UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2022
or
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ______

Commission file number 001-39028

CROSSFIRST BANKSHARES, INC.

(Exact Name of Registrant as Specified in its Charter)

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

(913) 754-9704
(Registrant's telephone number, including area code)

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☒		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of November 7, 2022, the registrant had 48,617,780 shares of common stock, par value $0.01, outstanding.

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

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Forward-Looking Information

All statements contained in this quarterly report on Form 10-Q that do not directly and exclusively relate to historical facts constitute forward-looking statements. These statements are often, but not always, made through the use of words or phrases such as "may," "might," "could," "predict," "potential," "believe," "expect," "continue," "will," "anticipate," "seek," "estimate," "intend," "plan," "projection," "goal," "target," "outlook," "aim," "would," "annualized" and "outlook," or the negative of these words or other comparable words or phrases of a future or forward-looking nature. For example, our forward-looking statements include statements regarding our expectations, opportunities or plans for growth; the proposed acquisition of Farmers & Stockmens Bank, the bank subsidiary of Central Bancorp, Inc. (collectively, Farmers & Stockmens Bank and Central Bancorp, Inc. are herein referred to as "Central"); our anticipated expenses, cash requirements and sources of liquidity; and our capital allocation strategies and plans.

Unless we state otherwise or the context otherwise requires, references below to "we," "our," "us," and the "Company" refer to CrossFirst Bankshares, Inc., and its consolidated subsidiaries. References to "CrossFirst Bank" and the "Bank" refer to CrossFirst Bank, our wholly owned consolidated bank subsidiary.

These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, the Company cautions you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions, estimates and uncertainties that are difficult to predict. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements due to a number of factors, including, without limitation: risks associated with the ongoing COVID-19 pandemic, decline in economic conditions in the United States and the Company's market areas, fluctuations in interest rates, business strategy execution, ability to manage growth and expansion, new lines of business or new services, products or product enhancements, phase-out of the London Interbank Offered Rate (LIBOR) and uncertainty relating to alternative reference rates, fluctuation of fair value of our investment securities, credit quality and risk, commercial and residential real estate values, hiring and retention of key personnel, funding availability, competition with other entities that offer financial services, changes in liquidity requirements, demand for loans in the Company's market areas, changes in accounting and tax principles, estimates made on income taxes, ability to keep pace with technological change, cybersecurity incidents or other failures, disruptions or security breaches, fraud committed against the Company or our clients, failure of our third-party services providers, reputational risks, intellectual property infringement, legislative and regulatory changes, risks inherent with proposed business acquisitions, such as the acquisition and integration of Farmers & Stockmens Bank, and the failure to achieve projected synergies; or other external events. Additional discussion of these and other risk factors can be found in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, filed with the Securities and Exchange Commission ("SEC") on February 28, 2022, and in our other filings with the SEC.

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

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PART I - FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CROSSFIRST BANKSHARES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2022	December 31, 2021[1]
	(Unaudited)	
	(Dollars in thousands)	
Assets		
Cash and cash equivalents	$ 309,135	$ 482,727
Available-for-sale securities - taxable	174,004	192,146
Available-for-sale securities - tax-exempt	482,523	553,823
Loans, net of unearned fees	4,677,646	4,256,213
Allowance for credit losses on loans[2]	55,864	58,375
Loans, net of the allowance for credit losses on loans	4,621,782	4,197,838
Premises and equipment, net	64,313	66,069
Restricted equity securities	9,277	11,927
Interest receivable	20,553	16,023
Foreclosed assets held for sale	973	1,148
Bank-owned life insurance	68,698	67,498
Other	97,719	32,258
Total assets	$ 5,848,977	$ 5,621,457
Liabilities and stockholders' equity		
Deposits		
Non-interest-bearing	$ 1,113,934	$ 1,163,224
Savings, NOW and money market	3,123,410	2,895,986
Time	750,171	624,387
Total deposits	4,987,515	4,683,597
Federal Home Loan Bank advances	205,349	236,600
Other borrowings	1,048	1,009
Interest payable and other liabilities	74,518	32,678
Total liabilities	5,268,430	4,953,884
Stockholders' equity		
Common stock, $0.01 par value:		
Authorized - 200,000,000 shares, issued - 53,018,448 and 52,590,015 shares at September 30, 2022 and December 31, 2021, respectively	530	526
Treasury stock, at cost:		
4,230,752 and 2,139,970 shares held at September 30, 2022 and December 31, 2021, respectively	(59,328)	(28,347)
Additional paid-in capital	529,646	526,806
Retained earnings	194,148	147,099
Accumulated other comprehensive (loss) income	(84,449)	21,489
Total stockholders' equity	580,547	667,573
Total liabilities and stockholders' equity	$ 5,848,977	$ 5,621,457

(1) The year-end Condensed Consolidated Balance Sheet was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America.

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

See Notes to Condensed Consolidated Financial Statements (unaudited)

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CROSSFIRST BANKSHARES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME - UNAUDITED

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(Dollars in thousands except per share data)			
Interest Income				
Loans, including fees	$ 59,211	$ 42,664	$ 149,266	$ 130,268
Available-for-sale securities - taxable	1,119	803	3,250	2,423
Available-for-sale securities - tax-exempt	3,905	3,562	11,442	10,410
Deposits with financial institutions	1,193	121	1,714	359
Dividends on bank stocks	122	161	478	488
Total interest income	65,550	47,311	166,150	143,948
Interest Expense				
Deposits	14,909	4,211	23,152	14,789
Fed funds purchased and repurchase agreements	9	-	83	3
Federal Home Loan Bank Advances	898	1,275	3,302	3,838
Other borrowings	39	24	94	72
Total interest expense	15,855	5,510	26,631	18,702
Net Interest Income	49,695	41,801	139,519	125,246
Provision for Credit Losses[(1)]	3,334	(10,000)	4,844	1,000
Net Interest Income after Provision for Credit Losses[(1)]	46,361	51,801	134,675	124,246
Non-Interest Income				
Service charges and fees on customer accounts	1,566	1,196	4,520	3,330
Realized (losses) gains on available-for-sale securities	(4)	1,046	(43)	1,043
Unrealized gains (losses) on equity securities, net	(87)	(6,210)	(261)	(6,243)
Income from bank-owned life insurance	405	427	1,200	3,088
Swap fees and credit valuation adjustments, net	(7)	31	123	156
ATM and credit card interchange income	1,326	1,735	5,513	5,569
Other non-interest income	581	670	1,870	1,921
Total non-interest income	3,780	(1,105)	12,922	8,864
Non-Interest Expense				
Salaries and employee benefits	18,252	15,399	53,288	44,612
Occupancy	2,736	2,416	7,851	7,307
Professional fees	580	618	2,453	2,538
Deposit insurance premiums	903	927	2,355	2,995
Data processing	877	700	2,849	2,136
Advertising	796	596	2,247	1,334
Software and communication	1,222	999	3,689	3,098
Foreclosed assets, net	9	(35)	(30)	680
Other non-interest expense	3,076	2,416	10,617	7,967
Total non-interest expense	28,451	24,036	85,319	72,667
Net Income Before Taxes	21,690	26,660	62,278	60,443
Income tax expense	4,410	5,660	12,625	11,831
Net Income	$ 17,280	$ 21,000	$ 49,653	$ 48,612
Basic Earnings Per Share	$ 0.35	$ 0.41	$ 1.00	$ 0.95
Diluted Earnings Per Share	$ 0.35	$ 0.41	$ 0.99	$ 0.93

(1) For the three- and nine-months ended September 30, 2021, this line represents the provision for loan and lease losses. See further discussion of this change in "Note 1: Nature of Operations and Summary of Significant Accounting Policies" in the Notes to Condensed Consolidated Financial Statements (unaudited).

See Notes to Condensed Consolidated Financial Statements (unaudited)

CROSSFIRST BANKSHARES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) - UNAUDITED

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(Dollars in thousands)			
Net Income	$ 17,280	$ 21,000	$ 49,653	$ 48,612
Other Comprehensive Loss				
Unrealized loss on available-for-sale securities	(39,299)	(7,989)	(137,282)	(11,532)
Less: income tax benefit	(9,621)	(1,956)	(33,607)	(2,823)
Unrealized loss on available-for-sale securities	(29,678)	(6,033)	(103,675)	(8,709)
Reclassification adjustment for realized gains (losses) included in income	(4)	1,046	(43)	1,043
Less: income tax expense (benefit)	(1)	256	(11)	255
Less: reclassification adjustment for realized gain (loss) included in income, net of income tax	(3)	790	(32)	788
Unrealized loss on cash flow hedges	(7,076)	-	(3,036)	-
Less: income tax expense	(1,731)	-	(741)	-
Unrealized loss on cash flow hedges, net of income tax	(5,345)	-	(2,295)	-
Other comprehensive loss	(35,020)	(6,823)	(105,938)	(9,497)
Comprehensive Income (Loss)	$ (17,740)	$ 14,177	$ (56,285)	$ 39,115

See Notes to Condensed Consolidated Financial Statements (unaudited)

CROSSFIRST BANKSHARES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY - UNAUDITED

	Common Stock			Additional		Accumulated Other	
	Shares	Amount	Treasury Stock	Paid-in Capital	Retained Earnings	Comprehensive Income	Total
				(Dollars in thousands)			
Balance at June 30, 2021	50,958,680	$ 525	$ (20,000)	$ 524,637	$ 105,299	$ 26,729	$ 637,190
Net income	-	-	-	-	21,000	-	21,000
Other comprehensive loss	-	-	-	-	-	(6,823)	(6,823)
Issuance of shares from equity-based awards	44,018	1	-	(110)	-	-	(109)
Stock-based compensation	-	-	-	1,149	-	-	1,149
Balance at September 30, 2021	51,002,698	$ 526	$ (20,000)	$ 525,676	$ 126,299	$ 19,906	$ 652,407

	Common Stock			Additional			
	Shares	Amount	Treasury Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
				(Dollars in thousands)			
Balance at June 30, 2022	49,535,949	$ 529	$ (48,501)	$ 528,548	$ 176,868	$ (49,429)	$ 608,015
Net income	-	-	-	-	17,280	-	17,280
Other comprehensive loss	-	-	-	-	-	(35,020)	(35,020)
Issuance of shares from equity-based awards	46,204	1	-	29	-	-	30
Open market common share repurchases	(794,457)	-	(10,827)	-	-	-	(10,827)
Stock-based compensation	-	-	-	1,069	-	-	1,069
Balance September 30, 2022	48,787,696	$ 530	$ (59,328)	$ 529,646	$ 194,148	$ (84,449)	$ 580,547

See Notes to Condensed Consolidated Financial Statements (unaudited)

CROSSFIRST BANKSHARES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY - UNAUDITED

	Common Stock						
	Shares	Amount	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
				(Dollars in thousands)			
Balance at December 31, 2020	51,679,516	$ 523	$ (6,061)	$ 522,911	$ 77,652	$ 29,403	$ 624,428
Net income	-	-	-	-	48,612	-	48,612
Other comprehensive loss	-	-	-	-	-	(9,497)	(9,497)
Issuance of shares from equity-based awards	287,375	3	-	(608)	-	-	(605)
Open market common share repurchases	(964,193)	-	(13,939)	-	-	-	(13,939)
Employee receivables from sale of stock	-	-	-	-	35	-	35
Stock-based compensation	-	-	-	3,373	-	-	3,373
Balance at September 30, 2021	51,002,698	$ 526	$ (20,000)	$ 525,676	$ 126,299	$ 19,906	$ 652,407

	Common Stock						
	Shares	Amount	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
				(Dollars in thousands)			
Balance at December 31, 2021	50,450,045	$ 526	$ (28,347)	$ 526,806	$ 147,099	$ 21,489	$ 667,573
Cumulative effect from changes in accounting principle[(1)]	-	-	-	-	(2,610)	-	(2,610)
Net income	-	-	-	-	49,653	-	49,653
Other comprehensive loss	-	-	-	-	-	(105,938)	(105,938)
Issuance of shares from equity-based awards	394,933	4	-	(631)	-	-	(627)
Open market common share repurchases	(2,090,782)	-	(30,981)	-	-	-	(30,981)
Employee receivables from sale of stock	-	-	-	-	6	-	6
Stock-based compensation		-	-	3,304	-	-	3,304
Exercise of warrants	33,500	-	-	167	-	-	167
Balance September 30, 2022	48,787,696	$ 530	$ (59,328)	$ 529,646	$ 194,148	$ (84,449)	$ 580,547

[(1)] Includes the impact of implementing Accounting Standards Update ("ASU") 2016-13, Financial Instruments - Credit Losses (Accounting Standard Codification ("ASC") 326): Measurement of Credit Losses on Financial Instruments. See "Note 1: Nature of Operations and Summary of Significant Accounting Policies" in the Notes to Condensed Consolidated Financial Statements (unaudited) for more information on the Company's adoption of this guidance and the impact to the Company's results of operations.

See Notes to Condensed Consolidated Financial Statements (unaudited)

CROSSFIRST BANKSHARES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED

	Nine Months Ended September 30, 2022	2021
	(Dollars in thousands)	
Operating Activities		
Net income	$ 49,653	$ 48,612
Items not requiring (providing) cash		
Depreciation and amortization	3,716	3,993
Provision for credit losses[1]	4,844	1,000
Accretion of discounts and amortization of premiums on securities	3,259	3,876
Stock based compensation	3,304	3,373
Foreclosed asset impairment	-	630
Deferred income taxes	1,713	2,233
Net increase in bank owned life insurance	(1,200)	(3,088)
Net unrealized losses on equity securities	261	6,243
Net realized (gains) losses on available-for-sale securities	43	(1,043)
Changes in		
Interest receivable	(4,530)	1,308
Other assets	3,802	(1,753)
Other liabilities	(2,989)	(541)
Net cash provided by operating activities	61,876	64,843
Investing Activities		
Net change in loans	(425,494)	196,637
Purchases of available-for-sale securities	(82,305)	(168,705)
Proceeds from maturities of available-for-sale securities	29,587	83,546
Proceeds from sale of available-for-sale securities	-	15,923
Proceeds from the sale of foreclosed assets	237	628
Purchase of premises and equipment	(1,878)	(671)
Proceeds from the sale of premises and equipment and related insurance claims	-	547
Purchase of restricted equity securities	(6,957)	-
Proceeds from sale of restricted equity securities	10,111	3,143
Proceeds from death benefit on bank owned life insurance	-	3,483
Net cash provided by (used in) investing activities	(476,699)	134,531
Financing Activities		
Net increase in demand deposits, savings, NOW and money market accounts	178,134	84,218
Net increase (decrease) in time deposits	125,784	(342,361)
Net decrease in fed funds purchased and repurchase agreements	-	(2,306)
Proceeds from Federal Home Loan Bank advances	50,000	-
Repayment of Federal Home Loan Bank advances	(149,000)	(16,500)
Net proceeds of Federal Home Loan Bank line of credit	67,748	-
Issuance of common shares, net of issuance cost	171	3
Proceeds from employee stock purchase plan	364	172
Repurchase of common stock	(30,981)	(13,939)
Acquisition of common stock for tax withholding obligations	(995)	(784)
Net decrease in employee receivables	6	35
Net cash provided by (used in) financing activities	241,231	(291,462)
Decrease in Cash and Cash Equivalents	(173,592)	(92,088)
Cash and Cash Equivalents, Beginning of Period	482,727	408,810
Cash and Cash Equivalents, End of Period	$ 309,135	$ 316,722
Supplemental Cash Flows Information		
Interest paid	$ 25,648	$ 19,402
Income taxes paid	$ 10,545	$ 8,370

[1] For the nine-months ended September 30, 2021, this line represents the Provision for loan losses.

See Notes to Condensed Consolidated Financial Statements (unaudited)

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

Organization and Nature of Operations

CrossFirst Bankshares, Inc. (the "Company") is a bank holding company whose principal activities are the ownership and management of its wholly-owned subsidiary, CrossFirst Bank (the "Bank"). In addition, the Bank has three subsidiaries including CrossFirst Investments, Inc. ("CFI") that holds investments in marketable securities, CFBSA I, LLC and CFBSA II, LLC.

The Bank is primarily engaged in providing a full range of banking and financial services to individual and corporate customers through its branches in: (i) Leawood, Kansas; (ii) Wichita, Kansas; (iii) Kansas City, Missouri; (iv) Oklahoma City, Oklahoma; (v) Tulsa, Oklahoma; (vi) Dallas, Texas; (vii) Frisco, Texas; and (viii) Phoenix, Arizona.

On June 13, 2022, the Company announced its entry into an agreement under which the Bank will acquire Farmers & Stockmens Bank, the bank subsidiary of Central Bancorp, Inc. (collectively, Farmers & Stockmens Bank and Central Bancorp, Inc. are herein referred as "Central"), for approximately $75 million in cash. Central has branches in Colorado and New Mexico. The transaction is currently expected to close in the fourth quarter of 2022, subject to the satisfaction or waiver of customary closing conditions. Refer to "Note 16: Subsequent Events" for further information about the acquisition.

Basis of Presentation

The Company's accounting and reporting policies conform to accounting principles generally accepted in the United States ("GAAP"). The consolidated financial statements include the accounts of the Company, the Bank, CFI, CFBSA I, LLC and CFBSA II, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

The condensed consolidated interim financial statements are unaudited. Certain information and footnote disclosures presented in accordance with GAAP have been condensed or omitted and should be read in conjunction with the Company's consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 (the "2021 Form 10-K"), filed with the Securities and Exchange Commission (the "SEC") on February 28, 2022.

In the opinion of management, the interim financial statements include all adjustments which are of a normal, recurring nature necessary for the fair presentation of the financial position, results of operations, and cash flows of the Company. The consolidated financial statements have been prepared in accordance with GAAP for interim financial information and the instructions to Form 10-Q adopted by the SEC.

Refer to the "accounting pronouncements implemented" below for changes in the accounting policies of the Company. No significant changes to the Company's accounting policies, other than those mentioned under "accounting pronouncements implemented" below, have occurred since December 31, 2021, the most recent date audited financial statements were provided within the Company's 2021 Form 10-K. Operating results for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for a full year or any future period.

Use of Estimates

The Company identified accounting policies and estimates that, due to the difficult, subjective, or complex judgments and assumptions inherent in those policies and estimates and the potential sensitivity of the Company's financial statements to those judgments and assumptions, are critical to an understanding of the Company's financial condition and results of operations. Actual results could differ from those estimates. The allowance for credit losses, deferred tax asset, and fair value of financial instruments are particularly susceptible to significant change.

Cash Equivalents

The Company had $205 million of cash and cash equivalents at the Federal Reserve Bank of Kansas City as of September 30, 2022.

Emerging Growth Company ("EGC")

The Company is currently an EGC. An EGC may take advantage of reduced reporting requirements and is relieved of certain other significant requirements that are otherwise generally applicable to public companies. Among the reductions and reliefs, the Company elected to extend the transition period for complying with new or revised accounting standards affecting public companies. This means that the financial statements the Company files or furnishes will not be subject to all new or revised accounting standards generally applicable to public companies for the transition period for so long as the Company remains an EGC or until the Company affirmatively and irrevocably opts out of the extended transition period under the JOBS Act.

Accounting Pronouncements Implemented

ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments:

Background – ASU 2016-13 and its subsequent amendments provide new guidance on the impairment model for financial assets measured at amortized cost, including loans held-for-investment and off-balance sheet credit exposures. The Current Expected Credit Loss ("CECL") model requires an estimate of expected credit losses, measured over the contractual life of an instrument, that considers forecasts of future economic conditions in addition to information about past events and current conditions. ASU 2016-13 requires new disclosures, including the use of vintage analysis on the Company's credit quality indicators.

In addition, ASU 2016-13 removes the available-for-sale ("AFS") securities other-than-temporary-impairment model that reduced the cost basis of the investment and is replaced with an impairment model that will recognize an allowance for credit losses on available-for-sale securities.

Implementation – The Company established a CECL committee to formulate and oversee the implementation process including selection, implementation, and testing of third-party software.

The Company used a loss-rate ("cohort") method to estimate the expected allowance for credit losses ("ACL") for all loan pools. The cohort method identifies and captures the balance of a pool of loans with similar risk characteristics, as of a particular point in time to form a cohort, then tracks the respective losses generated by that cohort of loans over their remaining lives, or until the loans are "exhausted" (i.e., have reached an acceptable point in time at which a significant majority of all losses are expected to have been recognized). The cohort method closely aligned with the Company's incurred loss model. This allowed the Company to take advantages of the efficiencies of processes and procedures already in practice.

The Company began parallel processing with the existing allowance for loan losses model during the first quarter of 2019 recalibrating inputs as necessary. The Company formulated changes to policies, procedures, disclosures, and internal controls that were necessary to transition to the new standard. A third-party completed validation of the completeness, accuracy, and reasonableness of the model in the fourth quarter of 2021. Refer to "Note 4: Loans and Allowance for Credit Losses" for additional information regarding the policies, procedures, and credit quality indicators used by the Company.

Impact of adoption – The Company adopted ASU 2016-13 on January 1, 2022 using the modified retrospective approach. All disclosures as of and for the three- and nine-month periods ended September 30, 2022 are presented in accordance with ASC 326, Financial Instruments-Credit Losses. The Company did not recast comparative financial periods and has presented those disclosures under previously applicable GAAP. Because the Company chose the cohort method, the model must consider net deferred fees and costs. As a result, the Company transferred the previously disclosed unearned fees into the applicable loan segments.

The Company used the prospective transition approach for AFS securities for which other-than-temporary-impairment has been recognized prior to January 1, 2022. As a result, the amortized cost basis remains the same before and after the effective date of ASU 2016-13.

The following table illustrates the impact of adopting ASU 2016-13 and details how outstanding loan balances have been reclassified because of changes made to the Company's loan segments under CECL:

	January 1, 2022					
	As Reported under ASU 2016-13		**Pre-ASU 2016-13**		**Impact of ASU 2016-13 Adoption**	
			(Dollars in thousands)			
Assets:						
Loans (outstanding balance)						
Commercial and Industrial	$	843,024	$	1,401,681	$	(558,657)
Commercial and Industrial lines of credit		617,398		-		617,398
Energy		278,579		278,860		(281)
Commercial real estate		1,278,479		1,281,095		(2,616)
Construction and land development		574,852		578,758		(3,906)
Residential real estate		360,046		600,816		(240,770)
Multifamily real estate		240,230		-		240,230
PPP		-		64,805		(64,805)
Consumer		63,605		63,605		-
Gross Loans		4,256,213		4,269,620		(13,407)
Net deferred loan fees and costs		-		13,407		(13,407)
Allowance for credit losses on loans		56,628		58,375		(1,747)
Loans, net of the allowance for credit losses on loans		4,199,585		4,197,838		1,747
Deferred tax asset	$	13,647	$	14,474	$	(827)
Liabilities						
Allowance for credit losses on off-balance sheet exposures	$	5,184	$	-	$	5,184
Stockholders' equity						
Retained earnings	$	144,489	$	147,099	$	(2,610)

In connection with adoption of ASU 2016-13, changes were made to the Company's loan segments to align with the methodology applied in determining the allowance under CECL. The commercial and industrial loan portfolio was separated into term loans and lines of credit. In addition, the remaining Paycheck Protection Program ("PPP") loans were consolidated into the commercial and industrial term loan segment due to their declining outstanding balance. The Company also separated the residential and multifamily real estate loan segments. Refer to "Note 4: Loans and Allowance for Credit Losses" for detail on the loan segments.

Accounting Policies: The Company updated the below accounting policies due to adoption of ASU 2016-13:

Accrued Interest -

The Company made an accounting policy election to exclude accrued interest from the amortized cost basis of loans. In addition, the Company elected not to measure an allowance for credit losses for accrued interest receivable, because a timely write-off policy exists. The policy generally requires loans to be placed on non-accrual when principal or interest is 90 days or more past due unless the loan is well-secured and in the process of collection. A well-secured loan means that collateral or a guaranty has sufficient value to pay off the loan in full. When a loan is placed on non-accrual, accrued interest is reversed against interest income.

The Company made a policy election to exclude accrued interest from the amortized cost basis of AFS securities. AFS securities are placed on non-accrual status when the Company no longer expects to receive all contractual amounts due, which is generally at 90 days past due. Accrued interest receivable is reversed against interest income when a security is placed on non-accrual status. Accordingly, the Company did not recognize an allowance for credit loss against accrued interest receivable.

Available-for-sale Securities in an Unrealized Loss Position –

For AFS securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the securities' amortized cost basis is written down to fair value through income. For AFS securities that do not meet the criteria above, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. Management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors.

If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than amortized cost basis.

ASU 2016-02, Leases (Topic 842):

Background – ASU 2016-02 and its subsequent amendments require lessees to recognize the assets and liabilities that arise from such leases. This represents a change from previous GAAP that did not require operating leases to be recognized on the lessees' balance sheet. The purpose of Topic 842 is to increase transparency and comparability between organizations that enter into lease agreements. The update modifies lease disclosure requirements as well.

On the lease commencement date (or on the date of adoption), a lessee is required to measure and record a lease liability equal to the present value of the remaining lease payments, discounted using an appropriate discount rate. In addition, a right-of-use asset is recorded that consists of the initial measurement of the lease liability adjusted for certain payments, including lease incentives received and initial direct costs.

For operating leases, after lease commencement, the lease liability is reported at the present value of the unpaid lease payments discounted using the discount rate established at lease commencement. The lease expense is calculated by summing all future lease payments in the lease term and lease incentives not yet recognized. The sum is then amortized on a straight-line basis over the lease term. The right-of-use asset is amortized as the difference between the straight-line expense and the amortizing lease liability.

Implementation – The Company's lease agreements to which Topic 842 has been applied primarily relate to branch real estate properties located in the Kansas City, Missouri; Tulsa, Oklahoma; Dallas, Texas; Frisco, Texas; and Phoenix, Arizona markets. The remaining lease terms range from two to twenty years with potential renewal terms. The leases include various payment terms including fixed payments with annual increases to variable payments. In addition, several of the leases include lease incentives.

The discount rates were not readily determinable in the lease agreements. As a result, the Company used the incremental borrowing rate in accordance with Topic 842. The Company used the Federal Home Loan Bank ("FHLB") yield curve as the incremental borrowing rate.

The Company elected several practical expedients that are listed below:

Practical Expedient Elected	Impact to Lease Accounting Implementation
An entity need not reassess whether any expired or existing contracts are or contain leases.	The Company was not required to re-evaluate previously identified leases, including embedded leases, that existed as of the adoption date.
An entity need not reassess the lease classification for an expired or existing leases.	The Company was not required to re-classify previously identified operating leases that existed as of the adoption date. The Company did not have any capital leases as of December 31, 2021.
An entity need not reassess initial direct costs for any existing leases.	The Company was not required to review previously established lease agreements as of the adoption date for initial direct costs. Initial direct costs increase the right-of-use asset and do not impact the lease liability.
An entity may combine lease and non-lease components.	If not elected, the Company would be required to allocate the total consideration in a lease contract to lease and non-lease components based on their relative standalone price. The election results in higher right-of-use assets and lease liabilities.
Short-term lease exemption.	The Company is not required to record a right-of-use asset and lease liability for a lease whose term is 12 months or less and does not include a purchase option that the lessee is reasonably certain to exercise.

Impact of Adoption – The Company adopted ASU 2016-02 on January 1, 2022 using the modified retrospective approach. The Company did not recast comparative financial periods and has presented those disclosures under previously applicable GAAP.

The following table illustrates the impact of adopting ASU 2016-02 on the Company's financial statements:

	January 1, 2022		
	As Reported under ASU 2016-02	**Pre-ASU 2016-02**	**Impact of ASU 2016-02 Adoption**
		(Dollars in thousands)	
Assets:			
Right-of-use asset	$ 23,589	$ -	$ 23,589
Liabilities:			
Lease incentive	-	2,125	(2,125)
Accrued rent payable	-	904	(904)
Lease liability	$ 26,618	$ -	$ 26,618

Recent Accounting Pronouncements

ASU 2022-02, Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures

Background – ASU 2022-02 provides new guidance on (i) troubled debt restructurings ("TDRs") and (ii) vintage disclosures for gross write-offs. The update eliminates the accounting guidance for TDRs and requires a company to determine if a modification results in a new loan or a continuation of an existing loan. The update enhances the required disclosures for certain modifications made to borrowers experiencing financial difficulty.

In addition, the update requires disclosure of current-period gross charge-offs by year of origination for financing receivables.

For the Company, the amendments are effective as of January 1, 2023, but early adoption is permitted and would be applied as of the beginning of the fiscal year of adoption.

Impact of adoption – The Company anticipates adopting ASU 2022-02 as of January 1, 2023. At this time, an estimate of the impact cannot be established.

Note 2: Earnings Per Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(Dollars in thousands except per share data)			
Earnings per Share				
Net income available to common stockholders	$ 17,280	$ 21,000	$ 49,653	$ 48,612
Weighted average common shares	49,266,811	50,990,113	49,755,184	51,368,957
Earnings per share	$ 0.35	$ 0.41	$ 1.00	$ 0.95
Diluted Earnings per Share				
Net income available to common stockholders	$ 17,280	$ 21,000	$ 49,653	$ 48,612
Weighted average common shares	49,266,811	50,990,113	49,755,184	51,368,957
Effect of dilutive shares	454,682	615,608	525,409	699,257
Weighted average dilutive common shares	49,721,493	51,605,721	50,280,593	52,068,214
Diluted earnings per share	$ 0.35	$ 0.41	$ 0.99	$ 0.93
Stock-based awards not included because to do so would be antidilutive	529,336	587,200	334,725	657,887

Note 3: Securities

The amortized cost and approximate fair values, together with gross unrealized gains and losses, of period end available-for-sale securities consisted of the following:

	September 30, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
	(Dollars in thousands)			
Available-for-sale securities				
Mortgage-backed - GSE residential	$ 178,287	$ -	$ 27,761	$ 150,526
Collateralized mortgage obligations - GSE residential	12,489	-	752	11,737
State and political subdivisions	568,863	299	79,696	489,466
Corporate bonds	5,110	13	325	4,798
Total available-for-sale securities	$ 764,749	$ 312	$ 108,534	$ 656,527

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
	(Dollars in thousands)			
Available-for-sale securities				
Mortgage-backed - GSE residential	$ 161,675	$ 1,809	$ 1,774	$ 161,710
Collateralized mortgage obligations - GSE residential	18,130	311	10	18,431
State and political subdivisions	532,906	29,329	767	561,468
Corporate bonds	4,241	119	-	4,360
Total available-for-sale securities	$ 716,952	$ 31,568	$ 2,551	$ 745,969

As of September 30, 2022, the available-for-sale securities had $6 million of accrued interest, excluded from the amortized cost basis.

The amortized cost and fair value of available-for-sale securities at September 30, 2022, by contractual maturity, are shown below:

	September 30, 2022				
	Within One Year	After One to Five Years	After Five to Ten Years	After Ten Years	Total
	(Dollars in thousands)				
Available-for-sale securities					
Mortgage-backed - GSE residential [1]					
Amortized cost	$ -	$ 24	$ 105	$ 178,158	$ 178,287
Estimated fair value	$ -	$ 23	$ 101	$ 150,402	$ 150,526
Weighted average yield [2]	- %	4.78 %	4.01 %	2.06 %	2.06 %
Collateralized mortgage obligations - GSE residential [1]					
Amortized cost	$ -	$ -	$ 2,365	$ 10,124	$ 12,489
Estimated fair value	$ -	$ -	$ 2,241	$ 9,496	$ 11,737
Weighted average yield [2]	- %	- %	2.77 %	2.27 %	2.37 %
State and political subdivisions					
Amortized cost	$ 1,127	$ 5,028	$ 112,642	$ 450,066	$ 568,863
Estimated fair value	$ 1,131	$ 5,070	$ 110,310	$ 372,955	$ 489,466
Weighted average yield [2]	3.37 %	3.88 %	3.26 %	2.73 %	2.85 %
Corporate bonds					
Amortized cost	$ -	$ 498	$ 4,612	$ -	$ 5,110
Estimated fair value	$ -	$ 501	$ 4,297	$ -	$ 4,798
Weighted average yield [2]	- %	6.22 %	4.31 %	- %	4.49 %
Total available-for-sale securities					
Amortized cost	$ 1,127	$ 5,550	$ 119,724	$ 638,348	$ 764,749
Estimated fair value	$ 1,131	$ 5,594	$ 116,949	$ 532,853	$ 656,527
Weighted average yield [2]	3.37%	4.09%	3.29%	2.53%	2.66%

(1) Actual maturities may differ from contractual maturities because issuers may have the rights to call or prepay obligations with or without prepayment penalties.
(2) Yields are calculated based on amortized cost.

The following tables show the number of securities, unrealized loss, and fair value of the Company's investments with unrealized losses, aggregated by investment class and length of time that individual securities have been in a continuous unrealized loss position at September 30, 2022 and December 31, 2021:

	September 30, 2022								
	Less than 12 Months			12 Months or More			Total		
	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities
	(Dollars in thousands)								
Available-for-sale securities									
Mortgage-backed - GSE residential	$ 104,743	$ 16,106	43	$ 45,783	$ 11,655	14	$ 150,526	$ 27,761	57
Collateralized mortgage obligations - GSE residential	11,430	740	18	307	12	1	11,737	752	19
State and political subdivisions	410,905	55,588	344	48,255	24,108	39	459,160	79,696	383
Corporate bonds	4,535	325	4	-	-	-	4,535	325	4
Total temporarily impaired securities	$ 531,613	$ 72,759	409	$ 94,345	$ 35,775	54	$ 625,958	$ 108,534	463

	December 31, 2021								
	Less than 12 Months			12 Months or More			Total		
	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities
	(Dollars in thousands)								
Available-for-sale securities									
Mortgage-backed - GSE residential	$ 87,306	$ 1,774	16	$ -	$ -	-	$ 87,306	$ 1,774	16
Collateralized mortgage obligations - GSE residential	803	10	2	-	-	-	803	10	2
State and political subdivisions	72,915	762	39	1,310	5	4	74,225	767	43
Corporate bonds	-	-	-	-	-	-	-	-	-
Total temporarily impaired securities	$ 161,024	$ 2,546	57	$ 1,310	$ 5	4	$ 162,334	$ 2,551	61

Based on the Company's evaluation at September 30, 2022, under the new impairment model, an allowance for credit losses has not been recorded nor have unrealized losses been recognized into income. The issuers of the securities are of high credit quality and have a long history of no credit losses; management does not intend to sell, and it is likely that management will not be required to sell the securities prior to their anticipated recovery; and the decline in fair value is largely attributed to changes in interest rates and other market conditions. The issuers continue to make timely principal and interest payments.

The following tables show the gross gains and losses on securities that matured or were sold:

	For the Three Months Ended September 30, 2022			For the Nine Months Ended September 30, 2022		
	Gross Realized Gains	Gross Realized Losses	Net Realized Loss	Gross Realized Gains	Gross Realized Losses	Net Realized Loss
	(Dollars in thousands)					
Available-for-sale securities	$ 1	$ (5)	$ (4)	$ 3	$ (46)	$ (43)

	For the Three Months Ended September 30, 2021			For the Nine Months Ended September 30, 2021		
	Gross Realized Gains	Gross Realized Losses	Net Realized Loss	Gross Realized Gains	Gross Realized Losses	Net Realized Loss
	(Dollars in thousands)					
Available-for-sale securities	$ 1,125	$ (79)	$ 1,046	$ 1,151	$ (108)	$ 1,043

Equity Securities

Equity securities consist of a $2 million investment in a Community Reinvestment Act ("CRA") mutual fund and $2 million in three private equity funds. Equity securities are included in "other assets" on the Consolidated Balance Sheets.

The Company elected a measurement alternative for the three private equity funds that allows the securities to remain at cost until an impairment is identified or an observable price change for an identical or similar investment of the same issuer occurs. Impairment is recorded when there is evidence that the expected fair value of the investment has declined to below the recorded cost. No such events occurred during the three or nine-month periods ended September 30, 2022.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(Dollars in thousands)			
Net gains (losses) recognized during the reporting period on equity securities	$ (87)	$ (6,210)	$ (261)	$ (6,243)
Less: net gains recognized during the reporting period on equity securities sold during the reporting period	-	-	-	-
Unrealized gains (losses) recognized during the reporting period on equity securities still held at the reporting date	$ (87)	$ (6,210)	$ (261)	$ (6,243)

Note 4: Loans and Allowance for Credit Losses

Loan Portfolio Segments

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

	September 30, 2022	December 31, 2021
	(Dollars in thousands)	
Commercial and industrial	$ 857,836	$ 843,024
Commercial and industrial lines of credit	831,187	617,398
Energy	178,855	278,579
Commercial real estate	1,400,338	1,278,479
Construction and land development	674,041	574,852
Residential real estate	393,867	360,046
Multifamily real estate	275,795	240,230
Consumer	65,727	63,605
Loans, net of unearned fees	4,677,646	4,256,213
Less: allowance for credit losses (1)	55,864	58,375
Loans, net	$ 4,621,782	$ 4,197,838

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

Accrued interest of $15 million and $10 million at September 30, 2022 and December 31, 2021, respectively, presented in "other assets" on the Consolidated Balance Sheets is excluded from the amortized cost basis disclosed in the above table.

The Company aggregates the loan portfolio by similar credit risk characteristics. The loan segments are described in additional detail below:

- **Commercial and Industrial** - The category includes loans to commercial and industrial customers for use in property, plant, and equipment purchases and expansions. Loan terms typically require principal and interest payments that decrease the outstanding loan balance. Repayment is primarily from the cash flow of a borrower's principal business operation. Credit risk is driven by creditworthiness of a borrower and the economic conditions that impact the cash flow stability from business operations.

  The category also includes the remaining PPP loans outstanding. These loans were established by the Coronavirus Aid, Relief, and Economic Security Act which authorized forgivable loans to small businesses to pay their employees during the COVID-19 pandemic. The loans are 100 percent guaranteed by the Small Business Administration ("SBA") and repayment is primarily dependent on the borrower's cash flow or SBA repayment approval.

- **Commercial and Industrial Lines of Credit** – The category includes lines of credit to commercial and industrial customers for working capital needs. The loan terms typically require interest-only payments, mature in one year, and require the full balance paid-off at maturity. Lines of credit allow the borrower to drawdown and repay the line of credit based on the customer's cash flow needs. Repayment is primarily from the operating cash flow of the business. Credit risk is driven by creditworthiness of a borrower and the economic conditions that impact the cash flow stability from business operations.

- **Energy** - The category includes loans to oil and natural gas customers for use in financing working capital needs, exploration and production activities, and acquisitions. The loans are repaid primarily from the conversion of crude oil and natural gas to cash. Credit risk is driven by creditworthiness of a borrower and the economic conditions that impact the cash flow stability from business operations. Energy loans are typically collateralized with the underlying oil and gas reserves.

- **Commercial Real Estate** - The category includes loans that typically involve larger principal amounts and repayment of these loans is generally dependent on the successful operations of the property securing the loan or the business conducted on the property securing the loan. These are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Credit risk may be impacted by the creditworthiness of a borrower, property values and the local economies in the borrower's market areas.
- **Construction and Land Development** - The category includes loans that are usually based upon estimates of costs and estimated value of the completed project and include independent appraisal reviews and a financial analysis of the developers and property owners. Sources of repayment include permanent loans, sales of developed property or an interim loan commitment from the Company until permanent financing is obtained. These loans are higher risk than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, general economic conditions, and the availability of long-term financing. Credit risk may be impacted by the creditworthiness of a borrower, property values and the local economies in the borrower's market areas.
- **Residential Real Estate** - The category includes loans that are generally secured by owner-occupied 1-4 family residences. Repayment of these loans is primarily dependent on the personal income and credit rating of the borrowers. Credit risk in these loans can be impacted by economic conditions within or outside the borrower's market areas that might impact either property values or a borrower's personal income.
- **Multifamily Real Estate** - The category includes loans that are generally secured by multifamily properties. Repayment of these loans is primarily dependent on occupancy rates and the personal income of the tenants. Credit risk in these loans can be impacted by economic conditions within or outside the borrower's market areas that might impact either property values or the tenants' personal income.
- **Consumer** - The category includes revolving lines of credit and various term loans such as automobile loans and loans for other personal purposes. Repayment is primarily dependent on the personal income and credit rating of the borrowers. Credit risk is driven by consumer economic factors (such as unemployment and general economic conditions in the borrower's market area) and the creditworthiness of a borrower.

Allowance for Credit Losses

The Company established a CECL committee that meets at least quarterly to oversee the ACL methodology. The committee estimates the ACL using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The ACL represents the Company's current estimate of lifetime credit losses inherent in the loan portfolio at the balance sheet date. The ACL is adjusted for expected prepayments when appropriate and excludes expected extensions, renewals, and modifications.

The ACL is the sum of three components: (i) asset specific / individual loan reserves; (ii) quantitative (formulaic or pooled) reserves; and (iii) qualitative (judgmental) reserves.

Asset Specific - When unique qualities cause a loan's exposure to loss to be inconsistent with the pool segments, the loan is individually evaluated. Individual reserves are calculated for loans that are risk-rated substandard and on non-accrual and loans that are risk-rated doubtful or loss that are greater than a defined dollar threshold. In addition, TDRs are also individually evaluated. Reserves on asset specific loans may be based on collateral, for collateral-dependent loans, or on quantitative and qualitative factors, including expected cash flow, market sentiment, and guarantor support.

Quantitative - The Company used the cohort method, which identifies and captures the balance of a pool of loans with similar risk characteristics as of a particular time to form a cohort. For example, the outstanding commercial and industrial loans and commercial and industrial lines of credit loan segments as of quarter-end are considered cohorts. The cohort is then tracked for losses over the remaining life of loans or until the pool is exhausted. The Company used a lookback period of approximately six-years to establish the cohort population. By using the historical data timeframe, the Company can establish a historical loss factor for each of its loan segments and adjust the losses with qualitative and forecast factors.

Qualitative – The Company uses qualitative factors to adjust the historical loss factors for current conditions. The Company primarily uses the following qualitative factors:

- The nature and volume of changes in risk ratings;
- The volume and severity of past due loans;
- The volume of non-accrual loans;
- The nature and volume of the loan portfolio, including the existence, growth, and effect of any concentrations of credit;
- Changes in the Institute of Supply Management's Purchasing Manager Indices ("PMI") for services and manufacturing;
- Changes in collateral values;
- Changes in lending policies, procedures, and quality of loan reviews;
- Changes in lending staff; and
- Changes in competition, legal and regulatory environments

In addition to the current condition qualitative adjustments, the Company uses the Federal Reserve's unemployment forecast to adjust the ACL based on forward looking guidance. The Federal Reserve's unemployment forecast extends three-years and is eventually reverted to the mean of six percent by year 10.

Drivers of Change in the ACL

The ACL increased by less than $0.1 million during the three-month period ended September 30, 2022 driven by an increase of $2.1 million related to loan growth, performance and economic factors, partially offset by $ 1.9 million in net charge-offs and a reduction of $0.2 million in reserves on impaired loans. The ACL decreased by $2.5 million between January 1, 2022 and September 30, 2022 driven by $4.1 million in net charge-offs and a reduction of $5.8 million in reserves on impaired loans which were partially offset by an increase of $7.4 million related to loan growth, performance and economic factors.

Credit Quality Indicators

Internal Credit Risk Ratings

The Company uses a weighted average risk rating factor to adjust the historical loss factors for current events. Risk ratings incorporate the criteria utilized by regulatory authorities to describe criticized assets, but separate various levels of risk concentrated within the regulatory "Pass" category. Risk ratings are established for loans at origination and are monitored on an ongoing basis. The rating assigned to a loan reflects the risks posed by the borrower's expected performance and the transaction's structure. Performance metrics used to determine a risk rating include, but are not limited to, cash flow adequacy, liquidity, and collateral. A description of the loan risk ratings follows:

Loan Grades

- **Pass (risk rating 1-4)** - The category includes loans that are considered satisfactory. The category includes borrowers that generally maintain good liquidity and financial condition, or the credit is currently protected with sales trends remaining flat or declining. Most ratios compare favorably with industry norms and Company policies. Debt is programmed and timely repayment is expected.
- **Special Mention (risk rating 5)** - The category includes borrowers that generally exhibit adverse trends in operations or an imbalanced position in their balance sheet that has not reached a point where repayment is jeopardized. Credits are currently protected but, if left uncorrected, the potential weaknesses may result in deterioration of the repayment prospects for the credit or in the Company's credit or lien position at a future date. These credits are not adversely classified and do not expose the Company to enough risk to warrant adverse classification.
- **Substandard (risk rating 6)** - The category includes borrowers that generally exhibit well-defined weakness(es) that jeopardize repayment. Credits are inadequately protected by the current worth and paying capacity of the obligor or of the collateral pledged. A distinct possibility exists that the Company will sustain some loss if deficiencies are not corrected. Loss potential, while existing in the aggregate amount of substandard assets, does not have to exist in

individual assets classified substandard. Substandard loans include both performing and non-performing loans and are broken out in the table below.

- **Doubtful (risk rating 7)** - The category includes borrowers that exhibit weaknesses inherent in a substandard credit and characteristics that these weaknesses make collection or liquidation in full highly questionable or improbable based on existing facts, conditions, and values. Because of reasonably specific pending factors, which may work to the advantage and strengthening of the assets, classification as a loss is deferred until its more exact status may be determined.
- **Loss (risk rating 8)** - Credits which are considered uncollectible or of such little value that their continuance as a bankable asset is not warranted.

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

As of September 30, 2022									
	Amortized Cost Basis by Origination Year and Internal Risk Rating						Amortized Cost Basis		
	2022	2021	2020	2019	2018	2017 and Prior	Revolving Loans	Revolving Loans converted to Term Loans	Total
	(Dollars in thousands)								
Commercial and industrial									
Pass	$ 285,880	$ 287,991	$ 70,591	$ 55,167	$ 55,665	$ 21,134	$ -	$ 30,392	$ 806,820
Special mention	1,283	2,241	12,063	996	302	112	-	6,501	23,498
Substandard - accrual	-	455	1,485	2,165	758	46	-	20,416	25,325
Substandard - non-accrual	-	104	-	6	1,383	700	-	-	2,193
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 287,163	$ 290,791	$ 84,139	$ 58,334	$ 58,108	$ 21,992	$ -	$ 57,309	$ 857,836
Commercial and industrial lines of credit									
Pass	$ -	$ -	$ -	$ -	$ -	$ -	$ 780,710	$ -	$ 780,710
Special mention	-	-	-	-	-	-	32,814	-	32,814
Substandard - accrual	-	-	-	-	-	-	11,188	-	11,188
Substandard - non-accrual	-	-	-	-	-	-	6,475	-	6,475
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ 831,187	$ -	$ 831,187
Energy									
Pass	$ 7,446	$ 403	$ 246	$ -	$ 7	$ -	$ 156,119	$ 188	$ 164,409
Special mention	-	-	-	-	-	-	7,152	-	7,152
Substandard - accrual	-	-	-	-	-	-	2,131	-	2,131
Substandard - non-accrual	-	-	-	-	-	-	3,375	-	3,375
Doubtful	-	-	-	-	-	-	1,788	-	1,788
Total	$ 7,446	$ 403	$ 246	$ -	$ 7	$ -	$ 170,565	$ 188	$ 178,855

	As of September 30, 2022								
	Amortized Cost Basis by Origination Year and Internal Risk Rating						Amortized Cost Basis		
	2022	2021	2020	2019	2018	2017 and Prior	Revolving Loans	Revolving Loans converted to Term Loans	Total
	(Dollars in thousands)								
Commercial real estate									
Pass	$ 270,669	$ 259,299	$ 145,530	$ 110,155	$ 67,990	$ 74,465	$ 293,169	$ 98,783	$ 1,320,060
Special mention	11,927	9,870	-	422	6,280	290	2,420	33,086	64,295
Substandard - accrual	10,535	-	327	-	-	1,232	-	992	13,086
Substandard - non-accrual	408	2,489	-	-	-	-	-	-	2,897
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 293,539	$ 271,658	$ 145,857	$ 110,577	$ 74,270	$ 75,987	$ 295,589	$ 132,861	$ 1,400,338
Construction and land development									
Pass	$ 205,062	$ 290,753	$ 126,364	$ 24,323	$ 3,663	$ 1,367	$ 14,679	$ -	$ 666,211
Special mention	-	7,830	-	-	-	-	-	-	7,830
Substandard - accrual	-	-	-	-	-	-	-	-	-
Substandard - non-accrual	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 205,062	$ 298,583	$ 126,364	$ 24,323	$ 3,663	$ 1,367	$ 14,679	$ -	$ 674,041
Residential real estate									
Pass	$ 64,540	$ 79,235	$ 120,891	$ 46,023	$ 38,417	$ 35,590	$ 1,894	$ -	$ 386,590
Special mention	253	3,290	-	231	-	-	-	-	3,774
Substandard - accrual	142	-	3,166	-	-	-	-	-	3,308
Substandard - non-accrual	-	-	-	-	-	-	-	195	195
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 64,935	$ 82,525	$ 124,057	$ 46,254	$ 38,417	$ 35,590	$ 1,894	$ 195	$ 393,867

	As of September 30, 2022								
	Amortized Cost Basis by Origination Year and Internal Risk Rating						Amortized Cost Basis		
	2022	2021	2020	2019	2018	2017 and Prior	Revolving Loans	Revolving Loans converted to Term Loans	Total
	(Dollars in thousands)								
Multifamily real estate									
Pass	$ 78,194	$ 33,272	$ 5,363	$ 12,005	$ 3,078	$ 822	$ 126,518	$ 16,506	$ 275,758
Special mention	-	-	-	-	-	-	-	37	37
Substandard - accrual	-	-	-	-	-	-	-	-	-
Substandard - non-accrual	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 78,194	$ 33,272	$ 5,363	$ 12,005	$ 3,078	$ 822	$ 126,518	$ 16,543	$ 275,795
Consumer									
Pass	$ 11,629	$ 2,512	$ 1,914	$ 221	$ 110	$ 30	$ 49,311	$ -	$ 65,727
Special mention	-	-	-	-	-	-	-	-	-
Substandard - accrual	-	-	-	-	-	-	-	-	-
Substandard - non-accrual	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 11,629	$ 2,512	$ 1,914	$ 221	$ 110	$ 30	$ 49,311	$ -	$ 65,727
Total									
Pass	$ 923,420	$ 953,465	$ 470,899	$ 247,894	$ 168,930	$ 133,408	$ 1,422,400	$ 145,869	$ 4,466,285
Special mention	13,463	23,231	12,063	1,649	6,582	402	42,386	39,624	139,400
Substandard - accrual	10,677	455	4,978	2,165	758	1,278	13,319	21,408	55,038
Substandard - non-accrual	408	2,593	-	6	1,383	700	9,850	195	15,135
Doubtful	-	-	-	-	-	-	1,788	-	1,788
Total	$ 947,968	$ 979,744	$ 487,940	$ 251,714	$ 177,653	$ 135,788	$ 1,489,743	$ 207,096	$ 4,677,646

Loan Portfolio Aging Analysis

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

As of September 30, 2022									
	Amortized Cost Basis by Origination Year and Past Due Status						Amortized Cost Basis		
	2022	2021	2020	2019	2018	2017 and Prior	Revolving loans	Revolving loans converted to term loans	Total
	(Dollars in thousands)								
Commercial and industrial									
30-59 days	$ 600	$ -	$ -	$ 15	$ -	$ -	$ -	$ -	$ 615
60-89 days	-	-	-	-	-	-	-	-	-
Greater than 90 days	-	124	7	75	1,383	655	-	-	2,244
Total past due	600	124	7	90	1,383	655	-	-	2,859
Current	286,563	290,667	84,132	58,244	56,725	21,337	-	57,309	854,977
Total	$ 287,163	$ 290,791	$ 84,139	$ 58,334	$ 58,108	$ 21,992	$ -	$ 57,309	$ 857,836
Greater than 90 days and accruing	$ -	$ 20	$ 7	$ 73	$ -	$ -	$ -	$ -	$ 100
Commercial and industrial lines of credit									
30-59 days	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,796	$ -	$ 3,796
60-89 days	-	-	-	-	-	-	-	-	-
Greater than 90 days	-	-	-	-	-	-	1,568	-	1,568
Total past due	-	-	-	-	-	-	5,364	-	5,364
Current	-	-	-	-	-	-	825,823	-	825,823
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ 831,187	$ -	$ 831,187
Greater than 90 days and accruing	$ -	$ -	$ -	$ -	$ -	$ -	$ 83	$ -	$ 83
Energy									
30-59 days	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
60-89 days	-	-	-	-	-	-	-	-	-
Greater than 90 days	-	-	-	-	-	-	5,163	-	5,163
Total past due	-	-	-	-	-	-	5,163	-	5,163
Current	7,446	403	246	-	7	-	165,402	188	173,692
Total	$ 7,446	$ 403	$ 246	$ -	$ 7	$ -	$ 170,565	$ 188	$ 178,855
Greater than 90 days and accruing	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

As of September 30, 2022									
	Amortized Cost Basis by Origination Year and Past Due Status						Amortized Cost Basis		
	2022	2021	2020	2019	2018	2017 and Prior	Revolving loans	Revolving loans converted to term loans	Total
	(Dollars in thousands)								
Commercial real estate									
30-59 days	$ 408	$ -	$ -	$ -	$ -	$ 195	$ -	$ -	$ 603
60-89 days	-	-	-	-	-	1,032	-	-	1,032
Greater than 90 days	-	-	-	-	-	-	-	-	-
Total past due	408	-	-	-	-	1,227	-	-	1,635
Current	293,131	271,658	145,857	110,577	74,270	74,760	295,589	132,861	1,398,703
Total	$ 293,539	$ 271,658	$ 145,857	$ 110,577	$ 74,270	$ 75,987	$ 295,589	$ 132,861	$ 1,400,338
Greater than 90 days and accruing	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Construction and land development									
30-59 days	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,629	$ -	$ 10,629
60-89 days	-	-	-	-	-	-	-	-	-
Greater than 90 days	-	-	-	-	-	-	-	-	-
Total past due	-	-	-	-	-	-	10,629	-	10,629
Current	205,062	298,583	126,364	24,323	3,663	1,367	4,050	-	663,412
Total	$ 205,062	$ 298,583	$ 126,364	$ 24,323	$ 3,663	$ 1,367	$ 14,679	$ -	$ 674,041
Greater than 90 days and accruing	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Residential real estate									
30-59 days	$ 142	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 142
60-89 days	-	-	-	-	-	-	-	-	-
Greater than 90 days	-	120	-	-	-	-	-	-	120
Total past due	142	120	-	-	-	-	-	-	262
Current	64,793	82,405	124,057	46,254	38,417	35,590	1,894	195	393,605
Total	$ 64,935	$ 82,525	$ 124,057	$ 46,254	$ 38,417	$ 35,590	$ 1,894	$ 195	$ 393,867
Greater than 90 days and accruing	$ -	$ 120	$ -	$ -	$ -	$ -	$ -	$ -	$ 120

	As of September 30, 2022								
	Amortized Cost Basis by Origination Year and Past Due Status						Amortized Cost Basis		
	2022	2021	2020	2019	2018	2017 and Prior	Revolving loans	Revolving loans converted to term loans	Total
	(Dollars in thousands)								
Multifamily real estate									
30-59 days	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
60-89 days	4,566	-	-	-	-	-	-	-	4,566
Greater than 90 days	-	-	-	-	-	-	-	-	-
Total past due	4,566	-	-	-	-	-	-	-	4,566
Current	73,628	33,272	5,363	12,005	3,078	822	126,518	16,543	271,229
Total	$ 78,194	$ 33,272	$ 5,363	$ 12,005	$ 3,078	$ 822	$ 126,518	$ 16,543	$ 275,795
Greater than 90 days and accruing	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer									
30-59 days	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
60-89 days	-	-	-	-	-	-	-	-	-
Greater than 90 days	-	-	-	-	-	-	-	-	-
Total past due	-	-	-	-	-	-	-	-	-
Current	11,629	2,512	1,914	221	110	30	49,311	-	65,727
Total	$ 11,629	$ 2,512	$ 1,914	$ 221	$ 110	$ 30	$ 49,311	$ -	$ 65,727
Greater than 90 days and accruing	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total									
30-59 days	$ 1,150	$ -	$ -	$ 15	$ -	$ 195	$ 14,425	$ -	$ 15,785
60-89 days	4,566	-	-	-	-	1,032	-	-	5,598
Greater than 90 days	-	244	7	75	1,383	655	6,731	-	9,095
Total past due	5,716	244	7	90	1,383	1,882	21,156	-	30,478
Current	942,252	979,500	487,933	251,624	176,270	133,906	1,468,587	207,096	4,647,168
Total	$ 947,968	$ 979,744	$ 487,940	$ 251,714	$ 177,653	$ 135,788	$ 1,489,743	$ 207,096	$ 4,677,646
Greater than 90 days and accruing	$ -	$ 140	$ 7	$ 73	$ -	$ -	$ 83	$ -	$ 303

Non-accrual Loan Analysis

Non-accrual loans are loans for which the Company does not record interest income. The accrual of interest on loans is discontinued at the time the loan is 90 days past due unless the credit is well secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual or charged off at an earlier date, if collection of principal or interest is considered doubtful. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. The following table presents the Company's non-accrual loans by loan segments:

	As of September 30, 2022									
	Amortized Cost Basis by Origination Year and On Non-accrual						Amortized Cost Basis			
	2022	2021	2020	2019	2018	2017 and Prior	Revolving loans	Revolving loans converted to term loans	Total Non-accrual Loans	Non-accrual Loans with no related Allowance
	(Dollars in thousands)									
Commercial and industrial	$ -	$ 104	$ -	$ 6	$ 1,383	$ 700	$ -	$ -	$ 2,193	$ 2,193
Commercial and industrial lines of credit	-	-	-	-	-	-	6,475	-	6,475	6,475
Energy	-	-	-	-	-	-	5,163	-	5,163	3,587
Commercial real estate	408	2,489	-	-	-	-	-	-	2,897	2,897
Construction and land development	-	-	-	-	-	-	-	-	-	-
Residential real estate	-	-	-	-	-	-	-	195	195	195
Multifamily real estate	-	-	-	-	-	-	-	-	-	-
Consumer	-	-	-	-	-	-	-	-	-	-
Total	$ 408	$ 2,593	$ -	$ 6	$ 1,383	$ 700	$ 11,638	$ 195	$ 16,923	$ 15,347

Interest income recognized on non-accrual loans was $0.9 million and $1.3 million for the three- and nine-month periods ended September 30, 2022, respectively.

Allowance for Credit Losses

The following table presents the activity in the allowance for credit losses and allowance for credit losses on off-balance sheet credit exposures by portfolio segment for the three-month period ended September 30, 2022:

	For the Three Months Ended September 30, 2022								
	Commercial and Industrial	Commercial and Industrial Lines of Credit	Energy	Commercial Real Estate	Construction and Land Development	Residential Real Estate	Multifamily Real Estate	Consumer	Total
	(Dollars in thousands)								
Allowance for Credit Losses:									
Beginning balance	$ 10,920	$ 11,267	$ 6,428	$ 17,042	$ 3,918	$ 3,134	$ 2,427	$ 681	$ 55,817
Charge-offs	-	(2,000)	(642)	-	-	-	-	-	(2,642)
Recoveries	-	9	-	748	-	-	-	9	766
Provision (credit)	417	2,781	(958)	(1,335)	669	103	246	-	1,923
Ending balance	$ 11,337	$ 12,057	$ 4,828	$ 16,455	$ 4,587	$ 3,237	$ 2,673	$ 690	$ 55,864
Allowance for Credit Losses on Off-Balance Sheet Credit Exposures:									
Beginning balance	$ 63	$ -	$ 470	$ 657	$ 4,016	$ 4	$ 109	$ 1	$ 5,320
Provision (credit)	34	-	78	19	1,304	(2)	(25)	3	1,411
Ending balance	$ 97	$ -	$ 548	$ 676	$ 5,320	$ 2	$ 84	$ 4	$ 6,731

	For the Nine Months Ended September 30, 2022								
	Commercial and Industrial [1]	Commercial and Industrial Lines of Credit[1]	Energy	Commercial Real Estate	Construction and Land Development	Residential Real Estate[2]	Multifamily Real Estate[2]	Consumer	Total
					(Dollars in thousands)				
Allowance for Credit Losses:									
Beginning balance, prior to adoption of ASU 2016-13	$ 20,352	$ -	$ 9,229	$ 19,119	$ 3,749	$ 5,598	$ -	$ 328	$ 58,375
Impact of ASU 2016-13 adoption	(10,213)	8,866	(39)	(186)	(83)	(2,552)	2,465	(5)	(1,747)
Charge-offs	(790)	(3,971)	(4,609)	(1,102)	-	(217)	-	(13)	(10,702)
Recoveries	755	1,788	1,754	2,333	-	-	-	11	6,641
Provision (credit)	1,233	5,374	(1,507)	(3,709)	921	408	208	369	3,297
Ending balance	$ 11,337	$ 12,057	$ 4,828	$ 16,455	$ 4,587	$ 3,237	$ 2,673	$ 690	$ 55,864
Allowance for Credit Losses on Off-Balance Sheet Credit Exposures:									
Beginning balance, prior to adoption of ASU 2016-13	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Impact of ASU 2016-13 adoption	107	44	265	711	3,914	5	137	1	5,184
Provision (credit)	(10)	(44)	283	(35)	1,406	(3)	(53)	3	1,547
Ending balance	$ 97	$ -	$ 548	$ 676	$ 5,320	$ 2	$ 84	$ 4	$ 6,731

[1] Prior to the adoption of ASU 2016-13, the Commercial and industrial and Commercial and industrial lines of credit were consolidated under the Commercial and industrial segment.

[2] Prior to the adoption of ASU 2016-13, the Residential real estate and Multifamily real estate segments were consolidated under the Residential and Multifamily Real Estate segment.

Collateral Dependent Loans:

Collateral dependent loans are loans for which the repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty. The following table presents the amortized cost balance of loans considered collateral dependent by loan segment and collateral type as of September 30, 2022:

	As of September 30, 2022		
Loan Segment and Collateral Description	**Amortized Cost of Collateral Dependent Loans**	**Related Allowance for Credit Losses**	**Amortized Cost of Collateral Dependent Loans with no related Allowance**
		(Dollars in thousands)	
Commercial and Industrial			
All business assets	$ 2,668	$ -	$ 2,668
Commercial and Industrial Lines of Credit			
All business assets	5,519	-	5,519
Energy			
Oil and natural gas properties	9,626	157	9,469
Commercial Real Estate			
Commercial real estate properties	2,489	-	2,489
	$ 20,302	$ 157	$ 20,145

Troubled Debt Restructurings

TDRs are those extended to borrowers who are experiencing financial difficulty and who have been granted a concession, excluding loan modifications as a result of the COVID-19 pandemic. The modification of terms typically includes the extension of maturity, reduction or deferment of monthly payment, or reduction of the stated interest rate.

For the nine-month periods ended September 30, 2022 and 2021, no loans were restructured under the TDR guidance. The outstanding balance of TDRs was $34 million and $40 million as of September 30, 2022 and December 31, 2021, respectively.

Disclosures under Previously Applicable GAAP

The following disclosures are presented under previously applicable GAAP. The description of the general characteristics of the loan rating categories is as described above. The following table presents the credit risk profile of the Company's loan portfolio based on an internal rating category and portfolio segment as of December 31, 2021:

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

The following table presents the Company's loan portfolio aging analysis of the recorded investment in loans as of December 31, 2021:

As of December 31, 2021	30-59 Days Past Due	60-89 Days Past Due	90 Days or More	Total Past Due	Current	Total Loans Receivable	Loans >= 90 Days and Accruing
	(Dollars in thousands)						
Commercial and industrial	$ 183	$ 499	$ 1,037	$ 1,719	$ 1,399,962	$ 1,401,681	$ 90
Energy	-	-	4,644	4,644	274,216	278,860	-
Commercial real estate	85	992	-	1,077	1,280,018	1,281,095	-
Construction and land development	966	117	-	1,083	577,675	578,758	-
Residential and multifamily real estate	437	151	-	588	600,228	600,816	-
PPP	-	-	-	-	64,805	64,805	-
Consumer	-	99	-	99	63,506	63,605	-
	$ 1,671	$ 1,858	$ 5,681	$ 9,210	$ 4,260,410	$ 4,269,620	$ 90

The following table presents the Company's loans on non-accrual as of December 31, 2021:

	December 31, 2021
	(Dollars in thousands)
Commercial and industrial	$ 4,858
Energy	16,148
Commercial real estate	10,222
Construction and land development	-
Residential and multifamily real estate	204
PPP	-
Consumer	-
Total non-accrual loans	$ 31,432

The following table presents the allowance for loan losses by portfolio segment and disaggregated based on the Company's impairment methodology:

	As of December 31, 2021							
	Commercial and Industrial	**Energy**	**Commercial Real Estate**	**Construction and Land Development**	**Residential and Multifamily Real Estate**	**PPP**	**Consumer**	**Total**
	(Dollars in thousands)							
Period end allowance for loan losses allocated to:								
Individually evaluated for impairment	$ 333	$ 2,100	$ 3,164	$ -	$ -	$ -	$ -	$ 5,597
Collectively evaluated for impairment	20,019	7,129	15,955	3,749	5,598	-	328	52,778
Ending balance	$ 20,352	$ 9,229	$ 19,119	$ 3,749	$ 5,598	$ -	$ 328	$ 58,375
Allocated to loans:								
Individually evaluated for impairment	$ 5,739	$ 16,204	$ 31,597	$ -	$ 3,387	$ -	$ -	$ 56,927
Collectively evaluated for impairment	1,395,942	262,656	1,249,498	578,758	597,429	64,805	63,605	4,212,693
Ending balance	$ 1,401,681	$ 278,860	$ 1,281,095	$ 578,758	$ 600,816	$ 64,805	$ 63,605	$ 4,269,620

A loan is considered impaired when based on current information and events, it is probable the Company will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include non-performing loans but also include loans modified in TDRs where concessions have been granted to borrowers experiencing financial difficulties. The intent of concessions is to maximize collection. The following table presents loans individually evaluated for impairment:

As of December 31, 2021			
	Recorded Balance	Unpaid Principal Balance	Specific Allowance
		(Dollars in thousands)	
Loans without a specific valuation			
Commercial and industrial	$ 4,659	$ 4,740	$ -
Energy	3,509	7,322	-
Commercial real estate	1,729	1,729	-
Construction and land development	-	-	-
Residential and multifamily real estate	3,387	3,387	-
PPP	-	-	-
Consumer	-	-	-
Loans with a specific valuation			
Commercial and industrial	1,080	1,080	333
Energy	12,695	17,977	2,100
Commercial real estate	29,868	30,854	3,164
Construction and land development	-	-	-
Residential and multifamily real estate	-	-	-
PPP	-	-	-
Consumer	-	-	-
Total			
Commercial and industrial	5,739	5,820	333
Energy	16,204	25,299	2,100
Commercial real estate	31,597	32,583	3,164
Construction and land development	-	-	-
Residential and multifamily real estate	3,387	3,387	-
PPP	-	-	-
Consumer	-	-	-
	$ 56,927	$ 67,089	$ 5,597

Total interest income recognized during the three and nine-month periods ended September 30, 2021 for impaired loans was $0.6 million and $1.9 million, respectively. The three- and nine-month average balance of impaired loans for the period ended September 30, 2021 was $95 million and $97 million, respectively.

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

	Three Months Ended September 30, 2021							
	Commercial and Industrial	Energy	Commercial Real Estate	Construction and Land Development	Residential and Multifamily Real Estate	PPP	Consumer	Total
	(Dollars in thousands)							
Allowance for loan losses:								
Beginning balance	$ 28,433	$ 17,849	$ 19,181	$ 3,885	$ 5,826	$ -	$ 319	$ 75,493
Provision	(3,666)	(4,798)	(236)	(694)	(561)	-	(45)	(10,000)
Charge-offs	(1,071)	(503)	-	-	-	-	(1)	(1,575)
Recoveries	225	-	-	-	5	-	4	234
Ending balance	$ 23,921	$ 12,548	$ 18,945	$ 3,191	$ 5,270	$ -	$ 277	$ 64,152

	Nine Months Ended September 30, 2021							
	Commercial and Industrial	Energy	Commercial Real Estate	Construction and Land Development	Residential and Multifamily Real Estate	PPP	Consumer	Total
	(Dollars in thousands)							
Allowance for loan losses:								
Beginning balance	$ 24,693	$ 18,341	$ 22,354	$ 3,612	$ 5,842	$ -	$ 453	$ 75,295
Provision	10,881	(5,290)	(3,409)	(421)	(577)	-	(184)	1,000
Charge-offs	(11,903)	(503)	-	-	-	-	(1)	(12,407)
Recoveries	250	-	-	-	5	-	9	264
Ending balance	$ 23,921	$ 12,548	$ 18,945	$ 3,191	$ 5,270	$ -	$ 277	$ 64,152

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

The Company estimates expected credit losses for off-balance sheet credit exposures unless the obligation is unconditionally cancellable by the Company. The ACL on off-balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate is calculated for each loan segment and includes consideration of the likelihood that funding will occur and an estimate of the expected credit losses on commitments expected to be funded over its estimated life. For each pool of contractual obligations expected to be funded, the Company uses the reserve rate established for the related loan pools. The $7 million allowance for credit losses on off balance sheet credit exposures at September 30, 2022 is included in “interest payable and other liabilities” on the balance sheet.

The following categories of off-balance sheet credit exposures have been identified:

Loan commitments – include revolving lines of credit, non-revolving lines of credit, and loans approved that are not yet funded. Risks inherent to revolving lines of credit often are related to the susceptibility of an individual or business experiencing unpredictable cash flow or financial troubles, thus leading to payment default. The primary risk associated with non-revolving lines of credit is the diversion of funds for other expenditures.

Letters of credit – are primarily established to provide assurance to the beneficiary that the applicant will perform certain obligations arising out of a separate transaction between the beneficiary and applicant. If the obligation is not met, it gives the beneficiary the right to draw on the letter of credit.

Note 5: Derivatives and Hedging

The Company is exposed to certain risks arising from both its business operations and economic conditions, including interest rate, liquidity, and credit risk. The Company uses derivative financial instruments as part of its risk management activities to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates.

Cash Flow Hedges of Interest Rate Risk

The Company uses interest rate derivatives to add stability to interest income and expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company uses interest rate swaps and collars as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. Interest rate collars designated as cash flow hedges involve payments of variable-rate amounts if interest rates rise above the cap strike rate on the contract and the receipt of variable-rate amounts if interest rates fall below the floor strike rate on the contract. During 2022, such derivatives were used to hedge the variable cash flows associated with existing variable-rate loan assets. The five swaps that were entered into in 2021 were terminated during the third quarter of 2022, however, the amortization of the gains on these instruments will start in 2023 based on the original effective dates of these swaps. The Company also entered into a new interest rate collar during the third quarter of 2022. Derivatives designated and that qualify as cash flow hedges include one instrument with a notional amount of $250 million at September 30, 2022 and five instruments with an aggregate notional value of $ 100 million at December 31, 2021.

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in Accumulated Other Comprehensive Income (Loss) (“AOCI”) and subsequently reclassified into interest income or expense in the same period(s) during which the hedged transaction affects earnings. Amounts reported in AOCI related to derivatives will be reclassified to interest income and expense as interest payments are received and made on the Company’s variable-rate assets and liabilities. The derivative financial instruments did not impact the Condensed Consolidated Statements of Income for the three- and nine-month periods ended September 30, 2022. The Company estimates that less than $ 0.1 million will be reclassified as a decrease to interest expense during the next twelve months.

The Company is hedging its exposure to the variability in future cash flows for forecasted transactions over a maximum period of 6.6 years.

Non-designated Hedges

Derivatives not designated as hedges are not speculative and result from a service provided to clients. The Company executes interest rate swaps with customers to facilitate their respective risk management strategies. Those interest rate swaps are simultaneously hedged by offsetting derivatives that the Company executes with a third-party, such that the Company minimizes its net risk exposure resulting from such transactions. Interest rate derivatives associated with this program do not meet the strict hedge accounting requirements and changes in the fair value of both the customer derivatives and the offsetting derivatives are recognized directly in earnings.

Swap fees earned upon origination and credit valuation adjustments that represent the risk of a counterparty’s default are reported on the Consolidated Statements of Income as swap fee income, net. The effect of the Company’s derivative financial instruments gain (loss) is reported on the Consolidated Statements of Cash Flows within “other assets” and “other liabilities”.

These 48 and 54 swaps had an aggregate notional amount of $ 409 million and $535 million at September 30, 2022 and December 31, 2021, respectively.

Fair Values of Derivative Instruments on the Consolidated Balance Sheets

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

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	September 30, 2022	December 31, 2021	Balance Sheet Location	September 30, 2022	December 31, 2021
			(Dollars in thousands)			
Interest rate products:						
Derivatives not designated as hedging instruments	Interest receivable and Other assets	$ 11,430	$ 11,305	Interest payable and other liabilities	$ 11,431	$ 11,322
Derivatives designated as hedging instruments	Other assets	-	3	Interest payable and other liabilities	6,891	565
Total		$ 11,430	$ 11,308		$ 18,322	$ 11,887

The table below presents the effect of cash flow hedge accounting on Accumulated Other Comprehensive Income (Loss) for the three- and nine-months ended September 30, 2022. The Company had no cash flow hedges for the nine-months ended September 30, 2021.

		For the Three Months Ended September 30, 2022			For the Nine Months Ended September 30, 2022		
	Location of Gain or (Loss) Recognized from Accumulated Other Comprehensive Income into Income	Gain or (Loss) Recognized in OCI on Derivative	Gain or (Loss) Recognized in OCI Included Component	Gain or (Loss) Recognized in OCI Excluded Component	Gain or (Loss) Recognized in OCI on Derivative	Gain or (Loss) Recognized in OCI Included Component	Gain or (Loss) Recognized in OCI Excluded Component
				(Dollars in thousands)			
Derivatives in Cash Flow Hedging Relationships:							
Interest Rate Products	Interest Income	$ (6,891)	$ (6,891)	$ -	$ (6,891)	$ (6,891)	$ -
Interest Rate Products	Interest expense	(185)	(185)	-	3,855	$ 3,855	-
		$ (7,076)	$ (7,076)	$ -	$ (3,036)	$ (3,036)	$ -

Note 6: Time Deposits and Borrowings

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

	September 30, 2022						
	Within One Year	One to Two Years	Two to Three Years	Three to Four Years	Four to Five Years	After Five Years	Total
	(Dollars in thousands)						
Time deposits	$ 487,378	$ 244,594	$ 673	$ 1,722	$ 15,804	$ -	$ 750,171
FHLB borrowings	35,000	-	-	5,100	-	97,500	137,600
FHLB line of credit	67,749	-	-	-	-	-	67,749
Trust preferred securities[1]	-	-	-	-	-	1,048	1,048
	$ 590,127	$ 244,594	$ 673	$ 6,822	$ 15,804	$ 98,548	$ 956,568

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

Note 7: Change in Accumulated Other Comprehensive (Loss) Income

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

	Three Months Ended September 30,		Nine Months Ended September 30,		Affected Line Item in the Statements of Income
	2022	2021	2022	2021	
	(Dollars in thousands)				
Unrealized gains (losses) on available-for-sale securities	$ (4)	$ 1,046	$ (43)	$ 1,043	Gain (loss) on sale of available-for-sale securities
Less: tax benefit effect	(1)	256	(11)	255	Income tax expense (benefit)
Net reclassified amount	$ (3)	$ 790	$ (32)	$ 788	

Note 8: Regulatory Matters

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Management believes that, as of September 30, 2022, the Company and the Bank met all capital adequacy requirements to which they are subject.

The capital rules require the Company to maintain a 2.5% capital conservation buffer with respect to Common Equity Tier I capital, Tier I capital to risk-weighted assets, and total capital to risk-weighted assets, which is included in the column "Minimum Capital Required - Basel III" within the table below. A financial institution with a conservation buffer of less than the required amount is subject to limitations on capital distributions, including dividend payments and stock repurchases, as well as certain discretionary bonus payments to executive officers.

The Company and the Bank opted to exclude AOCI from the regulatory capital calculations. As a result, change in AOCI, including the recent decrease in the available-for-sale securities portfolio, net of tax, did not impact the Company's or Bank's regulatory capital ratios.

The Company's and the Bank's actual capital amounts and ratios as of September 30, 2022 and December 31, 2021 are presented in the following table:

	Actual		Minimum Capital Required - Basel III		Required to be Considered Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
September 30, 2022						
Total Capital to Risk-Weighted Assets						
Consolidated	$ 728,639	12.1 %	$ 632,742	10.5 %	N/A	N/A
Bank	712,631	11.8	632,414	10.5	$ 602,299	10.0 %
Tier I Capital to Risk-Weighted Assets						
Consolidated	666,044	11.1	512,220	8.5	N/A	N/A
Bank	650,036	10.8	511,954	8.5	481,839	8.0
Common Equity Tier 1 to Risk-Weighted Assets						
Consolidated	664,997	11.0	421,828	7.0	N/A	N/A
Bank	650,036	10.8	421,609	7.0	391,495	6.5
Tier I Capital to Average Assets						
Consolidated	666,044	11.4	233,086	4.0	N/A	N/A
Bank	$ 650,036	11.2 %	$ 233,019	4.0 %	$ 291,274	5.0 %
December 31, 2021						
Total Capital to Risk-Weighted Assets						
Consolidated	$ 704,544	13.6 %	$ 544,060	10.5 %	N/A	N/A
Bank	681,980	13.2	543,708	10.5	$ 517,817	10.0 %
Tier I Capital to Risk-Weighted Assets						
Consolidated	646,169	12.5	440,430	8.5	N/A	N/A
Bank	623,605	12.0	440,144	8.5	414,253	8.0
Common Equity Tier 1 to Risk-Weighted Assets						
Consolidated	645,160	12.5	362,707	7.0	N/A	N/A
Bank	623,605	12.0	362,472	7.0	336,581	6.5
Tier I Capital to Average Assets						
Consolidated	646,169	11.8	218,510	4.0	N/A	N/A
Bank	$ 623,605	11.4 %	$ 218,366	4.0 %	$ 272,958	5.0 %

Note 9: Stock-Based Compensation

The Company issues stock-based compensation in the form of non-vested restricted stock, restricted stock units and stock appreciation rights under the 2018 Omnibus Equity Incentive Plan (as amended, the "Omnibus Plan"). The Omnibus Plan will expire on the tenth anniversary of its effective date. In addition, the Company has an Employee Stock Purchase Plan that was reinstated during the third quarter of 2020. The aggregate number of shares authorized for future issuance under the Omnibus Plan is 1,441,879 shares as of September 30, 2022.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(Dollars in thousands)			
Stock appreciation rights	$ 75	$ 150	$ 262	$ 584
Performance-based stock awards	200	75	611	337
Restricted stock units and awards	763	895	2,336	2,394
Employee stock purchase plan	31	29	95	58
Total stock-based compensation	$ 1,069	$ 1,149	$ 3,304	$ 3,373

Performance-Based Restricted Stock Units

The Company awards performance-based restricted stock units ("PBRSUs") to key officers of the Company. The performance-based shares typically cliff-vest at the end of three years based on attainment of certain performance metrics developed by the Compensation Committee. The ultimate number of shares issuable under each performance award is the product of the award target and the award payout percentage given the level of achievement. The award payout percentages by level of achievement range between 0% of target and 150% of target.

During the nine-month period ended September 30, 2022, the Company granted 66,667 PBRSUs. The performance metrics include three year cumulative, adjusted earnings per share and relative total shareholder return.

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

	Performance-Based Restricted Stock Unit Awards	
	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested, January 1, 2022	98,352	$ 13.59
Granted	66,667	16.04
Vested	-	-
Forfeited	(24,944)	15.03
Unvested, September 30, 2022	140,075	$ 14.51

Unrecognized stock-based compensation related to the performance awards issued through September 30, 2022 was $1 million and is expected to be recognized over 2.1 years.

Restricted Stock Units and Restricted Stock Awards

The Company issues time-based restricted stock units ("RSUs") and restricted stock awards ("RSAs") to provide incentives to key officers, employees, and non-employee directors. Awards are typically granted annually as determined by the Compensation Committee. The service-based RSUs typically vest in equal amounts over three years. The service-based RSAs typically cliff-vest after one year.

The following table summarizes the status of and changes in the RSUs and RSAs:

	Restricted Stock Units and Awards		
	Number of Shares		Weighted-Average Grant Date Fair Value
Unvested, January 1, 2022	383,630	$	13.52
Granted	259,627		14.97
Vested	(197,536)		13.83
Forfeited	(35,612)		14.22
Unvested, September 30, 2022	410,109	$	14.22

Unrecognized stock-based compensation related to the RSUs and RSAs issued through September 30, 2022 was $4 million and is expected to be recognized over 1.9 years.

Note 10: Income Tax

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
		2022		2021		2022		2021
	(Dollars in thousands)							
Computed at the statutory rate (21%)	$	4,555	$	5,598	$	13,078	$	12,693
Increase (decrease) resulting from								
Tax-exempt income		(903)		(828)		(2,647)		(2,830)
Non-deductible expenses		72		55		265		145
State income taxes		740		912		2,164		2,090
Equity based compensation		(47)		(40)		(201)		(157)
Other adjustments		(7)		(37)		(34)		(110)
Actual tax expense	$	4,410	$	5,660	$	12,625	$	11,831

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

	September 30, 2022	December 31, 2021
	(Dollars in thousands)	
Deferred tax assets		
Net unrealized loss on securities available-for-sale	$ 27,374	$ -
Allowance for credit losses	15,067	14,051
Lease incentive	467	508
Loan fees	3,645	3,227
Accrued expenses	2,438	2,735
Deferred compensation	1,969	2,418
State tax credit	-	1,033
Other	495	2,057
Total deferred tax asset	51,455	26,029
Deferred tax liability		
Net unrealized gain on securities available-for-sale	-	(6,967)
FHLB stock basis	(735)	(757)
Premises and equipment	(2,209)	(2,602)
Other	(1,410)	(1,229)
Total deferred tax liability	(4,354)	(11,555)
Net deferred tax asset	$ 47,101	$ 14,474

Note 11: Disclosures about Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs supported by little or no market activity and significant to the fair value of the assets or liabilities.

Recurring Measurements

The following list presents the assets and liabilities recognized in the accompanying Condensed Consolidated Balance Sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2022 and December 31, 2021:

	Fair Value Description	Valuation Hierarchy Level	Where Fair Value Balance Can Be Found
Available-for-Sale Securities and CRA Equity Security	Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows.	Level 2	Note 3: Securities
Derivatives	Fair value of the interest rate swaps is obtained from independent pricing services based on quoted market prices for similar derivative contracts.	Level 2	Note 5: Derivatives and Hedging

Non-recurring Measurements

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

		September 30, 2022 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
		(Dollars in thousands)		
Collateral-dependent loans	$ 20,302	$ -	$ -	$ 20,302
Foreclosed assets held-for-sale	$ 1,588	$ -	$ -	$ 1,588

		December 31, 2021 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
		(Dollars in thousands)		
Collateral-dependent impaired loans	$ 38,046	$ -	$ -	$ 38,046
Foreclosed assets held-for-sale	$ 1,148	$ -	$ -	$ 1,148

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a non-recurring basis and recognized in the accompanying Condensed Consolidated Balance Sheets.

Collateral-Dependent Loans, Net of ACL

The estimated fair value of collateral-dependent loans is based on the appraised fair value of the collateral, less estimated cost to sell. If the fair value of the collateral is below the loan’s amortized cost, the ACL is netted against the loan balance. Collateral-dependent loans are classified within Level 3 of the fair value hierarchy.

The Company considers the appraisal or evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals of the collateral underlying collateral dependent loans are obtained when the loan is determined to be collateral dependent and subsequently as deemed necessary by the Office of the Chief Credit Officer.

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

Foreclosed Assets Held-for-Sale

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

Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in non-recurring Level 3 fair value measurements at September 30, 2022 and December 31, 2021:

	September 30, 2022			
	Fair Value	**Valuation Techniques**	**Unobservable Inputs**	**Range (Weighted Average)**
	(Dollars in thousands)			
Collateral dependent loans	$ 20,302	Market comparable properties	Marketability discount	- % - 100% (21)%
Foreclosed assets held-for-sale	$ 1,588	Market comparable properties	Marketability discount	(11)%

	December 31, 2021			
	Fair Value	**Valuation Techniques**	**Unobservable Inputs**	**Range (Weighted Average)**
	(Dollars in thousands)			
Collateral-dependent impaired loans	$ 38,046	Market comparable properties	Marketability discount	7 % - 100 % (26)%
Foreclosed assets held-for-sale	$ 1,148	Market comparable properties	Marketability discount	(10)%

The following tables present the estimated fair values of the Company's financial instruments at September 30, 2022 and December 31, 2021:

	September 30, 2022			
	Carrying	Fair Value Measurements		
	Amount	Level 1	Level 2	Level 3
	(Dollars in thousands)			
Financial Assets				
Cash and cash equivalents	$ 309,135	$ 309,135	$ -	$ -
Available-for-sale securities	656,527	-	656,527	-
Loans, net of allowance for credit losses	4,621,782	-	-	4,599,659
Restricted equity securities	9,277	-	-	9,277
Interest receivable	20,553	-	20,553	-
Equity securities	4,022	-	1,969	2,053
Derivative assets	11,430	-	11,430	-
	$ 5,632,726	$ 309,135	$ 690,479	$ 4,610,989
Financial Liabilities				
Deposits	$ 4,987,515	$ 1,113,934	$ -	$ 3,731,781
Federal Home Loan Bank line of credit	67,749	-	67,749	-
Federal Home Loan Bank advances	137,600	-	130,684	-
Other borrowings	1,048	-	1,875	-
Interest payable	2,318	-	2,318	-
Derivative liabilities	18,322	-	18,322	-
	$ 5,214,552	$ 1,113,934	$ 220,948	$ 3,731,781

	December 31, 2021			
	Carrying	Fair Value Measurements		
	Amount	Level 1	Level 2	Level 3
	(Dollars in thousands)			
Financial Assets				
Cash and cash equivalents	$ 482,727	$ 482,727	$ -	$ -
Available-for-sale securities	745,969	-	745,969	-
Loans, net of allowance for loan losses	4,197,838	-	-	4,178,268
Restricted equity securities	11,927	-	-	11,927
Interest receivable	16,023	-	16,023	-
Equity securities	2,642	-	2,209	433
Derivative assets	11,308	-	11,308	-
	$ 5,468,434	$ 482,727	$ 775,509	$ 4,190,628
Financial Liabilities				
Deposits	$ 4,683,597	$ 1,163,224	$ -	$ 3,482,218
Federal Home Loan Bank advances	236,600	-	241,981	-
Other borrowings	1,009	-	2,318	-
Interest payable	1,336	-	1,336	-
Derivative liabilities	11,887	-	11,887	-
	$ 4,934,429	$ 1,163,224	$ 257,522	$ 3,482,218

Note 12: Commitments and Credit Risk

Commitments

The Company had the following commitments at September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
	(Dollars in thousands)	
Commitments to originate loans	$ 353,783	$ 118,651
Standby letters of credit	56,791	51,114
Lines of credit	2,288,742	1,768,231
Future lease commitments	-	11,100
Commitments related to investment fund	3,947	2,067
	$ 2,703,263	$ 1,951,163

Note 13: Legal and Regulatory Proceedings

We accrue estimates for resolution of any legal and other contingencies when losses are probable and reasonably estimable in accordance with ASC 450, *Contingencies* ("ASC 450"). No less than quarterly, and as facts and circumstances change, we review the status of each significant matter underlying a legal proceeding or claim and assess our potential financial exposure. The Company establishes reserves for litigation-related matters when it is probable that a loss associated with a claim or proceeding has been incurred and the amount of the loss can be reasonably estimated. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed. Significant judgment is required in both the determination of probability and the determination as to whether the amount of an exposure is reasonably estimable, and accruals are based only on the information available to our management at the time the judgment is made, which may prove to be incomplete or inaccurate or unanticipated events and circumstances may occur that might cause us to change those estimates and assumptions. Furthermore, the outcome of legal proceedings is inherently uncertain, and we may incur substantial defense costs and expenses defending any of these matters. Should any one or a combination of more than one of these proceedings be successful, or should we determine to settle any one or a combination of these matters, we may be required to pay substantial sums, become subject to the entry of an injunction or be forced to change the manner in which we operate our business, which could have a material adverse impact on our business, results of operations, cash flows or financial condition.

The Company is subject to various legal proceedings and claims that arise primarily in the ordinary course of business. At this time, we do not believe the range of potential losses will have a material adverse effect on the consolidated financial position, results of operations and cash flows of the Company.

Note 14: Leases

The Company's leases primarily include bank branches located in Kansas City, Missouri; Tulsa, Oklahoma; Dallas, Texas; Frisco, Texas; and Phoenix, Arizona. The remaining lease terms on these branch leases range from less than one year to twenty years with certain options to renew. Renewal terms can extend the lease term between five years and twenty years. The exercise of lease renewal options is at the Company's sole discretion. When it is reasonably certain that the Company will exercise its option to renew or extend the lease term, that option is included in the estimated value of the right of use ("ROU") asset and lease liability. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. As of September 30, 2022, the Company recognized one finance lease and the remaining Company leases are classified as operating leases.

Under ASC 842, a modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. The Company chose to use the adoption date of January 1, 2022, for ASC 842. As such, all periods presented after January 1, 2022, are under ASC 842 whereas periods presented prior to January 1, 2022, are in accordance with prior lease accounting of ASC 840. Financial information was not updated, and the disclosures required under ASC 842 were not provided for dates and periods before January 1, 2022.

The Company's right to use an asset over the life of a lease is recorded as an ROU asset, is included in "Other assets" on the Condensed Consolidated Balance Sheets and was $29 million at September 30, 2022. Certain adjustments to the ROU asset may be required for items such as initial direct costs paid or incentives received. The lease liability is located in "Interest payable and other liabilities" on the Condensed Consolidated Balance Sheets of $32 million at September 30, 2022.

The Company was unable to determine the implicit rate in the leases and used the incremental borrowing rate instead. The Company used the FHLB yield curve on the lease commencement date and selected the rate closest to the remaining lease term. The remaining weighted-average lease term is 12.3 years, and the weighted-average discount rate was 2.39% as of September 30, 2022.

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

	For the Three Months Ended September 30, 2022	For the Nine Months Ended September 30, 2022
	(Dollars in thousands)	
Finance lease amortization of right-of-use asset	$ 69	$ 161
Finance lease interest on lease liability	69	115
Operating lease expense	603	1,932
Variable lease expense	297	855
Short-term lease expense	5	15
Total lease expense	$ 1,043	$ 3,078

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

	Operating Leases	Finance Lease
	(Dollars in thousands)	
Remainder of 2022	$ 762	$ 123
2023	3,070	490
2024	2,793	490
2025	2,804	490
2026	2,836	490
Thereafter	15,243	8,823
Total lease payments	$ 27,508	$ 10,906
Less imputed interest	2,965	3,232
Total	$ 24,543	$ 7,674

Supplemental cash flow information – Operating cash flows paid for operating lease amounts included in the measurement of lease liabilities was $0.7 million and $2.2 million for the three- and nine-months ended September 30, 2022, respectively. Operating cash flows paid for finance lease amounts included in the measurement of lease liabilities was $0.1 million and $0.2 million for the three- and nine-month periods ended September 30, 2022, respectively. During the three- and nine-months ended September 30 2022, the Company did not record any ROU assets that were exchanged for operating lease liabilities.

Note 15: Stock Warrants

During the nine-month period ended September 30, 2022, 33,500 warrants were exercised at a strike price of $5.00 per share and 33,500 common shares were issued.

The Company had 80,000 and 113,500 outstanding, fully vested warrants to purchase common stock at a strike price of $5.00 per share as of September 30, 2022 and December 31, 2021, respectively. The 80,000 warrants expire on April 26, 2023.

Note 16: Subsequent Events

On November 7, 2022, the Company announced its receipt of regulatory approval from the Federal Deposit Insurance Corporation to complete the previously announced acquisition of Central Bancorp, Inc.'s ("Central") bank subsidiary, Farmers & Stockmens Bank ("F&S Bank"). The Company and Central expect to complete the merger during the fourth quarter of 2022 pending satisfaction or waiver of customary closing conditions set forth in the agreement.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes and with the statistical information and financial data appearing in this report as well as in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021 filed with the Securities and Exchange Commission ("SEC") on February 28, 2022 (the "2021 Form 10-K"). Results of operations for the three- and nine-month periods ended September 30, 2022 are not necessarily indicative of results to be attained for any other period. Certain statements in this report contain forward-looking statements regarding our plans, objectives, beliefs, expectations, representations, and projections. See "Forward-Looking Information" which is incorporated herein by reference.

Third Quarter 2022 Highlights

During the third quarter ended September 30, 2022, we accomplished the following:

- $5.8 billion of assets with 5% operating revenue(1) growth compared to the second quarter of 2022;
- $149 million or 3.3% of total loan growth from the previous quarter and $445 million or 10.5% loan growth from the same quarter last year;
- Continued improvement in credit quality during the third quarter of 2022 as evidenced by the decrease in non-performing assets to total assets ratio from 0.92% at September 30, 2021 to 0.31% at September 30, 2022;
- Return on Average Assets of 1.19% and a Return on Equity of 11.18% for the quarter ended September 30, 2022; and
- Net Interest Margin (Fully Tax-Equivalent)(2) of 3.56% for the quarter ended September 30, 2022, compared to 3.23% for the same quarter last year.

(1) Net interest income plus non-interest income

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

Acquisition Update

As previously disclosed, during the second quarter of 2022 the Company entered into an agreement to acquire Farmers & Stockmens Bank for approximately $75 million, subject to the satisfaction or waiver of customary closing conditions. The Company believes the acquisition will advance its expansion strategy with access to Colorado and New Mexico while deploying a portion of the Bank's capital. The Company believes that the acquisition will increase core deposits and enhance the Company's SBA lending and mortgage operations. The Company anticipates the acquisition will close during the fourth quarter of 2022 with system integration occurring in 2023. Refer to "Note 16: Subsequent Events" within the Notes to Condensed Consolidated Financial Statements (unaudited) for further information about the acquisition.

Interest Rate Risk Management

The Company is monitoring interest rate sensitivity closely as $3.6 billion or 62% of earning assets mature or reprice within the twelve-month period following September 30, 2022, including $2.8 billion that reprices in the first month. $3.8 billion of interest-bearing liabilities mature or reprice over the same twelve-month period. The Company is reviewing additional options to manage balance sheet sensitivity in the event interest rates decline in early 2024.

Credit Quality

Credit quality metrics generally improved during the third quarter of 2022. Classified loans decreased $8 million from the prior quarter to $72 million at September 30, 2022. Non-performing assets declined from $31 million at June 30, 2022 to $18 million at September 30, 2022. Net charge-offs for the three-month period ended September 30, 2022 were $2 million, or 0.16% of average loans.

The Company continues to monitor the U.S. economic indicators, including the inflation rate, commodity prices, interest rates, and potential supply chain disruptions and the impact it may have on the Company's markets, clients, and prospects. The Company is monitoring the impact of a rising interest rate environment on the commercial real estate market and enterprise and leverage loans that is currently mitigated by low debt-to-equity ratios. As of September 30, 2022, the Company did not identify any systemic issues within its loan portfolio that would significantly affect the credit quality of the loan portfolio.

Update to Net Interest Margin Methodology

The Company modified the yield calculation on the available-for-sale security portfolio to better conform to peer disclosures in the first quarter of 2022. All earning-asset yields and net interest margins presented were retroactively updated for the change in methodology. The following changes were made:

- The average unrealized gain (loss) on available-for-sale securities balance was removed from the security lines and placed in other non-interest earning assets.
- The annualization method was changed from Actual/Actual to 30/360 for the security yields.

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

	Impact to Yield						
	For the Quarter Ended					For the Nine Months Ended	
Lines Impacted	**September 30, 2022**	**June 30, 2022**	**March 31, 2022**	**December 31, 2021**	**September 30, 2021**	**September 30, 2022**	**September 30, 2021**
Previous calculation							
Yield on securities - taxable	2.50 %	2.77 %	2.20 %	2.11 %	1.96 %	2.41 %	1.87 %
Yield on securities - tax-exempt (1)	3.64	3.46	3.31	3.17	3.20	3.51	3.32
Total securities yield (1)	3.33	3.29	3.00	2.89	2.87	3.20	2.90
Yield on interest-earning assets (1)	4.73	4.01	3.64	3.70	3.62	4.14	3.56
Net interest spread (1)	3.50	3.51	3.25	3.22	3.16	3.42	3.06
Net interest margin (1)	3.60	3.55	3.29	3.28	3.20	3.48	3.10
As calculated going forward							
Yield on securities - taxable	2.32	2.35	2.15	2.14	2.01	2.28	1.91
Yield on securities - tax-exempt (1)	3.37	3.36	3.35	3.35	3.43	3.36	3.52
Total securities yield (1)	3.07	3.07	3.00	3.02	3.04	3.05	3.04
Yield on interest-earning assets (1)	4.68	3.98	3.64	3.72	3.64	4.11	3.58
Net interest spread (1)	3.45	3.48	3.25	3.24	3.18	3.39	3.08
Net interest margin (1)	3.56	3.52	3.29	3.30	3.23	3.46	3.12
Change							
Yield on securities - taxable	(0.18)	(0.42)	(0.05)	0.03	0.05	(0.13)	0.04
Yield on securities - tax-exempt (1)	(0.27)	(0.10)	0.04	0.18	0.23	(0.15)	0.20
Total securities yield (1)	(0.26)	(0.22)	-	0.13	0.17	(0.15)	0.14
Yield on interest-earning assets (1)	(0.05)	(0.03)	-	0.02	0.02	(0.03)	0.02
Net interest spread (1)	(0.05)	(0.03)	-	0.02	0.02	(0.03)	0.02
Net interest margin (1)	(0.04) %	(0.03) %	- %	0.02 %	0.03 %	(0.02) %	0.02 %

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

Update to Customer Concentrations

As of September 30, 2022, the Company's top 20 customer relationships represented approximately 24% or $1.2 billion of total deposits. The Company believes that there are sufficient funding sources, including on-balance sheet liquid assets and wholesale deposit options, so that an immediate reduction in these deposit balances would not be expected to have a material, detrimental effect on the Company's financial position or operations.

Performance Measures

	As of or For the Quarter Ended					As of or For the Nine Months Ended	
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	September 30, 2022	September 30, 2021
	(Dollars in thousands, except per share data)						
Return on average assets (1)	1.19 %	1.12 %	1.23 %	1.50 %	1.54 %	1.18 %	1.16 %
Return on average equity (1)	11.18 %	10.15 %	10.44 %	12.57 %	12.92 %	10.59 %	10.24 %
Earnings per share	$ 0.35	$ 0.31	$ 0.33	$ 0.41	$ 0.41	$ 1.00	$ 0.95
Diluted earnings per share	$ 0.35	$ 0.31	$ 0.33	$ 0.40	$ 0.41	$ 0.99	$ 0.93
Efficiency (2)	53.20 %	57.36 %	57.57 %	55.38 %	59.06%	55.97 %	54.18 %
Ratio of equity to assets	9.93 %	10.65 %	11.29 %	11.88 %	12.08 %	9.93 %	12.08 %

(1) Interim periods annualized

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

Results of Operations

Net Interest Income

Net interest income is presented on a tax-equivalent basis below. Presentation on a tax-equivalent basis reflects all income as taxable at the same rate. For example, $100 of tax-exempt income would be presented as $121.00, which represents the tax-exempt income amount plus the tax at the statutory federal income tax rate of 21%. We believe a tax-equivalent basis provides for improved comparability between the various earning assets.

	For the Quarter Ended					For the Nine Months Ended	
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	September 30, 2022	September 30, 2021
Yield on securities - tax-equivalent (1)	3.07 %	3.07 %	3.00 %	3.02 %	3.04 %	3.05 %	3.04 %
Yield on loans	5.08	4.28	4.00	4.17	4.00	4.47	3.98
Yield on earning assets - tax-equivalent (1)	4.68	3.98	3.64	3.72	3.64	4.11	3.58
Cost of interest-bearing deposits	1.56	0.56	0.41	0.43	0.47	0.87	0.51
Cost of total deposits	1.20	0.42	0.31	0.33	0.38	0.66	0.42
Cost of FHLB and short-term borrowings	2.18	1.66	1.95	3.03	1.82	1.87	1.80
Cost of funds	1.23	0.50	0.39	0.48	0.46	0.72	0.50
Net interest margin - tax-equivalent (1)	3.56 %	3.52 %	3.29 %	3.30 %	3.23 %	3.46 %	3.12 %

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

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

	Three Months Ended					
	September 30, 2022			September 30, 2021		
	Average Balance	Interest Income / Expense	Average Yield / Rate[1]	Average Balance	Interest Income / Expense	Average Yield / Rate[1]
	(Dollars in thousands)					
Interest-earning assets:						
Securities - taxable	$ 213,775	$ 1,241	2.32 %	$ 191,636	$ 964	2.01 %
Securities - tax-exempt[2]	560,541	4,725	3.37	502,107	4,310	3.43
Interest-bearing deposits in other banks	231,345	1,193	2.05	313,188	121	0.15
Gross loans, net of unearned income[3][4]	4,626,684	59,211	5.08	4,230,553	42,664	4.00
Total interest-earning assets[2]	5,632,345	$ 66,370	4.68 %	5,237,484	$ 48,059	3.64 %
Allowance for credit losses	(56,995)			(75,103)		
Other non-interest-earning assets	188,997			246,603		
Total assets	$ 5,764,347			$ 5,408,984		
Interest-bearing liabilities						
Transaction deposits	$ 531,999	$ 1,539	1.95 %	$ 510,823	$ 259	0.20 %
Savings and money market deposits	2,519,574	10,568	1.66	2,276,436	1,907	0.33
Time deposits	733,607	2,802	1.52	752,012	2,045	1.08
Total interest-bearing deposits	3,785,180	14,909	1.56	3,539,271	4,211	0.47
FHLB and short-term borrowings	165,196	907	2.18	278,154	1,275	1.82
Trust preferred securities, net of fair value adjustments	1,037	39	14.58	988	24	9.63
Non-interest-bearing deposits	1,137,626	-	-	909,750	-	-
Cost of funds	5,089,039	$ 15,855	1.23 %	4,728,163	$ 5,510	0.46 %
Other liabilities	62,102			36,106		
Stockholders' equity	613,206			644,715		
Total liabilities and stockholders' equity	$ 5,764,347			$ 5,408,984		
Net interest income - tax-equivalent[2]		$ 50,515			$ 42,549	
Net interest spread - tax-equivalent[2]			3.46 %			3.18 %
Net interest margin - tax-equivalent[2]			3.56 %			3.23 %

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

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

(3) Loans, net of unearned income include non-accrual loans of $17 million and $48 million as of September 30, 2022 and 2021, respectively.

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

	Nine Months Ended					
	September 30, 2022			September 30, 2021		
	Average Balance	Interest Income / Expense	Average Yield / Rate[1]	Average Balance	Interest Income / Expense	Average Yield / Rate[1]
	(Dollars in thousands)					
Interest-earning assets:						
Securities - taxable	$ 218,421	$ 3,728	2.28 %	$ 203,633	$ 2,911	1.91 %
Securities - tax-exempt[2]	549,490	13,845	3.36	476,980	12,596	3.52
Interest-bearing deposits in other banks	246,213	1,714	0.93	390,588	359	0.12
Gross loans, net of unearned income[3][4]	4,466,887	149,266	4.47	4,381,213	130,268	3.98
Total interest-earning assets[2]	5,481,011	$ 168,553	4.11 %	5,452,414	$ 146,134	3.58 %
Allowance for credit losses	(57,213)			(76,726)		
Other non-interest-earning assets	201,519			249,816		
Total assets	$ 5,625,317			$ 5,625,504		
Interest-bearing liabilities						
Transaction deposits	$ 541,933	$ 2,134	0.89 %	$ 629,959	$ 936	0.20 %
Savings and money market deposits	2,386,205	15,285	0.86	2,360,559	6,402	0.36
Time deposits	627,458	5,733	1.22	863,592	7,451	1.15
Total interest-bearing deposits	3,555,596	23,152	0.87	3,854,110	14,789	0.51
FHLB and short-term borrowings	241,897	3,385	1.87	285,371	3,841	1.80
Trust preferred securities, net of fair value adjustments	1,024	94	12.29	976	72	9.80
Non-interest-bearing deposits	1,148,150	-	-	814,924	-	-
Cost of funds	4,946,667	$ 26,631	0.72 %	4,955,381	$ 18,702	0.50 %
Other liabilities	51,634			35,385		
Stockholders' equity	627,016			634,738		
Total liabilities and stockholders' equity	$ 5,625,317			$ 5,625,504		
Net interest income - tax-equivalent[2]		$ 141,922			$ 127,432	
Net interest spread - tax-equivalent[2]			3.39 %			3.08 %
Net interest margin - tax-equivalent[2]			3.46 %			3.12 %

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

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

(3) Loans, net of unearned income include non-accrual loans of $17 million and $48 million as of September 30, 2022 and 2021, respectively.

(4) Loan interest income includes loan fees of $10 million and $13 million for the nine months ended September 30, 2022 and 2021, respectively.

Changes in interest income and interest expense result from changes in average balances (volume) of interest earning assets and interest-bearing liabilities, as well as changes in average interest rates. The following table sets forth the effects of changing rates and volumes on our net interest income during the periods shown. Information is provided with respect to: (i) changes in volume (change in volume times old rate); (ii) changes in rates (change in rate times old volume); and (iii) changes in rate/volume (change in rate times the change in volume).

	Three Months Ended September 30, 2022 over 2021			Nine Months Ended September 30, 2022 over 2021		
	Average Volume	Yield/Rate	Net Change[(1)]	Average Volume	Yield/Rate	Net Change[(1)]
	(Dollars in thousands)					
Interest Income						
Securities - taxable	$ 119	$ 158	$ 277	$ 222	$ 595	$ 817
Securities - tax-exempt[(2)]	501	(86)	415	1,840	(591)	1,249
Interest-bearing deposits in other banks	(39)	1,111	1,072	(176)	1,531	1,355
Gross loans, net of unearned income	4,251	12,296	16,547	2,604	16,394	18,998
Total interest income[(2)]	$ 4,832	$ 13,479	$ 18,311	$ 4,490	$ 17,929	$ 22,419
Interest Expense						
Transaction deposits	$ 5	$ 1,275	$ 1,280	$ (207)	$ 1,405	$ 1,198
Savings and money market deposits	223	8,438	8,661	69	8,814	8,883
Time deposits	(49)	806	757	(2,145)	427	(1,718)
Total interest-bearing deposits	179	10,519	10,698	(2,283)	10,646	8,363
FHLB and short-term borrowings	(583)	215	(368)	(601)	145	(456)
Trust preferred securities, net of fair value adjustments	1	14	15	4	18	22
Total interest expense	(403)	10,748	10,345	(2,880)	10,809	7,929
Net interest income[(2)]	$ 5,235	$ 2,731	$ 7,966	$ 7,370	$ 7,120	$ 14,490

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

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

Interest income - Interest income increased for the three- and nine-month periods ended September 30, 2022 compared to the same periods in 2021 driven by higher average loans outstanding and higher interest rates. The yield on taxable securities benefited from a slowdown in mortgage-backed securities ("MBS") prepayments that reduced the premium amortization on MBS by $0.2 million and $0.7 million for the three- and nine-month periods ended September 30, 2022, respectively. The loan yield for the three-month period ended September 30, 2022, benefited from $1.0 million in interest income related to recoveries of interest income and loans placed back on accrual status. Loan yields for the three- and nine-month periods ended September 30, 2022 compared to the corresponding periods in 2021 were partially offset by lower PPP loan fees of $1.5 million and $4.8 million, respectively.

Average earning assets totaled $5.6 billion for the three-month period ended September 30, 2022 and $5.5 billion for the nine-month period ended September 30, 2022, resulting in increases of $395 million or 8% and $29 million or 1%, respectively compared to the same periods in 2021. The increases were driven by higher average gross loans, average taxable securities, and average tax-exempt securities, partially offset by a reduction in average interest-bearing deposits in other banks for the three- and nine-month periods ended September 30, 2022 compared to the corresponding periods in 2021.

Interest expense - Interest expense increased for the three-month period ended September 30, 2022 compared to the same period in 2021 due to higher interest rates and higher average interest-bearing deposits. Interest expense increased for the nine-month period ended September 30, 2022 compared to the same period in 2021 due to higher interest rates, partially offset by lower average interest-bearing deposits.

Average interest-bearing deposits for the three-month period ended September 30, 2022 increased $246 million or 7% compared to the same period in the prior year. Average interest-bearing deposits for the nine-month period ended September 30, 2022 decreased $299 million or 8% compared to the same period in the 2021. For the three- and nine-month periods ended September 30, 2022 non-interest-bearing deposits increased compared to the corresponding periods in 2021.

Net interest income - Net interest income increased for the three- and nine-month periods ended September 30, 2022 compared to the same periods in 2021 driven by interest-earning assets repricing quicker than the cost of interest-bearing liabilities as variable rate loans tied to 30-day London Interbank Offered Rate ("LIBOR") and Secured Overnight Financing Rate ("SOFR") rates were rising faster than the Company's deposit rates that are typically adjusted when the federal funds rate changes. The Company currently anticipates net interest margin for the fourth quarter of 2022 to be in the range of 3.45% to 3.55% because of the Company's variable-rate assets and the rising rate environment, although deposit migration and remaining pressure on loan pricing are expected to be headwinds.

Impact of Transition Away from LIBOR

The Company had $735 million in loans tied to LIBOR at September 30, 2022. Starting in October 2021, the Company began limiting loans originated using the LIBOR index. For current borrowers, the Company is modifying loan document language to account for the transition away from LIBOR as loans renew or originate. The Company plans to replace LIBOR-based loans with the Secured Overnight Financing Rate ("SOFR"). At September 30, 2022, the Company had approximately $959 million in loans tied to SOFR. The Company adopted Accounting Standards Update ("ASU") 2020-04 "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting" in 2020. The ASU allows the Company to recognize the modification related to LIBOR as a continuation of the old contract, rather than a cancellation of the old contract resulting in a write-off of unamortized fees and creation of a new contract.

Non-Interest Income

	For the Quarter Ended					For the Nine Months Ended	
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	September 30, 2022	September 30, 2021
	(Dollars in thousands)						
Total non-interest income (expense)	$ 3,780	$ 4,201	$ 4,942	$ 4,796	$ (1,105)	$ 12,922	$ 8,864
Non-interest income (expense) to average assets [(1)]	0.26 %	0.30 %	0.36 %	0.34 %	(0.08)%	0.31 %	0.21 %

[(1)] Interim periods annualized.

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
			Change				Change	
	2022	2021	$	%	2022	2021	$	%
				(Dollars in thousands)				
Service charges and fees on customer accounts	$ 1,566	$ 1,196	$ 370	31 %	$ 4,520	$ 3,330	$ 1,190	36 %
Realized gains (losses) on available-for-sale securities	(4)	1,046	(1,050)	NM	(43)	1,043	(1,086)	NM
Unrealized gains (losses), net on equity securities	(87)	(6,210)	6,123	(99)	(261)	(6,243)	5,982	(96)
Income from bank-owned life insurance	405	427	(22)	(5)	1,200	3,088	(1,888)	(61)
Swap fees and credit valuation adjustments, net	(7)	31	(38)	NM	123	156	(33)	(21)
ATM and credit card interchange income	1,326	1,735	(409)	(24)	5,513	5,569	(56)	(1)
Other non-interest income	581	670	(89)	(13)	1,870	1,921	(51)	(3)
Total non-interest income (loss)	$ 3,780	$ (1,105)	$ 4,885	NM%	$ 12,922	$ 8,864	$ 4,058	46 %

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

Service charges and fees on customer accounts - This category includes account analysis fees, partially offset by a customer rebate program. The increase for the three- and nine-month periods ended September 30, 2022 compared to the corresponding periods in 2021 was driven primarily by increases in account analysis fees due to customer growth, increases in outstanding balances, and adjustments to the Company's fee structure.

Realized gains (losses) on available-for-sale securities – The decrease for the three- and nine-months ended September 30, 2022 compared to the same periods for 2021 was due to the sale of $16 million in tax-exempt securities during the three- and nine-month periods ended September 30, 2021 at a gain due to increases in interest rates.

Unrealized gains (losses), net on equity securities - The increase for the three- and nine-months ended September 30, 2022 compared to the same periods for 2021 was due to the Company recording a $6 million unrealized loss during the third quarter of 2021 related to an equity investment received as part of a modified loan agreement.

Income from bank-owned life insurance ("BOLI") – The decline in BOLI income for the nine-months ended September 30, 2022 compared to the same period in 2021 related to the recognition of $1.8 million in tax-free death benefits from a BOLI policy during 2021 compared to no such proceeds for 2022.

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

Non-Interest Expense

	For the Quarter Ended					For the Nine Months Ended	
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	September 30, 2022	September 30, 2021[(1)]
	(Dollars in thousands)						
Total non-interest expense	$ 28,451	$ 29,203	$ 27,666	$ 26,715	$ 24,036	$ 85,319	$ 72,667
Non-interest expense to average assets[(1)]	1.96 %	2.11 %	2.02 %	1.93 %	1.76 %	2.03 %	1.73 %

[(1)] Interim periods annualized.

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

	Quarter Ended September 30,				Nine Months Ended September 30,			
			Change				Change	
	2022	2021	$	%	2022	2021	$	%
	(Dollars in thousands)							
Salary and employee benefits	$ 18,252	$ 15,399	$ 2,853	19 %	$ 53,288	$ 44,612	$ 8,676	19 %
Occupancy	2,736	2,416	320	13	7,851	7,307	544	7
Professional fees	580	618	(38)	(6)	2,453	2,538	(85)	(3)
Deposit insurance premiums	903	927	(24)	(3)	2,355	2,995	(640)	(21)
Data processing	877	700	177	25	2,849	2,136	713	33
Advertising	796	596	200	34	2,247	1,334	913	68
Software and communication	1,222	999	223	22	3,689	3,098	591	19
Foreclosed assets, net	9	(35)	44	NM	(30)	680	(710)	NM
Other non-interest expense	3,076	2,416	660	27	10,617	7,967	2,650	33
Total non-interest expense	$ 28,451	$ 24,036	$ 4,415	18 %	$ 85,319	$ 72,667	$ 12,652	17 %

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

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

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

Deposit Insurance Premiums - The FDIC uses a risk-based premium system to calculate the quarterly fee. Our premium costs decreased for the three- and nine-month periods ended September 30, 2022 compared to the same periods in 2021 as a result of changes in asset quality. We currently anticipate deposit insurance premiums will increase over the next quarter because of expected loan growth and the common stock repurchase program.

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

Advertising - The increase in advertising costs was driven by increased in-person events for the three- and nine-month periods ended September 30, 2022 compared to the same periods in 2021 because of COVID-19 pandemic restrictions being lifted.

Software and Communication - The increase was driven by our continued strategy to invest in technologies that allow us to operate more efficiently, provide customers with a suite of online tools, and effectively analyze data to monitor operational trends. In addition, a portion of the increase in costs was due to our growth. We currently anticipate our software and communication costs to continue to increase in 2022 as we continue adding and implementing new software products that improve our customers' experience and our operating efficiency.

Foreclosed Assets, net – The decrease for the nine-month period ended September 30, 2022 compared to the same period in 2021 was due to a $630 thousand write-down in value of a commercial use facility foreclosed upon in 2020 during the three-month period ended June 30, 2021.

Other Non-interest Expense - Other non-interest expense increased for the three- and nine-month periods ended September 30, 2022 compared to the same periods in 2021 due to higher commercial card costs as a result of increased use by current customers and customer growth, an increase in insured cash sweep ("ICS") deposits which drove related fees higher, and increased travel and meeting costs due to COVID-19 pandemic restrictions being lifted. Additionally, the nine-month period ended September 30, 2022 included $1.1 million in employee separation costs.

Income Taxes

	For the Quarter Ended					For the Nine Months Ended	
	September 30, 2022	**June 30, 2022**	**March 31, 2022**	**December 31, 2021**	**September 30, 2021**	**September 30, 2022**	**September 30, 2021**
	(Dollars in thousands)						
Income tax expense	$ 4,410	$ 4,027	$ 4,188	$ 5,725	$ 5,660	$ 12,625	$ 11,831
Income before income taxes	21,690	19,572	21,016	26,526	26,660	62,278	60,443
Effective tax rate	20 %	21 %	20 %	22 %	21 %	20 %	20 %

Our income tax expense differs from the amount that would be calculated using the federal statutory tax rate, primarily from investments in tax advantaged assets, including BOLI and tax-exempt municipal securities; state tax credits; and permanent tax differences from equity-based compensation. Refer to "Note 10: Income Tax" within the Notes to Condensed Consolidated Financial Statements (unaudited) for a reconciliation of the statutory rate to the Company's actual income tax expense.

During the three- and nine-month periods ended September 30, 2022, the Company's effective tax rate benefited from permanent tax differences related to tax-exempt interest. During the three- and nine-month periods ended September 30, 2021, the Company benefited from permanent tax differences related to tax-exempt interest and $1.8 million in BOLI settlement benefits that reduced income taxes by $0.4 million and reduced the effective tax rate by approximately 2%.

We currently anticipate the Company's effective tax rate to remain within the 20% to 22% range in the near term.

Analysis of Financial Condition

Securities Portfolio

The objective of the investment portfolio is to optimize earnings, manage credit and interest rate risk, ensure adequate liquidity, and meet pledging and regulatory capital requirements. The securities portfolio is also maintained to serve as a contingent, on-balance sheet source of liquidity. As of September 30, 2022, available-for-sale investments totaled $657 million, a decrease of $89 million from December 31, 2021.

The decline in the securities portfolio was driven by a $137 million decline in the unrealized gain (loss) on available-for-sale securities. The decline was partially offset by the purchase of $45 million in tax-exempt municipal securities and $35 million in mortgage-backed securities. The Company currently anticipates continuing to grow the securities portfolio in proportion to the growth of the balance sheet. The Company anticipates additional unrealized losses as interest rates continue to increase. For additional information, see “Note 3: Securities” in the Notes to Condensed Consolidated Financial Statements (unaudited).

Loan Portfolio

Refer to "Note 4: Loans and Allowance for Credit Losses" within the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information regarding the Company's loan portfolio. As of September 30, 2022, gross loans, net of unearned fees increased $421 million or 10% from December 31, 2021 and was driven by the following:

Commercial and Industrial Lines of Credit - The $214 million or 35% increase in commercial lines of credit was driven by new originations of $204 million.

Energy - Our energy portfolio decreased $100 million or 36% from December 31, 2021 primarily due to $72 million in loans paid off and $79 million in net paydowns, offset by new originations of $64 million.

Commercial Real Estate - The $122 million or 10% increase was driven by originations of $384 million of new originations, offset by $268 million in loans paid off.

Construction and Land Development - The $99 million or 17% increase was driven by new originations of $110 million.

Residential Real Estate - The $34 million or 9% increase was driven by new originations of $62 million, offset by $42 million loans paid off.

Multifamily Real Estate - The $36 million or 15% increase was driven by new originations of $30 million.

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

	As of September 30, 2022								
	Due in One Year or Less		Due in One Year through Five Years		Due in Five Year through Fifteen Years		Due after Fifteen Years		
	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	Fixed Rate	Adjustable Rate	Total
	(Dollars in thousands)								
Commercial and industrial	$ 25,889	$ 44,014	$ 268,276	$ 381,009	$ 53,496	$ 65,483	$ 19,669	$ -	$ 857,836
Commercial and industrial lines of credit	48,030	307,620	16,237	443,233	10,414	5,653	-	-	831,187
Energy	8	40,172	9,448	129,227	-	-	-	-	178,855
Commercial real estate	34,313	193,897	427,932	348,355	181,577	199,339	-	14,925	1,400,338
Construction and land development	22,434	54,461	73,783	442,656	24,426	16,448	1,637	38,196	674,041
Residential real estate	2,673	270	11,764	3,008	86,286	2,401	882	286,583	393,867
Multifamily real estate	21,416	70,755	44,286	127,202	4,967	7,169	-	-	275,795
Consumer	4,779	14,971	13,719	7,612	-	23,115	-	1,531	65,727
Total	$ 159,542	$ 726,160	$ 865,445	$ 1,882,302	$ 361,166	$ 319,608	$ 22,188	$ 341,235	$ 4,677,646

Provision and Allowance for Credit Losses

The Company implemented the CECL model as of January 1, 2022. Refer to "Note 1: Nature of Operations and Summary of Significant Accounting Policies" and "Note 4: Loans and Allowance for Credit Losses" within the Notes to Condensed Consolidated Financial Statements (unaudited) for details regarding the transition, including the impact to the financial statements. The CECL model compared to the incurred loss model may accelerate the provision for credit losses if the Company's loan portfolio continues to grow. In addition, positive (negative) forward-looking indicators may decrease (increase) the required provision for credit losses.

The ACL at September 30, 2022 represents our best estimate of the expected credit losses in the Company's loan portfolio and off-balance sheet commitments, measured over the contractual life of the underlying instrument.

	For the Quarter Ended					For the Nine Months Ended	
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	September 30, 2022	September 30, 2021
	(Dollars in thousands)						
Provision for credit losses[1] - loans	$ 1,923	$ 1,690	$ (316)	$ (5,000)	$ (10,000)	$ 3,297	$ 1,000
Provision for credit losses[1] - off-balance sheet	1,411	445	(309)	N/A	N/A	1,547	N/A
Allowance for credit losses[2] - loans	55,864	55,817	55,231	58,375	64,152	55,864	64,152
Allowance for credit losses[2] - off-balance sheet	6,731	5,320	4,875	N/A	N/A	6,731	N/A
Net charge-offs	$ 1,876	$ 1,104	$ 1,081	$ 777	$ 1,341	$ 4,061	$ 12,143

(1) Prior to March 31, 2022, this line represents the provision for loan losses

(2) Prior to March 31, 2022, this line represents the allowance for loan and lease losses

January 1, 2022, the adoption date, is presented below instead of December 31, 2021 for comparability purposes. The allocation in one portfolio segment does not preclude its availability to absorb losses in other segments. The table below presents the allocation of the allowance for credit losses as of the dates indicated:

	September 30, 2022					January 1, 2022				
	ACL Amount					ACL Amount				
	Loans	Off-Balance Sheet	Total	Percent of ACL to Total ACL	Percent of Loans to Total Loans	Loans	Off-Balance Sheet	Total	Percent of ACL to Total ACL	Percent of Loans to Total Loans
	(Dollars in thousands)									
Commercial and industrial	$ 11,337	$ 97	$ 11,434	18 %	18 %	$ 10,139	$ 107	$ 10,246	17 %	20 %
Commercial and industrial lines of credit	12,057	-	12,057	19	18	8,866	44	8,910	14	14
Energy	4,828	548	5,376	9	4	9,190	265	9,455	15	7
Commercial real estate	16,455	676	17,131	28	31	18,933	711	19,644	32	30
Construction and land development	4,587	5,320	9,907	16	14	3,666	3,914	7,580	12	14
Residential real estate	3,237	2	3,239	5	8	3,046	5	3,051	5	8
Multifamily real estate	2,673	84	2,757	4	6	2,465	137	2,602	4	6
Consumer	690	4	694	1	1	323	1	324	1	1
Total	$ 55,864	$ 6,731	$ 62,595	100 %	100 %	$ 56,628	$ 5,184	$ 61,812	100 %	100 %

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

Impaired Loans:

For the three- and nine-month periods ended September 30, 2022, the impaired loan reserve decreased $0.1 million and $5.6 million, respectively. The decrease was primarily due to a restructured commercial loan relationship in which additional collateral was obtained. For the nine-month period ended September 30, 2022, the change included a commercial real estate loan with an improved collateral valuation that resulted in a $2 million reduction in the required reserve, a $0.6 million decline related to a commercial real estate loan charged down and subsequently paid off, and two energy loans that paid down their outstanding balance, resulting in a $1 million decrease to the required reserve and one energy loan that was charged down, resulting in a $1 million decrease in the required reserve.

Charge-offs and Recoveries:

Net charge-offs were $2 million and $4 million for the three- and nine-month periods ended September 30, 2022, respectively. For the three-month period ended September 30, 2022 charge-offs included $0.6 million related to two collateral-dependent energy loans and $2.0 million related to a collateral-dependent commercial and industrial line of credit loan. Recoveries primarily included $0.8 million related to a commercial real estate loan charged-off earlier in 2022.

For the nine-month period ended September 30, 2022, charge-offs also included $2.0 million related to a collateral-dependent commercial and industrial line of credit that originated in 2018 and started to deteriorate at the end of 2021; a $1 million charge-off related to an energy loan originated in 2016 that was significantly impacted by lower oil prices over the past few years; a $0.8 million charge-off on a commercial real estate project that originated in 2017 and started to deteriorate in 2020; $2.9 million related to two collateral-dependent energy loans; $0.6 million related to a commercial and industrial SBA loan originated in 2018; and $0.2 million related to a junior lien on a residential real estate loan. Charge-offs were partially offset primarily by a $1.8 million recovery on an energy loan that was charged-off in 2020, $1.6 million related to a commercial real estate loan charged-off in 2020 and $1.7 million related to a commercial and industrial line of credit charged-off in 2020.

During the three months ended September 30, 2021, charge-offs primarily related to one commercial loan and one energy loan. The energy charge-off related to the sale of collateral from a borrower that filed for bankruptcy in a previous year. Approximately $2 million remained on the energy loan at September 30, 2021. Recoveries totaled $0.2 million for the three months ended September 30, 2021 primarily from a commercial loan that was previously charged-off in 2020.

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

During the three-months ended March 31, 2021, charge-offs primarily related to two commercial and industrial borrowers that were unable to support their debt obligations. The $8 million charged-off was greater than the reserved balance in the allowance for loan losses at December 31, 2020 resulting in a $5 million increase in the provision during the quarter ended March 31, 2021.

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

	For the Quarter Ended					For the Nine Months Ended	
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	September 30, 2022	September 30, 2021
Commercial and industrial	- %	0.28 %	(0.27) %	0.27 %	0.04 %	0.01 %	0.02 %
Commercial and industrial lines of credit	1.10	(0.56)	0.76	0.04	0.62	0.36	3.12
Energy	1.19	4.77	(1.02)	0.68	0.64	1.64	0.22
Commercial real estate	(0.21)	(0.45)	0.34	-	-	(0.12)	-
Construction and land development	-	-	-	-	-	-	-
Residential real estate	-	0.21	-	(0.32)	-	0.07	-
Multifamily real estate	-	-	-	(0.06)	(0.01)	-	-
Consumer	(0.05)	-	0.05	(0.01)	(0.03)	-	0.06
Total net charge-offs to average loans	0.16 %	0.10 %	0.10 %	0.07 %	0.13 %	0.12 %	0.37 %

Non-performing Assets and Other Asset Quality Metrics

Non-performing assets include: (i) non-performing loans - includes non-accrual loans, loans past due 90 days or more and still accruing interest, and loans modified under TDRs that are not performing in accordance with their modified terms; (ii) foreclosed assets held for sale; (iii) repossessed assets; and (iv) impaired debt securities.

Non-performing assets decreased to $18 million as of September 30, 2022 due to an $11 million decrease in non-accrual loans and a $2 million decrease in loans past due 90 days or more and still accruing interest. The decline in non-accrual loans was driven by $4 million in loans returned to accruing status, $3 million in charge-offs on non-accrual loans, and $3 million in non-accrual loans that paid off. Improvements in credit metrics continue to be driven by upgrades in COVID-19 impacted segments and the energy portfolio.

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

Non-performing assets increased slightly to $36 million or 0.64% of total assets as of March 31, 2022 primarily due to an $11 million, previously identified substandard commercial and industrial line of credit. The increase was partially offset by a $7 million decline in non-accrual energy loans due to $1 million in charge-offs, $3 million in payoffs and $3 million in loans placed back on accrual status. As of March 31, 2022, 25% of non-performing assets remained in the energy sector.

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

Credit quality metrics were generally improved during the third quarter of 2022, reflecting overall improvement from the prior quarter and significant improvement over the prior year.

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

	For the Quarter Ended				
	September 30, 2022	**June 30, 2022**	**March 31, 2022**	**December 31, 2021**	**September 30, 2021**
			(Dollars in thousands)		
Non-accrual loans	$ 16,923	$ 27,698	$ 33,071	$ 31,432	$ 48,147
Loans past due 90 days or more and still accruing	303	2,163	1,534	90	342
Total non-performing loans	17,226	29,861	34,605	31,522	48,489
Foreclosed assets held for sale	973	973	973	1,148	1,148
Total non-performing assets	$ 18,199	$ 30,834	$ 35,578	$ 32,670	$ 49,637
ACL to total loans	1.19 %	1.23 %	1.27 %	1.37 %	1.51 %
ACL + ACL on off-balance sheet to total loans (1)	1.34	1.35	1.38	N/A	N/A
ACL to non-accrual loans	330	202	167	186	133
ACL to non-performing loans	324	187	160	185	132
Non-accrual loans to total loans	0.36	0.61	0.76	0.74	1.13
Non-performing loans to total loans	0.37	0.66	0.79	0.74	1.15
Non-performing assets to total assets	0.31 %	0.54 %	0.64 %	0.58 %	0.92 %

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

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

	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
			(Dollars in thousands)		
Loans Past Due Detail					
30 - 59 days past due	$ 15,785	$ 15,700	$ 14,815	$ 1,671	$ 3,072
60 - 89 days past due	5,598	935	1,135	1,858	34,528
Total gross loans 30 - 89 days past due	$ 21,383	$ 16,635	$ 15,950	$ 3,529	$ 37,600
Loans 30 - 89 days past due / gross loans	0.46 %	0.37 %	0.37 %	0.08 %	0.89 %
Classified Loans					
Substandard - performing	$ 55,038	$ 52,759	$ 40,257	$ 47,275	$ 75,999
Substandard - non-performing	15,135	25,530	30,619	28,879	45,063
Doubtful	1,788	2,144	2,451	2,554	3,084
Loss	-	-	-	-	-
Total classified, gross loans	71,961	80,433	73,327	78,708	124,146
Foreclosed assets held for sale	973	973	973	1,148	1,148
Total classified assets	$ 72,934	$ 81,406	$ 74,300	$ 79,856	$ 125,294
Classified loans / (total capital + ACL)	11.3 %	12.1 %	10.8 %	10.8 %	17.3 %
Classified loans / (total capital + ACL + ACL on off-balance sheet)(1)	11.2	12.0	10.7	N/A	N/A
Classified assets / (total capital + ACL)	11.5 %	12.3 %	11.0 %	11.0 %	17.5 %

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

The increase in loans past due between 30 and 89 days as of September 30, 2022 was primarily driven by net increases in commercial real estate loans . Loans past due between 30 and 89 days to gross loans increased to 0.46% compared to the prior quarter. Classified loans decreased 11% during the third quarter primarily due to lower non-accrual loans in the commercial and industrial and commercial real estate portfolios.

The increase in loans past due between 30 and 89 days as of June 30, 2022 was primarily driven by the 4% loan growth from the previous quarter. Loans past due between 30 and 89 days to gross loans remained at 0.37% compared to the prior quarter. Classified loans increased slightly during the second quarter primarily due to downgrades in the commercial and industrial portfolio but remained in an acceptable range at 12.1% of total capital plus the allowance for credit losses.

The increase in loans past due between 30 and 89 days as of March 31, 2022 was primarily driven by an $11 million commercial and industrial line of credit. In the first quarter of 2022, we experienced improvement in our classified loan totals as classified loans decreased 7% during the quarter to $73 million. Classified totals in the energy portfolio decreased 24% to $16 million compared to the prior quarter and represented 22% of total classified loans.

Deposits and Other Borrowings

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

	As of September 30, 2022				
	Three Months or Less	Three to Six Months	Six to Twelve Months	After Twelve Months	Total
			(Dollars in thousands)		
Time deposits in excess of FDIC insurance limit	$ 35,188	$ 22,271	$ 27,877	$ 159,675	$ 245,011
Time deposits below FDIC insurance limit	176,316	100,125	125,601	103,118	505,160
Total	$ 211,504	$ 122,396	$ 153,478	$ 262,793	$ 750,171

At September 30, 2022, our deposits totaled approximately $5 billion, an increase of $304 million or 6% from December 31, 2021. The increase included $126 million in time deposits and $227 million in money market, NOW and savings deposits, partially offset by a decrease of $49 million in non-interest-bearing deposits. The increase in time deposits was the result of a $179 million net increase in wholesale funding to support current and expected loan growth through the end of 2022, partially offset by a decrease in customer deposits. The increase in money market, NOW, and savings deposits was driven primarily by increases in ICS deposits and both business and personal money market deposits.

Other borrowings include Federal Home Loan Bank (“FHLB”) advances and our trust preferred security. At September 30, 2022, other borrowings totaled $206 million, a $31 million or 13% decrease from December 31, 2021. During the nine-month period ended September 30, 2022, $21.5 million of FHLB advances matured, $12.5 million of net FHLB advances were paid off and $65 million of advances converted into a drawdown on the FHLB line of credit. The Company utilized the conversion of $65 million of FHLB advances to the FHLB line of credit and an additional $2.7 million of net withdrawals to support loan growth and changes in deposits, resulting in $67.7 million on the FHLB line of credit at September 30, 2022.

As of September 30, 2022, the Company had approximately $2.4 billion of uninsured deposits, which is an estimated amount based on the same methodologies and assumptions used for the Bank’s regulatory requirements. The Company believes that its current capital ratios and liquidity are sufficient to mitigate the risks of uninsured deposits.

Liquidity and Capital Resources

Contractual Obligations and Off-Balance Sheet Arrangements

The Company is subject to contractual obligations made in the ordinary course of business. The obligations include deposit liabilities, other borrowed funds, and operating leases. Refer to “Note 6: Time Deposits and Other Borrowings” within the Notes to Condensed Consolidated Financial Statements (unaudited) for a listing of the Company’s significant contractual cash obligations. Refer to “Note 14: Leases” within the Notes to Condensed Consolidated Financial Statements (unaudited) for the Company’s contractual obligations to third parties on lease obligations.

As a financial services provider, the Company is a party to various financial instruments with off-balance sheet risks, such as commitments to extend credit. Off-balance sheet arrangements represent the Company’s future cash requirements. However, a portion of these commitments may expire without being drawn upon. Refer to “Note 12: Commitments and Credit Risk” within the Notes to Condensed Consolidated Financial Statements (unaudited) for a listing of the Company’s off-balance sheet arrangements.

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

Liquidity

The Company’s liquidity strategy is to maintain adequate, but not excessive, liquidity to meet the daily cash flow needs of clients while attempting to achieve adequate earnings for stockholders. The liquidity position is monitored continuously by management. The Company's short-term and long-term liquidity requirements are primarily met through cash flow from operations, redeployment of prepaying and maturing balances in our loan portfolio and security portfolio, increases in client deposits and wholesale deposits. Liquidity resources can be derived from two sources: (i) on-balance sheet liquidity resources, which represent funds currently on the balance sheet and (ii) off-balance sheet liquidity resources, which represent funds available from third-party sources. The Company’s on-balance sheet and off-balance sheet liquidity resources consisted of the following as of the dates indicated:

	September 30, 2022	December 31, 2021
	(Dollars in thousands)	
Total on-balance sheet liquidity	$ 964,952	$ 1,224,253
Total off-balance sheet liquidity	779,990	732,748
Total liquidity	$ 1,744,942	$ 1,957,001
On-balance sheet liquidity as a percent of assets	17 %	22 %
Total liquidity as a percent of assets	30 %	35 %

For the nine-months ended September 30, 2022, the Company’s cash and cash equivalents declined $174 million from December 31, 2021 to $309 million, representing 5% of total assets. During the nine-month period ended September 30, 2022, the Company increased the AFS securities portfolio on an amortized cost basis by $48 million, net of paydowns, maturities, and amortization, to improve the yield on interest-earning assets. In addition, the Company increased loan funding by $425 million, net of payoffs and charge-offs during the nine-month period ended September 30, 2022 that reduced cash and cash equivalents.

The Company’s time deposits increased by $126 million primarily from wholesale funding. Non-interest-bearing deposits, savings, and money market deposits increased $178 million driven primarily by increases in ICS deposits and both business and personal money market deposits. Other borrowings decreased $31 million during the nine-month period ended September 30, 2022, as net amounts of $34 million of FHLB advances matured or were paid off and a net $3 million was drawn down on the FHLB line of credit.

The Company continued its repurchase program, purchasing $31 million of common stock during the first nine months of 2022. As of September 30, 2022, $21 million remains available for repurchase under our share repurchase program. We expect to continue to repurchase shares under our share repurchase program, but the amount and timing of such repurchases will be dependent on a number of factors, including the price of our common stock and other cash flow needs. There is no assurance that we will repurchase up to the full amount remaining under our program.

The Company believes that its current liquidity will be sufficient to meet anticipated cash requirements for the next 12 months and thereafter. The Company believes that is has several on and off-balance sheet options to address any resulting reductions in cash and cash equivalents in order to maintain appropriate liquidity.

Capital Requirements

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. The regulatory capital requirements involve quantitative measures of the Company's assets, liabilities, select off-balance sheet items and equity. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Refer to "Note 8: Regulatory Matters" in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information. Management believes that as of September 30, 2022, the Company and the Bank met all capital adequacy requirements to which they are subject.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with GAAP and with general practices within the financial services industry. Application of these principles requires management to make complex and subjective estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company bases estimates on historical experience and on various other assumptions that it believes to be reasonable under current circumstances. These assumptions form the basis for management judgments about the carrying values of assets and liabilities that are not readily available from independent, objective sources. The Company evaluates estimates on an ongoing basis. Use of alternative assumptions may have resulted in significantly different estimates. Actual results may differ from these estimates.

A discussion of these policies can be found in the section captioned "Critical Accounting Policies and Estimates" in Management's Discussion and Analysis of Financial Condition and Results of Operations included in the 2021 Form 10-K.

On January 1, 2022, the Company adopted ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. Refer to "Note 1: Nature of Operations and Summary of Significant Accounting Policies" and "Note 4: Loans and Allowance for Credit Losses" within the Notes to Condensed Consolidated Financial Statements (unaudited) for information regarding the Company's ACL implementation and the ACL process. Determining the appropriateness of the ACL is complex and requires judgment by management about the effect of matters that are inherently uncertain. These critical estimates include significant use of the Company's historical data and complex methods to interpret them.

It is difficult to estimate how potential changes in any one input might affect the overall ACL because inputs may change at different rates and may not be consistent across the loan segments. In addition, changes in inputs may be directionally inconsistent such that one factor may offset deterioration in others. The Company identified the following estimates and assumptions as the main drivers in the required ACL for loans and the reserve for off-balance sheet commitments:

- **Fully exhausted loan pool** – The historical loss factor is calculated by identifying a group of loans at a point in time (a "cohort") and tracking the cohort's charge-offs, net of recoveries, over a 10-year period (known as the estimated economic life). A charge-off rate for each cohort is calculated based on charge-offs, net of recoveries over the initial loan balance. The charge-off rate for a specific cohort is not included in the weighted average historical loss rate until "fully exhausted."

  A cohort balance declines due to modifications, renewals, and paydowns. The Company requires the remaining cohort balance to be less than 15% of its original cohort balance before being included in the historical loss factor. The 15%

represents the exhaustion rate. Changes to the assumed exhaustion rate could increase or decrease the historical loss rates based on the timing of charge-offs, net of recoveries.

- **Forward looking factors** – The Company uses the Federal Reserve Bank's unemployment rate forecast to adjust expected losses based on an economic outlook. The Company's current methodology increases the ACL one basis point for each 1% increase in the average unemployment rate forecast.

- **Changes in the assumed utilization rate of off-balance sheet commitments** – The Company uses a 12-month historical utilization rate for all loan segments, excluding construction and development loans that use a higher utilization rate. An ACL on off-balance sheet commitments is required if the end of period utilization rate is less than the 12-month historical utilization rate.

Besides the ACL methodology mentioned above, there have been no additional changes in the Company's application of critical accounting policies and estimates since December 31, 2021.

Recent Accounting Pronouncements

Refer to "Note 1: Nature of Operations and Summary of Significant Accounting Policies" included in the Notes to Condensed Consolidated Financial Statements (unaudited) included elsewhere in this Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

A primary component of market risk is interest rate volatility. Interest rate risk management is a key element of the Company's balance sheet management. Interest rate risk is the risk that net interest margins will erode over time due to changing market conditions. Many factors can cause margins to erode: (i) lower loan demand; (ii) increased competition for funds; (iii) weak pricing policies; (iv) balance sheet mismatches; and (v) changing liquidity demands. The objective is to maximize income while minimizing interest rate risk. The Company manages its sensitivity position using its interest rate risk policy. The management of interest rate risk is a three-step process and involves: (i) measuring the interest rate risk position; (ii) policy constraints; and (iii) strategic review and implementation.

Our exposure to interest rate risk is managed by the Asset/Liability Committee ("ALCO"). The ALCO uses a combination of three systems to measure the balance sheet's interest rate risk position. The three systems in combination are expected to provide a better overall result than a single system alone. The three systems include: (i) gap reports; (ii) earnings simulation; and (iii) economic value of equity. The ALCO's primary tools to change the interest rate risk position are: (i) investment portfolio duration; (ii) deposit and borrowing mix; and (iii) on balance sheet derivatives.

The ALCO 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

	September 30, 2022		September 30, 2021	
Change in Interest Rate (Basis Points)	**Percent change in net interest income**	**Percent change in fair value of equity**	**Percent change in net interest income**	**Percent change in fair value of equity**
+300	6.1 %	(11.1)%	6.4 %	(8.9)%
+200	4.1	(7.3)	3.6	(5.7)
+100	2.0	(3.2)	1.1	(3.0)
Base	- %	- %	- %	- %
-100	(1.9)	3.2	NA[1]	NA[1]
-200	(5.7)	5.7	NA[1]	NA[1]
-300	(10.1)	7.1	NA[1]	NA[1]

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

Hypothetical Change in Interest Rate - Rate Ramp

	September 30, 2022	September 30, 2021
Change in Interest Rate (Basis Points)	**Percent change in net interest income**	**Percent change in net interest income**
+300	2.9 %	2.5 %
+200	1.9	1.2
+100	1.0	0.2
Base	- %	- %
-100	(0.9)	NA[1]
-200	(2.1)	NA[1]
-300	(4.1)	NA[1]

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

The Company’s position is slightly asset sensitive as of September 30, 2022. The hypothetical positive change in net interest income as of September 30, 2022 in an up 100 basis point shock is mainly due to approximately $3.6 billion of the Company’s earning assets repricing or maturing within the first year, with $2.8 billion of that being in the first month. In addition, $624 million of the Company’s time deposits and other borrowings mature or reprice within that same 12-month period. Assuming the same balance sheet mix, the Company currently anticipates an increase to net interest income in all upward rate ramp and shock scenarios. In down rate scenarios, income is predicted to decrease. The Company is monitoring longer term interest rate expectations and is evaluating options to reduce the impact of any downward rate adjustments, including the use of hedges.

The models the Company uses include assumptions regarding interest rates while balances remain unchanged. These assumptions are inherently uncertain and, as a result, the model cannot precisely estimate net interest income or precisely predict the impact of higher or lower interest rates on net interest income. Actual results will differ from simulated results due to timing, magnitude, and frequency of interest rate changes as well as changes in market conditions, customer behavior and management strategies, among other factors.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (“Exchange Act”)) as of September 30, 2022. Based on that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of September 30, 2022.

Changes in Internal Control over Financial Reporting

The Company implemented internal controls to ensure the Company adequately calculated changes due to, and properly assessed the impact of, the accounting standard updates related to the adoption of ASC 326 on January 1, 2022. There were no significant changes to our internal control over financial reporting due to the adoption of the new standard.

No change in the Company’s internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that occurred during the third quarter of 2022 has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the normal course of business, we are named or threatened to be named as a defendant in various lawsuits. Management, following consultation with legal counsel, does not expect the ultimate disposition of any or a combination of these matters to have a material adverse effect on our business, financial condition, results of operations, cash flows or growth prospects. However, given the nature, scope, and complexity of the extensive legal and regulatory landscape applicable to our business (including laws and regulations governing consumer protection, fair lending, fair labor, privacy, information security and anti-money laundering and anti-terrorism laws), we, like all banking organizations, are subject to heightened legal and regulatory compliance and litigation risk.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our 2021 Form 10-K, which could materially affect our business, financial condition, or results of operations in future periods. There were no material changes from the risk factors disclosed in the 2021 Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) None.

(b) Not applicable.

(c) Share Repurchase Program

The following table summarizes our repurchases of our common shares for the three-months ended September 30, 2022:

Calendar Month	Total Number of Shares Repurchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[1]	Approximate Dollar Value of Shares that may yet be Purchased as Part of Publicly Announced Plans or Programs[1]
July 1 - 31	243,254	$ 13.26	243,254	$ 28,273,238
August 1 - 31	304,668	$ 14.16	304,668	$ 23,950,841
September 1 - 30	246,535	$ 13.28	246,535	$ 20,672,141
Total	794,457	$ 13.61	794,457	

(1) On October 18, 2021, the Company announced that its Board of Directors approved a share repurchase program under which the Company could repurchase up to $30 million of its common stock. This program was completed during the third quarter of 2022. On May 10, 2022, the Company announced that its Board of Directors approved a second share repurchase program under which the Company may repurchase up to $30 million of its common stock. As of September 30, 2022, $21 million remains available for repurchase under this share repurchase program. Repurchases under the program may be made in the open market or privately negotiated transactions in compliance with SEC Rule 10b-18, subject to market conditions, applicable legal requirements, and other relevant factors. The program does not obligate the Company to acquire any amount of common stock and may be suspended at any time at the Company's discretion. No time limit has been set for completion of the program.

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ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
3.1	Articles of Incorporation of CrossFirst Bankshares, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 as filed with the SEC on July 18, 2019, File No. 333-232704).
3.2	Amendment to Articles of Incorporation of CrossFirst Bankshares, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1 as filed with the SEC on July 18, 2019, File No. 333-232704).
3.3	Bylaws of CrossFirst Bankshares, Inc. (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form S-1 as filed with the SEC on July 18, 2019, File No. 333-232704).
10.1†	Amended and Restated Employment Agreement with W. Randall Rapp, effective July 1, 2022 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 3, 2022, File No. 001-39028)
31.1*	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formation in Inline XBRL and contained in Exhibit 101)

* Filed Herewith

** Furnished Herewith

† Indicates a management contract or compensatory plan arrangement

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CrossFirst Bankshares, Inc.

November 8, 2022	/s/ Benjamin R. Clouse
	Benjamin R. Clouse Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Certification of Principal Executive Officer
Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Michael J. Maddox, certify that:

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

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

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

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

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

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: November 8, 2022

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

Certification of Principal Financial Officer
Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Benjamin R. Clouse, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CrossFirst Bankshares, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2022

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

Exhibit 32.1

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

In connection with the Quarterly Report of CrossFirst Bankshares, Inc. (the “Company”) on Form 10-Q for the period ended on September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned, in his respective capacities indicated below, hereby certifies, pursuant to 18 U.S.C. § 1350, as enacted by Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge and belief, (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2022

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

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