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, 2020

or

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

For the transition period from _______ to _______

Commission file number 001-39028

CROSSFIRST BANKSHARES, INC.

(Exact Name of Registrant as Specified in its Charter)

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

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

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.01 per share	CFB	The Nasdaq Stock Market LLC

Indicate by check mark 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 $469,054,218 (based on the June 30, 2020, closing price of CrossFirst Bankshares, Inc. Common Shares of $9.78 as reported on the NASDAQ Global Select Market.

As of February 25, 2021, the registrant had 51,645,335 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 2021 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.

Important factors that could cause our actual results to differ materially from those indicated in these forward-looking statements, include, but are not limited to, those factors set forth below under the heading "Risk Factors Summary" and under the heading "Part I, Item 1A. Risk Factors," in this Annual Report on Form 10-K. These 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.

RISK FACTORS SUMMARY

- 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 and Texas 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 and Texas;
- 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;
- 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; and
- risks associated with our common stock.

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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 throughout our five primary markets located in Kansas, Missouri, Oklahoma, and Texas.

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 offices, 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 stockholders. We remain focused on robust 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 profitability and operating efficiency;
- Attract 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, 2020

On March 11, 2020, the World Health Organization declared a global pandemic due to the COVID-19 pandemic outbreak and on March 13, 2020, the U.S. government declared a national emergency with respect to the outbreak. The COVID-19 pandemic required us to institute our business continuity procedures that included having employees work from home or on a rotation basis and meet with customers by appointment only. Our decisions minimized physical contact to protect our employees and customers. No interruptions to our business occurred and our services continued to function using alternative procedures.

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. During 2020, we provided $369 million of PPP loans to support current customers and foster relationships with new customers. The loans earn interest at 1%, include fees between 1% and 5% and typically mature in two years. We anticipate the majority of PPP loans provided in 2020 to be forgiven in 2021, which will reduce our outstanding PPP loan balance and accelerate any remaining unearned loan fees.

During the second quarter of 2020, we executed our succession plan pursuant to which Michael J. Maddox was named as the Company's Chief Executive Officer effective, June 1, 2020, to succeed George F. Jones, Jr. who was appointed as Vice Chairman. In addition, Steve Peterson was promoted to Chief Banking Officer.

We made a strategic decision to lower our exposure to the energy sector in the first quarter of 2020. We expect our energy loan portfolio to continue to decline in 2021. We also made a strategic decision in the fourth quarter of 2020 to lower our exposure to tribal nation lending and anticipate that these loans will decline significantly in 2021.

The Bank opened a smaller branch in Frisco, Texas as part of our growth strategy and moved our Kansas City, Missouri branch to a new, prominent location on the Country Club Plaza in the heart of Kansas City during the third quarter of 2020.

The Company announced a $20 million common stock buyback program in the fourth quarter of 2020. For the year ended December 31, 2020, 609,613 common shares were repurchased for approximately $6 million.

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 located in: (i) Leawood, Kansas; (ii) Wichita, Kansas; (iii) Kansas City, Missouri; (iv) Oklahoma City, Oklahoma; (v) Tulsa, Oklahoma; (vi) Dallas, Texas; and (vii) Frisco, Texas. 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, 2020, the Company had 328 full-time equivalent employees in locations across the states of Kansas, Missouri, Oklahoma and Texas. As of December 31, 2020, approximately 58% of our current workforce is female, 42% 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 wages, additional programs include annual bonus 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 providing support to the communities where they live and work.

We understand this commitment makes a broader impact. That is why we help our employees devote their energies to causes that matter to them, to their communities and to those individuals who are most in need. 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.

The intention is to participate in giving back to the community and offer 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 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 employees grow and build their careers using 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 2020, over 15% 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, 2020, the Company's and the Bank's capital ratios exceeded the minimum capital adequacy guideline percentage requirements under the Basel III Capital Rules.

The Economic Growth, Regulatory Relief, and Consumer Protection Act ("EGRRCPA") directed the federal banking agencies to develop a specified Community Bank Leverage Ratio ("CBLR"), the ratio of a bank's equity capital to its consolidated assets of not less than 8% and not more than 10%. On November 4, 2019, federal regulators issued final rules that provide certain banks and their holding companies with the option to elect out of complying with the Basel III Capital Rules. The final rule was effective January 1, 2020 for a "Qualifying Community Banking Organization" ("QCBO") defined as a bank or a bank holding company with:

- a CBLR greater than 9%; provided, that under the CARES Act and regulations issued by federal banking agencies thereunder, effective October 1, 2020, the CBLR has been temporarily reduced to 8% for 2020 and 8.5% for 2021 and will be reset at 9% beginning January 1, 2022;
- total consolidated assets of less than $10 billion;
- total off-balance sheet exposures (excluding derivatives other than credit derivatives and unconditionally cancellable commitments) of 25% or less of total consolidated assets; and
- total trading assets and trading liabilities of 5% or less of total consolidated assets.

As of December 31, 2020, we did not qualify as a QCBO.

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, 2020, 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 of 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.

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

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 75 basis points above published national deposit rates unless the FDIC determined that the institutions’ local market rate was above the national rate. As of December 31, 2020, 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, 2020, 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 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, 2020, the Bank paid examination assessments to the OSBCK totaling $414 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, 2020.

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 $156 million as of December 31, 2020.

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 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 COVID-19 pandemic has adversely affected our business, financial condition and results of operations, and 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 will be impacted by the scope and duration of the pandemic and actions taken by governmental authorities in response to the pandemic.

The ongoing COVID-19 global and national health emergency has caused significant disruption in the international and United States economies and financial markets and has had an adverse effect on our business, financial condition and results of operations and could further impact our business, financial condition and results of operation. The spread of COVID-19 has caused illness, quarantines, cancellation of events and travel, business and school shutdowns, reduction in business activity and financial transactions, supply chain interruptions and overall economic and financial market instability. In response to the COVID-19 pandemic, the governments of the states in which we operate, and of most other states, have taken preventative or protective actions, such as imposing restrictions on travel and business operations, advising or requiring individuals to limit or forego their time outside of their homes, and ordering temporary closures of businesses that have been deemed to be nonessential. These restrictions and other consequences of the pandemic have resulted in significant adverse effects for many different types of businesses, including, among others, those in the travel, hospitality and food and beverage industries, and have resulted in a significant number of layoffs and furloughs of employees nationwide and in the regions in which we operate.

The ultimate effects of COVID-19 on the broader economy and the markets that we serve are not known nor is the ultimate length of the restrictions described above and any accompanying effects. Moreover, the Federal Reserve has taken action to lower the Federal Funds rate, which may negatively affect our interest income and, therefore, earnings, financial condition and results of operation. Additional impacts of COVID-19 on our business could be widespread and material, and may include, or exacerbate, among other consequences, the following:

- employees contracting COVID-19;
- reductions in our operating effectiveness as our employees work from home;
- a work stoppage, forced quarantine, or other interruption of our business;
- unavailability of key personnel necessary to conduct our business activities;
- effects on key employees, including operational management personnel and those charged with preparing, monitoring and evaluating our financial reporting and internal controls;
- sustained closures of our branch lobbies or the offices of our customers;
- declines in demand for loans and other banking services and products;
- reduced consumer spending due to both job losses and other effects attributable to COVID-19;
- unprecedented volatility in United States financial markets;
- volatile performance of our investment securities portfolio;
- decline in the credit quality of our loan portfolio, owing to the effects of COVID-19 in the markets we serve, leading to a need to increase our allowance for loan losses;
- declines in value of collateral for loans, including energy and real estate collateral;
- declines in the net worth and liquidity of borrowers and loan guarantors, impairing their ability to honor commitments to us; and
- declines in demand resulting from businesses being deemed to be “non-essential” by governments in the markets we serve, and from “non-essential” and “essential” businesses suffering adverse effects from reduced levels of economic activity in our markets.

These factors, 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 ongoing COVID-19 pandemic has resulted in meaningfully lower stock prices for many companies, as well as the trading prices for many other securities. 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 generally and in the areas in which we operate. This could result in further decline in demand for our banking products and services, and could negatively impact, among other things, our liquidity, regulatory capital and our growth strategy. Any one or more of these developments could have a material adverse effect on our business, financial condition and results of operations.

We are taking precautions to protect the safety and well-being of our employees and customers. However, no assurance can be given that the steps being taken will be adequate or deemed to be appropriate, nor can we predict the level of disruption which will occur to our employees’ ability to provide customer support and service. If we are unable to recover from a business disruption on a timely basis, our business, financial condition and results of operations could be materially and adversely affected. We may also incur additional costs to remedy damages caused by such disruptions, which could further adversely affect our business, financial condition and results of operations.

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 business and economic conditions in the United States, generally, and in Kansas, Missouri, Oklahoma, and Texas in particular. If the U.S. economy weakens, or if the economies of Kansas, Missouri, Oklahoma or Texas weaken, our growth and profitability from our lending and deposit operations could be constrained. Unfavorable or uncertain economic and market conditions could lead to credit quality concerns related to borrower repayment ability and collateral protection as well as reduced demand for the products and services we offer. The COVID-19 pandemic has negatively impacted the U.S. economy and the economies of the states in which we operate and there is uncertainty as to duration and severity of this impact.Uncertainties also have arisen regarding the potential for a reversal or renegotiation of international trade agreements and the impact such actions and other policies of the current administration may have on economic and market conditions. In addition, concerns about the performance of international economies can impact the economy and financial markets here in the United States. For example, the recent outbreak of COVID-19 is disrupting global supply chains, which could adversely impact our customers and their customers, which in turn could impact their ability to make loan payments.

If the national, regional and local economies experience worsening economic conditions, including high levels of unemployment, our growth and profitability could be constrained.

Weak economic conditions are characterized by, among other indicators, deflation, elevated levels of unemployment, fluctuations in debt and equity capital markets, increased delinquencies on commercial, mortgage and consumer loans, residential and commercial real estate price declines, and lower home sales and commercial activity. All of these factors are generally detrimental to our business. Our business is also significantly affected by monetary and other regulatory policies of the U.S. federal government, its agencies and government-sponsored entities. Uncertainty about 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 in the U.S. Changes in any of these policies are influenced by macroeconomic conditions and other factors that are beyond our control and are difficult to predict. 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. Net interest income is the difference between the amounts received by us on our interest-earning assets and the interest paid by us on our interest-bearing liabilities. Our net interest income depends on many factors that are partly or completely outside of our control, including competition, federal economic, monetary and fiscal policies, and economic conditions generally. Our net interest income will be adversely affected if market interest rates change so that the interest we pay on deposits and borrowings increases faster than the interest we earn on loans and investments. Changes in interest rates could affect our ability to originate loans and deposits. Historically, there has been an inverse correlation between the demand for loans and interest rates. Loan origination volume usually declines during periods of rising or high interest rates and increases during periods of declining or low interest rates.

Changes in interest rates also have a significant impact on the carrying value of certain of our assets, including loans and other assets, on our balance sheet. Interest rate increases often result in larger payment requirements for our borrowers, which increase the potential for default. At the same time, the marketability of any underlying property that serves as collateral for such loans may be adversely affected by any reduced demand resulting from higher interest rates. An increase in interest rates that adversely affects the ability of borrowers to pay the principal or interest on loans may lead to an increase in nonperforming assets and a reduction of income recognized, which could have a material adverse effect on our results of operations and cash flows. Further, when we place a loan on nonaccrual status, we reverse any accrued but unpaid interest receivable, which decreases interest income. Subsequently, we continue to have a cost to fund the loan, which is reflected as interest expense, without any interest income to offset the associated funding expense. Thus, an increase in the amount of nonaccrual loans would have an adverse impact on net interest income.

If short-term interest rates remain at low levels for a prolonged period, and if longer term interest rates fall, we could experience net interest margin compression as our interest-earning assets would continue to reprice downward while our interest-bearing liability rates could fail to decline in tandem. This could have a material adverse effect on our net interest income and our results of operations. 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. The composition of our rate sensitive assets or liabilities is subject to change and could result in a more unbalanced position that would cause market rate changes to have a greater impact on our earnings. Fluctuations in market rates and other market disruptions are neither predictable nor controllable and may adversely affect our financial condition and earnings.

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. Our growth over the past several years has been driven primarily by new market expansion, a strong commercial and real estate lending market in our market areas, PPP loans issued in 2020 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. A downturn in local economic market conditions, a failure to attract and retain high performing personnel, heightened competition from other financial services providers, and an 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 as such may have a negative effect on our business, financial condition, and results of operations. In addition, we may become more susceptible to risks associated with failing to maintain effective financial and operational controls as we grow, such as maintaining appropriate loan underwriting and credit monitoring procedures, maintaining an adequate allowance, controlling concentrations and complying with regulatory or accounting requirements, including increased loan losses, reduced earnings and potential regulatory penalties and restrictions on growth, all could 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.

Our business strategy includes evaluating potential strategic 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 secure the services of qualified senior management to operate the de novo banking location and successfully integrate and promote our corporate culture; poor market reception for de novo banking locations established in markets where we do not have a preexisting reputation; challenges posed by local economic conditions; challenges associated with securing attractive locations at a reasonable cost; and the additional strain on management resources and internal systems and controls. Failure to adequately manage the risks associated with our anticipated growth through de novo branching could have an adverse effect on our business, financial condition and results of operations.

We may grow through mergers or acquisitions, which may not be successful or, if successful, may produce risks in successfully integrating and managing the merged companies or acquisitions and may dilute our stockholders.

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. Although we occasionally identify and explore specific merger and acquisition opportunities as part of our ongoing business practices, we have no present agreements or commitments to merge with or acquire any financial institution or any other company, and we may not find suitable merger or acquisition opportunities in the future. We face significant competition from numerous other financial services institutions, many of which will have greater financial resources or more liquid securities than we do, when considering merger and acquisition opportunities. Accordingly, attractive merger and acquisition opportunities may not be available to us. If we fail to successfully evaluate and execute mergers, acquisitions or investments or otherwise adequately address these risks, it could materially harm our business, financial condition and results of operations.

Mergers and acquisitions involve numerous risks, any of which could harm our business, including:

- difficulties in integrating the operations, management, products and services, technologies, existing contracts, accounting processes and personnel of the target;
- not realizing the anticipated synergies of the combined businesses or incurring costs in excess of what we anticipated;
- difficulties in supporting and transitioning clients of the target;
- diversion of financial and management resources from existing operations;
- assumption of nonperforming loans;
- the price we pay or other resources that we devote may exceed the value we realize, or the value we could have realized if we had allocated the purchase price or other resources to another opportunity;
- entering new markets or areas in which we have limited or no experience;
- potential loss of key personnel and clients from either our business or the target’s business;
- failure to obtain required regulatory approvals or satisfy conditions imposed by regulatory authorities;
- assumption of unanticipated problems or latent liabilities of the target;
- incurring costs in excess of what we anticipate; and
- inability to generate sufficient revenue to offset acquisition costs.

Mergers and acquisitions frequently result in the recording of goodwill and other intangible assets, which are subject to potential impairments in the future and that could harm our financial results. In addition, 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. We may also be required to sell banking locations as a condition to receiving regulatory approval, which condition may not be acceptable to us or, if acceptable to us, may reduce the benefit of any acquisition. The failure to obtain these regulatory approvals for potential future strategic acquisitions could impact our business plans and restrict our growth.

New lines of business, services, products or product enhancements may subject us to additional risks.

From time to time, we may implement or acquire new lines of business or offer new services, products or product enhancements within existing lines of business. There are substantial risks and uncertainties associated with these efforts, including the failure to identify risks associated with such new line of business, services, products or product enhancements. In developing, implementing and marketing new lines of business, services, products and product enhancements, we may invest significant time and resources. We may misjudge the level of resources or expertise appropriate to make new lines of business or products successful or to realize their expected benefits. We may not achieve target timetables for the introduction and development of new lines of business, services, products and product enhancements, and price and profitability targets may not prove feasible. External factors, such as regulatory compliance obligations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business or offerings of new products, product enhancements or services.

Furthermore, any new line of business, product, product enhancement or service could have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business, products, product enhancements or services could have a material adverse effect on our business, results of operations and financial condition.

Uncertainty relating to the London Inter-Bank Offered Rate ("LIBOR") calculation process and potential phasing out of LIBOR may adversely affect our results of operations.

Regulators and law enforcement agencies in a number of countries are conducting civil and criminal investigations into whether the banks that contribute to the British Bankers' Association ("BBA") in connection with the calculation of LIBOR may have been under-reporting or otherwise manipulating or attempting to manipulate LIBOR. A number of BBA member banks have entered into settlements with their regulators and law enforcement agencies with respect to this alleged manipulation of LIBOR. Actions by the BBA, regulators or law enforcement agencies may result in changes to the manner in which LIBOR is determined or the establishment of alternative reference rates. In July 2020, the Federal Financial Institutions Examination Council issued a "Joint Statement on Managing the LIBOR Transition" and, in November 2020, the federal banking agencies issued a "Statement on Reference Rates for Loans," indicating that banks must include in LIBOR-based loan agreements robust fallback provisions (determining how the discontinuation and replacement of LIBOR will be handled) and that banks must assess existing LIBOR-based loan agreements to determine if the existing provisions adequately address LIBOR discontinuation and replacement and, if not, implement amendments thereto. At this time, it is not possible to predict the effect of any such changes, any establishment of alternative reference rates or any other reforms to LIBOR that may be enacted. Uncertainty as to the nature of such potential changes, alternative reference rates or other reforms may adversely affect the value of LIBOR-based loans and securities in our portfolio, and may impact the availability and cost of hedging instruments and borrowings. If LIBOR rates are no longer available, and we are required to implement substitute indices for the calculation of interest rates under our loan agreements, we may incur additional expenses in effecting the transition, fail to successfully execute the transition from LIBOR to a substitute indices, and we may be subject to disputes or litigation with clients over the appropriateness or comparability to LIBOR of the substitute indices, which could have an adverse effect on our results of operations. At December 31, 2020, $1.5 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, 2020, 2019 and 2018, the fair value of our debt and equity investment securities portfolio was approximately $668 million, $742 million, and $664 million, respectively. Factors beyond our control can significantly influence the fair value of securities in our portfolio and can cause potential adverse changes to the fair value of these securities. These factors include, but are not limited to, rating agency actions in respect of the securities, 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 and realized or unrealized losses in future periods and declines in other comprehensive income, which could materially and adversely affect our business, results of operations, financial condition and prospects, as well as the value of our common stock. The process for determining whether impairment of a security is other-than-temporary usually requires complex, subjective judgments about the future financial performance and liquidity of the issuer and any collateral underlying the security in order to assess the probability of receiving all contractual principal and interest payments on the security. 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. Changes in the economy can cause the assumptions that we made at origination to change and can cause borrowers to be unable to make payments on their loans, and significant changes in collateral values can cause us to be unable to collect the full value of loans we make. There is no assurance that our loan approval and credit risk monitoring procedures are or will be adequate or will 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 pandemic. Our financial results for the year-ended December 31, 2020, were impacted by the significant loan loss provisioning required to address uncertainty and risk in the loan portfolio created in part by the pandemic. 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, including sustained low oil or gas prices or the failure of oil or gas prices to rise in the future, could adversely affect our business, financial condition, and results of operations. In addition to our direct exposure to energy loans, we also have indirect exposure to energy prices, as some of our non-energy clients' businesses are directly affected by volatility within the oil and gas industry and energy prices and otherwise are dependent on energy-related businesses. 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, such as job losses in industries tied to energy, increased spending habits, lower borrowing needs, higher transaction deposit balances or a number of other effects that are difficult to isolate or quantify, particularly in markets with significant dependence on the energy industry, 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. This guidance was issued in response to the agencies' concerns that rising CRE concentrations might expose institutions to unanticipated earnings and capital volatility in the event of adverse changes in the CRE market. This guidance reinforces and enhances existing regulations and guidelines for safe and sound real estate lending by providing supervisory criteria, including numerical indicators to assist in identifying institutions with potentially significant CRE loan concentrations that may warrant greater supervisory scrutiny. The guidance does not limit banks' CRE lending, 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. The CRE Concentration Guidance identifies certain concentration levels that, if exceeded, will expose the institution to additional supervisory analysis with regard to the institution's CRE concentration risk. The CRE Concentration Guidance is designed to promote appropriate levels of capital and sound loan and risk management practices for institutions with a concentration of CRE loans. In general, the CRE Concentration Guidance establishes the following supervisory criteria 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. Pursuant to the CRE Concentration Guidance, loans secured by owner occupied CRE are not included for purposes of the CRE concentration calculation. We believe that the CRE Concentration Guidance is applicable to us. The FDIC or other federal regulators could become concerned about our CRE loan portfolio, and they could limit our ability to grow by restricting their approvals for the establishment or acquisition of branches, or approvals of mergers or other acquisition 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, 2020, approximately 80% of our loan portfolio related to commercial-based lending. Commercial purpose loans are often larger and involve greater risks than other types of lending. Because payments on these loans are often dependent on the successful operation or development of the property or business involved, their repayment is more sensitive than other types of loans to adverse conditions in the real estate market or the general economy.

Accordingly, a downturn in the real estate market or the general economy including as a result of the COVID-19 pandemic, could heighten our risk related to commercial purpose loans, particularly CRE loans. Unlike residential mortgage loans, which generally are made on the basis of the borrowers' ability to make repayment from their employment and other income and which are secured by real property whose value tends to be more easily ascertainable, commercial purpose loans typically are made on the basis of the borrowers' ability to make repayment from the cash flow of the commercial venture. If the cash flow from business operations is reduced, the borrowers' ability to repay the loan may be impaired. As a result of the larger average size of each commercial purpose loan as compared with other loans such as residential loans, as well as the collateral which is generally less readily marketable, losses incurred on a small number of commercial purpose loans could have a material adverse impact on our financial condition and results of operations.

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 developments affecting real estate values, particularly in the markets in which we operate, could increase the credit risk associated with our real estate loan portfolio (both commercial real estate and owner occupied). Real estate values may experience periods of fluctuation, and the market value of real estate can fluctuate significantly in a short period of time. Adverse changes affecting real estate values or operating cash flows of real estate in one or more of our markets could increase the credit risk associated with our loan portfolio, and could result in losses that adversely affect credit quality, financial condition and results of operation. Negative changes in the economy affecting real estate values or operating cash flows in our market areas could significantly impair the value of property pledged as collateral on loans and affect our ability to sell the collateral upon foreclosure without a loss or additional losses. Collateral may have to be sold for less than the outstanding balance of the loan, which could result in losses on such loans. Such declines and losses could have a material adverse impact on our business, results of operations and growth prospects. If real estate values decline, it is also more likely that we would be required to increase our allowance, which could adversely affect our business, financial condition and results of operations.

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

As of December 31, 2020, our 25 largest borrowing relationships totaled approximately $1 billion in total commitments (representing, in the aggregate, 22% of our total outstanding commitments as of December 31, 2020). Our five largest borrowing relationships, based on total commitments, accounted for 7% of total commitments as of December 31, 2020. Each of the loans associated with these relationships has been underwritten in accordance with our underwriting policies and limits. Along with other risks inherent in these loans, such as the deterioration of the underlying businesses or property securing these loans, this concentration of borrowers presents a risk that, if one or more of these relationships were to become delinquent or suffer default, we could be exposed to material losses. The allowance for loan losses may not be adequate to cover losses associated with any of these relationships, 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, 2020, we had $72 million of purchased loan participations from other financial institutions and a combination of shared national credits and syndication interests purchased totaling $402 million. Although we historically have underwritten these loan participations and syndicated loans consistent with our general underwriting criteria, these loans may have a higher risk of loss than loans we originate and administer. With respect to loan participations in which we are not the lead lender and in syndicated transactions (including shared national credits) in which other lenders serve as the agent bank, we rely in part on the lead lender or the agent, as the case may be, to monitor the performance of the loan. Moreover, our decision regarding the classification of such a loan and loan loss provisions associated with such a loan is made in part based upon information provided by the lead lender or agent bank. A lead lender or agent bank also may not monitor such a loan in the same manner as we would for loans that we originate and administer. 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, 2020, 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 $76 million and our nonperforming assets (which include nonperforming loans plus other real estate owned) totaled $78 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. Our nonperforming assets adversely affect our net income in various ways and returns on assets and equity, and in addition, our loan administration costs increase, which together with reduced interest income adversely affects our efficiency ratio. When we take collateral in foreclosure and similar proceedings, we are required to mark the collateral to its then-fair market value, which may result in a loss.

These nonperforming assets also increase our risk profile and the level of capital our regulators believe is appropriate for us to maintain in light of such risks. The resolution of nonperforming assets requires significant time commitments from management and can be distracting to the performance of their other responsibilities. If we were to experience increases in nonperforming assets, our net interest income may be negatively impacted as interest income is not recorded on our nonperforming assets and our loan administration costs could increase, each of which would have an adverse effect on our net income and related ratios, such as returns on assets and equity.

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, 2020, our allowance as a percentage of total loans was 1.70% and our allowance as a percentage of nonperforming loans was 98.98%. The determination of the appropriate level of allowance is an inherently difficult process and is based on numerous assumptions. 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 impact, many of which are beyond our control. In addition, 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.

In June 2016, the Financial Accounting Standards Board decided to change how banks estimate losses in the allowance calculation, and it issued ASU 2016-13, *Financial Instruments-Credit Losses.* Currently, the impairment model is based on incurred losses, and investments are recognized as impaired when there is no longer an assumption that future cash flows will be collected in full under the originally contracted terms. This model will be replaced by the new Current Expected Credit Losses (“CECL”) model that will become effective for us, as an EGC, for the first interim and annual reporting periods beginning after December 15, 2022. 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. The transition to the CECL model will bring with it significantly greater data requirements and changes to methodologies to accurately account for expected losses under the new parameters.

Management is currently evaluating the impact of these changes to our financial position and results of operations. The allowance is a material estimate, and given the change from an incurred loss model to a methodology that considers the credit loss over the life of the loan, there is the potential for an increase in the allowance at adoption date. We anticipate a significant change in the processes and procedures to calculate the allowance, including changes in assumptions and estimates to consider expected credit losses over the life of the loan versus the current accounting practice that utilizes the incurred loss model. We expect to continue developing and implementing processes and procedures to ensure we are fully compliant with the CECL requirements at its adoption date.

The small- to medium-sized businesses to whom we lend may have fewer resources to weather adverse business conditions, which may impair their ability to repay a loan, and such impairment could adversely affect our results of operations and financial condition.

Our business development and marketing strategies result in us serving the banking and financial services needs of small- to medium-sized businesses. These businesses generally have fewer financial resources in terms of capital or borrowing capacity than larger entities, frequently have smaller market shares than their competition, may be more vulnerable to economic downturns, including the negative economic impacts of the COVID-19 pandemic, 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. In addition, the success of a small- to medium-sized business often depends on the management skills, talents and efforts of one or two people or a small group of people, and the death, disability or resignation of one or more of these people could have a material adverse impact on the business and its ability to repay its loans. If general economic conditions negatively impact Kansas, Missouri, Oklahoma, Texas or the specific markets in these states in which we operate and small- to medium-sized businesses are adversely affected or our borrowers are otherwise affected 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 business plan includes, and is dependent upon, our hiring and retaining 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. The loss of senior management without qualified successors who can execute our strategy could have an adverse impact on our business, financial condition and results of operations. In addition, we must successfully manage transition and replacement issues that may result from the departure or retirement of members of our management team, such as our recent CEO succession. Such changes in senior management due to retirements or terminations or due to newly created positions may result in increased costs to the Company, which may be material. Competition for senior executives and skilled personnel in the financial services and banking industry is intense, which means the cost of hiring, incenting and retaining skilled personnel may continue to increase. We need to continue to identify, attract and retain key personnel and to recruit qualified individuals to succeed existing key personnel to ensure the continued growth and successful operation of our business. In addition, as a provider of relationship-based commercial banking services, we must identify, attract and retain qualified banking personnel to continue to grow our business. Our ability to effectively compete for senior executives and other qualified personnel by offering competitive compensation and benefit arrangements may be restricted by applicable banking laws and regulations. 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. In addition, to attract and retain personnel with appropriate skills and knowledge to support our business, we may offer a variety of benefits, which could reduce our earnings or 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, 2020, approximately $4 billion, or 78%, 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 $868 million, or 18% 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. Historically, a majority of non-brokered certificates of deposit are renewed upon maturity as long as we pay competitive interest rates. Many of these clients are, however, interest rate conscious and may be willing to move funds into higher-yielding investment alternatives. 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, 2020, our 30 largest depositors accounted for 26% of our total deposits and our five largest depositors accounted for 11% 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 for our business and withdrawal demands, adversely affecting our net interest margin and results of operations. We may also be forced, as a result of withdrawals of deposits, to rely more heavily on other, potentially more expensive and less stable funding sources. Additionally, such circumstances could require us to raise deposit rates in an attempt to attract new deposits, which would adversely affect our results of operations.

Under applicable regulations, if the Bank were no longer “well-capitalized,” the Bank would not be able to accept brokered deposits without the approval of the FDIC and would be subject to a deposit rate cap, pursuant to which the Bank would be prohibited from paying in excess of 75 basis points above published national deposit rates unless the FDIC determined that the Bank’s local market rate was above the national rate. The imposition of a deposit rate cap may require the Bank to reduce its deposit rates, which would likely cause the loss of depositors.

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. 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 at a reasonable cost, in a timely manner and without adverse conditions or consequences. We require sufficient liquidity to fund asset growth, meet client loan requests, client deposit maturities and withdrawals, payments on our debt obligations as they come due, and other cash commitments under both normal operating conditions and other unpredictable circumstances, including events causing industry or general financial market stress. Liquidity risk can increase due to a number of factors, including an over-reliance on a particular source of funding or market-wide phenomena such as market dislocation and major disasters. We have a concentration of large depositors which increases our liquidity risk.

The Bank's primary funding source is client deposits. In addition, the Bank has historically had access to advances from the Federal Home Loan Bank, the Federal Reserve Bank of Kansas City, discount window and other wholesale sources, such as internet-sourced deposits and brokered deposits to fund operations. The Bank also acquires brokered deposits, internet subscription certificates of deposit, and reciprocal deposits through the Intrafi Network, formerly known as the Promontory Interfinancial Network. The reciprocal deposits include both the Certificate of Deposit Account Registry Service and Insured Cash Sweep program. The Bank 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. 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.

Our access to funding sources in amounts adequate to finance our activities or on acceptable terms could be impaired by factors that affect our organization specifically or the financial services industry or economy in general. Factors that could detrimentally impact access to liquidity sources include a decrease in the level of our business activity as a result of a downturn in the markets in which our loans are concentrated or adverse regulatory actions against us. The Bank's ability to borrow or attract and retain deposits in the future could be adversely affected by the Bank's financial condition or regulatory restrictions, or impaired by factors that are not specific to it, such as FDIC insurance changes, disruption in the financial markets or negative views and expectations about the prospects for the banking industry. Borrowing capacity from the FHLB or FRB may fluctuate based upon the condition of the Bank or the acceptability and risk rating of loan and securities collateral and counterparties could adjust discount rates applied to such collateral at the lender's discretion.

The FRB or FHLB could restrict or limit the Bank's access to secured borrowings. Correspondent banks can withdraw unsecured lines of credit or require collateralization for the purchase of fed funds. Liquidity also may be affected by the Bank's unfunded commitments to extend credit. Market conditions or other events could also negatively affect the level or cost of funding, affecting our ongoing ability to accommodate liability maturities and deposit withdrawals, meet contractual obligations and fund asset growth and new business transactions at a reasonable cost, in a timely manner and without adverse consequences.

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 need to raise additional capital in the future, and if we fail to maintain sufficient capital, whether due to losses, an inability to raise additional capital or otherwise, our financial condition, liquidity and results of operations, as well as our ability to maintain regulatory compliance, would be adversely affected.

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, and on our financial condition and performance. Any occurrence that may limit our access to the capital markets may adversely affect our capital costs and our ability to raise capital. Moreover, if we need to raise capital in the future, we may have to do so when many other financial institutions are also seeking to raise capital, and we would have to compete with those institutions for investors. Accordingly, we cannot assure you that we will be able to raise additional capital if needed or on terms acceptable to us. Our growth may be constrained if we are unable to raise additional capital as needed. Furthermore, if we fail to maintain capital to meet regulatory requirements, our financial condition, liquidity and results of operations would be materially and adversely affected.

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 as well as other financial services providers, such as savings and loan institutions, brokerage firms, credit unions, mortgage banks, and other financial intermediaries. In particular, our competitors include larger national and regional financial institutions whose greater resources may afford them a marketplace advantage by enabling them to maintain numerous banking locations and ATMs, achieve larger economies of scale, offer a wider array of banking services, make larger investments in technologies needed to attract and retain clients, and conduct extensive promotional and advertising campaigns. If we are unable to offer competitive products and services as quickly as our larger competitors, our business may be negatively affected.

Additionally, we may be disproportionately affected by the continually increasing costs of compliance with new banking and other regulations. Banks and other financial institutions with larger capitalization and financial intermediaries not subject to bank regulatory restrictions have larger lending limits and are thereby able to serve the credit needs of a broader client base than us. Larger competitors may also be able to offer better lending and deposit rates to clients, and could increase their competition as the Company becomes more visible. If our competitors extend credit on terms we find to pose excessive risks, or at interest rates which we believe do not warrant the credit exposure, we may not be able to maintain our business volume and could experience deteriorating financial performance. Moreover, larger competitors may not be as vulnerable as us to downturns in the local economy and real estate markets since they often have a broader geographic area and their loan portfolio is often more diversified.

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, as well as automated retirement and investment service providers. New technology and other changes are allowing parties to effectuate financial transactions that previously required the involvement of banks. For example, consumers can maintain funds in brokerage accounts or mutual funds that would have historically been held as bank deposits. Consumers can also complete transactions such as paying bills and transferring funds directly without the assistance of banks. The process of eliminating banks as intermediaries, known as "disintermediation," could result in the loss of fee income, as well as the loss of client deposits and the related income generated from those deposits. The loss of these revenue streams and access to lower cost deposits as a source of funds could have a material adverse effect on our business, results of operations and financial condition.

We also compete against community banks, credit unions and nonbank financial services companies that have strong local ties. These smaller institutions are likely to cater to the same small- to medium-sized businesses that we target. If we are unable to attract and retain banking clients, we may be unable to continue to grow our loan and deposit portfolios and our results of operations and financial condition may be adversely affected. Ultimately, we may be unable to compete successfully against current and future competitors.

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, and is designed to manage the types of risk to which we are subject, including credit, market, liquidity, interest rate, operational, reputation, business, and compliance. Our framework also includes financial or other modeling methodologies that involve management assumptions and judgment. Our risk management framework may not be effective under all circumstances and may not adequately mitigate risk or loss to us. If our risk management framework is not effective, we could suffer 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 our financial results accurately and timely, in which case our business may be harmed, investors may lose confidence in the accuracy and completeness of our financial reports, we could be subject to regulatory penalties and the price of our common stock may decline.

Our management 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. In addition, 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. We face many challenges, including the increased demand for providing clients access to their accounts and the systems to perform banking transactions electronically. Our ability to compete depends on our ability to continue to adapt technology on a timely and cost-effective basis to meet these demands.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. Many of our competitors have substantially greater resources to invest in technological improvements. 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.

Failure to successfully keep pace with technological change affecting the financial services industry could harm our ability to compete effectively and could have a material adverse impact on our business, financial condition, results of operations or cash flows. 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 risks and potential security breaches associated with our internet-based systems and online commerce security, and therefore we may incur increasing costs in an effort to minimize those risks and to respond to cyber incidents and we may experience harm to our reputation and liability exposure from security breaches.

We conduct a portion of our business over the Internet. We rely heavily upon data processing, including loan servicing and deposit processing, software, communications and information systems from a number of third parties to conduct our business. In addition, 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.

In recent periods, several governmental agencies and large corporations, including financial service organizations and retail companies, have suffered major data breaches, in some cases exposing not only their confidential and proprietary corporate information, but also sensitive financial and other personal information of their clients or other third parties, and subjecting those agencies and corporations to potential fraudulent activity and their clients and other third parties to identity theft and fraudulent activity in their credit card and banking accounts. Therefore, security breaches and cyber attacks can 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. Additionally, we provide international wire transfer and other international services, which subject us to associated risks, including risks of increased difficulties recovering transferred funds in the event of fraud or otherwise.

Third-party or internal systems and networks may fail to operate properly or become disabled due to deliberate attacks or unintentional events; furthermore, we could be subjected to an unauthorized takeover of one or more of our corporate accounts and subjected to unauthorized transfers. 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. These events may obstruct our ability to provide services and process transactions. 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.

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. Although we monitor and modify, as necessary, our protective measures in response to the perpetual evolution of known cyber-threats and devote significant resources to maintain, regularly update and backup our systems and processes that are designed to protect the security of our systems, we may not be able to anticipate, or effectively implement preventative measures against, all cyber attacks.

A breach in the security of any of our information systems, 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, as a result of any breach, we could incur higher costs to conduct our business, to increase protection or related to remediation. Furthermore, our clients could incorrectly blame us and terminate their account with us for a cyber-incident which occurred on their own system or with that of an unrelated third party. 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. Others, including 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 we could be subject to environmental liabilities with respect to these properties. 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 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 by third parties based on damages and costs resulting from environmental contamination emanating from the property. These properties may also be subject to various 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.

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. Our insurance may not cover all claims that may be asserted against us and indemnification rights to which we are entitled may not be honored, and any claims asserted against us, regardless of merit or eventual outcome, may harm our reputation. 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, or negative publicity or public complaints, whether real or perceived, about one or more financial counterparties, 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, acts of war or terrorism 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, which are generally intended to provide protection for depositors, clients and the Deposit Insurance Fund ("DIF"), rather than for the benefit of stockholders, 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. These bank regulators possess broad authority to prevent or remedy unsafe or unsound practices or violations of law. Following examinations, we may be required, among other things, to change our asset valuations or the amounts of required loan loss allowances or to restrict our operations, as well as increase our capital levels, which could adversely affect our results of operations.

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 and adversely affect profitability. Moreover, certain of these regulations contain significant punitive sanctions for violations, including monetary penalties and limitations on a bank's ability to implement components of its business plan, such as expansion through mergers and acquisitions or the opening of new branch offices. In addition, changes in regulatory requirements may add costs associated with compliance efforts. Furthermore, government policy and regulation, particularly as implemented through the Federal Reserve, significantly affect credit conditions. Monetary policies and regulations of the Federal Reserve to regulate money supply and credit conditions could influence economic growth and the distribution of credit, bank loans, investments and deposits. Negative developments in the financial industry and the impact of new legislation and regulation in response to those developments could negatively impact our business operations and adversely impact our financial performance.

Legislative and regulatory actions taken now or in the future may increase our costs and impact our business, governance structure, financial condition or results of operations. Proposed legislative and regulatory actions, including changes to financial regulation, may not occur on the time frame that is expected, or at all, which could result in additional uncertainty for our business.

We are subject to extensive regulation by multiple regulatory bodies. These regulations may affect the manner and terms of delivery of our services. If we do not comply with governmental regulations, we may be subject to fines, penalties, lawsuits or material restrictions on our businesses which may adversely affect our business operations. Changes in these regulations can significantly affect the services that we provide as well as our costs of compliance with such regulations. In addition, adverse publicity and damage to our reputation arising from the failure or perceived failure to comply with legal, regulatory or contractual requirements could affect our ability to attract and retain clients.

Current and past economic conditions, particularly in the financial markets, have resulted in government regulatory agencies and political bodies placing increased focus and scrutiny on the financial services industry. For example, the Dodd-Frank Act significantly changed the regulation of financial institutions and the financial services industry. In addition, new proposals for legislation continue to be introduced in the U.S. Congress that could further substantially increase regulation of the financial services industry, impose restrictions on the operations and general ability of firms within the industry to conduct business consistent with historical practices, including in the areas of compensation, interest rates, financial product offerings and disclosures, and have an effect on bankruptcy proceedings with respect to consumer residential real estate mortgages, among other things. Federal and state regulatory agencies also frequently adopt changes to their regulations or change the manner in which existing regulations are applied.

In addition, any proposed legislative or regulatory changes, including those that could benefit our business, financial condition and results of operations, may not occur on the timeframe that is proposed, or at all, which could result in additional uncertainty for our business.

Many of our new 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. Such regulatory approvals may not be granted on terms that are acceptable to us, or at all.

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 a subsidiary bank and to commit resources to support such subsidiary bank. The Dodd-Frank Act codified the Federal Reserve's policy on serving as a source of financial strength. Under the "source of strength" doctrine, the Federal Reserve may require a bank holding company to make capital injections into a troubled subsidiary bank, even if the Company would not ordinarily do so and even if such contribution is to its detriment or the detriment of its stockholders. The Federal Reserve may charge the bank holding company with engaging in unsafe and unsound practices for failure to commit resources to a subsidiary bank. A capital injection may be required at times when the holding company may not have the resources to provide it and therefore may be required to borrow the funds or raise capital. Any loans by a bank holding company to its subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. In the event of a bank holding company's bankruptcy, the bankruptcy trustee will assume any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank.

Moreover, bankruptcy law provides that claims based on any such commitment will be entitled to a priority of payment over the claims of the bank holding company's general unsecured creditors, including the holders of its indebtedness. Thus, any borrowing that must be incurred by the Company in order to make a required capital injection to the Bank becomes more difficult and expensive and will adversely impact our financial condition, results of operations and future prospects.

The Financial Institutions Reform Recovery and Enforcement Act of 1989 ("FIRREA") grants the FDIC broad authority to charge off any losses caused by a failing bank subsidiary to the capital of a non-failing affiliated bank. Moreover, any bank operating under the Company's common control could be required by the FDIC 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 can initiate certain mandatory, and possibly additional 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. FDIC deposit insurance is critical to the continued operation of the Bank. In addition, an inability to meet the capital requirements under the Basel III would prevent us from being able to pay certain discretionary bonuses to our executive officers and dividends to our stockholders. 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. For example, changes in risk weightings of assets relative to capital and other factors may combine to increase the amount of risk-weighted assets in the tier 1 risk-based capital ratio and the total risk-based capital ratio. Any increases in our risk-weighted assets will require a corresponding increase in our capital to maintain the applicable ratios. In addition, recognized loan losses in excess of amounts reserved for such losses, loan impairments and other factors will decrease our capital, thereby reducing the level of the applicable ratios.

Our failure to remain well-capitalized for bank regulatory purposes could affect client and investor confidence, our ability to grow, our costs of funds and 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. If we cease to be a well-capitalized institution for bank regulatory purposes, the interest rates that we pay on deposits and our ability to accept brokered deposits may be restricted. If we were restricted in the amount of interest that we could pay on our deposits, we could fail to maintain levels of deposits consistent with our business plan.

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.

Bank regulatory agencies periodically examine our business, including compliance with laws and regulations, and our failure to comply with any supervisory actions to which we become subject as a result of such examinations could materially and adversely affect us.

Our regulators periodically examine our business, including our compliance with laws and regulations. Accommodating such examinations may require management to reallocate resources, which would otherwise be used in the day-to-day operation of other aspects of our business. If, as a result of an examination, a banking agency were to determine that our financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of our operations had become 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.

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 AML program and to file reports such as suspicious activity reports and currency transaction reports. We are required to comply with these and other AML requirements. The federal banking agencies and Financial Crimes Enforcement Network are authorized to impose significant civil money penalties for violations of those requirements and 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 involve sanctions for dealing with certain persons or countries. If our policies, procedures and systems are deemed deficient, or if the policies, procedures and systems of any financial institutions that we may acquire in the future are deemed deficient, we would be subject to liability, including fines and regulatory actions, which may include restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan, including our acquisition plans. Although, as of the date of this report, we have not been subject to any fines or penalties, and we believe we have not suffered any material business or reputational harm, as a result of violations of anti-money laundering laws and regulations, there is no assurance that we will not be subject to such fines, penalties or losses or harm in the future.

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. Various 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 fluctuations in price 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;
- new technology used, or services offered, by competitors; and
- changes in government regulations.

In addition, if the market for stocks in our industry, or the stock market in general, experiences a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, financial condition or results of operations. 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. Any declaration and payment of dividends on our common stock will depend upon 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, and other factors deemed relevant by our Board of Directors. 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. Furthermore, consistent with our strategic plans, growth initiatives, capital availability, projected liquidity needs and other factors, we have made, and will continue to make, capital management decisions and policies that could adversely affect the amount of dividends, if any, paid to our common stockholders. 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.

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 level, composition and quality of capital. The Federal Reserve is authorized to determine under certain circumstances related to the financial condition of a bank holding company or a bank that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof. If required payments on our debt obligations are not made, or dividends on any preferred stock we may issue are not paid, we will be prohibited from paying dividends on 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.

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 eight full-service banking centers located in: Leawood, Kansas; Wichita, Kansas; Kansas City, Missouri; Oklahoma City, Oklahoma; Tulsa, Oklahoma; Dallas, Texas; and Frisco, Texas. We own our headquarters building, our banking centers in Wichita, Kansas, and Oklahoma City, Oklahoma and we lease the remainder of our locations. 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, 2021	Position(s)
Mike Maddox	51	President and Chief Executive Officer of the Company
David O'Toole	70	Chief Financial Officer and Chief Investment Officer of the Company and Chief Financial Officer of the Bank
George F. Jones, Jr.	76	Vice Chairman of the Company
Steve Peterson	56	Chief Banking Officer of the Bank
W. Randall Rapp	56	Chief Credit Officer of the Bank
Amy Fauss	53	Chief Operating Officer of the Bank
Tom Robinson	62	Chief Risk Officer of the Company
Aisha Reynolds	44	General Counsel and Corporate Secretary of the Company and the Bank
Jana Merfen	39	Chief Technology Officer of the Bank

Mike Maddox—Mr. Maddox transitioned into his new role as President and Chief Executive Officer of the Company effective on June 1, 2020. Mr. Maddox has served 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 18 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.

David L. O'Toole—Mr. O'Toole has served as Chief Financial Officer of the Company and the Bank since 2008 and Chief Investment Officer of the Company since 2009. In addition to his roles with the Company and the Bank, Mr. O'Toole has served as President of CrossFirst Investments, Inc. since 2010. Mr. O'Toole previously served as President for CrossFirst Advisors from 2008 until 2016.

George F. Jones, Jr.—Mr. Jones has served as Vice Chairman of the Company since transitioning his role as President and Chief Executive Officer, effective June 1, 2020, to Mike Maddox. Mr. Jones had served as President and Chief Executive Officer of the Company since May 2018. Mr. Jones joined the Company as Vice Chairman in May 2016, after retiring from Texas Capital Bank, N.A. at the end of 2013, and served as Vice-Chairman of the Company until May 2018. Mr. Jones has served on the board of the Bank since 2016. Mr. Jones also serves on the board of directors and as chairman of the Audit Committee and on the Compensation Committee of Caliber Home Loans, Inc.

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

Tom Robinson—Mr. Robinson has served as the Chief Risk Officer of the Company since January 2019. Mr. Robinson served as the Chief Credit Officer of the Bank from December 2011 until March 2019. Prior to joining the Bank in December 2011, Mr. Robinson served as the Chief Lending Officer for Morrill & Janes Bank and Trust Company, a unit of Morrill Bancshares, Inc.

Aisha Reynolds—Ms. Reynolds has served as General Counsel and Corporate Secretary of the Company since August 2018. Prior to joining the Company, she was Vice President, Securities and Governance for DST Systems, Inc., a global provider of technology-based information processing and servicing solutions, from August 2015 through June 2018. She received her law degrees from Washington University in St. Louis.

Jana Merfen—Ms. Merfen joined CrossFirst 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 578 holders of record at December 31, 2020.

Stock Performance

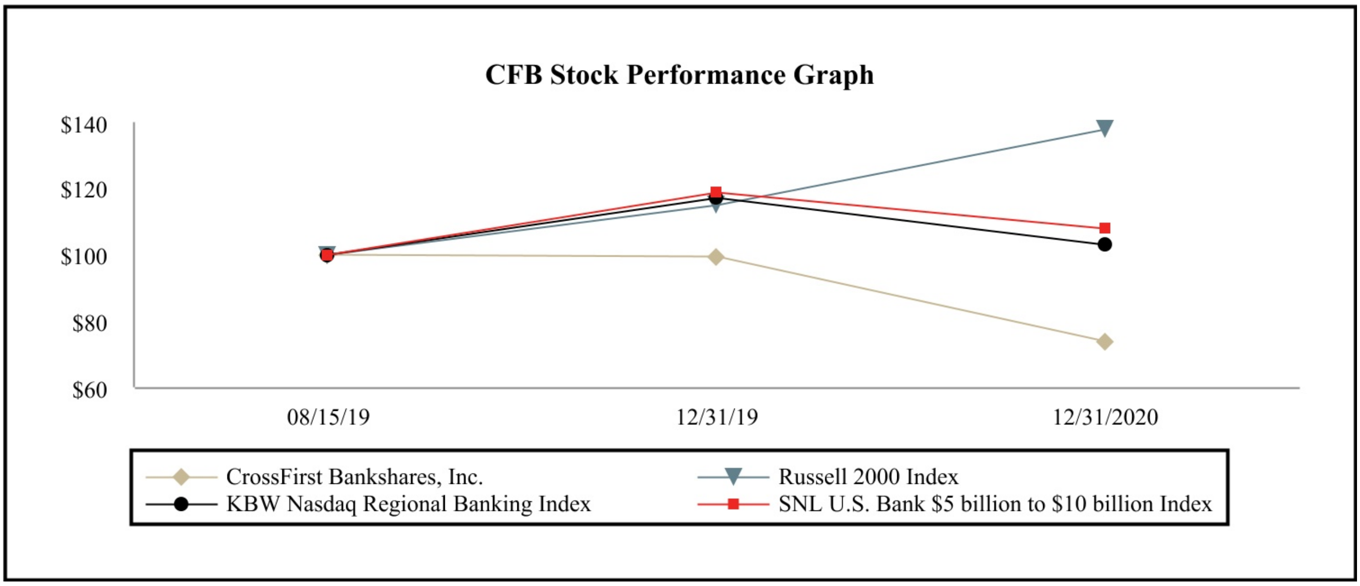
Our book value per share for the periods indicated were:

	As of December 31,				
	2020	2019	2018	2017	2016
Book value per share	$ 12.08	$ 11.58	$ 10.21	$ 8.38	$ 7.34

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 2020		Price per Share in 2019	
	High	Low	High	Low
Stock Price	$ 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, 2020 compared to an overall stock market index (Russell 2000 Index) and two peer group indices (KBW Nasdaq Regional Banking Index and SNL U.S. Bank $5 billion to $10 billion 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
CrossFirst Bankshares, Inc.	$ 100.00	$ 99.45	$ 73.63
Russell 2000 Index	$ 100.00	$ 114.85	$ 137.77
KBW Nasdaq Regional Banking Index	$ 100.00	$ 116.94	$ 102.79
SNL U.S. Bank $5 billion to $10 billion Index	$ 100.00	$ 118.57	$ 107.69

Dividends

We have not declared or paid any cash dividends on our common stock and we do not currently anticipate paying any cash dividends on our common stock in the foreseeable future. Instead, we anticipate that our earnings in the foreseeable future will be retained to support our operations and finance the growth and development of our business. Any future determination to pay dividends on our common stock will be made by 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, 2020:

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	—	$ —	—	$ 20,000,000
November 1 - 30	243,558	$ 9.60	243,558	$ 17,660,926
December 1 - 31	366,055	$ 10.12	366,055	$ 13,957,308
Total	609,613	$ 9.91	609,613	

On October 20, 2020, the Company announced that its Board of Directors approved a share repurchase program under which the Company may repurchase up to $20 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 particular amount of common stock, and it may be suspended at any time at the Company's discretion. No time limit has been set for completion of the program.

ITEM 6. SELECTED FINANCIAL DATA

On December 21, 2018, we effected 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. The effect of the stock dividend on outstanding shares and per share figures has been retroactively applied to all periods presented in this Form 10-K.

You should read the following financial data in conjunction with the other information contained in this 10-K, including under "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in the financial statements and related notes included elsewhere in this 10-K.

	As of or for the Year Ended December 31,				
	2020	2019	2018	2017	2016
	(Dollars in thousands, except per share data)				
Interest income	$ 203,448	$ 216,218	$ 156,880	$ 97,816	$ 69,069
Interest expense	43,199	74,774	46,512	22,998	15,016
Net interest income	160,249	141,444	110,368	74,818	54,053
Net income	12,601	28,473	19,590	5,849	10,311
Preferred stock dividends	175	175	2,100	2,100	2,100
Net income available to common stockholders	12,426	28,298	17,490	3,749	8,211
Total assets	5,659,303	4,931,233	4,107,215	2,961,118	2,133,106
Borrowings and repurchase agreements	295,406	373,664	388,391	357,837	216,709
Preferred stock, liquidation value	—	—	30,000	30,000	30,000
Basic earnings per share	0.24	0.59	0.48	0.12	0.39
Diluted earnings per share	$ 0.24	$ 0.58	$ 0.47	$ 0.12	$ 0.39

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 Item 7. Management's Discussion and Analysis Discussion of Financial Condition and Results of Operations in our 2019 Form 10-K filed with the SEC on March 10, 2020 for a discussion of the financial condition and results of operations of the Company for the period ended December 31, 2018 and a comparison between the 2018 and 2019 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 "Risk Factors Summary" and in the financial statements and related notes included elsewhere in this 10-K.

Growth History

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. The data below presents the business' growth in key areas for the past five years and the related compound annual growth rate ("CAGR"):

	2016 to 2020	As of December 31,				
	CAGR	2020	2019	2018	2017	2016
		(Dollars in thousands)				
Investment securities	3%	$ 668,024	$ 741,634	$ 663,678	$ 703,581	$ 593,012
Gross loans (net of unearned income)(1)	36	4,441,897	3,852,244	3,060,747	1,996,029	1,296,886
Total assets	28	5,659,303	4,931,233	4,107,215	2,961,118	2,133,106
Noninterest-bearing deposits	38	718,459	521,826	484,284	290,906	198,088
Total deposits	29%	$ 4,694,740	$ 3,923,759	$ 3,208,097	$ 2,303,364	$ 1,694,301

(1) Includes $292 million of PPP loans at December 31, 2020 that we anticipate to be paid off during 2021.

Our Strategy

Our strategy has been to build the most trusted bank in our markets, which we believe drives value for our stockholders. During 2020, 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 2020, 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;
- 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,				
	2020	2019	2018	2017	2016
	(Dollars in thousands, except per share data)				
Return on average assets	0.24 %	0.63 %	0.56 %	0.24 %	0.56 %
Return on average equity	2.05 %	5.38 %	5.34 %	1.53 %	5.51 %
Earnings per share[(1)]	$ 0.24	$ 0.59	$ 0.48	$ 0.12	$ 0.39
Diluted earnings per share[(1)]	$ 0.24	$ 0.58	$ 0.47	$ 0.12	$ 0.39
Efficiency[(2)]	58.13 %	58.37 %	73.64 %	79.10 %	70.64 %
Equity to assets	11.03 %	12.20 %	11.94 %	9.70 %	10.07 %

(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 Events:

Four of our branches are located in areas recently impacted by severe, cold weather conditions. One branch sustained water damage, but did not impact operations or our ability to support our customers. The impact to our customers in Oklahoma and Texas remains uncertain, but may reduce a customer’s ability to pay all principal and interest payments when due. We may assist our customers impacted by the recent cold weather conditions by modifying loan terms.

2020 Highlights:

- Total assets reached $5.7 billion including $593 million or 15% loan growth and $771 million or 20% deposit growth.
- Successful execution of our succession plan pursuant to which Michael J. Maddox was named as the Company’s Chief Executive Officer effective June 1, 2020 to succeed George F. Jones, Jr. who was appointed as Vice Chairman.
- Supported our local businesses and communities by issuing $369 million of PPP loans to approximately 1,200 customers.
- Improved our efficiency ratio from 58.37% in 2019 to 58.13% in 2020 in spite of the uncertainty surrounding the COVID-19 pandemic.
- Effectively responded to the COVID-19 pandemic using our business continuity plan resulting in no impact to bank operations, reduced health risks to employees and continuous support to our customers.
- Book value per share of $12.08 at December 31, 2020 compared to $11.58 at December 31, 2019.

Review and Update on the COVID-19 Pandemic Impact

The COVID-19 pandemic has caused, and is expected to 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. During the remainder of 2020, our employees worked in the office on a rotation schedule or remotely to limit exposure risk to our employees and customers. We met with customers by appointment and our drive-thru locations operated during normal hours. No material interruptions to our business operations have occurred to date.

Paycheck Protection Program ("PPP") Lending Facility and Loans in 2020

The PPP was established by the CARES Act and authorized forgivable loans to small businesses. 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 2020 financials:

	As of or For the Period Ended December 31, 2020			
	Outstanding Balance	**Total Origination Fees**	**Earned Fees**	**Unearned Fees**
	(Dollars in thousands)			
PPP Loans	$ 292,230	$ 9,946	$ 5,757	$ 4,189

PPP Lending Facility and Loans in 2021

The Consolidated Appropriations Act of 2021 allocated an additional $284 billion in PPP funding. On January 11, 2021, the SBA reopened PPP funds for first draw borrowers and on January 13, 2021, opened PPP funds for second draw borrowers. The second round of PPP loans have similar terms to the first round of PPP loans mentioned above. The PPP loans are currently available through March 31, 2021 or until no available funding under the Consolidated Appropriations Act of 2021 remains.

The Bank participated in the second round of PPP funding to continue support of current and new customers. PPP loan activity between January 1, 2021 and February 24, 2021 is provided below:

	PPP Loan Activity in 2021			
	December 31, 2020 Outstanding Balance	**Loans Forgiven & (Earned Fees)†**	**Loans Issued & Unearned Loan Fees**	**February 24, 2021 Outstanding Balance**
	(Dollars in thousands)			
Loans Outstanding	$ 292,230	$ (40,289)	$ 87,380	$ 339,321
Unearned Loan Fees	$ 4,189	$ (1,534)	$ 1,952	$ 4,607

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

Loan Modifications

The CARES Act 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 December 31, 2020 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. During the third quarter of 2020, the Company assessed and approved a second round of modifications. These modifications were based on a customer's business condition, evaluation of near and long term recovery potential and level of support from the owners and guarantors. On December 27, 2020, the Consolidated Appropriations Act, 2021 was signed into law, which extended the period during which the Company may, elect not to consider whether loan modifications relating to the COVID-19 pandemic are TDRs through January 2, 2022. The Company elected to apply the guidance.

The Company currently expects most of these modified loans to recover from the pandemic, but uncertainty regarding the short-term and long-term effects of the COVID-19 pandemic remain that may require the Company to (i) downgrade modified loans which may increase our ALLL, (ii) reverse interest income previously recognized but not received, and (iii) charge-off modified loans.

Deferred loan interest accrues on loans modified as a result of the COVID-19 pandemic until determined that it is more likely than not that we will be unable to collect the accrued interest balance. After the deferral period, the modified loan terms require all accrued interest to be paid or capitalized and amortized over the original loan term. Loan modification information at December 31, 2020 is provided below:

	Loan Modification Information As of December 31, 2020	
	Number	Value
	(Dollars in thousands)	
Commercial	8	$ 24,696
Energy	2	1,788
Commercial real estate	6	51,457
Construction and land development	1	11,883
Residential real estate and multifamily real estate	0	—
Consumer	0	—
Total	17	$ 89,824

Loan modifications primarily include payment deferrals, reduced monthly payments, changes in interest rate and extension of the maturity date.

Loan Modification by Risk Rating
As of December 31, 2020

	Pass	Special Mention	Substandard Performing	Substandard Nonperforming	Doubtful	Loss	Total
	(Dollars in thousands)						
Modified loans	$ 44,706	$ 6,217	$ 38,901	$ —	$ —	$ —	$ 89,824
ALLL against modified loans	$ 474	$ 311	$ 3,890	$ —	$ —	$ —	$ 4,675

Loan Portfolio and Credit Quality

The COVID-19 pandemic impacted our borrowers resulting in credit migration, charge-offs and an increased provision. As a result of the COVID-19 pandemic, the Company moderated loan growth to focus on current customers, implemented floors on loans and monitored unfunded credit lines. Listed below are categories in our loan portfolio that have been or may be significantly impacted by the COVID-19 pandemic, resulting in increased monitoring.

Energy Loans

Energy loans are collateralized by oil and natural gas reserves and the borrower’s cash flows are impacted by changes in the price of oil and natural gas. Our customers have significant experience in the energy sector and the Company has an experienced group of energy lenders and credit officers that proactively monitor the portfolio. Oil and natural gas prices declined in the first quarter of 2020 and remained low as a result of the COVID-19 pandemic and other factors that reduced cash flow for our energy customers. As a result, approximately 60% of the energy portfolio was downgraded in 2020 and $5 million of loans were charged-off. We anticipate some relief for our customers in 2021 if oil and gas prices rebound and stabilize. We plan to decrease our overall energy exposure from 8% to 5% of our total loan portfolio.

Real Estate Loans

Our real estate loans are comprised of construction and development loans, 1-4 family loans and commercial real estate loans. There is significant uncertainty regarding the impact of the COVID-19 pandemic on our real estate loan portfolio, but we continue to monitor the following industries:

Real Estate Industries with Increased Monitoring as of December 31, 2020

Industry	Outstanding Balance	Percent of Gross Loans
	(Dollars in thousands)	
Retail	$ 183,196	4.1%
Hotel and Lodging	$ 175,806	3.9%
Medical and Senior Living	$ 174,046	3.9%

These industries were identified due to travel restrictions, cancellation of events and large gatherings, reduction in demand for senior living housing and furlough of workers and an increase in unemployment numbers. The Bank has worked with business owners in these industries by modifying loan terms and funding the PPP loans.

Commercial Loans

The Company provides a mix of variable-rate and fixed-rate commercial loans across various industries. We extend commercial loans on an unsecured and secured basis. There is significant uncertainty regarding the impact the COVID-19 pandemic will have on our commercial loan portfolio, but we identified the following industries that received an increase in monitoring:

Commercial Industries with Increased Monitoring as of December 31, 2020

Industry	Outstanding Balance		Percent of Gross Loans
	(Dollars in thousands)		
Recreation	$	84,207	1.9%
Restaurants	$	73,572	1.7%
Aircraft and Aviation	$	51,587	1.2%

These industries were identified based on travel, entertainment and restaurant restrictions, cancellation of events and large gatherings, business closures and furlough of workers and an increase in unemployment numbers have also impacted these industries.

Goodwill Impairment

We performed a goodwill impairment analysis during the second quarter of 2020 and it resulted in a $7 million impairment, representing the total value of goodwill previously reported. See *Note 6: Goodwill and Core Deposit Intangible* within the Notes to the Consolidated Financial Statements and the *Non-Interest Expense* section within Management's Discussion and Analysis for more information.

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

For the fiscal year ended December 31, 2016 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 2020. Our earning assets repriced quicker than our cost of funds, resulting in a lower net interest margin in 2019 and 2020. A table showing our five-year yield on earning assets and cost of funds is presented below:

	For the Year Ended December 31,				
	2020	2019	2018	2017	2016
Yield on securities - tax equivalent[(1)]	3.05 %	3.35 %	3.62 %	3.85 %	3.63 %
Yield on loans	4.26	5.52	5.34	4.89	4.60
Yield on earning assets - tax equivalent[(1)]	3.96	5.04	4.77	4.37	4.08
Cost of interest-bearing deposits	1.02	2.21	1.71	1.12	0.96
Cost of total deposits	0.85	1.89	1.44	0.99	0.87
Cost of FHLB and short-term borrowings	1.56	1.90	1.77	1.49	1.20
Cost of funds	0.92	1.90	1.49	1.06	0.91
Net interest margin - tax equivalent[(1)]	3.13 %	3.31 %	3.39 %	3.40 %	3.24 %

[(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% after December 31, 2017 and 35% prior to and including December 31, 2017.

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,								
	2020			2019			2018		
	Average Balance	Interest Income / Expense	Yield/Rate[4]	Average Balance	Interest Income / Expense	Yield/Rate[4]	Average Balance	Interest Income / Expense	Yield/Rate[4]
	(Dollars in thousands)								
Interest-earning assets:									
Securities - taxable	$ 267,715	$ 6,058	2.26 %	$ 330,051	$ 9,627	2.92 %	$ 281,709	$ 8,952	3.18 %
Securities - tax-exempt[1]	447,324	15,745	3.52	390,908	14,533	3.72	459,231	17,856	3.89
Federal funds sold	1,020	18	1.73	15,195	364	2.40	16,377	339	2.07
Interest-bearing deposits in other banks	179,978	621	0.35	139,538	2,689	1.93	159,279	2,757	1.73
Gross loans, net of unearned income[2][3]	4,310,345	183,738	4.26	3,468,079	191,527	5.52	2,435,424	130,075	5.34
Total interest-earning assets[1]	5,206,382	$ 206,180	3.96 %	4,343,771	$ 218,740	5.04 %	3,352,020	$ 159,979	4.77 %
Allowance for loan losses	(68,897)			(42,015)			(30,921)		
Other noninterest-earning assets	220,994			198,008			173,556		
Total assets	$ 5,358,479			$ 4,499,764			$ 3,494,655		
Interest-bearing liabilities									
Transaction deposits	$ 447,777	$ 1,696	0.38 %	$ 146,109	$ 1,742	1.19 %	$ 56,321	$ 175	0.31 %
Savings and money market deposits	1,993,964	14,033	0.70	1,676,417	35,385	2.11	1,410,727	23,405	1.66
Time deposits	1,155,492	20,856	1.80	1,243,304	30,541	2.46	835,595	15,792	1.89
Total interest-bearing deposits	3,597,233	36,585	1.02	3,065,830	67,668	2.21	2,302,643	39,372	1.71
FHLB and short-term borrowings	417,956	6,508	1.56	366,577	6,959	1.90	395,825	7,004	1.77
Trust preferred securities, net of fair value adjustments	939	106	11.34	899	147	16.34	864	136	15.69
Noninterest-bearing deposits	684,294	—	—	512,142	—	—	425,243	—	—
Cost of funds	4,700,422	$ 43,199	0.92 %	3,945,448	$ 74,774	1.90 %	3,124,575	$ 46,512	1.49 %
Other liabilities	43,331			25,708			12,634		
Stockholders' equity	614,726			528,608			357,446		
Total liabilities and stockholders' equity	$ 5,358,479			$ 4,499,764			$ 3,494,655		
Net interest income[1]		$ 162,981			$ 143,966			$ 113,467	
Net interest spread[1]			3.04 %			3.14 %			3.28 %
Net interest margin[1]			3.13 %			3.31 %			3.39 %

(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 $75 million, $40 million and $18 million as of December 31, 2020, 2019 and 2018, respectively.

(3) Loan interest income includes loan fees of $14 million, $9 million and $7 million in 2020, 2019 and 2018, 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, 2020 over 2019		
	Average Volume	Yield/Rate	Net Change[2]
	(Dollars in thousands)		
Interest Income			
Securities - taxable	$ (1,624)	$ (1,945)	$ (3,569)
Securities - tax-exempt[1]	2,022	(810)	1,212
Federal funds sold	(266)	(80)	(346)
Interest-bearing deposits in other banks	612	(2,680)	(2,068)
Gross loans, net of unearned income	41,037	(48,826)	(7,789)
Total interest income[1]	41,781	(54,341)	(12,560)
Interest Expense			
Transaction deposits	1,748	(1,794)	(46)
Savings and money market deposits	5,725	(27,077)	(21,352)
Time deposits	(2,018)	(7,667)	(9,685)
Total interest-bearing deposits	5,455	(36,538)	(31,083)
FHLB and short-term borrowings	897	(1,348)	(451)
Trust preferred securities, net of fair value adjustments	6	(47)	(41)
Total interest expense	6,358	(37,933)	(31,575)
Net interest income[1]	$ 35,423	$ (16,408)	$ 19,015

[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, 2020 compared to the same period in 2019. Lower yields on earning assets were driven by a decline in the interest rate environment. 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 6 basis points. We anticipate PPP income will positively impact our yield in the first half of 2021 as loans are forgiven and we accelerate the recognition of the unearned loan fees. We currently expect earning asset yields to remain flat or slightly decline in 2021 as a result of competition and the continued low rate environment.

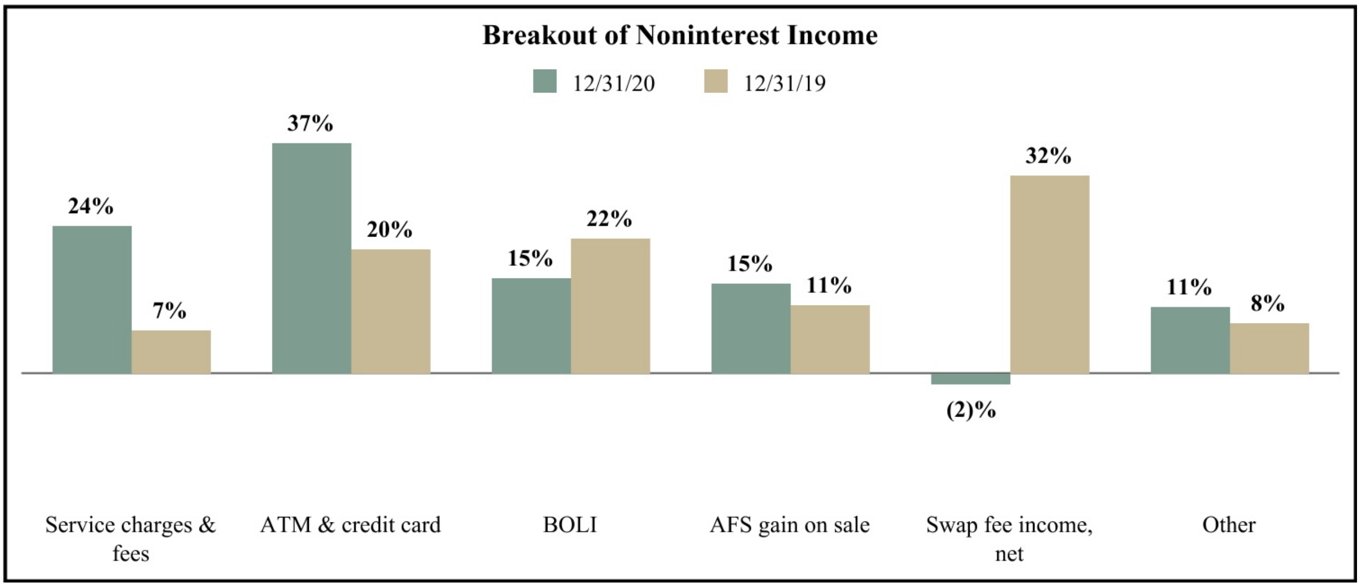
Interest Expense - Interest expense declined for the twelve months ended December 31, 2020 compared to the same period in 2019. The cost of interest-bearing deposits declined due to strategic rate changes in our deposit products driven by the declining rate environment. The cost of FHLB and other borrowings declined due to shorter term funding in 2020 compared to 2019 and the declining rate environment. The rates on interest-bearing liabilities were offset by an increase in average volume to support our asset growth. We currently anticipate our cost of funds to remain flat or slightly decline in 2021 as we continue to reduce rates on deposits and longer term borrowings.

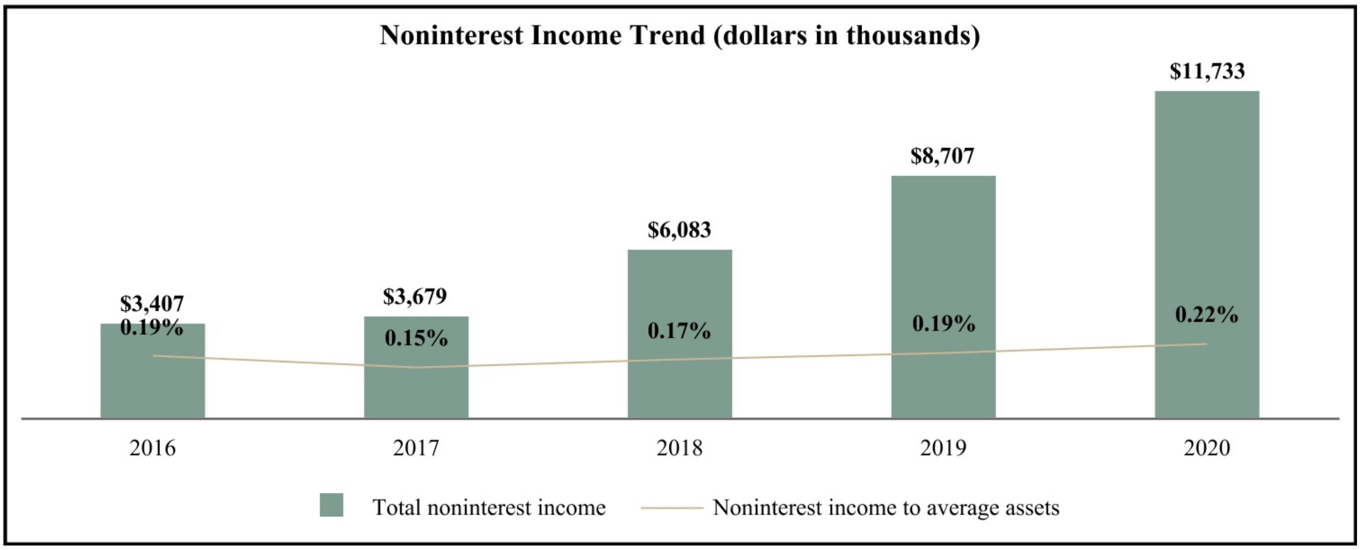
Net Interest Income - Net interest income increased for the twelve months ended December 31, 2020 compared to the same period in 2019. The increase was driven by growth in average earning assets, offset by compression in net interest margin as earning assets repriced quicker than interest-bearing liabilities. We currently expect the net interest margin to remain flat in 2021 as earning assets continue to reprice, offset by maturities in borrowed funds that have higher interest rates. 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

Refer to *Note 1: Nature of Operations and Summary of Significant Accounting Policies* under the Recent Accounting Pronouncements within the Notes to the Consolidated Financial Statements for information regarding the impact of the LIBOR transition on the Company.

Noninterest Income





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

	For the Year Ended December 31,			
			Change	
	2020	2019	$	%
	(Dollars in thousands)			
Service charges and fees on customer accounts	$ 2,803	$ 604	$ 2,199	364 %
Gain on sale of available-for-sale securities	1,704	987	717	73
Impairment of premises and equipment held for sale	—	(424)	424	(100)
Income from bank-owned life insurance	1,809	1,878	(69)	(4)
Swap fees and credit valuation adjustments, net	(204)	2,753	(2,957)	(107)
ATM and credit card interchange income	4,379	1,785	2,594	145
Other noninterest income	1,242	1,124	118	10
Total noninterest income	$ 11,733	$ 8,707	$ 3,026	35 %

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, 2020 compared to the same corresponding period in 2019 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.

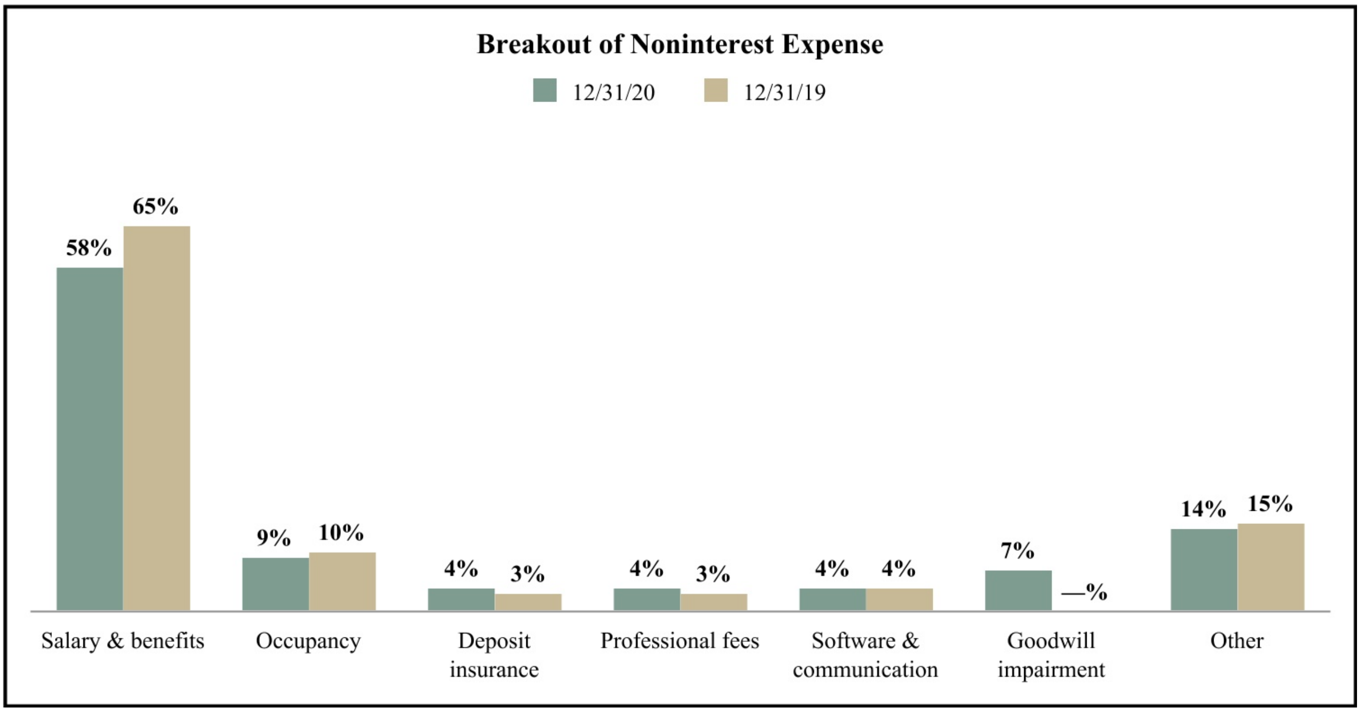
Gain on Sale of Available-for-Sale Securities - The increase in the gain for the year ended December 31, 2020 was primarily due to the declining rate environment, which increased the value of the Company's securities sold in 2020 compared to the same period in 2019. The 2020 sales were a strategic decision by management to capitalize on attractive market conditions and improve credit quality.

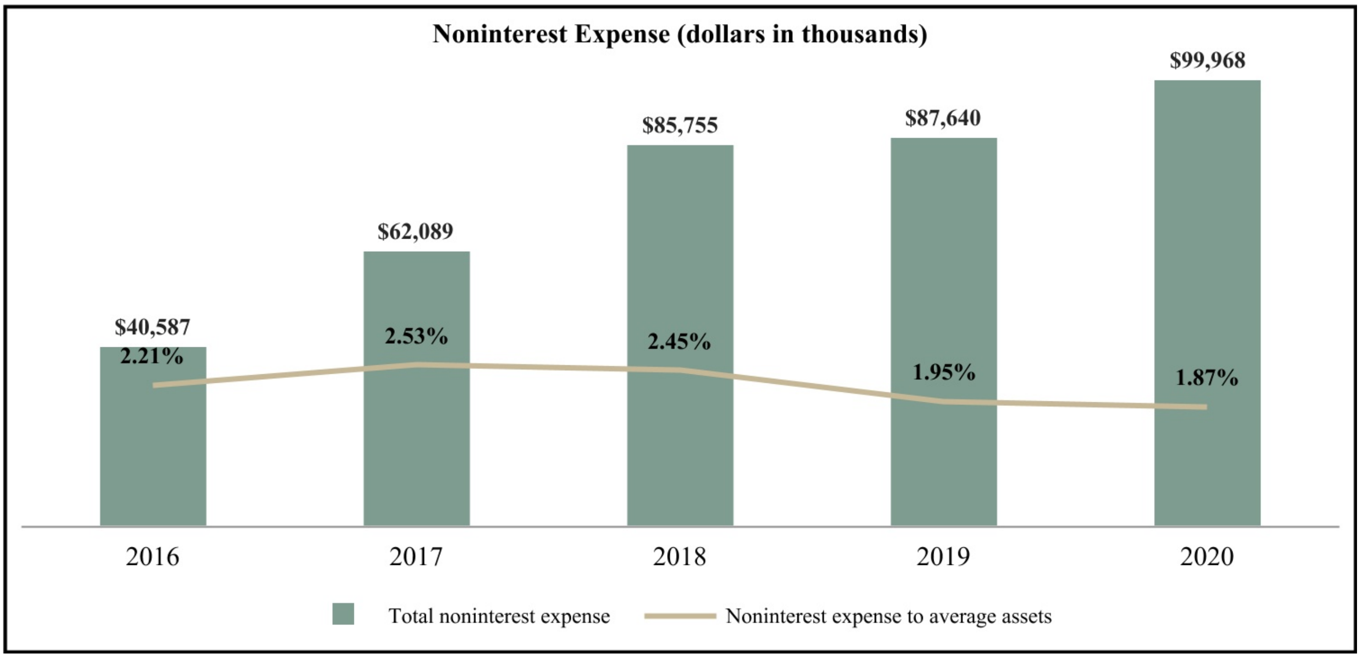
Impairment of Premises and Equipment Held for Sale - During 2017, we relocated to a new corporate administration building. As a result, we listed two support buildings for sale. During the first half of 2019, the Company sold its remaining assets held-for-sale related to the transition. The two support buildings had been recently acquired and were extensively remodeled, which resulted in a difference between book and market value for those assets.

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 2019, the swap program benefited from attractive market conditions and a change in the CVA methodology. During 2020, swap fee income, net was lower due to management's loan and pricing strategy and lower loan originations, excluding PPP loans, as a result of the COVID-19 pandemic. During 2020, a borrower with a back-to-back swap was downgraded and resulted in a $300 thousand loss related to the CVA. Refer to *Note 7: Derivatives and Hedging Activities* within the Notes to the Consolidated Financial Statements for information regarding the change in CVA methodology.

ATM and Credit Card Interchange Income - The increase in ATM and credit card interchange income for the year ended December 31, 2020 compared to the same period in 2019 was primarily the result of customers that mobilized their workforce directly impacted by the COVID-19 pandemic. The Company anticipates the credit card activity will decline slightly in connection with a decline in COVID-19 cases.

Noninterest Expense





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

	For the Year Ended December 31,			
			Change	
	2020	2019	$	%
	(Dollars in thousands)			
Salary and employee benefits	$ 57,747	$ 57,114	$ 633	1 %
Occupancy	8,701	8,349	352	4
Professional fees	4,218	2,964	1,254	42
Deposit insurance premiums	4,301	2,787	1,514	54
Data processing	2,719	2,544	175	7
Advertising	1,219	2,455	(1,236)	(50)
Software and communication	3,750	3,317	433	13
Foreclosed assets, net	1,239	84	1,155	1,375
Goodwill impairment	7,397	—	7,397	—
Other noninterest expense	8,677	8,026	651	8
Total noninterest expense	$ 99,968	$ 87,640	$ 12,328	14 %

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, 2020 compared to the same period in 2019 primarily due to changes in staffing levels. Prior to the second quarter of 2020, the Company anticipated loan and deposit growth that required an increase in headcount and resulted in increased compensation costs. As result of the COVID-19 pandemic, the Company focused on optimizing staffing levels during the third quarter of 2020, which resulted in incremental costs in the form of severance arrangements. Increases in costs were partially offset by a reduction in incentive compensation.

Professional Fees - Professional fees increased for the year ended December 31, 2020 compared to the same corresponding period in 2019 primarily from an increase in legal fees as a result of loan workouts. In addition, the Company's accounting fees increased in 2020 compared to 2019 due to the transition from a private company to a public company.

Deposit Insurance Premiums - The 2019 expense was impacted by a $664 thousand assessment credit received in the third quarter. The credit was the result of the DIF Reserve Ratio exceeding the statutorily required minimum reserve ratio in 2018. The FDIC uses a risk-based premium system to calculate the quarterly fee. Our premiums increased for the year ended December 31, 2020 compared to the same period in 2019 as a result of strong asset growth, changes in asset quality and changes in capital ratios, all of which increased our quarterly fees.

Advertising - The decline in advertising costs was driven by the COVID-19 pandemic that reduced in-person events.

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 allow us to analyze reporting trends. In addition to the growing number of technologies implemented, a portion of costs increased as a result of our growth.

Foreclosed Assets, net - The increase in foreclosed assets, net for the year ended December 31, 2020 compared to the same corresponding period in 2019 primarily resulted from new appraisals obtained on industrial facilities and land that resulted in a $1 million valuation adjustment during the second quarter of 2020. Subsequent to the write-down, the industrial facilities were sold for $1 million.

Goodwill Impairment - The Company performed an interim review for goodwill impairment at June 30, 2020. A quantitative review was performed on the Tulsa market reporting unit, using a combination of income and market based approaches. The capitalization of earnings, an income approach, used a single period of cash flows, adjusted for growth and a capitalization rate. The market approach used price-to-book multiples of peer banks and included a control premium. The reporting unit's fair value was less than its book value and resulted in a $7 million impairment, representing the total value of goodwill previously reported during the quarter ended June 30, 2020. 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 $747 thousand 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 2020 from 2019, which drove related fees higher by $459 thousand. Insurance costs and director fees increased by $453 thousand and $495 thousand, respectively, related to our transition to a public company. Increased costs were offset by a $478 thousand decline in operational loan costs as loan volumes, types of loans originated or renewed and events related to foreclosed assets declined. Travel and education related costs declined by $815 thousand as a result of the COVID-19 pandemic.

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, 2020, 2019 and 2018 is provided in *Note 11: Income Taxes* within the Notes to the Consolidated Financial Statements.

Our 2017 effective tax rate was impacted by the Tax Cuts and Jobs Act that reduced the corporate tax rate from 35% to 21%. Year-over-year, the December 31, 2020 effective tax rate increased due to the non-taxable, goodwill impairment and a state tax credit received in 2019. We currently anticipate the effective tax rate to increase slightly in 2021. A five-year trend of our income tax and effective tax rate is presented below:

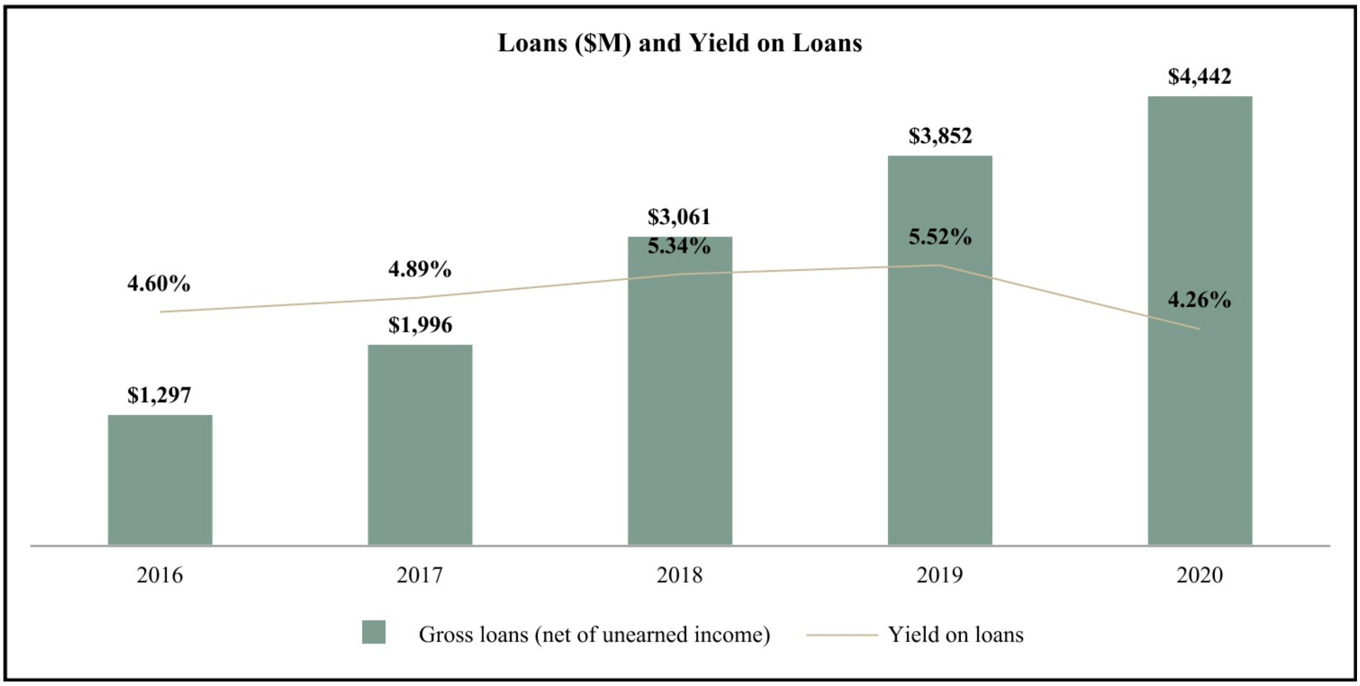
	For the Year Ended December 31,				
	2020	2019	2018	2017	2016
	(Dollars in thousands)				
Income tax expense (benefit)	$ 2,713	$ 4,138	$ (2,394)	$ (1,441)	$ 62
Income before income taxes	$ 15,314	$ 32,611	$ 17,196	$ 4,408	$ 10,373
Effective tax rate	18 %	13 %	(14)%	(33)%	1 %

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 and Texas. In addition, we occasionally invest in syndicated shared national credits and loan participations.



Gross loans, net of unearned income grew $590 million from the prior year to over $4 billion as of December 31, 2020. Our commercial loan portfolio decreased slightly by $18 million or 1% as a result of increased pay downs and charge-offs. Our commercial real estate and residential and multifamily real estate loans experienced substantial growth of $156 million or 15% and $282 million or 71%, respectively. Commercial real estate was driven by activity in our Dallas and Kansas City markets and the portfolio remains well diversified with growth in the office space, industrial, and senior living sectors. Residential real estate growth was attributable to the development of relationships with key residential and multifamily real estate developers within our markets. Energy loans decreased $64 million or 16% due to price volatility in the market and management’s strategy to lower our energy loan concentration. As of December 31, 2020, loan yields declined to 4.26% compared to 5.52% 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, 2020, PPP loans made up approximately 7% of the total portfolio, representing $292 million in loans. The loans are guaranteed by the Small Business Administration (“SBA”), earn interest at 1.00%, and include a fee. During the first round of PPP, the Company produced loans for almost 1,200 customers totaling $369 million of which $77 million were forgiven in the fourth quarter and we anticipate most loan fees to be recognized in the first half of 2021. Excluding PPP loans, the loan portfolio grew by $301 million or 8% compared to the prior year.

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

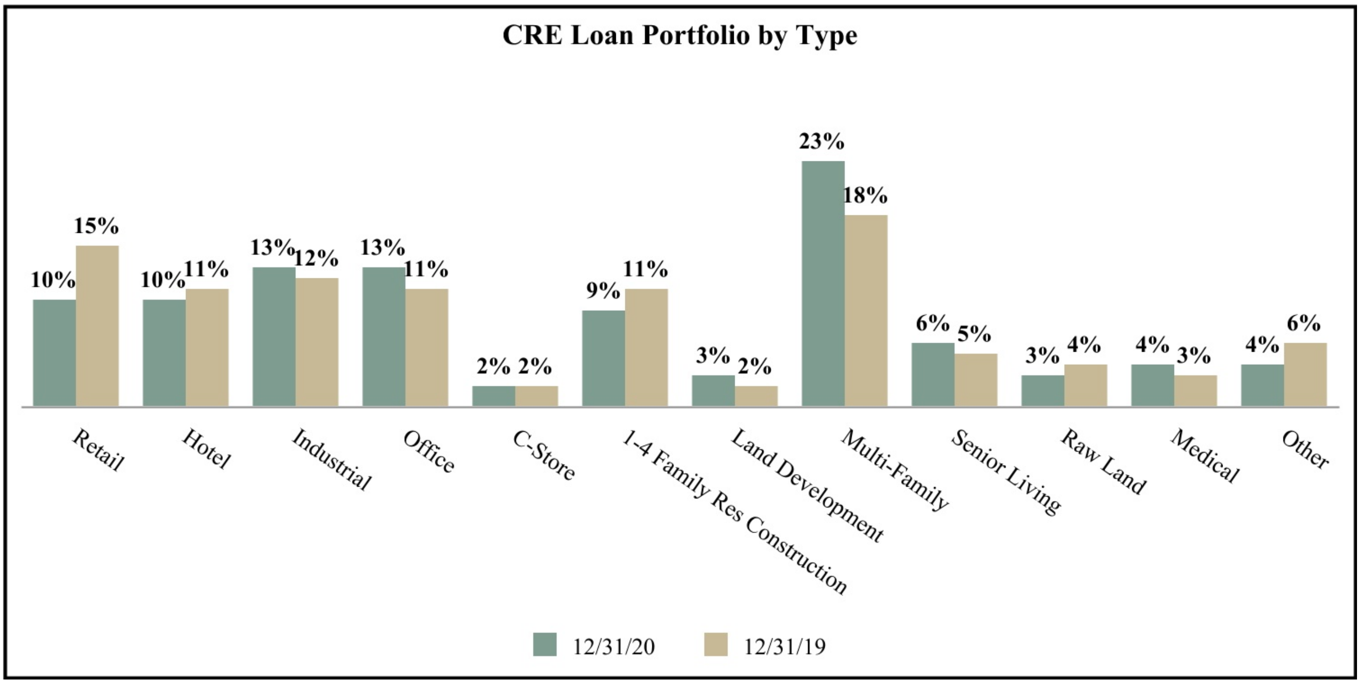
	As of December 31,									
	2020		2019		2018		2017		2016	
	Amount	% of Loans	Amount	% of Loans	Amount	% of Loans	Amount	% of Loans	Amount	% of Loans
	(Dollars in thousands)									
Commercial	$ 1,338,757	30 %	$ 1,356,817	35 %	$ 1,134,414	37 %	$ 771,208	38 %	$ 420,227	32 %
Energy	345,233	8	408,573	11	358,283	12	242,655	12	168,546	13
Commercial real estate	1,179,534	26	1,024,041	27	846,561	28	535,503	27	$ 396,203	30
Construction and land development	563,144	13	628,418	16	440,032	14	255,362	13	138,165	11
Residential and multifamily real estate	680,932	15	398,695	10	246,275	8	163,531	8	97,802	8
Mortgage warehouse[(1)]	—	—	—	—	—	—	—	—	58,504	4
PPP	292,230	7	—	—	—	—	—	—	—	—
Consumer	55,270	1	45,163	1	43,814	1	33,786	2	20,250	2
Gross loans	4,455,100		3,861,707		3,069,379		2,002,045		1,299,697	
Less: unearned income	13,203		9,463		8,632		6,016		2,811	
Gross loans (net of unearned income)	$ 4,441,897	100 %	$ 3,852,244	100 %	$ 3,060,747	100 %	$ 1,996,029	100 %	$ 1,296,886	100 %

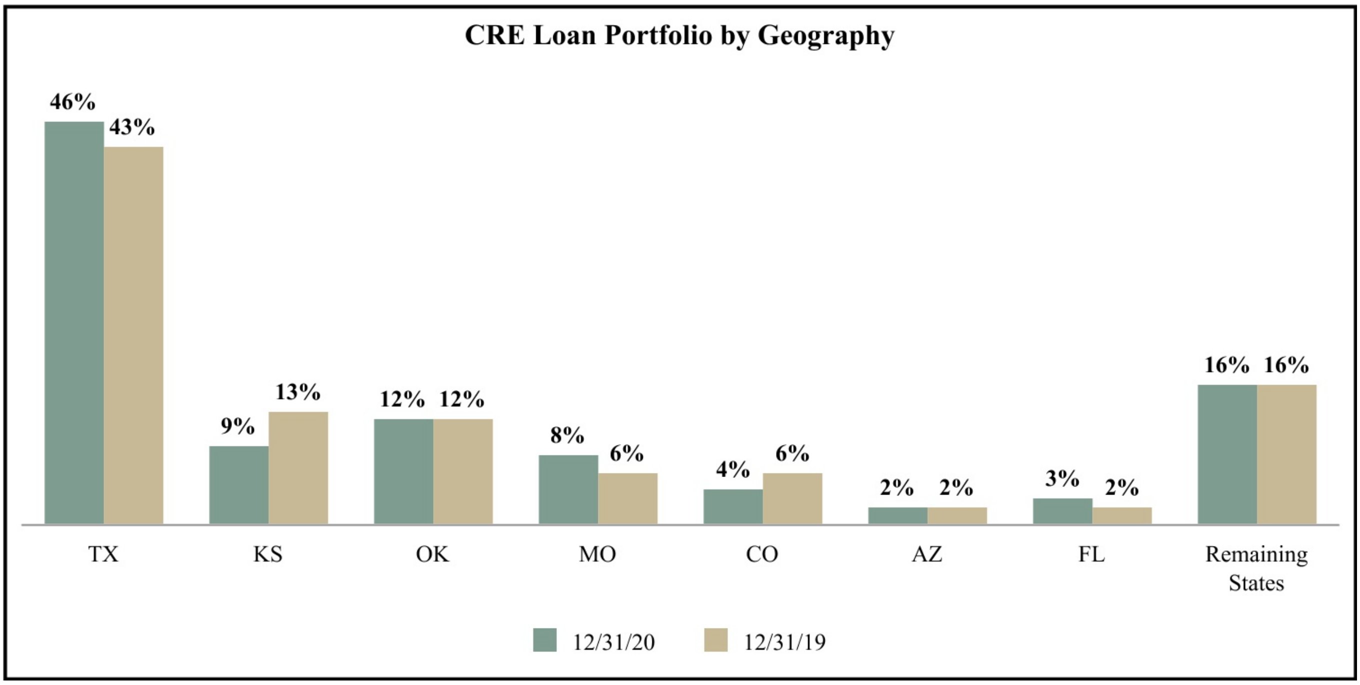
(1) Mortgage warehouse loans represented participations in large lines of credit used to fund single family residential mortgages. During 2017, the Company made a strategic decision to discontinue these participations.

For a discussion 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, 1-4 family loans and commercial real estate loans. A breakdown of our commercial real estate portfolio by type and by geography (based upon location of collateral) as of December 31, 2020 and 2019 is presented below:

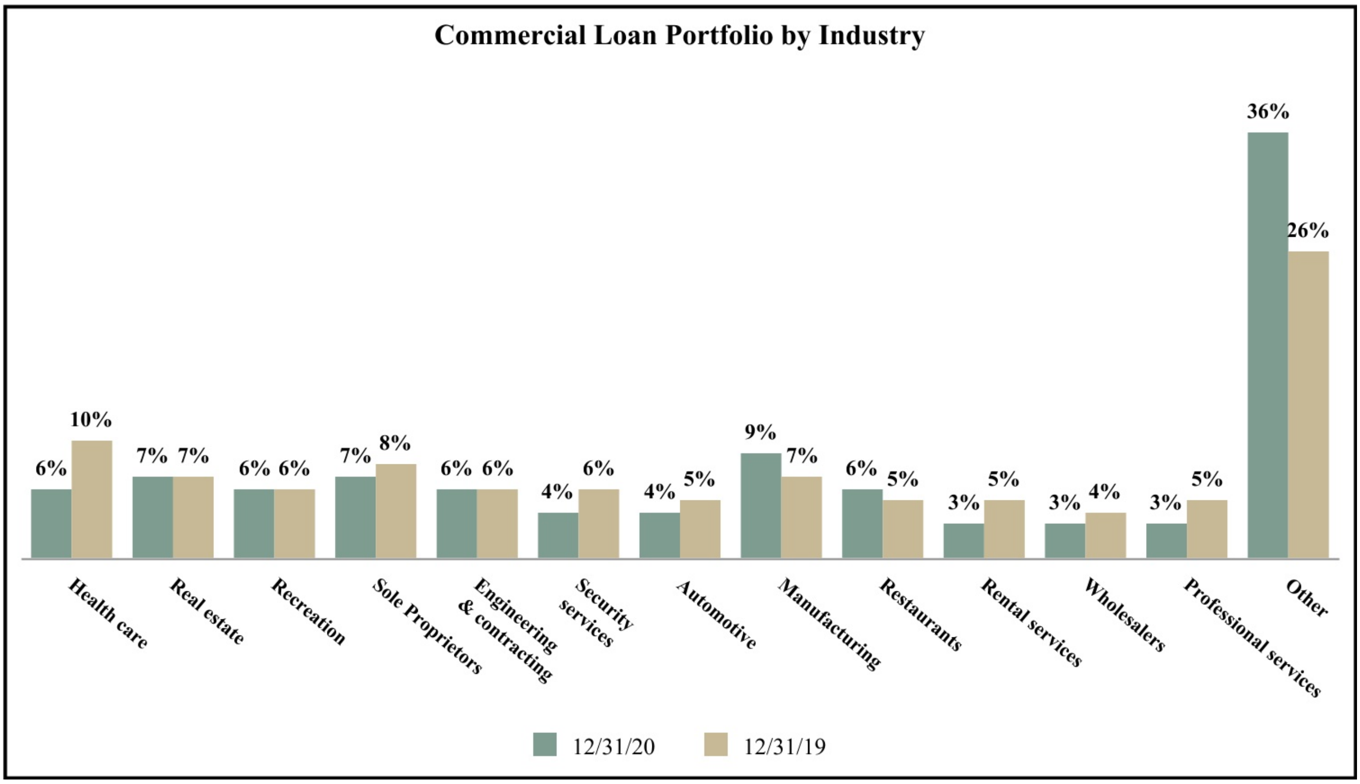




Commercial Loans

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 $142 million as of December 31, 2020 or 3% of the total loan portfolio.

A breakdown of the Company's commercial loan portfolio as of December 31, 2020 and 2019 by industry is provided below:



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

	As of December 31, 2020						
	Due in one year or less		Due after one year through five years		Due after five years		
	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	Total
	(Dollars in thousands)						
Commercial	$ 46,976	$ 352,027	$ 273,802	$ 583,030	$ 12,949	$ 69,973	$ 1,338,757
Energy	52	246,304	487	98,390	—	—	345,233
Commercial real estate	98,658	138,233	330,031	302,813	34,673	275,126	1,179,534
Construction and land development	6,095	60,335	25,637	399,265	13,887	57,925	563,144
Residential and multifamily real estate	21,109	88,689	70,936	143,644	106,488	250,066	680,932
PPP	—	—	292,230	—	—	—	292,230
Consumer	10,653	12,373	4,883	8,729	—	18,632	55,270
Gross loans	$ 183,543	$ 897,961	$ 998,006	$ 1,535,871	$ 167,997	$ 671,722	$ 4,455,100

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.

The following table provides an analysis of the activity in our allowance for the periods indicated:

	For the Period Ended December 31,				
	2020	2019	2018	2017	2016
	(Dollars in thousands)				
Beginning balance	$ 56,896	$ 37,826	$ 26,091	$ 20,786	$ 15,526
Provision for loan losses	56,700	29,900	13,500	12,000	6,500
Charge-offs:					
Commercial	(31,205)	(7,954)	(976)	(5,822)	(1,078)
Energy	(5,091)	(3,000)	(1,256)	(1,090)	—
Commercial real estate	(1,584)	(441)	—	—	—
Construction and land development	—	—	—	—	—
Residential and multifamily real estate	(445)	(8)	—	—	(13)
Mortgage warehouse	—	—	—	—	—
PPP	—	—	—	—	—
Consumer	(104)	(20)	(71)	(108)	(177)
Total charge-offs	(38,429)	(11,423)	(2,303)	(7,020)	(1,268)
Recoveries:					
Commercial	75	15	462	301	—
Energy	—	576	75	—	—
Commercial real estate	—	—	—	—	—
Construction and land development	—	—	—	—	—
Residential and multifamily real estate	41	—	—	—	18
Mortgage warehouse	—	—	—	—	—
PPP	—	—	—	—	—
Consumer	12	2	1	24	10
Total recoveries	128	593	538	325	28
Net charge-offs	(38,301)	(10,830)	(1,765)	(6,695)	(1,240)
Balance at end of period	$ 75,295	$ 56,896	$ 37,826	$ 26,091	$ 20,786

Prior to the year ended December 31, 2019, the changes in the ALLL were primarily attributable to our loan growth.

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.

A discussion regarding changes to the December 31, 2020 ALLL is provided below.

Charge-offs and Recoveries

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

	For the Period Ended December 31,				
	2020	**2019**	**2018**	**2017**	**2016**
Commercial	2.04 %	0.64 %	0.06 %	1.04 %	0.29 %
Energy	1.34 %	0.64 %	0.43 %	0.55 %	— %
Commercial real estate	0.14 %	0.05 %	— %	— %	— %
Construction and land development	— %	— %	— %	— %	— %
Residential and multifamily real estate	0.07 %	— %	— %	— %	(0.01)%
Mortgage warehouse	— %	— %	— %	— %	— %
PPP	— %	— %	— %	— %	— %
Consumer	0.22 %	0.04 %	0.17 %	0.29 %	0.91 %
Total net charge-offs to average loans	0.89 %	0.31 %	0.07 %	0.44 %	0.11 %

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.

Provision

There are significant uncertainties regarding the ultimate effects of the COVID-19 pandemic. Depending upon the extent and duration of the future impact of the COVID-19 pandemic, we may need to make additional increases to our provision for loan losses in future periods. To the extent the pandemic continues to cause a recession or decrease economic activity for an extended time period, we expect our business and operations will be negatively impacted. Customers may seek additional loan modifications or restructuring or we may experience adverse movement in risk classifications, any of which could potentially result in the need to increase provisions and impact the ALLL. The December 31, 2020 provision increased primarily due to the reasons discussed below.

Substandard, Accruing Loans:

Prior to 2020, loans risk rated substandard or lower were considered impaired and evaluated on an individual basis. For the year ended December 31, 2020, 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. Substandard, accruing loans not considered a TDR totaled $187 million at December 31, 2020 compared to $40 million at December 31, 2019. Substandard, accruing loans are discussed in additional detail below.

Grade Migration:

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. Loan categories significantly impacted by downgrades are discussed below.

Energy - 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. As a result, $254 million of energy loans were downgraded, including $83 million downgraded to substandard and accruing in 2020. The downgrades increased the ALLL by approximately $11 million, including $8 million related to loans downgraded to substandard and accruing.

Commercial Real Estate (“CRE”) - The decline in economic activity in 2020 impacted our CRE borrowers. During 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 ALLL by approximately $8 million, including $6 million related to loans downgraded to substandard and accruing.

Commercial - 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.

Impaired Loans and Other Factors:

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,									
	2020		2019		2018		2017		2016	
	$	%	$	%	$	%	$	%	$	%
	(Dollars in thousands)									
Commercial	$ 24,693	33 %	$ 35,864	63 %	$ 16,584	43 %	$ 11,378	43 %	$ 9,315	45 %
Energy	18,341	24	6,565	12	10,262	27	7,726	30	6,053	29
Commercial real estate	22,354	29	8,085	14	6,755	18	4,668	18	3,755	18
Construction and land development	3,612	5	3,516	6	2,475	7	1,200	5	661	3
Residential and multifamily real estate	5,842	8	2,546	4	1,464	4	905	3	851	4
Mortgage warehouse	—	—	—	—	—	—	—	—	—	—
PPP	—	—	—	—	—	—	—	—	—	—
Consumer	453	1	320	1	286	1	214	1	151	1
Total allowance for loan losses	$ 75,295	100 %	$ 56,896	100 %	$ 37,826	100 %	$ 26,091	100 %	$ 20,786	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, 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,				
	2020	2019	2018	2017	2016
	(Dollars in thousands)				
Nonaccrual loans	$ 75,051	$ 39,675	$ 17,818	$ 5,417	$ 4,215
Loans past due 90 days or more and still accruing	1,024	4,591	—	—	—
Total nonperforming loans	76,075	44,266	17,818	5,417	4,215
Foreclosed assets held-for-sale	2,347	3,619	—	—	61
Total nonperforming assets	$ 78,422	$ 47,885	$ 17,818	$ 5,417	$ 4,276
ALLL to total loans	1.70 %	1.48 %	1.23 %	1.30 %	1.60 %
ALLL to nonaccrual loans	100.33	143.41	212.30	481.68	493.14
ALLL to nonperforming loans	98.98	128.54	212.30	481.68	493.14
Nonaccrual loans to total loans	1.69	1.03	0.58	0.27	0.33
Nonperforming loans to total loans	1.71	1.15	0.58	0.27	0.33
Nonperforming assets to total assets	1.39 %	0.97 %	0.43 %	0.18 %	0.20 %

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.

During the year ended December 31, 2019, $1 million of interest income was recognized related to the $40 million in nonaccrual loans 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, 2019 would have been approximately $3 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.

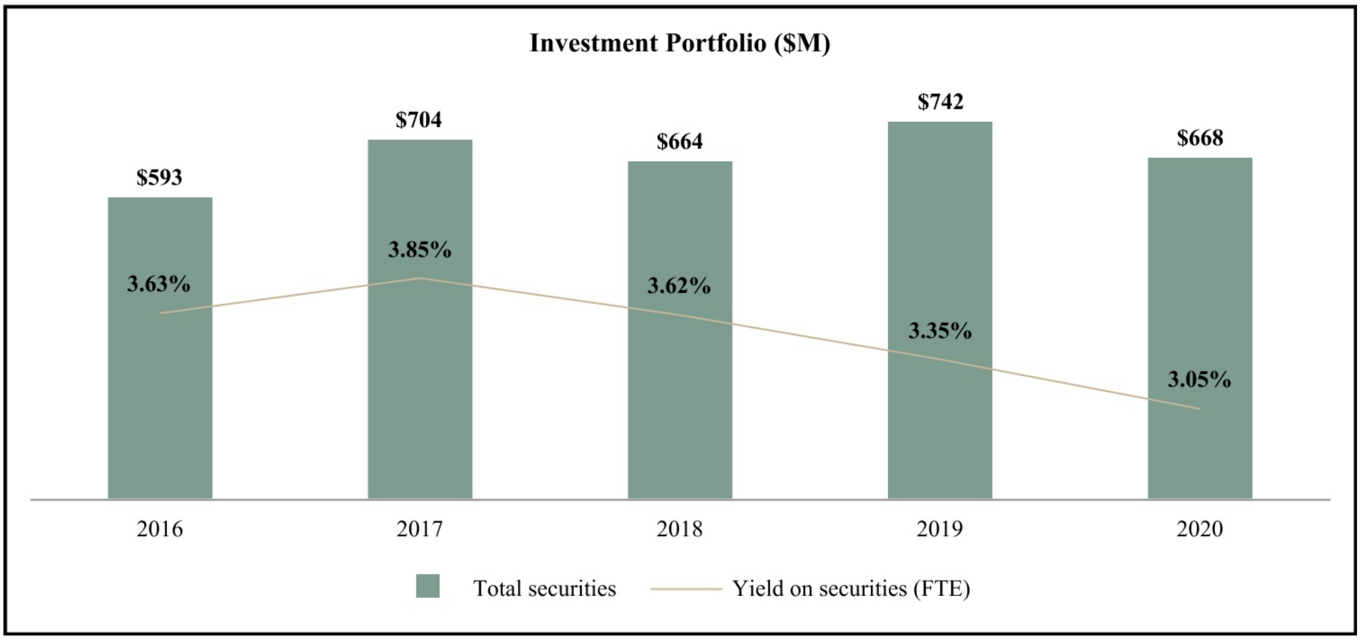
The increase in December 31, 2020 loans past due between 30 and 89 days was driven by a commercial loan and a commercial real estate loan. The commercial loan matured during the fourth quarter of 2020. The Company is working with the borrower to renew the loan. The commercial real estate loan is in the hotel industry, which has been impacted by the COVID-19 pandemic.

During the year ended December 31, 2020, the Company continually analyzed the impact of the COVID-19 pandemic and reduction in oil and gas prices. Our discussion regarding grade migration is provided within the "provision" section above.

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

	For the Period Ended December 31,				
	2020	2019	2018	2017	2016
	(Dollars in thousands)				
Loan Past Due Detail					
30 - 59 days past due	$ 10,137	$ 6,292	$ 3,062	$ 2,582	$ 4,716
60 - 89 days past due	7,941	530	619	15,348	—
Total 30 - 89 days past due	$ 18,078	$ 6,822	$ 3,681	$ 17,930	$ 4,716
Loans 30 - 89 days past due / gross loans	0.41 %	0.18 %	0.12 %	0.90 %	0.36 %
Classified Loans					
Substandard - performing	$ 211,008	$ 47,221	$ 79,542	$ 36,091	$ 40,359
Substandard - nonperforming	70,734	34,192	16,705	4,192	4,215
Doubtful	4,315	5,483	5,197	1,224	—
Loss	—	—	—	—	—
Total classified loans	286,057	86,896	101,444	41,507	44,574
Foreclosed assets held for sale	2,347	3,619	—	—	61
Total classified assets	$ 288,404	$ 90,515	$ 101,444	$ 41,507	$ 44,635
Classified loans / (total capital + ALLL)	40.9 %	13.2 %	19.2 %	13.3 %	18.9 %
Classified assets / (total capital + ALLL)	41.2 %	13.7 %	19.2 %	13.3 %	18.9 %
ALLL to total loans	1.70 %	1.48 %	1.23 %	1.30 %	1.60 %
Net charge-offs to average loans	0.89 %	0.31 %	0.07 %	0.44 %	0.11 %

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, 2020, available-for-sale debt securities decreased $85 million or 11% from the prior year. As part of management's investment strategy during 2020, the Company chose not to replace all of the cash flows associated with mortgage-backed security prepayments and realize 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. As of December 31, 2020, the securities portfolio had $39 million in unrealized gains.

During the year ended December 31, 2020, the Company acquired an $11 million privately-held, equity security as part of a loan restructuring. Refer to the "Equity Securities" section in *Note 3: Securities* within the Notes to the Consolidated Financial Statements for additional information.

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 debt securities at December 31, 2020 and 2019 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 decline in yield between December 31, 2019 and December 31, 2020 is attributable to the insurance carrier's underlying investments and operating costs that decreased overall income on the underlying asset. Yield declined between 2017 and 2018 as a result of the 2017 Tax Act, which lowered the tax rate for corporations.

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

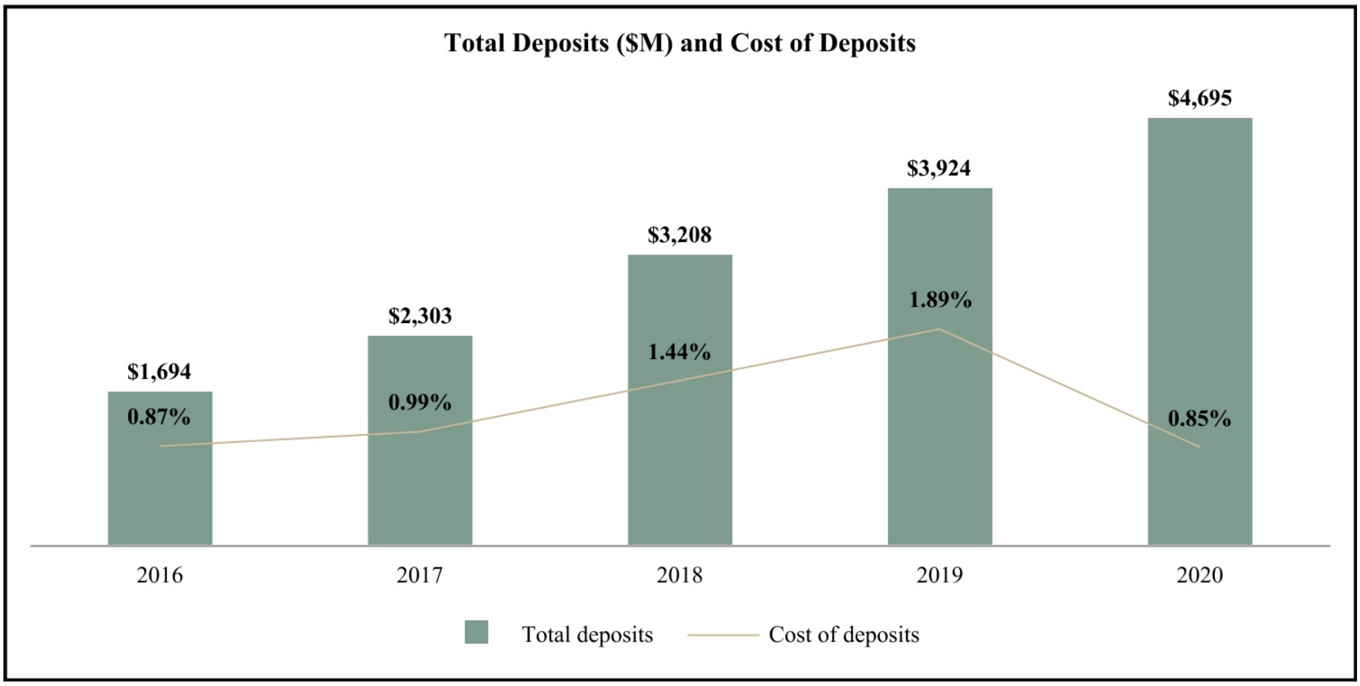
	As of or For the Year Ended December 31,				
	2020	**2019**	**2018**	**2017**	**2016**
			(Dollars in thousands)		
Ending balance	$ 67,498	$ 65,689	$ 63,811	$ 61,842	$ 35,390
Income earned	$ 1,809	$ 1,878	$ 1,969	$ 1,452	$ 390
Tax-equivalent yield[1]	3.4 %	3.6 %	3.9 %	4.6 %	4.7 %

[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 2018 and 2020 and 35% in 2016 and 2017.

Deposits

Deposits come through our markets as well as through participation in certain online programs. The Company offers a variety of deposit products including noninterest-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.

Our asset growth required us to place a greater emphasis on both interest and noninterest-bearing deposits. Deposit accounts are added by loan cross-selling, client referrals and involvement within our community.



At December 31, 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. Year-over-year, time deposits declined by $196 million or 16% and money market deposits declined by $52 million as customers moved into more attractive products.

During 2019, deposits grew $716 million or 22% from the prior year. Transaction deposits increased from the prior year due to the offering of a new deposit product and customer growth through our relationship model. In addition, we saw increased interest in our money market accounts. Our time deposits increased due to our attractive interest rates on short-term CDs. During 2018, the Company introduced a deposit fee reimbursement program. The program attracted customers into noninterest bearing deposits that drove the growth in our noninterest-bearing deposits.

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,									
	2020		2019		2018		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(Dollars in thousands)									
Noninterest-bearing deposits	$ 718,459	15 %	$ 521,826	13 %	$ 484,284	15 %	$ 290,906	13 %	$ 198,088	12 %
Transaction deposits	778,124	17	259,435	7	82,593	3	51,788	2	40,619	2
Savings and money market deposits	2,154,675	46	1,902,752	48	1,631,543	51	1,209,092	52	940,854	56
Time deposits[1]	1,043,482	22	1,239,746	32	1,009,677	31	751,578	33	514,740	30
Total deposits	$ 4,694,740	100 %	$ 3,923,759	100 %	$ 3,208,097	100 %	$ 2,303,364	100 %	$ 1,694,301	100 %
Total uninsured deposits[2]	$ 2,223,586		$ 1,873,794		$ 1,544,531		$ 905,461		$ 598,629	

[1] Includes $188 million, $392 million, $343 million, $240 million and $135 million of brokered deposits, representing 18%, 32%, 34%, 32% and 26% of time deposits for the years ended December 31, 2020, 2019, 2018, 2017 and 2016, 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, 2020:

	As of December 31, 2020				
	Three Months or Less	Three to Six Months	Six to Twelve Months	After Twelve Months	Total
	(Dollars in thousands)				
Time deposits in excess of FDIC insurance limit	$ 97,854	$ 111,596	$ 73,258	$ 44,680	$ 327,388
Time deposits below FDIC insurance limit	215,965	201,840	167,414	130,875	716,094
Total time deposits	$ 313,819	$ 313,436	$ 240,672	$ 175,555	$ 1,043,482

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,					
	2020		2019		2018	
	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
	(Dollars in thousands)					
Repurchase agreements	$ 2,306	0.15 %	$ 14,921	1.00 %	$ 75,406	1.54 %
Federal funds purchased	—	—	—	—	—	—
FHLB borrowings[(1)]	293,100	1.78	358,743	1.84	312,985	1.89
Trust preferred securities[(2)]	963	1.96	921	3.63	884	4.53
Total other borrowings	$ 296,369	1.77 %	$ 374,585	1.81 %	$ 389,275	1.83 %

[(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,								
	2020			2019			2018		
	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
	(Dollars in thousands)								
Repurchase agreements	$ 57,259	$ 32,265	0.49 %	$ 72,048	$ 43,845	1.32 %	$ 124,765	$ 77,232	1.30 %
Federal funds purchased	30,000	2,589	0.19	25,000	672	1.96	55,000	2,781	2.36
Federal reserve discount window	15,000	1,055	0.24	—	—	—	—	—	—
FHLB borrowings[1]	470,659	382,047	1.66	388,743	322,060	1.98	313,024	313,979	1.86
TIB line of credit	—	—	—	—	—	—	10,000	1,833	5.19
Trust preferred securities	$ 963	939	11.34	$ 921	899	16.34	$ 884	864	11.77
Total other borrowings		$ 418,895	1.58 %		$ 367,476	1.93 %		$ 396,689	1.79 %

[1] Includes FHLB advances and FHLB line of credit.

Liquidity

Liquidity is the ability to generate adequate amounts of cash from depositors, stockholders, profits or other funding sources, to meet our needs for cash, 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, 2020 and 2019. As of December 31, 2020, we had cash and cash equivalent 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. In addition, the Company was able to payoff matured borrowings without replacing it 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.

December 31, 2019, we had cash and cash equivalents of $187 million compared to $217 million at December 31, 2018. The change in cash and cash equivalents was due to a $74 million increase in cash provided by operating activities, a $759 million increase in cash provided by financing activities and net cash used in investing activities of $862 million. To fund the $806 million increase in loans, we increased deposits by $716 million and issued stock that resulted in $58 million in cash after the payoff of our preferred stock outstanding and payment of dividends. Due to our current liquidity, the Company was able to reduce other borrowings and increase its security portfolio as well.

As of December 31, 2020, 2019, and 2018, we had the following available funding:

	As of December 31,		
	2020	**2019**	**2018**
		(Dollars in thousands)	
On-balance sheet liquidity[1]	$ 1,046,110	$ 888,080	$ 769,491
Off-balance sheet liquidity[2]	756,325	524,332	450,101
Total liquidity	$ 1,802,435	$ 1,412,412	$ 1,219,592
On-balance sheet liquidity[1] as a percent of assets	19 %	18 %	19 %
Total liquidity as a percent of assets	32 %	29 %	30 %

(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

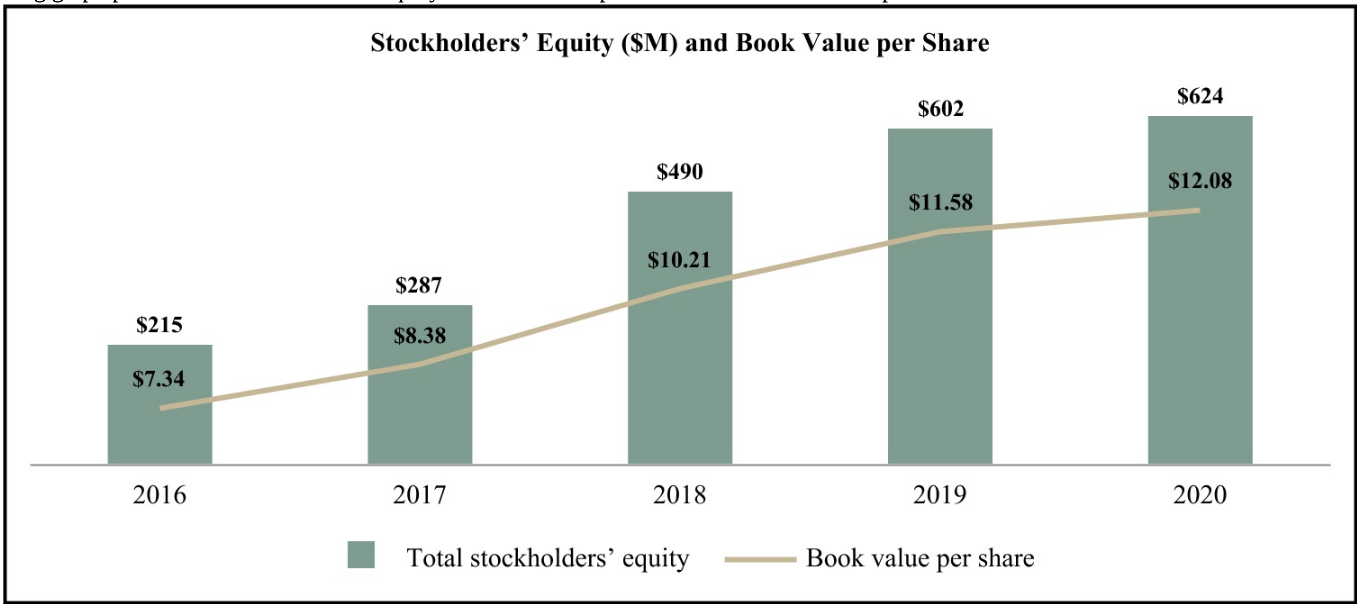
The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct 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 2019 and 2020 we were considered well-capitalized. As of December 31, 2020, the FDIC categorized the Bank as "well-capitalized" under the prompt corrective action framework. There have been no conditions or events since December 31, 2020 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, 2020 and 2019. 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, 2020 and 2019.

Stockholders' Equity

Prior to our IPO in 2019, the Company's increase in equity primarily came from private placements. During 2020, the Company's equity increased due to net income and an increase in the unrealized gain on available-for-sale debt securities as a result of the lower interest rate environment. The following graph presents total stockholders' equity and book value per share as of the end of the periods indicated:



Changes in stockholders' equity are provided in the Consolidated Statements of Stockholders' Equity and in *Note 22: Stock Offerings and Repurchases* within the Notes to the Consolidated Financial Statements.

Contractual Obligations

Refer to *Note 10: Borrowing Arrangements* within the Notes to the Consolidated Financial Statements for a listing of our December 31, 2020 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. Contractual obligations may be satisfied through our on-balance sheet and off-balance sheet liquidity discussed above.

Off-Balance Sheet Arrangements

We are subject to off-balance sheet risk in the normal course of business to meet the needs of our clients that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. These off-balance sheet arrangements include commitments to fund loans and standby letters of credit.

Commitments to originate loans are agreements to lend to a client 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 client'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. The type of collateral that we obtain varies, but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate.

Lines of credit, included in commitments to fund loans, are agreements to lend to a client 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 client'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 counter-party. 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.

Standby letters of credit are irrevocable conditional commitments issued by the Company to guarantee the performance of a client 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. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to clients. 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 client for reimbursement of amounts paid.

The following is a summary of our off-balance sheet commitments outstanding as of the dates presented:

	As of December 31,				
	2020	2019	2018	2017	2016
	(Dollars in thousands)				
Commitments to fund commercial loans	$ 714,315	$ 602,456	$ 597,534	$ 424,338	$ 215,891
Other loan commitments	808,319	884,069	767,629	730,500	355,289
Standby letters of credit	48,607	39,035	32,439	33,137	30,609
Lease agreement	—	20,935	19,054	19,054	—
Total	$ 1,571,241	$ 1,546,495	$ 1,416,656	$ 1,207,029	$ 601,789

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. As of December 31, 2020, we have not entered into instruments such as leveraged derivatives or financial options to mitigate interest rate risk from specific transactions. 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

	December 31, 2020		December 31, 2019	
Change in Interest Rate (Basis Points)	**Percent Change in Net Interest Income**	**Percent Change in Fair Value of Equity**	**Percent Change in Net Interest Income**	**Percent Change in Fair Value of Equity**
+300	1.2 %	(10.3)%	7.7 %	(4.4)%
+200	0.4	(6.2)	5.6	(0.8)
+100	(0.3)	(2.8)	3.0	0.4
Base	—	—	—	—
-100	NA[(1)]	NA[(1)]	(3.6)%	0.1 %

[(1)] The Company decided to exclude the down rate environment from its analysis for the period ended December 31, 2020 due to the already low interest rate environment.

Hypothetical Change in Interest Rate - Rate Ramp

	December 31, 2020	December 31, 2019
Change in Interest Rate (Basis Points)	**Percent Change in Net Interest Income**	**Percent Change in Net Interest Income**
+300	0.9 %	9.1 %
+200	0.3	6.2
+100	(0.1)	3.1
Base	—	—
-100	NA[(1)]	(3.2)%

[(1)] The Company decided to exclude the down rate environment from its analysis for the period ended December 31, 2020 due to the already low interest rate environment.

The hypothetical negative change in net interest income as of December 31, 2020 in an up 100 environment is primarily due to floors placed on variable rate loans that limit interest income growth as rates start to rise. In an up 200 and 300 environment, floors on variable rate loans become less effective 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 74%.

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.

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Selected Quarterly Financial Data (unaudited)

The following table presents selected quarterly financial data for the fiscal years ended December 31, 2020 and 2019:

	2020 Quarters				2019 Quarters			
	Fourth	Third	Second	First	Fourth	Third	Second	First
	(Dollars in thousands, except per share data)							
Interest income	$ 49,534	$ 48,452	$ 51,254	$ 54,208	$ 55,180	$ 55,529	$ 54,192	$ 51,317
Interest expense	7,997	9,125	10,097	15,980	18,001	19,743	19,318	17,712
Net interest income	41,537	39,327	41,157	38,228	37,179	35,786	34,874	33,605
Net income (loss)	8,094	8,006	(7,356)	3,857	(700)	10,384	9,439	9,350
Preferred stock dividends	—	—	—	—	—	—	—	175
Net income (loss) available to common stockholders	8,094	8,006	(7,356)	3,857	(700)	10,384	9,439	9,175
Total assets	5,659,303	4,651,313	4,473,182	4,266,369	4,107,215	3,716,538	3,549,126	3,206,791
Borrowings and repurchase agreements	373,664	357,614	364,246	368,597	388,391	483,145	387,543	387,538
Preferred stock, liquidation value	—	—	—	—	30,000	30,000	30,000	30,000
Basic earnings (loss) per share	0.16	0.15	(0.14)	0.07	(0.01)	0.22	0.21	0.20
Diluted earnings (loss) per share	$ 0.15	$ 0.15	$ (0.14)	$ 0.07	$ (0.01)	$ 0.21	$ 0.20	$ 0.20

Overview

	For the Quarter Ended		Year-over-Year Change		For the Quarter Ended	Linked Quarter Change	
	December 31, 2020	December 31, 2019	$	%	September 30, 2020	$	%
	(Dollars in thousands, except per share data)						
Interest Income	$ 49,534	$ 55,180	$ (5,646)	(10)%	$ 48,452	$ 1,082	2 %
Interest Expense	7,997	18,001	(10,004)	(56)	9,125	(1,128)	(12)
Net Interest Income	41,537	37,179	4,358	12	39,327	2,210	6
Provision for loan losses	10,875	19,350	(8,475)	(44)	10,875	—	—
Noninterest income	2,949	2,182	767	35	4,063	(1,114)	(27)
Noninterest expense	23,732	21,881	1,851	8 %	23,011	721	3
Income (loss) before income taxes	9,879	(1,870)	11,749	NA	9,504	375	4
Income tax expense (benefit)	1,785	(1,170)	2,955	NA	1,498	287	19
Net income (loss)	$ 8,094	$ (700)	$ 8,794	NA	$ 8,006	$ 88	1 %
Basic Earnings (loss) Per Share	$ 0.16	$ (0.01)	$ 0.17		$ 0.15	$ 0.01	
Diluted Earnings (loss) Per Share	$ 0.15	$ (0.01)	$ 0.16		$ 0.15	$ —	

Net Interest Income

Interest income for the fourth quarter of 2020 declined as compared to the fourth quarter of 2019 due to a lower interest rate environment, partially offset by a $724 million increase in interest-earning assets. Interest income increased for the fourth quarter of 2020 on a linked-quarter basis primarily due to PPP loan fees recognized during the quarter.

Interest expense for the fourth quarter of 2020 declined as compared to the fourth quarter of 2019 as a result of a lower interest rate environment, partially offset by a $478 million increase in interest-bearing funds. Interest expense for the fourth quarter of 2020 declined on a linked-quarter basis primarily due to reductions in other borrowings outstanding and renewals of time deposits at lower interest rates.

The fourth quarter of 2020 tax-equivalent net interest margin was 3.12%, an increase from 2.98% in the prior quarter and a decline from 3.23% in the fourth quarter of 2019 as a result of the changes mentioned above.

Provision for Loan Losses

The provision for loan losses for the fourth quarter of 2020 declined from the prior year primarily due to a $16 million increase in the provision on a large loan that deteriorated in the fourth quarter of 2019. On a linked-quarter basis, the provision for loan losses for the fourth quarter of 2020 remained unchanged.

Noninterest Income

For the fourth quarter of 2020, the Company increased fee income commensurate with its customer growth and recorded stronger credit card interchange fees and other service charges than in 2019. Because of the interest rate environment, the Company had less activity in the back-to-back swap program. In addition, a borrower with a back-to-back swap was downgraded and resulted in a $300 thousand loss related to the CVA.

Noninterest Expense

During the fourth quarter of 2020, occupancy costs increased $379 thousand or 19% from the prior year and increased $283 thousand or 13% from the quarter ended September 30, 2020 due to our two new locations. Fourth quarter 2020 salary and employee benefit costs increased $907 thousand or 7% from the prior year and increased $97 thousand or 1% on a linked quarter basis due to an increase in performance based compensation. Deposit insurance premiums increased $384 thousand or 50% year-over-year and $55 thousand or 5% on a linked quarter basis. The increase in deposit insurance premiums is driven by changes in assets, asset quality and equity. Overall, the Company continues to realize benefits from reduced travel, entertainment, and other discretionary spending as a result of the COVID-19 pandemic.

Incomes Taxes

Year-over-year fourth quarter 2020 income taxes increased from the same period in 2019 primarily due to an increase in taxable income. On a linked-quarter basis, fourth quarter 2020 income tax remained flat. The Company benefited from the tax-exempt municipal bond portfolio and bank-owned life insurance in 2019 and 2020.

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	Effect if Actual Results Differ From Assumptions
Allowance for Loan Losses:		
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. The allowance consists of specific and general components. 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.	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.	The Company has not made any material changes in the accounting methodology used to record the ALLL during the past three years except for the change described in the "Changes Affecting Comparability" section in *Note 1: Nature of Operations and Summary of Significant Accounting Policies.* 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. 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. 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.
Investment Securities Impairment:		
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. 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).	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.	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. 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. 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. 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.

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Deferred Tax Asset:		
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.	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.	On December 22, 2017, the United States enacted tax reform legislation through the Tax Cuts and Jobs Act, which significantly changed the existing U.S. tax laws, including a reduction in the corporate tax rate from 35% to 21%. As a result of enactment of the legislation, the Company incurred an additional one-time income tax expense of $3 million during the fourth quarter of fiscal 2017, primarily related to the re-measurement of certain deferred tax assets and liabilities. Since that time, no material changes in the methodology used to evaluate the deferred tax asset have occurred. The Company is subject to various state tax rates that impact the overall effective tax rate. Changes in income received from various states may increase or decrease the effective tax rate in the future. 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. 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.
Fair Value of Financial Instruments:		
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.	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.	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. 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. 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. 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. In the event the Company was required to decrease (increase) the fair market value of derivatives, assets held-for-sale and foreclosed assets, the result would be a decline (increase) in total assets and net income. Impaired loans impact the ALLL. See the ALLL discussion above.

Recent Accounting Pronouncements

All significant accounting pronouncements are described in *Note 1: Nature of Operations and Summary of Significant Accounting Policies* within the Notes to the Consolidated Financial Statements. The Company has identified the following accounting pronouncements that due to the impact on the Company's financial statements are critical to an understanding of our financial condition and results of operations.

Description of Accounting Standard Update	Anticipated Implementation Date	Impact to Financial Statements
ASU 2016-13: *Financial Instruments-Credit Losses* 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 the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset.	If the Company maintains its EGC status, the Company is not required to implement this standard until January 2023. The Company will continue to monitor its progress and the requirements related to adoption.	The Company established a committee of individuals from applicable departments to oversee the implementation process. The Company completed the third party software implementation phase that included data capture and portfolio segmentation amongst other items. The Company completed parallel runs in 2019. Throughout 2020, the Company continued to perform parallel runs using 2020 data and continued to recalibrate inputs as necessary. The Company is evaluating the internal control changes that will be necessary to transition to the third-party platform. At this time, an estimate of the impact cannot be established as the Company continues to evaluate the inputs into the model. The actual impact could be significantly affected by the composition, characteristics, and quality of the underlying loan portfolio at the time of adoption.
ASU 2016-02: *Leases (Topic 842)* Requires lessees and lessors to recognize lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. The update requires a modified retrospective approach to each lease that existed at the date of initial application as well as leases entered into after that date with the option to elect certain practical expedients. The update will also increase disclosures around leases, including qualitative and specific quantitative measures.	The Company expects to implement this standard on January 1, 2022, unless the Company loses its EGC status during 2021. If EGC status changes, the Company would be required to implement the ASU as of the beginning of 2021.	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. The Company gathered all potential lease and embedded lease agreements during 2019 and 2020 and is evaluating the applicability and impact to the financial statements. The Company's current operating leases relate primarily to four branch locations. Based on the current leases, the Company anticipates recognizing a lease liability and related right-to-use asset on its balance sheet, with an immaterial impact to its income statement compared to the current lease accounting model. However, the ultimate impact of the standard will depend on the Company's lease portfolio as of the adoption date.

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

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, 2020 and 2019, 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, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, 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 26, 2021

CrossFirst Bankshares, Inc.
Consolidated Balance Sheets

	As of December 31, 2020	As of December 31, 2019
	(Dollars in thousands)	
Assets		
Cash and cash equivalents	$ 408,810	$ 187,320
Available-for-sale securities - taxable	177,238	296,047
Available-for-sale securities - tax-exempt	477,350	443,426
Loans, net of allowance for loan losses of $75,295 and $56,896 at December 31, 2020 and 2019, respectively	4,366,602	3,795,348
Premises and equipment, net	70,509	70,210
Restricted equity securities	15,543	17,278
Interest receivable	17,236	15,716
Foreclosed assets held for sale	2,347	3,619
Goodwill and other intangible assets, net	208	7,694
Bank-owned life insurance	67,498	65,689
Other assets	55,962	28,886
Total assets	$ 5,659,303	$ 4,931,233
Liabilities and stockholders' equity		
Deposits		
Noninterest-bearing	$ 718,459	$ 521,826
Savings, NOW and money market	2,932,799	2,162,187
Time	1,043,482	1,239,746
Total deposits	4,694,740	3,923,759
Federal funds purchased and repurchase agreements	2,306	14,921
Federal Home Loan Bank advances	293,100	358,743
Other borrowings	963	921
Interest payable and other liabilities	43,766	31,245
Total liabilities	5,034,875	4,329,589
Stockholders' equity		
Common stock, $0.01 par value:		
authorized - 200,000,000 shares, issued - 52,289,129 and 51,969,203 shares at December 31, 2020 and 2019, respectively	523	520
Treasury stock, at cost:		
609,613 and 0 shares held at December 31, 2020 and 2019, respectively	(6,061)	—
Additional paid-in capital	522,911	519,870
Retained earnings	77,652	64,803
Accumulated other comprehensive income	29,403	16,451
Total stockholders' equity	624,428	601,644
Total liabilities and stockholders' equity	$ 5,659,303	$ 4,931,233

See Notes to Consolidated Financial Statements

CrossFirst Bankshares, Inc.
Consolidated Statements of Income

	For the Year Ended December 31,		
	2020	2019	2018
	(Dollars in thousands, except per share data)		
Interest Income			
Loans, including fees	$ 183,738	$ 191,527	$ 130,075
Available-for-sale securities - taxable	5,073	8,540	7,972
Available-for-sale securities - tax-exempt	13,013	12,011	14,757
Deposits with financial institutions	639	3,053	3,096
Dividends on bank stocks	985	1,087	980
Total interest income	203,448	216,218	156,880
Interest Expense			
Deposits	36,585	67,668	39,372
Fed funds purchased and repurchase agreements	164	592	1,068
Federal Home Loan Bank Advances	6,341	6,367	5,841
Other borrowings	109	147	231
Total interest expense	43,199	74,774	46,512
Net Interest Income	160,249	141,444	110,368
Provision for Loan Losses	56,700	29,900	13,500
Net Interest Income after Provision for Loan Losses	103,549	111,544	96,868
Non-interest Income			
Service charges and fees on customer accounts	2,803	604	444
Gain on sale of available-for-sale debt securities	1,704	987	538
Impairment of premises and equipment held for sale	—	(424)	(171)
Gain on sale of loans	44	207	827
Income from bank-owned life insurance	1,809	1,878	1,969
Swap fees and credit valuation adjustments, net	(204)	2,753	285
ATM and credit card interchange income	4,379	1,785	1,224
Other non-interest income	1,198	917	967
Total non-interest income	11,733	8,707	6,083
Non-interest Expense			
Salaries and employee benefits	57,747	57,114	56,118
Occupancy	8,701	8,349	8,214
Professional fees	4,218	2,964	3,320
Deposit insurance premiums	4,301	2,787	3,186
Data processing	2,719	2,544	1,995
Advertising	1,219	2,455	2,691
Software and communication	3,750	3,317	2,630
Foreclosed assets, net	1,239	84	—
Goodwill impairment	7,397	—	—
Other non-interest expense	8,677	8,026	7,601
Total non-interest expense	99,968	87,640	85,755
Net Income Before Taxes	15,314	32,611	17,196
Income tax expense (benefit)	2,713	4,138	(2,394)
Net Income	$ 12,601	$ 28,473	$ 19,590
Basic Earnings Per Share	$ 0.24	$ 0.59	$ 0.48
Diluted Earnings Per Share	$ 0.24	$ 0.58	$ 0.47

See Notes to Consolidated Financial Statements

CrossFirst Bankshares, Inc.
Consolidated Statements of Comprehensive Income

	For the Year Ended December 31,		
	2020	2019	2018
	(Dollars in thousands)		
Net Income	$ 12,601	$ 28,473	$ 19,590
Other Comprehensive Income			
Unrealized gain (loss) on available-for-sale securities	18,847	26,682	(12,755)
Less: income tax (benefit)	4,606	6,545	(3,125)
Unrealized gain (loss) on available-for-sale securities, net of income tax (benefit)	14,241	20,137	(9,630)
Reclassification adjustment for realized gains included in income	1,704	987	538
Less: income tax	415	242	132
Less: reclassification adjustment for realized gains included in income, net of income tax	1,289	745	406
Other comprehensive income (loss)	12,952	19,392	(10,036)
Comprehensive Income	$ 25,553	$ 47,865	$ 9,554

See Notes to Consolidated Financial Statements

CrossFirst Bankshares, Inc.
Consolidated Statements of Stockholders' Equity

	Preferred Stock		Common Stock		Additional Paid in	Retained	Accumulated Other Comprehensive	Treasury	
	Shares	Amount	Shares[(1)]	Amount[(1)]	Capital	Earnings[(1)]	Income (Loss)	Stock	Total
					(Dollars in thousands)				
December 31, 2017	1,200,000	$ 12	30,686,256	$ 307	$ 256,108	$ 23,694	$ 7,026	$ —	$ 287,147
Net income	—	—	—	—	—	19,590	—	—	19,590
Change in unrealized depreciation on available-for-sale securities	—	—	—	—	—	—	(10,036)	—	(10,036)
Issuance of shares	—	—	14,805,128	148	204,141	(74)	—	—	204,215
Issuance of shares from equity-based awards	—	—	352,746	4	(2,134)	(1)	—	—	(2,131)
Retired shares	—	—	(769,808)	(8)	(8,218)	(2,798)	—	—	(11,024)
Preferred dividends declared	—	—	—	—	—	(2,100)	—	—	(2,100)
Employee receivables from sale of stock	—	—	—	—	11	60	—	—	71
Stock-based compensation	—	—	—	—	4,439	—	—	—	4,439
Employee stock purchase plan additions	—	—	—	—	165	—	—	—	165
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	—	—	—	—	4,688	—	—	—	4,688
Employee stock purchase plan additions	—	—	—	—	36	—	—	—	36
Adoption of ASU 2016-01	—	—	—	—	—	(69)	69	—	—
Adoption of ASU 2018-07, net of tax of $306	—	—	—	—	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	—	—	—	—	4,321	—	—	—	4,321
Employee stock purchase plan additions	—	—	—	—	42	—	—	—	42
Performance award adjustment as a result of ASU 2018-07, net of tax	—	—	—	—	(238)	204	—	—	(34)
December 31, 2020	—	$ —	51,679,516	$ 523	$ 522,911	$ 77,652	$ 29,403	$ (6,061)	$ 624,428

[(1)] Share data has been adjusted to reflect a 2-for-1 stock split effected in the form of a dividend on December 21, 2018.

CrossFirst Bankshares, Inc.
Consolidated Statements of Cash Flows

	For the Year Ended December 31,		
	2020	2019	2018
	(Dollars in thousands)		
Operating Activities			
Net income	$ 12,601	$ 28,473	$ 19,590
Items not requiring (providing) cash			
Depreciation and amortization	5,252	5,318	4,675
Provision for loan losses	56,700	29,900	13,500
Accretion of discounts and amortization of premiums on securities	6,084	5,568	5,340
Equity based compensation	4,363	4,725	4,604
(Gain) loss on disposal of fixed assets	101	101	(4)
Loss on sale of foreclosed assets	1,156	4	—
Gain on sale of loans	(44)	(207)	(827)
Deferred income taxes	(5,257)	(3,486)	(239)
Net increase in bank-owned life insurance	(1,809)	(1,878)	(1,969)
Net realized gains on available-for-sale debt and equity securities	(1,704)	(1,049)	(538)
Impairment of assets held for sale	—	424	171
Goodwill impairment	7,397	—	—
Dividends on Federal Home Loan Bank stock	(983)	(1,083)	(975)
Changes in			
Interest receivable	(1,520)	(1,624)	(1,883)
Other assets	(149)	(3,618)	(3,183)
Other liabilities	(1,735)	12,262	7,588
Net cash provided by operating activities	80,453	73,830	45,850
Investing Activities			
Net change in loans	(640,029)	(805,946)	(1,066,483)
Purchases of available-for-sale securities	(76,218)	(233,116)	(209,290)
Proceeds from maturities of available-for-sale securities	142,057	75,478	47,157
Proceeds from sale of available-for-sale securities	31,810	100,907	183,987
Proceeds from the sale of foreclosed assets	1,045	—	—
Purchase of premises and equipment	(6,093)	(850)	(42,832)
Purchase of restricted equity securities	(2,839)	(2,792)	(1,766)
Proceeds from the sale of fixed assets	121	3,324	1,862
Proceeds from sale of restricted equity securities	5,556	1,121	2,919
Net cash used in investing activities	(544,590)	(861,874)	(1,084,446)
Financing Activities			
Net increase in demand deposits, savings, NOW and money market accounts	967,245	485,593	646,634
Net increase (decrease) in time deposits	(196,264)	230,069	258,099
Net increase (decrease) in fed funds purchased and repurchase agreements	(12,615)	(60,485)	36,784
Proceeds from Federal Home Loan Bank advances	138,000	105,000	43,000
Repayment of Federal Home Loan Bank advances	(203,643)	(59,242)	(24,230)
Net repayments of Federal Home Loan Bank line of credit	—	—	(25,000)
Retirement of preferred stock	—	(30,000)	—
Issuance of common shares, net of issuance cost	3	88,324	203,848

See Notes to Consolidated Financial Statements

	For the Year Ended December 31,		
	2020	2019	2018
	(Dollars in thousands)		
Proceeds from employee stock purchase plan	151	547	367
Repurchase of common stock	(6,061)	(155)	(11,024)
Acquisition of common stock for tax withholding obligations	(1,236)	(245)	(2,132)
Net decrease in employee receivables	47	117	71
Dividends paid on preferred stock	—	(700)	(2,100)
Net cash provided by financing activities	685,627	758,823	1,124,317
Increase (Decrease) in Cash and Cash Equivalents	221,490	(29,221)	85,721
Cash and Cash Equivalents, Beginning of Period	187,320	216,541	130,820
Cash and Cash Equivalents, End of Period	$ 408,810	$ 187,320	$ 216,541
Supplemental Cash Flows Information			
Interest paid	$ 45,619	$ 73,057	$ 45,414
Income taxes paid (received)	9,692	(29)	29
Equity interest assumed in partial satisfaction of loan	11,189	—	—
Foreclosed assets in settlement of loans	930	3,619	—
Dividends declared and unpaid on preferred stock	$ —	$ —	$ 525

See Notes to Consolidated Financial Statements

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 subsidiaries, CrossFirst Bank (a subsidiary of CrossFirst Bankshares, Inc.) (the “Bank”) and CFSA, LLC (a subsidiary of CrossFirst Bankshares, Inc.) (“CFSA”), which holds title to certain assets. The Bank has three wholly-owned subsidiaries: (i) CrossFirst Investments, Inc. holds investments in marketable securities; (ii) CFBSA I, LLC holds foreclosed assets; and (iii) CFBSA II, LLC holds foreclosed assets. The Company was in the process of dissolving CFSA at December 31, 2020 and it will cease being a subsidiary of the Company in 2021.

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; and (vii) Frisco, Texas. 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 subsidiary, CrossFirst Investments, Inc., CFBSA I, LLC, CFBSA II, LLC and CFSA. 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.

Change in Presentation Due to Stock Split

On December 18, 2018, the Company announced a 2-for-1 stock split, effected in the form of a dividend, effective December 21, 2018. Share data and per share data were retroactively adjusted for the periods presented to reflect the change in capital structure.

Change in Accounting Principle

On January 1, 2020, the Company adopted the Financial Accounting Standards Board (“FASB”) Accounting Standard Update (“ASU”) 2017-04, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, 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.

On January 1, 2020, the Company adopted FASB ASU 2019-12, Simplifying the Accounting for Income Taxes, which was applied as of the adoption date. 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, 2020, the Company consolidated “equipment costs, other asset depreciation and amortization” into “other noninterest expense” within the Consolidated Statements of Income. In addition, the Company broke out “foreclosed assets, net” that was previously consolidated. As a result, changes within the Consolidated Statements of Income in the prior periods were made to conform to the current period presentation. The changes: (i) consolidate lower balance line items or (ii) provide additional detail about the Company’s operations. The changes had no impact on net income.

During 2020, the Company changed loans individually evaluated for impairment. A discussion regarding this change is provided in *Note 4: Loans and Allowance for Loan Losses*. The Company separated substandard loans into performing and nonperforming categories that were previously consolidated within the loan footnote disclosures. The new approach provided a better estimate of potential losses inherent in the substandard portfolio. The change in disclosure did not impact the Company's impaired loan information at December 31, 2019 or ALLL information for the year ended December 31, 2019 as presented in *Note 4: Loans and Allowance for Loan Losses*.

Beginning in 2020, the Company consolidated the “Other” line item previously included in stockholders’ equity into retained earnings within the Consolidated Balance Sheets and the Consolidated Statements of Stockholders’ Equity. The consolidation was made due to the immateriality of the “Other” line item. The change had no impact on net income or total stockholders’ equity.

During 2020, the Company moved “equity securities” from the “available-for-sale securities - taxable” into “other assets.” The equity securities were moved from “available-for-sale securities” to “equity securities” in *Note 19: Disclosure about Fair Value of Financial Instruments*. In addition, the Company moved the “deferred tax asset” into “other assets” due to immateriality. 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; and (vi) Dallas and Frisco, Texas. 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, 2020, cash equivalents consisted primarily of both interest-bearing and noninterest bearing accounts with other banks. Approximately $319 million of the Company’s cash and cash equivalents were held at the Federal Reserve Bank of Kansas City at December 31, 2020. 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, 2020 was $0. In addition, the Company is required from time to time to place cash collateral with a third party as part of its back-to-back swap agreements. At December 31, 2020, $32 million was required as cash collateral. At December 31, 2020, the Company’s cash accounts, excluding funds at the Federal Reserve Bank and funds required as cash collateral, exceeded federally insured limits by $44 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 for which the Company has no immediate plan to sell but which may be sold in the future 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.

During the period ended December 31, 2020, the Company received an equity security as part of a restructured loan. The Company elected a measurement alternative for the equity investment since it 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 investment. The recorded balance will adjust for any impairment or adjusted for 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 investment 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, Bankers' Bank of Kansas and Bankers Bank stock. 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 and Bankers Bank are correspondent banks located in Wichita, Kansas and Oklahoma City, Oklahoma, respectively. Each of these investments 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 $16 million at both December 31, 2020 and 2019. Related party deposits totaled $55 million and $66 million at December 31, 2020 and 2019, 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 and other comprehensive 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 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.

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. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. 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.

Initial Public Offering

On August 19, 2019, the Company completed its initial public offering ("IPO") of common shares. The Company issued and sold 5,750,000 common shares at a public offering price of $14.50 per share. After deducting the underwriting discounts and offering expenses, the Company received total net proceeds of $76 million from the IPO. In addition, certain selling stockholders participated in the offering and sold an aggregate of 1,261,589 common shares at a public offering price of $14.50 per share. The Company did not receive any proceeds from the sales of shares by the selling stockholders.

On September 17, 2019, the underwriters partially exercised their option to purchase additional shares. The Company issued and sold 844,362 common shares at a public offering price of $14.50 per share. After deducting the underwriting discounts and offering expenses, the Company received total net proceeds of $11 million.

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 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, 2020 are troubled debt restructurings ("TDRs"), which require additional disclosures. The relief can be applied to modifications of loans to borrowers that were not more than 30 days past due as of December 31, 2019. 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.

Extension of TDR Relief in the Consolidated Appropriations Act, 2021

On December 27, 2020 the Consolidated Appropriations Act, 2021 was signed into law, which extended the period during which the Company may elect not to consider whether loan modifications relating to the COVID-19 pandemic are TDRs through January 2, 2022. The Company elected to apply the guidance.

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 Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities	Effective immediately, but included here for information 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 *Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*	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.
ASU 2018-15 *Intangibles-Goodwill and Other-Internal-Use Software*	ASU 2018-15 will be effective for the Company on December 31, 2021. Early adoption is permitted including adoption in any interim period. The amendments will be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption.	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 plans to use the guidance on a prospective basis. At this time, an estimate of the impact to the Company's financial statements is not known, but may increase our intangible asset balance and create an amortization period for costs previously expensed immediately.
ASU 2016-13 *Financial Instruments-Credit Losses*	If the Company maintains its EGC status, the Company is not required to implement this standard until January 2023. The Company will monitor the progress and the requirements related to adoption.	Requires an entity to utilize a new impairment model known as the current expected credit loss 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.	The Company established a committee of individuals from applicable departments to oversee the implementation process. The Company completed the third party software implementation phase that included data capture and portfolio segmentation amongst other items. The Company completed parallel runs in 2019. During the period ended December 31, 2020, the Company continued to perform parallel runs using 2020 data and continued to recalibrate inputs as necessary. The Company is evaluating the internal control changes that will be necessary to transition to the third-party platform. At this time, an estimate of the impact cannot be established as the Company continues to evaluate the inputs into the model. The actual impact could be significantly affected by the composition, characteristics, and quality of the underlying loan portfolio at the time of adoption.

Standard	Anticipated Date of Adoption	Description	Effect on Financial Statements or Other Significant Matters
ASU 2016-02 *Leases (Topic 842)*	The Company expects to implement this standard on January 1, 2022, unless the Company loses its EGC status during 2021. If EGC status changes, the Company would therefore be required to implement the ASU as of the beginning of 2021.	Requires lessees and lessors to recognize lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. 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. The update will also increase disclosures around leases, including qualitative and specific quantitative measures.	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. The Company gathered all potential lease and embedded lease agreements and is evaluating the applicability and impact to the financial statements. The Company's current operating leases relate primarily to five branch locations. Based on the current leases, the Company anticipates recognizing a lease liability and related right-to-use asset on its balance sheet, with an immaterial impact to its income statement compared to the current lease accounting model. However, the ultimate impact of the standard will depend on the Company's lease portfolio as of the adoption date.

Accounting Guidance Adopted During Fiscal Years 2020, 2019, and 2018

Standard	Date of Adoption	Description	Effect on Financial Statements or Other Significant Matters
ASU 2020-04: *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*	June 30, 2020	The ASU provides optional expedients and exceptions to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. 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: (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; (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 (3) Optional expedients for cash flow and fair value hedges.	The Company had more than $1 billion in loans tied to LIBOR as of December 31, 2020. The Company does not believe the adoption will 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. 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.
ASU 2019-12: *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*	January 1, 2020 (Early Adoption)	The ASU simplifies the accounting for income taxes. Among other changes, the ASU: (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; (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; (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 (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.	The amendments in the ASU did not have a material impact on the Company's tax methodology, processes, or the Company's financial statements.

Standard	Date of Adoption	Description	Effect on Financial Statements or Other Significant Matters
ASU 2018-13: *Fair Value Measurement (Topic 820): Disclosure Framework*	January 1, 2020	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. 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.	The adoption did not have a material impact to the Company's financial statements. 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.
ASU 2017-04: *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*	January 1, 2020 (Early Adoption)	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.	On the date of adoption, there was no impact to the Company's financial statements. 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.
ASU 2018-07: *Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*	January 2019 Early adoption	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, *Revenue from Contracts with Customers*. 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.	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. 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. In addition, the Company recorded a $306 thousand deferred tax asset that was offset with retained earnings to account for the tax impact. 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.

ASU 2016-01: *Financial Instruments-Overall (Subtopic 825-10)*	January 2019	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. 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.	The Company transferred $69 thousand from accumulated other comprehensive loss to retained earnings in January 2019. There was no impact to the income statement on the adoption date.
ASU 2014-09: *Revenue from Contracts with Customers*	January 2019	Amended guidance related to revenue from contracts with customers. 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. 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.	The accounting update did not materially impact the financial statements or recognition of revenues. 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. 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.
ASU 2018-02: *Income Statement Reporting Comprehensive Income (Topic 220)*	February 2018, retrospectively applied to 2017	Allowed a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act.	The Company recognized a reclassification totaling $1 million related to items in accumulated other comprehensive income.
ASU 2017-09: *Compensation -Stock Compensation (Topic 718): Scope of Modification Accounting*	January 2018	Provides guidance about which changes to terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. An entity should account for the effects of a modification unless all the following are met: (i) The fair value does not change as a result of the modification or the modification does not affect any of the inputs to the valuation technique that the entity uses to value the award, the entity is not required to estimate the value immediately before and after the modification; (ii) the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified and (iii) the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified.	The adoption of ASU 2017-09 did not have a significant impact on the Company's consolidated financial statements.

Note 2: Earnings Per Share

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

	For the Year Ended December 31,		
	2020	2019	2018
	(Dollars in thousands, except per share data)		
Earnings per Share			
Net income	$ 12,601	$ 28,473	$ 19,590
Less: preferred stock dividends	—	175	2,100
Net income available to common stockholders	$ 12,601	$ 28,298	$ 17,490
Weighted average common shares	52,070,624	47,679,184	36,422,612
Earnings per share	$ 0.24	$ 0.59	$ 0.48
Dilutive Earnings Per Share			
Net income available to common stockholders	$ 12,601	$ 28,298	$ 17,490
Weighted average common shares	52,070,624	47,679,184	36,422,612
Effect of dilutive shares	477,923	896,951	1,069,955
Weighted average dilutive common shares	52,548,547	48,576,135	37,492,567
Diluted earnings per share	$ 0.24	$ 0.58	$ 0.47
Stock-based awards not included because to do so would be antidilutive	1,014,639	521,659	407,852

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, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
	(Dollars in thousands)			
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

	December 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
	(Dollars in thousands)			
Available-for-sale securities				
Mortgage-backed - GSE residential	$ 151,037	$ 1,668	$ 193	$ 152,512
Collateralized mortgage obligations - GSE residential	128,876	625	289	129,212
State and political subdivisions	436,448	19,996	104	456,340
Corporate bonds	1,321	88	—	1,409
Total available-for-sale securities	$ 717,682	$ 22,377	$ 586	$ 739,473

The carrying value of securities pledged as collateral was $16 million and $41 million at December 31, 2020 and 2019, respectively.

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

	For the Year Ended December 31, 2020		
	Gross Realized Gains[(1)]	Gross Realized Losses	Net Realized Gain
	(Dollars in thousands)		
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
	(Dollars in thousands)		
Available-for-sale securities	$ 1,043	$ 56	$ 987

	For the Year Ended December 31, 2018		
	Gross Realized Gains	Gross Realized Losses	Net Realized Gain
	(Dollars in thousands)		
Available-for-sale securities	$ 2,083	$ 1,545	$ 538

Maturity Schedule

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

	December 31, 2020				
	Within One Year	After One to Five Years	After Five to Ten Years	After Ten Years	Total
	(Dollars in thousands)				
Available-for-sale securities					
Mortgage-backed - GSE residential[1]					
Amortized cost	$ —	$ 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	$ 653	$ 8,067	$ 68,896	$ 538,038	$ 615,654
Estimated fair value	$ 657	$ 8,265	$ 74,772	$ 570,894	$ 654,588
Weighted average yield[2]	8.18 %	5.36 %	3.44 %	2.57 %	2.71 %

[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.

	December 31, 2019				
	Within One Year	After One to Five Years	After Five to Ten Years	After Ten Years	Total
	(Dollars in thousands)				
Available-for-sale securities					
Mortgage-backed - GSE residential[1]					
Amortized cost	$ —	$ —	$ 329	$ 150,708	$ 151,037
Estimated fair value	$ —	$ —	$ 341	$ 152,171	$ 152,512
Weighted average yield[2]	— %	— %	4.01 %	2.57 %	2.58 %
Collateralized mortgage obligations - GSE residential[1]					
Amortized cost	$ —	$ —	$ 2,527	$ 126,349	$ 128,876
Estimated fair value	$ —	$ —	$ 2,594	$ 126,618	$ 129,212
Weighted average yield[2]	— %	— %	2.77 %	2.47 %	2.47 %
State and political subdivisions					
Amortized cost	$ 523	$ 6,050	$ 51,747	$ 378,128	$ 436,448
Estimated fair value	$ 523	$ 6,169	$ 55,001	$ 394,647	$ 456,340
Weighted average yield[2]	9.38 %	5.76 %	3.59 %	3.08 %	3.19 %
Corporate bonds					
Amortized cost	$ —	$ —	$ 1,321	$ —	$ 1,321
Estimated fair value	$ —	$ —	$ 1,409	$ —	$ 1,409
Weighted average yield[2]	— %	— %	5.68 %	— %	5.68 %
Total available-for-sale securities					
Amortized cost	$ 523	$ 6,050	$ 55,924	$ 655,185	$ 717,682
Estimated fair value	$ 523	$ 6,169	$ 59,345	$ 673,436	$ 739,473
Weighted average yield[2]	9.38 %	5.76 %	3.60 %	2.85 %	2.94 %

[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.

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, 2020 and 2019, was $18 million and $108 million, which was approximately 3% and 15%, respectively, of the Company's available-for-sale debt security portfolio.

The unrealized losses on the Company's investments in state and political subdivisions were caused by interest rate changes and adjustments in credit ratings. 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, 2020.

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, 2020 and 2019:

	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
	(Dollars in thousands)								
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

	December 31, 2019								
	Less than 12 Months			12 Months or More			Total		
	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities
	(Dollars in thousands)								
Available-for-Sale Securities									
Mortgage-backed - GSE residential	$ 7,959	$ 38	2	$ 20,396	$ 155	4	$ 28,355	$ 193	6
Collateralized mortgage obligations - GSE residential	48,980	199	7	8,622	90	9	57,602	289	16
State and political subdivisions	21,412	102	11	167	2	2	21,579	104	13
Corporate bonds	530	—	1	—	—	—	530	—	1
Total temporarily impaired AFS securities	$ 78,881	$ 339	21	$ 29,185	$ 247	15	$ 108,066	$ 586	36

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 2020, 2019 or 2018.

Equity Securities

Equity securities consist of a $2 million investment in Community Reinvestment Act ("CRA") mutual fund and an $11 million privately-held security acquired in 2020 as part of a debt restructuring. Equity securities are included in other assets on the Consolidated Balance Sheets.

The privately-held security was acquired 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. The Company is required to make good faith efforts to dispose of the security. The shares may be held for a maximum of five years, subject to a five year extension that would result in a change to Tier 1 capital.

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,	
	2020	2019
	(Dollars in thousands)	
Net gains recognized during the period on equity securities	$ 46	$ 62
Less: net gains recognized during the period on equity securities sold during the period	—	—
Unrealized gain recognized during the reporting period on equity securities still held at the reporting date	$ 46	$ 62

Note 4: Loans and Allowance for Loan Losses

Categories of loans at December 31, 2020 and 2019 include:

	As of December 31,	
	2020	2019
	(Dollars in thousands)	
Commercial	$ 1,338,757	$ 1,356,817
Energy	345,233	408,573
Commercial real estate	1,179,534	1,024,041
Construction and land development	563,144	628,418
Residential and multifamily real estate	680,932	398,695
Paycheck Protection Program ("PPP")	292,230	—
Consumer	55,270	45,163
Gross loans	4,455,100	3,861,707
Less: Allowance for loan losses	75,295	56,896
Less: Net deferred loan fees and costs	13,203	9,463
Net loans	$ 4,366,602	$ 3,795,348

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, 2020							
	Commercial	Energy	Commercial Real Estate	Construction and Land Development	Residential and Multifamily Real Estate	PPP	Consumer	Total
	(Dollars in thousands)							
Allowance for loan losses								
Beginning balance	$ 35,864	$ 6,565	$ 8,085	$ 3,516	$ 2,546	$ —	$ 320	$ 56,896
Provision charged to expense	19,959	16,867	15,853	96	3,700	—	225	56,700
Charged-off	(31,205)	(5,091)	(1,584)	—	(445)	—	(104)	(38,429)
Recoveries	75	—	—	—	41	—	12	128
Ending balance	$ 24,693	$ 18,341	$ 22,354	$ 3,612	$ 5,842	$ —	$ 453	$ 75,295
Ending balance								
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
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	$ 1,338,757	$ 345,233	$ 1,179,534	$ 563,144	$ 680,932	$ 292,230	$ 55,270	$ 4,455,100

	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
	(Dollars in thousands)							
Allowance for loan losses								
Beginning balance	$ 16,584	$ 10,262	$ 6,755	$ 2,475	$ 1,464	$ —	$ 286	$ 37,826
Provision charged to expense	27,219	(1,273)	1,771	1,041	1,090	—	$ 52	29,900
Charged-off	(7,954)	(3,000)	(441)	—	(8)	—	$ (20)	(11,423)
Recoveries	15	576	—	—	—	—	$ 2	593
Ending balance	$ 35,864	$ 6,565	$ 8,085	$ 3,516	$ 2,546	$ —	$ 320	$ 56,896
Ending balance								
Individually evaluated for impairment	$ 19,942	$ 1,949	$ 210	$ —	$ 197	$ —	$ —	$ 22,298
Collectively evaluated for impairment	$ 15,922	$ 4,616	$ 7,875	$ 3,516	$ 2,349	$ —	$ 320	$ 34,598
Allocated to loans								
Individually evaluated for impairment	$ 70,876	$ 9,744	$ 10,492	$ —	$ 2,388	$ —	$ —	$ 93,500
Collectively evaluated for impairment	$ 1,285,941	$ 398,829	$ 1,013,549	$ 628,418	$ 396,307	$ —	$ 45,163	$ 3,768,207
Ending balance	$ 1,356,817	$ 408,573	$ 1,024,041	$ 628,418	$ 398,695	$ —	$ 45,163	$ 3,861,707

	As of or For the Year Ended December 31, 2018							
	Commercial	Energy	Commercial Real Estate	Construction and Land Development	Residential and Multifamily Real Estate	PPP	Consumer	Total
	(Dollars in thousands)							
Allowance for loan losses								
Beginning balance	$ 11,378	$ 7,726	$ 4,668	$ 1,200	$ 905	$ —	$ 214	$ 26,091
Provision charged to expense	5,720	3,717	2,087	1,275	559	—	142	13,500
Charged-off	(976)	(1,256)	—	—	—	—	(71)	(2,303)
Recoveries	462	75	—	—	—	—	1	538
Ending balance	$ 16,584	$ 10,262	$ 6,755	$ 2,475	$ 1,464	$ —	$ 286	$ 37,826

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, 2020						
	Pass	**Special Mention**	**Substandard Performing**	**Substandard Nonperforming**	**Doubtful**	**Loss**	**Total**
	(Dollars in thousands)						
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	$ 3,944,627	$ 224,416	$ 211,008	$ 70,734	$ 4,315	$ —	$ 4,455,100

	As of December 31, 2019						
	Pass	**Special Mention**	**Substandard Performing**	**Substandard Nonperforming**	**Doubtful**	**Loss**	**Total**
	(Dollars in thousands)						
Commercial	$ 1,258,952	$ 27,069	$ 38,666	$ 32,130	$ —	$ —	$ 1,356,817
Energy	392,233	9,460	2,340	—	4,540	—	408,573
Commercial real estate	1,007,921	9,311	5,746	120	943	—	1,024,041
Construction and land development	628,418	—	—	—	—	—	628,418
Residential and multifamily real estate	394,495	1,789	469	1,942	—	—	398,695
PPP	—	—	—	—	—	—	—
Consumer	45,163	—	—	—	—	—	45,163
Total	$ 3,727,182	$ 47,629	$ 47,221	$ 34,192	$ 5,483	$ —	$ 3,861,707

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, 2020 and 2019:

	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
	(Dollars in thousands)						
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	$ 10,137	$ 7,941	$ 26,754	$ 44,832	$ 4,410,268	$ 4,455,100	$ 1,024

	As of December 31, 2019						
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More	Total Past Due	Current	Total Loans Receivable	Loans >= 90 Days and Accruing
	(Dollars in thousands)						
Commercial	$ 1,091	$ 276	$ 30,911	$ 32,278	$ 1,324,539	$ 1,356,817	$ 37
Energy	2,340	—	4,593	6,933	401,640	408,573	53
Commercial real estate	316	—	4,589	4,905	1,019,136	1,024,041	4,501
Construction and land development	196	—	—	196	628,222	628,418	—
Residential and multifamily real estate	2,347	—	1,919	4,266	394,429	398,695	—
PPP	—	—	—	—	—	—	—
Consumer	2	254	—	256	44,907	45,163	—
Total	$ 6,292	$ 530	$ 42,012	$ 48,834	$ 3,812,873	$ 3,861,707	$ 4,591

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, 2020 and December 31, 2019:

	As of or For the Year Ended December 31, 2020				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment Impaired Loans	Interest Income Recognized
			(Dollars in thousands)		
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	—
	$ 121,614	$ 145,680	$ 9,533		$ 3,557

	As of or For the Year Ended December 31, 2019				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment Impaired Loans	Interest Income Recognized
			(Dollars in thousands)		
Loans without a specific valuation					
Commercial	$ 35,846	$ 35,846	$ —	$ 44,646	$ 1,549
Energy	2,864	2,864	—	4,381	199
Commercial real estate	9,464	9,464	—	12,907	669
Construction and land development	—	—	—	—	—
Residential and multifamily real estate	2,139	2,139	—	2,140	14
PPP	—	—	—	—	—
Consumer	—	—	—	—	—
Loans with a specific valuation					
Commercial	35,030	40,030	19,942	39,688	460
Energy	6,880	9,880	1,949	10,547	264
Commercial real estate	1,028	1,028	210	1,037	47
Construction and land development	—	—	—	—	—
Residential and multifamily real estate	249	249	197	249	10
PPP	—	—	—	—	—
Consumer	—	—	—	—	—
Total					
Commercial	70,876	75,876	19,942	84,334	2,009
Energy	9,744	12,744	1,949	14,928	463
Commercial real estate	10,492	10,492	210	13,944	716
Construction and land development	—	—	—	—	—
Residential and multifamily real estate	2,388	2,388	197	2,389	24
PPP	—	—	—	—	—
Consumer	—	—	—	—	—
	$ 93,500	$ 101,500	$ 22,298		$ 3,212

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, 2020 and 2019:

	As of December 31,	
	2020	2019
	(Dollars in thousands)	
Commercial	$ 26,691	$ 32,130
Energy	25,927	4,540
Commercial real estate	19,088	1,063
Construction and land development	—	—
Residential and multifamily real estate	3,101	1,942
PPP	—	—
Consumer	244	—
Total nonaccrual loans	$ 75,051	$ 39,675

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. 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.

The table below presents loans restructured during the years ended December 31, 2020 and 2019, including the post-modification outstanding balance and the type of concession made:

	For the Year Ended December 31,	
	2020	2019
	(Dollars in thousands)	
Commercial		
- Debt forgiveness	$ 17,297	$ —
- Reduction of monthly payment	1,224	994
- Extension of maturity date	—	30,005
- Interest rate reduction	3,171	—
Energy		
- Reduction of monthly payment	7,825	—
- Extension of maturity date	2,340	—
Commercial real estate		
- Deferred payment	21,210	—
- Reduction of monthly payment	—	3,767
Total troubled debt restructurings	$ 53,067	$ 34,766

As of December 31, 2020, the modifications related to the troubled debt restructurings above did not impact the allowance for loan losses because the loans were previously impaired and evaluated on an individual basis or sufficient collateral was obtained. The restructured loans had a total specific valuation allowance of $4 million and $18 million as of December 31, 2020 and 2019, respectively.

For the year ended December 31, 2020 and 2019, the TDRs outstanding resulted in charge-offs of $26 million and $5 million and recoveries of $0 and $0, respectively. No TDRs modified within the past 12 months defaulted in 2020. During 2019, one commercial TDR modified within the past 12 months defaulted with an outstanding balance of $28 million.

The balance of restructured loans and the balance of those loans that are in default at any time during the past 12 months at December 31, 2020 and 2019 is provided below:

	For the Year Ended December 31,					
	2020			2019		
	Number of Loans	Outstanding Balance	Balance 90 Days Past Due at Any Time During Previous 12 Months[(1)]	Number of Loans	Outstanding Balance	Balance 90 Days Past Due at Any Time During Previous 12 Months[(1)]
	(Dollars in thousands)					
Commercial	7	$ 22,759	$ 2,776	7	$ 31,770	$ 831
Energy	4	11,053	2,713	2	2,864	—
Commercial real estate	4	26,038	—	3	4,909	—
Construction and land development	—	—	—	—	—	—
Residential and multifamily real estate	2	3,245	—	—	—	—
PPP	—	—	—	—	—	—
Consumer	—	—	—	—	—	—
Total troubled debt restructured loans	17	$ 63,095	$ 5,489	12	$ 39,543	$ 831

(1) Default is considered to mean 90 days or more past due as to interest or principal.

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.

During the year ended December 31, 2019, $1 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, 2019 would have been $2 million. The majority of actual and potential interest income related to one loan relationship restructured late in the second quarter of 2019.

Note 5: Premises and Equipment

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

	As of December 31,	
	2020	2019
	(Dollars in thousands)	
Land	$ 7,384	$ 7,384
Building and improvements	62,331	59,500
Construction in progress	95	524
Furniture and fixtures	14,073	12,851
Equipment	9,587	9,158
	93,470	89,417
Less: accumulated depreciation	22,961	19,207
Premises and equipment, net	$ 70,509	$ 70,210

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, 2020 and 2019 were:

	Gross Carrying Amount	Accumulated Amortization	Impairment	Net Carrying Amount
	(Dollars in thousands)			
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
December 31, 2019				
Goodwill	$ 7,397	$ —	$ —	$ 7,397
Core deposit intangible	1,014	717	—	297
Total goodwill and intangible assets	$ 8,411	$ 717	$ —	$ 7,694

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

Note 7: Derivatives and Hedging Activities

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.

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.

As of December 31, 2020 and 2019, the Company had the following outstanding derivatives that were not designated as hedges in qualifying hedging relationships:

	December 31, 2020		December 31, 2019	
Product	Number of Instruments	Notional Amount	Number of Instruments	Notional Amount
	(Dollars in thousands)			
Back-to-back swaps	56	$ 515,567	56	$ 380,050

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, 2020 and 2019:

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	As of December 31, 2020	As of December 31, 2019	Balance Sheet Location	As of December 31, 2020	As of December 31, 2019
	(Dollars in thousands)					
Derivatives not designated as hedging instruments						
Interest rate products	Other assets	$24,094	$9,838	Other liabilities	$ 24,454	$ 9,907

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 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.

Note 8: Foreclosed Assets

Foreclosed assets consisted of commercial use facilities and raw land at December 31, 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 $524 million and $692 million as of December 31, 2020 and 2019, respectively.

The Company acquires brokered deposits in the normal course of business. At December 31, 2020 and 2019, brokered deposits of approximately $188 million and $392 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 $75 million and $42 million as of December 31, 2020 and 2019, 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, 2020 and 2019:

	As of and For the Year Ended December 31,					
	2020			2019		
	(Dollars in thousands)					
	Balance	**Rate[6]**	**Maximum Balance at Any End of Month**	**Balance**	**Rate[6]**	**Maximum Balance at Any End of Month**
Repurchase agreements[1]	$ 2,306	0.15%	$ 57,259	$ 14,921	1.00%	$ 72,048
Federal funds purchased[2]	—	NA	30,000	—	NA	25,000
FHLB advances[3]	293,100	1.78	450,659	358,743	1.84	358,743
FHLB line of credit[3]	—	NA	20,000	—	NA	30,000
Federal Reserve Borrowing[4]	—	NA	15,000	—	NA	—
Trust preferred security[5]	963	1.96%	$ 963	921	3.63%	$ 921
Total borrowings	$ 296,369			$ 374,585		

[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 $32 million and $44 million for the years ended December 31, 2020 and 2019, respectively. The securities, mortgage-backed government sponsored residential securities, pledged for customer repurchase agreements were $6 million and $37 million at December 31, 2020 and 2019, 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, 2021.

[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, 2020 and 2019:

	As of December 31,	
	2020	2019
	(Dollars in thousands)	
FHLB borrowing capacity relating to loans	$ 518,191	$ 490,218
FHLB borrowing capacity relating to securities	—	—
Total FHLB borrowing capacity	$ 518,191	$ 490,218
Unused Federal Reserve borrowing capacity	$ 435,805	$ 287,857

The scheduled maturities, excluding interest, of the Company's borrowings at December 31, 2020 were as follows:

	As of December 31, 2020						
	Within One Year	One to Two Years	Two to Three Years	Three to Four Years	Four to Five Years	After Five Years	Total
	(Dollars in thousands)						
Time deposits	$ 867,927	$ 114,963	$ 44,392	$ 15,501	$ 699	$ —	$ 1,043,482
Fed funds purchased & repurchase agreements	2,306	—	—	—	—	—	2,306
FHLB borrowings	16,500	21,500	35,000	—	5,100	215,000	293,100
Trust preferred securities[1]	—	—	—	—	—	963	963
Total	$ 886,733	$ 136,463	$ 79,392	$ 15,501	$ 5,799	$ 215,963	$ 1,339,851

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

Note 11: Income Taxes

The provision for income taxes includes these components:

	For the Year Ended December 31,		
	2020	2019	2018
	(Dollars in thousands)		
Taxes currently payable (receivable)	$ 7,970	$ 7,624	$ (2,155)
Deferred income tax liability	(5,257)	(3,486)	(239)
Income tax expense (benefit)	$ 2,713	$ 4,138	$ (2,394)

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

	For the Year Ended December 31,		
	2020	2019	2018
	(Dollars in thousands)		
Computed at the statutory rate (21%)	$ 3,216	$ 6,848	$ 3,611
Increase (decrease) resulting from			
Tax-exempt income	(3,109)	(2,913)	(3,508)
Nondeductible expenses	194	356	380
State tax credit	—	(1,361)	(3,129)
State income tax expense (benefit)	679	1,288	687
Equity-based compensation	179	(88)	(445)
Goodwill impairment	1,553	—	—
Other adjustments	1	8	10
Actual tax expense (benefit)	$ 2,713	$ 4,138	$ (2,394)

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 $2 million deferred tax asset as of December 31, 2020 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 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,	
	December 31, 2020	December 31, 2019
	(Dollars in thousands)	
Deferred tax assets		
Allowance for loan losses	$ 18,124	$ 13,928
Lease incentive	564	294
Impairment of available-for-sale securities	—	493
Loan fees	3,178	2,317
Accrued expenses	2,128	2,131
Deferred compensation	2,474	2,444
State tax credit	2,621	3,287
Other	946	420
Total deferred tax asset	30,035	25,314
Deferred tax liability		
Net unrealized gain on securities available-for-sale	(9,531)	(5,339)
FHLB stock basis	(1,209)	(996)
Premises and equipment	(2,881)	(3,620)
Other	(1,601)	(1,577)
Total deferred tax liability	(15,222)	(11,532)
Net deferred tax asset	$ 14,813	$ 13,782

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.

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
	2020	2019	2018	
	(Dollars in thousands)			
Unrealized gains on available-for-sale securities	$ 1,704	$ 987	$ 538	Gain on sale of available-for-sale debt securities
Less: tax effect	415	242	132	Income tax expense
Net reclassified amount	$ 1,289	$ 745	$ 406	

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, 2020, the Company and the Bank met all capital adequacy requirements to which they are subject.

As of December 31, 2020, 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, 2020 and 2019 are presented in the following table:

	Actual		**Minimum Capital Required - Basel III**		**Required to be Considered Well Capitalized**	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
			(Dollars in thousands)			
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 %
December 31, 2019						
Total Capital to Risk-Weighted Assets						
Consolidated	$ 633,228	13.4 %	$ 495,095	10.5 %	N/A	N/A
Bank	581,600	12.3	494,954	10.5	$ 471,385	10.0 %
Tier I Capital to Risk-Weighted Assets						
Consolidated	576,332	12.2	400,791	8.5	N/A	N/A
Bank	524,704	11.1	400,677	8.5	377,108	8.0
Common Equity Tier 1 to Risk-Weighted Assets						
Consolidated	575,411	12.2	330,063	7.0	N/A	N/A
Bank	524,704	11.1	329,970	7.0	306,400	6.5
Tier I Capital to Average Assets						
Consolidated	576,332	12.1	191,093	4.0	N/A	N/A
Bank	$ 524,704	11.0 %	$ 191,170	4.0 %	$ 238,963	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, 2020 and 2019.

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 2020, 2019 and 2018, 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 $891 thousand for 2020, 2019 and 2018, respectively.

Note 15: Revenue from Contracts with Customers

The Company adopted ASU 2014-09, "*Revenue from Contracts with Customers (Topic 606)*" and its related amendments as of January 1, 2019 using the modified retrospective approach. The implementation had no material impact on the measurement or recognition of revenue of either current or prior periods.

The 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 ASU 2014-09 (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, 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.

The following table disaggregates the noninterest income subject to ASU 2014-09 by category:

	For the Year Ended December 31, 2020	2019
	(Dollars in thousands)	
Noninterest income subject to ASU 2014-09		
Service charges and fees (rebates) on customer accounts	$ 2,803	$ 604
ATM and credit card interchange income	4,379	1,785
International fees	1,091	716
Other fees	87	122
Total noninterest income from contracts with customers	8,360	3,227
Noninterest income not subject to ASU 2014-09		
Other noninterest income	3,373	5,480
Total noninterest income	$ 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 reinstituted 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 2,083,353 shares as of December 31, 2020. The Company will issue new common shares upon exercise or vesting of stock-based awards.

During 2018, the Company announced a 2-for-1 stock split effected in the form of a dividend. The stock split was effective on December 21, 2018. Except as described herein, stock-based awards were retroactively adjusted for all periods presented to reflect the change in capital structure.

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.

During 2018, several events, including the ones mentioned above, impacted stock-based compensation. A table showing the events and the impact to stock-based compensation is provided at the end of Note 16.

The table below summarizes stock-based compensation for the years ended December 31, 2020, 2019, and 2018:

	For the Year Ended December 31,		
	2020	2019	2018
	(Dollars in thousands)		
Stock appreciation rights	$ 994	$ 1,243	$ 1,457
Performance-based stock awards	249	271	578
Restricted stock awards	3,078	3,174	2,404
Employee stock purchase plan	42	36	165
Total stock-based compensation	$ 4,363	$ 4,724	$ 4,604

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.

During 2018, the Company issued 100,000 SSARs with a strike price of $28.50 to a nonemployee. The SSARs vest in equal amounts over a five-year period, commencing on the first anniversary of the effective date of grant and have a five-year contractual term. The Company determined that the award did not require substantive service, which required the award to be fully expensed at the grant date. Because the award is to a nonemployee, the fair market value for this award was adjusted quarterly until the Company adopted ASU 2018-07 in the first quarter of 2019, which set the fair market value for this award. Additional information on ASU 2018-07 can be found in *Note 1: Nature of Operations and Summary of Significant Accounting Policies* within the Notes to the Consolidated Financial Statements. The SSAR was not adjusted with respect to the 2-for-1 stock split in accordance with the underlying agreements with the nonemployee and the applicable plan, which did not provide for adjustment.

During 2018, the Company accelerated the vesting of 107,482 SSARs in accordance with the Chairman Emeritus Agreement. The acceleration resulted in $430 thousand in additional expense due to modification accounting. Both the award to the nonemployee and modification to existing SSARs are included in the tables below.

During 2018, 240,000 SSARs were granted that vest in equal amounts over a three-year period, commencing on the first anniversary of the effective date of grant and have fifteen-year contractual terms.

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 of time 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,		
	2020	2019[(1)]	2018
	(Dollars in thousands, except per share data)		
Assumptions:			
Expected volatility	20.34%	24.63% - 33.63%	25.69% - 42.99%
Expected dividends	0.00%	0.00%	0.00%
Expected term (in years)	6.00	4.24 - 7.00	4.00 - 9.50
Risk-free rate	0.38%	1.45% - 2.55%	2.50% - 2.94%
Weighted average grant date fair value per share	$1.93	$5.43	$4.68
Aggregate intrinsic value of SSARs exercised	$571	$493	$2,214
Total fair value of SSARs vested during the year	$1,245	$1,171	$1,710
Unrecognized compensation information:			
Unrecognized compensation cost	$1,737	$2,904	$3,730
Period remaining (in years)	3.3	3.9	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, 2020 is presented below:

	Stock Settled Appreciation Rights		
	Units	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Outstanding, January 1, 2020	1,772,652	$ 10.31	9.20
Granted	25,907	9.35	9.42
Exercised	(140,354)	5.94	
Forfeited or expired	(68,530)	9.14	
Outstanding, December 31, 2020	1,589,675	$ 10.73	8.45
Exercisable, December 31, 2020	991,130	$ 9.59	8.14

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, 110,900 PBSAs were granted and cliff-vest on December 31, 2021. No compensation expense was recognized as part of this plan during 2018. 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. Increases to the expected or actual award payout percentages from the date ASU 2018-07 was adopted will be immediately expensed going forward. Reductions to the expected or actual award payout percentages from the date ASU 2018-07 was adopted will be adjusted through retained earnings.

Issuance of the above New Market Founder PBSAs is based upon four equally weighted market measures: total assets, total loans, return on assets and classified assets to capital as of December 31, 2021. 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 to 150% of target. Achievement between 50% of target ("threshold") and 150% ("stretch") will result in an award payout percentage determined based on straight-line interpolation between the percentiles. A maximum of 248,841 units could be issued.

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, 2020	192,248	$ 9.88
Granted	41,283	13.55
Vested	0	0.00
Forfeited	(1,900)	13.55
Unvested, December 31, 2020	231,631	$ 10.51

Unrecognized stock-based compensation expense related to the performance grants issued through December 31, 2020 was $488 thousand and is expected to be recognized over 1.7 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.

During 2018, 60,000 Legacy RSUs were granted with a grant date fair market value of $14.25 per unit and vests in equal amounts over a three-year period, commencing on the first anniversary of the effective date of grant.

During 2018, the Company accelerated the vesting of 74,280 RSUs in accordance with the Chairman Emeritus Agreement. The acceleration resulted in $694 thousand to be immediately expensed instead of over the initial expected service period.

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, 2020	340,780	$ 15.35
Granted	293,297	11.84
Vested	(231,845)	15.37
Forfeited	(33,015)	14.62
Unvested, December 31, 2020	369,217	$ 12.61

Unrecognized stock-based compensation expense related to restricted stock grants issued through December 31, 2020 was $3 million and is expected to be recognized over 1.7 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,		
	2020	2019	2018
Assumptions:			
Expected volatility	22.50%	7.60%	7.60%
Expected dividends	0.00%	0.00%	0.00%
Expected term (in years)	0.50	1	1
Risk-free rate	0.17%	2.09%	2.09%

2018 Events

Due to the number of events that occurred in 2018, a table of events and the impact to equity based compensation is provided below followed by additional detail under the table:

Event Date	Event Type	Change in Cumulative Expense	Change in Number of Awards Issued / Exercised	Additional Notes
		(Dollars in thousands)		
January 2018	EIP Modification: from performance awards to time-vested awards	$ 1,294	None	Awards were exchanged at “Target” representing 100% of the original award. 282,192 PBSAs were forfeited and replaced with 282,192 RSUs.
May 2018	Chairman Emeritus Agreement: SSAR and RSU vesting was accelerated	$ 1,124	201,334 SSARs were exercised and 74,280 RSUs vested	101,178 common shares were issued.
October 2018	New Plan Approved: Existing awards were canceled and regranted under the Omnibus Plan as agreed with certain participants.			
	– SSARs	None	None	1,595,430 SSARs were forfeited and regranted under the Omnibus Plan
	– RSUs	None	None	298,254 RSUs were forfeited and regranted under the Omnibus Plan
	– PBSAs	None	None	159,384 PBSAs were forfeited and regranted under the Omnibus Plan
December 2018	Stock Split: 2-for-1 Stock Split occurred	None	All awards, excluding 100,000 SSARs were split	All awards, other than the noted SSARs, were retroactively adjusted for all periods presented to reflect the 2-for-1 split

In January 2018, the Company modified the Equity Incentive Plan to allow the Compensation Committee to award performance-based awards or service-based awards. The Compensation Committee modified awards granted in 2016 and 2017 from performance-based to service-based awards. The modification resulted in a $1 million increase in expense that will be recognized over the remaining service period. A total of 25 participants were impacted by this modification. During 2018, $989 thousand was recognized, including $61 thousand in forfeiture credits. The remaining $216 thousand was recognized in 2019.

In May 2018, the Company’s former Chief Executive Officer became the Company’s Chairman Emeritus. As part of this transition, restricted stock units issued under the Equity Incentive Plan in 2016, 2017, and 2018 were fully vested. The modification resulted in $694 thousand of additional expense. In addition, all SSARs awarded under the Stock Appreciation Rights Plan were considered fully-vested. This modification resulted in $430 thousand of additional expense. All awards were converted to common stock and 101,178 common shares were issued. The Chairman Emeritus Agreement also granted 100,000 SSARs that will vest equally over five years.

In October 2018, the Omnibus Plan was approved. The Omnibus Plan allows for several types of grants including: (i) stock options; (ii) SARs; (iii) RSAs; (iv) RSUs; and (v) PBSAs. Awards issued under the previous plans were assumed under the Omnibus Plan, as agreed upon with participants, impacting all participants who agreed to the assumption. Material terms and conditions of Legacy Awards remain unchanged; therefore, no modification to their fair market value was required.

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, 2020 and 2019, 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. During the period ended December 31, 2019, 10,000 warrants were forfeited.

Note 18: Operating Leases

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,		
	2020	**2019**	**2018**
		(Dollars in thousands)	
Rental Expense	$ 2,871	$ 2,526	$ 3,323

Future minimum lease payments under operating leases were as follows:

	(Dollars in thousands)
2021	$ 2,837
2022	2,910
2023	2,956
2024	2,621
2025	2,627
Thereafter	$ 16,716

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, 2020 and 2019:

	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, 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)
		(Dollars in thousands)		
Collateral-dependent impaired loans	$ 55,454	$ —	$ —	$ 55,454
Foreclosed assets held-for-sale	$ 2,347	$ —	$ —	$ 2,347

		December 31, 2019 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
		(Dollars in thousands)		
Collateral-dependent impaired loans	$ 20,889	$ —	$ —	$ 20,889

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

$29 million of collateral dependent impaired loans had appraisals that were more than one year old at December 31, 2020. The Company increased the marketability discount to compensate for the aged appraisals. Increased discounts on other loans resulted from the COVID-19 pandemic's impact. The following tables present quantitative information about unobservable inputs used in nonrecurring Level 3 fair value measurements at December 31, 2020 and 2019:

	As of December 31, 2020			
	Fair Value	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)
	(Dollars in thousands)			
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%

	As of December 31, 2019			
	Fair Value	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)
	(Dollars in thousands)			
Collateral dependent impaired loans	$ 20,889	Market comparable properties	Marketability discount	10% - 15% (12%)

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, 2020 and 2019:

	December 31, 2020				
	Carrying	Fair Value Measurements			
	Amount	Level 1	Level 2	Level 3	Total
	(Dollars in thousands)				
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
Total	$ 5,500,309	$ 408,810	$ 698,165	$ 4,378,702	$ 5,485,677
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
Total	$ 5,017,726	$ 718,459	$ 339,967	$ 4,015,792	$ 5,074,218

	December 31, 2019				
	Carrying Amount	Fair Value Measurements			
		Level 1	Level 2	Level 3	Total
	(Dollars in thousands)				
Financial Assets					
Cash and cash equivalents	$ 187,320	$ 187,320	$ —	$ —	$ 187,320
Available-for-sale securities	739,473	—	739,473	—	739,473
Loans, net of allowance for loan losses	3,795,348	—	—	3,810,818	3,810,818
Restricted equity securities	17,278	—	—	17,278	17,278
Interest receivable	15,716	—	15,716	—	15,716
Equity security	2,161	—	2,161	—	2,161
Derivative assets	9,838	—	9,838	—	9,838
	$ 4,767,134	$ 187,320	$ 767,188	$ 3,828,096	$ 4,782,604
Financial Liabilities					
Deposits	$ 3,923,759	$ 521,826	$ —	$ 3,407,012	$ 3,928,838
Federal funds purchased and repurchase agreements	14,921	—	14,921	—	14,921
Federal Home Loan Bank advances	358,743	—	357,859	—	357,859
Other borrowings	921	—	2,147	—	2,147
Interest payable	4,584	—	4,584	—	4,584
Derivative liabilities	9,907	—	9,907	—	9,907
	$ 4,312,835	$ 521,826	$ 389,418	$ 3,407,012	$ 4,318,256

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, 2020 and 2019:

	December 31, 2020	December 31, 2019
	(Dollars in thousands)	
Commitments to originate loans	$ 99,596	$ 134,652
Standby letters of credit	48,607	39,035
Lines of credit	1,423,038	1,351,873
Future lease commitments	—	20,935
Total	$ 1,571,241	$ 1,546,495

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 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.

Note 22: Stock Offerings and Repurchases

In October 2020, the Company announced a $20 million program to repurchase CrossFirst'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.

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.

Effective December 21, 2018, the Company effected a 2-for-1 stock split in the form of a dividend. Share data and per share data were retroactively adjusted for the periods presented to reflect the change in capital structure.

Prior to its IPO, the Company issued the majority of common shares through private placements. In addition, the Company had employee plans that allowed certain individuals to purchase common shares outside of a private placement.

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,	
	2020	2019
	(Dollars in thousands)	
Assets		
Investment in consolidated subsidiaries		
Banks	$ 580,162	$ 551,084
Nonbanks	—	870
Cash	46,676	52,478
Other assets	1,756	1,364
Total assets	$ 628,594	$ 605,796
Liabilities and stockholders' equity		
Trust preferred securities, net	$ 963	$ 921
Other liabilities	3,203	3,231
Total liabilities	4,166	4,152
Stockholders' equity		
Common stock	523	520
Treasury stock at cost	(6,061)	—
Additional paid-in capital	522,911	519,870
Retained earnings	77,652	64,803
Accumulated other comprehensive income	29,403	16,451
Total stockholders' equity	624,428	601,644
Total liabilities and stockholders' equity	$ 628,594	$ 605,796

Condensed Statements of Income

	For the Year Ended December 31,		
	2020	2019	2018
	(Dollars in thousands)		
Income			
Earnings of consolidated subsidiaries	$ 13,682	$ 28,814	$ 24,330
Management fees charged to subsidiaries	8,520	7,500	6,000
Other	(18)	(4)	3
Total income	22,184	36,310	30,333
Expense			
Salaries and employee benefits	5,143	4,584	8,139
Occupancy, net	405	275	368
Other	4,220	3,044	3,734
Total expense	9,768	7,903	12,241
Income tax benefit	(185)	(66)	(1,498)
Net income	$ 12,601	$ 28,473	$ 19,590

Condensed Statements of Cash Flows

	For the Year Ended December 31,		
	2020	2019	2018
	(Dollars in thousands)		
Operating Activities			
Net income	$ 12,601	$ 28,473	$ 19,590
Items not requiring (providing) cash			
Earnings of consolidated subsidiaries	(13,682)	(28,814)	(24,330)
Share-based incentive compensation	1,917	1,974	2,224
Other adjustments	(412)	5,343	1,367
Net cash provided by (used in) operating activities	424	6,976	(1,149)
Investing Activities			
Decrease (increase) in investment in subsidiaries	870	(49,825)	(157,900)
Net cash provided by (used in) investing activities	870	(49,825)	(157,900)
Financing Activities			
Redemption of preferred stock	—	(30,000)	—
Dividends paid on preferred stock	—	(700)	(2,100)
Issuance of common stock, net	3	88,324	203,848
Common stock purchased and retired	—	(155)	(11,024)
Open market common share repurchases	(6,061)	—	—
Acquisition of common stock for tax withholding obligations	(1,236)	(245)	(2,132)
Proceeds from employee stock purchase plan	151	547	367
Net decrease in employee receivables	47	117	71
Net cash provided by (used in) financing activities	(7,096)	57,888	189,030
Increase (decrease) in cash	(5,802)	15,039	29,981
Cash at beginning of year	52,478	37,439	7,458
Cash at end of year	$ 46,676	$ 52,478	$ 37,439

Note 24: Subsequent Events

Subsequent events have been evaluated through February 26, 2021, which is the date the consolidated financial statements were available to be issued.

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, 2020. 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, 2020.

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, 2020. 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, 2020, our internal control over financial reporting was effective.

Internal controls over our financial reporting continue 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.

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 2021 annual meeting of stockholders (the "2021 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 2021 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 2021 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, 2020 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	—	—	—
Equity compensation plans not approved by shareholders	1,703,175 (A)	$ 10.35 (B)	2,202,166 (C)
Total	1,703,175	$ 10.35	2,202,166

(A)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 1,489,675 shares issuable upon exercise of stock appreciation rights granted under the 2018 Equity Incentive Plan.

(B)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 $9.54 for stock appreciation rights granted under the 2018 Equity Incentive Plan.

(C)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 2,083,353 and under the Employee Stock Purchase Plan was 118,813.

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 2021 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 2021 Proxy Statement.

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:

(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.

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(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
10.3	Employment Agreement with Mike Maddox dated June 1, 2020†	10-Q	10.1	August 12, 2020
10.4	Employment Agreement with Amy Fauss dated July 29, 2016†	S-1	10.8	July 18, 2019
10.4.1	First Amendment to Employment Agreement with Amy Fauss dated March 15, 2019†	S-1	10.9	July 18, 2019
10.5	Employment Agreement with Tom Robinson dated May 1, 2015†	S-1	10.10	July 18, 2019
10.5.1	First Amendment to Employment Agreement with Tom Robinson dated March 18, 2019†	S-1	10.11	July 18, 2019
10.6	Employment Agreement with Aisha Reynolds, dated October 23, 2019†	10-K	10.6	March 10, 2020
10.7	Employment Agreement with Randy Rapp, dated April 1, 2019†	10-K	10.7	March 10, 2020
10.8	RSU Award Agreement with George F. Jones, Jr. dated February 28, 2019†	S-1	10.13	July 18, 2019
10.9	Performance Share Award Agreement with George F. Jones, Jr. dated February 28, 2019†	S-1	10.14	July 18, 2019
10.10	2018 Omnibus Equity Incentive Plan†	S-1	10.15	July 18, 2019
10.11	Form of Legacy RSU - New Market Founders Award†	S-1	10.16	July 18, 2019
10.12	Form of Legacy EIP 2018 RSU Award Agreement†	S-1	10.17	July 18, 2019
10.13	Form of Legacy SAR Award Agreement†	S-1	10.18	July 18, 2019
10.14	Form of EEIP Legacy RSU Award Agreement†	S-1	10.19	July 18, 2019
10.15	Form of RSU Award Agreement†	S-1	10.20	July 18, 2019
10.16	Form of 2019 RSU Award Agreement†	S-1	10.21	July 18, 2019
10.17	Form of 2019 Performance Share Award Agreement†	S-1	10.22	July 18, 2019
10.18	Form of Director Restricted Stock Award†	S-1	10.23	July 18, 2019
10.19	Form of Indemnification Agreement†	S-1	10.24	July 18, 2019
10.20	Director Deferred Fee Program†	S-1	10.25	July 18, 2019
10.21	Stock Appreciation Rights Plan†	S-1	10.26	July 18, 2019
10.22	Form of SAR Award Agreement†	S-1	10.27	July 18, 2019
10.23	Annual Incentive Plan†	10-Q	10.1	May 14, 2020
10.24	Employment Agreement with Steve Peterson dated July 1, 2020†	10-Q	10.2	August 12, 2020
10.25	Senior Executive Severance Plan†	10-Q	10.3	August 12, 2020
10.26	Employee Stock Purchase Plan†	S-8	99.1	July 2, 2020
21.1*	Subsidiaries of CrossFirst Bankshares, Inc.			
23.1*	Consent of BKD, LLP			

Exhibit Number	Exhibit Description	Incorporated by Reference		
		Form	Exhibit	Filing Date/Period End Date
31.1*	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
31.2*	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
32.1**	Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes Oxley Act of 2002			
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.			
101.SCH*	Inline XBRL Taxonomy Extension Schema			
101.CAL*	Inline XBRL Extension Calculation Linkbase			
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase			
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase			
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase			
104*	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 26, 2021

/s/ David L. O'Toole
David L. O’Toole
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
/s/ Rod Brenneman **Rod Brenneman**	**Director (Chairman)**	**February 26, 2021**
/s/ Michael J. Maddox **Michael J. Maddox**	**Director, President and Chief Executive Officer (Principal Executive Officer)**	**February 26, 2021**
/s/ David L. O'Toole **David O'Toole**	**Director, Chief Financial Officer (Principal Financial and Accounting Officer)**	**February 26, 2021**
/s/ George F. Jones, Jr. **George F. Jones, Jr.**	**Director (Vice Chairman)**	**February 26, 2021**
/s/ George Bruce **George Bruce**	**Director**	**February 26, 2021**
/s/ Steven W. Caple **Steven W. Caple**	**Director**	**February 26, 2021**
/s/ Ron Geist **Ron Geist**	**Director**	**February 26, 2021**
/s/ Jennifer Grigsby **Jennifer Grigsby**	**Director**	**February 26, 2021**
/s/ George E. Hansen III **George E. Hansen III**	**Director**	**February 26, 2021**
/s/ Lance Humphreys **Lance Humphreys**	**Director**	**February 26, 2021**
/s/ Mason King **Mason King**	**Director**	**February 26, 2021**
/s/ James Kuykendall **James Kuykendall**	**Director**	**February 26, 2021**
/s/ Kevin Rauckman **Kevin Rauckman**	**Director**	**February 26, 2021**
/s/ Michael Robinson **Michael Robinson**	**Director**	**February 26, 2021**

Signature	Title	Date
/s/ Jay Shadwick **Jay Shadwick**	**Director**	**February 26, 2021**
/s/ Grey Stogner **Grey Stogner**	**Director**	**February 26, 2021**
/s/ Stephen K. Swinson **Stephen K. Swinson**	**Director**	**February 26, 2021**

Exhibit 21.1 List of Subsidiaries

CrossFirst Bankshares, Inc.

- CrossFirst Bank
  - CrossFirst Investments, Inc.
  - CFBSA I, LLC
  - CFBSA II, LLC

Consent of Independent Registered Public Accounting Firm

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

We consent to the incorporation by reference in the registration statements (Nos. 333-233744 and 333- 239636) on Form S-8 of CrossFirst Bankshares, Inc. of our report dated February 26, 2021, with respect to the consolidated balance sheets of CrossFirst Bankshares, Inc. as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the years ended December 31, 2020, 2019 and 2018, and the related notes, which appears in the December 31, 2020, Annual Report on Form 10-K of CrossFirst Bankshares, Inc.

BKD, LLP

Kansas City, Missouri February 26,
2021

Certification of Chief Executive Officer
Pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934
and Section 302 of the Sarbanes-Oxley Act of 2002

I, Michael J. Maddox, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   (b) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting;

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting, which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls over financial reporting.

Date: February 26, 2021

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

Certification of Chief Financial Officer
Pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934
and Section 302 of the Sarbanes-Oxley Act of 2002

I, David O'Toole, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: February 26, 2021

/s/ David L. O'Toole
David O'Toole
Chief Financial Officer
(Principal Financial Officer)

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

In connection with the Annual Report on Form 10-K of CrossFirst Bankshares, Inc. (the “Company”) for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned, in his respective capacities indicated below, hereby certifies, pursuant to 18 U.S.C. § 1350, as enacted by Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge and belief,

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 26, 2021

/s/ Michael J. Maddox
Michael J. Maddox
Chief Executive Officer

/s/ David L. O'Toole
David L. O'Toole
Chief Financial Officer