credit card interchange income was driven by companies that mobilized their workforce directly impacted by the COVID-19 pandemic. These companies represented \$5 million or 61% of the \$8 million in ATM and credit card interchange income. We anticipate that the related non-interest income will fluctuate in the near term based on COVID-19 pandemic.

Update to 2021 Events Discussed in the Previous 10-K

Four of our branches are in areas that were impacted by severe, cold weather conditions in February and March of 2021. One branch sustained water damage but did not impact operations or our ability to support our customers. In 2021, the Company repaired and replaced the property and equipment impacted by the water damage. The related cost was primarily paid for by our insurance provider.

Discussion and Analysis - Results of Operations

Net Interest Income

Our profitability depends in substantial part on our net interest income. Net interest income is the difference between the amounts received on our interest-earning assets and the interest paid on our interest-bearing liabilities. Net interest income is impacted by internal and external factors including:

- Changes in the volume, rate, and mix of interest-earning assets and interest-bearing liabilities;
- Changes in competition, federal economic, monetary and fiscal policies and economic conditions; and
- Changes in credit quality.

We present and discuss net interest income on a tax-equivalent basis. A tax-equivalent basis presents 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 fiscal year ended December 31, 2017 to the second quarter of 2019, we operated in a rising interest rate environment. Our yield on earning assets and cost of funds were driven by the rate environment. In July 2019, interest rates started to decline and continued through 2021. Our earning assets repriced quicker than our cost of funds, resulting in a lower net interest margin in 2019 and 2020. During 2021, the Company benefited from changes in our deposit mix, including an increase in non-interest-bearing deposits and a reduction in time deposits that improved our overall cost of funds. The reduced cost of funds was offset by reductions in earning-asset yields. A table showing our three-year yield on earning assets and cost of funds is presented below:

	For the Year Ended December 31,		
	2021	2020	2019
Yield on securities - tax equivalent ⁽¹⁾	2.90 %	3.05 %	3.35 %
Yield on loans	4.02	4.26	5.52
Yield on earning assets - tax equivalent ⁽¹⁾	3.60	3.96	5.04
Cost of interest-bearing deposits	0.49	1.02	2.21
Cost of total deposits	0.40	0.85	1.89
Cost of FHLB and short-term borrowings	2.09	1.56	1.90
Cost of funds	0.50	0.92	1.90
Net interest margin - tax equivalent ⁽¹⁾	3.15 %	3.13 %	3.31 %

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

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

	For the Years Ended December 31,									
	2021			2020			2019			
	Average Balance	Interest Income / Expense	Yield / Rate ⁽⁴⁾	Average Balance	Interest Income / Expense	Yield / Rate ⁽⁴⁾	Average Balance	Interest Income / Expense	Yield / Rate ⁽⁴⁾	
	<i>(Dollars in thousands)</i>									
Interest-earning assets:										
Securities - taxable	\$ 204,889	\$ 3,955	1.93 %	\$ 267,715	\$ 6,058	2.26 %	\$ 330,051	\$ 9,627	2.92 %	
Securities - tax-exempt ⁽¹⁾	518,058	16,981	3.28	447,324	15,745	3.52	390,908	14,533	3.72	
Federal funds sold	—	—	—	1,020	18	1.73	15,195	364	2.40	
Interest-bearing deposits in other banks	389,893	502	0.13	179,978	621	0.35	139,538	2,689	1.93	
Gross loans, net of unearned income ⁽²⁾⁽³⁾	4,340,791	174,660	4.02	4,310,345	183,738	4.26	3,468,079	191,527	5.52	
Total interest-earning assets ⁽¹⁾	5,453,631	\$ 196,098	3.60 %	5,206,382	\$ 206,180	3.96 %	4,343,771	\$ 218,740	5.04 %	
Allowance for loan losses	(73,544)			(68,897)			(42,015)			
Other noninterest-earning assets	211,384			220,994			198,008			
Total assets	<u>\$ 5,591,471</u>			<u>\$ 5,358,479</u>			<u>\$ 4,499,764</u>			
Interest-bearing liabilities										
Transaction deposits	\$ 608,063	\$ 1,152	0.19 %	\$ 447,777	\$ 1,696	0.38 %	\$ 146,109	\$ 1,742	1.19 %	
Savings and money market deposits	2,338,315	8,225	0.35	1,993,964	14,033	0.70	1,676,417	35,385	2.11	
Time deposits	812,774	9,146	1.13	1,155,492	20,856	1.80	1,243,304	30,541	2.46	
Total interest-bearing deposits	3,759,152	18,523	0.49	3,597,233	36,585	1.02	3,065,830	67,668	2.21	
FHLB and short-term borrowings	279,379	5,840	2.09	417,956	6,508	1.56	366,577	6,959	1.90	
Trust preferred securities, net of fair value adjustments	982	96	9.76	939	106	11.34	899	147	16.34	
Noninterest-bearing deposits	876,309	—	—	684,294	—	—	512,142	—	—	
Cost of funds	4,915,822	\$ 24,459	0.50 %	4,700,422	\$ 43,199	0.92 %	3,945,448	\$ 74,774	1.90 %	
Other liabilities	35,447			43,331			25,708			
Stockholders' equity	640,202			614,726			528,608			
Total liabilities and stockholders' equity	<u>\$ 5,591,471</u>			<u>\$ 5,358,479</u>			<u>\$ 4,499,764</u>			
Net interest income ⁽¹⁾		<u>\$ 171,639</u>			<u>\$ 162,981</u>			<u>\$ 143,966</u>		
Net interest spread ⁽¹⁾			<u>3.10 %</u>			<u>3.04 %</u>			<u>3.14 %</u>	
Net interest margin ⁽¹⁾			<u>3.15 %</u>			<u>3.13 %</u>			<u>3.31 %</u>	

⁽¹⁾ Calculated on a tax-equivalent basis. Tax-free municipal securities are exempt from Federal taxes. The incremental tax rate used is 21%.

⁽²⁾ Loans, net of unearned income includes non-accrual loans of \$31 million, \$75 million and \$40 million as of December 31, 2021, 2020 and 2019, respectively.

⁽³⁾ Loan interest income includes loan fees of \$18 million, \$14 million and \$9 million in 2021, 2020 and 2019, respectively.

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

Changes in interest income and interest expense result from changes in average balances (volume) of interest-earning assets and interest-bearing liabilities, as well as changes in average interest rates. The following table sets forth the effects of changing rates and volumes on our net interest income during the period 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):

	For the Years Ended December 31, 2021 over 2020		
	<u>Average Volume</u>	<u>Yield/Rate</u>	<u>Net Change⁽²⁾</u>
	<i>(Dollars in thousands)</i>		
Interest Income			
Securities - taxable	\$ (1,297)	\$ (806)	\$ (2,103)
Securities - tax-exempt ⁽¹⁾	2,364	(1,128)	1,236
Federal funds sold	(18)	-	(18)
Interest-bearing deposits in other banks	437	(556)	(119)
Gross loans, net of unearned income	1,294	(10,372)	(9,078)
Total interest income ⁽¹⁾	<u>2,780</u>	<u>(12,862)</u>	<u>(10,082)</u>
Interest Expense			
Transaction deposits	483	(1,027)	(544)
Savings and money market deposits	2,092	(7,900)	(5,808)
Time deposits	(5,193)	(6,517)	(11,710)
Total interest-bearing deposits	(2,618)	(15,444)	(18,062)
FHLB and short-term borrowings	(2,518)	1,850	(668)
Trust preferred securities, net of fair value adjustments	5	(15)	(10)
Total interest expense	<u>(5,131)</u>	<u>(13,609)</u>	<u>(18,740)</u>
Net interest income ⁽¹⁾	<u>\$ 7,911</u>	<u>\$ 747</u>	<u>\$ 8,658</u>

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

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

Interest Income - Interest income declined for the twelve months ended December 31, 2021 compared to the same period in 2020. Lower yields on earning assets were driven by a decline in the interest rate environment in the first half of 2020 which persisted in 2021 and increased competition driven by a surge in deposits in 2021. The decline in asset yields was partially offset by year-over-year loan growth and PPP loan income. PPP loan fees and interest income improved the earning asset yield by 4 basis points for the year ended December 31, 2021. The Company currently anticipates loan yields to increase in 2022 due to anticipated rate hikes by the Federal Open Market Committee.

Interest Expense - Interest expense declined for the twelve months ended December 31, 2021 compared to the same period in 2020. The cost of interest-bearing deposits declined due to strategic rate changes in our deposit products driven by the declining rate environment. The average volume for interest-bearing deposits declined primarily because of time deposit maturities and current rates on time deposits. Average FHLB and other borrowings declined compared to 2020, as the Company's increase in cash offset the need to renew or increase these borrowings. The increase in the cost of FHLB borrowings was the result of \$771 thousand in prepayment penalties related to \$40 million of FHLB borrowings. In addition, the increase in the cost of funds was impacted by short-term duration borrowings with lower rates that matured in 2020 and were not renewed. We currently anticipate our cost of funds will increase due to expected increases in the interest rate environment although that may be offset by a greater mix of non-interest-bearing deposits based on current trends.

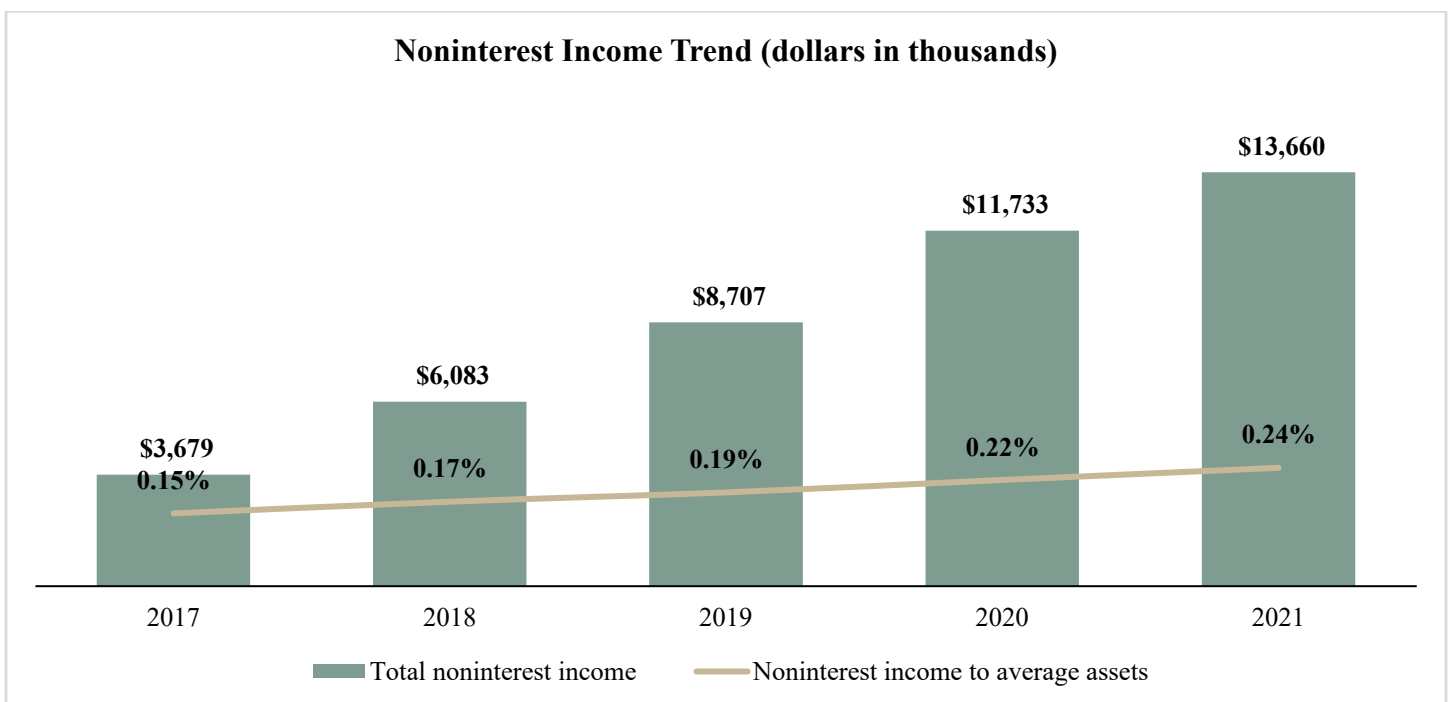
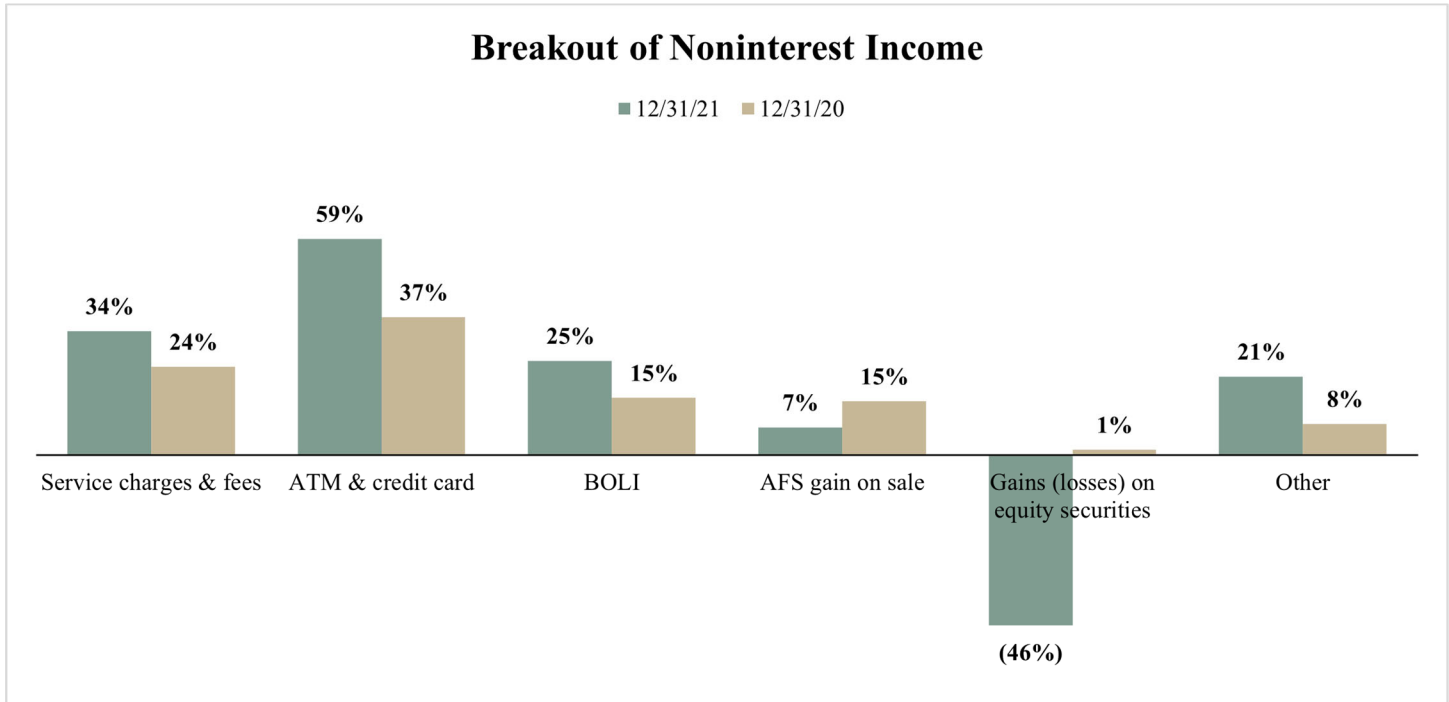
Net Interest Income - Net interest income increased for the twelve months ended December 31, 2021 compared to the same period in 2020. The increase in net interest income was driven by reductions in interest-bearing deposit rates as well as a reduction in time deposits which was partially offset by lower rates on earning assets. Reductions in earning asset yields were offset by reductions in the cost of interest-bearing liabilities that resulted in a \$747 thousand increase in net interest income. We currently expect the net interest margin to remain flat or slightly increase in 2022 as the Company anticipates earning assets to reprice faster than interest bearing liabilities in a rising rate environment. Our expected margin may continue to be impacted by the COVID-19 pandemic, placing loans on non-accrual status, including loans with deferred payments, and changes in competition.

Impact of Transition Away from LIBOR

The Company had more than \$1.3 billion in loans tied to LIBOR at December 31, 2021. 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”).

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.

Noninterest Income



The components of noninterest income were as follows for the periods shown:

	For the Year Ended December 31,			
	2021	2020	Change	
			\$	%
	<i>(Dollars in thousands)</i>			
Service charges and fees on customer accounts	\$ 4,580	\$ 2,803	\$ 1,777	63 %
Realized gains on available-for-sale securities	1,023	1,704	(681)	(40)
Gains (losses), net on equity securities	(6,325)	47	(6,372)	(13,558)
Income from bank-owned life insurance	3,483	1,809	1,674	93
Swap fees and credit valuation adjustments, net	275	(204)	479	(235)
ATM and credit card interchange income	7,996	4,379	3,617	83
Other non-interest income	2,628	1,195	1,433	120
Total non-interest income	<u>\$ 13,660</u>	<u>\$ 11,733</u>	<u>\$ 1,927</u>	<u>16 %</u>

The changes in noninterest income were driven 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 year ended December 31, 2021 compared to 2020 was driven by a decline in costs associated with our rebate program, including a reduction in the funded balance and reduction in rates used. In addition, customer growth and an increase in outstanding balances improved account analysis fees.

Realized gains on available-for-sale securities - The Company sells available-for-sale securities for strategic reasons including capitalizing on attractive market conditions, improving the credit quality of the security portfolio, or for tax purposes, primarily to offset capital losses. The realized gains on available-for-sale securities declined from 2020 to 2021 primarily due to a lower number of securities being sold. In 2020, sales were made to capitalize on attractive market conditions and improve credit quality. In 2021, the Company sold securities for tax purposes and to capitalize on attractive market conditions.

Gains (losses), net on equity securities - During 2021, the Company recorded a \$6 million loss related to an equity investment received as part of a modified loan agreement in 2020. The Company elected to account for this security at cost less impairment, unless an orderly transaction for an identical or similar investment of the same issuer occurred that would result in an updated fair market value. During 2021, significant adverse changes in market conditions for the investment resulted in the investment being sold below its book value. Refer to the "Equity Securities" section in *Note 3: Securities* within the Notes to the Consolidated Financial Statements for additional information.

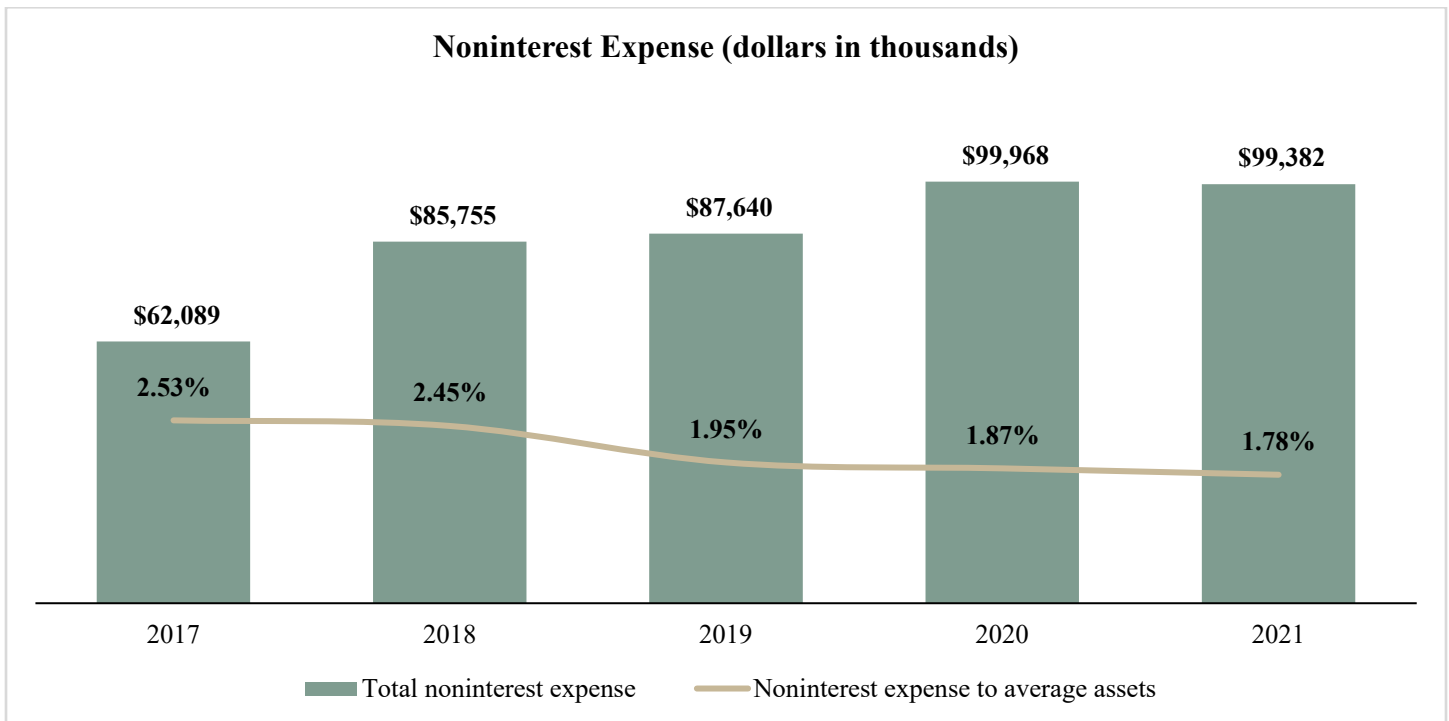
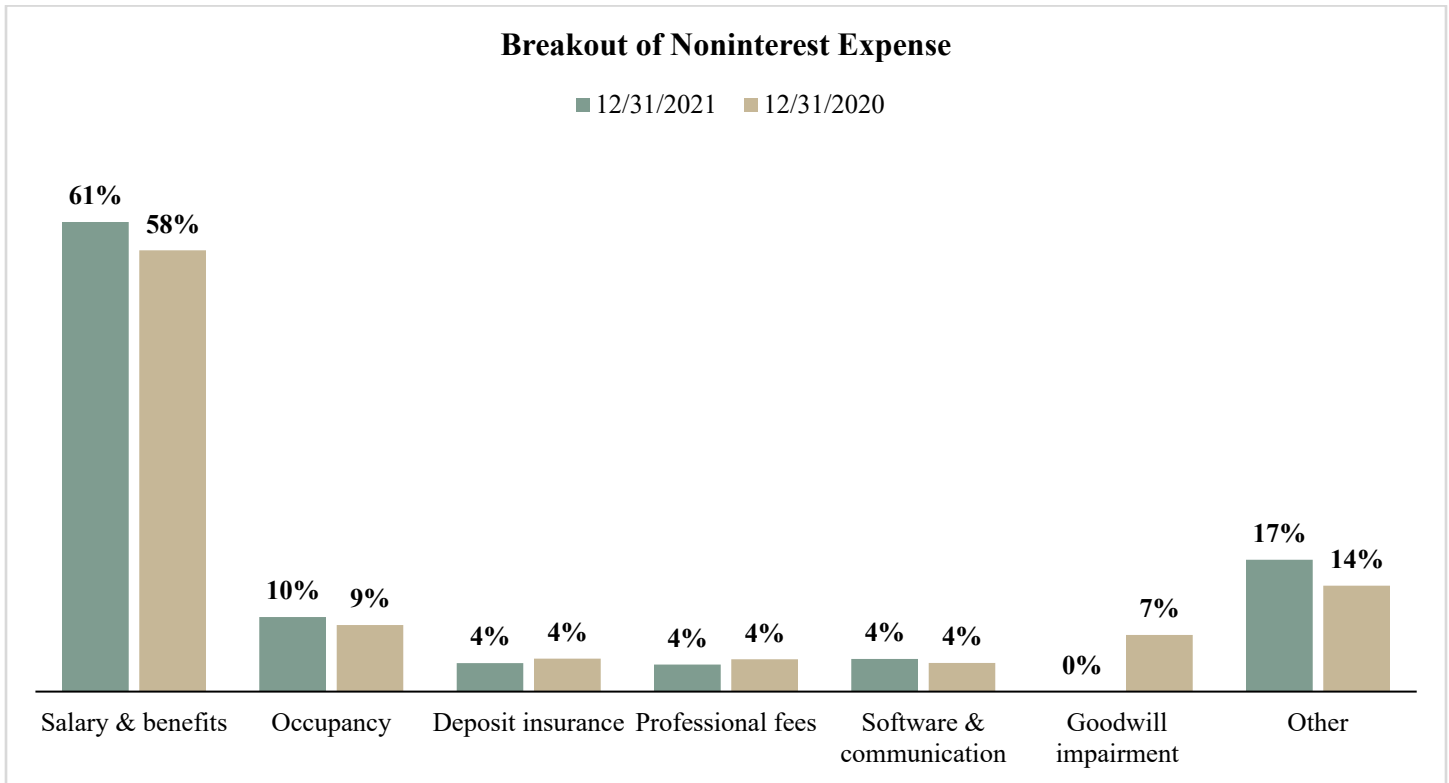
Income from bank-owned life insurance - The increase for the year ended December 31, 2021 compared to 2020 was due to the Company recognizing \$2 million in tax-free death benefits from a bank-owned life insurance policy in 2021 compared to \$0 of such proceeds for 2020.

Swap fee income, net - Swap fee income, net, includes both swap fees from the execution of new swaps and the credit valuation adjustment ("CVA"). Swap fees on new swaps depend on the size and term of the underlying asset. During 2020, a borrower with a back-to-back swap was downgraded and resulted in a \$300 thousand loss related to the CVA. During 2021, the same borrower chose to eliminate its back-to-back swap, resulting in reversal of the CVA adjustment made in 2020.

ATM and credit card interchange income - The increase in ATM and credit card interchange income for the year ended December 31, 2021 compared to 2020 was primarily the result of customers that mobilized their workforce directly impacted by the COVID-19 pandemic. The Company anticipates the credit card activity and related income will continue to fluctuate in connection with changes in COVID-19 cases and the COVID-19 vaccine rollout.

Other non-interest income - The increase in other non-interest income for the year ended December 31, 2021 compared to 2020 was primarily related to a \$809 thousand increase in state employment incentives received during 2021. We expect to continue to receive the incentives quarterly going forward for three years, but at significantly lower amounts. The Company also saw a \$374 thousand increase in letter of credit and foreign exchange fees for the period ended December 31, 2021 compared to 2020.

Noninterest Expense



The components of noninterest expense were as follows for the periods indicated:

	For the Year Ended December 31,			
	2021	2020	Change	
			\$	%
	<i>(Dollars in thousands)</i>			
Salary and employee benefits	\$ 61,080	\$ 57,747	\$ 3,333	6 %
Occupancy	9,688	8,701	987	11
Professional fees	3,519	4,218	(699)	(17)
Deposit insurance premiums	3,705	4,301	(596)	(14)
Data processing	2,878	2,719	159	6
Advertising	2,090	1,219	871	71
Software and communication	4,234	3,750	484	13
Foreclosed assets, net	697	1,239	(542)	(44)
Goodwill impairment	-	7,397	(7,397)	(100)
Other non-interest expense	11,491	8,677	2,814	32
Total non-interest expense	\$ 99,382	\$ 99,968	\$ (586)	(1) %

The changes in noninterest expense were driven by the following:

Salary and Employee Benefits - Salary and employee benefit costs increased for the year ended December 31, 2021 compared to 2020 primarily due to increased hiring for market expansion and an increase in anticipated payouts for performance-based awards that resulted from improved earnings and asset quality metrics. In addition, the Company recognized \$719 thousand in expense during 2021 due to accelerated vesting of stock-based awards and the annual incentive award of a former employee. We currently anticipate salary and employee benefit costs to increase in 2022 due to new market locations, merit increases and additional hiring.

Occupancy - Occupancy costs increased for the period ended December 31, 2021 compared to 2020 primarily due to our new locations in the rapidly growing Frisco, Texas market and Phoenix, Arizona market and our more prominent location on the Country Club Plaza, in Kansas City, Missouri. We currently anticipate occupancy costs to increase slightly in 2022 as a result of an additional location in the Dallas market.

Professional Fees - Professional fees decreased for the year ended December 31, 2021 compared to the same corresponding period in 2020 primarily from a reduction in legal fees related to PPP loan originations and loan workouts.

Deposit Insurance Premiums - The FDIC uses a risk-based premium system to calculate the quarterly fee. Our costs fluctuate because of changes in asset growth, changes in asset quality and changes in capital ratios. During 2021, the Company benefited from improved earnings that increased average tangible equity while average assets remained flat between 2020 and 2021.

Advertising - The increase in advertising costs was driven by increased in-person events for the year ended December 31, 2021 compared to 2020 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 increase in 2022 as we continue adding and implementing new software products that improve our customer's experience.

Foreclosed Assets, net - The decrease in foreclosed assets, net for the year ended December 31, 2021 compared to 2020 resulted from the Company selling a commercial use facility foreclosed upon in 2020 during 2021 at a loss that was slightly offset by the sale of raw land acquired in 2019 at a gain. During the year ended December 31, 2020, the Company sold industrial facilities acquired in 2019 that resulted in a \$844 thousand loss and impaired raw land acquired in 2019.

Goodwill Impairment - The Company performed an interim review for goodwill impairment in 2020. A quantitative review was performed on the Tulsa market reporting unit and resulted in a \$7 million impairment. Refer to *Note 6: Goodwill and Core Deposit Intangible* within the Notes to the Financial Statements for more information.

Other noninterest expense - Year-over-year changes included a \$2 million increase in commercial card costs as a result of our growing customer base and increased use as a result of the COVID-19 pandemic. In addition, insured cash sweep (“ICS”) deposits increased in 2021 from 2020, which drove related fees higher.

Income Taxes

Our income tax expense (benefit) differs from the amount that would be calculated using the federal statutory tax rate, primarily from investments in tax advantaged assets, such as bank-owned life insurance and tax-exempt municipal securities, state tax credits and permanent tax differences from equity-based compensation. Detail behind the differences between the statutory rate and effective tax rate for the years ended December 31, 2021, 2020 and 2019 is provided in *Note 11: Income Taxes* within the Notes to the Consolidated Financial Statements.

The December 31, 2020 effective tax rate increase from December 31, 2019 was due to the non-taxable, goodwill impairment in 2020 and a state tax credit received in 2019. The 2021 income tax expense was impacted by a \$71.7 million increase in income before income taxes that increased taxes at the statutory rate by \$15 million. The tax-exempt benefit diminishes as the Company’s ratio of taxable income to tax-exempt income increases. We currently anticipate the effective tax rate to increase slightly in 2022. A three-year trend of our income tax and effective tax rate is presented below:

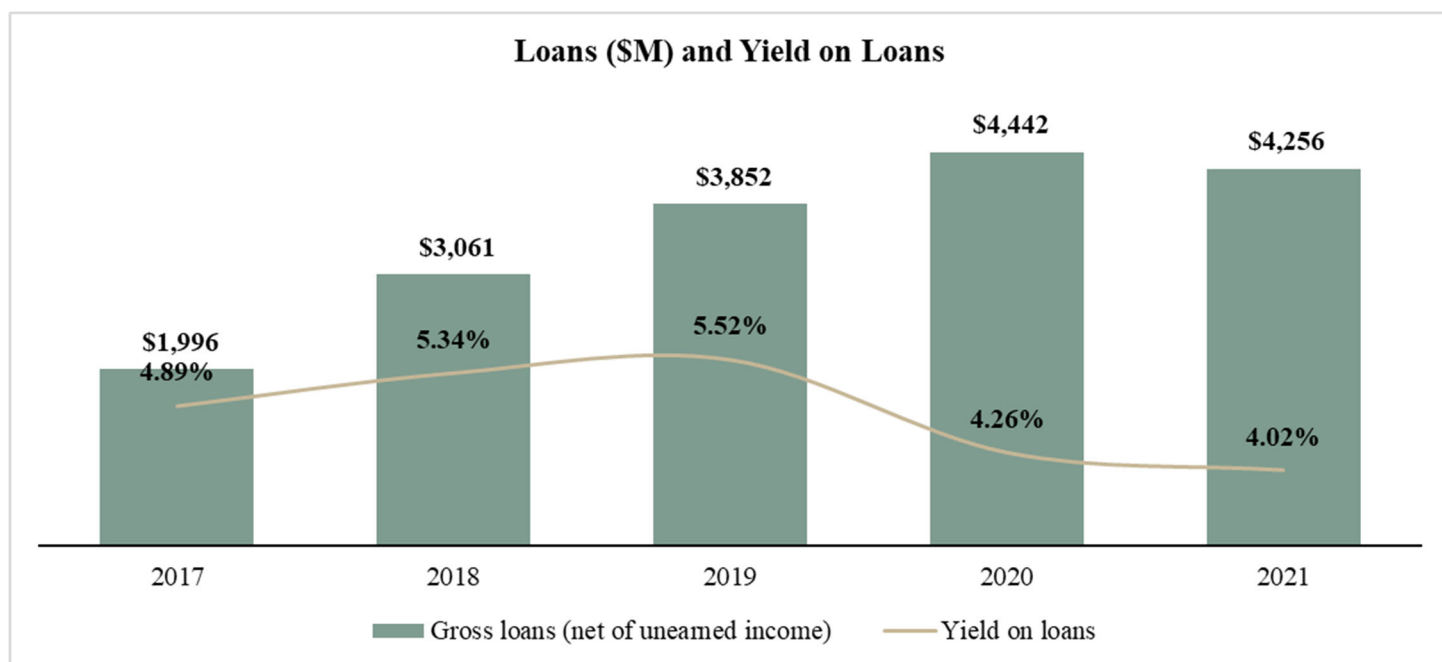
	For the Year Ended December 31,		
	2021	2020	2019
	<i>(Dollars in thousands)</i>		
Income tax expense (benefit)	\$ 17,556	\$ 2,713	\$ 4,138
Income before income taxes	\$ 86,969	\$ 15,314	\$ 32,611
Effective tax rate	20 %	18 %	13 %

Discussion and Analysis - Financial Condition

Loan Portfolio

Loans represent our largest portion of earning assets and typically provide higher yields than other assets. The quality and diversification of the loan portfolio is an important consideration when reviewing our financial condition. We established an internal loan policy that outlines a standard lending philosophy and provides consistent direction to achieve goals and objectives, which include maximizing earnings over the short and long term by managing risks through the policy. Internal concentration limits exist on all loans, including commercial real estate, energy, and land development. We established strong underwriting practices and procedures to assess our borrowers, including review of debt service, collateral value and evaluation of guarantors. We also engage third-parties to independently review our loan portfolio. Appropriate actions are taken when a borrower is no longer able to service its debt.

Our loan portfolio consists of various types of loans, primarily made up of commercial and commercial real estate loans. Commercial loans are generally paid back through normal business operations. Commercial real estate loans, which include both construction and limited term financing are typically paid back through normal income from operations, the sale of the underlying property or refinancing by other institutional sources. Most of our loans are made to borrowers within the states we operate, which include Kansas, Missouri, Oklahoma, Arizona and Texas. In addition, we occasionally invest in syndicated shared national credits and loan participations.



Gross loans, net of unearned income declined \$186 million from the prior year to \$4.3 billion as of December 31, 2021. Our commercial loan portfolio increased by \$63 million or 5% as a result of approximately \$678 million in loan originations and drawdowns that were able to offset commercial loan paydowns. Our commercial real estate loans experienced growth of \$102 million or 9%. This was driven by strong originations of approximately \$318 million and approximately \$108 million of loans that completed construction and were transferred into our commercial real estate portfolio from the construction and land development portfolio. Residential and multifamily real estate decreased \$80 million or 12% driven by payoffs of several, larger credit facilities. Energy loans decreased \$66 million or 19% primarily due to paydowns on outstanding lines of credit and management's strategy to lower our energy loan concentration. Gross loans included \$65 million and \$292 million of PPP loans at December 31, 2021 and 2020, respectively. As of December 31, 2021, loan yields declined to 4.02% compared to 4.26% in the prior year, primarily as a result of lower interest rates from adjustable rate loan movements in LIBOR and Prime.

As of December 31, 2021, PPP loans made up approximately 1% of the total portfolio, representing \$65 million in loans. Refer to the *COVID-19 Pandemic Impact* located in Management's Discussion and Analysis section above for additional information regarding PPP loans.

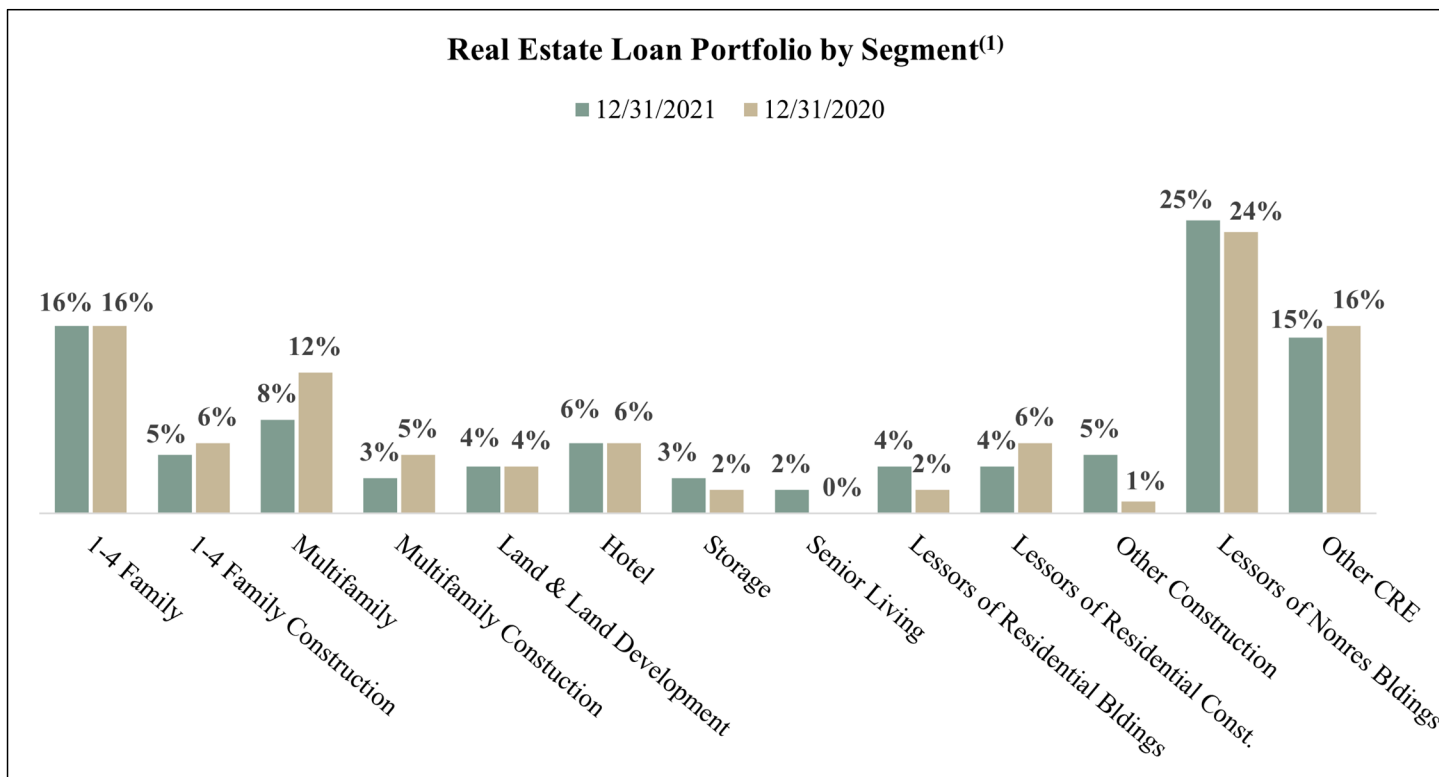
The following table presents the balance and associated percentage of each major product type within our portfolio as of the dates indicated:

	As of December 31,					
	2021		2020		2019	
	Amount	% of Loans	Amount	% of Loans	Amount	% of Loans
	<i>(Dollars in thousands)</i>					
Commercial	\$ 1,401,681	33 %	\$ 1,338,757	30 %	\$ 1,356,817	35 %
Energy	278,860	7	345,233	8	408,573	11
Commercial real estate	1,281,095	30	1,179,534	26	1,024,041	27
Construction and land development	578,758	14	563,144	13	628,418	16
Residential and multifamily real estate	600,816	14	680,932	15	398,695	10
PPP	64,805	1	292,230	7	—	—
Consumer	63,605	1	55,270	1	45,163	1
Gross loans	4,269,620		4,455,100		3,861,707	
Less: unearned income	13,407		13,203		9,463	
Gross loans (net of unearned income)	\$ 4,256,213	100 %	\$ 4,441,897	100 %	\$ 3,852,244	100 %

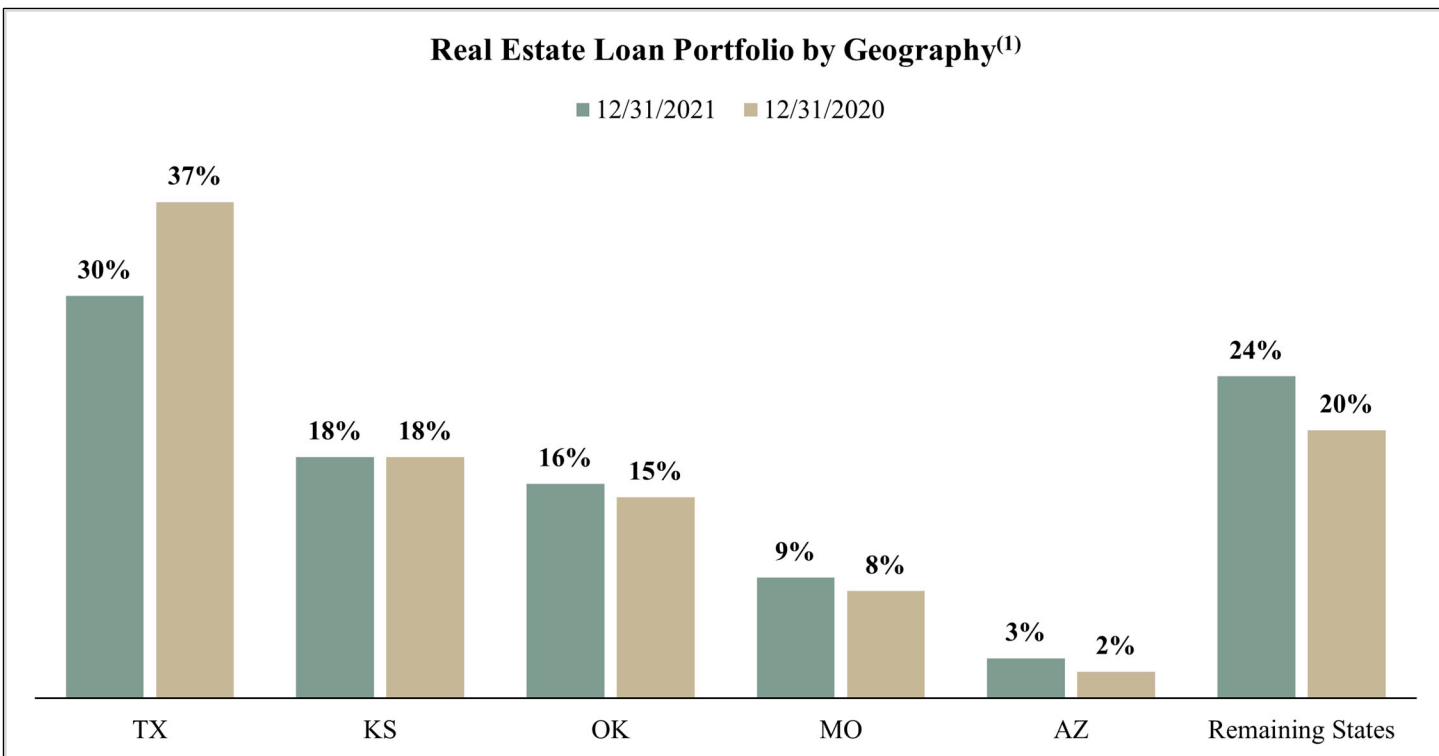
For a description of the Company's loan segments refer to the "Loan Portfolio Segments" section within *Note 4: Loan and Allowance for Loan Losses* within the Notes to the Consolidated Financial Statements.

Real Estate Loans

Our real estate portfolio is comprised of construction and development loans, residential family and multifamily loans and commercial real estate loans. A breakdown of our real estate portfolio by type and by geography (based upon location of collateral) as of December 31, 2021 and 2020 is presented below:



⁽¹⁾ Fiscal Year 2020 percentage rates were updated to ensure comparability between the two periods. The updated percentages include all real estate loans.

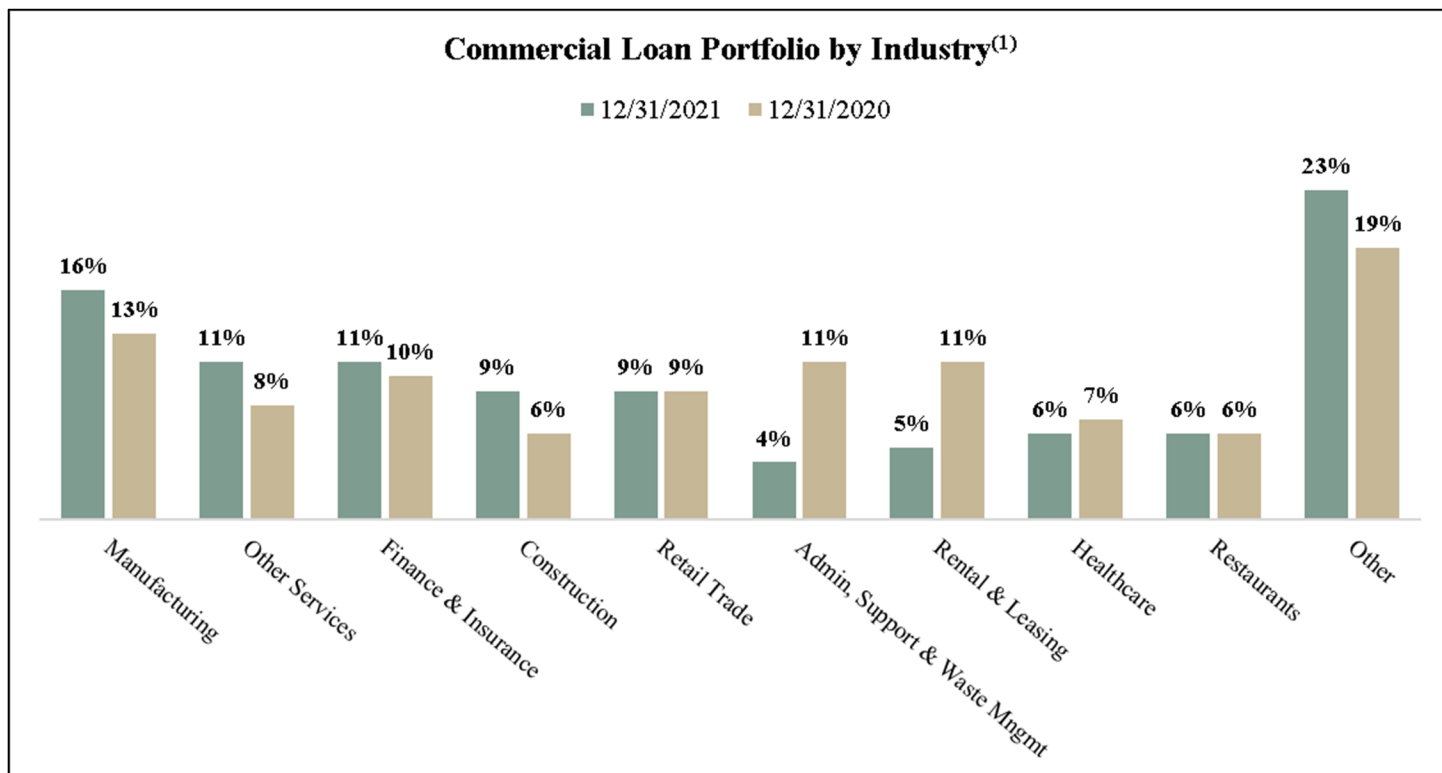


⁽¹⁾ Fiscal Year 2020 percentage rates were updated to ensure comparability between the two periods. The updated percentages include all real estate loans.

Commercial Loans

The Company provides a mix of variable- and fixed-rate commercial loans across various industries. We extend commercial loans on an unsecured and secured basis. Unsecured commercial loan balances totaled \$126 million or 3% of the total loan portfolio as of December 31, 2021.

A breakdown of the Company’s commercial loan portfolio as of December 31, 2021 and 2020 by industry is provided below:



⁽¹⁾ Fiscal Year 2020 percentage rates were updated to ensure comparability between the two periods. The updated percentages represent reclassifications based on two digit North American Industry Classification System codes.

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

	As of December 31, 2021								
	Due in one year or less		Due after one year through five years		Due after five years through fifteen years		Due after fifteen years		Total
	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	
	<i>(Dollars in thousands)</i>								
Commercial	\$ 63,584	\$ 284,678	\$ 258,493	\$ 604,246	\$ 41,225	\$ 129,455	\$ 20,000	\$ —	\$ 1,401,681
Energy	107	88,442	11,177	179,134	—	—	—	—	278,860
Commercial real estate	68,571	114,087	306,820	463,858	130,624	186,254	—	10,881	1,281,095
Construction and land development	6,914	88,760	33,509	371,370	22,194	24,003	1,866	30,142	578,758
Residential and multifamily real estate	31,133	86,275	47,819	81,729	96,556	12,286	1,210	243,808	600,816
PPP	3,760	—	61,045	—	—	—	—	—	64,805
Consumer	19,238	15,811	2,674	3,779	—	19,750	—	2,353	63,605
Gross loans	<u>\$ 193,307</u>	<u>\$ 678,053</u>	<u>\$ 721,537</u>	<u>\$ 1,704,116</u>	<u>\$ 290,599</u>	<u>\$ 371,748</u>	<u>\$ 23,076</u>	<u>\$ 287,184</u>	<u>\$ 4,269,620</u>

Allowance for Loan Losses

The allowance for loan losses is an amount required to cover net loan charge-offs plus the amount which, in the opinion of the Bank's management, is considered necessary to bring the balance in the allowance to, or maintain the balance in the allowance at, a level adequate to absorb expected loan losses in the existing loan portfolio. Management uses available information to analyze losses on loans; however, future additions to the allowance may be necessary based on changes in economic conditions, the size of the loan portfolio, the composition of the portfolio, or the performance of individual loans.

For a discussion of the evaluation of the Company's allowance for loan losses refer to the "Allowance for Loan Losses" section in *Note 1: Nature of Operations and Summary of Significant Accounting Policies* within the Notes to the Consolidated Financial Statements.

For information regarding the Company's charge-offs and recoveries for the years ended December 31, 2021, 2020, and 2019, refer to "Note 4: Loans and Allowance for Loan Losses" within the Notes to the Consolidated Financial Statements.

Prior to 2020, loans risk rated substandard or lower were considered impaired and evaluated on an individual basis. For the years ended December 31, 2020 and 2021, loans risk rated substandard, on accrual and not a TDR, were evaluated collectively. The change in approach provided a better estimate of potential losses inherent in the substandard portfolio.

The December 31, 2021 ALLL decreased \$17 million or 22% from the prior year. The year-over-year change in the ALLL was the result of \$13 million of net charge-offs and \$4 million release of reserves. The Company upgraded approximately \$380 million of loans during the period ended December 31, 2021 and downgraded approximately \$122 million of loans during the same period. Risk rating changes resulted in a \$10 million reduction in the required reserve for 2021.

The December 31, 2020 ALLL increased \$18 million or 32% from the prior year. The year-over-year change in the ALLL was the result of \$38 million of net charge-offs offset by a \$57 million increase in our provision. The Company downgraded approximately \$843 million of loans between December 31, 2019 and 2020. Downgrades primarily resulted from the COVID-19 pandemic, lower economic activity and lower oil and gas prices. In addition, substandard, accruing loans not considered a TDR totaled \$187 million at December 31, 2020 compared to \$40 million at December 31, 2019.

The December 31, 2019 ALLL increased \$19 million or 50% from the prior year. The year-over-year change in the allowance was the result of a \$791 million increase in gross loans, net of unearned income that increased the required reserve by approximately \$9 million. In addition, the allowance included a \$13 million increase in the reserve associated with our impaired loans that was primarily the result of one nonperforming commercial loan relationship in which the borrower's business and the value of the underlying collateral continued to deteriorate in the fourth quarter of 2019. The increase was partially offset by a decline in the energy portfolio's qualitative loss factors due to stabilized oil prices and the current stage of the business cycle that resulted in a \$3 million decline in the required reserve.

Grade Migration

Loan categories significantly impacted by grade changes are discussed below.

Energy – Approximately \$119 million of energy loans had a risk rating upgrade for the year ended December 31, 2021. In addition, the energy portfolio decreased by \$66 million in 2021. These changes were the result of higher oil prices and overall market condition improvements. The improvements above resulted in an \$9 million reduction in the required reserve for 2021.

The increase in supply realized during the first quarter of 2020 and decrease in demand for oil and natural gas created by the COVID-19 pandemic placed considerable pricing volatility and uncertainty in the market for the year ended December 31, 2020. As a result, \$254 million of energy loans were downgraded, including \$83 million downgraded to substandard and accruing in 2020. The downgrades increased the December 31, 2020 ALLL by approximately \$11 million, including \$8 million related to loans downgraded to substandard and accruing.

Commercial Real Estate ("CRE") - The improved market conditions in 2021 positively impacted our CRE borrowers. During the year-ended December 31, 2021, approximately \$150 million of CRE loans were upgraded and approximately \$95 million were downgraded. The upgrades decreased the ALLL by approximately \$5 million for 2021. The improved credit quality of the CRE portfolio was offset by loan growth driven by strong originations and customer drawdowns on lines of credit that increased the ALLL by approximately \$3 million.

The decline in economic activity in 2020 impacted our CRE borrowers. During the year ended December 31, 2020, the Company downgraded \$336 million of CRE loans, including \$196 million downgraded to watch, within our pass rated loan category, and \$58 million downgraded to substandard and accruing. The downgrades increased the December 31, 2020 ALLL by approximately \$8 million, including \$6 million related to loans downgraded to substandard and accruing.

Commercial - The increase in economic activity in 2021 compared to 2020 improved demand for our borrowers' products and services. As a result, approximately \$110 million of commercial loans were upgraded, partially offset by \$21 million that were downgraded. The improved credit quality reduced the ALLL by \$2 million, partially offset by commercial loan growth that increased the ALLL.

The decline in economic activity in 2020 significantly impacted supply and demand for our borrowers' products and services. As a result, \$232 million of commercial loans were downgraded, including \$56 million of loans listed as substandard and accruing. The downgrades increased the ALLL by approximately \$6 million from December 31, 2019 to December 31, 2020.

Charge-offs and Recoveries

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

	For the Period Ended December 31,		
	2021	2020	2019
Commercial	0.96 %	2.04 %	0.64 %
Energy	0.32	1.34	0.64
Commercial real estate	—	0.14	0.05
Construction and land development	—	—	—
Residential and multifamily real estate	(0.06)	0.07	—
PPP	—	—	—
Consumer	(0.01)	0.22	0.04
Total net charge-offs to average loans	<u>0.30 %</u>	<u>0.89 %</u>	<u>0.31 %</u>

For the year ended December 31, 2021, charge-offs primarily related to three commercial borrowers that were unable to support their debt obligations and one energy loan. The energy charge-off related to the sale of collateral from a borrower that filed for bankruptcy in a previous year. Recoveries totaled \$703 thousand as of December 31, 2021 and were primarily related to a commercial loan and a residential real estate loan that were previously charged-off in 2020.

For the year ended December 31, 2020, charge-offs included: (i) \$19 million related to a commercial loan that deteriorated and was substantially reserved for during 2019 that required a \$2 million increase to the 2020 provision, (ii) \$6 million related to a large commercial loan restructured in 2020 that required a \$5 million increase to the 2020 provision, (iii) \$6 million related to several, smaller commercial loans that required a \$5 million increase to the 2020 provision, (iv) \$5 million related to three energy loans that were classified or listed as special mention in 2019 and required a \$4 million increase to the 2020 provision, and (iv) a \$2 million charge-off related to a commercial real estate loan impacted by the COVID-19 pandemic that required a \$1 million increase to the 2020 provision.

Charge-offs for the year ended December 31, 2019 included \$8 million related to two commercial loans. The commercial loans were partially charged-off. In addition, one energy credit accounted for \$3 million in charge-offs during 2019.

Impaired Loans and Other Factors

For the year ended December 31, 2021, the impaired loan portfolio decreased \$65 million compared to December 31, 2020. The reserve on the impaired loan portfolio decreased \$4 million driven by paydowns and risk rating upgrades. Changes in qualitative and quantitative rates on pass rated loans decreased the ALLL by \$1 million due to improved general economic conditions offset by balance increases on pass rated loans that increased the ALLL by \$5 million.

For the year ended December 31, 2020, the impaired loan portfolio increased the ALLL by \$7 million after taking out the impact of the charge-offs mentioned above. Changes in qualitative and quantitative rates on pass rated loans increased the ALLL by \$6 million primarily due to an increase in 2020 charge-offs that impacted the historical charge-off ratios and declines in economic activity offset by balance reductions on pass rated loans that decreased the ALLL by \$4 million.

While no portion of our allowance for loan losses is in any way restricted to any individual loan or group of loans and the entire allowance is available to absorb losses from any and all loans, the following tables represent management's allocation of our allowance to specific loan categories for the periods indicated:

	For the Period Ended December 31,					
	2021		2020		2019	
	\$	%	\$	%	\$	%
	<i>(Dollars in thousands)</i>					
Commercial	\$ 20,352	35 %	\$ 24,693	33 %	\$ 35,864	63 %
Energy	9,229	16	18,341	24	6,565	12
Commercial real estate	19,119	33	22,354	29	8,085	14
Construction and land development	3,749	6	3,612	5	3,516	6
Residential and multifamily real estate	5,598	9	5,842	8	2,546	4
PPP	—	—	—	—	—	—
Consumer	328	1	453	1	320	1
Total allowance for loan losses	\$ 58,375	100 %	\$ 75,295	100 %	\$ 56,896	100 %

Nonperforming Assets

Nonperforming assets consist of nonperforming loans, foreclosed assets held for sale and impaired securities. Nonperforming loans include nonaccrual loans, loans past due 90 days or more and still accruing interest and loans modified under TDR that are not performing in accordance with their modified terms. For information regarding nonperforming loans and related accounting policies refer to the "Nonperforming Loans" section within *Note 1: Nature of Operations and Summary of Significant Accounting Policies* within the Notes to the Consolidated Financial Statements. For a breakout of the loan portfolio's nonaccrual loans refer to "Nonaccrual loans" within *Note 4: Loans and Allowance for Loan Losses*. For information on TDRs, refer to "Troubled Debt Restructurings" section in *Note 4: Loans and Allowance for Loan Losses* within the Notes to the Consolidated Financial Statements.

At December 31, 2021, nonperforming assets decreased \$46 million or 58% from December 31, 2020 due primarily to upgrades and pay offs in the commercial and energy portfolios. As of December 31, 2021, 49% of nonperforming assets related to energy credits that were significantly impacted by lower oil prices over the past few years.

At December 31, 2020, nonperforming assets increased \$31 million or 64% from 2019. \$60 million of loans became nonperforming in 2020, offset by a \$19 million charge-off in 2020 on a nonperforming loan with a balance of \$21 million at December 31, 2019 and pay downs of \$6 million related to December 31, 2019 nonperforming loans. A number of nonperforming loans were significantly impacted by the COVID-19 pandemic. Nonperforming loans included businesses in the following industries: (i) hotel, (ii) senior housing, and a few commercial credits. As of December 31, 2020, 34% of the nonperforming asset balance related to energy credits caused by volatility in the oil and natural gas market.

At December 31, 2019, nonperforming assets increased \$30 million or 169% from 2018. During 2019, a commercial loan relationship with an outstanding balance of \$30 million was restructured as a TDR due to financial problems. By December 31, 2019, the commercial TDR was in default of the modified terms as the borrower's business and the value of the underlying collateral continued to deteriorate. This \$30 million loan relationship was the primary reason for the increase in nonperforming assets and the increase in the ALLL to period end nonperforming loans.

During the year ended December 31, 2019, the Company foreclosed on \$4 million of assets, including land and industrial assets. These assets related to one commercial loan and one commercial real estate loan. During the year ended December 31, 2020, these assets were written-down by \$1 million and the industrial facilities were sold. In addition, the Company foreclosed on a commercial real estate building valued at \$1 million. For information regarding the foreclosed assets held-for-sale refer to *Note 8: Foreclosed Assets* within the Notes to the Consolidated Financial Statements.

The following table presents the Company's nonperforming assets for the dates indicated:

	For the Period Ended December 31,		
	2021	2020	2019
	<i>(Dollars in thousands)</i>		
Nonaccrual loans	\$ 31,432	\$ 75,051	\$ 39,675
Loans past due 90 days or more and still accruing	90	1,024	4,591
Total nonperforming loans	31,522	76,075	44,266
Foreclosed assets held-for-sale	1,148	2,347	3,619
Total nonperforming assets	\$ 32,670	\$ 78,422	\$ 47,885
ALLL to total loans	1.37 %	1.70 %	1.48 %
ALLL to nonaccrual loans	185.72	100.33	143.41
ALLL to nonperforming loans	185.19	98.98	128.54
Nonaccrual loans to total loans	0.74	1.69	1.03
Nonperforming loans to total loans	0.74	1.71	1.15
Nonperforming assets to total assets	0.58 %	1.39 %	0.97 %

During the year ended December 31, 2021, \$2 million of interest income was recognized related to the \$31 million in nonaccrual loans above. If the loans had been current in accordance with their original terms and had been outstanding through the period or since inception, the gross interest income that would have been recorded for the year ended December 31, 2021 would have been \$3 million.

During the year ended December 31, 2020, \$1 million of interest income was recognized related to the \$75 million in nonaccrual loans above. If the loans had been current in accordance with their original terms and had been outstanding through the period or since inception, the gross interest income that would have been recorded for the year ended December 31, 2020 would have been \$2 million.

Other Asset Quality Metrics

Other asset quality metrics management reviews include loans past due 30 - 89 days and classified loans. The Company defines classified loans as loans categorized as substandard - performing, substandard - nonperforming, doubtful or loss. For the definitions of substandard, doubtful and loss, refer to the "Loans by Risk Rating" section within *Note 4: Loan and Allowance for Loan Losses* in the Notes to the Consolidated Financial Statements.

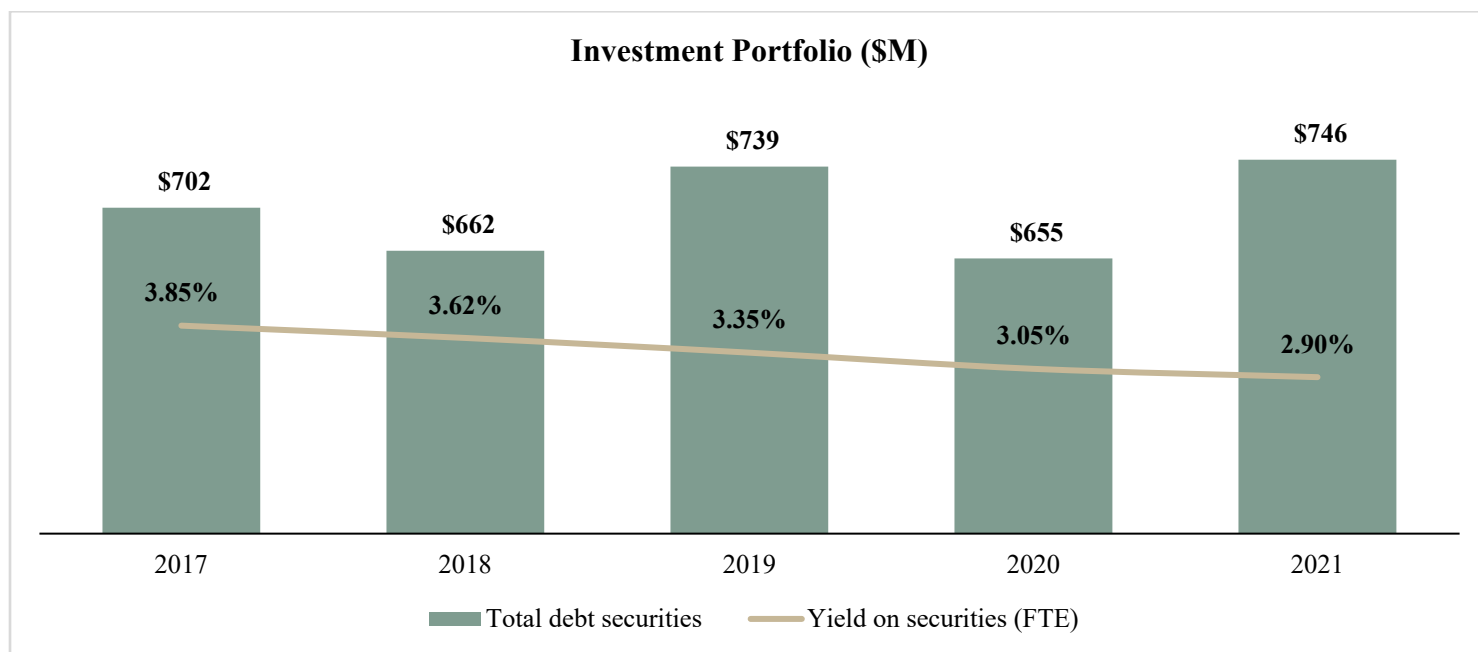
The decrease in the balance of December 31, 2021 loans past due between 30 and 89 days was driven by improved market conditions and improved credit quality metrics during 2021 as classified assets decreased \$209 million and the ratio of allowance for loan losses to total loans decreased to 1.37% from 1.70% in the prior year. The improvements in credit metrics were primarily driven by upgrades in COVID-19 impacted segments and the energy portfolio.

The Company continually analyzes economic and other factors including the impact of the COVID-19 pandemic and changes in oil and gas prices among other considerations. Our discussion regarding grade migration is provided within the "allowance for loan losses" section above.

The following table summarizes our loans past due 30 - 89 days, classified assets and related ratios:

	For the Period Ended December 31,		
	2021	2020	2019
	<i>(Dollars in thousands)</i>		
Loan Past Due Detail			
30 - 59 days past due	\$ 1,671	\$ 10,137	\$ 6,292
60 - 89 days past due	1,858	7,941	530
Total 30 - 89 days past due	\$ 3,529	\$ 18,078	\$ 6,822
Loans 30 - 89 days past due / gross loans	0.08 %	0.41 %	0.18 %
Classified Loans			
Substandard - performing	\$ 47,275	\$ 211,008	\$ 47,221
Substandard - nonperforming	28,879	70,734	34,192
Doubtful	2,554	4,315	5,483
Loss	—	—	—
Total classified loans	78,708	286,057	86,896
Foreclosed assets held for sale	1,148	2,347	3,619
Total classified assets	\$ 79,856	\$ 288,404	\$ 90,515
Classified loans / (total capital + ALLL)	10.8 %	40.9 %	13.2 %
Classified assets / (total capital + ALLL)	11.0 %	41.2 %	13.7 %
ALLL to total loans	1.37 %	1.70 %	1.48 %
Net charge-offs to average loans	0.30 %	0.89 %	0.31 %

Investment Portfolio



Our investment portfolio is governed by our investment policy that sets our objectives, limits and liquidity requirements among other items. The portfolio is maintained to serve as a contingent, on-balance sheet source of liquidity. The objective of our investment portfolio is to optimize earnings, manage credit risk, ensure adequate liquidity, manage interest rate risk, meet pledging requirements and meet regulatory capital requirements. Our investment portfolio is generally comprised of government sponsored entity securities and U.S. state and political subdivision securities with limits set on all types of securities.

At the date of purchase, all debt securities are classified as available-for-sale securities. Since interest rates move in cycles, having an available-for-sale portfolio allows management to: (i) protect against additional unrealized market valuation losses; (ii) provide more liquidity as rates rise, which often coincides with increasing loan demand and slower deposit growth; and (iii) generate more money to reinvest when rates are higher giving the institution an opportunity to lock in higher yields. In the event the available-for-sale portfolio

becomes too large given the constraints set in the policy, investments may be classified as held-to-maturity. Held-to-maturity classification will only be used if we have the intent and ability to hold the investment to its maturity.

At December 31, 2021, available-for-sale debt securities increased \$91 million or 14% from the prior year-end. During 2021, the Company purchased \$117 million of tax-exempt municipal securities and \$108 million of mortgage-backed securities primarily to utilize liquidity and increase the Company’s interest-earning assets.

As part of management’s investment strategy during 2020, the Company chose not to replace all the cash flows associated with mortgage-backed security prepayments and realized gains from selling securities that were adversely impacted by the COVID-19 pandemic or at risk of possible downgrades. Securities showing signs of credit stress, faster prepayments and low reinvestment yield options were analyzed to ensure adequate levels of risk were maintained within the portfolio.

During 2019, the investment portfolio increased to manage our liquidity position. In 2018, the investment portfolio declined from the prior year as we moved liquid assets to support higher yielding assets. Prior to fiscal year 2018, we purchased securities of states of the U.S. and political subdivisions as part of our tax and liquidity strategies.

For information related to the book value and fair value of our available-for-sale securities at December 31, 2021 and 2020 refer to the “Available-for-Sale Securities” segment in *Note 3: Securities* within the Notes to the Consolidated Financial Statements. For information related to the investment maturity schedule and weighted average yield for each range of maturities refer to the “Maturity Schedule” segment in *Note 3: Securities* within the Notes to the Consolidated Financial Statements.

Bank-Owned Life Insurance (“BOLI”)

The Company maintains investments in BOLI policies to help control employee benefit costs, as a protection against loss of certain employees and as a tax planning strategy. The increase in yield in 2021 was primarily due to the Company recognizing \$2 million in tax-free death benefits from a bank-owned life insurance policy. The decline in yield between December 31, 2019 and December 31, 2020 was attributable to the insurance carrier’s underlying investments and operating costs that decreased overall income on the underlying asset.

The following table provides the balance of BOLI income earned and tax-equivalent yield for the periods indicated:

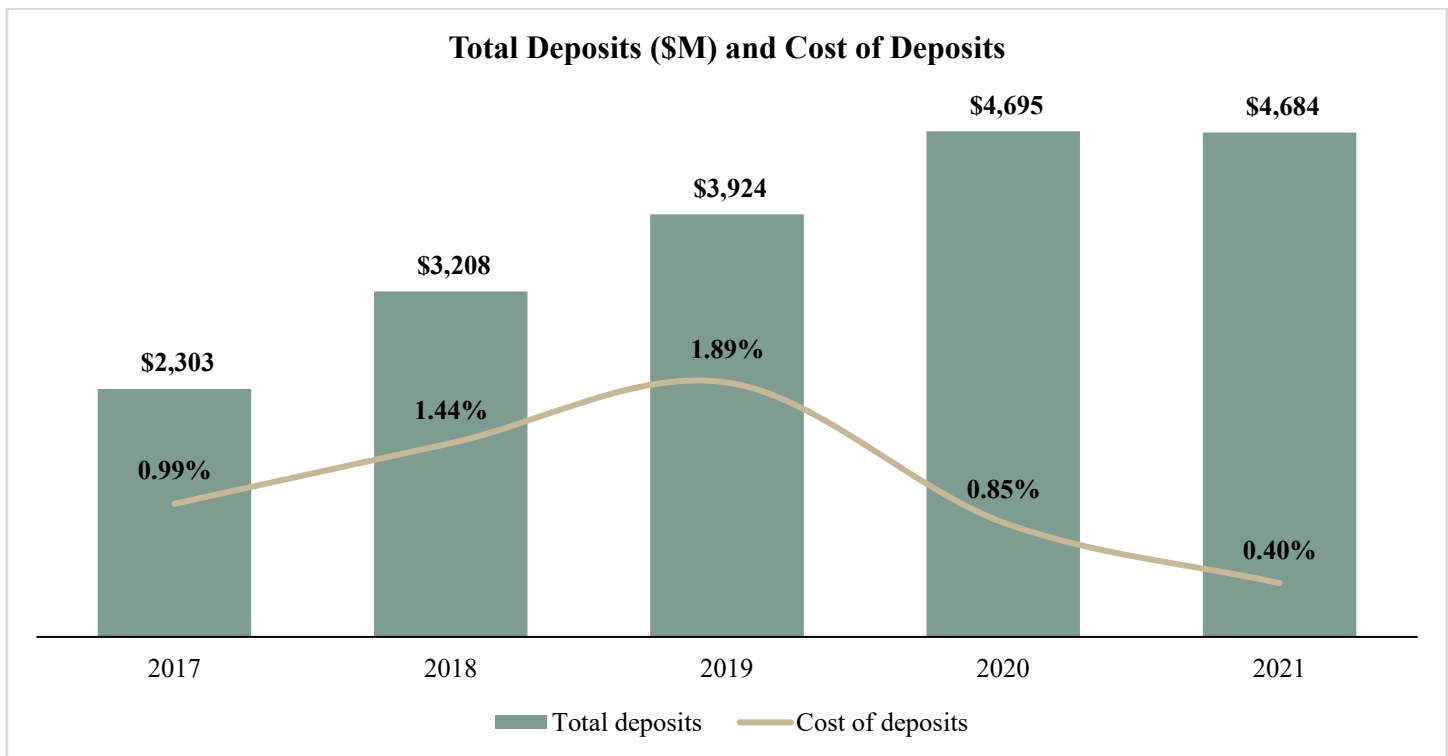
	As of or For the Year Ended December 31,		
	2021	2020	2019
	<i>(Dollars in thousands)</i>		
Ending balance	\$ 67,498	\$ 67,498	\$ 65,689
Income earned	\$ 3,483	\$ 1,809	\$ 1,878
Tax-equivalent yield ⁽¹⁾	6.4 %	3.4 %	3.6 %

⁽¹⁾ Tax exempt income is calculated on a tax-equivalent basis. BOLI income is exempt from federal and state taxes. The incremental tax rate used is 24.7% between 2019 and 2021.

Deposits

Deposits come through our markets as well as through participation in certain wholesale programs. The Company offers a variety of deposit products including non-interest-bearing demand deposits and interest-bearing deposits that include transaction accounts (including NOW accounts), savings accounts, money market accounts, and certificates of deposit. The Bank also acquires brokered deposits, internet subscription certificates of deposit, and reciprocal deposits through the Intrafi Network. The reciprocal deposits include both the Certificate of Deposit Account Registry Service (“CDARS”) and Insured Cash Sweep (“ICS”) program. The Company is a member of the Intrafi Network which effectively allows depositors to receive FDIC insurance on amounts greater than the FDIC insurance limit, which is currently \$250 thousand. The Intrafi Network allows institutions to break large deposits into smaller amounts and place them in a network of other Intrafi Network institutions to ensure full FDIC insurance is gained on the entire deposit.

Deposit accounts are added by loan cross-selling, client referrals and involvement within our community.



At December 31, 2021, deposits decreased \$11 million or less than 1% from the prior year-end. Non-interest-bearing deposits increased \$445 million or 62% from December 31, 2020 to December 31, 2021. The increase in non-interest-bearing deposits was driven by approximately \$350 million of increased deposits from current customers and approximately \$363 million from new deposit relationships, offset by deposit withdrawals. At December 31, 2021, non-interest-bearing deposits represented 25% of total deposits. Savings and money market deposits increased \$205 million as of December 31, 2021 as a result of both new deposit relationships and increased deposits from current customers. Transaction deposits and time deposits decreased by \$242 million and \$419 million, respectively. The significant decrease in time deposits resulted from the low interest rate environment. Approximately \$794 million of time deposits matured in 2021, offset by \$394 million of new and renewed time deposits. As a result of the change in deposit mix and reduction of deposit interest rates, the Company improved the overall cost of deposits, which declined 45 basis points compared to December 31, 2020.

During 2020, deposits grew \$771 million or 20% from the prior year. Deposit growth was driven by demand in our ICS deposit product that increased \$516 million from the prior year. The ICS product provided customers with the ability to manage their cash flow during the COVID-19 pandemic while providing insurance. In addition, our interest-bearing checking accounts saw higher demand due to PPP loan fundings. Compared to 2019, time deposits declined by \$196 million or 16% and money market deposits declined by \$52 million as customers moved into more attractive products.

The following table sets forth deposit balances by certain categories as of the dates indicated and the percentage of each deposit category to total deposits:

	As of December 31,					
	2021		2020		2019	
	Amount	%	Amount	%	Amount	%
	<i>(Dollars in thousands)</i>					
Noninterest-bearing deposits	\$ 1,163,224	25 %	\$ 718,459	15 %	\$ 521,826	13 %
Transaction deposits	536,225	12	778,124	17	259,435	7
Savings and money market deposits	2,359,761	50	2,154,675	46	1,902,752	48
Time deposits ⁽¹⁾	624,387	13	1,043,482	22	1,239,746	32
Total deposits	\$ 4,683,597	100 %	\$ 4,694,740	100 %	\$ 3,923,759	100 %
Total uninsured deposits ⁽²⁾	\$ 2,413,533		\$ 2,223,586		\$ 1,873,794	

⁽¹⁾ Includes \$91 million, \$188 million and \$392 million of brokered deposits, representing 15%, 18% and 32% of time deposits for the years ended December 31, 2021, 2020 and 2019, respectively.

⁽²⁾ Based on estimated amounts of uninsured deposits and are based on the same methodologies and assumptions used for the Bank's regulatory reporting requirements.

The following table sets forth the maturity of time deposits as of December 31, 2021:

	As of December 31, 2021				
	Three Months or Less	Three to Six Months	Six to Twelve Months	After Twelve Months	Total
	<i>(Dollars in thousands)</i>				
Time deposits in excess of FDIC insurance limit	\$ 70,936	\$ 23,688	\$ 117,376	\$ 18,066	\$ 230,066
Time deposits below FDIC insurance limit	105,591	74,352	146,266	68,112	394,321
Total time deposits	\$ 176,527	\$ 98,040	\$ 263,642	\$ 86,178	\$ 624,387

As of December 31, 2021, the Company had approximately \$2.4 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.

Other Borrowed Funds

Since it may not be possible to achieve the institution's overall funding needs through core deposit funding, other borrowings may be used to support asset growth. Management has a funds management policy and committee, which supports the use of other borrowings. The risks associated with other borrowings are addressed in the same fashion as other balance sheet risks incurred by the Bank. Credit risk, interest rate risk, concentration risk, capital adequacy and liquidity are measured for the balance sheet as a whole, including any wholesale funding strategies that have been implemented or are expected to be implemented.

The following table sets forth the amounts outstanding and weighted average interest rate of our borrowings as of the dates indicated:

	As of December 31,					
	2021		2020		2019	
	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
	<i>(Dollars in thousands)</i>					
Repurchase agreements	\$ —	— %	\$ 2,306	0.15 %	\$ 14,921	1.00 %
FHLB borrowings ⁽¹⁾	236,600	1.92	293,100	1.78	358,743	1.84
Trust preferred securities ⁽²⁾	1,009	1.94	963	1.96	921	3.63
Total other borrowings	\$ 237,609	1.92 %	\$ 296,369	1.77 %	\$ 374,585	1.81 %

⁽¹⁾ Includes FHLB advances and FHLB line of credit.

⁽²⁾ The difference between the interest rate above and the interest rate in the table below is due to the Company assuming a liability with a fair value of \$1 million related to the assumption of trust preferred securities issued by Leawood Bancshares Statutory Trust I for \$4 million on September 30, 2005. In 2012, the Company settled litigation related to the trust preferred securities which decreased the principal balance by \$2 million and the recorded balance by approximately \$400 thousand. The difference between the recorded amount and the contract value of \$3 million is being accreted to the maturity date in 2035.

For a description and general terms of the other borrowed funds, refer to *Note 10: Borrowing Arrangements* within the Notes to the Consolidated Financial Statements.

The following table sets forth the maximum amount at any month end during the reporting period, the weighted average interest rate and the average balance of other borrowings during the reported period for the years indicated:

	For the Year Ended December 31,								
	2021			2020			2019		
	Maximum Amount Outstanding at Any Month End	Average Amount	Weighted Average Interest Rate	Maximum Amount Outstanding at Any Month End	Average Amount	Weighted Average Interest Rate	Maximum Amount Outstanding at Any Month End	Average Amount	Weighted Average Interest Rate
	<i>(Dollars in thousands)</i>								
Repurchase agreements	\$ 6,218	\$ 1,821	0.15 %	\$ 57,259	\$ 32,265	0.49 %	\$ 72,048	\$ 43,845	1.32 %
Federal funds purchased	—	—	—	30,000	2,589	0.19	25,000	672	1.96
Federal reserve discount window	—	—	—	15,000	1,055	0.24	—	—	—
FHLB borrowings ⁽¹⁾	293,100	277,558	2.10	470,659	382,047	1.66	388,743	322,060	1.98
Trust preferred securities	\$ 1,009	982	5.05	\$ 963	939	11.34	\$ 921	899	16.34
Total other borrowings		\$ 280,361	2.10 %		\$ 418,895	1.58 %		\$ 367,476	1.93 %

⁽¹⁾ Includes FHLB advances and FHLB line of credit.

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 10: Borrowing Arrangements* within the Notes to the Consolidated Financial Statements for a listing of our December 31, 2021 significant contractual cash obligations to third parties on debt obligations. Refer to *Note 18: Operating Leases* within the Notes to the Consolidated Financial Statements for a summary of our contractual cash 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 21: Commitments and Credit Risk* within the Notes to the Consolidated Financial Statements for a listing of our December 31, 2021 off-balance sheet arrangements.

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

Liquidity

Liquidity is the ability to generate adequate amounts of cash from depositors, stockholders, profits or other funding sources, to meet our needs for funding, including payments to borrowers, operational costs, capital requirements and other strategic cash flow needs.

Our liquidity policy governs our approach to our liquidity position. The objective is to maintain adequate, but not excessive, liquidity to meet the daily cash flow needs of our clients while attempting to achieve adequate earnings for our stockholders. Our liquidity position is monitored continuously by our finance department.

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. On-balance sheet liquidity resources include overnight funds, short-term deposits with other banks, available-for-sale ("AFS") securities, and certain other sources. Off-balance sheet liquidity resources consist of credit lines, wholesale deposits and debt funding and certain other sources.

On-balance sheet liquidity resources can be broken down into three sections: (i) primary liquidity resources, which represent liquid funds that are on the balance sheet; (ii) tertiary liquidity resources, which represent assets that can be sold into the secondary market; and (iii) public funds, which represent deposits. Primary liquidity resources include overnight funds plus short-term, interest-bearing deposits with other banks and unpledged AFS securities. Tertiary liquidity resources include loans that can be sold into the secondary market or through participation and unpledged securities classified as held-to-maturity. Public funds are another source of wholesale deposits as they require collateral.

Off-balance sheet liquidity resources require sufficient collateral, in the form of loans or securities, and have a larger, negative impact on our capital ratios. As a result, off-balance sheet liquidity has a higher cost on our asset growth compared to deposit growth. Off-balance sheet liquidity exists in several forms including: (i) internet subscription certificates of deposit; (ii) brokered deposits; (iii) borrowing capacity; (iv) repurchase agreements; or (v) other sources.

Internet subscription certificates of deposit are deposits made through national, wholesale certificates of deposit funding programs. These programs are designed to provide funding outside of the Bank's normal market or existing client base and allow the Bank to diversify its wholesale funding resources. This form of funding does not require collateral and generally cannot be redeemed early. Brokered deposits are deposits funded through various broker-dealer relationships. The market for wholesale deposits is well developed. A key feature of this type of funding is that it is generally unsecured and does not require collateral for pledging.

Borrowing capacity refers to a form of liability-based funding. Repurchase agreements are another source of short-term funding in which a bank agrees to sell a security to a counterparty and repurchase the same or an identical security from the counterparty at a specified future date and price. Public funds are another source of wholesale deposits as they require collateral.

Our 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. Other alternative sources of funds will supplement these primary sources to the extent necessary to meet additional liquidity requirements on either a short-term or long-term basis.

The Consolidated Statements of Cash Flows summarize our sources and uses of cash by type of activity for the years ended December 31, 2021 and 2020. As of December 31, 2021, we had cash and cash equivalents of \$483 million compared to \$409 million at

December 31, 2020. The change in cash and cash equivalents was due to an \$88 million increase in cash provided by operating activities, a \$93 million decrease in cash provided by financing activities and net cash provided by investing activities of \$79 million. During 2021, liquid assets increased as deposit growth outpaced loan growth. Depositors increased as customer liquidity improved through various economic factors. In addition, the Company was able to payoff matured borrowings without replacing them with new debt. Our portfolio of on-balance sheet and off-balance sheet liquidity continues to exceed the amount we estimate we would need to manage through an adverse liquidity event.

At December 31, 2020, we had cash and cash equivalents of \$409 million compared to \$187 million at December 31, 2019. The change in cash and cash equivalents was due to an \$80 million increase in cash provided by operating activities, a \$686 million increase in cash provided by financing activities and net cash used in investing activities of \$545 million. During 2020, liquid assets increased as an indirect result of the COVID-19 pandemic. The proceeds from PPP loans increased demand deposits and the Company’s overall liquidity as PPP loan proceeds waited to be disbursed. Loan growth was lower than deposit growth as customers protected their liquid positions.

As of December 31, 2021, 2020, and 2019, we had the following available funding:

	As of December 31,		
	2021	2020	2019
	<i>(Dollars in thousands)</i>		
On-balance sheet liquidity ⁽¹⁾	\$ 1,224,253	\$ 1,046,110	\$ 888,080
Off-balance sheet liquidity ⁽²⁾	732,748	756,325	524,332
Total liquidity	\$ 1,957,001	\$ 1,802,435	\$ 1,412,412
On-balance sheet liquidity ⁽¹⁾ as a percent of assets	22 %	19 %	18 %
Total liquidity as a percent of assets	35 %	32 %	29 %

⁽¹⁾ On-balance sheet liquidity represents funds currently on the balance sheet. It consists of overnight funds, short-term deposits with other banks, available-for-sale securities, and other assets.

⁽²⁾ Off-balance sheet liquidity represents funds available from third-party sources including credit lines, wholesale deposits, debt funding, and other sources

Capital Requirements

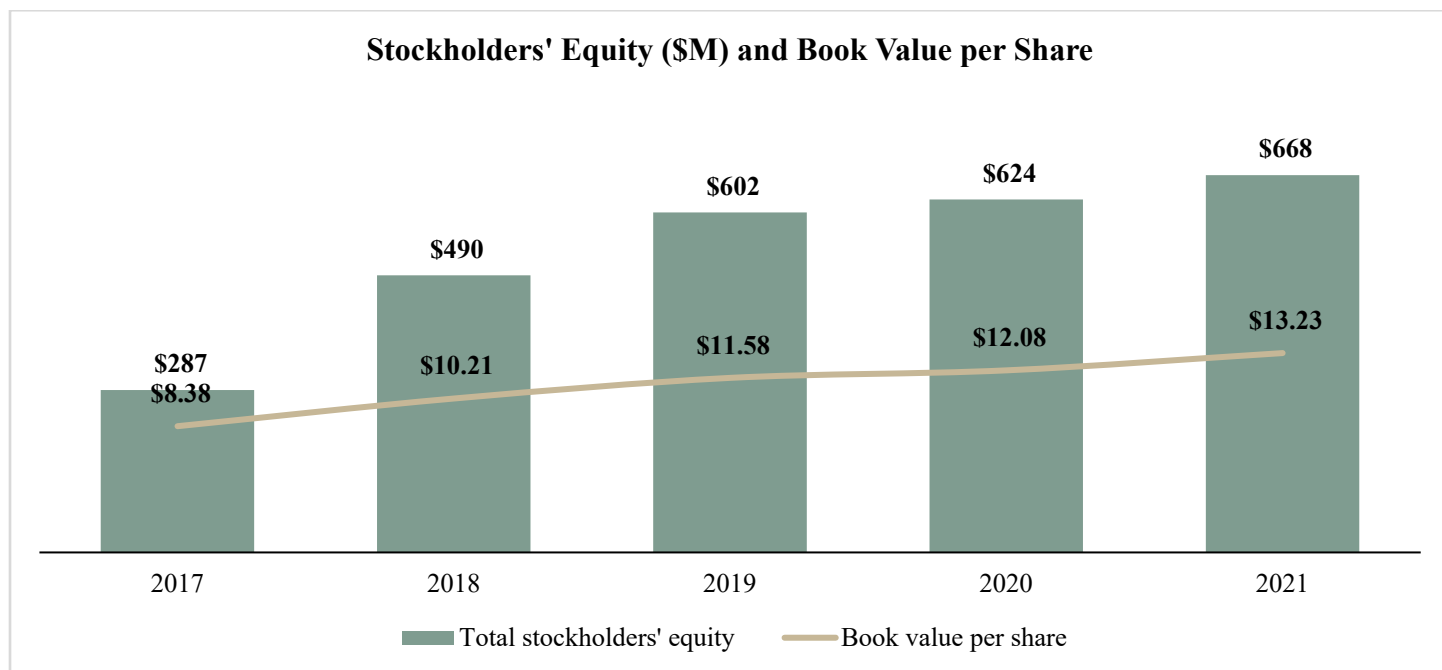
The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company’s consolidated financial statements. Refer to Item 1. Business under the “Supervision and Regulation” section for a detailed discussion regarding our capital requirements.

The Company monitors our capital ratios using forecasts and stress testing. Based on our capital ratios in 2020 and 2021 we were considered well-capitalized. As of December 31, 2021, the FDIC categorized the Bank as “well-capitalized” under the prompt corrective action framework. There have been no conditions or events since December 31, 2021 that management believes would change this classification.

Refer to *Note 13: Regulatory Matters* in the Notes to the Consolidated Financial Statements for the table that summarizes the capital requirements applicable to the Company and the Bank in order to be considered “well-capitalized” from a regulatory perspective, as well as the Company’s and the Bank’s capital ratios as of December 31, 2021 and 2020. The Bank exceeded all regulatory capital requirements under Basel III and the Bank was considered to be “well-capitalized” for the periods ended December 31, 2021 and 2020.

Stockholders' Equity

Prior to our IPO in 2019, the Company's increase in equity primarily came from private placements. For the years ended December 31, 2020 and 2021, the Company's equity increased primarily due to an increase in net income and changes to the unrealized gain on available-for-sale securities. The following graph presents total stockholders' equity and book value per share as of the end of the periods indicated:



Changes in stockholders' equity for the fiscal years ended December 31, 2019, 2020, and 2021 are provided in the Consolidated Statements of Stockholders' Equity. Additional information regarding the Company's stock activity is provided in *Note 22: Stock Offerings and Repurchases* within the Notes to the Consolidated Financial Statements.

Interest Rate Sensitivity

A primary component of market risk is interest rate volatility. Managing interest rate risk is a key element of our balance sheet management. Interest rate risk is the risk that net interest margins will be eroded 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. We manage our sensitivity position using our 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 Bank's Funds Management Committee ("FMC") in accordance with policies approved by the Bank's board of directors. The FMC uses a combination of three systems to measure the balance sheet's interest rate risk position. Because each system serves a different purpose and provides a different perspective, 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.

- A gap report measures the repricing volume of assets and liabilities by time period. The difference between repricing assets and repricing liabilities for a particular time period is known as the periodic repricing gap. Using this method, it is possible to estimate the impact on earnings of a given rate change. As a method of evaluating interest rate risk, the gap report is a reasonably accurate method of assessing earnings exposure. However, its reliability diminishes as balance sheet complexity increases. Optionality and other factors complicate the analysis.
- An earnings simulation measures the effect of changing interest rates on net interest income and earnings. Earnings simulation is more detailed than gap analysis. Under this approach, the repricing characteristics of each asset and liability instrument are programmed into a computer simulation model. This programming allows the Bank to refine important characteristics such as caps, floors, and time lag. It also allows the Bank to include the impact of new business activity in the analysis. Gap reporting only considers the existing balance sheet position.

- Economic Value of Equity (“EVE”) is a valuation approach to measuring long-term interest rate risk exposure. This approach considers all future time periods, which provides an advantage over earnings simulation. However, a negative attribute of EVE is that it assumes a sustained change in rates, which is never the case in the long-term. This seeks to compute the financial risk of having a duration mismatch between assets and funding.

In addition, the FMC compares the current interest rate risk position to policy limits. This procedure is compliance oriented and results in either a pass or fail outcome. When the balance sheet is in compliance, no further action is necessary. In instances of noncompliance, the FMC will develop a plan of action to correct the condition. A summary of the plan and its timing for completion will be forwarded to the board of directors each quarter until compliance is reestablished.

The FMC also evaluates interest rate risk positioning in light of anticipated interest rates. The purpose of this comparison is to determine whether action steps need to be taken to modify current strategy. The results form a decision-making input for the committee. If it is determined that more asset sensitivity is needed, the committee will either increase rate sensitive assets or reduce rate sensitive liabilities. The opposite will occur if less asset sensitivity is desired.

Loan and deposit repricing assumptions are critical in measuring interest rate risk. For loans, management reviews spreads and prepayment assumptions. For deposits, management reviews beta factors and decay assumptions. The FMC reviews and adjusts repricing assumptions at least annually. Model assumptions are included in the output reports and reviewed by the FMC on a periodic basis.

When evaluating balance sheet rate sensitivity, a proper analysis of total funding is of critical importance. The funding side of the balance sheet can be segregated into three broad categories, as follows: (i) funding with defined maturity dates; (ii) non-maturity deposits; and (iii) perpetual funding.

- Funding with defined maturity dates includes certificates of deposit and borrowed funds. The repricing analysis requires a twofold statement of behavior for each balance sheet category. It requires a cash flow schedule for principal and interest payments and a repricing schedule of rate adjustments. Once the cash flow and repricing projections are developed, the category can be analyzed for interest rate risk exposure.
- Non-maturity deposits tend to be a longer term, less volatile source of funds. Non-maturity deposits have very short contractual lives. The Bank uses historical analysis to develop its decay assumptions, but it looks at aggregate account types rather than individual clients. The review analyzes both non-maturity deposits as a whole and individual deposit categories.
- Perpetual funding is the most stable and least costly source of funding. Its main component is equity capital. It has a zero interest rate and cannot be withdrawn by stockholders because of a rate change. In effect, it is a perpetual source of free funding.

To ensure a formal evaluation process, periodic independent evaluations are conducted and documented. Such evaluation consists primarily of: (i) an assessment of internal controls; (ii) an evaluation of data integrity; (iii) the appropriateness of the risk management system; (iv) the reasonableness of validity scenarios; (v) a review of the FMC policy; and (vi) validation of calculations. In addition, to ensure the model is working as expected a back test of the model is completed at least annually.

All of the assumptions used in our analysis are inherently uncertain and, as a result, the model cannot precisely measure future net interest income or precisely predict the impact of fluctuations in market interest rates on net interest income. Actual results may differ from the model’s simulated results due to timing, magnitude and frequency of interest rate changes as well as changes in market conditions and the application and timing of various management strategies.

On a quarterly basis, we run various simulation models including a static balance sheet and dynamic growth balance sheet. These models test the impact on net interest income and fair value of equity from changes in market interest rates under various scenarios. Under the static model and dynamic growth models, rates are shocked instantaneously and ramped rates change over a 12-month horizon based upon parallel and nonparallel yield curve shifts. Parallel shock scenarios assume instantaneous parallel movements in the yield curve compared to a flat yield curve scenario. Nonparallel simulation involves analysis of interest income and expense under various changes in the shape of the yield curve.

Our internal policy regarding internal rate risk simulations currently specifies that for instantaneous parallel shifts of the yield curve, estimated net interest income at risk for the subsequent one-year period should not decline by more than 5% for a -100 basis point shift, 5% for a 100 basis point shift, 10% for a 200 basis point shift, 15% for a 300 basis point shift, and 20% for a 400 basis point shift.

The Company has several instruments that can be used to manage interest rate risk, including: (i) modifying the duration of interest-bearing liabilities; (ii) modifying the duration of interest-earning assets, including our investment portfolio; and (iii) entering into on-balance sheet derivatives. Based upon the nature of our operations, we are not subject to foreign exchange or commodity price risk.

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

Change in Interest Rate (Basis Points)	December 31, 2021		December 31, 2020	
	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	7.9 %	(7.7) %	1.2 %	(10.3) %
+200	4.6	(4.7)	0.4	(6.2)
+100	1.5	(2.7)	(0.3)	(2.8)
Base	— %	— %	— %	— %
-100	NA ⁽¹⁾	NA ⁽¹⁾	NA ⁽¹⁾	NA ⁽¹⁾
-200	NA ⁽¹⁾	NA ⁽¹⁾	NA ⁽¹⁾	NA ⁽¹⁾

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

Hypothetical Change in Interest Rate - Rate Ramp

Change in Interest Rate (Basis Points)	December 31, 2021	December 31, 2020
	Percent Change in Net Interest Income	Percent Change in Net Interest Income
+300	3.4 %	0.9 %
+200	1.9	0.3
+100	0.6	(0.1)
Base	— %	— %
-100	NA ⁽¹⁾	NA ⁽¹⁾
-200	NA ⁽¹⁾	NA ⁽¹⁾

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

The hypothetical positive change in net interest income as of December 31, 2021 in an up 100 environment is primarily due to approximately two-thirds of the Company's earning assets adjusting within the first year. In addition, the Company's time deposits and other borrowings will continue to mature. Increases in the up 100 environment are impacted by floors on variable rate loans. In an up 200 and 300 environment, floors on variable rate loans become less impactful and earning assets reprice faster than interest-bearing liabilities. Loans remain the largest portion of our adjustable earning assets, as the mix of adjustable loans or those maturing in one year was 76%.

The models the Company uses include assumptions regarding interest rates and balance changes. 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 may 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.

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. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under current circumstances. These assumptions form the basis for our judgments about the carrying values of assets and liabilities that are not readily available from independent, objective sources. We evaluate our estimates on an ongoing basis. Use of alternative assumptions may have resulted in significantly different estimates. Actual results may differ from these estimates.

The Company qualifies as an EGC under the JOBS Act. Section 107 of the JOBS Act provides that an EGC can take advantage of the extended transition period when complying with new or revised accounting standards. This allows an EGC to delay adoption of certain accounting standards until those standards would apply to private companies; however, the EGC can still early adopt new or revised accounting standards, if applicable. We have elected to take advantage of this extended transition period, which means the financial statements in this Form 10-K, as well as financial statements we file in the future, will be subject to all new or revised accounting standards generally applicable to private companies, unless stated otherwise. This decision will remain in effect until the Company loses its EGC status.

Our most significant accounting policies are described in *Note 1: Nature of Operations and Summary of Significant Accounting Policies* within the Notes to the Consolidated Financial Statements. We identified the following 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 our financial statements to those judgments and assumptions, are critical to an understanding of our financial condition and results of operations.

Description	Judgments and Uncertainties	Ranges over the Last Three Years	Effect if Actual Results Differ From Assumptions
<p><i>Allowance for Loan Losses:</i></p> <p>The ALLL is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the collectability of a loan balance is unlikely. Subsequent recoveries, if any, are credited to the allowance.</p> <p>The allowance consists of specific and general components.</p> <p>The specific component relates to loans that are individually classified as impaired. A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the original contractual terms of the loan agreement. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported net at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the sale of the collateral.</p> <p>The general component covers the remaining pool of loans and is based on historical charge-off experience and expected loss given default derived from the Company's internal risk rating process. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.</p>	<p>The determination of the Company's ALLL contains uncertainties because it requires management to make assumptions and judgments regarding future uncollectible amounts on the loan portfolio.</p> <p>Impaired loans may be impacted by management's decisions on the marketability discount.</p> <p>The general component of the ALLL may be impacted by management's decisions on qualitative rates and loan risk ratings.</p>	<p><u>Year-end ALLL Balance:</u> (Dollars in thousands)</p> <p>2019 - \$56,896 2020 - \$75,295 2021 - \$58,375</p> <p><u>Loan Provision:</u> (Dollars in thousands)</p> <p>2019 - \$29,900 2020 - \$56,700 2021 - (\$4,000)</p>	<p>For the year ended December 31, 2020, the Company separated substandard loans into performing and nonperforming categories that were previously consolidated. The new approach provided a better estimate of potential losses inherent in the substandard portfolio. Besides the change above, the Company has not made any material changes in the accounting methodology used to record the ALLL during the past three years.</p> <p>Based on current applicable GAAP guidance, the Company does not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions used to record the ALLL.</p> <p>See the Recent Accounting Pronouncements section for an update regarding Accounting Standard Update ("ASU") 2016-13 that will impact the accounting methodology used to record the ALLL.</p> <p>If actual results are materially different from the judgments and uncertainties made, the Company would be required to increase (decrease) its loan provision resulting in a decrease (increase) in net income.</p> <p>For example, a 10 basis point increase in our qualitative factors would increase the provision and related ALLL by \$4 million.</p>

Description	Judgments and Uncertainties	Ranges over the Last Three Years	Effect if Actual Results Differ From Assumptions
<p><i>Investment Securities Impairment:</i></p> <p>Periodically, the Company may need to assess whether there have been any events or economic circumstances to indicate that a security on which there is an unrealized loss is impaired on an other-than- temporary basis.</p> <p>In any such instance, the Company would consider many factors, including the length of time and the extent to which the fair value has been less than the amortized cost basis, the market liquidity for the security, the financial condition and the near-term prospects of the issuer, expected cash flows, and our intent and ability to hold the investment for a period of time sufficient to recover the temporary loss. Securities on which there is an unrealized loss that is deemed to be other-than-temporary are written down to fair value, with the write-down recorded as a realized loss in securities gains (losses).</p>	<p>The determination of an investment impairment contains uncertainties because it requires management to make assumptions and judgments regarding future uncollectible amounts based on investments that have a lower market value than book value within the security portfolio.</p>	<p>During 2021, an equity security acquired in partial satisfaction of debts previously contracted was sold at a loss of \$6 million.</p>	<p>The Company has not made any material changes in the accounting methodology used to evaluate whether an investment is other-than-temporarily impaired during the past three years.</p> <p>Based on current applicable GAAP guidance, the Company does not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions used to record impaired securities.</p> <p>See the Recent Accounting Pronouncements section for an update regarding ASU 2016-13 that will impact the accounting methodology used to record other-than-temporary impairments on securities.</p> <p>If actual results are materially different from the judgments and uncertainties made, the Company would be required to impair the associated securities, resulting in a decline in net income, other comprehensive income, or both.</p>

Description	Judgments and Uncertainties	Ranges over the Last Three Years	Effect if Actual Results Differ From Assumptions
<p><i>Deferred Tax Asset:</i></p> <p>The Company accounts for income taxes in accordance with income tax accounting guidance. Accordingly, we record a net deferred tax asset or liability based on the tax effects of the differences between the book and tax bases of assets and liabilities. If currently available information indicates it is “more likely than not” that the net deferred tax asset will not be realized, a valuation allowance is established. Net deferred tax assets are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.</p>	<p>The Company exercises significant judgment in evaluating the amount and timing of recognition of the resulting tax liabilities and assets. These judgments and estimates are inherently subjective and reviewed on a continual basis as regulatory and business factors change. Any reduction in estimated future taxable income may require us to record a valuation allowance against our new deferred tax asset. A valuation allowance would result in additional income tax expense in such period, which would negatively affect earnings.</p>	<p><u>Effective Tax Rate:</u></p> <p>2019: 13%</p> <p>2020: 18%</p> <p>2021: 20%</p>	<p>The Company is subject to various state tax rates that impact the overall effective tax rate. Changes in income earned in various states may increase or decrease the effective tax rate in the future.</p> <p>Based on current applicable GAAP guidance, the Company does not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions used to record the deferred tax asset.</p> <p>In the event the Company was required to change the effective tax rate used to calculate the deferred tax asset, a rate decrease would result in a lower deferred tax asset and net income while a rate increase would result in a higher deferred tax asset and net income.</p> <p>For example, if the effective tax rate was reduced by 1% as of December 31, 2021, a \$779 thousand decrease in our deferred tax asset and an increase to the Company's tax expense of the same amount would occur.</p>

Description	Judgments and Uncertainties	Ranges over the Last Three Years	Effect if Actual Results Differ From Assumptions
<p><i>Fair Value of Financial Instruments:</i></p> <p>ASC Topic 820, Fair Value Measurement defines fair value as the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between market participants at the measurement date.</p>	<p>The degree of management judgment involved in determining the fair value of assets and liabilities is dependent upon the availability of quoted market prices or observable market parameters. For financial instruments that trade actively and have quoted market prices or observable market parameters, there is minimal subjectivity involved in measuring fair value. When observable market prices and parameters are not available, management judgment is necessary to estimate fair value. In addition, changes in market conditions may reduce the availability of quoted prices or the observable date.</p>		<p>The Company has not made any material changes in the accounting methodology used to evaluate the fair market value of assets or liabilities when observable market prices and parameters are not available and management judgment is necessary.</p> <p>Based on current applicable GAAP guidance, the Company does not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions used to record the fair market value of assets and liabilities.</p> <p>The Company's investment portfolio, derivatives, impaired loans, assets held-for-sale and foreclosed assets require management's judgment to determine the asset's value.</p> <p>In the event the Company was required to decrease (increase) the investment portfolio's fair value, the result would be a decline (increase) in total assets, OCI, and AOCI.</p> <p>Impaired loans impact the ALLL. See the ALLL discussion above.</p>

Recent Accounting Pronouncements

Refer to “*Note 1: Nature of Operations and Summary of Significant Accounting Policies*” within the Notes to the Consolidated Financial Statements included elsewhere in this form 10-K.

For additional information regarding our CECL implementation as of January 1, 2022, refer to the “*Current Expected Credit Loss (“CECL”) Implementation*” within Management’s Discussion and Analysis.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The information included under the caption “Interest Rate Sensitivity” in Management’s Discussion and Analysis is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Shareholders, Board of Directors and Audit Committee
CrossFirst Bankshares, Inc.
Leawood, Kansas

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of CrossFirst Bankshares, Inc. (the “Company”) as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, stockholders’ equity and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively referred to as the “financial statements”). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits.

We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included procedures to assess the risks of material misstatement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company’s auditor since 2009.

BKD, LLP

Kansas City, Missouri
February 28, 2022

CrossFirst Bankshares, Inc. Consolidated Balance Sheets

	As of December 31,	
	2021	2020
	<i>(Dollars in thousands)</i>	
Assets		
Cash and cash equivalents	\$ 482,727	\$ 408,810
Available-for-sale securities - taxable	192,146	177,238
Available-for-sale securities - tax-exempt	553,823	477,350
Loans, net of allowance for loan losses of \$58,375 and \$75,295 at December 31, 2021 and 2020, respectively	4,197,838	4,366,602
Premises and equipment, net	66,069	70,509
Restricted equity securities	11,927	15,543
Interest receivable	16,023	17,236
Foreclosed assets held for sale	1,148	2,347
Bank-owned life insurance	67,498	67,498
Other	32,258	56,170
Total assets	\$ 5,621,457	\$ 5,659,303
Liabilities and stockholders' equity		
Deposits		
Noninterest-bearing	\$ 1,163,224	\$ 718,459
Savings, NOW and money market	2,895,986	2,932,799
Time	624,387	1,043,482
Total deposits	4,683,597	4,694,740
Federal funds purchased and repurchase agreements	-	2,306
Federal Home Loan Bank advances	236,600	293,100
Other borrowings	1,009	963
Interest payable and other liabilities	32,678	43,766
Total liabilities	4,953,884	5,034,875
Stockholders' equity		
Common stock, \$0.01 par value:		
authorized - 200,000,000 shares, issued - 52,590,015 and 52,289,129 shares at December 31, 2021 and 2020, respectively	526	523
Treasury stock, at cost:		
2,139,970 and 609,613 shares held at December 31, 2021 and 2020, respectively	(28,347)	(6,061)
Additional paid-in capital	526,806	522,911
Retained earnings	147,099	77,652
Accumulated other comprehensive income	21,489	29,403
Total stockholders' equity	667,573	624,428
Total liabilities and stockholders' equity	\$ 5,621,457	\$ 5,659,303

CrossFirst Bankshares, Inc.
Consolidated Statements of Income

	For the Year Ended December 31,		
	2021	2020	2019
	<i>(Dollars in thousands, except per share data)</i>		
Interest Income			
Loans, including fees	\$ 174,660	\$ 183,738	\$ 191,527
Available-for-sale securities - taxable	3,273	5,073	8,540
Available-for-sale securities - tax-exempt	14,033	13,013	12,011
Deposits with financial institutions	502	639	3,053
Dividends on bank stocks	682	985	1,087
Total interest income	193,150	203,448	216,218
Interest Expense			
Deposits	18,523	36,585	67,668
Fed funds purchased and repurchase agreements	3	164	592
Federal Home Loan Bank Advances	5,837	6,341	6,367
Other borrowings	96	109	147
Total interest expense	24,459	43,199	74,774
Net Interest Income	168,691	160,249	141,444
Provision for Loan Losses	(4,000)	56,700	29,900
Net Interest Income after Provision for Loan Losses	172,691	103,549	111,544
Non-Interest Income			
Service charges and fees on customer accounts	4,580	2,803	604
Realized gains on available-for-sale securities	1,023	1,704	987
Impairment of premises and equipment held for sale	-	-	(424)
Gain on sale of loans	-	44	207
Gains (losses), net on equity securities	(6,325)	46	62
Income from bank-owned life insurance	3,483	1,809	1,878
Swap fees and credit valuation adjustments, net	275	(204)	2,753
ATM and credit card interchange income	7,996	4,379	1,785
Other non-interest income	2,628	1,152	855
Total non-interest income	13,660	11,733	8,707
Non-Interest Expense			
Salaries and employee benefits	61,080	57,747	57,114
Occupancy	9,688	8,701	8,349
Professional fees	3,519	4,218	2,964
Deposit insurance premiums	3,705	4,301	2,787
Data processing	2,878	2,719	2,544
Advertising	2,090	1,219	2,455
Software and communication	4,234	3,750	3,317
Foreclosed assets, net	697	1,239	84
Goodwill impairment	-	7,397	-
Other non-interest expense	11,491	8,677	8,026
Total non-interest expense	99,382	99,968	87,640
Net Income Before Taxes	86,969	15,314	32,611
Income tax expense	17,556	2,713	4,138
Net Income	\$ 69,413	\$ 12,601	\$ 28,473
Basic Earnings Per Share	\$ 1.35	\$ 0.24	\$ 0.59
Diluted Earnings Per Share	\$ 1.33	\$ 0.24	\$ 0.58

See Notes to Consolidated Financial Statements

CrossFirst Bankshares, Inc.
Consolidated Statements of Comprehensive Income

	For the Year Ended December 31,		
	2021	2020	2019
	<i>(Dollars in thousands)</i>		
Net Income	\$ 69,413	\$ 12,601	\$ 28,473
Other Comprehensive Income (Loss)			
Unrealized gain (loss) on available-for-sale securities	(8,894)	18,847	26,682
Less: income tax expense (benefit)	(2,182)	4,606	6,545
Unrealized gain (loss) on available-for-sale securities, net of income tax	(6,712)	14,241	20,137
Reclassification adjustment for realized gains included in income	1,023	1,704	987
Less: income tax expense	245	415	242
Less: reclassification adjustment for realized gains included in income, net of income tax	778	1,289	745
Unrealized loss on cash flow hedges	(562)	-	-
Less: income tax benefit	(138)	-	-
Unrealized loss on cash flow hedges, net of income tax	(424)	-	-
Other comprehensive income (loss)	(7,914)	12,952	19,392
Comprehensive Income	\$ 61,499	\$ 25,553	\$ 47,865

CrossFirst Bankshares, Inc.
Consolidated Statements of Stockholders' Equity

	Preferred Stock		Common Stock		Additional	Retained	Accumulated	Treasury	Total
	Shares	Amount	Shares	Amount	Paid in Capital	Earnings	Other Comprehensive Income (Loss)	Stock	
	<i>(Dollars in thousands)</i>								
December 31, 2018	1,200,000	\$ 12	45,074,322	\$ 451	\$ 454,512	\$ 38,371	\$ (3,010)	\$ -	\$ 490,336
Net income	-	-	-	-	-	28,473	-	-	28,473
Change in unrealized appreciation on available-for-sale securities	-	-	-	-	-	-	19,392	-	19,392
Issuance of shares	-	-	6,851,213	68	88,803	-	-	-	88,871
Issuance of shares from equity-based awards	-	-	53,668	1	(246)	-	-	-	(245)
Retired shares	(1,200,000)	(12)	(10,000)	-	(30,088)	(55)	-	-	(30,155)
Preferred dividends declared	-	-	-	-	-	(175)	-	-	(175)
Employee receivables from sale of stock	-	-	-	-	6	111	-	-	117
Stock-based compensation	-	-	-	-	4,724	-	-	-	4,724
Adoption of ASU 2016-01	-	-	-	-	-	(69)	69	-	-
Adoption of ASU 2018-07	-	-	-	-	2,159	(1,853)	-	-	306
December 31, 2019	-	-	51,969,203	520	519,870	64,803	16,451	-	601,644
Net income	-	-	-	-	-	12,601	-	-	12,601
Change in unrealized appreciation on available-for-sale securities	-	-	-	-	-	-	12,952	-	12,952
Issuance of shares from equity-based awards	-	-	319,926	3	(1,087)	-	-	-	(1,084)
Open market common share repurchases	-	-	(609,613)	-	-	-	-	(6,061)	(6,061)
Employee receivables from sale of stock	-	-	-	-	3	44	-	-	47
Stock-based compensation	-	-	-	-	4,363	-	-	-	4,363
Adoption of ASU 2018-07	-	-	-	-	(238)	204	-	-	(34)
December 31, 2020	-	-	51,679,516	523	522,911	77,652	29,403	(6,061)	624,428
Net income	-	-	-	-	-	69,413	-	-	69,413
Change in unrealized depreciation of available-for-sale securities	-	-	-	-	-	-	(7,490)	-	(7,490)
Change in unrealized loss on cash flow hedges	-	-	-	-	-	-	(424)	-	(424)
Issuance of shares from equity-based awards	-	-	300,886	3	(689)	-	-	-	(686)
Open market common share repurchases	-	-	(1,530,357)	-	-	-	-	(22,286)	(22,286)
Employee receivables from sale of stock	-	-	-	-	-	34	-	-	34
Stock-based compensation	-	-	-	-	4,584	-	-	-	4,584
December 31, 2021	-	\$ -	50,450,045	\$ 526	\$ 526,806	\$ 147,099	\$ 21,489	\$ (28,347)	\$ 667,573

See Notes to Consolidated Financial Statements

CrossFirst Bankshares, Inc.
Consolidated Statements of Cash Flows

	For the Year Ended December 31,		
	2021	2020	2019
	<i>(Dollars in thousands)</i>		
Operating Activities			
Net income	\$ 69,413	\$ 12,601	\$ 28,473
Items not requiring (providing) cash			
Depreciation and amortization	5,260	5,252	5,318
Provision for loan losses	(4,000)	56,700	29,900
Accretion of discounts and amortization of premiums on securities	5,067	6,084	5,568
Equity based compensation	4,584	4,363	4,725
(Gain) loss on disposal of fixed assets	(123)	101	101
Loss on sale of foreclosed assets and related impairments	572	1,156	4
Gain on sale of loans	-	(44)	(207)
Deferred income taxes	2,664	(5,257)	(3,486)
Net increase in bank owned life insurance	(3,483)	(1,809)	(1,878)
Net gains (losses) on equity securities	6,325	(46)	(62)
Net realized gains on available-for-sale securities	(1,023)	(1,704)	(987)
Impairment of assets held for sale	-	-	424
Goodwill impairment	-	7,397	-
Dividends on FHLB stock	(679)	(983)	(1,083)
Prepayment penalties on extinguishment of debt	771	-	-
Changes in			
Interest receivable	1,213	(1,520)	(1,624)
Other assets	(533)	(103)	(3,618)
Other liabilities	2,343	(1,735)	12,262
Net cash provided by operating activities	<u>88,371</u>	<u>80,453</u>	<u>73,830</u>
Investing Activities			
Net change in loans	172,764	(640,029)	(805,946)
Purchases of available-for-sale and equity securities	(225,719)	(76,218)	(233,116)
Proceeds from maturities of available-for-sale securities	103,488	142,057	75,478
Proceeds from sale of available-for-sale and equity securities	20,867	31,810	100,907
Proceeds from the sale of foreclosed assets	628	1,045	-
Purchase of premises and equipment	(1,211)	(6,093)	(850)
Proceeds from the sale of premises and equipment and related insurance claims	608	121	3,324
Purchase of restricted equity securities	-	(2,839)	(2,792)
Proceeds from sale of restricted equity securities	4,295	5,556	1,121
Proceeds from death benefit on bank owned life insurance	3,483	-	-
Net cash provided by (used in) investing activities	<u>79,203</u>	<u>(544,590)</u>	<u>(861,874)</u>
Financing Activities			
Net increase in demand deposits, savings, NOW and money market accounts	407,952	967,245	485,593
Net increase (decrease) in time deposits	(419,095)	(196,264)	230,069
Net decrease in fed funds purchased and repurchase agreements	(2,306)	(12,615)	(60,485)
Proceeds from Federal Home Loan Bank advances	-	138,000	105,000
Repayment of Federal Home Loan Bank advances	(57,271)	(203,643)	(59,242)
Retirement of preferred stock	-	-	(30,000)
Issuance of common shares, net of issuance cost	3	3	88,324
Proceeds from employee stock purchase plan	172	151	547
Repurchase of common stock	(22,286)	(6,061)	(155)
Acquisition of common stock for tax withholding obligations	(860)	(1,236)	(245)
Net decrease in employee receivables	34	47	117
Dividends paid on preferred stock	-	-	(700)

See Notes to Consolidated Financial Statements

	For the Year Ended December 31,		
	2021	2020	2019
Net cash provided by (used in) financing activities	(93,657)	685,627	758,823
Increase (Decrease) in Cash and Cash Equivalents	73,917	221,490	(29,221)
Cash and Cash Equivalents, Beginning of Period	408,810	187,320	216,541
Cash and Cash Equivalents, End of Period	<u>\$ 482,727</u>	<u>\$ 408,810</u>	<u>\$ 187,320</u>
Supplemental Cash Flows Information			
Interest paid	\$ 25,287	\$ 45,619	\$ 73,057
Income taxes paid (received)	12,554	9,692	(29)
Equity interest assumed in partial satisfaction of loans	-	11,189	-
Foreclosed assets in settlement of loans	\$ -	\$ 930	\$ 3,619

CrossFirst Bankshares, Inc.
Notes to Consolidated Financial Statements

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

Organization and Nature of Operations

CrossFirst Bankshares, Inc. (consolidated) (the “Company”), a Kansas corporation, is a bank holding company whose principal activities are the ownership and management of its wholly owned subsidiary, CrossFirst Bank (a subsidiary of CrossFirst Bankshares, Inc.) (the “Bank”). The Bank has three wholly owned subsidiaries: (i) CrossFirst Investments, Inc. holds investments in marketable securities; (ii) CFBSA I, LLC that can hold foreclosed assets; and (iii) CFBSA II, LLC that can hold foreclosed assets.

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. The Bank is subject to competition from other financial institutions and the regulation of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

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 and its wholly-owned subsidiaries, CrossFirst Investments, Inc., CFBSA I, LLC and CFBSA II, LLC. All significant intercompany accounts and transactions were eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, valuation of deferred tax assets, other-than-temporary impairments (“OTTI”), stock based compensation, derivatives, and fair values of financial instruments.

Changes in Accounting Principle

On December 31, 2021, the Company adopted the Financial Accounting Standards Board (“FASB”) Accounting Standard Update (“ASU”) 2018-15, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract in the current period of adoption, which was applied on a prospective basis. A description of the nature and reason for the change in accounting principle is provided below in the recent accounting pronouncements section.

Changes Affecting Comparability

For the year ended December 31, 2021, the Company broke out “gains (losses), net on equity securities” that was previously reported in other non-interest income. As a result, changes within the Consolidated Statements of Income in the prior periods were made to conform to the current period presentation. The change provides additional detail about the Company’s operations. The changes had no impact on net income.

For the year ended December 31, 2021, the Company consolidated the “Goodwill and other intangible assets, net” into “other assets” within the Consolidated Balance Sheets. The consolidation was due to the immateriality of the remaining intangible assets. The change had no impact on net income.

Operating Segments

An operating segment is a component of an entity that has separate financial information related to its business activities and is reviewed by the chief operating decision maker on a regular basis to allocate resources and assess performance. The Company identifies the following markets as operating segments: (i) Kansas City, Missouri and Leawood, Kansas; (ii) Wichita, Kansas; (iii) Oklahoma City, Oklahoma; (iv) Tulsa, Oklahoma; (v) Energy bank; (vi) Dallas and Frisco, Texas; and (vii) Phoenix, Arizona. These markets provide similar products and services using a similar process to a similar customer base. Our products and services include, but are not limited to, loans; checking and savings accounts; time deposits and credit cards. Loan products include commercial, real estate, consumer, and Small Business Administration (“SBA”) lending. The regulatory environment is the same for the markets as well. The chief operating decision maker monitors the revenue and costs of the markets; however, operations are managed, including allocation of resources, and financial performance is evaluated on a Company-wide basis. As a result, the markets are aggregated into one reportable segment.

Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2021, cash equivalents consisted primarily of both interest-bearing and noninterest bearing accounts with other banks. Approximately \$417 million of the Company’s cash and cash equivalents were held at the Federal Reserve Bank of Kansas City at December 31, 2021. The Company is required to maintain reserve funds in cash and/or on deposit with the Federal Reserve Bank. The reserve required at December 31, 2021 was \$0. In addition, the Company is required from time to time to place cash collateral with third parties as part of its back-to-back swap agreements and cash flow hedges. At December 31, 2021, \$17 million was required as cash collateral. At December 31, 2021, the Company’s cash accounts, excluding funds at the Federal Reserve Bank and funds required as cash collateral, exceeded federally insured limits by \$35 million.

Securities

Debt securities for which the Company has no immediate plan to sell but which may be sold in the future, are classified as available-for-sale (“AFS”) and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of debt securities are recorded on the trade date and are determined using the specific identification method.

Equity securities are recorded at fair value with unrealized gains and losses included in earnings. Gains and losses on the sale of equity securities are recorded on the trade date and are determined using the specific identification method.

The Company elected a measurement alternative for two equity investments that did not have a readily determinable fair value and did not qualify for the practical expedient to estimate fair value using the net asset value per share. A cost basis was calculated for the equity investments. The recorded balance will adjust for any impairment or any observable price changes for an identical or similar investment of the same issuer.

The Company routinely conducts periodic reviews to identify and evaluate each debt security to determine whether an OTTI has occurred. For available-for-sale securities that management has no intent to sell and believes that it more likely than not will not be required to sell prior to recovery, only the credit loss component of the impairment is recognized in earnings, while the noncredit loss is recognized in accumulated other comprehensive income. The credit loss component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the security as projected based on cash flow projections.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal balances adjusted for unearned income, charge-offs, the allowance for loan losses, any unamortized deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and amortized as a level yield adjustment over the respective term of the loan.

Nonperforming Loans

Nonperforming loans are loans for which we do not accrue interest income. The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well secured and in process of collection. A credit is considered well secured if it is secured by collateral in the form of liens or pledges of real or personal property, including securities, that have a realizable value sufficient to discharge the debt (including accrued interest) in full or is secured by the guaranty of a financially responsible party. A debt is in the process of collection if collection of the debt is proceeding in due course either through legal action, including enforcement procedures, or in appropriate circumstances, through collection efforts not involving legal action which are reasonably expected to result in repayment of the debt or in its restoration to a current status. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date, if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income. The interest on these loans is accounted for on the cash basis or cost recovery method, until qualifying for return to accrual. When payments are received on nonaccrual loans, payments are applied to principal unless there is a clear indication that the quality of the loan has improved to the point that it can be placed back on accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the loan balance is not collectible. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of its ability to collect the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are individually classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers the remaining pool of loans and is based on historical charge-off experience and expected loss given default derived from the Company's internal risk rating process. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on an individual loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral, if the loan is collateral dependent.

Groups of loans with similar risk characteristics are collectively evaluated for impairment based on the group's historical loss experience adjusted for changes in trends, conditions and other relevant factors that affect repayment of the loans.

Premises and Equipment

Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and depreciated using the straight-line method over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter. Expected terms include lease option periods to the extent that the exercise of such options is reasonably assured.

The estimated useful lives for each major depreciable classification of premises and equipment are as follows:

Buildings and improvements	35 - 40 years
Leasehold improvements	5 - 15 years
Furniture and fixtures	5 - 7 years
Equipment	3 - 5 years

Long-Lived Asset Impairment

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

Restricted Equity Securities

Restricted equity securities include investments in FHLB Topeka and Bankers' Bank of Kansas. FHLB Topeka is a Federal Home Loan Bank and its stock is a required investment for institutions that are members of the Federal Home Loan System. The required investment in the common stock is based on a predetermined formula. The Bankers' Bank of Kansas is a correspondent bank located in Wichita, Kansas and the investment is carried at cost and evaluated for impairment.

Bank-Owned Life Insurance

The Company has purchased life insurance policies on certain key employees that are accounted for under the fair value method. Bank-owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value. Changes in cash surrender value are recorded in earnings in the period in which the changes occur.

Foreclosed Assets Held-for-Sale

Assets acquired through, or in lieu of, loan foreclosure are held-for-sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net income or expenses from foreclosed assets.

Goodwill

Goodwill was evaluated annually for impairment or more frequently if impairment indicators were present. A qualitative assessment was performed to determine whether the existence of events or circumstances led to a determination that it was more likely than not the fair value was less than the carrying amount, including goodwill. If, based on the evaluation, it was determined to be more likely than not that the fair value was less than the carrying value, then goodwill was tested further for impairment. If the implied fair value of goodwill was lower than its carrying amount, a goodwill impairment was indicated and goodwill was written down to its implied fair value.

Core Deposit Intangible

The core deposit intangible represents the identified intangible asset relating to the deposit relationships acquired in past business combinations. The value of the core deposit intangible is based primarily upon the expected future benefits of earnings capacity attributable to those deposits.

Related Party Transactions

The Company extends credit and receives deposits from related parties. In management's opinion, the loans and deposits were made in the ordinary course of business and made on similar terms as those prevailing at the time with other persons. Related party loans totaled \$8 million and \$16 million at December 31, 2021 and 2020, respectively. Related party deposits totaled \$74 million and \$55 million at December 31, 2021 and 2020, respectively.

Stock-Based Compensation

The Company accounts for all stock-based compensation transactions in accordance with Accounting Standard Codification ("ASC") 718, Compensation - Stock Compensation, which requires that stock compensation transactions be recognized as compensation expense in the consolidated statement of income based on their fair values on the measurement date. The Company recognizes forfeitures as they occur. New shares are issued upon exercise of an award. The Company records permanent tax differences through the income tax provision upon vesting or exercise of a stock-based award. The various stock-based compensation plans are described more fully in *Note 16: Stock-Based Compensation*.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (i) the assets have been isolated from the Company and put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership; (ii) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets; and (iii) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance (ASC 740, Income Taxes). The income tax accounting guidance results in two components of income tax expense: (i) current; and (ii) deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability or balance sheet method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term, more likely than not, means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more likely than not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more likely than not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Company recognizes interest and penalties on income taxes as a component of income tax expense. The Company files consolidated income tax returns with its subsidiaries. Due to the carry forward of federal net operating losses, all prior years remain subject to examination by federal tax authorities.

Earnings Per Share

Basic earnings per share represent net income available to common stockholders divided by the weighted average number of common shares outstanding during each period. Diluted earnings per share reflect additional potential shares that would have been outstanding if dilutive potential common stock had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common stock that may be issued by the Company is determined using the treasury stock method.

Fair Values of Financial Instruments

The Company follows the applicable accounting guidance for fair value measurements and disclosures for all applicable financial and nonfinancial assets and liabilities. ASC 820, Fair Value Measurements and Disclosures (“ASC 820”), defines fair value, establishes a framework for measuring fair value under GAAP and enhances disclosures about fair value measurements. The Company values financial instruments based upon quoted market prices, where available. If market prices are not available, fair value is based on pricing models that use available information including quoted prices for similar assets or liabilities in active markets, market indicators, and industry and economic events. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income, net of applicable income taxes. Other comprehensive income includes unrealized appreciation (depreciation) on available-for-sale securities and cash flow hedges.

Derivative Financial Instruments

ASC 815, Derivatives and Hedging, provides the disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (i) how and why an entity uses derivative instruments; (ii) how the entity accounts for derivative instruments and related hedged items; and (iii) how derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows. Further, qualitative disclosures are required that explain the Company’s objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit risk related contingent features in derivative instruments.

As required by ASC 815, the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge.

In accordance with the Financial Accounting Standards Board's (“FASB”) fair value measurement guidance in ASU 2011-04, the Company made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counter-party portfolio.

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.

Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”)

The CARES Act and extended by the Consolidated Appropriations Act of 2021 allowed financial institutions to elect not to consider whether loan modifications relating to the COVID-19 pandemic that they make between March 1, 2020 and December 31, 2021 were troubled debt restructurings (“TDRs”), which required additional disclosures. The relief was applied to modifications of loans to borrowers that were not more than 30 days past due as of December 31, 2019 and were impacted by COVID-19. The Company elected to apply the guidance during the first quarter of 2020. The review of loans that met the criteria was overseen by the Office of the Chief Credit Officer and his team.

Recent Accounting Pronouncements

The following ASUs represent changes to current accounting guidance that will be adopted in future years:

Standard	Anticipated Date of Adoption	Description	Effect on Financial Statements or Other Significant Matters
ASU 2020-05 <i>Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities</i>	Effective immediately, but included here for informational purposes as it relates to the ASU listed in the “description” section.	Amended the mandatory effective date for ASU 2016-02 (Leases). The amended dates were incorporated into the “anticipated date of adoption” section for the appropriate ASU below.	No expected impact to the financial statements, but delays certain ASUs for private companies, and EGCs that elected to use the private company effective dates for new or revised accounting standards. If the Company loses its EGC status during the fiscal year, the Company would be required to review all ASUs as a Public Business Entity (“PBE”) and adopt any ASU effective for PBEs as of the first day of that year.
ASU 2019-10 <i>Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates</i>	Effective immediately, but included here for informational purposes as it relates to the ASU listed in the “description” section.	Amended the mandatory effective dates for all entities related to: (i) credit losses - ASU 2016-13; (ii) goodwill - ASU 2017-04; (iii) leases - ASU 2016-02; and (iv) hedging - ASU 2017-12 The amended dates were incorporated into the “anticipated date of adoption” section for the appropriate ASU below.	No expected impact to the financial statements, but delays certain ASUs for private companies, smaller reporting companies and EGCs that elected to use the private company effective dates for new or revised accounting standards. If a company loses its EGC status during the fiscal year, the company would be required to review all ASUs as a PBE and adopt any ASU effective for PBEs as of the first day of that year.

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Standard	Anticipated Date of Adoption	Description	Effect on Financial Statements or Other Significant Matters
ASU 2019-04 <i>Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments</i>	Updates related to ASU 2016-13 are effective at the same time as ASU 2016-13.	<p>Provided an election to measure separately or not measure an allowance for credit losses ("ACL") for accrued interest receivable.</p> <p>Provided an election to write-off uncollectible interest as a reversal of interest income or a charge against the ACL or a combination of both.</p> <p>Clarified that recoveries, including recoveries of amounts expected to be written off and those previously written off, should be incorporated within the estimation of the ACL.</p> <p>Clarified that contractual extensions or renewal options that are not unconditionally cancellable by the lender are considered when determining the contractual term over which expected credit losses are measured.</p>	<p>The Company elected to exclude accrued interest receivable from the ACL. The Company has existing practices in place for the timely write-off of uncollectable accrued interest receivable. The Company plans to adjust the historical loss information to reflect the amount of accrued interest that would have been charged off if the entity had not applied a nonaccrual accounting policy.</p> <p>The Company elected to reverse interest income when accrued interest receivable is written off, which is similar to past accounting practice.</p> <p>Additional information regarding the Company's transition to ASU 2016-13 is provided below.</p>

Standard	Anticipated Date of Adoption	Description	Effect on Financial Statements or Other Significant Matters
ASU 2016-13 <i>Financial Instruments-Credit Losses</i>	<p>If the Company maintains its EGC status, the Company is not required to implement this standard until January 2023.</p> <p>The Company expects to adopt this standard on January 1, 2022.</p>	<p>Requires an entity to utilize a new impairment model known as the current expected credit loss ("CECL") model to estimate its lifetime expected credit loss and record an allowance that, when deducted from amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset.</p>	<p>The Company established a committee to formulate and oversee the implementation process including selection, implementation and testing of third-party software.</p> <p>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 in order 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.</p> <p>The Company plans to use 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 aligns with the Company's incurred loss model. This allows the Company to take advantages of the efficiencies of processes and procedures already in practice.</p> <p>The Company's loan categories will be similar to those used under the current, incurred loss model, but will break out the Commercial loan category into Commercial and Commercial lines of credit.</p> <p>Upon adoption in 2022, a cumulative-effect adjustment, net of tax for the change in the ACL will be recognized in retained earnings.</p> <p>These results include the adoption of a forecast based on several economic assumptions, including unemployment rates and management judgments.</p> <p>Adoption will not materially impact reporting for debt securities as the Company does not currently own held-to-maturity debt securities within the scope of ASU 2016-13.</p>

Standard	Anticipated Date of Adoption	Description	Effect on Financial Statements or Other Significant Matters
ASU 2016-02 <i>Leases (Topic 842)</i>	The Company expects to early adopt this standard on January 1, 2022.	<p>Requires lessees and lessors to recognize lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements.</p> <p>The update requires lessees and lessors to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach with the option to elect certain practical expedients.</p> <p>The update will also increase disclosures around leases, including qualitative and specific quantitative measures.</p>	<p>The Company expects to apply the update as of the beginning of the period of adoption and the Company does not plan to restate comparative periods. The Company expects to elect certain optional practical expedients.</p> <p>The Company performed a search for all property leases and potential embedded leases inside other third-party agreements, The Company's review for embedded leases focused on third-party software as a service ("SAAS") agreements and determined if the Company had the right to control a specified asset over a period of time in exchange for consideration.</p> <p>The Company's current operating leases relate primarily to five branch locations.</p> <p>The Company expects to record approximately \$27 million for the lease liability and \$25 million for the right of use asset on its balance sheet, with an immaterial impact to its income statement compared to the current lease accounting model.</p>

Accounting Guidance Adopted During Fiscal Years 2021, 2020, and 2019

Standard	Date of Adoption	Description	Effect on Financial Statements or Other Significant Matters
<p>ASU 2021-06</p> <p><i>Presentation of Financial Statement (Topic 205), Financial Services - Depository and Lending (Topic 942), and Financial Services - Investment Companies (Topic 946) - Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10786, Amendments to Financial Disclosures about Acquired and Disposed Businesses, and No. 33-10835, Update of Statistical Disclosures for Bank and Savings and Loan Registrants</i></p>	<p>Effective on issuance</p> <p>Applicable to fiscal years ending on or after December 15, 2021</p>	<p>ASU adds or amends SEC paragraphs in the Accounting Standards Codification that describe SEC guidance or SEC staff views that the Financial Accounting Standards Board includes as a convenience to Codification users.</p> <p>SEC Release No. 33-10835; 34-89835; and File No. S7-02-17, updated and codified the Statistical Disclosures for Bank and Savings and Loan Registrants. The amendments update and expand the disclosures that registrants are required to provide, codify certain Guide 3 disclosure items and eliminate other Guide 3 disclosure items that overlap with Commission rules or U.S. Generally Accepted Accounting Principles. In addition, the disclosure requirements were added to a new subpart of Regulation S-K and rescinds Guide 3.</p>	<p>The ASU did not have a material impact on the Company's consolidated financial statements, but impacted disclosure requirements in the Company's Form 10-K, including:</p> <ul style="list-style-type: none"> - Distribution of assets, liabilities and stockholders' equity; - Weighted average yield of each maturity category of debt securities not carried at fair value through earnings; - Maturity analysis of the loan portfolio; - Certain credit ratios, including requiring the disclosure of the allowance for loan losses to total loans, nonaccrual loans to total loans, allowance for loan losses to nonaccrual loans, and net charge-offs to average loans by loan category; - Allowance for loan losses by category; and - average deposit rates paid and amount that are uninsured.
<p>ASU 2021-04</p> <p><i>Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options</i></p>	<p>December 31, 2021</p> <p>(early adopted and is being applied as of January 1, 2021)</p>	<p>Clarifies and reduces diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options that remain equity-classified.</p> <p>An issuer should measure the effect of a modification as the difference between the fair value of the modified warrant and the fair value of that warrant immediately before modification.</p> <p>The recognition of the modification depends on the nature of the transaction in which a warrant is modified: (i) Equity issuance - recorded as deferred costs of an equity offering; (ii) Debt origination - recorded as a debt discount if held by the lender or debt issuance costs if held by a third party; (iii) Debt modification - recorded as a fee paid to or received from the creditor, if held by a creditor, and as a third party cost if held by a third party; and (iv) All other modifications - recorded as a dividend that reduces retained earnings.</p>	<p>The Company had 113,500 warrants outstanding as of December 31, 2021.</p> <p>The amendments in the ASU did not have a material impact on the Company's year-end or interim consolidated financial statements.</p>

Standard	Date of Adoption	Description	Effect on Financial Statements or Other Significant Matters
ASU 2018-16 <i>Derivative and Hedging (Topic 815) Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes</i>	December 31, 2021 (applied as of January 1, 2021)	Permit use of the OIS rate based on SOFR as a U.S. benchmark interest rate for hedge accounting purposes in addition to the UST, the LIBOR swap rate, the OIS rate based on the Fed Funds Effective Rate, and the SIFMA Municipal Swap Rate.	The change will apply prospectively for qualifying new or redesignated hedging relationships entered into on or after the date of adoption. The ASU did not have a material impact on the Company's year-end or interim consolidated financial statements.
ASU 2018-15 <i>Intangibles-Goodwill and Other-Internal-Use Software</i>	December 31, 2021 (applied as of January 1, 2021)	Aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal use software.	The Company elected to apply the change in accounting principle prospectively. A review of third-party, hosting arrangements, including software-as-a-service ("SaaS") arrangements, that were in the implementation stage was performed in 2021 to ensure applicable implementation costs were capitalized and will be amortized over the service period. SaaS arrangements are service contracts providing the Company with the right to access the cloud provider's application software over the contract period. As such the Company does not receive a software intangible asset at the contract commencement date. A right to receive future access to the supplier's software does not, at the contract commencement date, give the customer the power to obtain the future economic benefits flowing from the software itself and to restrict others' access to those benefits The ASU did not have a material impact on the Company's year-end or interim consolidated financial statements. The Company's previous capitalization policies were similar to the ASU requirements.
ASU 2017-12 <i>Derivatives and Hedging (Topic 815) Targeted Improvements to Accounting for Hedging Activities</i>	December 31, 2021 (applied as of January 1, 2021)	Simplifies and expands the eligible hedging strategies for financial and nonfinancial risks. Enhances the transparency of how hedging results are presented and disclosed. Provides partial relief on the timing of certain aspects of hedge documentation and eliminates the requirement to recognize hedge ineffectiveness separately in earnings.	During the year ended December 31, 2021, the Company began entering into cash flow hedges. As of December 31, 2021, the total number of cash flow hedges was 5 with an aggregate notional amount of \$100 million. The amendments in the ASU did not have a material impact on the Company's year-end or interim consolidated financial statements.

Standard	Date of Adoption	Description	Effect on Financial Statements or Other Significant Matters
<p>ASU 2020-04:</p> <p><i>Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting</i></p>	<p>June 30, 2020</p>	<p>The ASU provides optional expedients and exceptions to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met.</p> <p>The ASU only applies to transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. The amendments include:</p> <p>(1) Optional expedients to contract modifications that allow the Company to adjust the effective interest rate of receivables and debt, account for lease modifications as a continuation of the existing lease, and remove the requirement to reassess its original conclusions for contract modifications about whether that contract contains an embedded derivative that is clearly and closely related to the economic characteristics and risks of the host contract under Subtopic 815-15, Derivatives and Hedging—Embedded Derivatives;</p> <p>(2) Exceptions to the guidance in Topic 815 related to changes in the critical terms of a hedging relationship due to reference rate reform; and</p> <p>(3) Optional expedients for cash flow and fair value hedges.</p>	<p>The Company had more than \$1 billion in loans tied to LIBOR as of December 31, 2020.</p> <p>The adoption did not have a material accounting impact on the Company’s consolidated financial position or results of operations. Additionally, LIBOR fallback language has been included in key loan provisions of new and renewed loans in preparation for transition from LIBOR to the new benchmark rate when such transition occurs. This standard is expected to ease the administrative burden in accounting for the future effects of reference rate reform.</p> <p>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.</p>
<p>ASU 2019-12:</p> <p><i>Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes</i></p>	<p>January 1, 2020 (Early Adoption)</p>	<p>The ASU simplifies the accounting for income taxes. Among other changes, the ASU:</p> <p>(1) Removes the exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items;</p> <p>(2) Removes the exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year;</p> <p>(3) Requires an entity to recognize a franchise tax that is partially based on income as an income-based tax and account for any incremental amount incurred as a nonincome based tax; and</p> <p>(4) Requires an entity to reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date.</p>	<p>The amendments in the ASU did not have a material impact on the Company’s tax methodology, processes, or the Company’s financial statements.</p>

Standard	Date of Adoption	Description	Effect on Financial Statements or Other Significant Matters
ASU 2018-13: <i>Fair Value Measurement (Topic 820): Disclosure Framework</i>	January 1, 2020	<p>Improves the effectiveness of disclosures in the notes to financial statements by facilitating clear communication of the information. The amendments modify certain disclosure requirements of fair value measurements in Topic 820, Fair Value Measurement.</p> <p>Entities are no longer required to disclose transfers between Level 1 and Level 2 of the fair value hierarchy or qualitatively disclose the valuation process for Level 3 fair value measurements. The updated guidance requires disclosure of the changes in unrealized gains and losses for the period included in Other Comprehensive Income for recurring Level 3 fair value measurements. Entities are required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. The additional provisions of the guidance should be adopted prospectively. The eliminated requirements should be adopted retrospectively.</p>	<p>The adoption did not have a material impact to the Company's financial statements.</p> <p>No transfers between Level 1 and Level 2 occurred in 2019 or 2020 and the Company did not have any recurring Level 3 fair value measurements that created an unrealized gain or loss in Other Comprehensive Income. In addition, the Company previously disclosed the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements.</p>
ASU 2017-04: <i>Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment</i>	January 1, 2020 (Early Adoption)	<p>Eliminates Step 2 from the goodwill impairment test which required entities to compute the implied fair value of goodwill. An entity should perform an annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit.</p>	<p>On the date of adoption, there was no impact to the Company's financial statements.</p> <p>The Company's process for evaluating goodwill impairment was modified to align with the elimination of Step 2. In the second quarter of 2020, the Company performed a Step 0 analysis then a Step 1 analysis and determined that goodwill was fully impaired.</p>
ASU 2016-01: <i>Financial Instruments-Overall (Subtopic 825-10)</i>	January 2019	<p>Required equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income.</p> <p>Emphasized the existing requirement to use exit prices to measure fair value for disclosure purposes and clarifies that entities should not make use of practicability exceptions in determining the fair value of loans.</p>	<p>The Company transferred \$69 thousand from accumulated other comprehensive loss to retained earnings in January 2019.</p> <p>There was no impact to the income statement on the adoption date.</p>

Standard	Date of Adoption	Description	Effect on Financial Statements or Other Significant Matters
ASU 2018-07: <i>Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting</i>	January 2019 Early adoption	<p>Expanded the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees, excluding share-based payments used to effectively provide: (i) financing to the issuer or (ii) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606, <i>Revenue from Contracts with Customers</i>.</p> <p>The amendments include: (i) grants are measured at grant-date fair value of the equity instruments; (ii) equity-classified nonemployee share-based payment awards are measured at the grant date;(iii) performance based awards are measured based on the probability of satisfying the performance conditions and (iv) in general, non-employee share-based payment awards will continue to be subject to the requirements of ASC 718 unless modified after the good has been delivered, the service has been rendered, any other conditions necessary to earn the right to benefit from the instrument have been satisfied, and the nonemployee is no longer providing goods or services.</p>	<p>The Company had 216,960 stock-based awards to non-employees as of the implementation date, including 116,960 performance-based restricted stock units. The adoption of the ASU allowed the Company to: (i) set the fair market value of the non-employee awards as of the adoption date; and (ii) start to expense the performance-based restricted stock units based on the probability of satisfying the performance conditions.</p> <p>Adoption of ASU 2018-07 required the Company to make a one time transfer of \$2 million from retained earnings to additional paid in capital.</p> <p>In addition, the Company recorded a \$306 thousand deferred tax asset that was offset with retained earnings to account for the tax impact.</p> <p>The Company will record forfeitures as they occur and base fair market values on the expected term, like the Company’s accounting for employee-based awards.</p>
ASU 2014-09: <i>Revenue from Contracts with Customers</i>	January 2019	<p>Amended guidance related to revenue from contracts with customers.</p> <p>The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.</p> <p>Replaced nearly all existing revenue recognition guidance, including industry specific guidance, established a new control based revenue recognition model, changed the basis for deciding when revenue is recognized over time or at a point in time, provided new and more detailed guidance on specific topics and expands and improves disclosures about revenue.</p>	<p>The accounting update did not materially impact the financial statements or recognition of revenues.</p> <p>The update did not apply to revenue associated with financial instruments, including loans and securities that are accounted for under other GAAP, which comprises a significant portion of the Company’s revenue stream.</p> <p>In addition, the Company’s noninterest income is generated by customer transactions or through the passage of time and as a result the pattern or timing of income recognition was not impacted.</p>

Note 2: Earnings Per Share

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

	For the Year Ended December 31,		
	2021	2020	2019
	<i>(Dollars in thousands, except per share data)</i>		
Earnings per Share			
Net Income	\$ 69,413	\$ 12,601	\$ 28,473
Less: preferred stock dividends	-	-	175
Net income available to common stockholders	\$ 69,413	\$ 12,601	\$ 28,298
Weighted average common shares	51,291,428	52,070,624	47,679,184
Earnings per share	\$ 1.35	\$ 0.24	\$ 0.59
Diluted Earnings per Share			
Net income available to common stockholders	\$ 69,413	\$ 12,601	\$ 28,298
Weighted average common shares	51,291,428	52,070,624	47,679,184
Effect of dilutive shares	739,154	477,923	896,951
Weighted average dilutive common shares	52,030,582	52,548,547	48,576,135
Diluted earnings per share	\$ 1.33	\$ 0.24	\$ 0.58
Stock-based awards not included because to do so would be antidilutive	658,100	1,014,639	521,659

Note 3: Securities

Available-for-Sale 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:

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
	<i>(Dollars in thousands)</i>			
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
	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
	<i>(Dollars in thousands)</i>			
Available-for-sale securities				
Mortgage-backed - GSE residential	\$ 104,839	\$ 4,277	\$ —	\$ 109,116
Collateralized mortgage obligations - GSE residential	52,070	984	42	53,012
State and political subdivisions	454,486	33,642	31	488,097
Corporate bonds	4,259	104	—	4,363
Total available-for-sale securities	\$ 615,654	\$ 39,007	\$ 73	\$ 654,588

The carrying value of securities pledged as collateral was \$0 and \$16 million at December 31, 2021 and 2020, respectively.

The following table summarizes the gross realized gains and losses from sales or maturities of AFS securities:

	For the Year Ended December 31, 2021		
	Gross Realized Gains	Gross Realized Losses	Net Realized Gain
	<i>(Dollars in thousands)</i>		
Available-for-sale securities	\$ 1,157	\$ 134	\$ 1,023

	For the Year Ended December 31, 2020		
	Gross Realized Gains⁽¹⁾	Gross Realized Losses	Net Realized Gain
	<i>(Dollars in thousands)</i>		
Available-for-sale securities	\$ 1,788	\$ 84	\$ 1,704

⁽¹⁾ Included \$75 thousand related to a previously disclosed OTTI municipal security that was settled in 2020.

	For the Year Ended December 31, 2019		
	Gross Realized Gains	Gross Realized Losses	Net Realized Gain
	<i>(Dollars in thousands)</i>		
Available-for-sale securities	\$ 1,043	\$ 56	\$ 987

Maturity Schedule

The amortized cost, fair value, and weighted average yield of available-for-sale securities by contractual maturity, are shown below:

	December 31, 2021				
	Within One Year	After One to Five Years	After Five to Ten Years	After Ten Years	Total
<i>(Dollars in thousands)</i>					
Available-for-sale securities					
Mortgage-backed - GSE residential ⁽¹⁾					
Amortized cost	\$ —	\$ 30	\$ 148	\$ 161,497	\$ 161,675
Estimated fair value	\$ —	\$ 31	\$ 156	\$ 161,523	\$ 161,710
Weighted average yield ⁽²⁾	— %	4.67 %	4.00 %	1.62 %	1.62 %
Collateralized mortgage obligations - GSE residential ⁽¹⁾					
Amortized cost	\$ —	\$ —	\$ 2,421	\$ 15,709	\$ 18,130
Estimated fair value	\$ —	\$ —	\$ 2,559	\$ 15,872	\$ 18,431
Weighted average yield ⁽²⁾	— %	— %	2.77 %	1.61 %	1.77 %
State and political subdivisions					
Amortized cost	\$ 741	\$ 4,304	\$ 84,230	\$ 443,631	\$ 532,906
Estimated fair value	\$ 746	\$ 4,520	\$ 90,645	\$ 465,557	\$ 561,468
Weighted average yield ⁽²⁾	3.49 %	4.14 %	3.29 %	2.67 %	2.78 %
Corporate bonds					
Amortized cost	\$ —	\$ 604	\$ 3,637	\$ —	\$ 4,241
Estimated fair value	\$ —	\$ 670	\$ 3,690	\$ —	\$ 4,360
Weighted average yield ⁽²⁾	— %	5.83 %	4.28 %	— %	4.50 %
Total available-for-sale securities					
Amortized cost	<u>\$ 741</u>	<u>\$ 4,938</u>	<u>\$ 90,436</u>	<u>\$ 620,837</u>	<u>\$ 716,952</u>
Estimated fair value	<u>\$ 746</u>	<u>\$ 5,221</u>	<u>\$ 97,050</u>	<u>\$ 642,952</u>	<u>\$ 745,969</u>
Weighted average yield ⁽²⁾	<u>3.49 %</u>	<u>4.35 %</u>	<u>3.32 %</u>	<u>2.37 %</u>	<u>2.50 %</u>

⁽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 using a 30/360 day basis. Tax-exempt securities are not tax effected.

	December 31, 2020				
	Within One Year	After One to Five Years	After Five to Ten Years	After Ten Years	Total
<i>(Dollars in thousands)</i>					
Available-for-sale securities					
Mortgage-backed - GSE residential ⁽¹⁾					
Amortized cost	\$ —	\$ 48	\$ 199	\$ 104,592	\$ 104,839
Estimated fair value	\$ —	\$ 51	\$ 212	\$ 108,853	\$ 109,116
Weighted average yield ⁽²⁾	— %	4.57 %	3.95 %	1.96 %	1.96 %
Collateralized mortgage obligations - GSE residential ⁽¹⁾					
Amortized cost	\$ —	\$ —	\$ 2,483	\$ 49,587	\$ 52,070
Estimated fair value	\$ —	\$ —	\$ 2,721	\$ 50,291	\$ 53,012
Weighted average yield ⁽²⁾	— %	— %	2.77 %	1.02 %	1.11 %
State and political subdivisions					
Amortized cost	\$ 653	\$ 7,661	\$ 62,313	\$ 383,859	\$ 454,486
Estimated fair value	\$ 657	\$ 7,846	\$ 67,844	\$ 411,750	\$ 488,097
Weighted average yield ⁽²⁾	8.18 %	5.40 %	3.40 %	2.94 %	3.05 %
Corporate bonds					
Amortized cost	\$ —	\$ 358	\$ 3,901	\$ —	\$ 4,259
Estimated fair value	\$ —	\$ 368	\$ 3,995	\$ —	\$ 4,363
Weighted average yield ⁽²⁾	— %	4.70 %	4.54 %	— %	4.55 %
Total available-for-sale securities					
Amortized cost	<u>\$ 653</u>	<u>\$ 8,067</u>	<u>\$ 68,896</u>	<u>\$ 538,038</u>	<u>\$ 615,654</u>
Estimated fair value	<u>\$ 657</u>	<u>\$ 8,265</u>	<u>\$ 74,772</u>	<u>\$ 570,894</u>	<u>\$ 654,588</u>
Weighted average yield ⁽²⁾	<u>8.18 %</u>	<u>5.36 %</u>	<u>3.44 %</u>	<u>2.57 %</u>	<u>2.71 %</u>

⁽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 using a 30/360 day basis. Tax-exempt securities are not tax effected.

Gross Unrealized Losses

Certain investments in AFS securities are reported in the consolidated financial statements at an amount less than their historical cost. Total fair value of these investments at December 31, 2021 and 2020, was \$162 million and \$18 million, which was approximately 22% and 3%, respectively, of the Company's available-for-sale security portfolio.

The unrealized losses on the Company's investments in state and political subdivisions were caused by interest rate changes. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost basis of the investments. The unrealized losses on the Company's investments in collateralized mortgage-backed securities and obligations were caused by interest rate changes and market assumptions about prepayment speeds.

The Company expects to recover the amortized cost basis over the term of the securities. Because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity, the Company does not consider those investments to be OTTI at December 31, 2021.

Based on evaluation of available evidence, including recent changes in market interest rates, credit rating information and information obtained from regulatory filings, management believes the declines in fair value for these securities are temporary.

The following table shows available-for-sale securities gross unrealized losses, the number of securities that are in an unrealized loss position, and fair value of the Company's investments with unrealized losses that are not deemed to be OTTI, aggregated by investment class and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2021 and 2020:

	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
	<i>(Dollars in thousands)</i>								
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 AFS securities	\$ 161,024	\$ 2,546	57	\$ 1,310	\$ 5	4	\$ 162,334	\$ 2,551	61

	December 31, 2020								
	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
	<i>(Dollars in thousands)</i>								
Available-for-Sale Securities									
Mortgage-backed - GSE residential	\$ —	\$ —	—	\$ —	\$ —	—	\$ —	\$ —	—
Collateralized mortgage obligations - GSE residential	9,933	42	5	—	—	—	9,933	42	5
State and political subdivisions	8,525	31	8	25	—	1	8,550	31	9
Corporate bonds	—	—	—	—	—	—	—	—	—
Total temporarily impaired AFS securities	\$ 18,458	\$ 73	13	\$ 25	\$ —	1	\$ 18,483	\$ 73	14

Other-Than-Temporary Impairment

Upon acquisition of a security, the Company decides whether it is within the scope of the accounting guidance for beneficial interests in securitized financial assets or will be evaluated for impairment under the accounting guidance for investments.

The accounting guidance for beneficial interests in securitized financial assets provides incremental impairment guidance for a subset of the securities within the scope of the guidance. For securities where the security is a beneficial interest in securitized financial assets, the Company uses the beneficial interests in securitized financial asset impairment model. For securities where the security is not a beneficial interest in securitized financial assets, the Company uses the securities impairment model.

The Company routinely conducts periodic reviews to identify and evaluate each investment security to determine whether an OTTI has occurred. Economic models are used to determine whether an OTTI has occurred on these securities. The Company recorded no OTTI losses on AFS securities in 2021, 2020 or 2019.

Equity Securities

Equity securities consist of a \$2 million investment in Community Reinvestment Act (“CRA”) mutual fund and a \$433 thousand private equity investment. Equity securities are included in other assets on the Consolidated Balance Sheets.

During 2020, the Company acquired an \$11 million privately-held security in partial satisfaction of debts previously contracted. The Company used a discounted cash flow model, a market transactions model and a public valuation approach to determine the security’s cost basis. The Company elected a measurement alternative that allows the security 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 changes to the cost basis occurred in 2020. During 2021, the Company sold the equity security for \$5 million that resulted in a \$6 million realized loss.

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

	For the Year Ended December 31,		
	2021	2020	2019
	<i>(Dollars in thousands)</i>		
Net gains (losses) recognized during the reporting period on equity securities	\$ (6,325)	\$ 46	\$ 62
Less: net losses recognized during the period on equity securities sold during the period	(6,245)	—	—
Unrealized gain (loss) recognized during the reporting period on equity securities still held at the reporting date	<u>\$ (80)</u>	<u>\$ 46</u>	<u>\$ 62</u>

Note 4: Loans and Allowance for Loan Losses

Categories of loans at December 31, 2021 and 2020 include:

	As of December 31,	
	2021	2020
	<i>(Dollars in thousands)</i>	
Commercial	\$ 1,401,681	\$ 1,338,757
Energy	278,860	345,233
Commercial real estate	1,281,095	1,179,534
Construction and land development	578,758	563,144
Residential and multifamily real estate	600,816	680,932
Paycheck Protection Program (“PPP”)	64,805	292,230
Consumer	63,605	55,270
Gross loans	4,269,620	4,455,100
Less: Allowance for loan losses	58,375	75,295
Less: Net deferred loan fees and costs	13,407	13,203
Net loans	<u>\$ 4,197,838</u>	<u>\$ 4,366,602</u>

The following tables summarize the activity in the allowance for loan losses by portfolio segment and disaggregated based on the Company's impairment methodology. The allocation in one portfolio segment does not preclude its availability to absorb losses in other segments:

As of or For the Year Ended December 31, 2021

	<u>Commercial</u>	<u>Energy</u>	<u>Commercial Real Estate</u>	<u>Construction and Land Development</u>	<u>Residential and Multifamily Real Estate</u>	<u>PPP</u>	<u>Consumer</u>	<u>Total</u>
	<i>(Dollars in thousands)</i>							
Allowance for loan losses								
Beginning balance	\$ 24,693	\$ 18,341	\$ 22,354	\$ 3,612	\$ 5,842	\$ —	\$ 453	\$ 75,295
Provision	7,951	(8,109)	(3,235)	137	(611)	—	(133)	(4,000)
Charge-offs	(12,618)	(1,003)	—	—	—	—	(2)	(13,623)
Recoveries	326	—	—	—	367	—	10	703
Ending balance	<u>\$ 20,352</u>	<u>\$ 9,229</u>	<u>\$ 19,119</u>	<u>\$ 3,749</u>	<u>\$ 5,598</u>	<u>\$ —</u>	<u>\$ 328</u>	<u>\$ 58,375</u>
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	<u>\$ 20,352</u>	<u>\$ 9,229</u>	<u>\$ 19,119</u>	<u>\$ 3,749</u>	<u>\$ 5,598</u>	<u>\$ —</u>	<u>\$ 328</u>	<u>\$ 58,375</u>
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	<u>\$ 1,401,681</u>	<u>\$ 278,860</u>	<u>\$ 1,281,095</u>	<u>\$ 578,758</u>	<u>\$ 600,816</u>	<u>\$ 64,805</u>	<u>\$ 63,605</u>	<u>\$ 4,269,620</u>

As of or For the Year Ended December 31, 2020

	Commercial	Energy	Commercial Real Estate	Construction and Land Development	Residential and Multifamily Real Estate	PPP	Consumer	Total
<i>(Dollars in thousands)</i>								
Allowance for loan losses								
Beginning balance	\$ 35,864	\$ 6,565	\$ 8,085	\$ 3,516	\$ 2,546	\$ —	\$ 320	\$ 56,896
Provision	19,959	16,867	15,853	96	3,700	—	225	56,700
Charge-offs	(31,205)	(5,091)	(1,584)	—	(445)	—	(104)	(38,429)
Recoveries	75	—	—	—	41	—	12	128
Ending balance	<u>\$ 24,693</u>	<u>\$ 18,341</u>	<u>\$ 22,354</u>	<u>\$ 3,612</u>	<u>\$ 5,842</u>	<u>\$ —</u>	<u>\$ 453</u>	<u>\$ 75,295</u>
Period end allowance for loan losses allocated to:								
Individually evaluated for impairment	\$ 1,115	\$ 3,370	\$ 5,048	\$ —	\$ —	\$ —	\$ —	\$ 9,533
Collectively evaluated for impairment	\$ 23,578	\$ 14,971	\$ 17,306	\$ 3,612	\$ 5,842	\$ —	\$ 453	\$ 65,762
Ending balance	<u>\$ 24,693</u>	<u>\$ 18,341</u>	<u>\$ 22,354</u>	<u>\$ 3,612</u>	<u>\$ 5,842</u>	<u>\$ —</u>	<u>\$ 453</u>	<u>\$ 75,295</u>
Allocated to loans:								
Individually evaluated for impairment	\$ 44,678	\$ 26,045	\$ 44,318	\$ —	\$ 6,329	\$ —	\$ 244	\$ 121,614
Collectively evaluated for impairment	\$ 1,294,079	\$ 319,188	\$ 1,135,216	\$ 563,144	\$ 674,603	\$ 292,230	\$ 55,026	\$ 4,333,486
Ending balance	<u>\$ 1,338,757</u>	<u>\$ 345,233</u>	<u>\$ 1,179,534</u>	<u>\$ 563,144</u>	<u>\$ 680,932</u>	<u>\$ 292,230</u>	<u>\$ 55,270</u>	<u>\$ 4,455,100</u>

As of or For the Year Ended December 31, 2019

	Commercial	Energy	Commercial Real Estate	Construction and Land Development	Residential and Multifamily Real Estate	PPP	Consumer	Total
<i>(Dollars in thousands)</i>								
Allowance for loan losses								
Beginning balance	\$ 16,584	\$ 10,262	\$ 6,755	\$ 2,475	\$ 1,464	\$ —	\$ 286	\$ 37,826
Provision	27,219	(1,273)	1,771	1,041	1,090	—	52	29,900
Charge-offs	(7,954)	(3,000)	(441)	—	(8)	—	(20)	(11,423)
Recoveries	15	576	—	—	—	—	2	593
Ending balance	<u>\$ 35,864</u>	<u>\$ 6,565</u>	<u>\$ 8,085</u>	<u>\$ 3,516</u>	<u>\$ 2,546</u>	<u>\$ —</u>	<u>\$ 320</u>	<u>\$ 56,896</u>

Credit Risk Profile

The Company analyzes its loan portfolio based on internal rating categories (grades 1 - 8), portfolio segmentation and payment activity. These categories are utilized to develop the associated ALLL. A description of the loan grades and segments follows:

Loan Grades

- **Pass (risk rating 1-4)** - Considered satisfactory. 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)** - Borrowers 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)** - Credits generally exhibit well-defined weakness(es) that jeopardize repayment. Credits are inadequately protected by the current worth and paying capacity of the obligor or of the collateral pledged. A distinct possibility exists that the Company will sustain some loss if deficiencies are not corrected. Loss potential, while existing in the aggregate amount of substandard assets, does not have to exist in individual assets classified substandard. Substandard loans include both performing and nonperforming loans and are broken out in the table below.
- **Doubtful (risk rating 7)** - Credits which exhibit weaknesses inherent in a substandard credit with the added characteristic 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.

Loan Portfolio Segments

- **Commercial** - Includes loans to commercial customers for use in financing working capital, equipment purchases and expansions. 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.
- **Energy** - 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** - Loans 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** - Loans 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 and Multifamily Real Estate** - The loans are generally secured by owner-occupied 1-4 family residences or multifamily properties. Repayment of these loans is primarily dependent on the personal income and credit rating of the borrowers or underlying 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, a borrower's personal income, or residents' income.

- **PPP** - The loans were established by the CARES Act which authorized forgivable loans to small businesses to pay their employees during the COVID-19 pandemic. The program requires all loan terms to be the same for everyone. The loans are 100% guaranteed by the SBA and repayment is primarily dependent on the borrower's cash flow or SBA repayment approval.
- **Consumer** - The loan portfolio consists of 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.

Loans by Risk Rating

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

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

As of December 31, 2020							
	Pass	Special Mention	Substandard Performing	Substandard Nonperforming	Doubtful	Loss	Total
<i>(Dollars in thousands)</i>							
Commercial	\$ 1,182,519	\$ 66,142	\$ 63,407	\$ 26,124	\$ 565	\$ —	\$ 1,338,757
Energy	145,598	90,134	83,574	22,177	3,750	—	345,233
Commercial real estate	1,035,056	67,710	57,680	19,088	—	—	1,179,534
Construction and land development	561,871	125	1,148	—	—	—	563,144
Residential and multifamily real estate	672,327	305	5,199	3,101	—	—	680,932
PPP	292,230	—	—	—	—	—	292,230
Consumer	55,026	—	—	244	—	—	55,270
Total	<u>\$ 3,944,627</u>	<u>\$ 224,416</u>	<u>\$ 211,008</u>	<u>\$ 70,734</u>	<u>\$ 4,315</u>	<u>\$ —</u>	<u>\$ 4,455,100</u>

Loan Portfolio Aging Analysis

The following tables present the Company's loan portfolio aging analysis of the recorded investment in loans as of December 31, 2021 and 2020:

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
<i>(Dollars in thousands)</i>							
Commercial	\$ 183	\$ 499	\$ 1,037	\$ 1,719	\$ 1,399,962	\$ 1,401,681	\$ 90
Energy	—	—	4,644	4,644	274,216	278,860	—
Commercial real estate	85	992	—	1,077	1,280,018	1,281,095	—
Construction and land development	966	117	—	1,083	577,675	578,758	—
Residential and multifamily real estate	437	151	—	588	600,228	600,816	—
PPP	—	—	—	—	64,805	64,805	—
Consumer	—	99	—	99	63,506	63,605	—
Total	<u>\$ 1,671</u>	<u>\$ 1,858</u>	<u>\$ 5,681</u>	<u>\$ 9,210</u>	<u>\$ 4,260,410</u>	<u>\$ 4,269,620</u>	<u>\$ 90</u>

As of December 31, 2020							
	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
<i>(Dollars in thousands)</i>							
Commercial	\$ 8,497	\$ 264	\$ 11,236	\$ 19,997	\$ 1,318,760	\$ 1,338,757	\$ —
Energy	—	—	7,173	7,173	338,060	345,233	372
Commercial real estate	63	7,677	4,825	12,565	1,166,969	1,179,534	—
Construction and land development	—	—	—	—	563,144	563,144	—
Residential and multifamily real estate	1,577	—	3,520	5,097	675,835	680,932	652
PPP	—	—	—	—	292,230	292,230	—
Consumer	—	—	—	—	55,270	55,270	—
Total	<u>\$ 10,137</u>	<u>\$ 7,941</u>	<u>\$ 26,754</u>	<u>\$ 44,832</u>	<u>\$ 4,410,268</u>	<u>\$ 4,455,100</u>	<u>\$ 1,024</u>

Impaired Loans

A loan is considered impaired, in accordance with the impairment accounting guidance (ASC 310-10-35-16), when based on current information and events, it is probable the Company will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming loans but also include loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. The intent of concessions is to maximize collection.

Groups of loans with similar risk characteristics are collectively evaluated for impairment based on the group's historical loss experience adjusted for changes in trends, conditions and other relevant factors that affect repayment of the loans. The following tables present loans individually evaluated for impairment, including all restructured and formerly restructured loans, for the periods ended December 31, 2021 and December 31, 2020:

	As of or For the Year Ended December 31, 2021				
	<u>Recorded Balance</u>	<u>Unpaid Principal Balance</u>	<u>Specific Allowance</u>	<u>Average Investment Impaired Loans</u>	<u>Interest Income Recognized</u>
	<i>(Dollars in thousands)</i>				
Loans without a specific valuation					
Commercial	\$ 4,659	\$ 4,740	\$ —	\$ 7,155	\$ 75
Energy	3,509	7,322	—	4,548	5
Commercial real estate	1,729	1,729	—	1,800	18
Construction and land development	—	—	—	—	—
Residential and multifamily real estate	3,387	3,387	—	3,392	86
PPP	—	—	—	—	—
Consumer	—	—	—	—	—
Loans with a specific valuation					
Commercial	1,080	1,080	333	496	19
Energy	12,695	17,977	2,100	14,117	14
Commercial real estate	29,868	30,854	3,164	28,876	993
Construction and land development	—	—	—	—	—
Residential and multifamily real estate	—	—	—	—	—
PPP	—	—	—	—	—
Consumer	—	—	—	—	—
Total					
Commercial	5,739	5,820	333	7,651	94
Energy	16,204	25,299	2,100	18,665	19
Commercial real estate	31,597	32,583	3,164	30,676	1,011
Construction and land development	—	—	—	—	—
Residential and multifamily real estate	3,387	3,387	—	3,392	86
PPP	—	—	—	—	—
Consumer	—	—	—	—	—
	<u>\$ 56,927</u>	<u>\$ 67,089</u>	<u>\$ 5,597</u>		<u>\$ 1,210</u>

As of or For the Year Ended December 31, 2020

	<u>Recorded Balance</u>	<u>Unpaid Principal Balance</u>	<u>Specific Allowance</u>	<u>Average Investment Impaired Loans</u>	<u>Interest Income Recognized</u>
	<i>(Dollars in thousands)</i>				
Loans without a specific valuation					
Commercial	\$ 36,111	\$ 50,245	\$ —	\$ 29,591	\$ 1,143
Energy	3,864	6,677	—	6,710	53
Commercial real estate	10,079	11,663	—	11,952	390
Construction and land development	—	—	—	—	—
Residential and multifamily real estate	6,329	6,585	—	6,315	145
PPP	—	—	—	—	—
Consumer	244	244	—	250	—
Loans with a specific valuation					
Commercial	8,567	8,567	1,115	8,637	249
Energy	22,181	27,460	3,370	23,823	542
Commercial real estate	34,239	34,239	5,048	27,980	1,035
Construction and land development	—	—	—	—	—
Residential and multifamily real estate	—	—	—	—	—
PPP	—	—	—	—	—
Consumer	—	—	—	—	—
Total					
Commercial	44,678	58,812	1,115	38,228	1,392
Energy	26,045	34,137	3,370	30,533	595
Commercial real estate	44,318	45,902	5,048	39,932	1,425
Construction and land development	—	—	—	—	—
Residential and multifamily real estate	6,329	6,585	—	6,315	145
PPP	—	—	—	—	—
Consumer	244	244	—	250	—
	<u>\$ 121,614</u>	<u>\$ 145,680</u>	<u>\$ 9,533</u>		<u>\$ 3,557</u>

Non-accrual Loans

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.

All interest accrued but not collected for loans that are placed on non-accrual or charged off are reversed against interest income. The interest on these loans is accounted for on the cash basis or cost-recovery method, until qualifying for return to accrual. 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 category at December 31, 2021 and 2020:

	As of December 31,	
	2021	2020
	<i>(Dollars in thousands)</i>	
Commercial	\$ 4,858	\$ 26,691
Energy	16,148	25,927
Commercial real estate	10,222	19,088
Construction and land development	—	—
Residential and multifamily real estate	204	3,101
PPP	—	—
Consumer	—	244
Total non-accrual loans	<u>\$ 31,432</u>	<u>\$ 75,051</u>

Troubled Debt Restructurings (“TDR”)

Restructured loans 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 as permitted by the CARES Act (as extended by the Consolidated Appropriations Act of 2021). A TDR may also exist if the borrower transfers to the Bank: (i) receivables for third parties; (ii) real estate; (iii) other assets; or (iv) an equity position in the borrower to fully or partially satisfy a loan or the issuance or other granting of an equity position to the Bank to fully or partially satisfy a debt unless the equity position is granted pursuant to existing terms for converting the debt into an equity position.

Once an obligation has been restructured, the loan continues to be considered restructured until: (i) the obligation is paid in full or (ii) the borrower is in compliance with its modified terms for at least 12 consecutive months, the loan has a market rate, and the borrower could obtain similar terms from another bank. When a loan undergoes a TDR, the determination of whether the loan would remain on accrual status depends on several factors including: (i) the accrual status prior to the restructuring; (ii) the borrower’s demonstrated performance under the previous terms; and (iii) the Bank’s credit evaluation of the borrower’s capacity to continue to perform under the restructured terms.

Loans identified as TDRs are evaluated for impairment using the present value of the expected cash flows or the estimated fair value of the collateral if the loan is collateral dependent. The fair value is determined, when possible, by an appraisal of the property less estimated costs related to liquidation of the collateral. The appraisal amount may also be adjusted for current market conditions. Adjustments to reflect the present value of the expected cash flows or the estimated fair value of collateral dependent loans are a component in determining an appropriate allowance, and as such, may result in increases or decreases to the provision for loan losses in current and future earnings.

During the year ended December 31, 2021, \$2 million of interest income was recognized related to the \$40 million in TDRs above. If the loans had been current in accordance with their original terms and had been outstanding throughout the period or since inception, the gross interest income that would have been recorded for the year ended December 31, 2021 would have been \$3 million.

During the year ended December 31, 2020, \$1 million of interest income was recognized related to the \$63 million in TDRs above. If the loans had been current in accordance with their original terms and had been outstanding throughout the period or since inception, the gross interest income that would have been recorded for the year ended December 31, 2020 would have been \$2 million.

Note 5: Premises and Equipment

Major classifications of premises and equipment, stated at cost, are as follows:

	As of December 31,	
	2021	2020
	<i>(Dollars in thousands)</i>	
Land	\$ 7,384	\$ 7,384
Building and improvements	62,344	62,331
Construction in progress	509	95
Furniture and fixtures	14,106	14,073
Equipment	9,596	9,587
	93,939	93,470
Less: accumulated depreciation	27,870	22,961
Premises and equipment, net	\$ 66,069	\$ 70,509

Note 6: Goodwill and Core Deposit Intangible

As a result of economic conditions from the COVID-19 pandemic and oil market volatility, the Company conducted a June 30, 2020 goodwill impairment test. The test required a goodwill impairment charge of \$7 million, representing full impairment of goodwill. The primary causes of the goodwill impairment were economic conditions, volatility in the market capitalization of the Company, increased loan provision in light of the COVID-19 pandemic, and other changes in key variables driven by the uncertain macro-environment that when combined, resulted in the reporting unit's fair value being less than the carrying value. The Tulsa, Oklahoma market represented the reporting unit and included all goodwill previously recorded.

The reporting unit's fair value was determined using a combination of: (i) the capitalization of earnings method, an income approach, and (ii) the public company method, a market approach. The income approach estimated fair value by determining the cash flow in a single period, adjusted for growth that is adjusted by a capitalization rate. The market approach estimated fair value by averaging the price-to-book multiples from peer, public banks and adding a control premium.

Since the core deposit intangible ("CDI") outstanding came from the same reporting unit, the Company conducted an impairment test of CDI as of June 30, 2020. The Company used an income approach to calculate a CDI fair market value. The results indicated the CDI was not impaired as of June 30, 2020. Following the June 30, 2020 impairment test, no additional qualitative factors arose requiring us to perform another CDI impairment test.

Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions, estimates, and market factors. Estimating the fair value of individual reporting units requires management to make assumptions and estimates regarding the Company's future plans, as well as industry, economic, and regulatory conditions. These assumptions and estimates include estimated future cash flows, income tax rates, discount rates, growth rates, and other market factors.

The change in goodwill and core deposit intangible during the years ended December 31, 2021 and 2020 were:

	Gross Carrying Amount	Accumulated Amortization	Impairment	Net Carrying Amount
	<i>(Dollars in thousands)</i>			
December 31, 2021				
Core deposit intangible	1,014	884	—	130
Total goodwill and intangible assets	\$ 1,014	\$ 884	\$ —	\$ 130
December 31, 2020				
Goodwill	\$ 7,397	\$ —	\$ 7,397	\$ —
Core deposit intangible	1,014	806	—	208
Total goodwill and intangible assets	\$ 8,411	\$ 806	\$ 7,397	\$ 208

The remaining CDI balance will amortize over the next two years.

Note 7: Derivatives and Hedging Activities

Risk Management Objective of Using Derivatives

The Company is exposed to certain risk arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its assets and liabilities and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments 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's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. 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 and \$0 at December 31, 2021 and 2020, respectively.

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

The Company's derivative financial instruments are not effective until 2023. As a result, the derivative financial instruments did not impact the Income Statement for the year ended December 31, 2021 and 2020.

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. These 54 and 56 swaps had an aggregate notional amount of \$535 million and \$516 million at December 31, 2021 and 2020, respectively.

During 2019, the Company changed an input associated with the fair market value related to derivatives not designated as hedges. The model utilized to calculate the nonperformance risk, also known as the credit valuation adjustment ("CVA"), was adjusted from a default methodology to an internal review process by the Company. Management believes this change better aligns with the Company's credit methodology and underwriting standards.

As a result of the change in methodology, the Company recorded an adjustment to increase swap fee income, net, by approximately \$800 thousand, related to swaps closed as of June 30, 2019. If no defaults occur for derivatives not designated as hedges, the change in methodology will lower future swap fee income, net, by the same amount.

The effect of the Company's derivative financial instruments that are not designated as hedging instruments are reported on the statements of income as swap fee income, net. During 2021, the Company recorded a \$342 thousand gain for CVA adjustments primarily related to one swap. During 2020, the Company recorded a \$290 thousand loss for CVA

adjustments primarily related to one swap. The effect of the Company's derivative financial instruments gain or loss are reported on the statements of cash flows within other assets and other liabilities.

Fair Values of Derivative Instruments on the Balance Sheet

The table below presents the fair value of the Company's derivative financial instruments and their classification on the balance sheet as of December 31, 2021 and 2020:

	<u>Balance Sheet</u>	<u>Asset Derivatives</u>		<u>Liability Derivatives</u>			
		<u>Location</u>	<u>As of December 31,</u>		<u>Balance Sheet</u>	<u>As of December 31,</u>	
			<u>2021</u>	<u>2020</u>		<u>Location</u>	<u>2021</u>
<i>(Dollars in thousands)</i>							
Interest rate products:							
Derivatives designated as hedging instruments	Other assets	\$ 3	\$ —	Other liabilities	\$ 565	\$ —	
Derivatives not designated as hedging instruments	Other assets	\$ 11,305	\$ 24,094	Other liabilities	\$ 11,322	\$ 24,454	
Total		\$ 11,308	\$ 24,094		\$ 11,887	\$ 24,454	

Effect of Cash Flow Hedge Accounting on Accumulated Other Comprehensive Income

The table below presents the effect of cash flow hedge accounting on Accumulated Other Comprehensive Income as of December 31, 2021. The Company had no cash flow hedges for the year ended December 31, 2020.

December 31, 2021						
<u>Gain or (Loss) Recognized in OCI on Derivative</u>	<u>Gain or (Loss) Recognized in OCI Included Component</u>	<u>Gain or (Loss) Recognized in OCI Excluded Component</u>	<u>Location of Gain or (Loss) Recognized from Accumulated Other Comprehensive Income into Income</u>	<u>Gain or (Loss) Reclassified from Accumulated OCI into Income</u>	<u>Gain or (Loss) Reclassified from Accumulated OCI into Income Included Component</u>	<u>Gain or (Loss) Reclassified from Accumulated OCI into Income Excluded Component</u>
<i>(Dollars in thousands)</i>						
<u>Derivatives in Cash Flow Hedging Relationships</u>						
Interest Rate Products	\$ (562)	\$ (562)	\$ —	Interest Expense	\$ —	\$ —

Credit Risk Related Contingent Features

As of December 31, 2021, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was \$11 million. As of December 31, 2021, the Company has minimum collateral posting thresholds with certain of its derivative counterparties and has posted collateral of \$17 million.

Note 8: Foreclosed Assets

Foreclosed asset activity was as follows:

	As of or for the Year Ended December 31,		
	2021	2020	2019
	<i>(Dollars in thousands)</i>		
Beginning balance	\$ 2,347	\$ 3,619	\$ —
Loans transferred to foreclosed assets	—	930	3,619
Direct write-downs	(629)	(1,118)	—
Sales proceeds from foreclosed assets	(628)	(1,045)	—
Gain (loss) on sale of foreclosed assets	58	(39)	—
Ending balance	<u>\$ 1,148</u>	<u>\$ 2,347</u>	<u>\$ 3,619</u>

Foreclosed assets consisted of a commercial use facility at December 31, 2021. For the year-ended December 31, 2021, the Company sold the raw land foreclosed upon in 2019 and a commercial use facility foreclosed upon in 2020. During 2020, the Company sold the industrial facilities that were foreclosed upon in 2019 and impaired the raw land foreclosed upon in 2019.

Upon acquisition, foreclosed assets are recorded at fair value less estimated selling costs at the date of foreclosure, establishing a new cost basis. They are subsequently carried at the lower of cost or fair value less estimated selling costs. Income and losses are reported on the Consolidated Statements of Income under the foreclosed assets, net section.

Note 9: Interest-bearing Time Deposits

Interest-bearing time deposits in denominations of \$250 thousand or more were \$324 million and \$524 million as of December 31, 2021 and 2020, respectively.

The Company acquires brokered deposits in the normal course of business. At December 31, 2021 and 2020, brokered deposits of approximately \$91 million and \$188 million, respectively, were included in the Company's time deposit balance. Reciprocal deposits, which includes The Certificate of Deposit Account Registry Services ("CDARS") discussed below, are treated as core deposits instead of brokered deposits and are not included in the above amounts.

The Company is a member of CDARS that allows depositors to receive FDIC insurance on amounts greater than the FDIC insurance limit, which is currently \$250,000. CDARS allows institutions to break large deposits into smaller amounts and place them in a network of other CDARS institutions to ensure full FDIC insurance is gained on the entire deposit. CDARS totaled approximately \$50 million and \$75 million as of December 31, 2021 and 2020, respectively.

The scheduled maturities for time deposits are provided in *Note 10: Borrowing Arrangements* below.

Note 10: Borrowing Arrangements

The following table summarizes borrowings at December 31, 2021 and 2020:

	As of and For the Year Ended December 31,					
	2021			2020		
	<i>(Dollars in thousands)</i>					
	Balance	Rate ⁽⁶⁾	Maximum Balance at Any End of Month	Balance	Rate ⁽⁶⁾	Maximum Balance at Any End of Month
Repurchase agreements ⁽¹⁾	\$ —	NA %	\$ 6,218	\$ 2,306	0.15 %	\$ 57,259
Federal funds purchased ⁽²⁾	—	NA	—	—	NA	30,000
FHLB advances ⁽³⁾	236,600	1.92	293,100	293,100	1.78	450,659
FHLB line of credit ⁽³⁾	—	NA	—	—	NA	20,000
Federal Reserve Borrowing ⁽⁴⁾	—	NA	—	—	NA	15,000
Trust preferred security ⁽⁵⁾	1,009	1.94 %	\$ 1,009	963	1.96 %	\$ 963
Total borrowings	<u>\$ 237,609</u>			<u>\$ 296,369</u>		

⁽¹⁾ Repurchase agreements consist of Bank obligations to other parties payable on demand and generally have one day maturities. The obligations are collateralized by securities of U.S. government sponsored enterprises and mortgage-backed securities and such collateral is held by a third-party custodian. The year-to-date average daily balance was \$2 million and \$32 million for the years ended December 31, 2021 and 2020, respectively. The securities, mortgage-backed government sponsored residential securities, pledged for customer repurchase agreements were \$0 and \$6 million at December 31, 2021 and 2020, respectively.

⁽²⁾ Federal funds purchased include short-term funds that are borrowed from another bank. The Bank is part of a third-party service that allows us to borrow amounts from another bank if the bank has approved us for credit. Federal funds purchased generally have one day maturities.

⁽³⁾ FHLB advances and line of credit are collateralized by a blanket floating lien on certain loans, as well as, unrestricted securities. FHLB advances are at a fixed rate, ranging from 0.37% to 2.88% and are subject to restrictions or penalties in the event of prepayment. The FHLB line of credit has a variable interest rate that reprices daily based on FHLB's cost of funds and matures on May 14, 2022.

⁽⁴⁾ Federal Reserve borrowings are collateralized by certain available-for-sale securities and certain loans. The Federal Reserve discount window advance rates are variable and based on an established discount rate determined by the Reserve Banks' board of directors, subject to review and determination by the Board of Governors. The borrowings typically mature in 90 days.

⁽⁵⁾ On June 30, 2010, the Company assumed a liability with a fair value of \$1 million related to the assumption of trust preferred securities issued by Leawood Bancshares Statutory Trust I for \$4 million on September 30, 2005. In 2012, the Company settled litigation related to the trust preferred securities which decreased the principal balance by \$1.5 million and the recorded balance by approximately \$400 thousand. The difference between the recorded amount and the contract value of \$2.5 million is being accreted to the maturity date in 2035. Distributions will be paid on each security at a variable annual rate of interest, equal to LIBOR, plus 1.74%.

⁽⁶⁾ Represents the year-end weighted average interest rate.

The following table summarizes the Company's other borrowing capacities at December 31, 2021 and 2020:

	As of December 31,	
	2021	2020
	<i>(Dollars in thousands)</i>	
FHLB borrowing capacity relating to loans	\$ 435,562	\$ 518,191
FHLB borrowing capacity relating to securities	—	—
Total FHLB borrowing capacity	\$ 435,562	\$ 518,191
Unused Federal Reserve borrowing capacity	\$ 428,786	\$ 435,805

The scheduled maturities, excluding interest, of the Company's borrowings at December 31, 2021 were as follows:

	As of December 31, 2021						Total
	Within One Year	One to Two Years	Two to Three Years	Three to Four Years	Four to Five Years	After Five Years	
	<i>(Dollars in thousands)</i>						
Time deposits	\$ 538,208	\$ 66,660	\$ 17,422	\$ 718	\$ 1,346	\$ 33	\$ 624,387
FHLB borrowings	21,500	35,000	—	5,100	—	175,000	236,600
Trust preferred securities ⁽¹⁾	—	—	—	—	—	1,009	1,009
Total	\$ 559,708	\$ 101,660	\$ 17,422	\$ 5,818	\$ 1,346	\$ 176,042	\$ 861,996

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

During the year ended December 31, 2021, the Company recorded \$771 thousand in prepayment penalties related to \$40 million of FHLB borrowings. The prepayment penalties are included in interest expense within the Consolidated Statements of Income.

Note 11: Income Taxes

The provision for income taxes includes these components:

	For the Year Ended December 31,		
	2021	2020	2019
	<i>(Dollars in thousands)</i>		
Taxes currently payable	\$ 14,892	\$ 7,970	\$ 7,624
Deferred income tax asset (liability)	2,664	(5,257)	(3,486)
Income tax expense	<u>\$ 17,556</u>	<u>\$ 2,713</u>	<u>\$ 4,138</u>

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

	For the Year Ended December 31,		
	2021	2020	2019
	<i>(Dollars in thousands)</i>		
Computed at the statutory rate (21%)	\$ 18,263	\$ 3,216	\$ 6,848
Increase (decrease) resulting from			
Tax-exempt income	(3,672)	(3,109)	(2,913)
Nondeductible expenses	232	194	356
State tax credit	—	—	(1,361)
State income taxes	3,030	679	1,288
Equity based compensation	(172)	179	(88)
Goodwill impairment	—	1,553	—
Other adjustments	(125)	1	8
Actual tax expense	<u>\$ 17,556</u>	<u>\$ 2,713</u>	<u>\$ 4,138</u>

During 2019, the Company received a \$2 million gross state tax credit that will offset certain state income taxes. As a result, the Company recorded a \$2 million tax benefit, offset by \$362 thousand in federal tax expense. This resulted in a \$1 million deferred tax asset in 2019. During 2018, the Company received a \$3 million state tax credit that will offset certain state income taxes. The Company had a \$1 million deferred tax asset as of December 31, 2021 due to the previously mentioned state tax credits. The deferred tax asset will decrease as the Company produces certain state taxable income and expires on December 31, 2034.

The Company has approximately \$1 million of federal net operating loss carry-forwards, which expire after 2028. The net operating loss is subject to annual usage limitations of \$180 thousand per year, but may include unused amounts from prior years. The Company fully expects to utilize the entire net operating loss carry-forwards before they expire.

The Company has approximately \$2 million of capital loss carry-forwards, which expire after 2026. The Company fully expects to utilize the entire capital loss carry-forwards before they expire.

The tax effects of temporary differences related to deferred taxes shown on the consolidated balance sheets within other assets are presented below:

	As of December 31,	
	2021	2020
	<i>(Dollars in thousands)</i>	
Deferred tax assets		
Allowance for loan losses	\$ 14,051	\$ 18,124
Lease incentive	508	564
Loan fees	3,227	3,178
Accrued expenses	2,735	2,128
Deferred compensation	2,418	2,474
State tax credit	1,033	2,621
Other	2,057	946
Total deferred tax asset	<u>26,029</u>	<u>30,035</u>
Deferred tax liability		
Net unrealized gain on securities available-for-sale	(6,967)	(9,531)
FHLB stock basis	(757)	(1,209)
Premises and equipment	(2,602)	(2,881)
Other	(1,229)	(1,601)
Total deferred tax liability	<u>(11,555)</u>	<u>(15,222)</u>
Net deferred tax asset	<u>\$ 14,474</u>	<u>\$ 14,813</u>

State Tax Exam

During 2019, the Company received notice of a state tax audit for tax years ended December 31, 2016, 2017 and 2018. The resolution of findings did not have a material adverse effect on the consolidated financial position, result of operations and cash flows of the Company.

Note 12: Changes in Accumulated Other Comprehensive Income

Amounts reclassified from accumulated other comprehensive income (“AOCI”) and the affected line items in the consolidated statements of income were as follows:

	For the Year Ended December 31,			Affected Line Item in the Statements of Income
	2021	2020	2019	
	<i>(Dollars in thousands)</i>			
Unrealized gains on available-for-sale securities	\$ 1,023	\$ 1,704	\$ 987	Realized gains on available-for-sale securities
Less: tax expense effect	245	415	242	Income tax expense
Net reclassified amount	<u>\$ 778</u>	<u>\$ 1,289</u>	<u>\$ 745</u>	

Note 13: Regulatory Matters

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. The Basel III Capital Rules (“Basel III”) were jointly published by three federal banking regulatory agencies. Basel III defines the components of capital, risk weighting and other issues affecting the numerator and denominator in regulatory capital ratios.

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. The actions may include dividend payment restrictions, require the adoption of remedial measures to increase capital, terminate FDIC deposit insurance, and mandate the appointment of a conservator or receiver in severe cases. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance-sheet items as calculated under U.S. GAAP, regulatory reporting requirements and regulatory capital standards. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Furthermore, the Company’s regulators could require adjustments to regulatory capital not reflected in these consolidated financial statements.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and tier I capital (as defined) to risk-weighted assets (as defined), common equity tier I capital (as defined) to risk-weighted assets (as defined), and of tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2021, the Company and the Bank met all capital adequacy requirements to which they are subject.

As of December 31, 2021, the most recent notification from the applicable regulatory agencies categorized the Bank as *well capitalized* under the regulatory framework for prompt corrective action. To be categorized as *well capitalized*, the Bank must maintain minimum total risk-based, tier I risk-based, common equity tier I risk-based and tier I leverage ratios as set forth in the table below. There are no conditions or events since that notification that management believes have changed the Bank's category. The Company's and the Bank's actual capital amounts and ratios as of December 31, 2021 and 2020 are presented in the following table:

	Actual		Minimum Capital Required - Basel III		Required to be Considered Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<i>(Dollars in thousands)</i>						
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 %
December 31, 2020						
Total Capital to Risk-Weighted Assets						
Consolidated	\$ 656,806	13.1 %	\$ 527,486	10.5 %	N/A	N/A
Bank	611,533	12.2	527,217	10.5	\$ 502,111	10.0 %
Tier I Capital to Risk-Weighted Assets						
Consolidated	593,865	11.8	427,012	8.5	N/A	N/A
Bank	548,615	10.9	426,794	8.5	401,689	8.0
Common Equity Tier 1 to Risk-Weighted Assets						
Consolidated	592,902	11.8	351,657	7.0	N/A	N/A
Bank	548,615	10.9	351,478	7.0	326,372	6.5
Tier I Capital to Average Assets						
Consolidated	593,865	10.8	219,550	4.0	N/A	N/A
Bank	\$ 548,615	10.0 %	\$ 219,441	4.0 %	\$ 274,302	5.0 %

The above minimum capital requirements include the capital conservation buffer required to avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers. The capital conservation buffer was 2.5% at December 31, 2021 and 2020.

Note 14: Employee Benefit Plan

The Company has a retirement savings 401(k) plan covering substantially all employees. Employees may contribute a portion of their compensation to the plan. During 2021, 2020 and 2019, Company contributions to the plan were 100% on the first 1% of employees' salary deferral amounts plus 50% of employees' salary deferral amounts over 1%, but capped at 6% of employees' compensation. Additional contributions are discretionary and are determined annually by the Board of Directors. Company contributions to the plan were \$1 million, \$1 million and \$1 million for 2021, 2020 and 2019, respectively.

Note 15: Revenue from Contracts with Customers

Except for gains or losses from the sale of foreclosed assets, the Company's revenue from contracts with customers within the scope of ASC 606 is recognized in non-interest income. The revenue categories are selected based on the nature, amount, timing, and uncertainty of revenue and cash flows. The following presents descriptions of revenue categories within the scope of ASC 606:

Service charges and fees (rebates) on customer accounts - This segment consists of monthly fees for the services rendered on customer deposit accounts, including maintenance charges, overdraft fees, and processing fees. The monthly fee structures are typically based on type of account, volume, and activity. The customer is typically billed monthly and pays the bill from their deposit account. The Company satisfies the performance obligation related to providing depository accounts monthly as transactions are processed and deposit service charge revenue is recorded.

ATM and credit card interchange income - This segment consists of fees charged for use of the Company's ATMs, as well as, an interchange fee with credit card and debit card service providers. ATM fees and interchange fees are based on the number of transactions, as well as, the underlying agreements. Customers are typically billed monthly. The Company satisfies the performance obligation related to ATM and interchange fees monthly as transactions are processed and revenue is recorded.

International fees - This segment consists of fees earned from foreign exchange transactions and preparation of international documentation. International fees are based on underlying agreements that describe the Company's performance obligation and the related fee. Customers are typically billed and cash is received once the service or transaction is complete. The Company satisfies the performance obligation related to international fees monthly as transactions are processed and revenue is recorded.

Other fees - This segment consists of numerous, smaller fees such as wire transfer fees, referral fees, check cashing fees, and check printing fees. Other fees are typically billed to customers on a monthly basis. Performance obligations for other fees are satisfied at the time that the service is rendered.

Gain or loss on foreclosed assets - Foreclosed assets are often sold in transactions that may not be considered a contract with a customer because the sale of the asset may not be an output of the Company's ordinary activities. However, sales of nonfinancial assets, including in-substance nonfinancial assets, should be accounted for in accordance with ASC 610-20, "Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets," which requires the Company to apply certain measurement and recognition concepts of ASC 606. Accordingly, the Company recognizes the sale of a foreclosed asset, along with any associated gain or loss, when control of the asset transfers to the buyer. For sales of existing assets, this generally will occur at the point of sale. When the Company finances the sale of the foreclosed asset to the buyer, the Company must assess whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the repossessed asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the asset to the buyer.

The following table disaggregates the noninterest income subject to ASC 606 by category:

	For the Year Ended December 31,		
	2021	2020	2019
	<i>(Dollars in thousands)</i>		
Non-interest income subject to ASC 606			
Service charges and fees on customer accounts	\$ 4,580	\$ 2,803	\$ 604
ATM and credit card interchange income	7,996	4,379	1,785
International fees	1,531	1,091	716
Other fees	134	87	122
Total non-interest income from contracts with customers	14,241	8,360	3,227
Non-interest income not subject to ASC 606			
Other non-interest income	(581)	3,373	5,480
Total non-interest income	\$ 13,660	\$ 11,733	\$ 8,707

Note 16: 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 (“Omnibus Plan”). In addition, the Company has an Employee Stock Purchase Plan (“ESPP”) that was suspended effective April 1, 2019 and reinstated effective July 1, 2020. The Omnibus Plan will expire on the tenth anniversary of its effective date. The aggregate number of shares authorized for future issuance under the Omnibus Plan is 1,775,245 shares as of December 31, 2021. The Company will issue new common shares upon exercise or vesting of stock-based awards.

During 2018, awards issued under the Stock Settled Appreciation Right (“SSAR”) Plan, Equity Incentive Plan, Employee Equity Incentive Plan and New Market Founder Plan were assumed under the Omnibus Plan as agreed upon with participants, impacting all participants who agreed to the assumption. The awards are called “Legacy Awards.” Material terms and conditions of Legacy Awards remain unchanged; therefore, no modification to their fair market value was required. Going forward, all awards will be issued under the Omnibus Plan.

The table below summarizes stock-based compensation for the years ended December 31, 2021, 2020, and 2019:

	For the Year Ended December 31,		
	2021	2020	2019
	<i>(Dollars in thousands)</i>		
Stock appreciation rights	\$ 711	\$ 994	\$ 1,243
Performance-based stock awards	741	249	271
Restricted stock units and awards	3,047	3,078	3,174
Employee stock purchase plan	85	42	36
Total stock-based compensation	<u>\$ 4,584</u>	<u>\$ 4,363</u>	<u>\$ 4,724</u>

Stock Settled Appreciation Rights

SSARs are granted based on the fair market value of the Company’s common stock. SSARs typically vest in equal amounts over a seven-year period, commencing on the first anniversary of the effective date of grant and have fifteen-year contractual terms for Legacy Awards and ten-year contractual terms for all other SSARs. Legacy Awards include retirement eligibility upon the participant’s 65th birthday, five years of participation, and after one year holding the grant. The exercise of a SSAR entitles the participant to the excess of the exercise price over the grant price for each SSAR. Exercise price is based on the fair market value of the Company’s common shares.

The calculated value of each share award is estimated at the grant date using a Black-Scholes option valuation model. Expected volatility is primarily based on an internal model that calculates the historical volatility of the Company’s stock since the IPO and several peer group banks’ weekly average stock prices before the IPO over the expected term. The expected term of stock granted represents the period that shares are expected to be outstanding. The risk-free rate for periods within the contractual life of the share award is based on the U.S. Treasury yield curve.

For the expected term, the Company uses the simplified method described in SAB Topic 14.D.2. This method uses an expected term based on the midpoint between the vesting date and the end of the contractual term. This method is used for the majority of SSARs, because the Company does not have a significant pool of SSARs that have been exercised. For some SSARs that are granted to participants who will be retirement eligible during the term of the award, a separate analysis is performed that focuses more on expected retirement date.

The following table provides the range of assumptions used in the Black-Scholes valuation model, the weighted average grant date fair value, and information related to SSARs exercised for the following years, as well as, the remaining compensation cost to be recognized and period over which the amount will be recognized as of the dates indicated:

	For the Year Ended December 31,		
	2021	2020	2019⁽¹⁾
	<i>(Dollars in thousands, except per share data)</i>		
Assumptions:			
Expected volatility	42.93% - 43.29%	20.34%	24.63% - 33.63%
Expected dividends	0.00%	0.00%	0.00%
Expected term (in years)	7.00 - 7.01	6.00	4.24 - 7.00
Risk-free rate	0.94% - 1.36% %	0.38%	1.45% - 2.55%
Weighted average grant date fair value per share	\$ 6.50	\$ 1.93	\$ 5.43
Aggregate intrinsic value of SSARs exercised	\$ 1,297	\$ 571	\$ 493
Total fair value of SSARs vested during the year	\$ 1,087	\$ 1,245	\$ 1,171
Unrecognized compensation information:			
Unrecognized compensation cost	\$ 1,249	\$ 1,737	\$ 2,904
Period remaining (in years)	4.1	3.3	3.9

⁽¹⁾ The Black-Scholes inputs include a revaluation of a nonemployee SSAR upon adoption of ASU 2018-07, as well as, SSARs granted during the period.

A summary of SSAR activity during and as of December 31, 2021 is presented below:

	Stock Settled Appreciation Rights		
	Units	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Outstanding, January 1, 2021	1,589,675	\$ 10.73	8.45
Granted	63,000	14.20	9.67
Exercised	(141,186)	7.08	
Forfeited or expired	(38,413)	11.99	
Outstanding, December 31, 2021	1,473,076	\$ 11.20	7.13
Exercisable, December 31, 2021	1,120,238	\$ 10.46	6.93

Performance-Based Stock Awards (“PBSAs”)

The Company awards PBSAs to key officers of the Company. The stock settled awards are typically granted annually as determined by the Compensation Committee. 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 2016, the Company awarded PBSAs to New Market Founders. A New Market Founder is a nonemployee, adviser chosen in a selected market to facilitate expansion of banking relationships. During 2016, 116,960 PBSAs were granted and cliff-vested on December 31, 2021. The Company adopted ASU 2018-07 in the first quarter of 2019, which set the fair market value for this award. The Company determined that no substantial service existed for this award, resulting in a cumulative effect adjustment of approximately \$2 million to retained earnings.

The New Market Founder PBSAs were based upon four equally weighted market measures: total assets, total loans, return on assets and classified assets to capital as of December 31, 2021 that resulted in 139,709 common shares to be issued. The 119% payout percentage resulted in \$245 thousand of expense being recognized during the year-ended December 31, 2021.

During the year-ended December 31, 2021, a former employee’s performance award vesting dates were accelerated and shares were issued at or slightly above target resulting in a \$411 thousand increase in expense.

During the year-ended December 31, 2021, 63,631 PBSAs were granted. The performance metrics included three year cumulative, adjusted earnings per share and relative total shareholder return.

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

	Performance-Based Awards	
	Number of Shares	Weighted Average Grant Date Fair Value
Unvested, January 1, 2021	231,631	\$ 10.51
Granted	63,631	12.88
Incremental performance shares	25,173	8.69
Vested	(217,135)	9.54
Forfeited	(4,948)	13.19
Unvested, December 31, 2021	98,352	\$ 13.59

Unrecognized stock-based compensation expense related to the performance grants issued through December 31, 2021 was \$661 thousand and is expected to be recognized over 2.1 years.

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

The Company issues RSUs and RSAs to provide additional incentives to key officers, employees, and nonemployee directors. Awards are typically granted annually as determined by the Compensation Committee. The service based RSUs typically cliff-vest at the end of three years for Legacy Awards and vest in equal amounts over three years for all other RSUs. The service based RSAs typically cliff-vest after one year. As of December 31, 2021, no Legacy RSUs or RSAs remained outstanding.

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, 2021	369,217	\$ 12.61
Granted	289,782	13.31
Vested	(247,690)	11.91
Forfeited	(27,679)	13.62
Unvested, December 31, 2021	383,630	\$ 13.52

Unrecognized stock-based compensation expense related to restricted stock grants issued through December 31, 2021 was \$3 million and is expected to be recognized over 1.8 years.

Employee Stock Purchase Plan

The Company has an ESPP whereby employees are eligible for the plan when they have met certain requirements concerning period of credited service and minimum hours worked. The calculated value of each unit award is estimated at the start of the offering period using a Black-Scholes option valuation model that used the assumptions noted in the following table:

	For the Year Ended December 31,		
	2021	2020	2019
Assumptions:			
Expected volatility	5.99% - 32.00%	22.50%	7.60%
Expected dividends	0.00%	0.00%	0.00%
Expected term (in years)	0.50	0.50	1.00
Risk-free rate	0.03% - 0.09%	0.17%	2.09%

Note 17: Stock Warrants

The Company had 113,500 and 113,500 outstanding, fully vested warrants to purchase common stock at a strike price of \$5.00 per share as of December 31, 2021 and 2020, respectively. The 113,500 warrants were modified during 2018 to extend the expiration date from June 30, 2019 to April 26, 2023 in accordance with the Chairman Emeritus Agreement. The strike price continues to be \$5.00 per share.

Note 18: Operating Leases

During 2021, the Bank began occupying office space in Phoenix, Arizona. The Phoenix, Arizona non-cancellable lease has a term of 11 years with two, five year options to renew.

During 2020, the Bank began occupying office space in Kansas City, Missouri and Frisco, Texas. The Kansas City, non-cancellable lease has a term of 15 years with four, five-year renewal options. The Bank received a construction allowance of \$1 million. The Frisco, non-cancellable lease has a term of 86 months with two, five-year renewal options. The Bank received a construction allowance of \$212 thousand.

The Company has various, non-cancellable operating leases for office space in its respective markets. Three operating leases included tenant improvement allowances. In accordance with ASC 840, the Company is amortizing the benefit through occupancy expense over the expected life of the lease. Rent expense for the periods presented was as follows:

	Year Ended December 31,		
	2021	2020	2019
	<i>(Dollars in thousands)</i>		
Rent Expense	\$ 3,500	\$ 2,871	\$ 2,526

Future minimum lease payments under operating leases were as follows:

	<i>(Dollars in thousands)</i>	
2022	\$	2,996
2023		3,091
2024		2,794
2025		2,805
2026		2,859
Thereafter	\$	15,196

Note 19: Disclosure 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 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 December 31, 2021 and 2020:

	Fair Value Description	Valuation Hierarchy Level	Where Fair Value Balance Can Be Found
Available-for-sale securities and 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 7: Derivatives

Nonrecurring Measurements

The following tables present the fair value measurement of assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall:

		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)	
<i>(Dollars in thousands)</i>					
Collateral-dependent impaired loans	\$ 38,046	\$ —	\$ —	\$ 38,046	
Foreclosed assets held-for-sale	\$ 1,148	\$ —	\$ —	\$ 1,148	

		December 31, 2020			
		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)	
<i>(Dollars in thousands)</i>					
Collateral-dependent impaired loans	\$ 55,454	\$ —	\$ —	\$ 55,454	
Foreclosed assets held-for-sale	\$ 2,347	\$ —	\$ —	\$ 2,347	

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Collateral-Dependent Impaired Loans, Net of ALLL

The estimated fair value of collateral-dependent impaired loans is based on the appraised fair value of the collateral, less estimated cost to sell. Collateral dependent impaired 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 Chief Credit Officer.

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

Foreclosed Assets Held-for-Sale

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

Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in nonrecurring Level 3 fair value measurements at December 31, 2021 and 2020:

	December 31, 2021			
	Fair Value	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)
	<i>(Dollars in thousands)</i>			
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%)

	December 31, 2020			
	Fair Value	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)
	<i>(Dollars in thousands)</i>			
Collateral-dependent impaired loans	\$ 55,454	Market comparable properties	Marketability discount	1% - 98% (24%)
Foreclosed assets held-for-sale	\$ 2,347	Market comparable properties	Marketability discount	7% - 10% (9%)

See Note 16: Stock-Based Compensation for quantitative information about unobservable inputs used in the fair value measurement of stock appreciation rights.

The following tables present the estimated fair values of the Company's financial instruments at December 31, 2021 and 2020:

	December 31, 2021				
	Carrying Amount	Fair Value Measurements			Total
		Level 1	Level 2	Level 3	
	<i>(Dollars in thousands)</i>				
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
	<u>\$ 5,468,434</u>	<u>\$ 482,727</u>	<u>\$ 775,509</u>	<u>\$ 4,190,628</u>	<u>\$ 5,448,864</u>
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
	<u>\$ 4,934,429</u>	<u>\$ 1,163,224</u>	<u>\$ 257,522</u>	<u>\$ 3,482,218</u>	<u>\$ 4,902,964</u>

	December 31, 2020				
	Carrying Amount	Fair Value Measurements			Total
		Level 1	Level 2	Level 3	
<i>(Dollars in thousands)</i>					
Financial Assets					
Cash and cash equivalents	\$ 408,810	\$ 408,810	\$ —	\$ —	\$ 408,810
Available-for-sale securities	654,588	—	654,588	—	654,588
Loans, net of allowance for loan losses	4,366,602	—	—	4,351,970	4,351,970
Restricted equity securities	15,543	—	—	15,543	15,543
Interest receivable	17,236	—	17,236	—	17,236
Equity securities	13,436	—	2,247	11,189	13,436
Derivative assets	24,094	—	24,094	—	24,094
	<u>\$ 5,500,309</u>	<u>\$ 408,810</u>	<u>\$ 698,165</u>	<u>\$ 4,378,702</u>	<u>\$ 5,485,677</u>
Financial Liabilities					
Deposits	\$ 4,694,740	\$ 718,459	\$ —	\$ 4,015,792	\$ 4,734,251
Federal funds purchased and repurchase agreements	2,306	—	2,306	—	2,306
Federal Home Loan Bank advances	293,100	—	309,020	—	309,020
Other borrowings	963	—	2,024	—	2,024
Interest payable	2,163	—	2,163	—	2,163
Derivative liabilities	24,454	—	24,454	—	24,454
	<u>\$ 5,017,726</u>	<u>\$ 718,459</u>	<u>\$ 339,967</u>	<u>\$ 4,015,792</u>	<u>\$ 5,074,218</u>

Note 20: Significant Estimates and Concentrations

GAAP requires disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Estimates related to the allowance for loan losses are reflected in *Note 4: Loans and Allowance for Loan Losses*. Current vulnerabilities due to certain concentrations of credit risk are discussed in *Note 21: Commitments and Credit Risk*. Credit risk related to derivatives is reflected in the *Note 7: Derivatives and Hedging Activities*. Estimates related to equity awards are reflected in *Note 16: Stock-Based Compensation*. Other significant estimates and concentrations not discussed in those footnotes include:

Investments

The Company invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated balance sheets.

General Litigation

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

Note 21: Commitments and Credit Risk

The Company had the following commitments at December 31, 2021 and 2020:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<i>(Dollars in thousands)</i>	
Commitments to originate loans	\$ 118,651	\$ 99,596
Standby letters of credit	51,114	48,607
Lines of credit	1,768,231	1,423,038
Future lease commitments	11,100	—
Commitment related to investment fund	2,067	—
Total	<u>\$ 1,951,163</u>	<u>\$ 1,571,241</u>

Commitments to Originate Loans

Commitments to originate loans are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case by case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential and multifamily real estate.

Standby Letters of Credit

Standby letters of credit are irrevocable conditional commitments issued by the Company to guarantee the performance of a customer to a third-party. Financial standby letters of credit are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. Performance standby letters of credit are issued to guarantee performance of certain customers under nonfinancial contractual obligations. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers. Fees for letters of credit are initially recorded by the Company as deferred revenue and are included in earnings at the termination of the respective agreements.

Should the Company be obligated to perform under the standby letters of credit, the Company may seek recourse from the customer for reimbursement of amounts paid.

Lines of Credit

Lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Lines of credit generally have fixed expiration dates. Since a portion of the line may expire without being drawn upon, the total unused lines do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case by case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty.

Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate. Management uses the same credit policies in granting lines of credit as it does for on-balance sheet instruments.

Commitments related to Investment Fund

The Company entered into a subscription agreement with a third party to invest up to \$2.5 million in an investment fund designed to help accelerate technology adoption at community banks.

Lease Commitments

The Company entered into a lease agreement with a third party for office space located in Dallas, Texas. The triple-net lease is expected to commence in the second quarter of 2022. The initial lease term is 20 years with two, five year renewal options.

Note 22: Stock Offerings and Repurchases

On October 18, 2021, the Company announced that its Board of Directors adopted a new stock repurchase program. Under the repurchase program, the Company may repurchase up to \$30 million of the Company's common stock. As of December 31, 2021, the Company had repurchased \$8 million, representing 566,164 common shares.

In October 2020, the Company announced a \$20 million program to repurchase the Company's common stock. The repurchased shares are held in the treasury stock account until sold or retired and will be accounted for on a first-in first-out method. On June 30, 2021, the Company completed its share repurchase program under which the Company purchased \$20 million of its common stock.

The Company completed its IPO on August 19, 2019 in which it issued and sold 6,594,362 common shares including 844,362 shares pursuant to the underwriters' partial exercise of their over-allotment option. The common shares were sold at an initial public offering price of \$14.50 per share. After deducting the underwriting discounts and offering expenses, the Company received total net proceeds of \$87 million.

The Company redeemed all, 1,200,000, of its 7.00% Series A Non-Cumulative Perpetual Preferred Stock (the "Series A Preferred Shares") on January 30, 2019 (the "Redemption Date"). On the Redemption Date, we redeemed each outstanding Series A Preferred Share at a redemption price of \$25.00 per share. From and after the Redemption Date, all of the Series A Preferred Shares ceased to be outstanding, all dividends with respect to the Series A Preferred Shares ceased to accrue and all rights with respect to the Series A Preferred Shares ceased and terminated, except the rights of holders to receive the redemption price per share of the Series A Preferred Shares. The impact of the redemption was a reduction of approximately \$30 million in cash and cash equivalents and stockholders' equity. The redemption did not impact the income statement.

The Company has various stock-based awards that are converted into common stock upon vest or exercise.

Additional information related to stock-based awards can be found in *Note 16: Stock-Based Compensation* and information related to warrants can be found in *Note 17: Stock Warrants*.

Note 23: Parent Company Condensed Financial Statements

The following are the condensed financial statements of CrossFirst Bankshares, Inc. (Parent only) for the periods indicated:

Condensed Balance Sheets

	Year Ended December 31,	
	2021	2020
<i>(Dollars in thousands)</i>		
Assets		
Investment in consolidated subsidiaries		
Banks	\$ 646,027	\$ 580,162
Equity method investments	433	—
Cash	23,368	46,676
Other assets	1,596	1,756
Total assets	\$ 671,424	\$ 628,594
Liabilities and stockholders' equity		
Trust preferred securities, net	\$ 1,009	\$ 963
Other liabilities	2,842	3,203
Total liabilities	3,851	4,166
Stockholders' equity		
Common stock	526	523
Treasury stock at cost	(28,347)	(6,061)
Additional paid-in capital	526,806	522,911
Retained earnings	147,099	77,652
Accumulated other comprehensive income	21,489	29,403
Total stockholders' equity	667,573	624,428
Total liabilities and stockholders' equity	\$ 671,424	\$ 628,594

Condensed Statements of Income

	For the Year Ended December 31,		
	2021	2020	2019
	<i>(Dollars in thousands)</i>		
Income			
Earnings of consolidated subsidiaries	\$ 71,528	\$ 13,682	\$ 28,814
Management fees charged to subsidiaries	8,520	8,520	7,500
Other	2	(18)	(4)
Total income	80,050	22,184	36,310
Expense			
Salaries and employee benefits	6,111	5,143	4,584
Occupancy, net	403	405	275
Other	4,718	4,220	3,044
Total expense	11,232	9,768	7,903
Income tax benefit	(595)	(185)	(66)
Net income	\$ 69,413	\$ 12,601	\$ 28,473

Condensed Statements of Cash Flows

	For the Year Ended December 31,		
	2021	2020	2019
	<i>(Dollars in thousands)</i>		
Operating Activities			
Net income	\$ 69,413	\$ 12,601	\$ 28,473
Items not requiring (providing) cash			
Earnings of consolidated subsidiaries	(71,528)	(13,682)	(28,814)
Share-based incentive compensation	2,332	1,917	1,974
Other adjustments	(155)	(412)	5,343
Net cash provided by operating activities	62	424	6,976
Investing Activities			
Decrease (increase) in investment in subsidiaries	—	870	(49,825)
Increase in equity investments	(433)	—	—
Net cash provided by (used in) investing activities	(433)	870	(49,825)
Financing Activities			
Redemption of preferred stock	—	—	(30,000)
Dividends paid on preferred stock	—	—	(700)
Issuance of common stock, net	3	3	88,324
Common stock purchased and retired	—	—	(155)
Open market common share repurchases	(22,286)	(6,061)	—
Acquisition of common stock for tax withholding obligations	(860)	(1,236)	(245)
Proceeds from employee stock purchase plan	172	151	547
Net decrease in employee receivables	34	47	117
Net cash provided by (used in) financing activities	(22,937)	(7,096)	57,888
Increase (decrease) in cash	(23,308)	(5,802)	15,039
Cash at beginning of year	46,676	52,478	37,439
Cash at end of year	\$ 23,368	\$ 46,676	\$ 52,478

Note 24. Subsequent Events

Subsequent events have been evaluated through February 28, 2022, which is the date the consolidated financial statements were available to be issued.

For the period ended February 28, 2022, the Company purchased 470,438 common shares at an average price of \$15.84 per share under the Company's share repurchase program.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. 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 Rules 13a-15(e) and 15d-15(e) of the Exchange Act, as of December 31, 2021. 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 in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that we file or submit under the Exchange Act as of December 31, 2021.

Management's Report on Internal Control over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Our systems of internal controls are designed under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. In addition, given the Company's size, operations and footprint, lapses or deficiencies in internal controls may occur from time to time.

Management assessed our internal control over financial reporting as of December 31, 2021. This assessment was based on criteria established in the 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, we have concluded that, as of December 31, 2021, our internal control over financial reporting was effective.

Our internal controls over financial reporting continues to be updated as necessary to accommodate modifications to our business processes and accounting procedures. There has been no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the last fiscal quarter of the fiscal year for which this Annual Report on Form 10-K is filed that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item regarding our directors is incorporated by reference to the information to be set forth under the captions "Proposal 1. - Election of Directors," "Information Regarding the Board and Director Nominees," and "Corporate Governance" in our proxy statement for our 2022 annual meeting of stockholders (the "2022 Proxy Statement"). The information required

by this item regarding our executive officers is incorporated by reference to Part I of this Annual Report on Form 10-K under the caption “Information About our Executive Officers.”

We have adopted the CrossFirst Code of Business Conduct and Ethics (the “Code of Conduct”), which applies to all of our directors, officers and employees. The Code of Conduct is publicly available on our website at <https://investors.crossfirstbankshares.com/governance/code-of-ethics>. If we make any material amendment to our Code of Conduct, or if we grant any waiver from a provision of the Code of Conduct that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, we will disclose the nature of the amendment or waiver on our website at the same location. Also, we may elect to disclose the amendment or waiver in a current report on Form 8-K filed with the SEC.

Item 11. Executive Compensation

The information required by this item regarding compensation of executive officers and directors is incorporated by reference to the information to be set forth under the captions “Director Compensation,” “Executive Compensation,” and “Corporate Governance—Compensation Committee Interlocks and Insider Participation” in the 2022 Proxy Statement and *Note 16: Stock-Based Compensation* within the Notes to the Consolidated Financial Statements.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item, other than the equity compensation plan information presented below, is incorporated by reference to the information to be set forth under the caption “Stock Ownership—Beneficial Ownership of Company Common Stock” in the 2022 Proxy Statement and *Note 16: Stock-Based Compensation* within the Notes to the Consolidated Financial Statements.

Securities Authorized for Issuance under Equity Compensation Plans

Set forth below is information as of December 31, 2021 regarding equity compensation plans:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by shareholders	—	—	831,465 ^(A)
Equity compensation plans not approved by shareholders	1,703,175 ^(B)	\$ 10.75 ^(C)	1,775,245 ^(D)
Total	1,703,175	\$ 10.75	2,606,710

^(A) Represents the number of securities remaining available under the Employee Stock Purchase Plan.

^(B) Includes 100,000 shares issuable upon exercise of stock appreciation rights granted under the Chairman Emeritus Agreement, 113,500 shares issuable upon exercise of warrants, and 1,373,076 shares issuable upon exercise of stock appreciation rights granted under the 2018 Equity Incentive Plan.

^(C) Represents the weighted average exercise price of outstanding stock appreciation rights and warrants. Includes the weighted average exercise price of \$28.50 for stock appreciation rights granted under the Chairman Emeritus Agreement, \$5.00 for shares issuable upon exercise of warrants and \$9.94 for stock appreciation rights granted under the 2018 Equity Incentive Plan.

^(D) Available shares can be granted in the form of stock appreciation rights, options, restricted stock or performance awards. The number of securities remaining available under the 2018 Equity Incentive Plan was 1,775,245.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required by this item is incorporated by reference to the information to be set forth under the captions “Policies and Procedures Regarding Related Person Transactions” and “Corporate Governance-Information Concerning Nominees for Election as Directors-Director Independence” in the 2022 Proxy Statement.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated by reference to the information to be set forth under the caption “Independent Registered Public Accounting Firm Fees” in the 2022 Proxy Statement.

In addition, on December 2, 2021, the SEC adopted final amendments to its rules to implement the requirements of the Holding Foreign Companies Accountable Act of 2020. The following additional information is based on the new requirements:

Auditor(s) who provided opinion(s) related to financial statements in the annual report: BKD, LLP

Location from where the auditor’s report was issued: Kansas City, Missouri

The Public Company Accounting Oversight Board ID Number(s) of the audit firm(s) or branch(es) that provided the opinion: 686

Part IV

Item 15. Exhibits and Financial Statement Schedules

(a) (1) Financial Statements

The following financial statements of CrossFirst Bankshares, Inc. and its subsidiaries, and the auditor’s report thereon are filed as part of this report under Item 8. Financial Statements and Supplementary Data:

	Page Number
Report of BKD, LLP Independent Registered Public Accounting Firm	69
Consolidated Balance Sheets	70
Consolidated Statements of Income	71
Consolidated Statements of Comprehensive Income	72
Consolidated Statements of Stockholders’ Equity	73
Consolidated Statements of Cash Flows	74
Notes to Consolidated Financial Statements	76

(a) (2) Financial Statement Schedules:

All financial statement schedules for CrossFirst Bankshares, Inc. and its subsidiaries have been included in this Form 10-K in the consolidated financial statements or the related footnotes, or they are either inapplicable or not required.

(a) (3) Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference		
		Form	Exhibit	Filing Date/Period End Date
3.1	Articles of Incorporation of CrossFirst Bankshares, Inc.	S-1	3.1	July 18, 2019
3.2	Amendment to Articles of Incorporation of CrossFirst Bankshares, Inc.	S-1	3.2	July 18, 2019
3.3	Bylaws of CrossFirst Bankshares, Inc.	S-1	3.3	July 18, 2019
4.1	Specimen Common Stock Certificate	S-1	4.1	July 18, 2019
4.2	Form of Warrant Agreement	S-1/A	4.2	July 29, 2019
4.3	Description of Securities	10-K	4.3	March 10, 2020
10.1	Amended Employment Agreement with George F. Jones, Jr. dated May 1, 2018†	S-1	10.1	July 18, 2019
10.1.1	Second Amendment to Employment Agreement with George F. Jones, Jr. dated March 20, 2019†	S-1	10.2	July 18, 2019
10.1.2	Third Amendment to Employment Agreement with George F. Jones, Jr. dated May 1, 2019†	S-1	10.3	July 18, 2019
10.2	Employment Agreement with David O’Toole dated May 1, 2015†	S-1	10.4	July 18, 2019
10.2.1	First Amendment to Employment Agreement with David O’Toole dated March 19, 2019†	S-1	10.5	July 18, 2019
10.2.2	Amended and Restated Employment Agreement dated March 9, 2021 between the Company and David O’Toole†	8-K	10.1	March 15, 2021
10.3	Employment Agreement with Mike Maddox dated June 1, 2020†	10-Q	10.1	August 12, 2020
10.4	Employment Agreement with Benjamin R. Clouse. dated July 12, 2021†	10-Q	10.1	November 2, 2021
10.5	Employment Agreement with Amy Fauss dated July 29, 2016†	S-1	10.8	July 18, 2019
10.5.1	First Amendment to Employment Agreement with Amy Fauss dated March 15, 2019†	S-1	10.9	July 18, 2019
10.6	Employment Agreement with Tom Robinson dated May 1, 2015†	S-1	10.10	July 18, 2019
10.6.1	First Amendment to Employment Agreement with Tom Robinson dated March 18, 2019†	S-1	10.11	July 18, 2019
10.7	Employment Agreement with Aisha Reynolds, dated October 23, 2019†	10-K	10.6	March 10, 2020
10.8	Employment Agreement with Randy Rapp, dated April 1, 2019†	10-K	10.7	March 10, 2020
10.9	RSU Award Agreement with George F. Jones, Jr. dated February 28, 2019†	S-1	10.13	July 18, 2019
10.10	Performance Share Award Agreement with George F. Jones, Jr. dated February 28, 2019†	S-1	10.14	July 18, 2019
10.11	2018 Omnibus Equity Incentive Plan†	S-1	10.15	July 18, 2019
10.12	Form of Legacy RSU - New Market Founders Award†	S-1	10.16	July 18, 2019
10.13	Form of Legacy EIP 2018 RSU Award Agreement†	S-1	10.17	July 18, 2019
10.14	Form of Legacy SAR Award Agreement†	S-1	10.18	July 18, 2019
10.15	Form of EEIP Legacy RSU Award Agreement†	S-1	10.19	July 18, 2019
10.16	Form of RSU Award Agreement†	S-1	10.20	July 18, 2019
10.17	Form of 2019 RSU Award Agreement†	S-1	10.21	July 18, 2019
10.18*	Form of Performance Share Award Agreement			
10.19	Form of Director Restricted Stock Award†	S-1	10.23	July 18, 2019
10.20	Form of Indemnification Agreement†	S-1	10.24	July 18, 2019
10.21	Director Deferred Fee Program†	S-1	10.25	July 18, 2019
10.22	Stock Appreciation Rights Plan†	S-1	10.26	July 18, 2019
10.23	Form of SAR Award Agreement†	S-1	10.27	July 18, 2019
10.24	Annual Incentive Plan†	10-Q	10.1	May 14, 2020
10.25	Employment Agreement with Steve Peterson dated July 1, 2020†	10-Q	10.2	August 12, 2020
10.26	Senior Executive Severance Plan†	10-Q	10.3	August 12, 2020
10.27	Employee Stock Purchase Plan†	S-8	99.1	July 2, 2020
10.28	Employment Agreement with Jana D. Merfen Dated January 27, 2021†	10-Q	10.1	May 6, 2021
10.29	First Amendment to the CrossFirst Bankshares, Inc. Employee Stock Purchase Plan†	S-8	99.1	October 26, 2021
21.1*	Subsidiaries of CrossFirst Bankshares, Inc.			
23.1*	Consent of BKD, LLP			
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			

Exhibit Number	Exhibit Description	Incorporated by Reference		
		Form	Exhibit	Filing Date/Period End Date
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 to Section 906 of the Sarbanes-Oxley Act of 2002 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.INS*	Inline XBRL Taxonomy Extension Schema			
101.SCH*	Inline XBRL Extension Calculation Linkbase			
101.CAL*	Inline XBRL Taxonomy Extension Definition Linkbase			
101.DEF*	Inline XBRL Taxonomy Extension Label Linkbase			
101.LAB*	Inline XBRL Taxonomy Extension Presentation Linkbase			
101.PRE*	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)			

* Filed Herewith

**Furnished Herewith

† Indicates a management contract or compensatory plan

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

February 28, 2022

/s/ Benjamin R. Clouse

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Signature	Title	Date
<u>/s/ Rod Brenneman</u> Rod Brenneman	Director (Chairman)	February 28, 2022
<u>/s/ Michael J. Maddox</u> Michael J. Maddox	Director, President and Chief Executive Officer (Principal Executive Officer)	February 28, 2022
<u>/s/ Benjamin R. Clouse</u> Benjamin R. Clouse	Chief Financial Officer (Principal Financial and Accounting Officer)	February 28, 2022
<u>/s/ David L. O'Toole</u> David O'Toole	Director	February 28, 2022
<u>/s/ George Bruce</u> George Bruce	Director	February 28, 2022
<u>/s/ Steven W. Caple</u> Steven W. Caple	Director	February 28, 2022
<u>/s/ Ron Geist</u> Ron Geist	Director	February 28, 2022
<u>/s/ Jennifer Grigsby</u> Jennifer Grigsby	Director	February 28, 2022
<u>/s/ George E. Hansen III</u> George E. Hansen III	Director	February 28, 2022
<u>/s/ Lance Humphreys</u> Lance Humphreys	Director	February 28, 2022
<u>/s/ Mason King</u> Mason King	Director	February 28, 2022
<u>/s/ James Kuykendall</u> James Kuykendall	Director	February 28, 2022
<u>/s/ Kevin Rauckman</u> Kevin Rauckman	Director	February 28, 2022
<u>/s/ Michael Robinson</u> Michael Robinson	Director	February 28, 2022
<u>/s/ Grey Stogner</u> Grey Stogner	Director	February 28, 2022
<u>/s/ Stephen K. Swinson</u> Stephen K. Swinson	Director	February 28, 2022