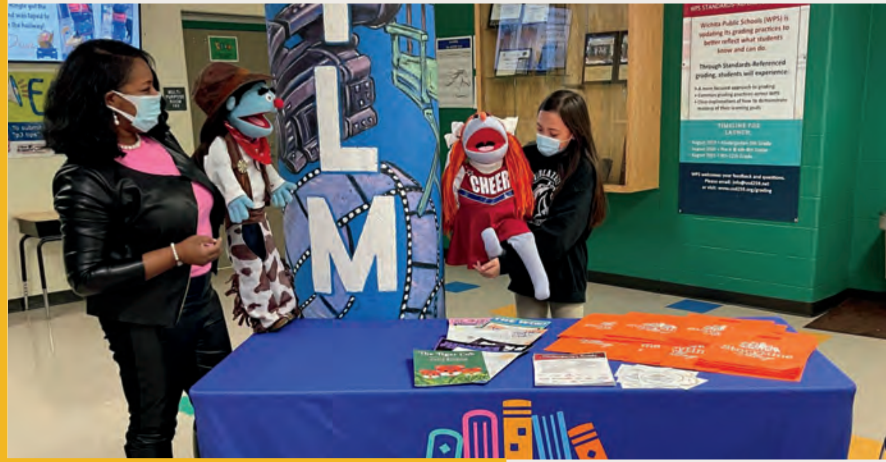
Annual Report

Equity Bancshares, Inc.

Bank on Reading

In 2021, Equity Bank helped provide thousands of books for students in need throughout the Company's regions. Equity's Bank On Reading program encourages Bank team members to work with local schools to teach financial literacy.



In Wichita, Equity Bank joined Gordon Parks Elementary for a book fair sponsored by Scholastic Books and Storytime Village.

Our Bank On Reading program details are here:

equitybank.com/ bankonreading

Back to the Future

"Great Scott!"

Equity Bank hosted its 18th annual All Employee Team Meeting on January 17, 2022, with a hybrid virtual and in-person presentation at five sites in Kansas, Arkansas, Missouri and Oklahoma!

The topic? Looking BACK at team member success, and focusing on the FUTURE for a growing regional bank with more than 700 employees! What's better than presentations from leaders, a trip in the DeLorean and a special movie premiere? Now *that's* heavy.

Best Places to Work

You can count on the team at Equity Bank to band together to volunteer, compete, and challenge one another. Equity earned its third Best Places to Work distinction from the Wichita Business Journal – and followed that up by earning honors in Wichita's Corporate Challenge, ranking high among large companies in a series of Olympic events while earning the top spot in Wichita!

We Care

Community banks step up, and as a team, Equity Bank delivered thousands of volunteer hours in its communities throughout 2021, and contributed more than $2 million to causes throughout its regions!

We issued a companion report on working together to solve Environmental, Social, and Governance challenges as a community bank.

For more details visit: equitybank.com/esg

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To My Fellow Shareholders

My fellow shareholders:

Our vision as a community bank is as strong today as the first day we began.

We deliver customized, sophisticated banking solutions to customers, businesses, and families who desire a hometown feel. That's who we are. That's what our brand is known for. After the last two years, we are proud to be the bedrock of the communities we serve.

Our Company has made key investments and expanded our capabilities over the last several years, with many important milestones reached in 2021.

In these pages, you'll see our team members achieving these milestones and going the extra mile for their communities, customers, and each other. You'll see the entrepreneurial spirit of a bank that's in business with its customers.

We began 2021 by welcoming team members and customers in Almena and Norton, Kansas. In October, we completed the largest merger in our Company's history in 2021, adding fifteen locations and talented community bankers throughout our Kansas footprint with the addition of American State Bank & Trust locations. According to data provided by S&P Global, this merger is the largest between two Kansas-owned franchises. I'm pleased with the collaboration and community focus our blended teams displayed to ensure we delivered a strong, trusted brand to all of our customers.

We followed up our ASBT merger by adding three locations in St. Joseph, Missouri, a market that's a nice fit with our overall Missouri footprint. We welcome the opportunity to be a resource for banking customers in this new community.

Mergers are a part of our Company's story, but they could not happen without the tireless focus on our core **I CARE** values: Integrity, Community Focus, Accountability, Respect, and Entrepreneurial Spirit. Julie Huber continues to lead each of our mergers with a team that includes Patrick Harbert, Doug Thurman, Larry Britegam, Craig Anderson, Patrick Salmans, Jeremy Allen, John Hanley, Josh Means, and numerous other individuals who step up, time and again, to make our mergers seamless.

"That's who we are. That's what our brand is known for, and we are so proud to be the bedrock of the communities we serve."

We earned the company-wide honor of "Best Places to Work in Wichita" in 2021, a result measured by our team's satisfaction. We collectively volunteered time and efforts in our communities, with thousands of hours volunteered. We launched our literacy program, Bank On Reading, helping students gain access to thousands of books, financial literacy, and more.

I'm proud of our Equity Bank team members who donate their time and talent. As a

Equity Bank's location in Larned, Kansas was once a train station.

Assets
$5.1B

Loans
$3.1B

Deposits
$4.4B

Tangible Book Value Per Share
$25.62

Team Members
746

Sources: Equity Bank Internal Reports

Our teams set themselves apart from competitors by being open: Visiting regionally and locally with business customers hard at work. Brad Elliott and Blake Yakel, Commercial Loan Officer, visited MetalPros in Wichita for a meeting last summer.

company, we donated more than $2.3 million to sponsorships, scholarships, and causes in our footprint in 2021.

The results of our Equity Bank team members going above and beyond, doing what is right, time and again, in our communities, also spur organic growth and have helped position our Company as a key resource for businesses looking for the next step, or families looking for a bank who will be there for them. In 2021, we remained open, available, and ready to serve our customers, which sounds simple, but had lasting effects for our brand and our customers.

Our commercial lending teams helped grow our loans to more than $3 billion in our franchise. Our regional market leadership of Brad Daniel, Josh Means, and Mark Parman, among others, have helped our local teams continue to serve their customers with care and expertise. In retail, our regional market leaders, including Amada Alvidrez, Greg Duran, Sharon Holmes, Erin Winegar have positioned our local banks as community resources, as we grew to more than $4.4 billion in deposits, and we opened more than 17,000 deposit accounts in our communities last year as consumers continue to choose to Bank Local.

We're eager to deliver value for customers and team members, and that in turn delivers value to our shareholders. Our 2021 included milestones for EQBK, including issuing our first dividend per share of common stock as a Company, and our environmental, social, and governance report.

In 2022, we'll continue to deliver the best of all worlds, as a brand with equal focus on team members, communities, customers, and shareholders.

We never forget it's your money. Thank you for your support, your interest, and your service. We're eager for 2022, and beyond.

Brad Elliott

Brad Elliott
Chairman and Chief Executive Officer

Online Banking Users
82,259

Calls Answered By Customer Care Team
206,550

Local Community Sponsorships
$2.3M

New Deposit Accounts Opened in 2021
17,793

Local Jobs Saved in our Communities Following Two Rounds of PPP
102,000+

Special Note Concerning Forward-Looking Statements

This letter contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements reflect the current views of Equity's management with respect to, among other things, future events and Equity's financial performance. These statements are often, but not always, made through the use of words or phrases such as "may," "should," "could," "predict," "potential," "believe," "will likely result," "expect," "continue," "will," "anticipate," "seek," "estimate," "intend," "plan," "project," "forecast," "goal," "target," "would" and "outlook," or the negative variations of those words or other comparable words of a future or forward-looking nature. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about Equity's industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond Equity's control. Accordingly, Equity cautions you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions and uncertainties that are difficult to predict. Although Equity 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. Factors that could cause actual results to differ materially from Equity's expectations include COVID-19 related impacts; competition from other financial institutions and bank holding companies; the effects of and changes in trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board; changes in the demand for loans; fluctuations in value of collateral and loan reserves; inflation, interest rate, market and monetary fluctuations; changes in consumer spending, borrowing and savings habits; and acquisitions and integration of acquired businesses; and similar variables. The foregoing list of factors is not exhaustive.

For discussion of these and other risks that may cause actual results to differ from expectations, please refer to "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" in Equity's most recent Annual Report on Form 10-K or other SEC Filings. If one or more events related to these or other risks or uncertainties materialize, or if Equity's underlying assumptions prove to be incorrect, actual results may differ materially from what Equity anticipates. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and Equity does not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. New risks and uncertainties arise from time to time, such as COVID-19, and it is not possible for us to predict those events or how they may affect us. In addition, Equity cannot assess the impact of each factor on Equity's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. All forward-looking statements, expressed or implied, included in this press release are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that Equity or persons acting on Equity's behalf may issue.

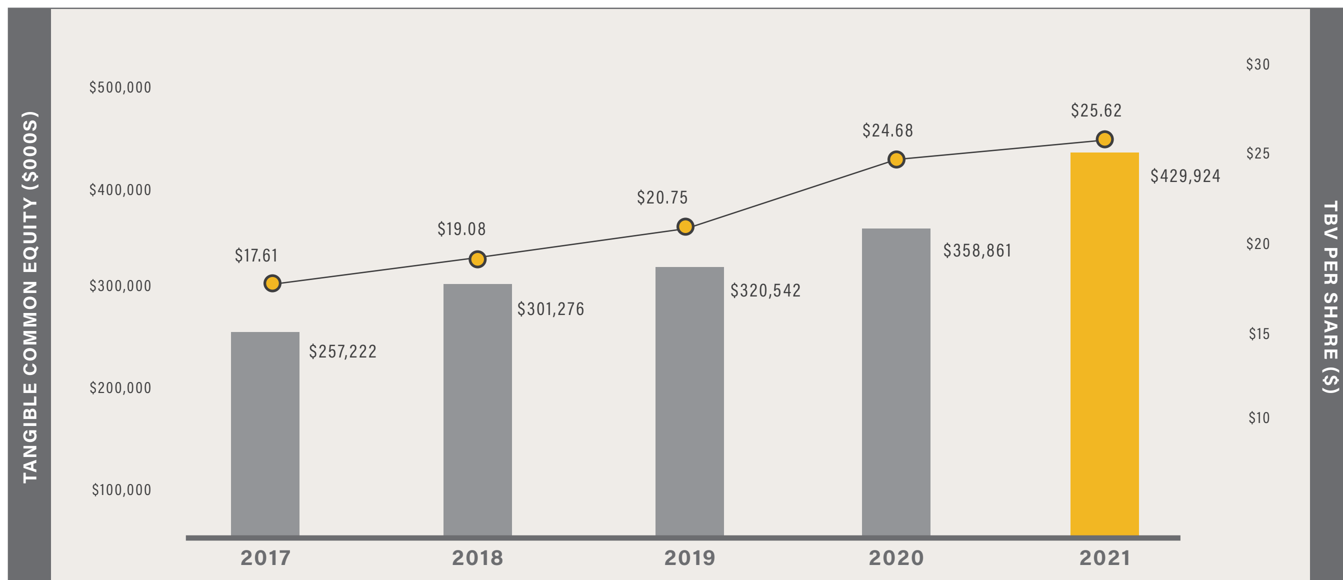
Selected Financial Highlights

Selected Financial Highlights (Unaudited)

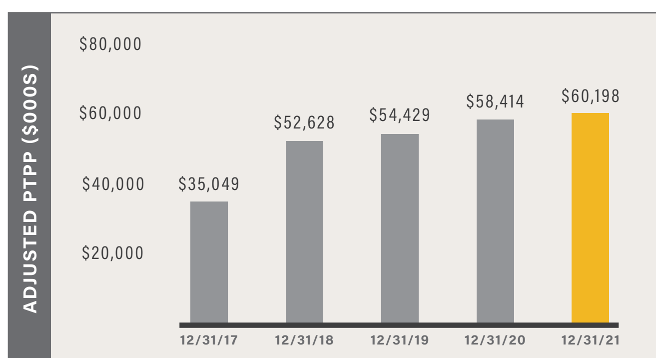
(Dollars in thousands, except per share data)

	Years Ended December 31				
	2021	2020	2019	2018	2017
Statement of Income Data					
Interest and dividend income	$ 157,368	$ 155,561	$ 175,499	$ 161,556	$ 102,693
Interest expense	14,789	22,909	49,641	36,758	16,691
Net interest income	142,579	132,652	125,858	124,798	86,002
Provision for loan losses	(8,480)	24,255	18,354	3,961	2,953
Net gain on acquisition	585	2,145	-	-	-
Total non-interest income	32,842	26,023	24,988	19,725	15,440
Merger expense	9,189	299	915	7,462	5,352
Total non-interest expense	119,465	208,990	99,635	94,387	67,463
Income before income taxes	64,436	(74,570)	32,857	46,175	31,026
Provision for income taxes	11,956	400	7,278	10,350	10,377
Dividends and discount accretion on preferred Stock	-	-	-	-	-
Net income allocable to common stockholders	52,480	(74,970)	25,579	35,825	20,649
Basic earnings per share	3.49	(4.97)	1.64	2.33	1.66
Diluted earnings per share	3.43	(4.97)	1.61	2.28	1.62
Balance Sheet Data (at period end)					
Cash and cash equivalents	$ 259,954	$ 280,698	$ 89,291	$ 192,818	$ 52,195
Securities available-for-sale	1,327,442	871,827	142,067	168,875	162,272
Loans held for sale	4,214	12,394	5,933	2,972	2,353
Allowance for loan losses	48,365	33,709	12,232	11,454	8,498
Loans held for investment, net of allowance for loan losses	3,107,262	2,557,987	2,544,420	2,563,954	2,108,772
Goodwill and core deposit intangibles, net	69,344	47,658	156,339	153,437	115,645
Total assets	5,137,631	4,013,356	3,949,578	4,061,716	3,170,509
Total deposits	4,420,004	3,447,590	3,063,516	3,123,447	2,382,013
Total liabilities	4,367,000	3,605,707	3,471,518	3,605,775	2,796,365
Total stockholders' equity	500,631	407,649	478,060	455,941	374,144
Tangible common equity*	429,924	358,861	320,542	301,276	257,222
Performance Ratios					
Return on average assets (ROAA)	1.18%	-1.87%	0.64%	1.00%	0.84%
Return on average equity (ROAE)	11.75%	-16.14%	5.52%	8.52%	7.03%
Return on average tangible common equity (ROATCE)*	14.10%	-21.51%	9.22%	13.43%	9.81%
Yield on loans	4.77%	5.00%	5.73%	5.74%	5.43%
Cost of interest-bearing deposits	0.30%	0.66%	1.53%	1.15%	0.79%
Net interest margin	3.44%	3.63%	3.48%	3.81%	3.83%
Efficiency ratio*	63.01%	66.36%	65.45%	60.14%	61.39%
Non-interest income/average assets	0.74%	0.65%	0.63%	0.55%	0.63%
Non-interest expense/average assets	2.70%	5.23%	2.50%	2.62%	2.74%
Capital Ratios					
Tier 1 Leverage Ratio	9.09%	9.30%	9.02%	8.60%	10.33%
Common Equity Tier 1 Captial Ratio	12.03%	12.82%	11.63%	10.95%	11.53%
Tier 1 Risk Based Capital Ratio	12.67%	13.37%	12.15%	11.45%	12.14%
Total Risk Based Capital Ratio	15.96%	17.35%	12.59%	11.86%	12.51%
Equity/Assets	9.74%	10.16%	12.10%	11.23%	11.80%
Book value per common share	$ 29.84	$ 28.04	$ 30.95	$ 28.87	$ 25.62
Tangible book value per share*	$ 25.62	$ 24.68	$ 20.75	$ 19.08	$ 17.61
Tangible common equity to tangible assets*	8.48%	9.05%	8.45%	7.71%	8.42%

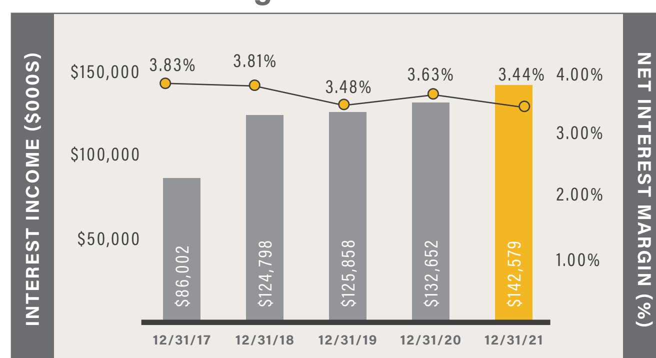
Tangible Book Value* & Tangible Common Equity*



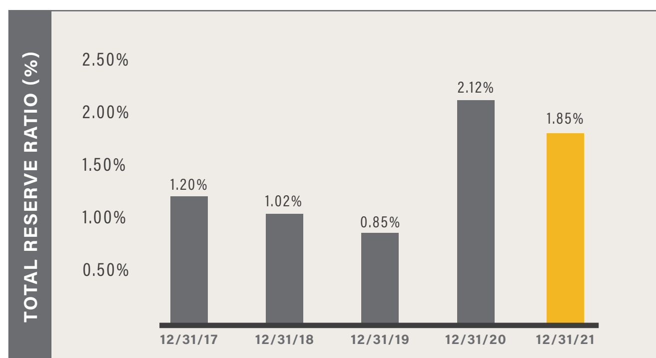
Pre-Tax, Pre-Provision Net Revenue*,**



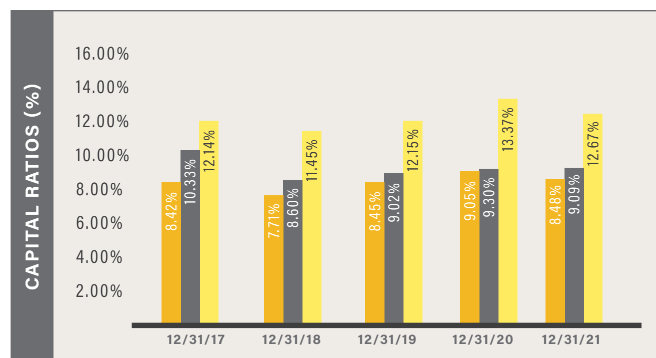
Net Interest Income & Net Interest Margin



Total Reserve Ratio***



Capital Ratios



Selected Financial Highlights on Page 6 and 7:

*Indicates non-GAAP financial measure. Please see our Annual Report on Form 10-K "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP Financial Measures" for reconciliation to the most directly comparable GAAP measure

**Adjusted Net Income Allocable to Common Stockholders, plus income tax and provision expense

*** Total Reserve is defined as Reserve for Loans Collectively Evaluated for Impairment plus Individual Impairment plus Reserve for Unfunded Commitment plus Loan Repurchase Obligations plus SOP 03-03 Purchase Discount

Board of Directors

Board of Directors, EQBK & Equity Bank

Brad S. Elliott
Chairman & CEO, Equity Bank

Gregory H. Kossover
Chief Operating Officer, Equity Bank

Gary C. Allerheiligen
CPA/Consultant, Retired

Junetta M. Everett
VP, Professional Relations, Delta Dental of KS, Retired

James L. Berglund
Retired President & CEO, Sunflower Bank

Benjamen M. Hutton
CEO, Hutton Construction

Leon H. "Lee" Borck
Former Chairman, American State Bancshares

Randee Renee Koger
Attorney & Partner, Wise & Reber L.C.

Kevin E. Cook
Former Partner, BKD, LLC

Jerry P. Maland
Retired Chairman & CEO, Community First Bancshares, Inc.

Gregory L. Gaeddert
Managing Partner, B12 Capital Partners, LLC

Shawn D. Penner
Owner, Shamrock Development, LLC

Board of Directors, Equity Bank

Craig L. Anderson
President, Equity Bank

Jeffrey A. Bloomer
President & COO, Sunrise Oilfield Supply

Dan R. Bowers
Attorney

Roger A. Buller
Retired SVP & Regional Manager, Benjamin F. Edwards & Co.

P. John Eck
Owner, AGV Corp., Eck Agency, Inc

Max E. Nichols
Former Director, American State Bancshares, Inc.

Douglas L. Thurman
Regional President, Equity Bank

Operations, Support & Quality Care

M. Drayton Alldritt	SVP, Capital Markets
Shannon L. Capps	SVP, Senior Compliance Officer
Ken L. Hessel	SVP, Treasury Director
Steven L. Howland	SVP, Regional Credit Officer, Community
Mark S. Janczewski	SVP, Director of Government Banking
Michael A. Jones	SVP, Internal Audit Director
J. Ben Morris	SVP, Health Care Services
Chris M. Navratil	SVP, Accounting, FP&A, IR Director
Robert E. Quaney	SVP, CAO & Accounting Policy Director
Jonathan K. Roop	SVP, Chief Deposit Strategy Officer
J. Matthew Brewer	VP, Corporate Training Manager
James R. Brunsell	VP, IT Director
Kristi M. Bueno	VP, Operational Risk & Compliance Manager
Beth A. Castillo	VP, Director of Deposit Operations
Kim K. Day	VP, Director of Loan Operations
Bart L. Drogon	VP, Sr. SBA Division Manager
Valerie J. DuCharme	VP, Retail Operations Manager
Stephen L. Fisher	VP, Senior Accountant
G. Ray Hill	VP, Health Care Services
Jeremy K. Lachenmaier	VP, Loan Review Director
Christian P. Lett	VP, Health Care Services
Ed J. Nazar	VP, Corporate Counsel
Jesse A. Nienke	VP, Director of Information Systems
June K. Pressnell	VP, Senior Credit Officer
Chris A. Raney	VP, BSA Compliance Officer
Jenny L. Simmons	VP, Director of Taxation

Trust & Wealth Management and Financial Services Group

Andrew J. Musgrave	SVP, Director of Trust Operations
Sandra J. Rice	VP, Financial Advisor
Jill K. Warren	VP, Registered Sales Assistant

Western Missouri

Greg L. Duran	SVP, Regional Retail Manager
Cheryl A. Barnson	President, Sedalia
W. Sue Hook	President, Warrensburg
Sterling L. Huff	SVP, Senior Lending Officer
David S. Rush	President, Higginsville
Joshua D. Sater	President, Warsaw
Rhonda R. Scott	President, Windsor
Ronald Barbosa	SVP, Commercial Loan Officer
Sean E. Farris	VP, Commercial Loan Officer
Eric A. Funk	VP, Commercial Loan Officer
Marcus T. Mateja	VP, Commercial Loan Officer
Stephanie G. Prather	VP, Bank Manager
Terry L. Thompson	Commercial & Ag Loan Officer
Gregory A. Warren	VP, Commercial Loan Officer

Equity Bank Leadership

Eric R. Newell
Chief Financial Officer

Julie A. Huber
EVP, Strategic Initiatives

Brett A. Reber
General Counsel

Tina M. Call
Chief Risk Officer

John G. Creech
Chief Credit Officer

E. Gregory Lawson
Chief Information Officer

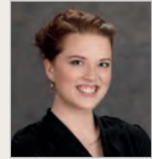
Mark C. Parman
Director of Metro Banking

Patrick J. Harbert
Community Markets President

John J. Hanley
Senior Marketing Director

Jeremy B. Allen
Chief Services Officer

Patrick L. Salmans
Human Resources Director



Kimberly A. Wallace
SVP, Organizational Development

Joshua J. Means
Regional President, W. Missouri, SE Kan., Northern OK

James B. "Brad" Daniel
Regional President, Ozark Mountain

Wichita

David A. King	Region President
Brian L. Chamberlin	SVP, Senior Lending Officer
David R. Schaefer	SVP, Commercial Lender
Angela M. Back	VP, Loan Officer
Andrew L. Chaney	VP, Commercial Loan Officer
Morgan L. Littell	VP, Business Aviation Loan Officer
Blake A. Yakel	VP, Commercial Loan Officer, Portfolio Management

Kansas City & Topeka

Jefferson A. Keyes	SVP, President
Sharon R. Holmes	VP, Regional Retail Manager
Michael H. Doyle	SVP, Commercial Loan Officer
Jason L. Pickerell	President, Topeka
J. Chris Ryan	SVP, Commercial Loan Officer
Ronan J. Sramek	SVP, Mortgage Manager
Kirby L. Coale	VP, Commercial Loan Officer
Alex L. Goodpaster	VP, Commercial Loan Officer
Larry W. Hillier	VP, Commercial Loan Officer
John P. Hovelsrud	VP, Commercial Loan Officer
Robert H. Markey	VP, Commercial Loan Officer
Justin N. Kelly	VP, Commercial Loan Officer
Todd M. Molz	VP, Mortgage Lending Supervisor
Brady M. Rodgers	VP, Commercial Loan Officer
Mark W. Steinman	VP, Commercial Loan Officer
Janet A. Thayer	VP, Bank Manager

Tulsa

Kimberly D. Edwards	VP, Bank Manager
Randall D. Goodwin	SVP, Commercial Loan Officer
R. Clint Jones	VP, Treasury Management Officer
E. Fontaine Still	SVP, Commercial Loan Officer

Southwest

Randall D. Graver	Regional President
Amada G. Alvidrez	SVP, Regional Retail Manager
Scarlette N. Diseker	SVP, Bank Manager
Jimmy D. LeGrange	President, Guymon
D. Clint Lively	President, Cordell
Michael J. Brond	VP, Commercial Loan Officer
Charles D. Payne	VP, Personal Banker
Tomas Reynaga-Luna	VP, Commercial Loan Officer
Tammy J. Slocum	SVP, Bank Manager

North & Central Kansas

J. Larry Britegam	Regional President
William E. "Trey" Mowery	President, Salina
Kathy K. Diehl	VP, Bank Manager, Loan Officer
Steve L. Tustin	VP, Senior Credit Analyst
Jim M. Koch	SVP, Loan Officer

Southeast Kansas

Trevor D. Dorsey	Regional President
Michael S. Green	President, Pittsburg
David D. "Dru" Livingston	VP, Commercial Loan Officer

Ozark Mountain

Amy R. Villines	VP, Regional Retail Manager
Jay B. Ertel	SVP, Commercial Lender
Justin V. Harris	SVP, Senior Lending Officer
Elizabeth S. Kelley	President, Eureka Springs
D. Craig Kesner	President, Berryville
Russell A. McConnell	President, Pea Ridge
Burnetta K. Chaney	VP, Mortgage Loan Originator
Janet D. David	Bank Manager
Connie K. Featherstone	VP, Commercial Loan Officer

Western Kansas

Levi D. Getz	Regional President
Greg L. Beougher	President, Hoxie
Glenn R. Brands	SVP, Insurance Officer
Shad B. Chandler	SVP, GSE Lending Officer
Dale F. Gottschalk	President, Hays
Steven L. Schoendaler	SVP, Commercial Loan Officer
Allen Weber	President, Ellis
John M. Griffiths	VP, Commercial Loan Officer
Clay P. Madden	VP, Commercial Loan Officer
Michael C. Mense	Commercial Loan Officer

Northern Oklahoma

Mary M. Austin	VP, Bank Manager
Dustin O. Fisher	SVP, Commercial Loan Officer
Darin A. Kirchenbauer	SVP, Commercial Loan Officer
Gary W. Scott	SVP, Commercial Loan Officer
Jeffrey G. MacKinnon	VP, Commercial Loan Officer

Equity Bancshares, Inc. Timeline

Scale: 2017–2021

2021

Issued first dividend in company history to EQBK shareholders

Merged with American State Bancshares, adding 15 locations to Equity Bank's Kansas presence. One of the largest transactions in Kansas banking history.

Added three locations in St. Joseph, Mo. to Missouri footprint.

Completed Environmental, Social and Governance report.

2020

National leader in Paycheck Protection and Main Street Lending programs. Opened new Kansas City main office. Added Almena State Bank to footprint. Completed $75 million subordinated debt issuance. Recorded goodwill adjustment in third quarter.

2019

Upgraded digital and mobile banking platforms with Q2, Austin, Tex. Completed acquisition of bank locations in Guymon and Cordell, Okla. Began EQBK stock repurchase program. Launched Equity Trust & Wealth Management.

2018

Completed mergers with First National Bank of Liberal/Hugoton, Adams Dairy Bank of Blue Springs, Mo. and City Bank and Trust, Guymon, Okla.

2017

Equity completes mergers with State Bank in Hoxie, KS; Eastman National Bank of Ponca City, OK, and Patriot Bank of Tulsa, OK.

St. Joseph, Missouri

Growth: 2008–2016

2016

Equity merges with Community First Bancshares, Inc. of Harrison, AR. Equity completes $35.4 million private placement.

2015

Equity enters Southeast Kansas, merges with First Independence Corporation. Equity completes IPO in November.

2014

Equity completes repayment of acquired TARP funds, repurchases 1.3 million shares, opens new Wichita bank office.

2012

Equity acquires First Community Bancshares, Inc. with 15 locations in Kansas & Missouri.

2011

Equity acquires four bank locations in Topeka, KS, from Citizens Bank & Trust.

2009

Equity opens two Overland Park locations, completes $20 million capital raise.

2008

Equity expands to Hays and Ellis, KS, acquiring Ellis State Bank; opens full-service bank in Lee's Summit, MO.

Augusta, Kansas

Start-Up: 2002–2007

2007

Equity merges with Signature Bancshares, Inc. in Spring Hill, Kansas.

2005

Equity expands into Wichita, acquiring two branches from Hillcrest Bank.

2002

Brad Elliott, current Chairman and CEO, founded Equity Bancshares, Inc.

Great Bend, Kansas

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2021

OR

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

For the transition period from _____ to _____

Commission File Number 001-37624

EQUITY BANCSHARES, INC.
(Exact name of registrant as specified in its charter)

Kansas	**72-1532188**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
7701 East Kellogg Drive, Suite 300 Wichita, KS	**67207**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 316.612.6000

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

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Class A Common Stock, par value $0.01 per share	**EQBK**	The Nasdaq **Stock Market LLC**

Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

As of June 30, 2021, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's voting and non-voting common stock held by non-affiliates was $412.1 million.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

	Shares outstanding as of February 28, 2022
Class A Common Stock, par value $0.01 per share	16,660,372
Class B Non-Voting Common Stock, par value $0.01 per share	0

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's Proxy Statement relating to the 2022 Annual Meeting of Stockholders, which will be filed within 120 days after December 31, 2021, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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Important Notice about Information in this Annual Report on Form 10-K

Unless we state otherwise or the context otherwise requires, references in this Annual Report on Form 10-K to "we," "our," "us," "the Company" and "Equity" refer to Equity Bancshares, Inc. and its consolidated subsidiaries, including Equity Bank, which we sometimes refer to as "Equity Bank," "the Bank" or "our Bank."

The information contained in this Annual Report on Form 10-K is accurate only as of the date of this annual report and as of the dates specified herein.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains "forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act")." These forward-looking statements reflect our current views with respect to, among other things, future events and our financial performance. These statements are often, but not always, made through the use of words or phrases such as "may," "should," "could," "predict," "potential," "believe," "will likely result," "expect," "continue," "will," "anticipate," "seek," "estimate," "intend," "plan," "project," "forecast," "goal," "target," "would" and "outlook," or the negative variations of those words or other comparable words of a future or forward-looking nature. These forward-looking statements are not historical facts and are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions and uncertainties that are difficult to predict. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements described in "Item 1A – Risk Factors" of this Annual Report on Form 10-K.

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

- external economic and/or market factors, such as changes in monetary and fiscal policies and laws, including the interest rate policies of the Board of Governors of the Federal Reserve System, or the Federal Reserve, inflation or deflation, changes in the demand for loans, and fluctuations in consumer spending, borrowing and savings habits which may have an adverse impact on our financial condition;
- losses resulting from a decline in the credit quality of the assets that we hold;
- the occurrence of various events that negatively impact the real estate market, since a significant portion of our loan portfolio is secured by real estate;
- inaccuracies or changes in the appraised value of real estate securing the loans we originate that could lead to losses if the real estate collateral is later foreclosed upon and sold at a price lower than the appraised value;
- the loss of our largest loan and depositor relationships;
- limitations on our ability to lend and to mitigate the risks associated with our lending activities as a result of our size and capital position;
- differences in our qualitative factors used in our calculation of the allowance for credit losses from actual results;
- inadequacies in our allowance for credit losses which could require us to take a charge to earnings and thereby adversely affect our financial condition;
- interest rate fluctuations which could have an adverse effect on our profitability;
- the impact of the transition from London Interbank Offered Rate ("LIBOR") and our ability to adequately manage such transition;
- a continued economic downturn related to the COVID-19 pandemic, especially one affecting our core market areas;
- inability of borrowers on deferral to make payments on their loans following the end of the deferral period;
- potential fraud related to Small Business Administration ("SBA") loan applications through the Paycheck Protection Program ("PPP") as part of the U.S. Coronavirus Aid, Relief and Economic Security Act ("CARES Act");
- the effects of pandemic and widespread public health emergencies;

- the costs of integrating the businesses we acquire, which may be greater than expected;
- the departure of key members of our management personnel or our inability to hire qualified management personnel;
- challenges arising from unsuccessful attempts to expand into new geographic markets, products, or services;
- a lack of liquidity resulting from decreased loan repayment rates, lower deposit balances, or other factors;
- inaccuracies in our assumptions about future events which could result in material differences between our financial projections and actual financial performance;
- an inability to keep pace with the rate of technological advances due to a lack of resources to invest in new technologies;
- disruptions, security breaches, or other adverse events, failures or interruptions in, or attacks on, our information technology systems;
- unauthorized access to nonpublic personal information of our customers, which could expose us to litigation or reputational harm;
- disruptions, security breaches, or other adverse events affecting the third-party vendors who perform several of our critical processing functions;
- required implementation of new accounting standards that significantly change our existing recognition practices;
- additional regulatory requirements and restrictions on our business, which could impose additional costs on us;
- an increase in FDIC deposit insurance assessments, which could adversely affect our earnings;
- increased capital requirements imposed by banking regulators, which may require us to raise capital at a time when capital is not available on favorable terms or at all;
- restraints on the ability of Equity Bank to pay dividends to us, which could limit our liquidity;
- a failure in the internal controls we have implemented to address the risks inherent to the banking industry;
- continued or increasing competition from other financial institutions, credit unions, and non-bank financial services companies, many of which are subject to different regulations than we are;
- costs arising from the environmental risks associated with making loans secured by real estate;
- the occurrence of adverse weather or manmade events, which could negatively affect our core markets or disrupt our operations;
- the effects of new federal tax laws, or changes to existing federal tax laws;
- the obligation associated with being a public company requires significant resources and management attention;
- the findings from our investigations into the cyber-attack we suffered in November 2021, including our understanding of the nature, source and duration of the attack, indicate that our products and internal systems are secure and the success of our related mitigation and remediation efforts; and
- other factors that are discussed in "Item 1A – Risk Factors."

The foregoing factors should not be construed as exhaustive and should be read in conjunction with other cautionary statements that are included in this Annual Report on Form 10-K. If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date when it is made and we do not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. New risks and uncertainties arise from time to time and it is not possible for us to predict those events or how they may affect us. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. All forward-looking statements, expressed or implied, included in this Annual Report on Form 10-K are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue.

Part I

Item 1: Business

Our Company

We are a bank holding company headquartered in Wichita, Kansas. Our wholly-owned banking subsidiary, Equity Bank, provides a broad range of financial services primarily to businesses and business owners as well as individuals through our network of 69 branches located in Arkansas, Kansas, Missouri and Oklahoma, as of December 31, 2021. As of December 31, 2021, we had, on a consolidated basis, total assets of $5.14 billion, total deposits of $4.42 billion, total loans (net of allowances) of $3.11 billion and total stockholders' equity of $500.6 million.

Our principal objective is to increase stockholder value and generate consistent earnings growth by expanding our commercial banking franchise both organically and through strategic acquisitions. We strive to provide an enhanced banking experience for our customers by providing them with a comprehensive suite of sophisticated banking products and services tailored to meet their needs while delivering the high-quality relationship-based customer service of a community bank.

Our History and Growth

We were founded in November 2002 by our Chairman and CEO, Brad S. Elliott. Mr. Elliott believed that, as a result of in-market consolidation, there existed an opportunity to build an attractive commercial banking franchise and create long-term value for our stockholders. Following thirteen years' experience as a finance executive, including serving as a Regional President for a Kansas bank with over $1.0 billion in assets, Mr. Elliott implemented his banking vision of developing a strategic consolidator of community banks and a destination for seasoned bankers and businesspersons who share our entrepreneurial spirit. In 2003, we raised capital from 23 local investors to finance the acquisition of National Bank of Andover in Andover, Kansas.

We believe we have a successful track record of selectively acquiring, integrating and consolidating community banks and branch networks. Our acquisition activity includes the following transactions.

- ***June 2003*** – Acquired National Bank of Andover in Andover, Kansas for $3 million. At the time of our acquisition, National Bank of Andover had $32 million in total assets.
- ***February 2005*** – Acquired two branches of Hillcrest Bank, N.A. in Wichita, Kansas, which increased our deposits by $66 million. In conjunction with this acquisition, we relocated our headquarters to our current principal executive offices in Wichita.
- ***June 2006*** – Acquired the Mortgage Centre of Wichita and integrated it into our Bank as a department to expand our mortgage loan platform.
- ***October 2006*** – Acquired a Missouri charter from First National Bank in Sarcoxie, Missouri, which allowed us to subsequently open a full-service branch in Lee's Summit, Missouri in 2007.
- ***November 2007*** – Acquired Signature Bancshares, Inc. in Spring Hill, Kansas, which provided us entry into the Overland Park, Kansas market.
- ***August 2008*** – Acquired Ellis State Bank with locations in Ellis and Hays, Kansas.
- ***December 2011*** – Acquired four branches of Citizens Bank and Trust in Topeka, Kansas, which increased our deposits by $110 million.
- ***October 2012*** – Acquired First Community Bancshares, Inc. in Overland Park, Kansas, which increased our deposits by approximately $515 million. At the time of acquisition, First Community had total assets of approximately $595 million, which significantly increased our total asset size and provided us with ten additional branches in Western Missouri and five additional branches in Kansas City.
- ***October 2015*** – Acquired First Independence Corporation of Independence, the registered savings and loan holding company for First Federal Savings & Loan of Independence, based in Independence, Kansas. First Independence operated four full-service branches in Southeastern Kansas. At the time of acquisition, First Independence had consolidated total assets of $135.0 million, total deposits of $87.1 million and total loans of $89.9 million.
- ***November 2016*** – Acquired Community First Bancshares, Inc. in Harrison, Arkansas, which increased our deposits by $375.4 million. At the time of acquisition, Community First had total assets of $462.9 million and five locations in Arkansas.
- ***March 2017*** **–** Acquired Prairie State Bancshares, Inc. ("Prairie") in Hoxie, Kansas, which increased our deposits by $125.4 million and our total assets by $153.1 million. The merger added three locations in western Kansas.

- ***November 2017*** – Acquired Eastman National Bancshares, Inc. ("Eastman"), which had a total of four branches in Ponca City and Newkirk, Oklahoma. The acquisition increased our deposits by $224.1 million, our loans by $177.9 million and our total assets by $281.5 million. In addition, at the same time, we acquired Cache Holdings, Inc. ("Cache") in Tulsa, Oklahoma. Cache was the holding company for Patriot Bank and had one branch in Tulsa. The acquisition of Cache added $278.7 million in deposits, $300.7 million in loans and $343.4 in total assets.
- ***May 2018*** – Acquired Kansas Bank Corporation ("KBC"), which had a total of five branches in Liberal and Hugoton, Kansas. The acquisition increased our deposits by $288.4 million, our loans by $159.4 million and our total assets by $336.1 million. On the same day we acquired Adams Dairy Bancshares, Inc. ("Adams"), which had one branch located in Blue Springs, Missouri. The acquisition of Adams added $97.1 million in deposits, $82.7 million in loans and $119.8 million in total assets.
- ***August 2018*** – Acquired City Bank and Trust Company ("City Bank"), with one branch in Guymon, Oklahoma, from Docking Bancshares, Inc. This acquisition increased our deposits by $126.9 million, our loans by $77.1 million and our total assets by $163.3 million.
- ***February 2019*** – Acquired the assets and assumed the deposits and certain other liabilities of two branch locations in Guymon, Oklahoma and one branch location in Cordell, Oklahoma, from MidFirst Bank based in Oklahoma City, Oklahoma. This acquisition increased our deposits by $98.5 million, our loans by $6.5 million and our total assets by $98.6 million.
- ***October 2020*** – Purchased the assets and assumed the deposits of one branch location in Norton, Kansas, and one branch location in Almena, Kansas, from Almena State Bank ("Almena") facilitated by the Federal Deposit Insurance Corporation ("FDIC"). This purchase increased our deposits by $62.5 million, our loans by $31.4 million and our total assets by $66.9 million.
- ***October 2021*** – Acquired American State Bancshares, Inc. ("ASBI"), which had a total of seventeen branches in Kansas. The acquisition increased our deposits by $668.8 million, our loans by $441.9 million and our total assets by $777.6 million.
- ***December 2021*** – Purchased the assets and assumed the deposits of three Security Bank of Kansas City ("Security") branch locations in St. Joseph, Missouri, from Valley View Financial Co. of Overland Park, Kansas. The purchase increased our deposits by $75.1 million, our loans by $1.4 million and our total assets by $75.8 million.

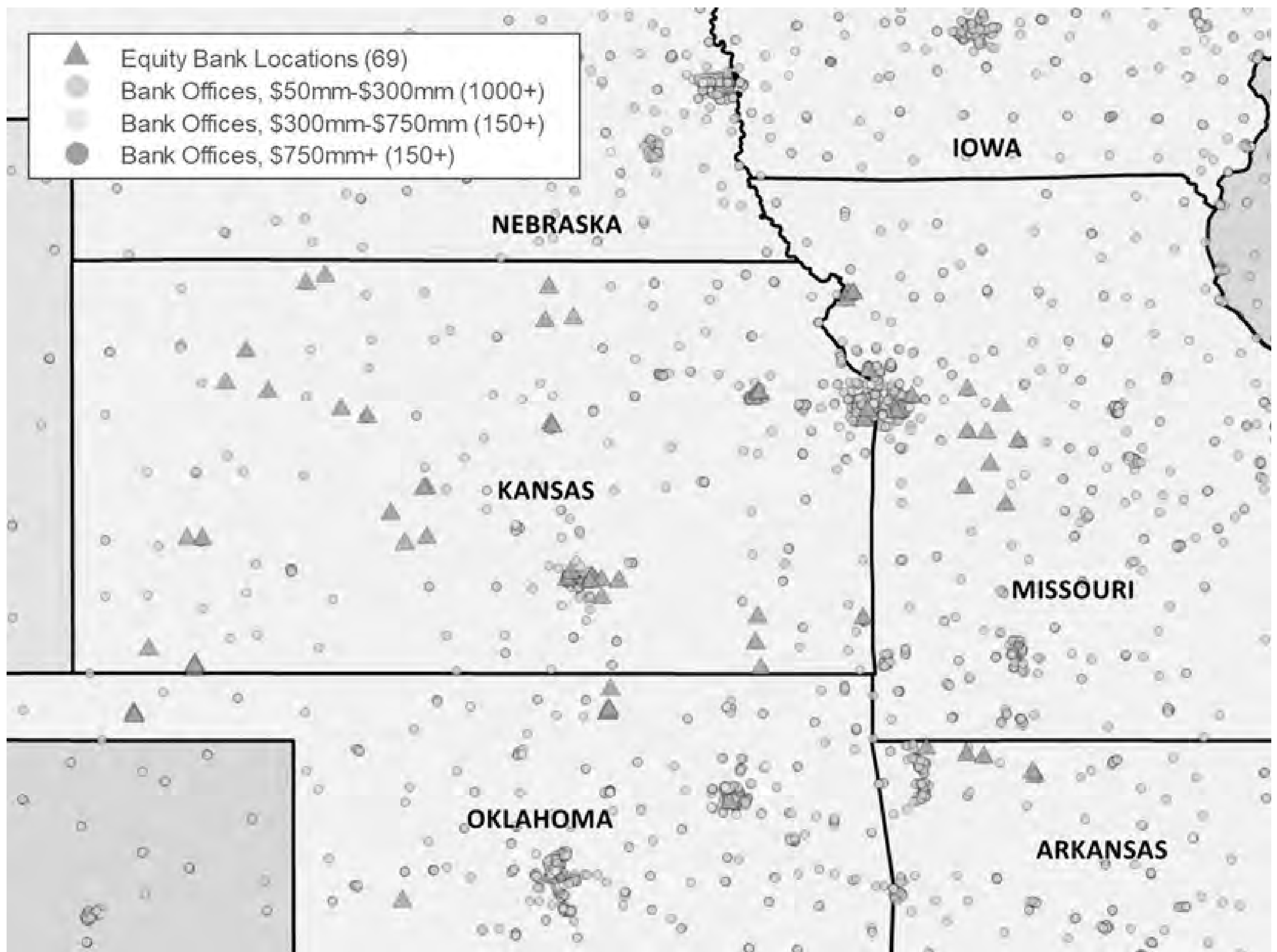
In conjunction with our strategic acquisition growth, we strive to reposition and improve the loan portfolio and deposit mix of the banks we acquire. Following our acquisitions, we focus on identifying and disposing of problematic loans and replacing them with higher quality loans generated organically. In addition, we focus on growth in our commercial loan portfolio primarily by hiring additional talented bankers, particularly in our metropolitan markets, and incentivizing our bankers to expand their commercial banking relationships. We also seek to increase our most attractive deposit accounts, primarily by growing deposits in our community markets and cross selling our depository products to our loan customers.

As a result of these strategic and organic growth efforts, we have expanded our team of full-time equivalent employees from 19 to 702 and our network of branches from two to 69. We believe that we are well positioned to continue to be a strategic consolidator of community banks while maintaining our history of attracting experienced and entrepreneurial bankers and organically growing our loans and deposits.

Our Strategies

We believe we are a leading provider of commercial and personal banking services to businesses and business owners as well as individuals in our targeted Midwestern markets. Our strategy is to continue strategically consolidating community banks within such markets and maintaining our organic growth, while preserving our asset quality through disciplined lending practices.

- ***Strategic Consolidation of Community Banks.*** We believe our strategy of selectively acquiring and integrating community banks has provided us with economies of scale and improved our overall franchise efficiency. We expect to continue to pursue strategic acquisitions and believe our targeted market areas present us with many and varied acquisition opportunities. The following map illustrates the headquarters of potential acquisition opportunities broken out by asset size between $50.0 million and $1.5 billion within our target footprint.



We believe many of these banks will continue to be burdened by new and more complex banking regulations, resource constraints, competitive limitations, rising technological and other business costs, management succession issues and liquidity concerns.

Despite the significant number of opportunities, we intend to continue to employ a disciplined approach to our acquisition strategy and only seek to identify and partner with financial institutions that possess attractive market share, low-cost deposit funding and compelling noninterest income-generating businesses. We believe consolidation will lead to organic growth opportunities for us following the integration of businesses we acquire. We also expect to continue to manage our branch network in order to ensure effective coverage for customers while minimizing any geographic overlap and driving corporate efficiency.

- ***Enhance the Performance of the Banks We Acquire.*** We strive to successfully integrate the banks we acquire into our existing operational platform and enhance stockholder value through the creation of efficiencies within the combined operations. As a result of our acquisition history, we believe we have developed an experienced approach to integration that seeks to identify and execute on such synergies, particularly in the areas of technology, data processing, compliance and human resources, while generating earnings growth. We believe that our experience and reputation as a successful integrator and acquirer will allow us to continue to capitalize on additional opportunities within our markets in the future.
- ***Focus on Lending Growth in Our Metropolitan Markets While Increasing Deposits in Our Community Markets***. We are focused on continuing to grow organically and believe the markets in which we operate currently provide meaningful opportunities to expand our commercial customer base and increase our current market share. We believe our branch network is strategically split between growing metropolitan markets, such as Kansas City, Wichita and Tulsa, and stable community markets within Western Kansas, Western Missouri, Topeka, Northern Arkansas and Northern Oklahoma. We believe this diverse geographic footprint provides us with access to low cost, stable core deposits in community markets that we can use to fund commercial loan growth in our metropolitan markets. The following table shows our total deposits and loans (net of allowances) in our community markets and our metropolitan markets as of December 31, 2021, which we believe illustrates our execution of this strategy.

	Deposits		Loans	
	Amount[(1)]	Overall %	Amount[(1)]	Overall %
Metropolitan markets[(2)]	$ 1,441,634	33%	$ 1,953,142	62%
Community markets[(3)]	$ 2,978,369	67%	$ 1,202,485	38%

(1)Amounts in thousands.
(2)Represents 15 locations in the Wichita, Kansas City and Tulsa metropolitan statistical areas ("MSAs").
(3)Represents 54 locations outside of the Wichita, Kansas City and Tulsa MSAs.

Our team of seasoned bankers represents an important driver of our organic growth by expanding banking relationships with current and potential customers. We expect to continue to make opportunistic hires of talented and entrepreneurial bankers, particularly in our metropolitan markets, to further augment our growth. Our bankers are incentivized to increase the size of their loan and deposit portfolios and generate fee income while maintaining strong credit quality. We also seek to cross-sell our various banking products, including our deposit and treasury wealth management products, to our commercial loan customers, which we believe provides a basis for expanding our banking relationships as well as a stable, low-cost deposit base. We have built a scalable platform that will support this continued organic growth.

- ***Preserve Our Asset Quality Through Disciplined Lending Practices***. Our approach to credit management uses well-defined policies and procedures, disciplined underwriting criteria and ongoing risk management. We are a competitive and effective commercial and industrial lender, supplementing ongoing and active loan servicing with early-stage credit review provided by our bankers. This approach has allowed us to maintain loan growth with a diversified portfolio of high-quality assets. We believe our credit culture supports accountable bankers who maintain an ability to expand our customer base as well as make sound decisions for our Company. We believe our success in managing asset quality is illustrated by our aggregate net charge-off history.

Our Competitive Strengths

We believe the following competitive strengths will allow us to continue to achieve our principal objective of increasing stockholder value and generating consistent earnings growth through the organic and strategic expansion of our commercial banking franchise.

- ***Experienced Leadership and Management Team***. Our seasoned and experienced executive management team, senior leaders and board of directors have exhibited the ability to deliver stockholder value by consistently growing profitably while expanding our commercial banking franchise through acquisition and integration. Our executive management team has, on average, more than twenty years of experience working for large, up to ten billion-dollar financial institutions in our markets during various economic cycles along with significant merger and acquisition experience in the financial services industry. Our executive management team has instilled a transparent and entrepreneurial culture that rewards leadership, innovation and problem solving.
- ***Focus on Commercial Banking***. We are primarily a commercial bank. As measured by outstanding balances at December 31, 2021, commercial loans composed over 65.1% of our loan portfolio and within our commercial loan portfolio, 72.4% of such loans were commercial real estate loans and 27.6% were commercial and industrial loans. We have developed strong commercial relationships in our markets across a diversified range of sectors including key areas supporting regional and local economic activity and growth, such as manufacturing, freight/transportation, consumer services, franchising and commercial real estate. We have also been successful in attracting customers from larger competitors because of our flexible and responsive approach in providing banking solutions tailored to meet our customers' needs while maintaining disciplined underwriting standards. Our relationship-based approach seeks to grow lending relationships with our customers as they expand their businesses, including geographically and through cross-selling our various other banking products, such as our deposit and treasury management products. We have a growing presence in attractive commercial banking markets, such as Wichita, Kansas City and Tulsa, which we believe present significant opportunities to continue to increase our business banking activities.
- ***Our Ability to Consolidate***. Our branches are strategically located within metropolitan markets, Kansas City, Tulsa and Wichita, as well as stable community markets that present opportunities to expand our market share. Our executive management team has identified significant acquisition and consolidation opportunities ranging from small to large community banking institutions. These opportunities can include branch-only acquisitions as well. We believe our track record of strategic acquisitions and effective integrations, combined with our expertise in our markets and scalable platform, will allow us to capitalize on these growth opportunities.
- ***Disciplined Acquisition Approach***. Our disciplined approach to acquisitions, consolidations and integrations includes the following: (i) selectively acquiring community banking franchises only at appropriate valuations, after taking into account risks that we perceive with respect to the targeted bank; (ii) completing comprehensive due diligence and developing an

appropriate plan to address any legacy credit problems of the targeted institution; (iii) identifying an achievable cost savings estimate and holding our management accountable for achieving such estimates; (iv) executing definitive acquisition agreements that we believe provide adequate protections to us; (v) installing our credit procedures, audit and risk management policies and procedures and compliance standards upon consummation of the acquisition; (vi) collaborating with the target's management team to execute on synergies and cost saving opportunities related to the acquisition; (vii) involving a broader management team across multiple departments in order to help ensure the successful integration of all business functions; and (viii) scheduling the acquisition closing date to occur simultaneously with the platform conversion date. We believe this approach allows us to realize the benefits of the acquisition and create stockholder value while appropriately managing risk.

- ***Efficient and Scalable Platform with Capacity to Support Our Growth***. Through significant investments in technology and staff, our management team has built an efficient and scalable corporate infrastructure within our commercial banking franchise, including in the areas of banking processes, technology, data processing, underwriting, risk management and internal audit, which we believe will support our continued growth. While expanding our infrastructure, several departmental functions have been outsourced to gain the experience of outside professionals while at the same time achieving more favorable economics and cost-effective solutions. Such outsourced areas include specific internal audit functions and select loan review. This outsourcing strategy has proven to control costs while adding enhanced controls and/or service levels. We believe that this scalable infrastructure will continue to allow us to efficiently and effectively manage our anticipated growth.
- ***Culture Committed to Talent Development, Transparency and Accountability***. We have invested in professional talent since our inception by building a team of "businesspersons first and bankers second" and economically aligned them with our stockholders, primarily through our stock purchase opportunities. In our efforts to become a destination for seasoned bankers with an entrepreneurial spirit, we have developed numerous leadership development programs. For example, "Equity University" is a year-long program we designed for our promising company-wide leaders. We believe our well-trained and motivated professionals work most effectively in a corporate environment that emphasizes transparency, respect, innovation and accountability. Our culture provides our professionals with the empowerment to better serve our clients and our communities.
- ***Sophisticated and Customized Banking Products with High-Quality Customer Service***. We strive to offer our customers the sophisticated commercial banking products of large financial institutions with the personalized service of a community bank. Our management team's significant banking and lending experience in our markets has provided us with an understanding of the commercial banking needs of our customers that allows us to tailor our products and services to meet our customers' needs. In addition to offering a diverse array of banking products and services, we offer our customers the high-touch, relationship-based customer service experience of a community bank. For example, we utilize Equity Connect, a customized customer relationship management system, to assign relationship officers to enhance relationships with our customers and identify and meet their particular needs.
- ***Strong Risk Management Practices***. We place significant emphasis on risk management as an integral component of our organizational culture without sacrificing growth. We believe our comprehensive risk management system is designed to make sure that we have sound policies, procedures and practices for the management of key risks under our risk framework (which includes market, operational, liquidity, interest rate sensitivity, credit, insurance, regulatory, legal and reputational risk) and that any exceptions are reported by senior management to our board of directors or audit committee. Our risk management practices are overseen by the Chairmen of our audit and risk committees, who have many years of combined banking experience, and our Chief Risk Officer, who has more than 30 years of banking experience. We believe that our enterprise risk management philosophy has been important in gaining and maintaining the confidence of our various constituencies and growing our business and footprint within our markets. We also believe our strong risk management practices are manifested in our asset quality statistics.

2021 Acquisitions

At close of business on October 1, 2021, we completed our acquisition of ASBI pursuant to the terms of the Agreement and Plan of Reorganization, dated July 19, 2021, by and between the Company, Greyhound Merger Sub, Inc., a wholly-owned subsidiary of the Company ("Greyhound Merger Sub"), and ASBI (the ASBI Merger Agreement"). At the effective time of the merger (the "ASBI Effective Time"), Greyhound Merger Sub merged with and into ASBI, with ASBI surviving the merger as a wholly-owned subsidiary of the Company. Following the ASBI Effective Time, ASBI merged with and into the Company, with the Company surviving the merger. Subsequently, American State Bank and Trust, ASBI's wholly-owned banking subsidiary, merged into Equity Bank, with Equity Bank surviving the merger. Pursuant to the ASBI Merger Agreement, at the ASBI Effective Time the Company issued an aggregate of 2,485,983 shares of its Class A common stock and paid $8.4 million in cash to the stockholders of ASBI as consideration under the terms of the ASBI Merger Agreement.

On December 6, 2021, we completed our acquisition of three branch locations from Security Bank of Kansas City pursuant to a Branch Purchase and Assumption Agreement, dated July 19, 2021 (the Security Bank agreement), between Equity Bank and Security Bank of Kansas City. Pursuant to the Security Bank Agreement, Equity Bank assumed the deposits and certain other liabilities and acquired the loans and certain other assets associated with the three branch locations.

On October 23, 2020, we completed our purchase of two bank locations from Almena State Bank, facilitated by the FDIC. Pursuant to the purchase, Equity Bank assumed the deposits and acquired the loans and certain other assets associated with the two bank locations.

Our Banking Services

A general description of the range of commercial banking products and other services we offer follows.

Lending Activities

We offer a variety of loans, including commercial and industrial, commercial real estate-backed loans (including loans secured by owner occupied commercial properties), commercial lines of credit, working capital loans, term loans, equipment financing, acquisition, expansion and development loans, borrowing base loans, real estate construction loans, homebuilder loans, agricultural, government guaranteed loans, letters of credit and other loan products to national and regional companies, restaurant franchisees, hoteliers, real estate developers, manufacturing and industrial companies, agribusiness companies and other businesses. We also offer various consumer loans to individuals and professionals including residential real estate loans, home equity loans, home equity lines of credit ("HELOCs"), installment loans, unsecured and secured personal lines of credit, overdraft protection and letters of credit. Lending activities originate from the relationships and efforts of our bankers, with an emphasis on providing banking solutions tailored to meet our customers' needs while maintaining our underwriting standards.

At December 31, 2021, we had total loans of $3.11 billion (net of allowances), representing 60.5% of our total assets. For additional information concerning our loan portfolio, see "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition – Loan Portfolio."

Concentrations of Credit Risk. Most of our lending activity is conducted with businesses and individuals in metropolitan Kansas City, Tulsa and Wichita. Our loan portfolio consists primarily of commercial real estate loans, which were $1.49 billion and constituted 47.1% of our total loans as of December 31, 2021, commercial and industrial loans, which were $567.5 million and constituted 18% of our total loans as of December 31, 2021, and residential real estate loans, which were $638.1 million and constituted 20.2% of our total loans as of December 31, 2021. Our commercial real estate loans are generally secured by first liens on real property. The remaining commercial and industrial loans are typically secured by general business assets, accounts receivable, inventory and/or the corporate guaranty of the borrower and/or personal guaranty of its principals. The geographic concentration subjects the loan portfolio to the general economic conditions within Arkansas, Kansas, Missouri and Oklahoma. The risks created by such concentrations have been considered by management in the determination of the adequacy of the allowance for credit losses. Management believes the allowance for credit losses is adequate to cover incurred losses in our loan portfolio as of December 31, 2021.

Sound risk management practices and appropriate levels of capital are essential elements of a sound commercial real estate lending program. Concentrations of commercial real estate exposures add a dimension of risk that compounds the risk inherent in individual loans. Interagency guidance on commercial real estate concentrations describe sound risk management practices which include board and management oversight, portfolio management, management information systems, market analysis, portfolio stress testing and sensitivity analysis, credit underwriting standards and credit risk review functions. Management believes these practices allow us to appropriately monitor concentrations in commercial real estate in our loan portfolio.

Large Credit Relationships. As of December 31, 2021, the aggregate amount of loans to our ten largest borrowers (including related entities) amounted to approximately $306.2 million, or 9.7% of total loans. See "Item 1A – Risk Factors – Risks Related to Our Business – Our largest loan relationships currently make up a material percentage of our total loan portfolio."

Loan Underwriting and Approval. Historically, we believe we have made sound, high quality loans while recognizing that lending money involves a degree of business risk. We have loan policies designed to assist us in managing this business risk. These policies provide a general framework for our loan origination, monitoring and funding activities, while recognizing that not all risks can be anticipated. Our board of directors delegates loan authority up to board-approved hold limits collectively to our Directors' credit committee, which is comprised of members of our board of directors. Our board of directors also delegates limited lending authority to our internal loan committee, which is comprised of members of our executive management team. In addition, our board of directors also delegates more limited lending authority to our Chief Executive Officer, Chief Operating Officer, Chief Credit Officer, credit risk

personnel and, on a further limited basis, to selected lending managers in each of our target markets. Lending officers and relationship managers, including our bankers, have further limited individual loan authority. When the total relationship exceeds an individual's loan authority, a higher authority or credit committee approval is required. The objective of our approval process is to provide a disciplined, collaborative approach to larger credits while maintaining responsiveness to client needs.

Loan decisions are documented as to the borrower's business, purpose of the loan, evaluation of the repayment source and associated risks, evaluation of collateral, covenants and monitoring requirements and the risk rating rationale. Our strategy for approving or disapproving loans is to follow conservative loan policies and consistent underwriting practices which include:

- maintaining close relationships among our customers and their designated banker to ensure ongoing credit monitoring and loan servicing;
- granting credit on a sound basis with full knowledge of the purpose and source of repayment for such credit;
- ensuring that primary and secondary sources of repayment are adequate in relation to the amount of the loan;
- developing and maintaining targeted levels of diversification for our loan portfolio as a whole and for loans within each category; and
- ensuring that each loan is properly documented and that any insurance coverage requirements are satisfied.

Managing credit risk is a Company-wide process. Our strategy for credit risk management includes well-defined, centralized credit policies, uniform underwriting criteria and ongoing risk monitoring and review processes for all credit exposures. Our processes emphasize early-stage review of loans, regular credit evaluations and management reviews of loans, which supplement the ongoing and proactive credit monitoring and loan servicing provided by our bankers. Our Chief Credit Officer provides Company-wide credit oversight and periodically reviews all credit risk portfolios to ensure that the risk identification processes are functioning properly and that our credit standards are followed. In addition, a third-party loan review is performed to assist in the identification of problem assets and to confirm our internal risk rating of loans. We attempt to identify potential problem loans early in an effort to seek aggressive resolution of these situations before the loans become a loss, record any necessary charge-offs promptly and maintain adequate allowance levels for probable credit losses incurred in the loan portfolio.

Our loan policies generally include other underwriting guidelines for loans collateralized by real estate. These underwriting standards are designed to determine the maximum loan amount that a borrower has the capacity to repay based upon the type of collateral securing the loan and the borrower's income. Such loan policies include maximum amortization schedules and loan terms for each category of loans collateralized by liens on real estate.

In addition, our loan policies provide guidelines for personal guarantees; an environmental review; loans to employees, executive officers and directors; problem loan identification; maintenance of an adequate allowance for credit losses and other matters relating to lending practices.

Lending Limits. Our lending activities are subject to a variety of lending limits imposed by federal and state law. In general, the Bank is subject to a legal lending limit on loans to a single borrower based on the Bank's capital level. The dollar amounts of the Bank's lending limit increases or decreases as the Bank's capital increases or decreases. The Bank is able to sell participations in its larger loans to other financial institutions, which allows it to manage the risk involved in these loans and to meet the lending needs of its customers requiring extensions of credit in excess of these limits.

The Bank's legal lending limit as of December 31, 2021, on loans to a single borrower was $136.6 million. However, we typically maintain an in-house limit of $25.0 million for loans to a single borrower. We have strict policies and procedures in place for the establishment of hold limits with respect to specific products and businesses and evaluating exceptions to the hold limits for individual relationships.

Our loan policies provide general guidelines for loan-to-value ratios that restrict the size of loans to a maximum percentage of the value of the collateral securing the loans, which percentage varies by the type of collateral. Our internal loan-to-value limitations follow limits established by applicable law.

Loan Types. We provide a variety of loans to meet our customers' needs. The section below discusses our general loan categories.

<u>Commercial and Industrial Loans</u>. We make commercial and industrial loans, including commercial lines of credit, working capital loans, term loans, equipment financing, aircraft financing, acquisition, expansion and development loans, borrowing base loans, government guaranteed loans, letters of credit and other loan products, primarily in our target markets that are underwritten on the basis of the borrower's ability to service the debt from income. We take as collateral a lien on general business assets including, among other things, available real estate, accounts receivable, inventory and equipment and generally obtain a personal guaranty of

the borrower or principal. Our commercial and industrial loans generally have variable interest rates and terms that typically range from one to five years depending on factors such as the type and size of the loan, the financial strength of the borrower/guarantor and the age, type and value of the collateral. Fixed rate commercial and industrial loan maturities are generally short-term, with three to five-year maturities, or include periodic interest rate resets. Terms greater than five years may be appropriate in some circumstances based upon the useful life of the underlying asset being financed or if some form of credit enhancement, such as a government guarantee is obtained.

We also participate in syndicated loans (loans made by a group of lenders, including us, who share or participate in a specific loan) with a larger regional financial institution as the lead lender. Syndicated loans are typically made to large businesses (which are referred to as shared national credits) or middle market companies (which do not meet the regulatory definition of shared national credits), both of which are secured by business assets or equipment, and also commercial real estate. The syndicate group for both types of loans usually consists of two to three other financial institutions. In particular, we frequently work with a large regional financial institution, which is often the lead lender with respect to these loans. We have developed this portfolio to diversify our balance sheet, increase our yield and mitigate interest rate risk due to the variable rate pricing structure of the loans. We have a defined set of credit guidelines that we use when evaluating these credits. Although other large financial institutions are the lead lenders on these loans, our credit department does its own independent review of these loans and the approval process of these loans is consistent with our underwriting of loans and our lending policies. We expect to continue our syndicated lending program for the foreseeable future.

In general, commercial and industrial loans may involve increased credit risk and, therefore, typically yield a higher return. The increased risk in commercial and industrial loans derives from the expectation that such loans generally are serviced principally from the operations of the business and those operations may not be successful. Any interruption or discontinuance of operating cash flows from the business, which may be influenced by events not under the control of the borrower such as economic events and changes in governmental regulations, could materially affect the ability of the borrower to repay the loan. In addition, the collateral securing commercial and industrial loans generally includes moveable property such as equipment and inventory, which may decline in value more rapidly than we anticipate exposing us to increased credit risk. As a result of these additional complexities, variables and risks, commercial and industrial loans require extensive underwriting and servicing.

Commercial Real Estate Loans. We make commercial mortgage loans collateralized by real estate, which may be owner occupied or non-owner-occupied real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment is dependent, in large part, on sufficient income from the properties securing the loans to cover operating expenses and debt service. We require our commercial real estate loans to be secured by well-managed property with adequate margins and generally obtain a guarantee from responsible parties. Our commercial mortgage loans generally are collateralized by first liens on real estate, have variable or fixed interest rates and amortize over a 10 to 20-year period with balloon payments or rate adjustments due at the end of three to seven years. Periodically, we will utilize an interest rate swap to hedge against long term fixed rate exposures. Commercial mortgage loans considered for interest rate swap hedging typically have terms of greater than five years.

Payments on loans secured by such properties are often dependent on the successful operation (in the case of owner-occupied real estate) or management (in the case of non-owner-occupied real estate) of the properties. Accordingly, repayment of these loans may be subject to adverse conditions in the real estate market or the economy to a greater extent than other types of loans. In underwriting commercial real estate loans, we seek to minimize these risks in a variety of ways, including giving careful consideration to the property's age, condition, operating history, future operating projections, current and projected market rental rates, vacancy rates, location and physical condition. The underwriting analysis also may include credit verification, reviews of appraisals, environmental hazards or reports, the borrower's liquidity and leverage, management experience of the owners or principals, economic condition and industry trends.

We also make loans to finance the construction of residential and non-residential properties. Construction loans generally are collateralized by first liens on real estate and have floating interest rates. We conduct periodic inspections, either directly or through an agent, prior to approval of periodic draws on these loans. Underwriting guidelines similar to those described above are also used in our construction lending activities. Our construction loans have terms that typically range from six months to two years depending on factors such as the type and size of the development and the financial strength of the borrower/guarantor. Loans are typically structured with an interest only construction period. Loans are underwritten to either mature at the completion of construction, or transition to a traditional amortizing commercial real estate facility at the completion of construction, in line with other commercial real estate loans held at the bank.

Construction loans generally involve additional risks attributable to the fact that loan funds are advanced upon the security of a project under construction, and the project is of uncertain value prior to its completion. Because of uncertainties inherent in estimating construction costs, the market value of the completed project and the effects of governmental regulation on real property, it can be difficult to accurately evaluate the total funds required to complete a project and the related loan-to-value ratio. As a result of these uncertainties, construction lending often involves the disbursement of substantial funds with repayment dependent, in part, on the

success of the ultimate project rather than the ability of a borrower or guarantor to repay the loan. If we are forced to foreclose on a project prior to completion, there is no assurance that we will be able to recover the entire unpaid portion of the loan. In addition, we may be required to fund additional amounts to complete a project and it may be necessary to hold the property for an indeterminate period of time subject to the regulatory limitations imposed by local, state or federal laws.

1 – 4 Family Residential Mortgages. We make residential real estate loans collateralized by owner-occupied properties located in our market areas. We offer a variety of mortgage loan products with amortization periods up to 30 years including traditional 30-year fixed loans and various adjustable rate mortgages. Typically, loans with a fixed interest rate of greater than 10 years are held for sale and sold on the secondary market and adjustable rate mortgages are held for investment. Loans collateralized by one-to-four family residential real estate generally are originated in amounts of no more than 80% of appraised value. Home equity loans and HELOCs are generally limited to a combined loan-to-value ratio of 80%, including the subordinate lien. We retain a valid lien on real estate, obtain a title insurance policy that ensures that the property is free from encumbrances and require hazard insurance.

From time to time we have purchased pools of residential mortgages originated by other financial institutions to hold for investment with the intent to diversify our residential mortgage loan portfolio and increase our yield. These loans purchased typically have an adjustable rate with a fixed period of no more than 10 years and are collateralized by one-to-four family residential real estate. We have a defined set of credit guidelines that we use when evaluating these credits. Although these loans were originated and underwritten by another institution, our mortgage and credit departments do their own independent review of these loans. These loans typically are secured by collateral outside of our branch footprint.

Agricultural Loans. We offer both fixed-rate and adjustable-rate agricultural real estate loans to our customers. We also make loans to finance the purchase of machinery, equipment and breeding stock, seasonal crop operating loans used to fund the borrower's crop production operating expenses, livestock operating, and revolving loans used to purchase livestock for resale and related livestock production expense.

Generally, our agricultural real estate loans amortize over periods not in excess of 20 years and have a loan-to-value ratio of 80%. We also originate agricultural real estate loans directly and through programs sponsored by the Farm Service Agency ("FSA"), an agency of the United States Department of Agriculture, which provides a partial guarantee on loans underwritten to FSA standards. Agricultural real estate loans generally carry higher interest rates and have shorter terms than 1-4 family residential real estate loans. Agricultural real estate loans, however, entail additional credit risks compared to one- to four-family residential real estate loans, as they typically involve larger loan balances concentrated with single borrowers or groups of related borrowers. We generally require farmers to obtain multi-peril crop insurance coverage through a program partially subsidized by the Federal government to help mitigate the risk of crop failures.

Agricultural operating loans may be originated at an adjustable or fixed rate of interest and generally for a term of up to 7 years. In the case of agricultural operating loans secured by breeding livestock and/or farm equipment, such loans are originated at fixed rates of interest for a term of up to 5 years. We typically originate agricultural operating loans based on the borrower's ability to make repayment from the cash flow of the borrower's agricultural business. As a result, the availability of funds for the repayment of agricultural operating loans may be substantially dependent on the success of the business itself and the general economic environment. A significant number of agricultural borrowers with these types of loans may qualify for relief under a chapter of the U.S. Bankruptcy Code that is designed specifically for the reorganization of financial obligations of family farmers and which provides certain preferential procedures to agricultural borrowers compared to traditional bankruptcy proceedings pursuant to other chapters of the U.S. Bankruptcy Code.

Consumer Loans. We make a variety of loans to individuals for personal and household purposes, including secured and unsecured term loans and home improvement loans. Consumer loans are underwritten based on the individual borrower's income, current debt level, past credit history and the value of any available collateral. The terms of consumer loans vary considerably based upon the loan type, nature of collateral and size of the loan. Consumer loans entail greater risk than do residential real estate loans because they may be unsecured or, if secured, the value of the collateral, such as an automobile or boat, may be more difficult to assess and more likely to decrease in value than real estate. In such cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment for the outstanding loan balance. The remaining deficiency often will not warrant further substantial collection efforts against the borrower beyond obtaining a deficiency judgment. In addition, consumer loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy. Furthermore, the application of various federal and state laws may limit the amount which can be recovered on such loans.

Deposit Products

Our lending and investing activities are primarily funded by deposits. We offer a variety of deposit accounts with a wide range of interest rates and terms including demand, savings, money market and time deposits with the goal of attracting a wide variety of customers, including small to medium-sized businesses. We employ customer acquisition strategies to generate new account and deposit growth, such as customer referral incentives, search engine optimization, targeted direct mail and email campaigns, in addition

to conventional marketing initiatives and advertising. Our goal is to emphasize our core deposits and cross-sell our deposit products to our loan customers.

We design our consumer deposit products specifically for the lifestyles of clients in the communities we serve. Some accounts emphasize and reward debit card usage, while others appeal to higher deposit customers. We also utilize Equity Connect, which is our customer relationship management system, to assist our personnel in deepening and expanding current relationships by providing timely identification of potential needs. It also serves as a methodical tool to track customer onboarding and retention actions by account officers. We do participate in the Certificate of Deposit Registry Services ("CDARS") via Promontory Interfinancial Network as an option for our customers to place funds and occasionally as a funding source.

We also bid for, and accept, deposits from public entities in our markets.

Other Products and Services

We offer banking products and services that are competitively priced with a focus on convenience and accessibility. We offer a full suite of online banking solutions including access to account balances, online transfers, online bill payment and electronic delivery of customer statements, mobile banking solutions for iPhone and Android phones, including remote check deposit with mobile bill pay. We offer extended drive-through hours, ATMs and banking by telephone, mail and personal appointment. We offer debit cards with no ATM surcharges or foreign ATM fees for checking customers, plus night depository, direct deposit, cashier's and travelers checks and letters of credit, as well as treasury management services, wire transfer services and automated clearing house ("ACH") services.

We offer a full array of commercial treasury management services designed to be competitive with banks of all sizes. Treasury management services include balance reporting (including current day and previous day activity), transfers between accounts, wire transfer initiation, ACH origination and stop payments. Cash management deposit products consist of lockbox, remote deposit capture, positive pay, reverse positive pay, account reconciliation services, zero balance accounts and sweep accounts, including loan sweep.

In addition, we offer a full comprehensive suite of products and offerings for trust and wealth management customers. Trust and wealth management services include private banking, investment management, trust services and estate and financial planning.

Our Markets

As of December 31, 2021, we conducted banking operations through our 69 bank locations in Arkansas, Kansas, Missouri and Oklahoma. We believe that an important factor contributing to our historical performance and our ability to execute our strategy is the attractiveness and specific characteristics of our existing and target markets. In particular, we believe our markets provide us with access to low cost, stable core deposits in smaller community markets that we can use to fund commercial loan growth in metropolitan areas.

We believe our existing and target markets are among some of the most attractive in the Midwestern United States. Our markets are home to thousands of manufacturing and trade jobs, and have experienced recent growth in the healthcare, consumer services and technology sectors. We believe the central geographic footprint of our markets provides numerous industrial plants, facilities and manufacturing businesses with a central shipping location from which they can distribute their products. Our markets also serve as the corporate headquarters for Koch Industries Inc., Hallmark Cards, Inc., H&R Block, Inc., American Century Investments, Garmin International, Inc., Cessna Aircraft Company, Seaboard Corporation, Cargill Meat Solutions, Spirit AeroSystems, Dairy Farmers of America, Quick Trip, ONEOK, and Williams Companies and host a major presence for companies across a variety of industries, including Bombardier Learjet, Collective Brands, Inc., FedEx, Flexsteel, Hills Pet Nutrition, Inc., Textron Aviation Services, Tyson Foods, Phillips 66, Rib Crib, Honeywell, T-Mobile, Oracle,and Bayer Corporation. We understand the community banking needs of the businesses and individuals within our markets, and have focused on developing a commercial and personal banking platform to service such needs.

The markets in which we operate have generally experienced stable population growth over the past five years, with modest population growth expected over the next five years. Wichita is the largest metropolitan statistical authority ("MSA") located fully in Kansas and the No. 94 MSA in the U.S. with a population of over 650,000. Kansas City, Missouri and Kansas is the No. 31 largest MSA in the U.S. with a population of 2.2 million, and Tulsa, Oklahoma, is No. 55 with a MSA population of over 1 million.

In addition, we believe our markets are stable and have weathered various economic cycles relatively well. Household income in our states is expected to increase from 2022 through 2027 by 9.22%, while population growth grew by 4.12% from 2010 through 2021 and is expected to grow by 4.12% from 2022 through 2027. In Kansas City, households are expected to grow from 2022 to 2027 by 1.38%, Tulsa by 2.44% and Wichita by 2.48%, according to Claritas data provided by S&P Global.

We compete for loans, deposits and financial services in our markets against many other bank and nonbank institutions, including community banks, regional banks, national banks, Internet-based banks, money market and mutual funds, brokerage houses, credit unions, mortgage companies and insurance companies. We believe that our comprehensive suite of sophisticated banking products provides us with a competitive advantage over smaller community banks within our markets while our high-quality, relationship-based customer service will allow us to take market share from larger regional and national banks. In addition, our markets present significant acquisition, integration and consolidation opportunities, and we expect to continue to pursue strategic acquisitions in our markets. We believe that many small to mid-sized banking organizations that currently serve our markets are acquisition opportunities for us, either because of scale and operational challenges, regulatory pressures, management succession issues or stockholder liquidity needs. We think we offer an attractive solution for such banks because we retain the community banking feel and services upon which their customers expect and rely.

Information Technology Systems

We continue to make significant investments in our information technology systems and staff for our banking and lending operations and treasury management activities. We believe this investment will support our continued growth, permit us to enhance our capabilities to offer new products and overall customer experience and enable us to provide scale for future growth and acquisitions. We use nationally recognized software vendors and their support allows us to operate our data processing and core systems in-house. Our internal network and e-mail systems are maintained in-house and we have enhanced our back-up site at a decentralized location. This back-up site provides for redundancy and disaster recovery capabilities.

The majority of our other systems, including our electronic funds transfer, transaction processing and online banking services are hosted by third-party service providers. The scalability of this infrastructure will support our growth strategy. In addition, the tested capability of these vendors to automatically switch over to standby systems should allow us to recover our systems and provide business continuity quickly in case of a disaster.

Due to our heavy reliance on the strength and capability of our technology systems, which we use both to interface with our customers and to manage our internal financial reporting and other systems, we utilize a layered cyber security model designed to protect all systems and sensitive data. This layered model is composed of a variety of different components from a range of security vendors. The various components are centrally managed and monitored creating a multi-layered, interlocking, cybersecurity defense system. We believe this defense system is dynamic and designed to adjust to protect against the latest cyber threats and attack vectors; however, as cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities or incidents. We use information technology in our operations and offer online banking services to our customers, and unauthorized access to our customers' confidential or proprietary information as a result of a cyber-attack or otherwise could expose us to reputational harm and litigation and adversely affect our ability to attract and retain customers.

For a discussion of certain cyber security risk, please see "Item 1A – Risk Factors".

Competition

The financial services industry is highly competitive. We compete for loans, deposits, and financial services in all of our principal markets. We compete directly with other bank and nonbank institutions located within our markets, Internet-based banks, out-of-market banks, and bank holding companies that advertise in or otherwise serve our markets, along with money market and mutual funds, brokerage houses, mortgage companies, and insurance companies or other commercial entities that offer financial services products. Competition involves efforts to retain current customers, obtain new loans and deposits, increase the scope and type of services offered and offer competitive interest rates paid on deposits and charged on loans. Many of our competitors enjoy competitive advantages, including greater financial resources, a wider geographic presence, more accessible branch office locations, the ability to offer additional services, more favorable pricing alternatives and lower origination and operating costs. Some of our competitors have been in business for a long time and have an established customer base and name recognition. We believe that our

competitive pricing, personalized service and community involvement enable us to effectively compete in the communities in which we operate.

Human Capital

The Company's success depends on its ability to attract and retain highly qualified senior and middle management and other skilled employees. Competition for qualified employees can be intense and it may be difficult to locate personnel with the necessary combination of skills, attributes and business relationships.

The Company believes that its employees are the primary key to the Company's success as a financial institution. The Company is committed to attracting, retaining and promoting top quality talent regardless of sex, sexual orientation, gender identity, race, color, national origin, age, religion and physical ability. The Company strives to identify and select the best candidates for all open positions based on qualifying factors for each job. The Company is dedicated to providing a workplace for its employees that is inclusive, supportive and free of any form of discrimination or harassment; rewarding and recognizing its employees based on their individual results and performance; and recognizing and respecting all of the characteristics and differences that make each of the Company's employees unique.

Additionally, the Company is committed to employee development through a combination of in-house and external training programs. Further, the Company has two staff development programs with formal in-house training programs for junior bankers including guidance from senior banking team members.

As of December 31, 2021, the Company employed 702 full-time equivalent employees. None of our employees are represented by any collective bargaining unit or is a party to a collective bargaining agreement.

Available Information

The Company files reports, proxy statements and other information with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company makes available, free of charge, on its website at http://investor.equitybank.com its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after the Company electronically files, or furnishes, such materials to the SEC. The SEC also maintains a website at http://www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The information contained on or accessible from our website does not constitute a part of this Annual Report on Form 10-K and is not incorporated by reference herein.

Supervision and Regulation

Banking is a complex, highly regulated industry. Consequently, our growth and earnings performance can be affected, not only by management decisions and general and local economic conditions, but also by the statutes administered by and the regulations and policies of, various governmental regulatory authorities. These authorities include, but are not limited to, the Federal Reserve, the FDIC, the Kansas Office of State Bank Commissioner ("OSBC"), the Consumer Financial Protection Bureau ("CFPB"), the Internal Revenue Service ("IRS") and state taxing authorities. The effect of these statutes, regulations and policies and any changes to any of them can be significant and cannot be predicted.

The primary goals of the bank regulatory scheme are to maintain a safe and sound banking system and to facilitate the conduct of sound monetary policy. In furtherance of those goals, the U.S. Congress and the individual states have created several regulatory agencies and enacted numerous laws, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), that govern banks and the banking industry. The system of supervision and regulation applicable to us establishes a comprehensive framework for our operations and is intended primarily for the protection of the FDIC's deposit insurance funds, our depositors and the public, rather than the stockholders and creditors.

New regulations and statutes are regularly proposed that contain wide-ranging proposals for altering the structures, regulations and competitive relationships of financial institutions operating in the United States. We cannot predict whether or in what form any proposed regulation or statute will be adopted or the extent to which our businesses may be affected by any new regulation or statute.

The following is an attempt to summarize some of the relevant laws, rules and regulations governing banks and bank holding companies, but does not purport to be a complete summary of all applicable laws, rules and regulations governing banks. The descriptions are qualified in their entirety by reference to the specific statutes and regulations discussed.

The laws, rules and regulations add significantly to the cost of operating the Company and Equity Bank and thus have a negative impact on profitability. In recent years, financial service providers that are not subject to the same regulations as the Company and Equity Bank have expanded significantly. Less regulation may give these institutions a competitive advantage over the Company and

Equity Bank. Such institutions may continue to draw large amounts of funds away from banking institutions, with a continuing adverse effect on the banking industry in general.

Bank Holding Company Regulation

We are a bank holding company registered under the Bank Holding Company Act of 1956 ("BHC Act"), as amended, and are subject to supervision and regulation by the Federal Reserve. Federal laws subject bank holding companies to particular restrictions on the types of activities in which they may engage and to a range of supervisory requirements and activities, including regulatory enforcement actions, for violation of laws and policies.

Activities Closely Related to Banking

The BHC Act prohibits a bank holding company, with certain limited exceptions, from acquiring direct or indirect ownership or control of more than five percent of the voting shares of any company that is not a bank or from engaging in any activities other than those of banking, managing or controlling banks and certain other subsidiaries or furnishing services to or performing services for its subsidiaries. Bank holding companies also may engage in or acquire interests in companies that engage in a limited set of activities that are so closely related to banking as to be a proper incident thereto. If a bank holding company has become a financial holding company ("FHC"), it may engage in a broader set of activities, including insurance underwriting and broker-dealer services as well as activities that are jointly determined by the Federal Reserve and the U.S. Treasury to be financial in nature or incidental to such financial activity. FHCs may also engage in activities that are determined by the Federal Reserve to be complementary to financial activities. To maintain FHC status, the bank holding company and all subsidiary depository institutions must be "well managed" and "well capitalized." Additionally, all subsidiary depository institutions must have received at least a "Satisfactory" rating on its most recent Community Reinvestment Act ("CRA") examination. Failure to meet these requirements may result in limitations on activities and acquisitions. We have not elected to be an FHC at this time.

Safe and Sound Banking Practices

Bank holding companies are not permitted to engage in unsafe and unsound banking practices. The Federal Reserve may order a bank holding company to terminate an activity or control of a non-bank subsidiary if such activity or control constitutes a significant risk to the financial safety, soundness or stability of a subsidiary bank and is inconsistent with sound banking principles. Regulation Y also requires a holding company to give the Federal Reserve prior notice of any redemption or repurchase of its own equity securities if the consideration to be paid, together with the consideration paid for any repurchases or redemptions in the preceding year, is equal to 10% or more of the company's consolidated net worth.

Consistent with the Dodd-Frank Act codification of the Federal Reserve's policy that bank holding companies must serve as a source of financial strength for their subsidiary banks, the Federal Reserve has stated that, as a matter of prudence, a bank holding company generally should not maintain a rate of distributions to stockholders unless its available net income has been sufficient to fully fund the distributions and the prospective rate of earnings retention appears consistent with a bank holding company's capital needs, asset quality and overall financial condition.

In addition, the Federal Reserve Supervisory Letter SR 09-4 provides guidance on the declaration and payment of dividends, capital redemptions and capital repurchases by a bank holding company. Supervisory Letter SR 09-4 provides that, as a general matter, a bank holding company should eliminate, defer or significantly reduce its dividends if: (i) the bank holding company's net income available to stockholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends, (ii) the bank holding company's prospective rate of earnings retention is not consistent with the bank holding company's capital needs and overall current and prospective financial condition or (iii) the bank holding company will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios. Failure to do so could result in a supervisory finding that the bank holding company is operating in an unsafe and unsound manner.

Limitations on Equity Bank's ability to pay dividends could, in turn, affect our ability to pay dividends to our stockholders. For more information concerning Equity Bank's ability to pay dividends, see "Bank Regulation" below.

The Federal Reserve has broad authority to prohibit activities of bank holding companies and their non-banking subsidiaries which represent unsafe and unsound banking practices, or which constitute violations of laws or regulations. Notably, the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), provides that the Board of Governors of the Federal Reserve can assess civil money penalties for such practices or violations which can be as high as $1 million per day. FIRREA contains expansive provisions regarding the scope of individuals and entities against which such penalties may be assessed.

Annual Reporting and Examinations

We are required to file annual and quarterly reports with the Federal Reserve and such additional information as the Federal Reserve may require pursuant to the BHC Act. The Federal Reserve may examine a bank holding company or any of its subsidiaries and charge the company for the cost of such an examination. We are also subject to reporting and disclosure requirements under state and federal securities laws.

Rules on Regulatory Capital

Pursuant to the Basel III requirements ("Basel III rules"), require banks and bank holding companies to maintain a minimum common equity Tier 1 ("CET1") risk-based capital ratio of 4.5%, a Tier 1 risk-based capital ratio of 6%, a total risk-based capital ratio of 8% and a leverage ratio of 4%. Under the Basel III rules, banks and bank holding companies must maintain a CET1 risk-based capital ratio of 6.5%, a Tier 1 risk-based capital ratio of 8%, a total risk-based capital ratio of 10% and a leverage ratio of 5% to be deemed "well capitalized" for purposes of certain rules and requirements. Banks and bank holding companies are also required to maintain a "capital conservation buffer" in excess of the minimum risk-based capital ratios. The buffer is intended to help ensure that banking organizations conserve capital when it is most needed, allowing them to better weather periods of economic stress. The minimum 2.5% buffer is composed solely of CET1 capital. If an institution's capital conservation buffer is less than or equal to 2.5%, then the institution is subject to limitations on certain activities, including payment of dividends, share repurchases and discretionary bonuses to executive officers.

The federal bank regulatory agencies may also set higher capital requirements for banks and bank holding companies whose circumstances warrant it. For example, holding companies experiencing internal growth or making acquisitions are expected to maintain strong capital positions substantially above the minimum supervisory levels, without significant reliance on intangible assets. At this time, the bank regulatory agencies are more inclined to impose higher capital requirements to meet well capitalized standards and future regulatory change could impose higher capital standards as a routine matter. Our regulatory capital ratios and those of Equity Bank are in excess of the levels established for well capitalized institutions under the Basel III rules.

The Basel III rules also set forth certain changes in the methods of calculating certain risk-weighted assets, which in turn affect the calculation of risk-based capital ratios. Under the Basel III rules, higher or more sensitive risk weights are assigned to various categories of assets, including certain credit facilities that finance the acquisition, development or construction of real property, certain exposures or credits that are 90 days past due or on non-accrual, foreign exposures and certain corporate exposures. In addition, the Basel III rules include (i) alternative standards of credit worthiness consistent with the Dodd-Frank Act, (ii) greater recognition of collateral and guarantees and (iii) revised capital treatment for derivatives and repo-style transactions.

In addition, the Basel III rules include certain exemptions to address concerns about the regulatory burden on community banks. For example, banking organizations with less than $15 billion in consolidated assets as of December 31, 2009, are permitted to include in Tier 1 capital trust preferred securities and cumulative perpetual preferred stock issued and included in Tier 1 capital prior to May 19, 2010, on a permanent basis without phase out. Community banks were also permitted to make a one-time election in their March 31, 2015, quarterly filings to opt-out of the requirement to include most accumulated other comprehensive income ("AOCI") components in the calculation of CET1 capital and, in effect, retain the AOCI treatment under the prior capital rules. Under the Basel III rules, we made the one-time, permanent election to continue to exclude AOCI from capital.

In accordance with the Economic Growth, Regulatory Relief and Consumer Protection Act, which was enacted on May 24, 2018, the federal banking agencies published final rules implementing the community bank leverage ratio in November 2019. Under the final rules, which went into effect on January 1, 2020, depository institutions and depository institution holding companies that have less than $10 billion in total consolidated assets and meet other qualifying criteria, including a leverage ratio of greater than 9%, off-balance-sheet exposures of 25% or less of total consolidated assets and trading assets plus trading liabilities of 5% or less of total consolidated assets, are deemed "qualifying community banking organizations" and are eligible to opt into the community bank leverage ratio framework. A qualifying community banking organization that elects to use the community bank leverage ratio framework and that maintains a leverage ratio of greater than 9% is considered to have satisfied the generally applicable risk-based and leverage capital requirements under the Basel III rules and, if applicable, is considered to have met the "well capitalized" ratio requirements for purposes of its primary federal regulator's prompt corrective action rules, discussed below. The final rules include a two-quarter grace period during which a qualifying community banking organization that temporarily fails to meet any of the qualifying criteria, including the greater-than-9% leverage ratio requirement, is generally still deemed "well capitalized" so long as the banking organization maintains a leverage ratio greater than 8%. A banking organization that fails to maintain a leverage ratio greater than 8% is not permitted to use the grace period and must comply with the generally applicable requirements under the Basel III Capital rules and file the appropriate regulatory reports. The Company and Equity Bank have not made an election to use the community bank leverage ratio framework but may make such an election in the future if eligible and doing so is advantageous.

On February 14, 2019, the federal bank regulatory agencies issued a final rule that allowed banking organizations to phase in over a three-year period the day-one adverse effects of the Current Expected Credit Losses methodology (CECL). Prior to the Company's

initial required adoption date of CECL, on March 31, 2020, as part of the efforts to address the economic disruption caused by the spread of COVID-19, federal bank regulatory agencies issued an interim final rule which allowed the option to delay for up to two years an estimate of CECL's effect on regulatory capital followed by a three-year transitions period. The Company implemented CECL on January 1, 2021, and has elected not to use the phase in methodology.

Imposition of Liability for Undercapitalized Subsidiaries

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") required each federal banking agency to revise its risk-based capital standards to ensure that those standards take adequate account of interest rate risk, concentration of credit risk and the risks of nontraditional activities, as well as reflect the actual performance and expected risk of loss on multifamily mortgages.

Pursuant to FDICIA, each federal banking agency has specified, by regulation, the levels at which an insured institution would be considered well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. As of December 31, 2021, Equity Bank exceeded the capital levels required to be deemed well capitalized.

Additionally, FDICIA requires bank regulators to take prompt corrective action to resolve problems associated with insured depository institutions. Under these prompt corrective action provisions of FDICIA, if a controlled bank is undercapitalized, then the regulators could require the bank to submit a capital restoration plan. If an institution becomes significantly undercapitalized or critically undercapitalized, additional and significant limitations are placed on the institution. The capital restoration plan of an undercapitalized institution will not be accepted by the regulators unless each company having control of the undercapitalized institution guarantees the subsidiary's compliance with the capital restoration plan, until it becomes adequately capitalized. We have control of Equity Bank for the purpose of this statute.

Further, by statute and regulation, a bank holding company must serve as a source of financial and managerial strength to each bank that it controls and, under appropriate circumstances, may be required to commit resources to support each such controlled bank. This support may be required at times when the bank holding company may not have the resources to provide the support. In addition, if the Federal Reserve believes that a bank holding company's activities, assets or affiliates represent a significant risk to the financial safety, soundness or stability of a controlled bank, then the Federal Reserve could require the bank holding company to terminate the activities, liquidate the assets or divest the affiliates. The regulators may require these and other actions in support of controlled banks even if such actions are not in the best interests of the bank holding company or its stockholders.

Acquisitions by Bank Holding Companies

The BHC Act requires every bank holding company to obtain the prior approval of the Federal Reserve before it may acquire all or substantially all of the assets of any bank or ownership or control of any voting shares of any bank if after such acquisition it would own or control, directly or indirectly, more than 5% of the voting shares of such bank. In approving bank acquisitions by bank holding companies, the Federal Reserve is required to consider the financial and managerial resources and future prospects of the bank holding company and banks concerned, the convenience and needs of the communities to be served, the effect on competition as well as the financial stability of the United States. The Attorney General of the United States may, within 30 days after approval of an acquisition by the Federal Reserve, bring an action challenging such acquisition under the federal antitrust laws, in which case the effectiveness of such approval is stayed pending a final ruling by the courts. Under certain circumstances, the 30-day period may be shortened to 15 days.

Control Acquisitions

The Change in Bank Control Act ("CBCA") prohibits a person or group of persons from acquiring "control" of a bank holding company unless the Federal Reserve has been notified and has not objected to the transaction. Under a rebuttable presumption established by the Federal Reserve, the acquisition of 10% or more of a class of voting stock of a bank holding company with a class of securities registered under Section 12 of the Exchange Act, such as ourselves, would, under the circumstances set forth in the presumption, constitute acquisition of control of us.

In addition, the BHC Act prohibits any entity from acquiring 25%, or more (the BHC Act has a lower limit for acquirers that are existing bank holding companies), of a bank holding company's or bank's voting securities, or otherwise obtaining control or the power to exercise a "controlling influence" over a bank holding company or bank, without the prior approval of the Federal Reserve. On January 30, 2020, the Board of Governors of the Federal Reserve System adopted a final rule revising the Federal Reserve's regulations related to determinations of whether a company has the ability to exercise a controlling influence over another company, including a bank holding company or a bank, for purposes of the BHC Act. The final rule establishes a comprehensive framework that employs several factors to determine if a company has control over another company, including the first company's total voting and non-voting equity investment in the second company; director, officer and employee overlaps between the first company and the second company; and the scope of business relationships between the first company and the second company. The final rule went into effect on April 1, 2020.

Interstate Branching

The Dodd-Frank Act permits a national or state bank, with the approval of its regulator, to open a branch in any state if the law of the state in which the branch is located would permit the establishment of the branch if the bank were a bank chartered in that state.

Anti-Tying Restrictions

Bank holding companies and their affiliates are prohibited from tying the provision of certain services, such as extensions of credit, to other services offered by a holding company or its affiliates.

Bank Regulation

Equity Bank operates under a Kansas state bank charter and is subject to regulation by the OSBC and the Federal Reserve. The OSBC and the Federal Reserve regulate or monitor all areas of Equity Bank's operations, including capital requirements, issuance of stock, declaration of dividends, interest rates, deposits, loans, investments, borrowings, record keeping, establishment of branches, acquisitions, mergers, information technology and employee responsibility and conduct. The OSBC places limitations on activities of Equity Bank, including the issuance of capital notes or debentures and the holding of real estate and personal property and requires Equity Bank to maintain a certain ratio of reserves against deposits. The OSBC requires Equity Bank to file a report annually, in addition to any periodic report requested.

The Federal Reserve and the OSBC regularly examine Equity Bank and its records. The FDIC may also periodically examine and evaluate insured banks.

Standards for Safety and Soundness

As part of FDICIA's efforts to promote the safety and soundness of depository institutions and their holding companies, appropriate federal banking regulators are required to have in place regulations specifying operational and management standards (addressing internal controls, loan documentation, credit underwriting and interest rate risk), asset quality and earnings. As discussed above, the Federal Reserve and the FDIC have extensive authority to police unsafe or unsound practices and violations of applicable laws and regulations by depository institutions and their holding companies. For example, the FDIC may terminate the deposit insurance of any institution that it determines has engaged in an unsafe or unsound practice. The agencies can also assess civil money penalties of up to $1 million per day, issue cease-and-desist or removal orders, seek injunctions and publicly disclose such actions.

The ability of Equity Bank, as a Kansas state bank, to pay dividends is restricted under the Kansas Banking Code. Pursuant to the Kansas Banking Code, a Kansas state bank may declare and pay a dividend out of undivided profits after deducting losses to the holders of record of the stock outstanding on the date the dividend is declared. However, prior to the declaration of any dividend, a Kansas state bank must transfer 25% of its net profits since the last preceding dividend to its surplus fund until the surplus fund is equal to its total capital stock. In addition, no dividend may be declared without the approval of the OSBC, if such dividend would reduce the surplus fund to an amount less than 30% of the resulting total capital of the bank.

Equity Bank is also subject to certain restrictions on the payment of dividends as a result of the requirement that it maintain an adequate level of capital in accordance with guidelines promulgated from time to time by the federal regulators.

The present and future dividend policy of Equity Bank is subject to the discretion of its boards of directors. In determining whether to pay dividends to us and, if paid, the amount of the dividends, the board of directors of Equity Bank considers many of the same factors discussed above. Equity Bank cannot guarantee that it will have the financial ability to pay dividends to us, or if dividends are paid, that they will be sufficient for us to make distributions to our stockholders. Equity Bank is not obligated to pay dividends.

Insider Transactions

A bank is subject to certain restrictions on extensions of credit to insiders of the bank or of any affiliate. Insiders include executive officers, directors, certain principal stockholders and their related interests. Extensions of credit include derivative transactions, repurchase and reverse repurchase agreements and securities borrowing and lending transactions to the extent that such transactions cause a bank to have credit exposure to an insider. Any extension of credit to an insider must:

- Be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with third parties; and
- Involve no more than the normal risk of repayment or present other unfavorable features.

For loans above certain threshold amounts, board approval is required, and the interested insider may not be involved. In addition, a bank may purchase an asset from or sell an asset to an insider only if the transaction is on market terms and, if representing more than 10% of capital, is approved in advance by the majority of disinterested directors.

Additional and more stringent limits apply to a bank's transactions with its own executive officers and certain directors. These limits do not apply to transactions with all directors or to insiders of the bank's affiliates.

Restrictions on Transactions with Affiliates

Section 23A of the Federal Reserve Act imposes quantitative and qualitative limits on transactions between a bank and any affiliate and requires certain levels of collateral for any such loans. It also limits the amount of advances to third parties which are collateralized by the securities or obligations of a holding company. Section 23B of the Federal Reserve Act requires that certain transactions between Equity Bank and its affiliates must be on terms substantially the same, or at least as favorable, as those prevailing at the time for comparable transactions with or involving other nonaffiliated companies. In the absence of such comparable transactions, any transaction between Equity Bank and its affiliates must be on terms and under circumstances, including credit standards, which in good faith would be offered to or would apply to nonaffiliated companies.

Capital Adequacy

In addition to the capital rules applicable to both banks and bank holding companies discussed above, under the prompt corrective action regulations, the federal bank regulators are required and authorized to take supervisory actions against undercapitalized banks. For this purpose, a bank is placed in one of the following five categories based on the bank's capital:

- well capitalized (at least 5% leverage ratio, 6.5% CET1 risk-based capital ratio, 8% Tier 1 risk-based capital ratio and 10% total risk-based capital ratio);
- adequately capitalized (at least 4% leverage ratio, 4.5% CET1 risk-based capital ratio, 6% Tier 1 risk-based capital ratio and 8% total risk-based capital ratio);
- undercapitalized (less than 4% leverage ratio, 4.5% CET1 risk-based capital ratio, 6% Tier 1 risk-based capital ratio or 8% total risk-based capital ratio);
- significantly undercapitalized (less than 3% leverage ratio, 3% CET1 risk-based capital ratio, 4% Tier 1 risk-based capital ratio or 6% total risk-based capital ratio); and
- critically undercapitalized (less than 2% tangible capital to total assets).

Federal banking regulators are required to take various mandatory supervisory actions and are authorized to take other discretionary actions with respect to institutions in the three undercapitalized categories. The severity of the action depends upon the capital category in which the institution is placed. The regulators have the discretion to downgrade a bank from one category to a lower category. Generally, subject to a narrow exception, banking regulators must appoint a receiver or conservator for an institution that is "critically undercapitalized." An institution that is categorized as "undercapitalized," "significantly undercapitalized," or "critically undercapitalized" is required to submit an acceptable capital restoration plan to its appropriate federal banking agency.

Failure to meet capital guidelines could subject Equity Bank to a variety of enforcement remedies, including issuance of a capital directive, the termination of deposit insurance by the FDIC, a prohibition on accepting brokered deposits and other restrictions on our business.

As of December 31, 2021, Equity Bank exceeded the capital levels required to be deemed well capitalized.

Deposit Insurance

The FDIC insures the deposits of federally insured banks up to prescribed statutory limits for each depositor, through the Deposit Insurance Fund ("DIF") and safeguards the safety and soundness of the banking and thrift industries. The Dodd-Frank Act permanently raised the standard maximum deposit insurance amount to $250,000. The amount of FDIC assessments paid by each insured depository institution is based on its relative risk of default as measured by financial ratios and supervisory factors derived from a statistical model that estimates a bank's probability of failure within three years.

We are generally unable to control the amount of premiums that we are required to pay for FDIC insurance. At least semi-annually, the FDIC will update its loss and income projections for the DIF and, if needed, will increase or decrease assessment rates, following notice-and-comment rulemaking, if required. If there are additional bank or financial institution failures or if the FDIC otherwise determines to increase assessment rates, Equity Bank may be required to pay higher FDIC insurance premiums. Any future increases in FDIC insurance premiums may have a material and adverse effect on our earnings.

Consumer Financial Protection Bureau

The Dodd-Frank Act created the CFPB which is granted broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws, including the Equal Credit Opportunity Act, Truth in Lending Act, Real Estate Settlement Procedures Act, Fair Credit Reporting Act, Fair Debt Collection Act, the Consumer Financial Privacy provisions of the Gramm-Leach-Bliley Act and certain other statutes. The CFPB has examination and primary enforcement authority with respect to depository institutions with $10 billion or more in assets. Depository institutions with less than $10 billion in assets, such as Equity Bank, are subject to rules promulgated by the CFPB, which may increase their compliance risk and the costs associated with their compliance efforts, but such banks will continue to be examined and supervised by federal banking regulators for consumer compliance purposes. The CFPB has authority to prevent unfair, deceptive or abusive practices in connection with the offering of consumer financial products.

The Dodd-Frank Act authorizes the CFPB to establish certain minimum standards for the origination of residential mortgages, including a determination of the borrower's ability to repay. In addition, the Dodd-Frank Act allows borrowers to raise certain defenses to foreclosure if they receive any loan other than a "qualified mortgage" as defined by the CFPB.

The CFPB has issued a number of regulations related to the origination of mortgages, foreclosure and overdrafts as well as many other consumer issues. Additionally, the CFPB has proposed, or will be proposing, additional regulations on issues that directly relate to our business. Although it is difficult to predict at this time the extent to which the CFPB's final rules impact the operations and financial condition of Equity Bank, such rules may have a material impact on Equity Bank's compliance costs, compliance risk and fee income.

Privacy

Under the Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records, financial institutions are required to disclose their policies for collecting and protecting confidential information. Customers generally may prevent financial institutions from sharing personal financial information with nonaffiliated third parties except for third parties that market the institutions' own products and services. Additionally, financial institutions generally may not disclose consumer account numbers to any nonaffiliated third party for use in telemarketing, direct mail marketing or other marketing through electronic mail to consumers.

Recent cyber-attacks against bank and other institutions that resulted in unauthorized access to confidential customer information have prompted the federal banking agencies to issue extensive guidance on cyber security. The regulatory agencies may devote more resources to this part of their safety and soundness examination than they may have in the past.

Like other lending institutions, our subsidiary bank uses credit bureau data in its underwriting activities. Use of that data is regulated under the Federal Credit Reporting Act on a uniform, nationwide basis. The act and its implementing regulation, Regulation V, cover credit reporting, prescreening, sharing of information between affiliates and the use of credit data. The Fair and Accurate Credit Transactions Act of 2003 allows states to enact identity theft laws that are not inconsistent with the conduct required by the provisions of the act.

The Patriot Act, International Money Laundering Abatement and Financial Anti-Terrorism Act and Bank Secrecy Act

A major focus of governmental policy on financial institutions has been aimed at combating money laundering and terrorist financing. The Patriot Act and the International Money Laundering and Financial Anti-Terrorism Act of 2001 substantially broadened the scope of U.S. anti-money laundering laws and penalties, specifically related to the Bank Secrecy Act and expanded the extra-territorial jurisdiction of the United States. The U.S. Treasury has issued a number of implementing regulations that apply various requirements of the Patriot Act to financial institutions, such as Equity Bank. These regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers.

Failure of a financial institution and its holding company to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with relevant laws and regulations, could have serious legal, reputational and financial consequences for the institution. Because of the significance of regulatory emphasis on these requirements, Equity Bank will continue

to expend significant staffing, technology and financial resources to maintain programs designed to ensure compliance with applicable laws and regulations and an effective audit function for testing of Equity Bank's compliance with the Bank Secrecy Act, on an ongoing basis.

Community Reinvestment Act

The CRA requires that, in connection with examinations of financial institutions within its jurisdiction, the federal and the state banking regulators, as applicable, evaluate the record of each financial institution in meeting the credit needs of its local community, including low and moderate-income neighborhoods. These facts are also considered in evaluating mergers, acquisitions and applications to open a branch or facility. Failure to adequately meet these criteria could impose additional requirements and limitations on us. Additionally, we must publicly disclose the terms of various CRA-related agreements.

Other Regulations

Interest and other charges that Equity Bank collects or contracts for are subject to state usury laws and federal laws concerning interest rates. Equity Bank's loan operations are also subject to federal laws applicable to credit transactions, such as:

- the Federal Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;
- the Home Mortgage Disclosure Act, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- the Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- the Fair Credit Reporting Act, governing the use and provision of information to credit reporting agencies;
- the Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies; and
- the rules and regulations of the various governmental agencies charged with the responsibility of implementing these federal laws.

In addition, Equity Bank's deposit operations are subject to the Electronic Funds Transfer Act and Regulation E issued by the Federal Reserve to implement such act, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services.

Concentrated Commercial Real Estate Lending Regulations

The Federal Reserve and other federal banking regulatory agencies have promulgated guidance governing financial institutions with concentrations in commercial real estate lending. The guidance provides that a bank may be exposed to heightened commercial real estate lending concentration risk and subject to further supervisory analysis if (i) total reported loans for construction, land development and other land represent 100% or more of total capital or (ii) total reported loans secured by multifamily residential properties, non-farm non-residential properties and loans for construction, land development and other land, together with loans to finance commercial real estate, construction and land development activities that are not secured by real estate, represent 300% or more of total capital and the bank's commercial real estate loan portfolio has increased 50% or more during the prior 36 months. If a concentration is present, management is expected to employ heightened risk management practices including board and management oversight and strategic planning, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing and increasing capital requirements.

Effect of Governmental Monetary Policies

The commercial banking business is affected not only by general economic conditions but also by both U.S. fiscal policy and the monetary policies of the Federal Reserve. Some of the instruments of fiscal and monetary policy available to the Federal Reserve include changes in the discount rate on member bank borrowings, the fluctuating availability of borrowings at the "discount window," open market operations, the imposition of and changes in reserve requirements against member banks' deposits and assets of foreign branches, the imposition of and changes in reserve requirements against certain borrowings by banks and their affiliates and the placing of limits on interest rates that member banks may pay on time and savings deposits. Such policies influence, to a significant extent, the overall growth of bank loans, investments and deposits and the interest rates charged on loans or paid on time and savings deposits. We cannot predict the nature of future fiscal and monetary policies and the effect of such policies on the future business and our earnings.

Item 1A: Risk Factors

Our business and results of operations are subject to numerous risks and uncertainties, many of which are beyond our control. The material risks and uncertainties that management believes affect the Company are described below. Additional risks and uncertainties that management is not aware of, or that management currently deems immaterial, may also impair the Company's business operations. This report is qualified in its entirety by these risk factors. If any of the following risks actually occur, our business, financial condition and results of operations could be materially and adversely affected. If this were to happen, the value of our securities could decline significantly, and you could lose all or part of your investment. Some statements in the following risk factors constitute forward-looking statements. Please refer to "Cautionary Note Regarding Forward-Looking Statements" elsewhere in this Annual Report on Form 10-K.

Summary of Risk Factors

Our risk factors can be broadly summarized by the following categories:

- Economic Risks
- Credit and Interest Rate Risks
- Strategic Risks
- Risks Relating to the Regulation of Our Industry
- Risks Relating to the Company's Common Stock
- General Risks

While not an exhaustive list, the principal risks that we believe could adversely affect our business, financial condition or results of operations include:

- a change in economic conditions or a return to recessionary conditions could result in increases in our level of nonperforming loans and/or reduced demand for our products and services;
- the value of real estate collateral may fluctuate significantly resulting in an under-collateralized loan portfolio;
- external economic factors, such as changes in monetary policy and inflation and deflation, may have an adverse effect on our business, financial condition and results of operations;
- inability to effectively manage or adequately measure credit risk;
- we could suffer losses from a decline in the credit quality of the assets that we hold;
- a significant portion of our loan portfolio is secured by real estate, and events that negatively impact the real estate market could negatively impact our business;
- a large portion of our loan portfolio is comprised of commercial loans that are secured by accounts receivable, inventory, equipment or other asset-based collateral, and deterioration in the value of such collateral could increase our exposure to future probable losses;
- our largest lending relationships currently make up a material percentage of our total loan portfolio;
- our profitability is vulnerable to interest rate fluctuations;
- market interest rates for loans, investments and deposits are highly sensitive to many factors beyond our control;
- we may be adversely impacted by the transition from LIBOR as a reference rate;
- the outbreak of COVID-19, or other epidemic, pandemic or highly contagious disease occurring in the United States or in the geographies in which we conduct operations;
- our financial performance will be negatively impacted if we are unable to execute our growth strategy;
- our strategy of pursuing acquisitions exposes us to financial, execution, compliance and operational risks;
- acquisitions may disrupt our business, dilute stockholder value and be costly to integrate;
- we rely heavily on our management team and could be adversely affected by the unexpected loss of key officers;
- our business is concentrated in, and largely dependent upon, the continued growth and welfare of the general geographic markets in which we operate;
- our ability to grow our loan portfolio may be limited;
- our future profitability levels are dependent on our ability to grow and maintain deposits at competitive costs;
- our ability to retain bankers and recruit additional successful bankers is critical to the success of our business strategy;
- a lack of liquidity could adversely affect our financial condition and results of operations;
- our financial projections are based upon numerous assumptions about future events and our actual financial performance may differ materially from our projections if our assumptions are inaccurate;

- we continually encounter technological change and may have fewer resources than our competitors;
- our information systems may experience a failure or interruption;
- we use information technology in our operations and offer online banking services to our customers, and unauthorized access to our or our customers' confidential or proprietary information as a result of a cyber-attack or otherwise;
- we are dependent upon outside third parties for the processing and handling of our records and data;
- if our enterprise risk management framework is not effective at mitigating risk and loss to us;
- changes in accounting standards could materially impact our financial statements;
- if the goodwill that we have recorded or may record in connection with a business acquisition becomes impaired, it could require charges to earnings, which would adversely affect our business, financial condition and results of operations;
- we may be required to repurchase mortgage loans or indemnify buyers against losses in some circumstances, which could harm liquidity, results of operations and financial condition;
- we are subject to extensive regulations in the conduct of our business, which imposes additional costs on us;
- changes in laws, government regulation and monetary policy may have a material effect on our results of operations;
- our banking subsidiary may be required to pay higher FDIC insurance premiums or special assessments;
- we are subject to certain capital requirements by regulators;
- we are subject to stringent capital requirements, which may adversely impact our return on equity or constrain us from paying dividends or repurchasing shares;
- we may need to raise additional capital in the future and the capital may not be available when it is needed or may be dilutive to stockholders;
- we are subject to the Bank Secrecy Act and other anti-money laundering statutes and regulations, and any deemed deficiency by us with respect to these laws could result in significant liability;
- the laws that regulate our operations are designed for the protection of depositors and the public, not our stockholders;
- as a bank holding company, the sources of funds available to us are limited;
- the market price of our Class A common stock may be subject to substantial fluctuations which may make it difficult for you to sell your shares at the volumes, prices and times desired;
- the obligations associated with being a public company requires significant resources and management attention;
- there is no guarantee that we will declare or paid cash dividends on our common stock;
- securities analysts may not initiate or continue coverage on our Class A common stock, which could adversely affect the market for our Class A common stock;
- use of our common stock for future acquisitions or to raise capital may be dilutive to existing stockholders;
- a future issuance of stock could dilute the value of our Class A common stock;
- we have significant institutional investors whose interests may differ from yours;
- our directors and executive officers beneficially own a significant portion of our Class A common stock and have substantial influence over us;
- shares of our Class A common stock are not insured deposits and may lose value;
- we have the ability to incur debt and pledge our assets, including our stock in Equity Bank, to secure that debt, and holders of any such debt obligations will generally have priority over holders of our Class A common stock with respect to certain payment obligations;
- if we fail to maintain an effective system of disclosure controls and procedures and internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud;
- our board of directors may issue shares of preferred stock that would adversely affect the rights of our Class A common stockholders;
- the return on your investment in our Class A common stock is uncertain;
- we operate in a highly competitive industry and face significant competition from other banking organizations;
- as a community bank, our ability to maintain our reputation is critical to the success of our business, and the failure to do so may materially adversely affect our performance;
- we are subject to environmental risk in our lending activities;
- we are subject to claims and litigation pertaining to intellectual property;
- we have pledged all of the stock of Equity Bank as collateral for a loan, and if the lender forecloses, you could lose your investment; and
- we have outstanding subordinated debt obligations, and if the Company defaults on those obligations, the debt holders could lose their investment.

The foregoing factors should not be construed as exhaustive. This summary of risk factors should be read in conjunction with the more detailed risk factors below.

Economic Risks

Recessionary conditions could result in increases in our level of nonperforming loans and/or reduced demand for our products and services, which could have an adverse effect on our results of operations.

Economic recession or other economic problems, including those affecting our markets and regions, but also those affecting the U.S. or world economies, could have a material adverse impact on the demand for our products and services. If economic conditions deteriorate, or if there are negative developments affecting the domestic and international credit markets, the value of our loans and investments may be harmed, which in turn would have an adverse effect on our financial performance and our financial condition may be adversely affected. In addition, although deteriorating market conditions could adversely affect our financial condition, results of operations and cash flows, we may not benefit from any market growth or favorable economic conditions, either in our primary market areas or nationally, even if they do occur.

Changes in economic conditions could cause an increase in delinquencies and nonperforming assets, including loan charge-offs, which could depress our net income and growth.

Our loan portfolio includes many real estate secured loans, demand for which may decrease during economic downturns as a result of, among other things, an increase in unemployment, a decrease in real estate values and a slowdown in housing. If we see negative economic conditions develop in the United States as a whole or our Arkansas, Kansas, Missouri and Oklahoma markets, we could experience higher delinquencies and loan charge-offs, which would reduce our net income and adversely affect our financial condition. Furthermore, to the extent that real estate collateral is obtained through foreclosure, the costs of holding and marketing the real estate collateral, as well as the ultimate values obtained from disposition, could reduce our earnings and adversely affect our financial condition.

The value of real estate collateral may fluctuate significantly resulting in an under-collateralized loan portfolio.

The market value of real estate, particularly real estate held for investment, can fluctuate significantly in a short period of time as a result of market conditions in the geographic area in which the real estate is located. If the value of the real estate serving as collateral for our loan portfolio were to decline materially, a significant part of our loan portfolio could become under-collateralized. If the loans that are collateralized by real estate become troubled during a time when market conditions are declining or have declined, then, in the event of foreclosure, we may not be able to realize the amount of collateral that we anticipated at the time of originating the loan. This could have a material adverse effect on our provision for credit losses and our operating results and financial condition.

External economic factors, such as changes in monetary policy and inflation and deflation, may have an adverse effect on our business, financial condition and results of operations.

Our financial condition and results of operations are affected by credit policies of monetary authorities, particularly the Board of Governors of the Federal Reserve System or the Federal Reserve. Actions by monetary and fiscal authorities, including the Federal Reserve, could lead to inflation, deflation or other economic phenomena that could adversely affect our financial performance. The primary impact of inflation on our operations most likely will be reflected in increased operating costs. Conversely, deflation generally will tend to erode collateral values and diminish loan quality. Virtually all of our assets and liabilities are monetary in nature. As a result, interest rates have a more significant impact on our performance than general levels of inflation or deflation. Interest rates do not necessarily move in the same direction or by the same magnitude as the prices of goods and services.

Volatility in commodity prices may adversely affect our financial condition and results of operations.

In addition to the geographic concentration of our markets, certain industry-specific economic factors also affect us. For example, while we do not have a concentration in energy lending, the industry is cyclical and recently has experienced a significant drop in crude oil and natural gas prices. In addition, we make loans to customers involved in the agricultural industry, many of whom are also impacted by fluctuations in commodity prices. Volatility in commodity prices could adversely impact the ability of borrowers in these industries to perform under the terms of their borrowing arrangements with us and, as a result, a severe and prolonged decline in commodity prices may adversely affect our financial condition and results of operations. It is also difficult to project future commodity prices as they are dependent upon many different factors beyond our control.

Credit and Interest Rate Risks

Inability to effectively manage credit risk.

As a lender, we are exposed to the risk that our loan customers may not repay their loans according to the terms of these loans and the collateral securing the payment of these loans may be insufficient to fully compensate us for the outstanding balance of the loan plus the costs to dispose of the collateral. We may experience significant credit losses, which could have a material adverse effect on our operating results and financial condition. Management makes various assumptions and judgments about the collectability of our loan portfolio, including the diversification by industry of our commercial loan portfolio, the amount of nonperforming loans and related collateral, the volume, growth and composition of our loan portfolio, the effects on the loan portfolio of current economic indicators and their probable impact on borrowers and the evaluation of our loan portfolio through our internal loan review process and other relevant factors.

We maintain an allowance for credit losses, which is an allowance established through a provision for credit losses charged to expense that represents management's best estimate of probable incurred losses in our loan portfolio. Additional credit losses will likely occur in the future and may occur at a rate greater than we have experienced to date. In determining the amount of the allowance, we rely on an analysis of our loan portfolio, our experience and our evaluation of general economic conditions. If our assumptions, prove to be incorrect, our current allowance may not be sufficient and adjustments may be necessary to allow for different economic conditions or adverse developments in our loan portfolio. In addition, as an acquirer of other banks, our allowance for credit losses may not be sufficient when coupled with purchase discounts on acquired portfolios. Material additions to the allowance could materially decrease our net income.

In addition, banking regulators periodically review our allowance for credit losses and may require us to increase our provision for credit losses or recognize further charge-offs, based on judgments different than those of our management. Any increase in our allowance for credit losses or charge-offs as required by these regulatory agencies could have a material negative effect on our operating results, financial condition and liquidity.

We could suffer losses from a decline in the credit quality of the assets that we hold.

We could sustain losses if borrowers, guarantors, and related parties fail to perform in accordance with the terms of their loans. We have adopted underwriting and credit monitoring procedures and policies that we believe are appropriate to minimize this risk, including the establishment and review of the allowance for credit losses, periodic assessment of the likelihood of nonperformance, tracking loan performance and diversifying our credit portfolio. These policies and procedures, however, may not prevent unexpected losses that could have a material adverse effect on our financial condition and results of operations. In particular, we face credit quality risks presented by past, current and potential economic and real estate market conditions.

A significant portion of our loan portfolio is secured by real estate, and events that negatively impact the real estate market could negatively impact our business.

There are significant risks associated with real estate-based lending. Real estate collateral may deteriorate in value during the time that credit is extended, in which case we might not be able to sell such collateral for an amount necessary to satisfy a defaulting borrower's obligation to us. In that event, there could be a material adverse effect on our financial condition and results of operations. Additionally, commercial real estate loans are subject to unique risks. These types of loans are often viewed as having more risks than residential real estate or other consumer loans, primarily because relatively large amounts are loans to a relatively small number of borrowers. Thus, the deterioration of even a small number of these loans could cause a significant increase in the loan loss allowance or loan charge-offs, which in turn could have a material adverse effect on our financial condition and results of operations. Furthermore, commercial real estate loans depend on cash flows from the property securing the debt. Cash flows may be affected significantly by general economic conditions and a downturn in a local economy in one of our markets or in occupancy rates where a property is located could increase the likelihood of default.

The foregoing risks are enhanced as a result of the limited geographic scope of our principal markets. Most of the real estate securing our loans is located in our Arkansas, Kansas, Missouri and Oklahoma markets. Because the value of this collateral depends upon local real estate market conditions and is affected by, among other things, neighborhood characteristics, real estate tax rates, the cost of operating the properties and local governmental regulation, adverse changes in any of these factors in our markets could cause a decline in the value of the collateral securing a significant portion of our loan portfolio. Further, the concentration of real estate collateral in these four markets limits our ability to diversify the risk of such occurrences.

A large portion of our loan portfolio is comprised of commercial loans that are secured by accounts receivable, inventory, equipment or other asset-based collateral, and deterioration in the value of such collateral could increase our exposure to future probable losses.

These commercial loans are typically larger in amount than loans to individuals and therefore, have the potential for larger losses on a single loan basis. Additionally, asset-based borrowers are often highly leveraged and have inconsistent historical earnings and cash flows. Historically, losses in our commercial credits have been higher than losses in other classes of our loan portfolio. Significant adverse changes in our borrowers' industries and businesses could cause rapid declines in values of, and collectability associated with, those business assets, which could result in inadequate collateral coverage for our commercial loans and expose us to future losses. An increase in specific reserves and charge-offs related to our commercial loan portfolio could have a material adverse effect on our business, financial condition, results of operations and future prospects.

Our use of appraisals in deciding whether to make a loan secured by real property does not ensure the value of the real property collateral.

In considering whether to make a loan secured by real property, we generally require an appraisal. However, an appraisal is only an estimate of the value of the property at the time the appraisal is made. If the appraisal does not reflect the amount that may be obtained upon any sale or foreclosure of the property, we may not realize an amount equal to the indebtedness secured by the property.

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

We participate in loans originated by other institutions and in syndicated transactions (including shared national credits) in which other lenders serve as the agent bank. Our reduced control over the monitoring and management of these relationships, particularly participations in large bank groups, could lead to increased risk of loss, which could have a material adverse effect on our business, financial condition, results of operations and future prospects.

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

As of December 31, 2021, our ten largest loan relationships totaled over $306.2 million in loan exposure, or 9.7% of the total loan portfolio. The concentration risk associated with having a small number of large loan relationships is that, if one or more of these relationships were to become delinquent or suffer default, we could be at serious risk of material losses. The allowance for credit losses may not be adequate to cover losses associated with any of these relationships and any loss or increase in the allowance would negatively affect our earnings and capital. Even if the loans are collateralized, the large increase in classified assets could harm our reputation with our regulators, investors and potential investors and inhibit our ability to execute our business plan.

We may not be able to adequately measure and limit the credit risk associated with our loan portfolio, which could adversely affect our profitability.

As a part of the products and services that we offer, we make commercial and commercial real estate loans. The principal economic risk associated with each class of loans is the creditworthiness of the borrower, which is affected by the strength of the relevant business market segment, local market conditions and general economic conditions. Additional factors related to the credit quality of commercial loans include the quality of the management of the business and the borrower's ability both to properly evaluate changes in the supply and demand characteristics affecting our market for products and services and to effectively respond to those changes. Additional factors related to the credit quality of commercial real estate loans include tenant vacancy rates and the quality of management of the property. A failure to effectively measure and limit the credit risk associated with our loan portfolio could have an adverse effect on our business, financial condition and results of operations.

We could be adversely affected by the soundness of other financial institutions.

Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. We have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks and other institutional clients. Many of these transactions expose us to credit risk in the event of a default by a counterparty or client. In addition, our credit risk may be exacerbated when our collateral cannot be foreclosed upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due. Any such losses could adversely affect our business, financial condition and results of operations.

Our profitability is vulnerable to interest rate fluctuations.

Our profitability depends substantially upon our net interest income. Net interest income is the difference between the interest earned on assets (such as loans and securities held in our investment portfolio) and the interest paid for liabilities (such as interest paid on savings and money market accounts and time deposits). Income associated with interest-earning assets and costs associated with interest-bearing liabilities may not be affected uniformly by fluctuations in interest rates. The magnitude and duration of changes in interest rates are events over which we have no control and such changes may have an adverse effect on our net interest income. Prepayment and early withdrawal levels, which are also impacted by changes in interest rates, can significantly affect our assets and liabilities. For example, an increase in interest rates could, among other things, reduce the demand for loans and decrease loan repayment rates. Such an increase could also adversely affect the ability of our floating-rate borrowers to meet their higher payment obligations, which could in turn lead to an increase in nonperforming assets and net charge-offs. Conversely, a decrease in the general level of interest rates could affect us by, among other things, leading to greater competition for deposits and incentivizing borrowers to prepay or refinance their loans more quickly or frequently than they otherwise would. The primary tool that management uses to measure interest rate risk is a simulation model that evaluates the impact of varying levels of prevailing interest rates and the impact on net interest income and the economic value of equity. Generally, the interest rates on our interest-earning assets and interest-bearing liabilities do not change at the same rate, to the same extent or on the same basis. Even assets and liabilities with similar maturities or re-pricing periods may react in different degrees to changes in market interest rates. Interest rates on certain types of assets and liabilities may fluctuate in advance of changes in general market interest rates, while interest rates on other types of assets and liabilities may lag behind changes in general market rates. Certain assets, such as fixed and adjustable rate mortgage loans, have features that limit changes in interest rates on a short-term basis and over the life of the asset. Changes in interest rates could materially and adversely affect our financial condition and results of operations. See "Item 7A – Quantitative and Qualitative Disclosure About Market Risk" for a discussion of interest rate risk modeling and the inherent risks in modeling assumptions.

Market interest rates for loans, investments and deposits are highly sensitive to many factors beyond our control.

Generally, interest rate spreads (the difference between interest rates earned on assets and interest rates paid on liabilities) have narrowed in recent years as a result of changing market conditions, policies of various government and regulatory authorities and competitive pricing pressures and we cannot predict whether these rate spreads will narrow even further. This narrowing of interest rate spreads could adversely affect our financial condition and results of operations. In addition, we cannot predict whether interest rates will continue to remain at present levels. Changes in interest rates may cause significant changes, up or down, in our net interest income.

We attempt to minimize the adverse effects of changes in interest rates by structuring our asset-liability composition in order to obtain the maximum spread between interest income and interest expense. However, there can be no assurance that we will be successful in minimizing the adverse effects of changes in interest rates. Depending on our portfolio of loans and investments, our financial condition and results of operations may be adversely affected by changes in interest rates.

We may be adversely impacted by the transition from LIBOR as a reference rate.

In 2017, the United Kingdom's Financial Conduct Authority announced that after 2021 it would no longer compel banks to submit the rates required to calculate LIBOR. This announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. It remains unclear what rate or rates may develop as accepted alternatives to LIBOR, or what the effect of such changes will be on the markets for LIBOR-based financial instruments. The Secured Overnight Financing Rate ("SOFR") has been recommended by the Alternative Reference Rates Committee (a group of private-market participants convened by the Federal Reserve Board and the Federal Reserve Bank of New York) as an alternative for USD LIBOR, but uncertainty as to the adoption, market acceptance or availability of SOFR or other alternative reference rates may adversely affect the value of LIBOR or SOFR-based assets and liabilities held or issued by the Company.

We occasionally have loans, derivative contracts, borrowings and other financial instruments with attributes that are either directly or indirectly dependent on LIBOR. The transition from LIBOR could create considerable costs and additional risk. Since proposed alternative rates are calculated differently, payments under contracts referencing new rates will differ from those referencing LIBOR. The transition will change our market risk profiles, requiring changes to risk and pricing models, valuation tools, product design and hedging strategies. Furthermore, failure to adequately manage this transition process with our customers could adversely impact our reputation.

The language in our contracts and financial instruments that define and use LIBOR have developed over time and have various events that trigger when a successor rate to the designated rate would be selected. If a trigger is satisfied, contracts and financial instruments often give the calculation agent (which may be us) discretion over the successor rate or benchmark to be selected. As a result, there is considerable uncertainty as to how the financial services industry will address the discontinuance of designated rates in contracts and financial instruments or such designated rates ceasing to be acceptable reference rates. This uncertainty could ultimately result in client disputes and litigation surrounding the proper interpretation of our LIBOR-based contracts and financial instruments.

Although we are currently unable to assess what the ultimate impact of the transition from LIBOR will be, failure to adequately manage the transition could have a material adverse effect on our business, financial condition and results of operations.

Strategic Risks

The outbreak of COVID-19, or other such epidemic, pandemic, or highly contagious disease occurring in the United States or in the geographies in which we conduct operations, could adversely affect the Company's business operations, asset valuations, financial condition and results of operations.

The Company's business is dependent upon the willingness and ability of our customers to conduct banking and other financial transactions. The COVID-19 outbreak, or other highly contagious or infectious disease, could negatively impact the ability of our employees and customers to conduct such transactions and disrupt the business activities and operations of our customers in the geographic areas in which we operate. The spread of the COVID-19 virus had an impact on our operations during 2020 and 2021, and the Company expects that the virus will continue to have an impact on the business, financial condition, and results of operations of the Company and its customers during 2022. The COVID-19 pandemic has caused changes in the behavior of customers, businesses, and their employees, including illness, quarantines, social distancing practices, cancellation of events and travel, business and school shutdowns, reduction in commercial activity and financial transactions, supply chain interruptions, increased unemployment, and overall economic and financial market instability. Future effects, including additional actions taken by federal, state, and local governments to contain COVID-19 or treat its impact, are unknown. Any sustained disruption to our operations is likely to negatively impact the Company's financial condition and results of operations. Notwithstanding our contingency plans and other safeguards against pandemics or another contagious disease, the spread of COVID-19 could also negatively impact the availability of Equity Bank staff who are necessary to conduct our business operations, as well as potentially impact the business and operations third party service providers who perform critical services for us. If the response to contain COVID-19, or another highly infectious or contagious disease, is unsuccessful, the Company could experience a material adverse effect on our business operations, asset valuations, financial condition, and results of operations. Material adverse impacts may include all or a combination of valuation impairments on the Company's intangible assets, investments, loans, loan servicing rights, deferred tax assets, or counter-party risk derivatives.

Our financial performance will be negatively impacted if we are unable to execute our growth strategy.

Our current growth strategy is to grow organically and supplement that growth with select acquisitions. Our ability to grow organically depends primarily on generating loans and deposits of acceptable risk and expense and we may not be successful in continuing this organic growth. Our ability to identify appropriate markets for expansion, recruit and retain qualified personnel and fund growth at a reasonable cost depends upon prevailing economic conditions, maintenance of sufficient capital, competitive factors, and changes in banking laws, among other factors. Conversely, if we grow too quickly and are unable to control costs and maintain asset quality, such growth, whether organic or through select acquisitions, could materially and adversely affect our financial condition and results of operations.

We may not be able to identify and acquire other financial institutions, which could hinder our ability to continue to grow.

A substantial part of our historical growth has been a result of acquisitions of other financial institutions. We intend to continue our strategy of evaluating and selectively acquiring other financial institutions that serve customers or markets we find desirable. However, the market for acquisitions remains highly competitive and we may be unable to find satisfactory acquisition candidates in the future that fit our acquisition strategy. To the extent that we are unable to find suitable acquisition candidates, an important component of our strategy may be lost. If we are able to identify attractive acquisition opportunities, we must generally satisfy a number of conditions prior to completing any such transaction, including certain bank regulatory approval, which has become substantially more difficult, time-consuming and unpredictable as a result of the recent financial crisis. Additionally, any future acquisitions may not produce the revenue, earnings or synergies that we anticipated.

Our strategy of pursuing acquisitions exposes us to financial, execution, compliance and operational risks that could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

We intend to continue pursuing a strategy that includes acquisitions. An acquisition strategy involves significant risks, including the following:

- finding suitable candidates for acquisition;
- attracting funding to support additional growth within acceptable risk tolerances;
- maintaining asset quality;
- retaining customers and key personnel, including bankers;
- obtaining necessary regulatory approvals, which we may have difficulty obtaining or be unable to obtain;
- conducting adequate due diligence and managing known and unknown risks and uncertainties;
- integrating acquired businesses; and
- maintaining adequate regulatory capital.

The market for acquisition targets is highly competitive, which may adversely affect our ability to find acquisition candidates that fit our strategy and standards. We face significant competition in pursuing acquisition targets from other banks and financial institutions, many of which possess greater financial, human, technical and other resources than we do. Our ability to compete in acquiring target institutions will depend on our available financial resources to fund the acquisitions, including the amount of cash and cash equivalents we have and the liquidity and market price of our Class A common stock. In addition, increased competition may also drive up the acquisition consideration that we will be required to pay in order to successfully capitalize on attractive acquisition opportunities. To the extent that we are unable to find suitable acquisition targets, an important component of our growth strategy may not be realized.

Acquisitions of financial institutions and branches also involve operational risks and uncertainties, such as unknown or contingent liabilities with no available manner of recourse, exposure to unexpected problems such as asset quality, the retention of key employees and customers and other issues that could negatively affect our business. We may not be able to complete future acquisitions or, if completed, we may not be able to successfully integrate the operations, technology platforms, management, products and services of the entities that we acquire or to realize our attempts to eliminate redundancies. The integration process may also require significant time and attention from our management that would otherwise be directed toward servicing existing business and developing new business. Failure to successfully integrate the entities we acquire into our existing operations in a timely manner may increase our operating costs significantly and adversely affect our business, financial condition and results of operations. Further, acquisitions typically involve the payment of a premium over book and market values and therefore, some dilution of our tangible book value and net income per common share may occur in connection with any future acquisition and the carrying amount of any goodwill that we currently maintain or may acquire may be subject to impairment in future periods.

If we continue to grow, we will face risks arising from our increased size. If we do not manage such growth effectively, we may be unable to realize the benefit from the investments in technology, infrastructure and personnel that we have made to support our expansion. In addition, we may incur higher costs and realize less revenue growth than we expect, which would reduce our earnings and diminish our future prospects and we may not be able to continue to implement our business strategy and successfully conduct our operations. Risks associated with failing to maintain effective financial and operational controls as we grow, such as maintaining appropriate loan underwriting procedures, information technology systems, determining adequate allowances for credit losses and complying with regulatory accounting requirements, including increased credit losses, reduced earnings and potential regulatory penalties and restrictions on growth, all could have a negative effect on our business, financial condition and results of operations.

Acquisitions may disrupt our business and dilute stockholder value and integrating acquired companies may be more difficult, costly or time-consuming than we expect.

Our pursuit of acquisitions may disrupt our business and any equity that we issue as merger consideration may have the effect of diluting the value of common stockholders. In addition, we may fail to realize some or all of the anticipated benefits of completed acquisitions. We anticipate that the integration of businesses that we may acquire in the future will be a time-consuming and expensive process, even if the integration process is effectively planned and implemented.

In addition, our acquisition activities could be material to our business and involve a number of significant risks, including the following:

- incurring time and expense associated with identifying and evaluating potential acquisitions and negotiating potential transactions, resulting in our attention being diverted from the operation of our existing business;
- using inaccurate estimates and judgments to evaluate credit, operations, management and market risks with respect to the target company or the assets and liabilities that we seek to acquire;
- exposure to potential asset quality issues of the target company;
- intense competition from other banking organizations and other potential acquirers, many of which have substantially greater resources than we do;
- potential exposure to unknown or contingent liabilities of banks and businesses we acquire, including, without limitation, liabilities for regulatory and compliance issues;
- inability to realize the expected revenue increases, cost savings, increases in geographic or product presence and other projected benefits of the acquisition;
- incurring time and expense required to integrate the operations and personnel of the combined businesses;
- inconsistencies in standards, procedures and policies that would adversely affect our ability to maintain relationships with customers and employees;
- experiencing higher operating expenses relative to operating income from the new operations;
- creating an adverse short-term effect on our results of operations;
- losing key employees and customers;
- significant problems relating to the conversion of the financial and customer data of the entity;
- integration of acquired customers into our financial and customer product systems;
- potential changes in banking or tax laws or regulations that may affect the target company; or
- risks of impairment to goodwill.

If difficulties arise with respect to the integration process, the economic benefits expected to result from acquisitions might not occur. As with any merger of financial institutions, there also may be business disruptions that cause us to lose customers or cause customers to move their business to other financial institutions. Failure to successfully integrate businesses that we acquire could have an adverse effect on our profitability, return on equity, return on assets or our ability to implement our strategy, any of which in turn could have a material adverse effect on our business, financial condition and results of operations.

Operational Risks

We rely heavily on our management team and could be adversely affected by the unexpected loss of key officers.

We are led by an experienced management team with substantial experience in the markets that we serve and the financial products that we offer. Our operating strategy focuses on providing products and services through long-term relationship managers. Accordingly, our success depends in large part on the performance of our key personnel, as well as on our ability to attract, motivate and retain highly qualified senior and middle management. Competition for employees is intense and the process of locating key personnel with the combination of skills and attributes required to execute our business plan may be lengthy. We may not be successful in retaining our key employees and the unexpected loss of services of one or more of our key personnel could have a material adverse effect on our business because of their skills, knowledge of our market and financial products, years of industry experience, long-term customer relationships and the difficulty of promptly finding qualified replacement personnel. If the services of any of our key personnel should become unavailable for any reason, we may not be able to identify and hire qualified persons on terms acceptable to us, which could have an adverse effect on our business, financial condition and results of operations.

Our business is concentrated in, and largely dependent upon, the continued growth and welfare of the general geographic markets in which we operate.

Our banking operations are concentrated in Arkansas, Kansas, Missouri and Oklahoma. As a result, our financial condition and results of operations and cash flows are affected by changes in the economic conditions of our markets. Our success depends to a significant extent upon the business activity, population, income levels, deposits and real estate activity in these markets. Although our customers' business and financial interests may extend well beyond these market areas, adverse conditions that affect these market

areas could reduce our growth rate, affect the ability of our customers to repay their loans, affect the value of collateral underlying loans, impact our ability to attract deposits and generally affect our financial conditions and results of operations. Because of our geographic concentration, we may be less able than other regional or national financial institutions to diversify our credit risks across multiple markets.

Difficult conditions in the market for financial products and services may materially and adversely affect our business and results of operations.

Recessionary periods historically have brought about increased foreclosures and unemployment which have resulted in significant write-downs of asset values by financial institutions, including government-sponsored entities and major commercial and investment banks. These write-downs, initially of mortgage-backed securities but spreading to credit default swaps and other derivative securities, have historically caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in some cases, to fail. This market turmoil and tightening of credit have led to an increased level of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility and widespread reduction of business activity generally. Although conditions have improved, a return of these trends could have a material adverse effect on our business and operations. Negative market developments may affect consumer confidence levels and may cause adverse changes in payment patterns, causing increases in delinquencies and default rates, which may impact our charge-offs and provisions for loan and credit losses. Economic deterioration that affects household and/or corporate incomes could also result in reduced demand for credit or fee-based products and services. These conditions would have adverse effects on us and others in the financial services industry.

Our ability to grow our loan portfolio may be limited by, among other things, economic conditions, competition within our market areas, the timing of loan repayments and seasonality.

Our ability to continue to improve our operating results is dependent upon, among other things, growing our loan portfolio. While we believe that our strategy to grow our loan portfolio is sound and our growth targets are achievable over an extended period of time, competition within our market areas is significant, particularly for high credit quality borrowers. We compete with both large regional and national financial institutions, who are sometimes able to offer more attractive interest rates and other financial terms than we choose to offer, as well as other community-based banks who seek to offer a similar level of service to that which we offer. This competition can make loan growth challenging, particularly if we are unwilling to price loans at levels that would cause unacceptable levels of compression of our net interest margin or if we are unwilling to structure a loan in a manner that we believe results in a level of risk to us that we are not willing to accept. Moreover, loan growth throughout the year can fluctuate due in part to seasonality of the businesses of our borrowers and potential borrowers and the timing on loan repayments, particularly those of our borrowers with significant relationships with us, resulting from, among other things, excess levels of liquidity. To the extent that we are unable to increase loans, we may be unable to successfully implement our growth strategy, which could materially and adversely affect us.

Several of our large depositors have relationships with each other, which creates a higher risk that one customer's withdrawal of its deposit could lead to a loss of other deposits from customers within the relationship, which, in turn, could force us to fund our business through more expensive and less stable sources.

As of December 31, 2021, our ten largest non-brokered depositors accounted for $320.7 million in deposits, or approximately 7.3% of our total deposits. Further, our non-brokered deposit account balance was $4.37 billion, or approximately 98.8% of our total deposits, as of December 31, 2021. Several of our large depositors have business, family or other relationships with each other, which creates a risk that any one customer's withdrawal of its deposit could lead to a loss of other deposits from customers within the relationship.

Withdrawals of deposits by any one of our largest depositors or by one of our related customer groups could force us to rely more heavily on borrowings and other sources of funding for our business and withdrawal demands, adversely affecting our net interest margin and results of operations. We may also be forced, as a result of any withdrawal of deposits, to rely more heavily on other, potentially more expensive and less stable funding sources. Consequently, the occurrence of any of these events could have a material adverse effect on our business, results of operations, financial condition and future prospects.

Our future profitability levels are dependent on our ability to grow and maintain deposits at competitive costs.

Our ability to fund our lending and investing activities at a reasonable cost depends on our ability to maintain adequate deposit levels at an economically competitive cost structure. The following risks could impact the cost structures of deposits:

- Increased competition over transactional and time deposit accounts could increase the costs of these deposits by increasing the rate of change and velocity of change in deposit rates, as overall market rates change;
- Migration of transactional deposit accounts to time deposit accounts could increase the overall costs of deposits; and
- Changes in the mix of retail and public funds deposit customers could increase the costs of deposits. Public funds deposits are more rate sensitive than retail deposits and if we are forced to rely more heavily on those types of deposits overall funding cost could increase.

Our ability to retain bankers and recruit additional successful bankers is critical to the success of our business strategy and any failure to do so could adversely affect our business, financial condition, results of operations and growth prospects.

Our ability to retain and grow our loans, deposits and fee income depends upon the business generation capabilities, reputation and relationship management skills of our bankers. If we were to lose the services of any of our bankers, including successful bankers employed by banks that we may acquire, to a new or existing competitor or otherwise, we may not be able to retain valuable relationships and some of our customers could choose to use the services of a competitor instead of our services.

Our growth strategy also relies on our ability to attract and retain additional profitable bankers. We may face difficulties in recruiting and retaining bankers of our desired caliber, including as a result of competition from other financial institutions. In particular, many of our competitors are significantly larger with greater financial resources and may be able to offer more attractive compensation packages and broader career opportunities. Additionally, we may incur significant expenses and expend significant time and resources on training, integration and business development before we are able to determine whether a new banker will be profitable or effective. If we are unable to attract and retain successful bankers, or if our bankers fail to meet our expectations in terms of customer relationships and profitability, we may be unable to execute our business strategy and our business, financial condition, results of operations and growth prospects may be adversely affected.

Any expansion into new markets or new lines of business might not be successful.

As part of our ongoing strategic plan, we may consider expansion into new geographic markets. Such expansion might take the form of the establishment of de novo branches or the acquisition of existing banks or bank branches. There are considerable costs associated with opening new branches and new branches generally do not generate sufficient revenues to offset costs until they have been in operation for some time. Additionally, we may consider expansion into new lines of business through the acquisition of third parties or organic growth and development. There are substantial risks associated with such efforts, including risks that (i) revenues from such activities might not be sufficient to offset the development, compliance and other implementation costs, (ii) competing products and services and shifting market preferences might affect the profitability of such activities and (iii) our internal controls might be inadequate to manage the risks associated with new activities. Furthermore, it is possible that our unfamiliarity with new markets or lines of business might adversely affect the success of such actions. If any such expansions into new geographic or product markets are not successful, there could be an adverse effect on our financial condition and results of operations.

Our small to medium-sized business and entrepreneurial customers may have fewer financial resources than larger entities to weather a downturn in the economy that might impair a borrower's ability to repay a loan and could adversely affect our financial condition and results of operations.

We focus our business development and marketing strategy primarily to serve the banking and financial services needs of small to medium-sized businesses and entrepreneurs. These small to medium-sized businesses and entrepreneurs may have fewer financial resources in terms of capital or borrowing capacity than larger entities. If economic conditions negatively impact our markets generally, and small to medium-sized businesses are adversely affected, our financial condition and results of operations may be negatively affected.

A lack of liquidity could adversely affect our financial condition and results of operations.

Liquidity is essential to our business. We rely on our ability to generate deposits and effectively manage the repayment and maturity schedules of our loans to ensure that we have adequate liquidity to fund our operations. An inability to raise funds through deposits, borrowings, the sale of loans and other sources could have a substantial negative effect on our liquidity. Our most important source of funds is deposits. Deposit balances can decrease when customers perceive alternative investments as providing a better risk/return tradeoff. If customers move money out of bank deposits and into other investments such as money market funds, we would lose a relatively low-cost source of funds, increasing our funding costs and reducing our net interest income and net income.

Other primary sources of funds consist of cash flows from operations, maturities and sales of investment securities and proceeds from the issuance and sale of our equity securities to investors. Additional liquidity is provided by the ability to borrow from the Federal Home Loan Bank of Topeka. We also may borrow funds from third-party lenders, such as other financial institutions. Our access to funding sources in amounts adequate to finance or capitalize our activities, or on terms that are acceptable to us, could be impaired by factors that affect us directly or the financial services industry or economy in general, such as disruptions in the financial markets or negative views and expectations about the prospects for the financial services industry. Our access to funding sources could also be affected by a decrease in the level of our business activity as a result of a downturn in our markets or by one or more adverse regulatory actions against us.

Any decline in available funding could adversely impact our ability to originate loans, invest in securities, meet our expenses or to fulfill obligations such as repaying our borrowings or meeting deposit withdrawal demands, any of which could have a material adverse impact on our liquidity, business, financial condition and results of operations.

As a community banking institution, we have lower lending limits and different lending risks than certain of our larger, more diversified competitors.

We are a community banking institution that provides banking services to the local communities in the market areas in which we operate. Our ability to diversify our economic risks is limited by our own local markets and economies. We lend primarily to individuals and small to medium-sized businesses, which may expose us to greater lending risks than those of banks that lend to larger, better-capitalized businesses with longer operating histories. In addition, our legally mandated lending limits are lower than those of certain of our competitors that have more capital than we do. These lower lending limits may discourage borrowers with lending needs that exceed our limits from doing business with us. We may try to serve such borrowers by selling loan participations to other financial institutions; however, this strategy may not succeed.

Our financial projections are based upon numerous assumptions about future events and our actual financial performance may differ materially from our projections if our assumptions are inaccurate.

If the communities in which we operate do not grow, or if the prevailing economic conditions locally or nationally are less favorable than we have assumed, then our ability to reduce our nonperforming loans and other real estate owned portfolios and to implement our business strategies may be adversely affected and our actual financial performance may be materially different from our projections.

Moreover, we cannot give any assurance that we will benefit from any market growth or favorable economic conditions in our market areas even if they do occur. If our senior management team is unable to provide the effective leadership necessary to implement our strategic plan our actual financial performance may be materially adversely different from our projections. Additionally, to the extent that any component of our strategic plan requires regulatory approval, if we are unable to obtain necessary approval, we will be unable to completely implement our strategy, which may adversely affect our actual financial results. Our inability to successfully implement our strategic plan could adversely affect the price of our Class A common stock.

We depend on the accuracy and completeness of information about customers and counterparties.

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished to us by or on behalf of customers and counterparties, including financial statements and other financial information. We also may rely on representations of customers and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. In deciding whether to extend credit, we may rely upon our customers' representations that their financial statements conform to GAAP and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. We also may rely on customer representations and certifications or other audit or accountants' reports, with respect to the business and financial condition of our clients. Our financial condition, results of operations, financial reporting and reputation could be negatively affected if we rely on materially misleading, false, inaccurate or fraudulent information.

We are subject to possible claims and litigation pertaining to fiduciary responsibility.

From time to time, customers could make claims and take legal action pertaining to our performance of our fiduciary responsibilities. Whether customer claims and legal action related to our performance of our fiduciary responsibilities are founded or unfounded, if such claims and legal actions are not resolved in a manner favorable to us, they may result in significant financial liability and/or adversely affect our market perception of our products and services as well as impact customer demand for those products and services. Any financial liability or reputation damage could have a material adverse effect on our business, which, in turn, could have a material adverse effect on our financial condition and results of operations.

We continually encounter technological change and may have fewer resources than our competitors to continue to invest in technological improvements.

The banking and financial services industries are undergoing rapid technological changes with frequent introductions of new technology-driven products and services. In addition to enhancing the level of service provided to customers, the effective use of technology increases efficiency and enables financial institutions to reduce costs. Our future success will depend, in part, upon our ability to address the needs of our customers by using technology to provide products and services that enhance customer convenience and create additional efficiencies in operations. Many of our competitors have greater resources to invest in technological improvements and we may not be able to effectively implement new technology-driven products and services, which could reduce our ability to effectively compete.

Our information systems may experience a failure or interruption.

We rely heavily on communications and information systems to conduct our business. Any failure or interruption in the operation of these systems could impair or prevent the effective operation of our customer relationship management, general ledger, deposit, lending or other functions. While we have policies and procedures designed to prevent or limit the effect of a failure or interruption in the operation of our information systems, there can be no assurance that any such failures or interruptions will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures or interruptions impacting our information systems could damage our reputation, result in a loss of customer business and expose us to additional regulatory scrutiny, civil litigation and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations.

We use information technology in our operations and offer online banking services to our customers, and unauthorized access to our or our customers' confidential or proprietary information as a result of a cyber-attack or otherwise could expose us to reputational harm and litigation and adversely affect our ability to attract and retain customers.

Information security risks for financial institutions have generally increased in recent years, in part because of the proliferation of new technologies, the use of the internet and telecommunications technologies to conduct financial transactions and the increased sophistication and activities of organized crime, hackers, terrorists, activists and other external parties. The financial services industry has seen increases in electronic fraudulent activity, hacking, security breaches, sophisticated social engineering and cyber-attacks, including in the commercial banking sector, as cyber criminals have been targeting commercial bank accounts on an increasing basis. We are under continuous threat of loss due to fraudulent activity, hacking and cyber-attacks, especially as we continue to expand customer capabilities to utilize internet and other remote channels to transact business.

Our risk and exposure to these matters remains heightened because of the evolving nature and complexity of these threats from cyber criminals and hackers, our plans to continue to provide internet banking and mobile banking channels and our plans to develop additional remote connectivity solutions to serve our customers. Therefore, the secure processing, transmission and storage of information in connection with our online banking services are critical elements of our operations. However, our network is vulnerable to unauthorized access, computer viruses and other malware, phishing schemes or other security failures. In addition, our customers may use personal smartphones, tablet PCs or other mobile devices that are beyond our control systems in order to access our products and services. Our technologies, systems and networks and our customers' devices, may become the target of cyber-attacks, electronic fraud or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our or our customers' confidential, proprietary and other information, or otherwise disrupt our or our customers' or other third parties' business operations. As cyber threats continue to evolve, we may be required to spend significant capital and other resources to protect against these threats or to alleviate or investigate problems caused by such threats. Our business relies on the secure processing, storage, transmission and retrieval of confidential customer information in our computer and data management systems and networks, and in the computer and data management systems and networks of third parties, and any breaches or unauthorized access to such information could present significant regulatory costs and expose us to litigation and other possible liabilities. Any inability to prevent these types of security threats could also cause existing customers to lose confidence in our systems and could adversely affect our reputation and ability to generate deposits. The occurrence of any cyber-attack or information security breach could result in financial losses or increased costs to us or our clients, disclosure or misuse of confidential information belonging to us or personal or confidential information belonging to our clients, misappropriation of assets, reputational damage, damage to our competitive position and the disruption of our operations, all of which could adversely affect our financial condition or results of operations.

We sustained a sophisticated cyber-attack in November 2021 involving malware on our internal network that caused a network disruption and impacted certain of our systems. We do not believe that the cyber-attack impacted or gained access to our core processing system. Our security system detected the cyber-attack and was able to secure our data before such data was encrypted by the cyber-attackers. Once alerted, we undertook steps to address the incident, including engaging a team of third-party forensic experts and notifying law enforcement and key regulators. We restored network systems and resumed normal operations by November 2, 2021.

Our investigation revealed that an unauthorized third party was able to access and copy certain information from our internal network, including customer, employee and vendor information. We believe all of the impacted data was returned to us and currently have no indication that the impacted data has been misused. However, the misuse, or perceived misuse, of sensitive or confidential information regarding our business or our customers could cause harm to our reputation and result in the loss of business with existing or potential customers, which could adversely impact its business, results of operations and financial condition.

Although we maintain cybersecurity insurance coverage insuring against costs resulting from cyber-attacks (including the November 2021 attack), the costs and expenses incurred in connection with the November 2021 attack include both direct and indirect costs and are not all covered by its insurance coverage. In addition, in the event of future cyber-attacks, our cybersecurity insurance may not cover all of our losses.

Based on the information currently known, we do not believe that the November 2021 cyber-attack will have a material impact on our business, results of operations or financial condition, but no assurances can be given as we continue to assess the full impact from the incident, including costs, expenses and insurance coverage. However, we may also be subject to future incidents that could have a material adverse effect on our business, results of operations or financial condition or may result in operational impairments and financial losses, as well as significant harm to our reputation.

In recent periods, several governmental agencies and large corporations, including financial service organizations and retail companies, have suffered major data breaches, in some cases exposing not only their confidential and proprietary corporate information, but also sensitive financial and other personal information of their clients or clients and their employees or other third parties and subjecting those agencies and corporations to potential fraudulent activity and their clients, clients and other third parties to identity theft and fraudulent activity in their credit card and banking accounts. Therefore, security breaches and cyber-attacks can cause significant increases in operating costs, including the costs and capital expenditures required to correct the deficiencies in and strengthen the security of data processing and storage systems.

Unfortunately, it is not always possible to anticipate, detect, or recognize these threats to our systems, or to implement effective preventative measures against all breaches, whether those breaches are malicious or accidental. Cybersecurity risks for banking organizations have significantly increased in recent years and have been difficult to detect before they occur because, among other reasons:

- the proliferation of new technologies and the use of the internet and telecommunications technologies to conduct financial transactions;

- these threats arise from numerous sources, not all of which are in our control, including among others, human error, fraud or malice on the part of employees or third parties, accidental technological failure, electrical or telecommunication outages, failures of computer servers or other damage to our property or assets, natural disasters or severe weather conditions, health emergencies or pandemics, or outbreaks of hostilities or terrorist acts;

- the techniques used in cyber-attacks change frequently and may not be recognized until launched or until well after the breach has occurred;

- the increased sophistication and activities of organized crime groups, hackers, terrorist organizations, hostile foreign governments, disgruntled employees or vendors, activists and other external parties, including those involved in corporate espionage;

- the vulnerability of systems to third parties seeking to gain access to such systems either directly or using equipment or security passwords belonging to employees, customers, third-party service providers or other users of our systems; and

- our frequent transmission of sensitive information to, and storage of such information by, third parties, including our vendors and regulators, and possible weaknesses that go undetected in our data systems notwithstanding the testing we conduct of those systems.

While we invest in systems and processes that are designed to detect and prevent security breaches and cyber-attacks and we conduct periodic tests of our security systems and processes, we may not succeed in anticipating or adequately protecting against or preventing all security breaches and cyber-attacks from occurring. Even the most advanced internal control environment may be vulnerable to compromise. Targeted social engineering attacks are becoming more sophisticated and are extremely difficult to prevent. Additionally, the existence of cyber-attacks or security breaches at third parties with access to our data, such as vendors, may not be disclosed to us in a timely manner. Further, we may not be able to insure against losses related to cyber threats. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities or incidents.

As is the case with non-electronic fraudulent activity, cyber-attacks or other information or security breaches, whether directed at us or third parties, may result in a material loss or have material consequences. Furthermore, the public perception that a cyber-attack on our systems has been successful, whether or not this perception is correct, may damage our reputation with customers and third parties with whom we do business. A successful penetration or circumvention of system security could cause us negative consequences, including loss of customers and business opportunities, disruption to our operations and business, misappropriation or destruction of our confidential information and/or that of our customers, or damage to our customers' and/or third parties' computers or systems, and could expose us to additional regulatory scrutiny and result in a violation of applicable privacy laws and other laws, litigation exposure, regulatory fines, penalties or intervention, loss of confidence in our security measures, reputational damage, reimbursement or other compensatory costs, additional compliance costs, and could adversely impact our results of operations, liquidity and financial condition.

We are dependent upon outside third parties for the processing and handling of our records and data.

We rely on software developed by third-party vendors to process various transactions. In some cases, we have contracted with third parties to run their proprietary software on our behalf. These systems include, but are not limited to, general ledger, payroll, employee benefits, loan and deposit processing and securities portfolio accounting. While we perform a review of controls instituted by the applicable vendors over these programs in accordance with industry standards and perform our own testing of user controls, we must rely on the continued maintenance of controls by these third-party vendors, including safeguards over the security of customer data. In addition, we maintain, or contract with third parties to maintain, daily backups of key processing outputs in the event of a failure on the part of any of these systems. Nonetheless, we may incur a temporary disruption in our ability to conduct business or process transactions, or incur damage to our reputation, if the third-party vendor fails to adequately maintain internal controls or institute necessary changes to systems. Such a disruption or breach of security may have a material adverse effect on our business.

We are subject to losses due to the errors or fraudulent behavior of employees or third parties.

We are exposed to many types of operational risk, including the risk of fraud by employees and outsiders, clerical record-keeping errors and transactional errors. Our business is dependent on our employees as well as third-party service providers to process a large number of increasingly complex transactions. We could be materially adversely affected if someone causes a significant operational breakdown or failure, either as a result of human error or where an individual purposefully sabotages or fraudulently manipulates our operations or systems. When we originate loans, we rely upon information supplied by loan applicants and third parties, including the information contained in the loan application, property appraisal and title information, if applicable, and employment and income documentation provided by third parties. If any of this information is misrepresented and such misrepresentation is not detected prior to loan funding, we generally bear the risk of loss associated with the misrepresentation. Any of these occurrences could result in a diminished ability of us to operate our business, potential liability to customers, reputational damage and regulatory intervention, which could negatively impact our business, financial condition and results of operations.

If our enterprise risk management framework is not effective at mitigating risk and loss to us, we could suffer unexpected losses and our results of operations could be materially adversely affected.

Our enterprise risk management framework seeks to achieve an appropriate balance between risk and return, which is critical to optimizing stockholder value. We have established processes and procedures intended to identify, measure, monitor, report and analyze the types of risk to which we are subject, including credit, liquidity, operational, regulatory compliance and reputational. However, as with any risk management framework, there are inherent limitations to our risk management strategies as there may exist, or develop in the future, risks that we have not appropriately anticipated or identified. For example, the recent financial and credit crisis and resulting regulatory reform highlighted both the importance and some of the limitations of managing unanticipated risks. If our risk management framework proves ineffective, we could suffer unexpected losses and our business and results of operations could be materially adversely affected.

Changes in accounting standards could materially impact our financial statements.

From time to time, the Financial Accounting Standards Board or the SEC may change the financial accounting and reporting standards that govern the preparation of our financial statements. Such changes may result in us being subject to new or changing accounting and reporting standards. In addition, the bodies that interpret the accounting standards (such as banking regulators, outside auditors or management) may change their interpretations or positions on how these standards should be applied. These changes may be beyond our control, can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retrospectively or apply an existing standard differently, also retrospectively, in each case resulting in our needing to revise or restate prior period financial statements.

If the goodwill that we have recorded or may record in connection with a business acquisition becomes impaired, it could require charges to earnings, which would adversely affect our business, financial condition and results of operations.

Goodwill represents the amount by which the cost of an acquisition exceeded the fair value of net assets we acquired in connection with the purchase of another financial institution. We review goodwill for impairment at least annually, or more frequently if a triggering event occurs which indicates that the carrying value of the asset might be impaired. There can be no assurance that our future evaluations of our existing goodwill or goodwill we may acquire in the future will not result in findings of impairment and related write-downs, which could adversely affect our business, financial condition and results of operations. For additional information about the Company's impairment assessment process and results see "NOTE 7 – GOODWILL AND CORE DEPOSIT INTANGIBLES" in Notes to Consolidated Financial Statements.

We may be required to repurchase mortgage loans or indemnify buyers against losses in some circumstances, which could harm liquidity, results of operations and financial condition.

When mortgage loans are sold, whether as whole loans or pursuant to a securitization, we are required to make customary representations and warranties to purchasers, guarantors and insurers, including government-sponsored enterprises, about the mortgage loans and the manner in which they were originated. We may be required to repurchase or substitute mortgage loans, or indemnify buyers against losses, in the event we breach these representations or warranties. In addition, we may be required to repurchase mortgage loans as a result of early payment default of the borrower on a mortgage loan. With respect to loans that are originated through Equity Bank or correspondent channels, the remedies available against the originating broker or correspondent, if any, may not be as broad as the remedies available to purchasers, guarantors and insurers of mortgage loans against us. We face further risk that the originating broker or correspondent, if any, may not have financial capacity to perform remedies that otherwise may be available. Therefore, if a purchaser, guarantor or insurer enforces its remedies against us, we may not be able to recover losses from the originating broker or correspondent. If repurchase and indemnity demands increase and such demands are valid claims and are in excess of our provision for potential losses, our liquidity, results of operations and financial condition may be adversely affected.

Risks Relating to the Regulation of Our Industry

We are subject to extensive regulation in the conduct of our business, which imposes additional costs on us and adversely affects our profitability.

As a bank holding company, we are subject to federal regulation under the Bank Holding Company Act of 1956, as amended, or the BHC Act, and the examination and reporting requirements of the Federal Reserve. Federal regulation of the banking industry, along with tax and accounting laws, regulations, rules and standards, may limit our operations significantly and control the methods by which we conduct business, as they limit those of other banking organizations. Banking regulations are primarily intended to protect depositors, deposit insurance funds and the banking system as a whole and not stockholders or other creditors. These regulations affect lending practices, capital structure, investment practices, dividend policy and overall growth, among other things. For example, federal and state consumer protection laws and regulations limit the manner in which we may offer and extend credit. In addition, the laws governing bankruptcy generally favor debtors, making it more expensive and more difficult to collect from customers who become subject to bankruptcy proceedings.

We also may be required to invest significant management attention and resources to evaluate and make any changes necessary to comply with applicable laws and regulations, particularly as a result of regulations adopted under the Dodd-Frank Act. This allocation of resources, as well as any failure to comply with applicable requirements, may negatively impact our financial condition and results of operations.

Changes in laws, government regulation and monetary policy may have a material effect on our results of operations.

Financial institutions have been the subject of significant legislative and regulatory changes and may be the subject of further significant legislation or regulation in the future, none of which is within our control. New proposals for legislation continue to be introduced in the United States Congress that could further substantially increase regulation of the bank and non-bank financial services industries, impose restrictions on the operations and general ability of firms within the industry to conduct business consistent with historical practices, including in the areas of compensation, interest rates, financial product offerings and disclosures and have an effect on bankruptcy proceedings with respect to consumer residential real estate mortgages, among other things. Federal and state regulatory agencies also frequently adopt changes to their regulations or change the manner in which existing regulations are applied. Changes to statutes, regulations or regulatory policies, including changes in their interpretation or implementation by regulators, could affect us in substantial and unpredictable ways. Such changes could, among other things, subject us to additional costs and lower revenues, limit the types of financial services and products that we may offer, ease restrictions on non-banks and thereby enhance their ability to offer competing financial services and products, increase compliance costs and require a significant amount of management's time and attention. Failure to comply with statutes, regulations or policies could result in sanctions by regulatory agencies, civil monetary penalties or reputational damage, each of which could have a material adverse effect on our business, financial condition and results of operations.

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

We are subject to supervision and regulation by federal and state banking agencies that periodically conduct examinations of our business, including compliance with laws and regulations – specifically, our subsidiary, Equity Bank, is subject to examination by the Federal Reserve and the OSBC and we are subject to examination by the Federal Reserve. Accommodating such examinations may require management to reallocate resources, which would otherwise be used in the day-to-day operation of other aspects of our business. If, as a result of an examination, any such banking agency was to determine that the financial condition, capital resources, allowance for credit losses, asset quality, earnings prospects, management, liquidity or other aspects of our operations had become unsatisfactory, or that we or our management were in violation of any law or regulation, such banking agency may take a number of different remedial actions as it deems appropriate. These actions include the power to enjoin "unsafe or unsound" practices, to require affirmative actions to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in our capital, to restrict our growth, to assess civil monetary penalties against us, our officers, or directors, to remove officers and directors and, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate our deposit insurance. If we become subject to such a regulatory action, it could have a material adverse effect on our business, financial condition and results of operations.

Our banking subsidiary may be required to pay higher FDIC insurance premiums or special assessments which may adversely affect our earnings.

As a member institution of the FDIC, our banking subsidiary, Equity Bank, is assessed a quarterly deposit insurance premium. We are generally unable to control the amount of premiums or special assessments that Equity Bank is required to pay, future bank failures may stress the Deposit Insurance Fund and prompt the FDIC to increase its premiums or to issue special assessments. Any future changes in the calculation or assessment of FDIC insurance premiums may have a material adverse effect on our results of operations, financial condition and our ability to continue to pay dividends on our common stock at the current rate or at all.

We are subject to certain capital requirements by regulators.

Applicable regulations require us to maintain specific capital standards in relation to the respective credit risks of our assets and off-balance sheet exposures. Various components of these requirements are subject to qualitative judgments by regulators. We maintain a "well capitalized" status under the current regulatory framework. Our failure to maintain a "well capitalized" status could affect our customers' confidence in us, which could adversely affect our ability to do business. In addition, failure to maintain such status could also result in restrictions imposed by our regulators on our growth and other activities. Any such effect on customers or restrictions by our regulators could have a material adverse effect on our financial condition and results of operations.

We are subject to stringent capital requirements, which may adversely impact our return on equity or constrain us from paying dividends or repurchasing shares.

Banking institutions are required to hold more capital as a percentage of assets than most industries. Holding high amounts of capital compresses our earnings and constrains growth. In addition, the failure to meet applicable regulatory capital requirements could result in one or more of our regulators placing limitations or conditions on our activities, including our growth initiatives, or restricting the commencement of new activities, and could affect client and investor confidence, our costs of funds and FDIC insurance costs and our ability to make acquisitions and result in a material adverse effect on our business, financial condition, results of operations and growth prospects.

We may need to raise additional capital in the future, including as a result of potential increased minimum capital thresholds established by regulators, but that capital may not be available when it is needed or may be dilutive to stockholders.

We are required by federal and state regulatory authorities to maintain adequate capital levels to support our operations. New regulations implementing minimum capital standards could require financial institutions to maintain higher minimum capital ratios and may place a greater emphasis on common equity as a component of “Tier 1 capital,” which consists generally of stockholders’ equity and qualifying preferred stock, less certain goodwill items and other intangible assets. In order to support our operations and comply with regulatory standards, we may need to raise capital in the future. Our ability to raise additional capital will depend on conditions in the capital markets at that time, which are outside of our control, and on our financial performance. Accordingly, we cannot assure you of our ability to raise additional capital, if needed, on favorable terms. The capital and credit markets have experienced significant volatility in recent years. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers’ underlying financial strength. If we cannot raise additional capital when needed, our financial condition and results of operations may be adversely affected and our banking regulators may subject us to regulatory enforcement action, including receivership. Furthermore, our issuance of additional shares of our Class A common stock could dilute the economic ownership interest of our Class A stockholders.

Stockholders may be deemed to be acting in concert or otherwise in control of us and our bank subsidiary, which could impose prior approval requirements and result in adverse regulatory consequences for such holders.

We are a bank holding company regulated by the Federal Reserve. Any entity (including a “group” composed of natural persons) owning 25% or more of a class of our outstanding shares of voting stock, or a lesser percentage if such holder or group otherwise exercises a “controlling influence” over us, may be subject to regulation as a “bank holding company” in accordance with the Bank Holding Company Act of 1956, as amended. In addition, (i) any bank holding company or foreign bank with a U.S. presence is required to obtain the approval of the Federal Reserve under the Bank Holding Company Act to acquire or retain 5% or more of a class of our outstanding shares of voting stock, and (ii) any person other than a bank holding company may be required to obtain prior regulatory approval under the Change in Bank Control Act to acquire or retain 10% or more of our outstanding shares of voting stock. Any stockholder that is deemed to “control” the Company for bank regulatory purposes would become subject to prior approval requirements and ongoing regulation and supervision. Such a holder may be required to divest amounts equal to or exceeding 5% of the voting shares of investments that may be deemed incompatible with bank holding company status, such as an investment in a company engaged in non-financial activities. Regulatory determination of “control” of a depository institution or holding company is based on all of the relevant facts and circumstances. Potential investors are advised to consult with their legal counsel regarding the applicable regulations and requirements.

Shares of our common stock owned by holders determined by a bank regulatory agency to be acting in concert would be aggregated for purposes of determining whether those holders have control of a bank or bank holding company. Each stockholder obtaining control that is a “company” would be required to register as a bank holding company. “Acting in concert” generally means knowing participation in a joint activity or parallel action towards the common goal of acquiring control of a bank or a parent company, whether or not pursuant to an express agreement. The manner in which this definition is applied in individual circumstances can vary and cannot always be predicted with certainty. Many factors can lead to a finding of acting in concert, including where: (i) the stockholders are commonly controlled or managed; (ii) the stockholders are parties to an oral or written agreement or understanding regarding the acquisition, voting or transfer of control of voting securities of a bank or bank holding company; (iii) the stockholders are immediate family members; or (iv) both a stockholder and a controlling stockholder, partner, trustee or management official of such stockholder own equity in the bank or bank holding company.

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

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

We are subject to the Bank Secrecy Act and other anti-money laundering statutes and regulations, and any deemed deficiency by us with respect to these laws could result in significant liability.

The Bank Secrecy Act, the USA PATRIOT Act of 2001, or the Patriot Act, and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti-money laundering program and file suspicious activity and currency transaction reports, when appropriate. In addition to other bank regulatory agencies, the federal Financial Crimes Enforcement Network of the U.S. Treasury, is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the state and federal banking regulators, as well as the U.S. Department of Justice, Consumer Financial Protection Bureau, Drug Enforcement Administration and Internal Revenue Service, or the IRS. We are also subject to increased scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control of the U.S. Treasury regarding, among other things, the prohibition of transacting business with and the need to freeze assets of, certain persons and organizations identified as a threat to the national security, foreign policy or economy of the United States. If our policies, procedures and systems are deemed deficient, we would be subject to liability, including fines and regulatory actions, which may include restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan, including our acquisition plans. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us. Any of these results could have a material adverse effect on our business, financial condition, results of operations and future prospects.

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

We intend to complement and expand our business by pursuing strategic acquisitions of financial institutions and other complementary businesses. Generally, we must receive state and federal regulatory approval before we can acquire an FDIC-insured depository institution or related business. In determining whether to approve a proposed acquisition, federal banking regulators will consider, among other factors, the effect of the acquisition on competition, our financial condition, our future prospects and the impact of the proposal on U.S. financial stability. The regulators also review current and projected capital ratios and levels, the competence, experience and integrity of management and its record of compliance with laws and regulations, the convenience and needs of the communities to be served (including the acquiring institution's record of compliance under the CRA) and the effectiveness of the acquiring institution in combating money laundering activities. Such regulatory approvals may not be granted on terms that are acceptable to us, or at all. We may also be required to sell branches as a condition to receiving regulatory approval, which may not be acceptable to us or, if acceptable to us, may reduce the benefit of any acquisition.

The Federal Reserve may require us to commit capital resources to support our subsidiary, Equity Bank.

The Federal Reserve requires a bank holding company to act as a source of financial and managerial strength to its subsidiary banks and to commit resources to support its subsidiary banks. Under the "source of strength" doctrine, the Federal Reserve may require a bank holding company to make capital injections into a troubled subsidiary bank at times when the bank holding company may not be inclined to do so and may charge the bank holding company with engaging in unsafe and unsound practices for failure to commit resources to such a subsidiary bank. Accordingly, we could be required to provide financial assistance to our subsidiary, Equity Bank, if it experiences financial distress.

Such a capital injection may be required at a time when our resources are limited, and we may be required to borrow the funds to make the required capital injection. In the event of a bank holding company's bankruptcy, the bankruptcy trustee will assume any commitment by the holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank. Moreover, bankruptcy law provides that claims based on any such commitment will be entitled to a priority of payment over the claims of the holding company's general unsecured creditors, including the holders of any note obligations.

The laws that regulate our operations are designed for the protection of depositors and the public, not our stockholders.

The federal and state laws and regulations applicable to our operations give regulatory authorities extensive discretion in connection with their supervisory and enforcement responsibilities and generally have been promulgated to protect depositors and the FDIC's DIF and not for the purpose of protecting stockholders. These laws and regulations can materially affect our future business. Laws and regulations now affecting us may be changed at any time and the interpretation of such laws and regulations by bank regulatory authorities is also subject to change.

As a bank holding company, the sources of funds available to us are limited.

Any future constraints on liquidity at the holding company level could impair our ability to declare and pay dividends on our Class A common stock. In some instances, notice to, or approval from, the Federal Reserve may be required prior to our declaration or payment of dividends. Further, our operations are primarily conducted by our subsidiary, Equity Bank, which is subject to significant regulation. Federal and state banking laws restrict the payment of dividends by banks to their holding companies and Equity Bank will be subject to these restrictions in paying dividends to us. Because our ability to receive dividends or loans from Equity Bank is restricted, our ability to pay dividends to our stockholders is also restricted.

Additionally, the right of a bank holding company to participate in the assets of its subsidiary bank in the event of a bank-level liquidation or reorganization is subject to the claims of the bank's creditors, including depositors, which take priority, except to the extent that the holding company may be a creditor with a recognized claim.

Risks Relating to the Company's Common Stock

The market price of our Class A common stock may be subject to substantial fluctuations which may make it difficult for you to sell your shares at the volumes, prices and times desired.

The trading price of our Class A common stock may be volatile, which may make it difficult for you to resell your shares at the volume, prices and times desired. There are many factors that may impact the market price and trading volume of our Class A common stock, including:

- actual or anticipated fluctuations in our operating results, financial condition or asset quality;
- market conditions in the broader stock market in general or in our industry in particular;
- publication of research reports about us, our competitors or the bank and non-bank financial services industries generally, or changes in, or failure to meet, securities analysts' estimates of our financial and operating performance, or lack of research reports by industry analysts or ceasing of coverage;
- future issuances of our Class A common stock or other securities;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving our competitors or us;
- additions or departures of key personnel;
- trades of large blocks of our Class A common stock;
- economic and political conditions or events;
- regulatory developments; and
- other news, announcements or disclosures (whether by us or others) related to us, our competitors, our core markets or the bank and non-bank financial services industries.

The stock market and, in particular, the market for financial institution stocks, have experienced substantial fluctuations in recent years, which in many cases have been unrelated to the operating performance and prospects of particular companies. In addition, significant fluctuations in the trading volume in our Class A common stock may cause significant price variations to occur. Increased market volatility may materially and adversely affect the market price of our Class A common stock, which could make it difficult to sell your shares at the volume, prices and times desired.

In the past, following periods of volatility in the market price of our common stock, securities class action litigation has been instituted. Pending or future securities class action suits against us could result in significant liabilities and, regardless of the outcome, could result in substantial costs and the diversion of our management's attention and resources.

The obligations associated with being a public company require significant resources and management attention.

As a public company, we face increased legal, accounting, administrative and other costs and expenses that are not incurred by private companies, particularly now that we are no longer an emerging growth company. We are subject to the reporting requirements of the Exchange Act, which requires that we file annual, quarterly and current reports with respect to our business and financial condition and proxy and other information statements, and the rules and regulations implemented by the SEC, the Sarbanes-Oxley Act, the Dodd-Frank Act, the PCAOB and the NASDAQ Stock Market LLC, each of which imposes additional reporting and other obligations on public companies. As a public company, we are required to:

- prepare and distribute periodic reports, proxy statements and other stockholder communications in compliance with the federal securities laws and rules;
- expand the roles and duties of our board of directors and committees thereof;
- maintain an enhanced internal audit function;
- institute more comprehensive financial reporting and disclosure compliance procedures;
- involve and retain to a greater degree outside counsel and accountants in the activities listed above;
- enhance our investor relations function;
- establish new internal policies, including those relating to trading in our securities and disclosure controls and procedures;
- retain additional personnel;
- comply with the NASDAQ Global Select Market listing standards; and
- comply with the Sarbanes-Oxley Act.

We expect these rules and regulations and changes in laws, regulations and standards relating to corporate governance and public disclosure, which have created uncertainty for public companies, to increase legal and financial compliance costs and make some activities more time consuming and costly. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. Our investment in compliance with existing and evolving regulatory requirements will result in increased administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities, which could have a material adverse effect on our business, financial condition and results of operations. These increased costs may require us to divert a significant amount of money that we could otherwise use to expand our business and achieve our strategic objectives

There is no guarantee that we will declare or pay cash dividends on our common stock.

The holders of our common stock will receive dividends if and when declared by our board of directors out of legally available funds. Any future determination relating to our dividend policy will be made at the discretion of our board of directors and will depend on a number of factors, including our future earnings, capital requirements, financial condition, future prospects, regulatory restrictions and other factors that our board of directors may deem relevant.

Our principal business operations are conducted through our subsidiary, Equity Bank. Cash available to pay dividends to our stockholders is derived primarily, if not entirely, from dividends paid by Equity Bank to us. The ability of Equity Bank to pay dividends to us, as well as our ability to pay dividends to our stockholders, will continue to be subject to and limited by, certain legal and regulatory restrictions. Further, any lenders making loans to us may impose financial covenants that may be more restrictive with respect to dividend payments than the regulatory requirements.

If a substantial number of shares become available for sale and are sold in a short period of time, the market price of our Class A common stock could decline.

If our existing stockholders sell substantial amounts of our Class A common stock in the public market, the market price of our Class A common stock could decrease significantly. The perception in the public market that our existing stockholders might sell shares of Class A common stock could also depress our market price. A decline in the price of shares of our Class A common stock might impede our ability to raise capital through the issuance of additional shares of our Class A common stock or other equity securities and could result in a decline in the value of the shares of our Class A common stock.

Securities analysts may not initiate or continue coverage on our Class A common stock, which could adversely affect the market for our Class A common stock.

The trading market for our Class A common stock may depend in part on the research and reports that securities analysts publish about us and our business. We do not have any control over these securities analysts, and they may not cover our Class A common stock. If securities analysts do not cover our Class A common stock, the lack of research coverage may adversely affect our market price. If we are covered by securities analysts and our Class A common stock is the subject of an unfavorable report, the price of our Class A common stock may decline. If one or more of these analysts cease to cover us or fail to publish regular reports on us, we could lose visibility in the financial markets, which could cause the price or trading volume of our Class A common stock to decline.

The trading volume in our common stock is less than other larger financial institutions.

Although our Class A common stock is listed for trading on the Nasdaq Global Select Market, the trading volume in our common stock is less than that of other, larger financial services companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of our Class A common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control. Given the lower trading volume of our Class A common stock, significant sales of our Class A common stock or the expectation of these sales, could cause the price of our Class A common stock to decline.

Use of our common stock for future acquisitions or to raise capital may be dilutive to existing stockholders.

When we determine that appropriate strategic opportunities exist, we may acquire other financial institutions and related businesses, subject to applicable regulatory requirements. We may use our common stock for such acquisitions. We may also seek to raise capital for such acquisitions through selling additional common stock. It is possible that the issuance of additional common stock in such acquisitions or capital transactions may be dilutive to the interests of our existing stockholders.

A future issuance of stock could dilute the value of our Class A common stock.

We may sell additional shares of Class A common stock, or securities convertible into or exchangeable for such shares, in subsequent public or private offerings. Future issuance of any new shares could cause further dilution in the value of our outstanding shares of Class A common stock. We cannot predict the size of future issuances of our Class A common stock, or securities convertible into or exchangeable for such shares, or the effect, if any, that future issuances and sales of shares of our Class A common stock will have on the market price of our Class A common stock. Sales of substantial amounts of our Class A common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect prevailing market prices of our Class A common stock.

We have significant institutional investors whose interests may differ from yours.

A significant portion of our outstanding equity is currently held by various investment funds. These funds could have a significant level of influence because of their level of ownership and representation on our board of directors, including a greater ability than you and our other stockholders to influence the election of directors and the potential outcome of other matters submitted to a vote of our stockholders, such as mergers, the sale of substantially all of our assets and other extraordinary corporate matters and affect the votes of our board of directors. These funds also have certain rights, such as access rights and registration rights that our other stockholders do not have. The interests of these funds could conflict with the interests of our other stockholders, including you, and any future transfer by these funds of their shares of Class A common stock to other investors who have different business objectives could have a material adverse effect on our business, financial condition, results of operations and future prospects, and the market value of our Class A common stock.

Our directors and executive officers beneficially own a significant portion of our Class A common stock and have substantial influence over us.

Our directors and executive officers, as a group, beneficially own a significant portion of our Class A common stock. As a result of this beneficial ownership, our directors and executive officers have the ability, by taking coordinated action, to exercise significant influence over our affairs and policies. The interests of our directors and executive officers may not be consistent with your interests as a stockholder. This influence may also have the effect of delaying or preventing changes of control, or changes in management or limiting the ability of our other stockholders to approve transactions that they may deem to be in the best interests of our Company.

Shares of our Class A common stock are not insured deposits and may lose value.

Shares of our Class A common stock are not savings or deposit accounts and are not insured by the FDIC's DIF or any other agency or private entity. Such shares are subject to investment risk, including the possible loss of some or all of the value of your investment.

We have the ability to incur debt and pledge our assets, including our stock in Equity Bank, to secure that debt, and holders of any such debt obligations will generally have priority over holders of our Class A common stock with respect to certain payment obligations.

We have the ability to incur debt and pledge our assets to secure that debt. Absent special and unusual circumstances, a holder of indebtedness for borrowed money has rights that are superior to those of holders of Class A common stock. For example, interest must be paid to the lender before dividends can be paid to stockholders and loans must be paid off before any assets can be distributed to stockholders if we were to liquidate. Furthermore, we would have to make principal and interest payments on our indebtedness, which could reduce our profitability or result in net losses on a consolidated basis.

If we fail to maintain an effective system of disclosure controls and procedures and internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for evaluating and reporting on that system of internal control. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Ensuring that we have adequate disclosure controls and procedures in place, including internal control over financial reporting, so that we can produce accurate financial statements on a timely basis is costly and time-consuming and needs to be reevaluated frequently. As a public company, we are required to comply with the Sarbanes-Oxley Act and other rules that govern public companies. Our management is required to certify our compliance with Section 404 of the Sarbanes-Oxley Act and to make annual assessments of the effectiveness of our internal control over financial reporting. In addition, our independent registered public accounting firm is required to report on the effectiveness of our internal control over financial reporting.

Our management may conclude that our internal control over financial reporting is not effective due to our failure to cure any identified material weakness or otherwise. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm may not conclude that our internal control over financial reporting is effective. In the future, our independent registered public accounting firm may not be satisfied with our internal control over financial reporting or the level at which our controls are documented, designed, operated or reviewed, or it may interpret the relevant requirements differently from us. In addition, during the course of the evaluation, documentation and testing of our internal control over financial reporting, we may identify deficiencies in our internal control over financial reporting or disclosure controls. Any such deficiencies may also subject us to adverse regulatory consequences. If we fail to achieve and maintain the adequacy of our internal control over financial reporting or disclosure controls, as these standards are modified, supplemented or amended from time to time, we may be unable to report our financial information on a timely basis, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting or disclosure controls and we may suffer adverse regulatory consequences or violations of listing standards. There could also be a negative reaction in the financial markets due to a loss of investor confidence in the reliability of our financial statements.

Our corporate governance documents and certain corporate and banking laws applicable to us could make a takeover more difficult.

Certain provisions of our Articles of Incorporation and our Bylaws and applicable corporate and federal banking laws, could make it more difficult for a third party to acquire control of us or conduct a proxy contest, even if those events were perceived by many of our stockholders as beneficial to their interests. These provisions and the corporate and banking laws and regulations applicable to us, among others:

- empower our board of directors, without stockholder approval, to issue preferred stock, the terms of which, including voting power, are set by our board of directors;
- only permit stockholder action to be taken at an annual or special meeting of stockholders and not by written consent in lieu of such a meeting;
- provide for a classified board of directors, so that only approximately one-third of our directors are elected each year;
- prohibit us from engaging in certain business combinations with "interested stockholders" (generally defined as a holder of 15% or more of the corporation's outstanding voting stock);
- require at least 120 days' advance notice of nominations for the election of directors and the presentation of stockholder proposals at meetings of stockholders; and

- require prior regulatory application and approval of any transaction involving control of our organization.

These provisions may discourage potential acquisition proposals and could delay or prevent a change in control, including under circumstances in which our stockholders might otherwise receive a premium over the market price of our shares.

Our board of directors may issue shares of preferred stock that would adversely affect the rights of our Class A common stockholders.

Our authorized capital stock includes 10,000,000 shares of preferred stock of which none were issued and outstanding as of March 9, 2022. Our board of directors, in its sole discretion, may designate and issue one or more series of preferred stock from the authorized and unissued shares of preferred stock. Subject to limitations imposed by law or our Articles of Incorporation, our board of directors is empowered to determine:

- the designation of, and the number of, shares constituting each series of preferred stock;
- the dividend rate for each series;
- the terms and conditions of any voting, conversion and exchange rights for each series;
- the amounts payable on each series on redemption or our liquidation, dissolution or winding-up;
- the provisions of any sinking fund for the redemption or purchase of shares of any series; and
- the preferences and the relative rights among the series of preferred stock.

We could issue preferred stock with voting and conversion rights that could adversely affect the voting power of the shares of our Class A common stock and with preferences over our Class A common stock with respect to dividends and in liquidation.

The return on your investment in our Class A common stock is uncertain.

We cannot provide any assurance that an investor in our Class A common stock will realize a substantial return on his or her investment, or any return at all. Further, as a result of the uncertainty and risks associated with our operations, many of which are described in this "Item 1A—Risk Factors" section, it is possible that an investor could lose his or her entire investment.

General Risks

We operate in a highly competitive industry and face significant competition from other financial institutions and financial services providers that could decrease our growth or profits.

Consumer and commercial banking are highly competitive industries. Our market areas contain not only a large number of community and regional banks, but also a significant presence of the country's largest commercial banks. We compete with other state and national financial institutions, as well as savings and loan associations, savings banks and credit unions, for deposits and loans. In addition, we compete with financial intermediaries, such as consumer finance companies, commercial finance companies, mortgage banking companies, insurance companies, securities firms, mutual funds and several government agencies, as well as major retailers, all actively engaged in providing various types of loans and other financial services. Some of these competitors may have a long history of successful operations in our market areas and greater ties to local businesses and more expansive banking relationships, as well as more established depositor bases, fewer regulatory constraints and lower cost structures than we do. Competitors with greater resources may possess an advantage through their ability to maintain numerous banking locations in more convenient sites, to conduct more extensive promotional and advertising campaigns or to operate a more developed technology platform. Due to their size, many competitors may offer a broader range of products and services, as well as better pricing for certain products and services than we can offer. For example, in the current low interest rate environment, competitors with lower costs of capital may solicit our customers to refinance their loans with a lower interest rate. Further, increased competition among financial services companies due to the recent consolidation of certain competing financial institutions may adversely affect our ability to market our products and services. Technology has lowered barriers to entry and made it possible for banks to compete in our market areas without a retail footprint by offering competitive rates and for non-banks to offer products and services traditionally provided by banks.

The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Banks, securities firms and insurance companies can merge under the umbrella of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking.

Our ability to compete successfully depends on a number of factors, including:

- our ability to develop, maintain and build upon long-term customer relationships based on quality service and high ethical standards;
- our ability to attract and retain qualified employees to operate our business effectively;
- our ability to expand our market position;
- the scope, relevance and pricing of products and services that we offer to meet customer needs and demands;
- the rate at which we introduce new products and services relative to our competitors;
- customer satisfaction with our level of service; and
- industry and general economic trends.

Failure to perform in any of these areas could significantly weaken our competitive position, which could adversely affect our growth and profitability, which, in turn, could harm our business, financial condition and results of operations.

As a community bank, our ability to maintain our reputation is critical to the success of our business, and the failure to do so may materially adversely affect our performance.

We are a community bank and our reputation is one of the most valuable components of our business. As such, we strive to conduct our business in a manner that enhances our reputation. This is done, in part, by recruiting, hiring and retaining employees who share our core values of being an integral part of the communities we serve, delivering superior service to our customers and caring about our customers and associates. If our reputation is negatively affected by the actions of our employees or otherwise, our business and therefore, our operating results may be materially adversely affected. Further, negative public opinion can expose us to litigation and regulatory action as we seek to implement our growth strategy.

We are subject to environmental risks in our lending activities.

Because a significant portion of our loan portfolio is secured by real property, we may foreclose upon and take title to such property in the ordinary course of business. If hazardous substances are found on such property, we could be liable for remediation costs, as well as for personal injury and property damage. Environmental laws might require us to incur substantial expenses, materially reduce the property's value or limit our ability to use or sell the property. Although management has policies requiring environmental reviews before loans secured by real property are made and before foreclosure is commenced, it is still possible that environmental risks might not be detected and that the associated costs might have a material adverse effect on our financial condition and results of operations.

Adverse weather or man-made events could negatively affect our markets or disrupt our operations, which could have an adverse effect upon our business and results of operations.

A significant portion of our business is generated in our Arkansas, Kansas, Missouri and Oklahoma markets, which have been, and may continue to be, susceptible to natural disasters, such as tornadoes, droughts, floods and other severe weather events. These natural disasters could negatively impact regional economic conditions, cause a decline in the value or destruction of mortgaged properties and increase the risk of delinquencies, foreclosures or loss on loans originated by us, damage our banking facilities and offices and negatively impact our growth strategy. Such weather events could disrupt operations, result in damage to properties and negatively affect the local economies in the markets where we operate. We cannot predict whether, or to what extent, damage that may be caused by future weather or man-made events will affect our operations or the economies in our current or future market areas, but such events could negatively impact economic conditions in these regions and result in a decline in local loan demand and loan originations, a decline in the value or destruction of properties securing our loans and an increase in delinquencies, foreclosures or credit losses. Our business or results of operations may be adversely affected by these and other negative effects of natural or man-made disasters. Further, severe weather, natural disasters, acts of war or terrorism and other external events could adversely affect us in a number of ways, including an increase in delinquencies, bankruptcies or defaults that could result in a higher level of nonperforming assets, net charge-offs and provision for credit losses. Such risks could also impair the value of collateral securing loans and hurt our deposit base.

We are or may become involved from time to time in suits, legal proceedings, information-gathering requests, investigations and proceedings by governmental and self-regulatory agencies that may lead to adverse consequences.

Many aspects of our business involve substantial risk of legal liability. We have been named or threatened to be named as defendants in various lawsuits arising from our business activities (and in some cases from the activities of companies that we have acquired) including, but not limited to, consumer residential real estate mortgages. In addition, from time to time, we are, or may

become, the subject of governmental and self-regulatory agency information-gathering requests, reviews, investigations and proceedings and other forms of regulatory inquiry, including by bank regulatory agencies, the Consumer Financial Protection Bureau, the SEC and law enforcement authorities. The results of such proceedings could lead to significant civil or criminal penalties, including monetary penalties, damages, adverse judgments, settlements, fines, injunctions, restrictions on the way in which we conduct our business or reputational harm.

We are subject to claims and litigation pertaining to intellectual property.

We rely on technology companies to provide information technology products and services necessary to support our day-to-day operations. Technology companies frequently enter into litigation based on allegations of patent infringement or other violations of intellectual property rights. In addition, patent holding companies seek to monetize patents they have purchased or otherwise obtained. Competitors of our vendors, or other individuals or companies, have from time to time claimed to hold intellectual property sold to us by its vendors. Such claims may increase in the future as the financial services sector becomes more reliant on information technology vendors. The plaintiffs in these actions frequently seek injunctions and substantial damages.

Regardless of the scope or validity of such patents or other intellectual property rights, or the merits of any claims by potential or actual litigants, we may have to engage in litigation that could be expensive, time-consuming, disruptive to our operations and distracting to management. If we are found to infringe one or more patents or other intellectual property rights, we may be required to pay substantial damages or royalties to a third-party. In certain cases, we may consider entering into licensing agreements for disputed intellectual property, although no assurance can be given that such licenses can be obtained on acceptable terms or that litigation will not occur. These licenses may also significantly increase our operating expenses. If legal matters related to intellectual property claims were resolved against us or settled, we could be required to make payments in amounts that could have a material adverse effect on our business, financial condition and results of operations.

We have pledged all of the stock of Equity Bank as collateral for a loan, and if the lender forecloses, you could lose your investment.

We have pledged all of the stock of Equity Bank as collateral for a third-party loan, which had no balance as of December 31, 2021. This loan has a maximum lending commitment of $40.0 million. This loan was renewed subsequent to December 31, 2021, that set a new maturity date of February 11, 2023, and decreased the loan commitment amount from $40.0 million to $25.0 million. If we were to default on this indebtedness, the lender of such loan could foreclose on Equity Bank's stock and we would lose our principal asset. In that event, if the value of Equity Bank's stock is less than the amount of the indebtedness, you would lose the entire amount of your investment.

We have outstanding subordinated debt obligations, and if the Company defaults on those obligations, the debt holders could lose their investment.

In the event of default, the Company's senior debt holders will be entitled to receive payment in full prior to payment of subordinated debt holders. If the company's distributable assets in the event of default can only repay the senior debt holders the subordinated debt holders could lose their investment.

Item 1B: Unresolved Staff Comments

None

Item 2: Properties

Our principal executive offices are located at 7701 East Kellogg Drive, Wichita, Kansas 67207. Including our principal executive offices, as of December 31, 2021, we operated a total of 69 branches, consisting of seven branches in the Wichita, Kansas metropolitan area, seven branches in the Kansas City metropolitan area, three branches in Topeka, Kansas, eleven branches in Western Missouri, seven branches in Western Kansas, four branches in Southeast Kansas, seven branches in Southwest Kansas, five branches in Central Kansas, five branches in North Central Kansas, five branches in Northern Arkansas, one branch in the Tulsa, Oklahoma metropolitan area, five branches in Northern Oklahoma and two branches in Western Oklahoma. Most of Equity Bank's branches are equipped with automated teller machines and drive-through facilities. We believe all of our facilities are suitable for our operational needs. The following table summarizes pertinent details of our principal executive offices and branches, as of December 31, 2021.

Address	Owned/Leased
Principal Executive Office and Wichita Branch:	
7701 East Kellogg Drive Wichita, Kansas 67207	Owned
Other Wichita Area Branches:	
345 North Andover Road Andover, Kansas 67002	Owned
1555 North Webb Road Wichita, Kansas 67206	Owned
10222 West Central Wichita, Kansas 67212	Owned
133 East 7th Avenue Augusta, Kansas 67010	Owned
107 North Rose Hill Road Rose Hill, Kansas 67133	Owned
3313 North Ridge Road Wichita, Kansas 67205	Owned
Kansas City Branches:	
6200 Northwest 63rd Terrace Kansas City, Missouri 64151	Owned
8880 West 151st Street Overland Park, Kansas 66221	Owned
7035 College Boulevard Overland Park, Kansas 66207	Owned
909 Northeast Rice Road Lee's Summit, Missouri 64086	Owned
301 Southeast Main Street Lee's Summit, Missouri 64063	Owned
1251 Southwest Oldham Parkway Lee's Summit, Missouri 64081	Owned
651 Northeast Coronado Drive Blue Springs, Missouri 64014	Owned

Address	Owned/Leased
Tulsa Branches:	
9292 South Delaware Ave Tulsa, Oklahoma 74137	Owned
Western Missouri Branches:	
1919 Highway 13 Higginsville, Missouri 64037	Owned
300 South Miller Street Sweet Springs, Missouri 65351	Owned
612 North Maguire Warrensburg, Missouri 64093	Owned
200 North State Street Knob Noster, Missouri 65336	Owned
920 Thompson Boulevard Sedalia, Missouri 65301	Owned
504 West Benton Street Windsor, Missouri 65360	Owned
615 East Ohio Street Clinton, Missouri 64735	Owned
100 East Main Street Warsaw, Missouri 65355	Owned
602 Edmond Street Saint Joseph, Missouri 64501	Owned
5348 Lake Avenue Saint Joseph, Missouri 64504	Owned
401 North Woodbine Road Saint Joseph, Missouri 64506	Owned
Topeka Branches:	
701 South Kansas Avenue Topeka, Kansas 66603	Owned
507 West 8th Street Topeka, Kansas 66603	Owned
3825 Southwest 29th Street Topeka, Kansas 66614	Owned
Western Kansas Branches:	
2428 Vine Street Hays, Kansas 67601	Owned
916 Washington Street Ellis, Kansas 67637	Owned
745 Main Street Hoxie, Kansas 67740	Owned
300 Highway 212 Quinter, Kansas 67752	Owned

Address	Owned/Leased
106 South Adams Street Grinnell, Kansas 67738	Owned
302 East Holme Norton, Kansas 67654	Owned
500 Main Street Almena, Kansas 67622	Owned
Southeast Kansas Branches:	
902 McArthur Rd Coffeyville, Kansas 67337	Owned
112 East Myrtle Street Independence, Kansas 67301	Owned
801 Main Neodesha, Kansas 66757	Owned
102 North Broadway Street Pittsburg, Kansas 66762	Owned
Southwest Kansas Branches:	
502 South Jackson Street Hugoton, Kansas 67951	Owned
1700 North Lincoln Avenue Liberal, Kansas 67901	Owned
23 West 4th Street Liberal, Kansas 67901	Owned
930 South Kansas Avenue Liberal, Kansas 67901	Owned

Address	Owned/Leased
250 East Tucker Road Liberal, Kansas 67901	Leased
1901 East Mary Street Garden City, Kansas 67846	Owned
401 North Henderson Street Holcomb, Kansas 67851	Owned
Central Kansas Branches:	
1321 Main Street Great Bend, Kansas 67530	Owned
725 McKinley Street Great Bend, Kansas 67530	Owned
320 Broadway Larned, Kansas 67550	Owned
234 North Main Macksville, Kansas 67557	Owned
216 North Main St. John, Kansas 67576	Owned
North Central Kansas Branches:	
1404 28th Street Belleville, Kansas 66935	Owned
413 Washington Clyde, Kansas 66938	Owned
302 West Sixth Street Concordia, Kansas 66901	Owned
1661 South Ohio, Suite D Salina, Kansas 67401	Leased
317 South Santa Fe Avenue Salina, Kansas 67401	Owned
Northern Arkansas Branches:	
200 East Ridge Avenue Harrison, Arkansas 72601	Owned
1304 Highway 62/65 North(1) Harrison, Arkansas 72601	Leased
911 West Trimble Avenue Berryville, Arkansas 72616	Owned
107 West Van Buren Eureka Springs, Arkansas 72632	Leased
198 Slack Street Pea Ridge, Arkansas 72751	Owned
Northern Oklahoma Branches:	

Address	Owned/Leased
222 East Grand Avenue Ponca City, Oklahoma 74601	Leased
802 East Prospect Avenue Ponca City, Oklahoma 74601	Owned
1417 East Hartford Avenue Ponca City, Oklahoma 74604	Leased
102 South Main Street Newkirk, Oklahoma 74647	Owned
110 East 1st Street Cordell, Oklahoma 73632	Owned
Western Oklahoma Branches:	
601 North Main Street Guymon, Oklahoma 73942	Owned
2602 North Highway 64 Guymon, Oklahoma 73942	Leased

(1)The building at this location is owned but the land is on a long term lease expiring in January 2030.

Item 3: Legal Proceedings

From time to time we are party to various litigation matters incidental to the conduct of our business. See "NOTE 23 – LEGAL MATTERS" of the Notes to Consolidated Financial Statements under Item 8 to this Annual Report on Form 10-K for a complete discussion of litigation matters.

Item 4: Mine Safety Disclosures

Not applicable.

Part II

Item 5: Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information and Common Equity Holders

Our common stock is listed on the NASDAQ Global Select Markets under the symbol "EQBK". At February 28, 2022, there were 16,660,372 shares of our Class A common stock, outstanding and 310 stockholders of record for the Company's Class A common stock. At February 28, 2022, no shares of our Class B common stock were outstanding.

Dividend Policy

Our future determination to pay dividends on our common stock will be made by our board of directors and will depend on a number of factors, including:

- our historical and projected financial condition, liquidity and results of operations;
- our capital levels and requirements;
- statutory and regulatory prohibitions and other limitations;
- any contractual restriction on our ability to pay cash dividends, including pursuant to the terms of any of our credit agreements or other borrowing arrangements;
- our business strategy;
- tax considerations;
- any acquisitions or potential acquisitions that we may examine;
- general economic conditions; and
- other factors deemed relevant by our board of directors.

We are not obligated to pay dividends on our common stock.

As a Kansas corporation, we are subject to certain restrictions on dividends under the Kansas General Corporation Code. Generally, a Kansas corporation may pay dividends to its stockholders out of its surplus or, if there is no surplus, out of its net profits for the fiscal year in which the dividend is declared or the preceding fiscal year, or both. In addition, if the capital of a Kansas corporation is diminished by depreciation in the value of its property, or by losses or otherwise, to an amount less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets, the directors of such corporation cannot declare and pay out of such net profits any dividends upon any shares of any classes of its capital stock until the deficiency in the amount of capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets is repaired. We are also subject to certain restrictions on the payment of cash dividends as a result of banking laws, regulations and policies. For more information, see "Item 1 – Supervision and Regulation – Banking Regulation – Standards for Safety and Soundness."

Since we are a bank holding company and do not engage directly in business activities of a material nature, our ability to pay dividends to our stockholders depends, in large part, upon our receipt of dividends from Equity Bank, which is also subject to numerous limitations on the payment of dividends under federal and state banking laws, regulations and policies. The present and future dividend policy of Equity Bank is subject to the discretion of its board of directors. Equity Bank is not obligated to pay dividends.

If Equity Bank is "significantly undercapitalized" under the applicable federal bank capital standards, or if Equity Bank is "undercapitalized" and has failed to submit an acceptable capital restoration plan or has materially failed to implement such a plan, the FDIC may choose to require Equity Bank to receive prior approval from the Federal Reserve for any capital distribution. In addition, Equity Bank generally is prohibited from making a capital distribution if such distribution would cause Equity Bank to be "undercapitalized" under applicable federal bank capital standards. For more information, see "Item 7 – Supervision and Regulation – Banking Regulation – Standards for Safety and Soundness."

Securities Authorized for Issuance Under Equity Compensation Plans

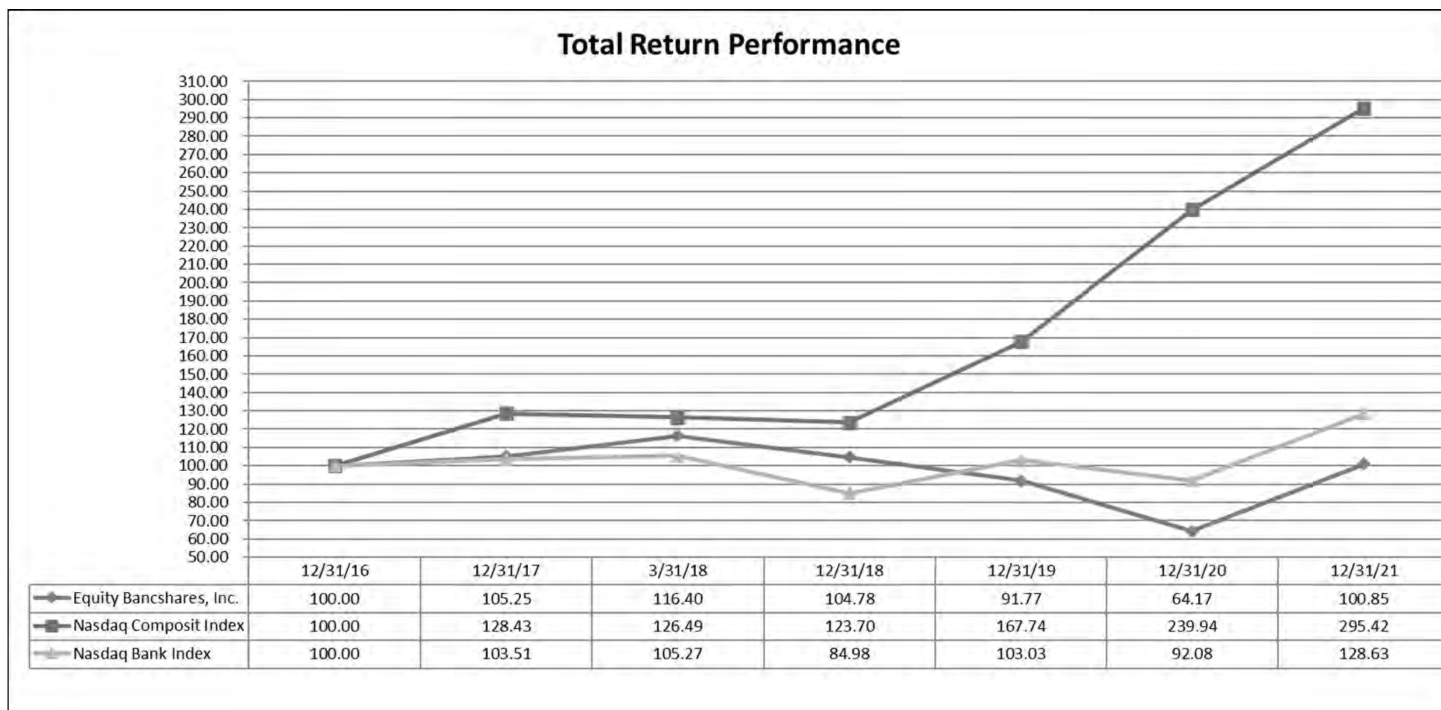
The following table presents shares of our common stock that may be issued with respect to compensation plans at December 31, 2021.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column a) (c)
Equity compensation plans approved by security holders - stock options	478,841	$ 26.08	*
Equity compensation plans approved by security holders - restricted stock units	287,737	—	*
Total Equity compensation plans available under the Amended and Restated 2013 Stock Incentive Plan	766,578		420,985
Equity compensation plans approved by security holders - employee stock purchase plan	—	—	412,531
Total Equity compensation plans approved by security holders	766,578		833,516
Equity compensation plans not approved by security holders	—	—	—
Total	766,578	$ 26.08	833,516

* All securities remaining available for future issuance were available under our Amended and Restated 2013 Stock Incentive Plan as of December 31, 2021.

Performance Graph

The following performance graph compares total stockholders' return on the Company's common stock for the period beginning at the close of trading December 31, 2016 to December 31, 2021, with the cumulative total return of the NASDAQ Composite Index and the NASDAQ Bank Index for the same period. Cumulative total return is computed by dividing the difference between the Company's share price at the end and the beginning of the measurement period by the share price at the beginning of the measurement period, including reinvestment of dividends. The performance graph assumes $100 is invested on December 31, 2016, in the Company's common stock, the NASDAQ Composite Index and the NASDAQ Bank Index. Historical stock price performance is not necessarily indicative of future stock price performance.



	12/31/16	12/31/17	3/31/18	12/31/18	12/31/19	12/31/20	12/31/21
Equity Bancshares, Inc.	100.00	105.25	116.40	104.78	91.77	64.17	100.85
Nasdaq Composit Index	100.00	128.43	126.49	123.70	167.74	239.94	295.42
Nasdaq Bank Index	100.00	103.51	105.27	84.98	103.03	92.08	128.63

Recent Sales of Unregistered Equity Securities

None

Purchases of equity securities by the issuer and affiliated purchasers

Repurchase of Common Stock

On October 20, 2021, the Federal Reserve Bank of Kansas City advised the Company that it had no objection to the Company's authorization of its repurchase of up to an additional 1,000,000 shares of the Company's Class A Voting Common Stock, par value $0.01 per share, from time to time, beginning October 30, 2021, and concluding October 29, 2022.

On October 22, 2020, the Federal Reserve Bank of Kansas City advised the Company that it had no objection to the Company's authorization of its repurchase of up to an additional 800,000 shares of the Company's Class A Voting Common Stock, par value $0.01 per share, from time to time, beginning October 30, 2020, and concluding October 29, 2021.

The following table presents shares that were repurchased under the repurchase program during the fourth quarter of 2021.

	Plan beginning October 30, 2021 to October 29, 2022				
Period	**Total Number of Shares Purchased**		**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Repurchase Plan**	**Maximum Number of Shares That May Yet Be Purchased Under the Plan**
October 1, 2021 through October 31, 2021	—	$	-	—	1,000,000
November 1, 2021 through November 30, 2021	—		—	—	1,000,000
December 1, 2021 through December 31, 2021	132,873		32.99	132,873	867,127
Total	132,873	$	32.99	132,873	867,127

	Plan beginning October 30, 2020 to October 29, 2021				
Period	**Total Number of Shares Purchased**		**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Repurchase Plan**	**Maximum Number of Shares That May Yet Be Purchased Under the Plan**
October 1, 2021 through October 31, 2021	719	$	33.02	719	—
November 1, 2021 through November 30, 2021	—		—	—	—
December 1, 2021 through December 31, 2021	—		—	—	—
Total	719	$	33.02	719	—

	Total repurchase program				
Period	**Total Number of Shares Purchased**		**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Repurchase Plan**	**Maximum Number of Shares That May Yet Be Purchased Under the Plan**
October 1, 2021 through October 31, 2021	719	$	33.02	719	1,000,000
November 1, 2021 through November 30, 2021	—		—	—	1,000,000
December 1, 2021 through December 31, 2021	132,873		32.99	132,873	867,127
Total	133,592	$	32.99	133,592	867,127

Item 6: Reserved

Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements and the accompanying notes included elsewhere in this Annual Report on Form 10-K. The following discussion contains "forward-looking statements" that reflect our future plans, estimates, beliefs and expected performance. We caution that assumptions, expectations, projections, intentions or beliefs about future events may, and often do, vary from actual results and the differences can be material. See "Cautionary Statement Regarding Forward-Looking Statements." Also, see the risk factors and other cautionary statements described under the heading "Item 1A – Risk Factors" included in Item 1A of this Annual Report on Form 10-K. We do not undertake any obligation to publicly update any forward-looking statements except as otherwise required by applicable law.

This discussion and analysis of our financial condition and results of operation includes the following sections:

- Table containing selected financial data and ratios for the periods;
- Overview;
- Critical Accounting Policies – a discussion of accounting policies that require critical estimates and assumptions;
- Results of Operations – an analysis of our operating results, including disclosures about the sustainability of our earnings;
- Financial Condition – an analysis of our financial position;
- Liquidity and Capital Resources – an analysis of our cash flows and capital position; and
- Non-GAAP Financial Measures – reconciliation of non-GAAP measures.

(Dollars in thousands, except per share data)	Years Ended December 31, 2021	2020	2019	2018	2017
Statement of Income Data					
Interest and dividend income	$ 157,368	$ 155,561	$ 175,499	$ 161,556	$ 102,693
Interest expense	14,789	22,909	49,641	36,758	16,691
Net interest income	142,579	132,652	125,858	124,798	86,002
Provision for credit losses	(8,480)	24,255	18,354	3,961	2,953
Net gain on acquisition	585	2,145	—	—	—
Net gain (loss) from securities transactions	406	11	14	(9)	271
Other non-interest income	31,851	23,867	24,974	19,734	15,169
Merger expense	9,189	299	915	7,462	5,352
Goodwill impairment	—	104,831	—	—	—
Loss on extinguishment of debt	372	—	—	—	—
Other non-interest expense	109,904	103,860	98,720	86,925	62,111
Income (loss) before income taxes	64,436	(74,570)	32,857	46,175	31,026
Provision for income taxes	11,956	400	7,278	10,350	10,377
Net income (loss)	52,480	(74,970)	25,579	35,825	20,649
Net income (loss) allocable to common stockholders	52,480	(74,970)	25,579	35,825	20,649
Basic earnings (loss) per share	3.49	(4.97)	1.64	2.33	1.66
Diluted earnings (loss) per share	3.43	(4.97)	1.61	2.28	1.62
Balance Sheet Data (at period end)					
Cash and cash equivalents	$ 259,954	$ 280,698	$ 89,291	$ 192,818	$ 52,195
Securities available-for-sale	1,327,442	871,827	142,067	168,875	162,272
Securities held-to-maturity	—	—	769,059	748,356	535,462
Loans held for sale	4,214	12,394	5,933	2,972	2,353
Gross loans held for investment	3,155,627	2,591,696	2,556,652	2,575,408	2,117,270
Allowance for credit losses	48,365	33,709	12,232	11,454	8,498
Loans held for investment, net of allowance for credit losses	3,107,262	2,557,987	2,544,420	2,563,954	2,108,772
Goodwill and core deposit intangibles, net	69,344	47,658	156,339	153,437	115,645
Mortgage servicing asset, net	276	—	5	11	17
Naming rights, net	1,087	1,130	1,174	1,217	1,260
Total assets	5,137,631	4,013,356	3,949,578	4,061,716	3,170,509
Total deposits	4,420,004	3,447,590	3,063,516	3,123,447	2,382,013
Borrowings	151,891	133,857	383,632	464,676	401,652
Total liabilities	4,637,000	3,605,707	3,471,518	3,605,775	2,796,365
Total stockholders' equity	500,631	407,649	478,060	455,941	374,144
Tangible common equity*	429,924	358,861	320,542	301,276	257,222
Performance ratios					
Return on average assets (ROAA)	1.18%	(1.87%)	0.64%	1.00%	0.84%
Return on average equity (ROAE)	11.75%	(16.14%)	5.52%	8.52%	7.03%
Return on average tangible common equity (ROATCE)*	14.10%	(21.51%)	9.22%	13.43%	9.81%
Yield on loans	4.77%	5.00%	5.73%	5.74%	5.43%
Cost of interest-bearing deposits	0.30%	0.66%	1.53%	1.15%	0.79%
Net interest margin	3.44%	3.63%	3.48%	3.81%	3.83%
Efficiency ratio*	63.01%	66.36%	65.45%	60.14%	61.39%
Non-interest income / average assets	0.74%	0.65%	0.63%	0.55%	0.63%
Non-interest expense / average assets	2.70%	5.23%	2.50%	2.62%	2.74%
Dividend payout ratio	4.84%	0.00%	0.00%	0.00%	0.00%
Capital Ratios					
Tier 1 Leverage Ratio	9.09%	9.30%	9.02%	8.60%	10.33%
Common Equity Tier 1 Capital Ratio	12.03%	12.82%	11.63%	10.95%	11.53%
Tier 1 Risk Based Capital Ratio	12.67%	13.37%	12.15%	11.45%	12.14%
Total Risk Based Capital Ratio	15.96%	17.35%	12.59%	11.86%	12.51%
Equity / Assets	9.74%	10.16%	12.10%	11.23%	11.80%
Book value per share	$ 29.87	$ 28.04	$ 30.95	$ 28.87	$ 25.62
Tangible book value per share*	$ 25.65	$ 24.68	$ 20.75	$ 19.08	$ 17.61
Tangible common equity to tangible assets*	8.48%	9.05%	8.45%	7.71%	8.42%

* Indicates non-GAAP financial measure. Please see "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP Financial Measures" for reconciliation to the most directly comparable GAAP measure.

Overview

We are a bank holding company headquartered in Wichita, Kansas. Our wholly-owned banking subsidiary, Equity Bank, provides a broad range of financial services primarily to businesses and business owners as well as individuals through our network of 69 full-service branches located in Arkansas, Kansas, Missouri and Oklahoma. As of December 31, 2021, we had, on a consolidated basis, total assets of $5.14 billion, total deposits of $4.42 billion, total loans held for investment, net of allowances, of $3.11 billion and total stockholders' equity of $500.6 million. Net income for the year ended December 31, 2021, was $52.5 million, compared to a net loss of $75.0 million for the year ended December 31, 2020, primarily due to a goodwill impairment charge of $104.8 million during the third quarter of 2020.

History and Background

From 2003 through 2021, we completed a series of twenty acquisitions and two charter consolidations. We seek to integrate the banks we acquire into our existing operational platform and enhance stockholder value through the creation of efficiencies within the combined operations. In conjunction with our strategic acquisition growth, we strive to reposition and improve the loan portfolio and deposit mix of the banks we acquire. Following our acquisitions, we focus on identifying and disposing of problematic loans and replacing them with higher quality loans generated organically. In addition, we concentrate on growth in our commercial loan portfolio, which we believe generally offers higher return opportunities than our consumer loan portfolio, primarily by hiring additional talented bankers, particularly in our metropolitan markets, and incentivizing our bankers to expand their commercial banking relationships. We also seek to increase our most attractive deposit accounts primarily by growing deposits in our community markets and cross selling our depository products to our loan customers.

Our principal objective is to continually increase stockholder value and generate consistent earnings growth by expanding our commercial banking franchise both organically and through strategic acquisitions. We believe our strategy of selectively acquiring and integrating community banks has provided us with economies of scale and improved our overall franchise efficiency. We expect to continue to pursue strategic acquisitions and believe our targeted market areas present us with many and varied acquisition opportunities. We are also focused on continuing to grow organically and believe the markets in which we operate currently provide meaningful opportunities to expand our commercial customer base and increase our current market share. We believe our geographic footprint, which is strategically split between growing metropolitan markets, such as Kansas City, Tulsa and Wichita, and stable community markets within Western Kansas, Western Missouri, Topeka, Northern Arkansas and Northern Oklahoma, provides us with access to low cost stable core deposits in community markets that we can use to fund commercial loan growth in our metropolitan markets. We strive to provide an enhanced banking experience for our customers by providing them with a comprehensive suite of sophisticated banking products and services tailored to meet their needs, while delivering the high-quality relationship-based customer service of a community bank.

Highlights for the Year Ended December 31, 2021

- Net interest income of $142.6 million for the year ended December 31, 2021, compared to net interest income of $132.7 million for the year ended December 31, 2020, an increase of $9.9 million, or 7.5%.
- Total loans held for investment of $3.16 billion at December 31, 2021, compared to $2.59 billion at December 31, 2020, an increase of $563.9 million, or 21.8%.
- Total deposits of $4.42 billion at December 31, 2021, compared to $3.45 billion at December 31, 2020, an increase of $972.4 million, or 28.2%.
- Total assets of $5.14 billion at December 31, 2021, compared to $4.01 billion at December 31, 2020, an increase of $1.12 billion, or 28.0%.
- Tangible book value per common share of $25.65 at December 31, 2021, compared to $24.68 at December 31, 2020, an increase of $0.97, or 3.9%.

We completed our merger with ASBI of Wichita, Kansas on October 1, 2021. ASBI had total assets of $777.6 million, net loans of $441.9 million and total deposits of $668.8 million. Also, on December 3, 2021, we completed our purchase of assets and assumption of deposits and certain other liabilities of three branches in St. Joseph, Missouri, from Security Bank of Kansas City ("Security"). At closing, the Security branches had total assets of $75.8 million, net loans of $1.4 million and total deposits of $75.1 million.

The COVID-19 pandemic has caused economic and social disruption on an unprecedented scale. While some industries have been impacted more severely than others, all businesses have been impacted to some degree. This disruption resulted in the shuttering

of businesses across the country, significant job loss and aggressive measures by federal, state and local government during the year ended December 31, 2020. Throughout the year ended December 31, 2021, the economy has opened significantly compared to 2020; however, certain measures from governing authorities are still in place and continue to impact operations.

Congress, the President and the Federal Reserve have taken several actions designed to cushion the economic fallout. Most notably, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was signed into law on March 27, 2020, as a $2 trillion legislative package. The goal of the CARES Act is to prevent a severe economic downturn through various measures, including direct financial aid to American families and economic stimulus to significantly impacted industry sectors. The package also included extensive emergency funding for hospitals and medical providers. In addition to the general impact of COVID-19, certain provisions of the CARES Act as well as other recent legislative and regulatory relief efforts have had or are expected to have a material impact on the Company's operations. As a result of the COVID-19 pandemic and the related adverse local and national economic consequences, the Company is subject to many risks, including but not limited to:

- credit losses resulting from financial stress being experienced by the Company's borrowers as a result of the pandemic and related governmental actions (including risks related to the Paycheck Protection Program or PPP, under the CARES Act and related credit risks resulting from PPP lending due to forbearance or failure of customers to qualify for loan forgiveness);
- collateral for loans, such as real estate, may continue to decline in value, which could cause credit losses to increase;
- increased demands on capital and liquidity;
- the risk that the Company's net interest income, lending activities, deposits, swap activities, and profitability may be negatively affected by volatility of interest rates caused by uncertainties stemming from the pandemic; and
- cybersecurity and information security risks as the result of an increase in the number of employees working remotely.

Financial Position and Results of Operations: Given that economic scenarios had become less certain since the pandemic was declared in early March 2020, management added additional allowance for credit losses during the year ended December 31, 2020. During the year ended December 31, 2021, the allowance for credit losses was increased further, largely due to the adoption of ASU 2016-13 (CECL) and partially offset by a release of allowance due to decrease in reserves on specifically assessed assets and improving trends in the Company's loss experience and economic conditions in the markets in which we operate. Should economic conditions worsen, the Company could experience further increases in the required allowance for credit losses and record additional provision for credit losses expense. The execution of the payment deferral program discussed in the following commentary improved the ratio of past due loans to total loans. It is possible that asset quality measures could worsen at future measurement periods if the effects of COVID-19 are prolonged. For additional information see "NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES" in the Notes to Consolidated Financial Statements.

Net interest income increased $9.9 million in 2021 as compared to 2020, largely due to increased volume in interest-earning assets, fees earned on the facilitation of government assistance programs and decreasing yields on interest-bearing liabilities. The Company's interest and fee income could be reduced due to COVID-19. In keeping with guidance from regulators, the Company is actively working with COVID-19 affected borrowers to defer their payments, interest and fees throughout 2020 and 2021. While interest and fees will still accrue to income, through normal GAAP accounting, should eventual credit losses on these deferred payments emerge, interest income and fees accrued would need to be reversed. In such a scenario, interest income in future periods could be negatively impacted. At this time, the Company is unable to project the materiality of such an impact but recognizes the breadth of the economic impact may affect borrowers' ability to repay in future periods.

Capital and Liquidity: As of December 31, 2021, all the Company's capital ratios and Equity Bank's capital ratios were in excess of all regulatory requirements. While currently classified as well capitalized, an extended economic recession brought about by COVID-19 could adversely impact reported and regulatory capital ratios. The Company relies on cash on hand as well as dividends from Equity Bank to service our debt. If Equity Bank's capital deteriorates such that it is unable to pay dividends to the Company for an extended period, the Company may not be able service its debt.

The Company maintains access to multiple sources of liquidity. Wholesale funding markets have remained open to the Company, but rates for short term funding may be volatile. If funding costs are elevated for an extended period, it could have an adverse effect on net interest margin. If an extended recession caused large numbers of deposit customers to withdraw their funds, the Company might become more reliant on volatile or more expensive sources of funding.

Our Processes, Controls and Business Continuity Plan: In early March 2020, management successfully deployed a modified working strategy, including emphasis on social distancing and remote work as necessary to emphasize the safety of the Company's teams and continuity of business processes. Prior technology planning resulted in the successful deployment of a portion of the operational team to a remote environment, while the remainder of the team continued to work on location in a workspace emphasizing social distancing. In 2021, the Company has returned to a predominantly in-person operating environment for our team. In keeping

with our efforts to protect the health our employees, the Company administered a vaccination clinic in each of our markets to provide team members an opportunity to be inoculated in line with CDC recommendations.

Since early May 2020, all the Company's bank locations have been open to customers with appropriate safety measures in place. The Company continues to serve customers curbside and drive-through while offering full lobby access during normal hours. No material operational or internal control challenges or risks have been identified to date. As of December 31, 2021, the Company does not anticipate significant challenges to our ability to maintain systems and controls considering the measures we have taken to prevent the spread of COVID-19.

Lending Operations and Accommodations to Borrowers: During the year ended December 31, 2020, the Company executed a payment deferral program for our commercial lending clients that were adversely affected by the pandemic and keeping with the extension of associated provisions under the CARES Act, continued the program in 2021. The majority of these deferrals have qualified under section 4013 of the CARES Act and the CAA Act and, as such, were not classified as troubled debt restructurings. Deferred loans are subject to ongoing monitoring and will be downgraded or placed on nonaccrual if noted repayment weaknesses exist. At December 31, 2021, the Company has 20 loans, totaling $36.3 million, that have been granted a payment deferral, and remain on deferral, as part of our COVID-19 response.

We were an active participant in all phases of the Paycheck Protection Program ("PPP"), administered by the Small Business Administration ("SBA"), and we helped many of our customers obtain loans through the program. PPP loans generally have a two-or five year term and earn interest at 1.0%. As of December 31, 2021 and 2020, the Company had 144 and 1,612 loans, with outstanding balances of $44.8 million and $253.7 million that were originated under this program. To date, the Company has been successful in obtaining forgiveness for these credits and it remains the Company's understanding that the remaining loans funded through the program are fully guaranteed by the U.S. Government. Should those circumstances change, the Company could be required to establish additional allowance for credit losses through additional provision for credit losses expense charged to earnings.

The Company also participated in the Main Street Lending Program ("MSL Program"), created by the Federal Reserve to support lending to small and medium-sized businesses and nonprofit organizations that were in sound financial condition before the onset of the COVID-19 pandemic. There was a total of $14.3 million and $14.1 million outstanding under the MSL Program for the periods ended December 31, 2021 and 2020.

Critical Accounting Policies

The preparation of our financial statements in accordance with GAAP requires management to make a number of judgements and assumptions that affect our reported results and disclosures. Several of our accounting policies are inherently subject to valuation assumptions and other subjective assessments and are more critical than others in terms of their importance to results. Changes in any of the estimates and assumptions underlying critical accounting policies could have a material effect on our financial statements. Our accounting policies are described in "NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES" in the Notes to Consolidated Financial Statements.

The accounting policies that management believes are the most critical to an understanding of our financial condition and results of operations and require complex management judgement are described below.

Allowance for Credit Losses: We adopted FASB ASU 2016-13 effective January 1, 2021, which requires the estimation of an allowance for credit losses in accordance with the current expected credit loss ("CECL") methodology. The allowance for credit losses for loans represents management's estimate of all expected credit losses over the expected contractual life of our loan portfolio. This assessment includes procedures to estimate the allowance and test the adequacy and appropriateness of the resulting balance. The level of the allowance is based upon management's evaluation of historical default and loss experience, current and projected economic conditions, asset quality trends, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay a loan (including the timing of future payments), the estimated value of any underlying collateral, composition of the loan portfolio, industry and peer bank loan quality indications and other pertinent factors, including regulatory recommendations. The level of the allowance for credit losses maintained by management is believed adequate to absorb all expected future losses inherent in the loan portfolio at the balance sheet date; however, determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. The actual realized facts and circumstances may be different than those currently estimated by management and may result in significant changes in the allowance for credit losses in future periods. The allowance for credit losses for loans, as reported in our consolidated balance sheets, is adjusted by provision for credit losses, which is recognized in earnings and is reduced by the charge-off of loan amounts, net of recoveries.

The Company utilizes primarily two methods for estimating the allowance for credit losses and the method used depends on the status of the underlying loans. Non-performing loans primarily utilize a collateral specific fair value impairment method and performing loans primarily utilize a historical loss method. The performing loan method utilizes a probability of default (PD) and loss given default (LGD) modeling approach for historical loss coupled with a macroeconomic factor analysis derived from a statistical

regression of loss experience correlated to changes in economic factors for all commercial banks operating within our geographical footprint. The macroeconomic regression is based on a multivariate approach and includes key indicators that provide the highest cumulative adjusted R-square figure. Economic factors include, but are not limited to, national unemployment, gross domestic product, market interest rates and property pricing indices. To arrive at the most predictive calculation, a lag factor was applied to these inputs, resulting in current and historic economic inputs driving the projection of loss over our reasonable and supportable forecast period, which managements has defined as 12 months for all portfolio segments. Following the reasonable and supportable forecast period, loss experience immediately reverts to the current historical loss experience of the Company. The estimated loan losses for all loan segments are adjusted for changes in qualitative factors not inherently considered in the quantitative analyses. The qualitative categories and the measurements used to quantify the risks within each of these categories are subjectively selected by management but measured by objective measurements period over period. The current period measurements are evaluated and assigned a factor commensurate with the current level of risk relative to past measurements over time. The resulting qualitative adjustments are applied to the relevant collectively evaluated loan portfolios. These adjustments are based upon quarterly trend assessments in projective economic sentiment, portfolio concentrations, policy exceptions, personnel retention, independent loan review results, collateral considerations, risk ratings and competition. The qualitative allowance allocation, as determined by the processes noted above, is increased or decreased for each loan segment based on the assessment of these various qualitative factors. The resultant loss rates are applied to the estimated future exposure at default (EAD), as determined based on contractual amortization terms through an average default month and estimated prepayment experience in arriving at the quantitative reserve within our allowance for credit losses.

The allowance represents management's best estimate, but significant changes in circumstances relating to loan quality and economic conditions could result in significantly different results than what is reflected in the consolidated balance sheet as of December 31, 2021. Likewise, an improvement in loan quality or economic conditions may allow for a further reduction in the required allowance. Changing credit conditions would be expected to impact realized losses driving variability in specifically assessed allowances, as well as calculated quantitative and more subjectively analyzed qualitative factors. Depending on the volatility in these conditions, material impacts could be realized within the Company's operations. Likewise, changing economic conditions, both positive and negative, to the extent significant could result in unexpected realization of provision or reversal of allowance for credit losses due to its impact on the quantitative and qualitative inputs to the Company's calculation. Under the CECL methodology, the impact of these conditions has the potential to further exacerbate periodic differences due to its life of loan perspective. The life of loans calculated under the methodology is based in contractual duration and modified for prepayment expectations, making significant variation in periodic results possible due to changing contractual or adjusted duration of the assets within the calculation

Goodwill: Goodwill results from business acquisitions and represents the excess of the purchase price over the fair value of acquired tangible assets and liabilities and identifiable intangible assets. Goodwill is assessed at least annually for impairment and any such impairment is recognized and expensed in the period identified. Goodwill will be assessed more frequently if a triggering event occurs which indicates that the carrying value of the asset might be impaired. We have selected December 31 as the date to perform our annual goodwill impairment test. Goodwill is the only intangible asset with an indefinite useful life. For the year ended December 31, 2021, following recognition of a material impairment in goodwill balances during 2020, based on the improving market conditions, strong earnings performance by the Company, and improvements in market value of our stock as well the broader industry, management has determined there was not evidence of a triggering event as of or during the period then ended. Based on this qualitative analysis and conclusion, it was determined that a more robust quantitative assessment was not necessary at our measurement date.

When performing quantitative goodwill impairment assessments, management is required to estimate the fair value of the Company's equity in a change in control transaction. To complete this valuation, management is required to derive assumptions related to industry performance, reporting unit business performance, economic and market conditions and various other assumptions, many of which require significant management judgement.

For additional information see "NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES" and "NOTE 7 – GOODWILL AND CORE DEPOSIT INTANGIBLES" in the Notes to Consolidated Financial Statements.

Results of Operations

We generate most of our revenue from interest income and fees on loans, interest and dividends on investment securities and non-interest income, such as service charges and fees, debit card income and mortgage banking income. We incur interest expense on deposits and other borrowed funds and non-interest expense, such as salaries and employee benefits and occupancy expenses.

Changes in interest rates earned on interest-earning assets or incurred on interest-bearing liabilities, as well as the volume and types of interest-earning assets, interest-bearing and non-interest-bearing liabilities and stockholders' equity, are usually the largest drivers of periodic change in net interest income. Fluctuations in interest rates are driven by many factors, including governmental

monetary policies, inflation, deflation, macroeconomic developments, changes in unemployment, the money supply, political and international circumstances and domestic and foreign financial markets. Periodic changes in the volume and types of loans in our loan portfolio are affected by, among other factors, economic and competitive conditions in Arkansas, Kansas, Missouri and Oklahoma, as well as developments affecting the consumer, commercial and real estate sectors within these markets.

For information comparing our results of operations for the year ended December 31, 2020, to year ended December 31, 2019, see "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 9, 2021.

Net Income

Year ended December 31, 2021, compared with year ended December 31, 2020

For the year ended December 31, 2021, there was net income allocable to common stockholders of $52.5 million, compared to a net loss allocable to common stockholders of $75.0 million for the year ended December 31, 2020, an increase of $127.5 million. This change was primarily driven by a goodwill impairment of $104.8 million during 2020, a decrease in provision for loan losses of $32.7 million, an increase in non-interest income of $6.8 million, and a decrease in interest expense on deposits of $8.3 million, partially offset by an increase in provision for income taxes of $11.6 million. The changes in the components of net income are discussed in more detail below in the following sections of "Results of Operations."

Net Interest Income and Net Interest Margin Analysis

Net interest income is the difference between interest income on interest-earning assets, including loans and securities, and interest expense incurred on interest-bearing liabilities, including deposits and other borrowed funds. To evaluate net interest income, management measures and monitors (1) yields on loans and other interest-earning assets, (2) the costs of deposits and other funding sources, (3) the net interest spread and (4) net interest margin. Net interest spread is the difference between rates earned on interest-earning assets and rates paid on interest-bearing liabilities. Net interest margin is calculated as net interest income divided by average interest-earning assets. Because non-interest-bearing sources of funds, such as non-interest-bearing deposits and stockholders' equity also fund interest-earning assets, net interest margin includes the benefit of these non-interest-bearing sources of funds. Net interest income is affected by changes in the amount and mix of interest-earning assets and interest-bearing liabilities, referred to as a "volume change," and it is also affected by changes in yields earned on interest-earning assets and rates paid on interest-bearing deposits and other borrowed funds, referred to as a "yield/rate change."

The following table shows the average balance of each principal category of assets, liabilities, and stockholders' equity and the average yields on interest-earning assets and average rates on interest-bearing liabilities for the years ended December 31, 2021, 2020 and 2019. The yields and rates are calculated by dividing income or expense by the average daily balances of the associated assets or liabilities.

Average Balance Sheets and Net Interest Analysis

	December 31, 2021			December 31, 2020			December 31, 2019		
(Dollars in thousands)	Average Outstanding Balance	Interest Income/ Expense	Average Yield/ Rate[3][4]	Average Outstanding Balance	Interest Income/ Expense	Average Yield/ Rate[3][4]	Average Outstanding Balance	Interest Income/ Expense	Average Yield/ Rate[3][4]
Interest-earning assets									
Loans[1]									
Commercial and industrial	$ 714,561	$ 41,580	5.82%	$ 763,971	$ 35,601	4.66%	$ 567,215	$ 34,225	6.03%
Commercial real estate	1,040,443	48,676	4.68%	952,082	50,667	5.32%	1,012,146	57,316	5.66%
Real estate construction	277,307	10,256	3.70%	238,015	10,947	4.60%	212,658	13,776	6.48%
Residential real estate	498,164	19,341	3.88%	449,789	19,894	4.42%	519,119	24,338	4.69%
Agricultural real estate	153,607	8,122	5.29%	133,813	8,008	5.98%	140,365	8,496	6.05%
Agricultural	108,276	5,361	4.95%	88,206	4,944	5.61%	85,747	5,584	6.51%
Consumer	88,383	3,998	4.52%	70,064	4,603	6.57%	70,390	5,563	7.90%
Total loans	2,880,741	137,334	4.77%	2,695,940	134,664	5.00%	2,607,640	149,298	5.73%
Taxable securities	976,942	15,996	1.64%	727,451	15,521	2.13%	777,802	19,339	2.49%
Nontaxable securities	105,522	2,843	2.69%	122,783	3,682	3.00%	142,816	4,180	2.93%
Federal funds sold and other	182,443	1,195	0.65%	112,053	1,694	1.51%	83,887	2,682	3.20%
Total interest-earning assets	4,145,648	157,368	3.80%	3,658,227	155,561	4.25%	3,612,145	175,499	4.86%
Non-interest-earning assets									
Other real estate owned, net	10,510			7,578			6,291		
Premises and equipment, net	93,539			86,487			83,495		
Bank-owned life insurance	103,255			75,998			74,025		
Goodwill and other intangibles, net	50,831			130,329			158,410		
Other non-interest-earning assets	28,017			41,089			44,704		
Total assets	$ 4,431,800			$ 3,999,708			$ 3,979,070		
Interest-bearing liabilities									
Interest-bearing demand deposits	$ 1,032,938	2,165	0.21%	$ 805,651	3,157	0.39%	$ 683,180	8,101	1.19%
Savings and money market	1,129,869	1,540	0.14%	989,457	2,736	0.28%	1,016,772	12,907	1.27%
Savings, NOW and money market	2,162,807	3,705	0.17%	1,795,108	5,893	0.33%	1,699,952	21,008	1.24%
Certificates of deposit	625,562	4,550	0.73%	704,921	10,689	1.52%	967,803	19,906	2.06%
Total interest-bearing deposits	2,788,369	8,255	0.30%	2,500,029	16,582	0.66%	2,667,755	40,914	1.53%
FHLB term and line of credit advances	16,797	169	1.01%	213,155	2,292	1.08%	277,327	6,667	2.40%
Federal Reserve Bank discount window	3	—	0.25%	2,462	6	0.24%	—	—	—%
Bank stock loan	—	—	—%	12,061	415	3.44%	12,327	654	5.31%
Subordinated borrowings	89,785	6,261	6.97%	49,500	3,509	7.09%	14,403	1,251	8.69%
Other borrowings	45,819	104	0.23%	45,041	105	0.23%	42,540	155	0.36%
Total interest-bearing liabilities	2,940,773	14,789	0.50%	2,822,248	22,909	0.81%	3,014,352	49,641	1.65%
Non-interest-bearing liabilities and stockholders' equity									
Non-interest-bearing checking accounts	1,021,261			678,713			478,638		
Non-interest-bearing liabilities	22,971			34,139			22,635		
Stockholders' equity	446,795			464,608			463,445		
Total liabilities and stockholders' equity	$ 4,431,800			$ 3,999,708			$ 3,979,070		
Net interest income		$142,579			$132,652			$125,858	
Interest rate spread			3.30%			3.44%			3.21%
Net interest margin[2]			3.44%			3.63%			3.48%
Total cost of deposits, including non-interest bearing deposits	$ 3,809,630	$ 8,255	0.22%	$ 3,178,742	$ 16,582	0.52%	$ 3,146,393	$ 40,914	1.30%
Average interest-earning assets to interest-bearing liabilities			140.97%			129.62%			119.83%

[1]Average loan balances include nonaccrual loans, hedge fair value adjustments and merger fair value adjustments.

[2]Net interest margin is calculated by dividing net interest income by average interest-earning assets for the period.

[3]Tax exempt income is not included in the above table on a tax equivalent basis.

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

Increases and decreases 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 yields/rates. The following table analyzes the change in volume variances and yield/rate variances for the year ended December 31, 2021, as compared to the year ended December 31, 2020, and the year ended December 31, 2020, as compared to the year ended December 31, 2019.

Analysis of Changes in Net Interest Income

	2021 vs. 2020 Increase (Decrease) Due to:			2020 vs. 2019 Increase (Decrease) Due to:		
(Dollars in thousands)	Volume[(1)]	Yield/Rate[(1)]	Total	Volume[(1)]	Yield/Rate[(1)]	Total
Interest-earning assets						
Loans						
Commercial and industrial	$ (2,421)	$ 8,400	$ 5,979	$ 10,240	$ (8,864)	$ 1,376
Commercial real estate	4,455	(6,446)	(1,991)	(3,300)	(3,349)	(6,649)
Real estate construction	1,645	(2,336)	(691)	1,504	(4,333)	(2,829)
Residential real estate	2,017	(2,570)	(553)	(3,121)	(1,323)	(4,444)
Agricultural real estate	1,107	(993)	114	(393)	(95)	(488)
Agricultural	1,038	(621)	417	156	(796)	(640)
Consumer	1,032	(1,637)	(605)	(26)	(934)	(960)
Total loans	8,873	(6,203)	2,670	5,060	(19,694)	(14,634)
Taxable securities	4,586	(4,111)	475	(1,196)	(2,622)	(3,818)
Nontaxable securities	(487)	(352)	(839)	(599)	101	(498)
Federal funds sold and other	748	(1,247)	(499)	716	(1,704)	(988)
Total interest-earning assets	$ 13,720	$ (11,913)	$ 1,807	$ 3,981	$ (23,919)	(19,938)
Interest-bearing liabilities						
Savings, NOW and money market	$ 1,079	$ (3,267)	$ (2,188)	$ 909	$ (16,024)	$ (15,115)
Certificates of deposit	(1,092)	(5,047)	(6,139)	(4,685)	(4,532)	(9,217)
Total interest-bearing deposits	(13)	(8,314)	(8,327)	(3,776)	(20,556)	(24,332)
FHLB term and line of credit advances	(1,989)	(134)	(2,123)	(1,291)	(3,084)	(4,375)
Federal Reserve Bank discount window	(6)	—	(6)	6	—	6
Bank stock loan	(415)	—	(415)	(14)	(225)	(239)
Subordinated borrowings	2,810	(58)	2,752	2,527	(269)	2,258
Other borrowings	1	(2)	(1)	9	(59)	(50)
Total interest-bearing liabilities	388	(8,508)	(8,120)	(2,539)	(24,193)	(26,732)
Net Interest Income	$ 13,332	$ (3,405)	$ 9,927	$ 6,520	$ 274	$ 6,794

[(1)]The effect of changes in volume is determined by multiplying the change in volume by the previous year's average rate. Similarly, the effect of rate changes is calculated by multiplying the change in average rate by the prior year's volume. The changes attributable to both volume and rate, which cannot be segregated, have been allocated to the volume variance and the rate variance in proportion to the relationship of the absolute dollar amount of the change in each.

Year ended December 31, 2021, compared with year ended December 31, 2020

The increase in net interest income before the provision for credit losses is primarily due to the increase in the volume of interest-earnings assets and a 31 basis point decrease in average rates of interest bearing liabilities, partially offset by a 45 basis point decrease in yields on interest-earning assets. The increase in average volume of interest-earning assets was primarily due to increases in loans.

The increase in loan interest income was driven by the $184.8 million increase in average loan volume. The impact to net interest income from loan fees for the year ended December 31, 2021, was $19.5 million compared to $10.4 million for the year ended December 31, 2020.

Average balances of borrowings from the FHLB decreased by $196.4 million from an average balance of $213.2 million for the year ended December 31, 2020, to an average balance of $16.8 million for the year ended December 31, 2021, coupled with a 7 basis point decrease in average borrowing cost resulted in a decrease in interest expense of $2.1 million. Interest expense on subordinated borrowings for the year ended December 31, 2021, was $6.3 million compared to $3.5 million for the year ended December 31, 2020, an increase of $2.8 million. Total cost of interest-bearing liabilities decreased 31 basis points to 0.50% for the year ended December 31, 2021, from 0.81% for the year ended December 31, 2020.

The increase in net interest margin is largely due to the cost of interest-bearing liabilities decreasing at a faster rate than interest-earning assets. The decrease in cost of funds is primarily from the overall decrease in rates on interest-bearing liabilities, partially due to an increase in non-interest-bearing checking accounts and a decrease in the volume of borrowings.

Provision for Credit Losses

We maintain an allowance for credit losses for estimated losses in our loan portfolio. The allowance for credit losses is increased by a provision for loan losses, which is a charge to earnings, and subsequent recoveries of amounts previously charged-off, but is decreased by charge-offs when the collectability of a loan balance is unlikely. Management estimates the allowance balance required using past loan loss experience within the Company's portfolio. This historical loss calculation is then modified to reflect quantitative economic circumstances based on evidenced economic conditions and regression formulas which incorporate of lag factors in identifying a sufficiently predictive adjusted-R square as well as qualitative factors not inherently reflected in our historical loss or quantitative economic inputs. Included in our qualitative assessment is the consideration of a prospective economic conditions over the preceding 12 months, considered the Company's reasonable, supportable forecast period. As these factors change, the amount of the credit loss provision changes.

Year ended December 31, 2021, compared with year ended December 31, 2020

There was an $8.5 million reversal of provision for credit losses for the period ended December 31, 2021, compared to a provision of $24.3 million for the period ended December 31, 2020. The release of allowance was principally due to reductions in reserves on specifically assessed assets excluding PCD loans and decreases in the calculated allowance on collectively evaluated performing loans. The decrease in impairments on specifically evaluated loans was due to resolution of a few larger relationships discussed below and general improvement in asset quality. The change in the calculated allowance on collectively evaluated loans was primarily driven by the implementation of CECL effective January 1, 2021 resulting in the calculation of a life of loan estimate versus this historical single year approach as well as period over period growth in the portfolio partially offset by improving trends in historical loss experience and economic conditions in the markets in which the Company operates. The provision was increased significantly during the period ended December 31, 2020, largely as the result of increases in qualitative loss factors brought on by the projected economic impact of COVID-19.

During the period ended December 31, 2021, there was a recovery of $1.9 million from a relationship previously disclosed in 2019 that also had a specific reserve of $1.9 million that was released, which resulted in a net provision reversal of $3.8 million. Another large relationship that incurred a $5.5 million provision in 2021 was moved to repossessed assets and was partially sold in January 2022. Two other separate credits resulted in a net provision increase of $1.2 million for the year ended December 31, 2021. For additional detail see "*Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations – Allowance for Credit Losses.*" Net charge-offs for the year ended December 31, 2021, were $8.7 million as compared to net charge-offs of $2.8 million for the year ended December 31, 2020. For the year ended December 31, 2021, gross charge-offs were $11.4 million offset by gross recoveries of $2.7 million. In comparison, gross charge-offs were $3.3 million for the year ended December 31, 2020, offset by gross recoveries of $544 thousand.

Non-Interest Income

The primary sources of non-interest income are service charges and fees, debit card income, mortgage banking income, increases in the value of bank-owned life insurance, investment referral income, the recovery of zero-basis purchased loans, net gains on the sale of available-for-sale securities and other securities transactions. Non-interest income does not include loan origination or other loan fees which are recognized as an adjustment to yield using the interest method.

The following table provides a comparison of the major components of non-interest income for the years ended December 31, 2021, 2020 and 2019.

Non-Interest Income
For the Years Ended December 31,

(Dollars in thousands)	2021	2020	2019	2021 vs. 2020 Change	2021 vs. 2020 %	2020 vs. 2019 Change	2020 vs. 2019 %
Service charges and fees	$ 8,596	$ 6,856	$ 8,672	$ 1,740	25.4%	$ (1,816)	(20.9)%
Debit card income	10,236	9,136	8,230	1,100	12.0%	906	11.0%
Mortgage banking	3,306	3,153	2,468	153	4.9%	685	27.8%
Increase in value of bank-owned life insurance	3,506	1,941	1,998	1,565	80.6%	(57)	(2.9)%
Other							
Investment referral income	678	567	590	111	19.6%	(23)	(3.9)%
Trust income	1,140	433	243	707	163.3%	190	78.2%
Insurance sales commissions	545	275	177	270	98.2%	98	55.4%
Recovery on zero-basis purchased loans	85	134	143	(49)	(36.6)%	(9)	(6.3)%
Income from equity method investments	(222)	(210)	26	(12)	5.7%	(236)	(907.7)%
Other non-interest income	3,981	1,582	2,427	2,399	151.6%	(845)	(34.8)%
Total other	6,207	2,781	3,606	3,426	123.2%	(825)	(22.9)%
Subtotal	31,851	23,867	24,974	7,984	33.5%	(1,107)	(4.4)%
Gain on acquisition	585	2,145	—	(1,560)	(72.7)%	2,145	(100.0)%
Net gain (loss) from securities transactions	406	11	14	395	3590.9%	(3)	(21.4)%
Total non-interest income	$ 32,842	$ 26,023	$ 24,988	$ 6,819	26.2%	$ 1,035	4.1%

Year ended December 31, 2021, compared with year ended December 31, 2020

Non-interest income improved in 2021 by 26% driven by continued expansion of customer service charges led by deposit service fees, debit card and trust and wealth management income, as well as insurance commissions and fees, credit card fees, and loan servicing fees which are included in 'Other non-interest income' and collectively improved by $1.6 million reflecting the Company's continued emphasis on offering innovative products to our customer base. Income further improved due to increased earnings on bank owned life insurance due to an increasing asset base and the realization of benefits from utilization of the policies and improvement in the value of the Company's derivative positions. These improvement were partially offset by a decline in gain on acquisition which was driven by purchase of Almena in 2020.

Non-Interest Expense

The following table provides a comparison of the major components of non-interest expense for the years ended December 31, 2021, 2020 and 2019.

Non-Interest Expense
For the Year Ended December 31,

(Dollars in thousands)	2021	2020	2019	2021 vs. 2020 Change	2021 vs. 2020 %	2020 vs. 2019 Change	2020 vs. 2019 %
Salaries and employee benefits	$ 54,198	$ 54,129	$ 52,122	$ 69	0.1%	$ 2,007	3.9%
Net occupancy and equipment	10,137	8,784	8,674	1,353	15.4%	110	1.3%
Data processing	13,261	10,991	10,124	2,270	20.7%	867	8.6%
Professional fees	4,713	4,282	4,734	431	10.1%	(452)	(9.5)%
Advertising and business development	3,370	2,498	3,075	872	34.9%	(577)	(18.8)%
Telecommunications	1,966	1,873	2,079	93	5.0%	(206)	(9.9)%
FDIC insurance	1,665	2,088	1,228	(423)	(20.3)%	860	70.0%
Courier and postage	1,429	1,441	1,348	(12)	(0.8)%	93	6.9%
Free nationwide ATM expense	2,019	1,609	1,680	410	25.5%	(71)	(4.2)%
Amortization of core deposit intangibles	4,174	3,850	3,168	324	8.4%	682	21.5%
Loan expense	934	789	875	145	18.4%	(86)	(9.8)%
Other real estate owned	(188)	2,310	707	(2,498)	(108.1)%	1,603	226.7%
Loss on debt extinguishment	372	—	—	372	100.0%	—	—%
Other	12,226	9,216	8,906	3,010	32.7%	310	3.5%
Subtotal	110,276	103,860	98,720	6,416	6.2%	5,140	5.2%
Merger expenses	9,189	299	915	8,890	2973.2%	(616)	(67.3)%
Goodwill impairment	—	104,831	—	(104,831)	(100.0)%	104,831	—%
Total non-interest expense	$ 119,465	$ 208,990	$ 99,635	$ (89,525)	(42.8)%	$ 109,355	109.8%

Year ended December 31, 2021, compared with year ended December 31, 2020

The decrease in non-interest expense was primarily due to a $104.8 million goodwill impairment charge in 2020 and gains on other real estate owned properties of $2.5 million, offset by increases in occupancy of $1.4 million, data processing of $2.3 million, and other other non-interest expense of $3.4. These items and other changes in the various components of non-interest expense are discussed in more detail below.

Salaries and employee benefits: There was a $2.5 million increase in salaries for the year ended December 31, 2021, as compared to the year ended December 31, 2020. This increase reflects the addition of staff related to the October 2021 ASBI acquisition, the December 2021 Security acquisition, and the full year effect of the addition of staff related to the October 2020 Almena acquisition. The total increase in salary expense was offset by an increase in deferred fees of $4.4 million for the period ended December 31, 2021, compared to the period ended December 31, 2020. Additionally, for the year ended December 31, 2021, there was an increase in incentives and bonuses of $1.8 million and retirement plan expense of $127 thousand, offset by decreases in restricted stock unit expense of $365 thousand. Included in salaries and employee benefits is share-based compensation expense of $2.6 million for the year ended December 31, 2021, and $3.2 million for the year ended December 31, 2020.

Net occupancy and equipment: Net occupancy and equipment includes expenses related to the use of premises and equipment, such as depreciation, operating lease payments, repairs and maintenance, insurance, property taxes and utilities, net of incidental rental income of excess facilities. The increase is primarily related to the October 2021 ASBI acquisition, the December 2021 Security acquisition, and the full year effect of the two additional locations related to the October 2020 Almena acquisition.

Data processing: The increase was principally due to increased software license expenses of $1.1 million, $717 thousand in data processing/debit card expense and online account processing expenses of $417 thousand.

Professional fees: The increase of $431 thousand was principally due to increases in attorney fees of $454 thousand and consulting services of $384 thousand, partially offset by a decrease in accounting fees of $353 thousand.

Other real estate owned: As detailed in "NOTE 5 – OTHER REAL ESTATE OWNED" in the Notes to Consolidated Financial Statements, other real estate owned expenses, including provision for unrealized losses, were $1.3 million, partially offset by gains on sale and transfer to other real estate of $1.0 million and income from other real estate owned properties of $473 thousand, for the year ended December 31, 2021. For the year ended December 31, 2020, other real estate owned expenses including provision for unrealized losses, were $3.3 million, partially offset by gains on the sale of other real estate of $835 thousand and income from other real estate owned properties of $201 thousand.

Other: Other non-interest expenses consists of subscriptions, memberships and dues, employee expenses, including travel, meals, entertainment and education, supplies, printing, insurance, account related losses, correspondent bank fees, customer program expenses, losses net of gains on the sale of fixed assets, losses net of gains on the sale of repossessed assets other than real estate, other operating expenses, such as settlement of claims, limited partnership tax credits and provision for unfunded commitments.

Merger expenses: Merger expenses include legal, advisory and accounting fees associated with services to facilitate the acquisition of other banks. Merger expenses also include data processing conversion costs and costs associated with the integration of personnel, processes, facilities and employee bonuses. During 2021, the company incurred merger expenses of $237 thousand related to the Almena acquisition, $8.7 million related to the ASBI acquisition and $289 thousand related to the Security acquisition. For the year ended December 31, 2020, merger expenses of $299 thousand are related to the Almena acquisition.

Efficiency Ratio

The efficiency ratio is a supplemental financial measure utilized in the internal evaluation of our performance and is not defined under GAAP. Our efficiency ratio is computed by dividing non-interest expense, excluding goodwill impairment, merger expenses and loss on debt extinguishment, by the sum of net interest income and non-interest income, excluding net gains on sales of and settlement of securities and gain on acquisition. Generally, an increase in the efficiency ratio indicates that more resources are being utilized to generate the same volume of income, while a decrease would indicate a more efficient allocation of resources. The ratio defined under GAAP that is most comparable to the efficiency ratio is non-interest expense to net interest income plus non-interest income which is discussed in "Results of Operations – Non-GAAP Financial Measures."

The Company's non-interest expense, less goodwill impairment, to net interest income plus non-interest income increased from the period ended December 31, 2020, to December 31, 2021, primarily due to net interest income plus non-interest income increasing at a lower rate than non-interest expense less goodwill impairment, as discussed in "Results of Operations – Non-GAAP Financial Measures." The efficiency ratio decreased during the same time period due to non-interest expense, excluding goodwill impairment and merger expenses, increasing at a lower proportional rate than net interest income and non-interest income, excluding net gains on security transactions and gain on acquisition, as discussed in "Results of Operations – Net Interest Income and Net Interest Margin Analysis" and "Results of Operations – Non-Interest Income."

Income Taxes

The amount of income tax expense is influenced by the amount of pre-tax income, the amount of tax-exempt income, the amount of non-deductible expenses and available tax credits.

Year ended December 31, 2021, compared with year ended December 31, 2020

The effective income tax rate for the year ended December 31, 2021, was 18.5% as compared to the U.S. statutory rate of 21.0%. The effective income tax rate for the year ended December 31, 2020, was (0.5)% as compared to the U.S. statutory rate of 21.0%. As detailed in "NOTE 15 – INCOME TAXES" in the Notes to Consolidated Financial Statements, the income tax rates differed from the U.S. statutory rates primarily due to non-taxable income, non-deductible expenses, non-deductible goodwill and tax credits. The Company made an investment in solar tax credits during the year ended December 31, 2021, which materially affected the effective income tax rate for the period.

Impact of Inflation

Our consolidated financial statements and related notes included elsewhere in this annual report have been prepared in accordance with GAAP. These require the measurement of financial position and operating results in terms of historical dollars, without considering changes in the relative value of money over time due to inflation or recession.

Unlike many industrial companies, substantially all our assets and liabilities are monetary in nature. As a result, interest rates have a more significant impact on our performance than the effects of general levels of inflation. Interest rates may not necessarily move in the same direction or in the same magnitude as the prices of goods and services. However, other operating expenses do reflect general levels of inflation.

Financial Condition

Overview

Our total assets increased $1.12 billion, or 28.0%, from $4.01 billion at December 31, 2020, to $5.14 billion at December 31, 2021. The increase in total assets was primarily from increases in securities of $455.6 million, loans of $549.3 million and other assets of $67.4 million. Our total liabilities increased $1.03 billion, or 28.6%, from $3.61 billion at December 31, 2020, to $4.64 billion at December 31, 2021. The increase in total liabilities was from increases in total deposits of $972.4 million, other liabilities of $28.3 million and subordinated debt of $8.2 million, somewhat offset by decreases in FHLB advances of $10.1 million. Our total stockholders' equity increased $93.0 million, or 22.8%, from $407.6 million at December 31, 2020, to $500.6 million at December 31, 2021.

Loan Portfolio

Loans are the largest category of earning assets and typically provide higher yields than other types of earning assets. Excluding the acquired loan balances at year end, gross loans held for investment increased by $165.5 million, or 6.4%, compared with December 31, 2020. Growth consisted of $133.3 million, or 11.2%, from commercial real estate, $10.4 million, or 11.0%, from agricultural, $219.9 million, or 57.6%, from residential real estate, $25.8 million, or 44.0%, from consumer, and $3.1 million, or 2.3%, from agricultural real estate, offset by a decrease of $227.0 million, or 30.9%, from commercial and industrial. We also had a decrease in loans classified as held for sale of $8.2 million, or 66.0%, from December 31, 2020.

Our loan portfolio consists of various types of loans, most of which are made to borrowers located in the Wichita, Kansas City and Tulsa MSAs, as well as various community markets throughout Arkansas, Kansas, Missouri and Oklahoma. Although the portfolio is diversified and generally secured by various types of collateral, the majority of our loan portfolio consists of commercial and industrial and commercial real estate loans and a substantial portion of our borrowers' ability to honor their obligations is dependent on local economic conditions in Arkansas, Kansas, Missouri and Oklahoma. As of December 31, 2021, the only industry with a concentration of loans in excess of 10% of total loans was the hospitality industry, comprising 11.5% of total loans excluding SBA PPP.

At December 31, 2021, gross total loans were 71.5% of deposits and 61.5% of total assets. At December 31, 2020, gross total loans were 75.5% of deposits and 64.9% of total assets.

The organic, or non-acquired, growth in our loan portfolio is attributable to our ability to attract new customers from other financial institutions and overall growth in our markets. Our lending staff has been successful in building banking relationships with new customers. Several new lenders have been hired in our markets and these employees have been successful in transitioning their former clients and attracting new clients. Lending activities originate from the efforts of our lenders with an emphasis on lending to individuals, professionals, small to medium-sized businesses and commercial companies located in the Wichita, Kansas City and Tulsa MSAs, as well as community markets in Arkansas, Kansas, Missouri and Oklahoma.

The following table summarizes our loan portfolio by type of loan as of the dates indicated.

Composition of Loan Portfolio

	December 31,					
	2021		2020		2019	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)					
Commercial and industrial	$ 567,497	18.0%	$ 734,495	28.3%	$ 592,052	23.2%
Real estate loans:						
Commercial real estate	1,486,148	47.1%	1,188,696	45.9%	1,158,022	45.3%
Residential real estate	638,087	20.2%	381,958	14.7%	503,439	19.7%
Agricultural real estate	198,330	6.3%	133,693	5.2%	141,868	5.5%
Total real estate loans	2,322,565	73.6%	1,704,347	65.8%	1,803,329	70.5%
Agricultural	166,975	5.3%	94,322	3.6%	92,893	3.6%
Consumer	98,590	3.1%	58,532	2.3%	68,378	2.7%
Total loans held for investment	$3,155,627	94.7%	$2,591,696	96.4%	$2,556,652	96.4%
Total loans held for sale	$ 4,214	100.0%	$ 12,394	100.0%	$ 5,933	100.0%
Total loans held for investment (net of allowances)	$3,107,262	100.0%	$2,557,987	100.0%	$2,544,420	100.0%

Commercial and industrial: Commercial and industrial loans include loans used to purchase fixed assets, to provide working capital or meet other financing needs of the business.

Commercial real estate: Commercial real estate loans include all loans secured by nonfarm nonresidential properties and multifamily residential properties, as well as 1-4 family investment-purpose real estate loans. Of the $297.5 million in growth during 2021, $164.1 million, or 55.2%, was a result of loans acquired through acquisitions.

Residential real estate: Residential real estate loans include loans secured by primary or secondary personal residences. Acquisitions added $36.3 million in residential real estate loans during the year ended December 31, 2021. During 2021, we purchased six pools of residential real estate mortgage loans totaling $363.9 million. Pools of mortgages are occasionally purchased to expand our loan portfolio and provide additional loan income.

Agricultural real estate, Agricultural, Consumer and other: Agricultural real estate loans are loans related to farmland. Agricultural loans are primarily operating lines subject to annual farming revenues including productivity/yield of the agricultural commodities produced. Consumer loans are generally secured by consumer assets but may be unsecured. The ASBI and Security acquisitions added $62.2 million in agricultural, $61.5 million in agricultural real estate, and $14.3 million in consumer loans during the year ended December 31, 2021. These three loan types represent 14.7% of our overall loan portfolio.

The contractual maturity ranges of loans in our loan portfolio and the amount of such loans with predetermined interest rates and floating rates in each maturity range as of December 31, 2021, and December 31, 2020, are summarized in the following tables.

Loan Maturity and Sensitivity to Changes in Interest Rates

	As of December 31, 2021				
	One year or less	After one year through five years	After five years through fifteen years	After fifteen years	Total
	(Dollars in thousands)				
Commercial and industrial	$ 172,409	$ 300,312	$ 88,124	$ 6,652	$ 567,497
Real Estate:					
Commercial real estate	247,339	834,277	355,479	49,053	1,486,148
Residential real estate	6,594	14,066	136,994	480,433	638,087
Agricultural real estate	53,703	83,861	47,176	13,590	198,330
Total real estate	307,636	932,204	539,649	543,076	2,322,565
Agricultural	113,138	41,003	6,809	6,025	166,975
Consumer	36,714	40,361	18,352	3,163	98,590
Total	$ 629,897	$1,313,880	$ 652,934	$ 558,916	$3,155,627
Loans with a predetermined fixed interest rate	$ 258,334	$ 875,796	$ 235,609	$ 334,122	$1,703,861
Loans with an adjustable/floating interest rate	371,563	438,084	417,325	224,794	1,451,766
Total	$ 629,897	$1,313,880	$ 652,934	$ 558,916	$3,155,627

	As of December 31, 2020				
	One year or less	After one year through five years	After five years through fifteen years	After fifteen years	Total
	(Dollars in thousands)				
Commercial and industrial	$ 157,313	$ 487,729	$ 87,979	$ 1,474	$ 734,495
Real Estate:					
Commercial real estate	220,286	645,661	288,248	34,501	1,188,696
Residential real estate	5,048	9,848	85,123	281,939	381,958
Agricultural real estate	50,527	56,514	19,381	7,271	133,693
Total real estate	275,861	712,023	392,752	323,711	1,704,347
Agricultural	62,804	25,911	2,914	2,693	94,322
Consumer	13,804	37,599	5,616	1,513	58,532
Total	$ 509,782	$1,263,262	$ 489,261	$ 329,391	$2,591,696
Loans with a predetermined fixed interest rate	$ 261,736	$ 896,899	$ 193,889	$ 97,760	$1,450,284
Loans with an adjustable/floating interest rate	248,046	366,363	295,372	231,631	1,141,412
Total	$ 509,782	$1,263,262	$ 489,261	$ 329,391	$2,591,696

Nonperforming Assets

The following table presents information regarding nonperforming assets at the dates indicated.

Nonperforming Assets

	As of December 31,		
	2021	2020	2019
		(Dollars in thousands)	
Nonaccrual loans	$ 29,361	$ 43,689	$ 38,379
Accruing loans 90 or more days past due	256	143	—
Restructured loans-accruing	—	—	—
OREO acquired through foreclosure, net	7,582	10,698	8,293
Other repossessed assets	28,799	67	236
Total nonperforming assets	$ 65,998	$ 54,597	$ 46,908
Ratios:			
Nonperforming assets to total assets	1.28%	1.36%	1.19%
Nonperforming assets to total loans plus OREO	2.09%	2.10%	1.83%

Nonperforming assets (“NPAs”) include loans on nonaccrual status, accruing loans 90 or more days past due, restructured loans, other real estate acquired through foreclosure and other repossessed assets.

The nonperforming loans at December 31, 2021, consisted of 176 separate credits and 137 separate borrowers. We had nine nonperforming loan relationships each with outstanding balances exceeding $1.0 million as of December 31, 2021. Of the increase in nonperforming assets, $2.5 million was a result of the ASBI acquisition. There are several procedures in place to assist us in maintaining the overall quality of our loan portfolio. We have established underwriting guidelines to be followed by lenders and we also monitor delinquency levels for any negative or adverse trends. There can be no assurance, however, that our loan portfolio will not become subject to increasing pressures from deteriorating borrower credit due to general economic conditions.

Regulatory Loan Classification

We categorize loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. Loans are analyzed individually and classified based on credit risk. Consumer loans are considered pass credits unless downgraded due to payment status or reviewed as part of a larger credit relationship. We use the following definitions for risk ratings:

Pass: Loans classified as pass include all loans that do not fall under one of the three following categories. These loans are considered unclassified.

Special Mention: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of our credit position at some future date. These loans are considered classified.

Substandard: Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected. These loans are considered classified.

Doubtful: Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, based on currently existing facts, conditions and values, highly questionable and improbable. These loans are considered classified.

Potential problem loans consist of loans that are performing in accordance with contractual terms, but for which management has concerns about the borrower's ability to comply with repayment terms because of the borrower's potential financial difficulties. Potential problem loans are assigned a grade of special mention or substandard. At December 31, 2021, the Company had $72.5 million in potential problem loans which were not included in either non-accrual or 90 days past due categories, compared to $52.3 million at December 31, 2020.

For additional information about the risk category by class of loans see "NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES" in the Notes to Consolidated Financial Statements. At December 31, 2021, loans considered unclassified increased to 96.8% of total loans from 96.3% of total loans at December 31, 2020.

Risk Category of Loans by Class

	As of December 31, 2021		
	Unclassified	Classified	Total
		(Dollars in thousands)	
Commercial and industrial	$ 530,783	$ 36,714	$ 567,497
Real estate:			
Commercial real estate	1,454,547	31,601	1,486,148
Residential real estate	632,974	5,113	638,087
Agricultural real estate	184,428	13,902	198,330
Total real estate	2,271,949	50,616	2,322,565
Agricultural	152,498	14,477	166,975
Consumer	98,267	323	98,590
Total	$ 3,053,497	$ 102,130	$ 3,155,627

	As of December 31, 2020		
	Unclassified	Classified	Total
		(Dollars in thousands)	
Commercial and industrial	$ 674,392	$ 60,103	$ 734,495
Real estate:			
Commercial real estate	1,171,961	16,735	1,188,696
Residential real estate	378,868	3,090	381,958
Agricultural real estate	125,425	8,268	133,693
Total real estate	1,676,254	28,093	1,704,347
Agricultural	86,629	7,693	94,322
Consumer	58,253	279	58,532
Total	$ 2,495,528	$ 96,168	$ 2,591,696

At December 31, 2021, the Company had $36.3 million, or 1.2%, of total loans excluding PPP loans participating in the payment deferral program. For additional information see "NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES" in the Notes to Consolidated Financial Statements.

In accordance with applicable regulation, appraisals or evaluations are required to independently value real estate and, as an important element, to consider when underwriting loans secured in part or in whole by real estate. The value of real estate collateral provides additional support to the borrower's credit capacity.

With respect to potential problem loans, all monitored and under-performing loans are reviewed and evaluated to determine if they are impaired. If we determine that a loan is impaired, then we evaluate the borrower's overall financial condition to determine the need, if any, for possible write downs or appropriate additions to the allowance for credit losses based on the unlikelihood of full repayment of principal and interest in accordance with the contractual terms or the net realizable value of the pledged collateral.

Allowance for credit losses

Please see "Critical Accounting Policies – Allowance for Credit Losses" for additional discussion of our allowance policy.

In connection with our review of the loan portfolio, risk elements attributable to particular loan types or categories are considered when assessing the quality of individual loans. For additional information see "NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES" in the Notes to Consolidated Financial Statements.

Purchased credit deteriorated loans: Please see "Critical Accounting Policies – Allowance for Credit Losses" for additional discussion of our purchased credit deteriorated loans policy. In accordance with ASC 326, the credit impairment mark on acquired loans was reclassified from loans to the allowance for credit losses, effective January 1, 2021. After adoption of the standard, the allowance for credit losses is increased by the reserve calculated on newly acquired purchased credit deteriorated assets at the date of acquisition. Subsequent changes to the allowance on these loans are recorded through the provision for loan losses. For additional information about our purchased credit deteriorated loans see "NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES" in the Notes to Consolidated Financial Statements.

Analysis of allowance for credit losses: At December 31, 2021, the allowance for credit losses totaled $48.4 million, or 1.53% of total loans. At December 31, 2020, the allowance for loan losses totaled $33.7 million, or 1.30% of total loans.

The Company adopted CECL effective January 1, 2021. The adoption resulted in increases in the allowance for credit losses ("ACL") on loans held for investment of $15,732, an ACL for unfunded commitments of $838, a deferred tax asset of $4,167, a reclassification of purchased-impaired discounts from loans to ACL of $10,438 and a decrease in retained earnings of $12,403. For additional information about the adoption of CECL see "NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES" in the Notes to Consolidated Financial Statements.

The allowance for credit losses on loans collectively evaluated totaled $34.3 million, or 1.14%, of the $3.1 billion in loans collectively evaluated at December 31, 2021, compared to an allowance for loan losses of $23.2 million, or 0.92%, of the $2.54 billion in loans collectively evaluated at December 31, 2020, and an allowance for loan losses of $11.0 million, or 0.44%, of the $2.50 billion in loans collectively evaluated at December 31, 2019. The increase in allowance as a percentage of total loans and of loans collectively evaluated from December 31, 2020, to December 31, 2021, was driven by the CECL which introduced a life of loan concept to the calculation and resulted in a significant increase in reserves as previously indicated. Following adoption, the level of reserve has declined due primarily to improving economic circumstances in the markets in which the Company operates as we continue to move away from the peak of the pandemic partially offset by increasing estimated exposure at default, loss experience within our historical loss calculation and extension of expected life of the underlying portfolio.

Net losses as a percentage of average loans was 0.30% for the twelve months ended December 31, 2021, as compared to 0.10% for the twelve months ended December 31, 2020, and 0.68% for the twelve months ended December 31, 2019.

The following table presents, as of and for the periods indicated, an analysis of the allowance for credit losses and other related data.

Allowance for Credit Losses
(Dollars in thousands)

December 31, 2021	Commercial Real Estate	Commercial and Industrial	Residential Real Estate	Agricultural Real Estate	Agricultural	Consumer	Total
Allowance for credit losses	$ 22,478	$ 12,248	$ 5,560	$ 2,235	$ 3,756	$ 2,088	$ 48,365
Total loans outstanding	1,486,148	567,497	638,087	198,330	166,975	98,590	3,155,627
Net charge-offs	(129)	7,870	(52)	473	(21)	504	8,645
Average loan balance	1,317,750	714,561	491,747	153,607	108,276	88,383	2,874,324
Non-accrual loan balance	6,833	6,557	5,075	4,398	6,175	323	29,361
Loans to total loans outstanding	47.1%	18.0%	20.2%	6.3%	5.3%	3.1%	100.0%
ACL to total loans	1.5%	2.2%	0.9%	1.1%	2.2%	2.1%	1.5%
Net charge-offs to average loans	—%	1.1%	—%	0.3%	—%	0.6%	0.3%
Non-accrual loans to total loans	0.5%	1.2%	0.8%	2.2%	3.7%	0.3%	0.9%
ACL to non-accrual loans	329.0%	186.8%	109.6%	50.8%	60.8%	646.4%	164.7%

December 31, 2020	Commercial Real Estate	Commercial and Industrial	Residential Real Estate	Agricultural Real Estate	Agricultural	Consumer	Total
Allowance for loan losses	$ 9,012	$ 12,456	$ 4,559	$ 904	$ 758	$ 6,020	$ 33,709
Total loans outstanding	1,188,696	734,495	381,958	133,693	94,322	58,532	2,591,696
Net charge-offs	219	1,248	401	173	3	734	2,778
Average loan balance	1,190,097	763,971	443,312	133,813	88,206	70,064	2,689,463
Non-accrual loan balance	7,582	23,457	2,955	4,111	5,312	272	43,689
Loans to total loans outstanding	45.9%	28.3%	14.7%	5.2%	3.6%	2.3%	100.0%
ACL to total loans	0.8%	1.7%	1.2%	0.7%	0.8%	10.3%	1.3%
Net charge-offs to average loans	—%	0.2%	0.1%	0.1%	—%	1.0%	0.1%
Non-accrual loans to total loans	0.6%	3.2%	0.8%	3.1%	5.6%	0.5%	1.7%
ACL to non-accrual loans	118.9%	53.1%	154.3%	22.0%	14.3%	2213.2%	77.2%

December 31, 2019	Commercial Real Estate	Commercial and Industrial	Residential Real Estate	Agricultural Real Estate	Agricultural	Consumer	Total
Allowance for loan losses	$ 3,919	$ 3,061	$ 2,676	$ 608	$ 546	$ 1,422	$ 12,232
Total loans outstanding	1,158,022	592,052	503,439	141,868	92,893	68,378	2,556,652
Net charge-offs	2,053	13,839	585	(4)	1,035	68	17,576
Average loan balance	1,224,804	567,215	513,529	140,365	85,747	70,390	2,602,050
Non-accrual loan balance	6,913	16,906	8,013	4,807	1,359	381	38,379
Loans to total loans outstanding	45.3%	23.2%	19.7%	5.5%	3.6%	2.7%	100.0%
ACL to total loans	0.3%	0.5%	0.5%	0.4%	0.6%	2.1%	0.5%
Net charge-offs to average loans	0.2%	2.4%	0.1%	—%	1.2%	0.1%	0.7%
Non-accrual loans to total loans	0.6%	2.9%	1.6%	3.4%	1.5%	0.6%	1.5%
ACL to non-accrual loans	56.7%	18.1%	33.4%	12.6%	40.2%	373.2%	31.9%

(1) Excluding loans held for sale.

Management believes that the allowance for credit losses at December 31, 2021, is adequate to cover current expected losses in the loan portfolio as of such date. There can be no assurance, however, that we will not sustain losses in future periods that could be substantial in relation to the size of the allowance at December 31, 2021.

Securities

We use our securities portfolio to provide a source of liquidity, to provide an appropriate return on funds invested, to manage interest rate risk, to meet pledging requirements and to meet regulatory capital requirements. At December 31, 2021, securities represented 25.8% of total assets compared with 21.7% at December 31, 2020.

At the date of purchase, debt securities are classified into one of two categories, held-to-maturity or available-for-sale. We do not purchase securities for trading purposes. At each reporting date, the appropriateness of the classification is reassessed. Investments in debt securities are classified as held-to-maturity and carried at cost, adjusted for the amortization of premiums and the accretion of discounts, in the financial statements only if management has the positive intent and ability to hold those securities to maturity. Debt securities not classified as held-to-maturity are classified as available-for-sale and measured at fair value in the financial statements with unrealized gains and losses reported, net of tax, as accumulated comprehensive income or loss until realized. Interest earned on securities is included in total interest and dividend income. Also included in total interest and dividend income are dividends received on stock investments in the Federal Reserve Bank of Kansas City and the FHLB of Topeka. These stock investments are stated at cost.

The following table summarizes the amortized cost and fair value by classification of available-for-sale securities as of the dates shown.

Available-For-Sale Securities

	December 31,			
	2021		2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)			
U.S. Government-sponsored entities	$ 124,898	$ 123,407	$ 996	$ 1,023
U.S. Treasury securities	157,289	155,602	4,024	4,025
Mortgage-backed securities				
Government-sponsored residential mortgage-backed securities	661,584	664,887	630,485	651,425
Private label residential mortgage-backed securities	173,717	171,688	44,302	44,178
Corporate	52,555	53,777	52,503	53,650
Small Business Administration loan pools	16,568	16,475	1,226	1,270
State and local subdivisions	138,404	141,606	111,865	116,256
Total available-for-sale securities	$ 1,325,015	$ 1,327,442	$ 845,401	$ 871,827

The following tables summarize the contractual maturity of debt securities and their weighted average yields as of December 31, 2021, and December 31, 2020. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date, primarily mortgage-backed securities, are shown separately. Available-for-sale securities are shown at fair value and held-to-maturity securities are shown at cost, adjusted for the amortization of premiums and the accretion of discounts.

	December 31, 2021									
	Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after 10 years		Total	
	Carrying Value	Yield	Carrying Value	Yield	Carrying Value	Yield	Carrying Value	Yield	Carrying Value	Yield
	(Dollars in thousands)									
Available-for-sale securities:										
U.S. Government-sponsored entities	$ 1,001	2.78%	$ 29,524	0.50%	$ 84,810	1.37%	$ 8,072	1.89%	$ 123,407	1.21%
U.S. Treasury securities	—	—%	48,008	1.14%	107,594	1.10%	—	—%	$ 155,602	1.11%
Mortgage-backed securities										
Government-sponsored residential mortgage-backed securities	—	—%	69,734	1.35%	211,965	1.65%	383,188	2.05%	$ 664,887	1.85%
Private label residential mortgage-backed securities	—	—%	—	—%	—	—%	171,688	1.62%	$ 171,688	1.62%
Corporate	—	—%	—	—%	53,777	4.18%	—	—%	$ 53,777	4.18%
Small Business Administration loan pools	—	—%	—	—%	9,669	0.93%	6,806	1.76%	$ 16,475	1.27%
State and political subdivisions[(1)]	7,259	2.60%	21,038	2.43%	44,640	2.26%	68,669	2.36%	$ 141,606	2.35%
Total available-for-sale securities	8,260	2.62%	168,304	1.28%	512,455	1.79%	638,423	1.96%	1,327,442	1.81%
Total debt securities	$ 8,260	2.62%	$168,304	1.28%	$512,455	1.79%	$638,423	1.96%	$1,327,442	1.81%

(1) The calculated yield is not calculated on a tax equivalent basis.

	December 31, 2020									
	Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after ten years		Total	
	Carrying Value	Yield	Carrying Value	Yield	Carrying Value	Yield	Carrying Value	Yield	Carrying Value	Yield
	(Dollars in thousands)									
Available-for-sale securities:										
U.S. government-sponsored entities	$ —	—%	$ 1,023	2.78%	$ —	—%	$ —	—%	$ 1,023	2.78%
U.S. treasury securities	4,025	0.14%	—	—%	—	—%	—	—%	$ 4,025	0.14%
Mortgage-backed securities										
Government-sponsored residential mortgage-backed securities	5	5.77%	2,093	3.26%	101,352	2.12%	547,975	2.10%	$651,425	2.10%
Private label residential mortgage-backed securities	—	—%	—	—%	—	—%	44,178	0.23%	$ 44,178	0.23%
Corporate	5,050	2.17%	—	—%	48,600	4.25%	—	—%	$ 53,650	4.05%
Small Business Administration loan pools	—	—%	—	—%	—	—%	1,270	2.38%	$ 1,270	2.38%
State and political subdivisions[(1)]	3,765	2.41%	26,679	2.45%	24,212	2.93%	61,600	3.17%	$116,256	2.93%
Total available-for-sale securities	12,845	1.61%	29,795	2.52%	174,164	2.83%	655,023	2.07%	871,827	2.23%
Total debt securities	$ 12,845	1.61%	$ 29,795	2.52%	$174,164	2.83%	$655,023	2.07%	$871,827	2.23%

(1) The calculated yield is not calculated on a tax equivalent basis.

Mortgage-backed securities are securities that have been developed by pooling a number of real estate mortgages and which are principally issued by federal agencies such as Ginnie Mae, Fannie Mae, Freddie Mac and non-agency private label providers. Unlike U.S. Treasury and U.S. Government agency securities, which have a lump sum payment at maturity, mortgage-backed securities provide cash flows from regular principal and interest payments and principal prepayments throughout the lives of the securities. Premiums and discounts on mortgage-backed securities are amortized and accreted over the expected life of the security and may be impacted by prepayments. As such, mortgage-backed securities purchased at a premium will generally produce decreasing net yields as interest rates drop because homeowners tend to refinance their mortgages resulting in prepayments and an acceleration of premium amortization. Securities purchased at a discount will reflect higher net yields in a decreasing interest rate environment as prepayments result in an acceleration of discount accretion.

The contractual maturity of mortgage-backed securities is not a reliable indicator of their expected lives because borrowers have the right to prepay their obligations at any time. Monthly pay downs on mortgage-backed securities cause the average lives of these securities to be much different than their stated lives. At December 31, 2021, and December 31, 2020, 66.3% and 85.1% of the mortgage-backed securities held by us had contractual final maturities of more than ten years with a weighted average life of 4.4 years and 2.5 years and a modified duration of 4.1 years and 2.4 years.

Deposits

Our lending and investing activities are primarily funded by deposits. A variety of deposit accounts are offered with a wide range of interest rates and terms including demand, savings, money market and time deposits. We rely primarily on competitive pricing policies, convenient locations, comprehensive marketing strategy and personalized service to attract and retain these deposits.

The following table shows our composition of deposits at December 31, 2021, 2020 and 2019.

Composition of Deposits

	December 31, 2021		December 31, 2020		December 31, 2019		2021 vs. 2020		2020 vs. 2019	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Change	%	Change	%
	(Dollars in thousands)									
Non-interest-bearing demand	$1,244,117	28.1%	$ 791,639	22.9%	$ 481,298	15.7%	$452,478	57.2%	$ 310,341	64.5%
Interest-bearing demand and NOW accounts	1,202,408	27.2%	1,016,424	29.5%	703,048	23.0%	185,984	18.3%	313,376	44.6%
Savings and money market	1,319,881	29.9%	1,012,673	29.4%	1,046,000	34.1%	307,208	30.3%	(33,327)	(3.2)%
Time	653,598	14.8%	626,854	18.2%	833,170	27.2%	26,744	4.3%	(206,316)	(24.8)%
Total deposits	$4,420,004	100.0%	$3,447,590	100.0%	$3,063,516	100.0%	$972,414	28.2%	$ 384,074	12.5%

The following tables show deposits assumed in 2021 acquisitions, as of the time of such acquisitions.

	ASBI Acquisition	
	Amount	Percent of Total
	(Dollars in thousands)	
Non-interest-bearing demand	$ 254,944	38.1%
Interest-bearing demand and NOW accounts	95,023	14.2%
Savings and money market	221,187	33.1%
Time	97,695	14.6%
Total deposits	$ 668,849	100.0%

	Security Acquisition	
	Amount	Percent of Total
	(Dollars in thousands)	
Non-interest-bearing demand	$ 19,724	26.3%
Interest-bearing demand and NOW accounts	13,713	18.3%
Savings and money market	26,132	34.8%
Time	15,509	20.6%
Total deposits	$ 75,078	100.0%

The following table shows deposits assumed in 2020 acquisitions, as of the time of such acquisitions.

	Almena Acquisition	
	Amount	Percent of Total
	(Dollars in thousands)	
Non-interest-bearing demand	$ 11,737	18.8%
Interest-bearing demand and NOW accounts	6,238	10.0%
Savings and money market	5,835	9.3%
Time	38,662	61.9%
Total deposits	$ 62,472	100.0%

The following table shows the average deposit balance and average rate paid on deposits for the year ended December 31, 2021, 2020 and 2019.

Average Deposit Balances and Average Rate Paid

	December 31,					
	2021		2020		2019	
	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
	(Dollars in thousands)					
Non-interest-bearing demand	$1,021,261	—%	$ 678,713	—%	$ 478,638	—%
Interest-bearing demand and NOW accounts	1,032,938	0.21%	805,651	0.39%	683,180	1.19%
Savings and money market	1,129,869	0.14%	989,457	0.28%	1,016,772	1.27%
Time	625,562	0.73%	704,921	1.52%	967,803	2.06%
Total deposits	$3,809,630		$3,178,742		$3,146,393	

Included in interest-bearing demand deposits are Insured Cash Sweep ("ICS") reciprocal demand deposit balances of $308.4 million at December 31, 2021, $256.0 million at December 31, 2020, and $43.8 million at December 31, 2019. Also included in savings and money market deposits at December 31, 2021, 2020, and 2019, are ICS reciprocal money-market deposit balances of $52.2 million, $23.7 million, and $20.0 million. These balances represent customer funds placed in ICS that allow Equity Bank to break large demand and money-market deposits into smaller amounts and place them in a network of other ICS banks to ensure FDIC insurance coverage on the entire deposit. These deposits are placed in ICS, but are Equity Bank's customer relationships that management views as core funding.

Included in time deposits are Certificate of Deposit Account Registry Service ("CDARS") program balances of $3.0 million, $14.9 million, and $9.5 million at December 31, 2021, 2020, and 2019. CDARS allows Equity Bank to break large deposits into smaller amounts and place them in a network of other CDARS banks to ensure FDIC insurance coverage on the entire deposit. Reciprocal deposits are not considered brokered deposits as long as the aggregate balance is less than the lessor of 20% of total liabilities or $5.0 billion and Equity Bank is well capitalized and well rated. All non-reciprocal deposits and reciprocal deposits in excess of regulatory limits are considered brokered deposits.

The following table provides information on the maturity distribution of time deposits of $250,000 or more as of December 31, 2021, and December 31, 2020.

	December 31,	
	2021	2020
	(Dollars in thousands)	
3 months or less	$ 88,969	$ 49,240
Over 3 through 6 months	115,063	35,646
Over 6 through 12 months	14,047	41,603
Over 12 months	15,381	44,067
Total Time Deposits	$ 233,460	$ 170,556

Other Borrowed Funds

We utilize borrowings to supplement deposits to fund our lending and investing activities. Short-term borrowing and long-term borrowing consist of funds from the FHLB, federal funds purchased and retail repurchase agreements, a bank stock loan and

subordinated debt. The Company continually has short-term borrowings which are disclosed in "NOTE 11 – BORROWINGS" and "NOTE 12 – SUBORDINATED DEBT."

Federal funds purchased and retail repurchase agreements: We have available federal funds lines of credit with our correspondent banks. Retail repurchase agreements outstanding represent the purchase of interests in securities by banking customers. Retail repurchase agreements are stated at the amount of cash received in connection with the transaction. We do not account for any of our retail repurchase agreements as sales for accounting purposes in our financial statements. Retail repurchase agreements with banking customers are settled on the following business day. See "NOTE 11 – BORROWINGS" in the Notes to Consolidated Financial Statements for additional information.

FHLB advances: FHLB advances include both draws against our line of credit and fixed rate term advances. Each term advance is payable in full at its maturity date and contains provision for prepayment penalties. The Company acquired $14.4 million in FHLB term advances in the October 2021 ASBI merger, all of which have subsequently been repaid. Our FHLB borrowings are used for operational liquidity needs for originating and purchasing loans, purchasing investments and general operating cash requirements. See "NOTE 11 – BORROWINGS" in the Notes to Consolidated Financial Statements for additional information.

Bank stock loan: The Company maintains a borrowing facility through an unaffiliated financial institution. The terms of the loan require us and Equity Bank to maintain minimum capital ratios and other covenants. The loan and accrued interest may be pre-paid at any time without penalty. In the event of default, the lender has the option to declare all outstanding balances as immediately due. For detailed information, see "NOTE 11 – BORROWINGS" in the Notes to Consolidated Financial Statements.

Subordinated debentures: In conjunction with the 2012 acquisition of First Community, we assumed certain subordinated debentures owed to special purpose unconsolidated subsidiaries that are controlled by us, FCB Capital Trust II and FCB Capital Trust III, ("CTII" and "CTIII," respectively). In conjunction with the 2016 acquisition of Community First Bancshares, Inc., we assumed certain subordinated debentures owed to a special purpose unconsolidated subsidiary that is controlled by us, Community First (AR) Statutory Trust I, ("CFSTI"). In conjunction with the 2021 acquisition of ASBI, we assumed certain subordinated debentures owed to a special purpose unconsolidated subsidiary that is controlled by us, American State Bank Statutory Trust I, ("ASBSTI"). For additional information, see "NOTE 12 – SUBORDINATED DEBT" in the Notes to Consolidated Financial Statements.

Subordinated notes: In 2020, the Company entered into Subordinated Note Purchase Agreements with certain qualified institutional buyers and institutional accredited investors pursuant to which the Company issued and sold a total of $75.0 million in aggregate principal amounts of its 7.00% Fixed-to-Floating Rate Subordinated Notes due in 2030. For additional information, see "NOTE 12 – SUBORDINATED DEBT" in the Notes to Consolidated Financial Statements.

Liquidity and Capital Resources

Liquidity

Market and public confidence in our financial strength and financial institutions, in general, will largely determine access to appropriate levels of liquidity. This confidence is significantly dependent on our ability to maintain sound asset quality and appropriate levels of capital reserves.

Liquidity is defined as the ability to meet anticipated customer demands for future funds under credit commitments and deposit withdrawals at a reasonable cost and on a timely basis. We measure our liquidity position by giving consideration to both on- and off-balance sheet sources of and demands for funds on a daily, weekly and monthly basis.

Liquidity risk involves the risk of being unable to fund assets with the appropriate duration and rate-based liabilities, as well as the risk of not being able to meet unexpected cash needs. Liquidity planning and management are necessary to ensure the ability to fund operations in a cost-effective manner and to meet current and future potential obligations such as loan commitments, lease obligations and unexpected deposit outflows. In this process, we focus on both assets and liabilities and on the manner in which they combine to provide adequate liquidity to meet our needs.

During the years ended December 31, 2021, 2020 and 2019, our liquidity needs have primarily been met by core deposits, security and loan maturities and amortizing investment and loan portfolios. Other funding sources include federal funds purchased, retail repurchase agreements, brokered certificates of deposit, subordinated notes and borrowings from the FHLB.

Our largest sources of funds are deposits, fed funds sold, retail repurchase agreements, and subordinated debt, and our largest uses of funds are the origination or purchases of loans and securities purchases. Average loans were $2.88 billion for the year ended December 31, 2021, an increase of 6.9% over average loans of $2.70 billion for the year ended December 31, 2020. Excess deposits are primarily invested in our interest-bearing deposit account with the Kansas City Federal Reserve Bank, investment securities, federal funds sold or other short-term liquid investments until the funds are needed to fund loan growth. Our securities portfolio has a weighted average life of 4.8 years and a modified duration of 4.5 years at December 31, 2021. We believe that our daily funding needs can be met through cash provided by operating activities, payments and maturities on loans and investment securities, our core deposit base, FHLB advances and other borrowing relationships. On March 13, 2017, the Company entered into an agreement with an unaffiliated financial institution that provided for a maximum borrowing facility of $30.0 million, which was subsequently amended on March 11, 2019, to increase the maximum borrowing facility to $40.0 million. This agreement was renewed and amended on February 11, 2022, to decrease the maximum borrowing amount from $40.0 million to $25.0 million. This agreement, which is secured by Equity Bank stock, can be used to fund future acquisitions and for general corporate purposes. There was no outstanding balance on this borrowing facility for the period ending December 31, 2021.

Cash Flow Overview

During 2021, operating and financing activities provided $102.7 million and $191.9 million of liquidity, respectively, which was partially offset by investing activities use of $315.3 million of cash assets, ultimately decreasing total cash and cash equivalents by $20.7 million. The cash usage in investing activities was driven mostly by purchases of securities of $785.3 million, partially offset by proceeds from securities of $472.9 million. The cash provided by financing activities was primarily due to increases in deposits of $228.5 million, offset by net payments on FHLB advances of $24.5 million and purchases of treasury stock of $18.7 million.

During 2020, operating activities provided $43.6 million of liquidity, investing activities infused $96.0 million of cash assets and financing activities generated $51.8 million of additional funds, ultimately increasing total cash and cash equivalents by $191.4 million. The cash provided by investing activities came primarily from $66.9 million of net proceeds from securities transactions and $25.9 million of net cash received from the Almena acquisition. The cash provided by financing activities was principally due to a $321.5 million increase in deposits and $75.0 million from subordinated note originations, partially offset by a $314.2 million reduction in FHLB borrowings, treasury stock purchases of $19.3 million and a $9.0 million net payoff of the bank stock loan.

For information related to cash flow during 2019, see "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K filed with the SEC on March 10, 2020.

Off-Balance Sheet Items

In the normal course of business, we enter into various transactions, which, in accordance with GAAP, are not included in our consolidated balance sheets. We enter into these transactions to meet the financing needs of our customers. These transactions include commitments to extend credit and standby and commercial letters of credit, which involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amounts recognized in the consolidated balance sheets. Our exposure to credit loss is represented by the contractual amounts of these commitments. The same credit policies and procedures are used in making these commitments as for on-balance sheet instruments.

Standby and Performance Letters of Credit: For additional information see "NOTE 22 – COMMITMENTS AND CREDIT RISK" in the Notes to Consolidated Financial Statements.

Commitments to Extend Credit: For additional information see "NOTE 22 – COMMITMENTS AND CREDIT RISK" in the Notes to Consolidated Financial Statements.

Future Debt Repayments

In the normal course of business, we enter into short-term and long-term debt obligations resulting in commitments to make future payments. For additional information see "NOTE 11 – BORROWINGS" and "NOTE 12 – SUBORDINATED DEBT."

Capital Resources

Capital management consists of providing equity to support our current and future operations. The bank regulators view capital levels as important indicators of an institution's financial soundness. As a general matter, FDIC-insured depository institutions and their holding companies are required to maintain minimum capital relative to the amount and types of assets they hold. As a bank holding company and a state chartered Fed member bank, the Company and Equity Bank are subject to regulatory capital requirements.

Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of assets, liabilities and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. Management believes, as of December 31, 2021, and December 31, 2020, the Company and Equity Bank meet all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as are asset growth and acquisitions, and capital restoration plans are required.

Failure to meet capital guidelines could subject the institution to a variety of enforcement remedies by federal bank regulatory agencies, including termination of deposit insurance by the FDIC, restrictions on certain business activities and appointment of the FDIC as conservator or receiver. As of December 31, 2021, the most recent notifications from the federal regulatory agencies categorized Equity Bank as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as well capitalized, Equity Bank must maintain minimum total capital, Tier 1 capital, Common Equity Tier 1 capital and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed Equity Bank's category.

The total increase in stockholders' equity of $93.0 million was principally attributable to the ASBI merger, which increased capital by $84.7 million, and total comprehensive income of $34.5 million, partially offset by a retained earnings adjustment related to ASC 326 implementation of $12.4 million and treasury stock purchases of $18.7 million. For additional information about the Company's capital see "NOTE 16 – REGULATORY MATTERS" in Notes to Consolidated Financial Statements.

Non-GAAP Financial Measures

We identify certain financial measures discussed in this Annual Report on Form 10-K as being "non-GAAP financial measures." In accordance with the SEC's rules, we classify a financial measure as being a non-GAAP financial measure if that financial measure excludes or includes amounts, or is subject to adjustments that have the effect of excluding or including amounts, that are included or excluded, as the case may be, in the most directly comparable measure calculated and presented in accordance with generally accepted accounting principles as in effect from time to time in the United States in our statements of income, balance sheets or statements of cash flows. Non-GAAP financial measures do not include operating and other statistical measures or ratios or statistical measures calculated using exclusively either financial measures calculated in accordance with GAAP, operating measures or other measures that are not non-GAAP financial measures or both.

The non-GAAP financial measures that we discuss in this Annual Report on Form 10-K should not be considered in isolation or as a substitute for the most directly comparable or other financial measures calculated in accordance with GAAP. Moreover, the manner in which we calculate the non-GAAP financial measures that we discuss in this Annual Report on Form 10-K may differ from that of other companies reporting measures with similar names. You should understand how such other banking organizations calculate their financial measures similar or with names similar to the non-GAAP financial measures we have discussed in this Annual Report on Form 10-K when comparing such non-GAAP financial measures.

Tangible Book Value per Common Share and Tangible Book Value Per Diluted Common Share: Tangible book value is a non-GAAP measure generally used by financial analysts and investment bankers to evaluate financial institutions. We calculate:
(a) tangible common equity as total stockholders' equity less preferred stock, goodwill, core deposit intangibles, net of accumulated amortization, mortgage servicing asset, net of accumulated amortization, and naming rights, net of accumulated amortization;
(b) tangible book value per common share as tangible common equity (as described in clause (a)) divided by shares of common stock outstanding; and (c) tangible book value per diluted common share as tangible common equity (as described in clause (a)) divided by shares of common stock outstanding plus the period-end dilutive effects of vested restricted stock units, the assumed exercise of stock options, redemption of non-vested restricted stock units, and pending employee stock purchase plan shares at period end. For tangible book value, the most directly comparable financial measure calculated in accordance with GAAP is book value.

Management believes that these measures are important to many investors who are interested in changes from period to period in book value per common share exclusive of changes in intangible assets. Goodwill and other intangible assets have the effect of increasing total book value while not increasing our tangible book value.

The following table reconciles, as of the dates set forth below, total stockholders' equity to tangible common equity, tangible book value per common share and tangible book value per diluted common share and compares these values with book value per common share.

	December 31,				
	2021	2020	2019	2018	2017
	(Dollars in thousands, except share data)				
Total stockholders' equity	$ 500,631	$ 407,649	$ 478,060	$ 455,941	$ 374,144
Less: goodwill	54,465	31,601	136,432	131,712	104,907
Less: core deposit intangibles, net	14,879	16,057	19,907	21,725	10,738
Less: mortgage servicing asset, net	276	—	5	11	17
Less: naming rights, net	1,087	1,130	1,174	1,217	1,260
Tangible common equity	$ 429,924	$ 358,861	$ 320,542	$ 301,276	$ 257,222
Common shares outstanding at period end	16,760,115	14,540,556	15,444,434	15,793,095	14,605,607
Diluted common shares outstanding at period end	17,050,115	14,540,556	15,719,810	16,085,729	14,873,257
Book value per common share	$ 29.87	$ 28.04	$ 30.95	$ 28.87	$ 25.62
Tangible book value per common share	$ 25.65	$ 24.68	$ 20.75	$ 19.08	$ 17.61
Tangible book value per diluted common share	$ 25.22	$ 24.68	$ 20.39	$ 18.73	$ 17.29

Tangible Common Equity to Tangible Assets: Tangible common equity to tangible assets is a non-GAAP measure generally used by financial analysts and investment bankers to evaluate financial institutions. We calculate: (a) tangible common equity as total stockholders' equity less preferred stock, goodwill, core deposit intangibles, net of accumulated amortization, mortgage servicing asset, net of accumulated amortization and naming rights, net of accumulated amortization; (b) tangible assets as total assets less goodwill, core deposit intangibles, net of accumulated amortization, mortgage servicing asset, net of accumulated amortization and naming rights, net of accumulated amortization; and (c) tangible common equity to tangible assets as tangible common equity (as described in clause (a)) divided by tangible assets (as described in clause (b)). For common equity to tangible assets, the most directly comparable financial measure calculated in accordance with GAAP is total stockholders' equity to total assets.

Management believes that this measure is important to many investors in the marketplace who are interested in the relative changes from period to period in common equity and total assets, each exclusive of changes in intangible assets. Goodwill and other intangible assets have the effect of increasing both total stockholders' equity and total assets while not increasing tangible common equity or tangible assets.

The following table reconciles, as of the dates set forth below, total stockholders' equity to tangible common equity and total assets to tangible assets.

	December 31,				
	2021	2020	2019	2018	2017
	(Dollars in thousands)				
Total stockholders' equity	$ 500,631	$ 407,649	$ 478,060	$ 455,941	$ 374,144
Less: goodwill	54,465	31,601	136,432	131,712	104,907
Less: core deposit intangibles, net	14,879	16,057	19,907	21,725	10,738
Less: mortgage servicing asset, net	276	—	5	11	17
Less: naming rights, net	1,087	1,130	1,174	1,217	1,260
Tangible common equity	$ 429,924	$ 358,861	$ 320,542	$ 301,276	$ 257,222
Total assets	$ 5,137,631	$ 4,013,356	$ 3,949,578	$ 4,061,716	$ 3,170,509
Less: goodwill	54,465	31,601	136,432	131,712	104,907
Less: core deposit intangibles, net	14,879	16,057	19,907	21,725	10,738
Less: mortgage servicing asset, net	276	—	5	11	17
Less: naming rights, net	1,087	1,130	1,174	1,217	1,260
Tangible assets	$ 5,066,924	$ 3,964,568	$ 3,792,060	$ 3,907,051	$ 3,053,587
Equity / assets	9.74%	10.16%	12.10%	11.23%	11.80%
Tangible common equity to tangible assets	8.48%	9.05%	8.45%	7.71%	8.42%

Return on Average Tangible Common Equity: Return on average tangible common equity is a non-GAAP measure generally used by financial analysts and investment bankers to evaluate financial institutions. We calculate: (a) average tangible common equity as total average stockholders' equity less average intangible assets and preferred stock; (b) adjusted net income allocable to common stockholders as net income allocable to common stockholders plus goodwill impairment, net of actual tax effect, plus amortization of intangible assets less estimated tax effect on amortization of intangible assets (tax rates used in this calculation were 21% for 2021, 2020, 2019 and 2018; 35% for 2017) (c) return on average tangible common equity as adjusted net income allocable to common stockholders (as described in clause (b)) divided by average tangible common equity (as described in clause (a)). For return on average tangible common equity, the most directly comparable financial measure calculated in accordance with GAAP is return on average equity.

Management believes that this measure is important to many investors in the marketplace because it measures the return on equity, exclusive of the effects of intangible assets on earnings and capital. Goodwill and other intangible assets have the effect of increasing average stockholders' equity and, through amortization, decreasing net income allocable to common stockholders while not increasing average tangible common equity or decreasing adjusted net income allocable to common stockholders.

The following table reconciles, as of the dates set forth below, total average stockholders' equity to average tangible common equity and net income allocable to common stockholders to adjusted net income allocable to common stockholders.

	December 31,				
	2021	2020	2019	2018	2017
	(Dollars in thousands)				
Total average stockholders' equity	$ 446,795	$ 464,608	$ 463,445	$ 420,453	$ 293,798
Less: average intangible assets	50,831	130,329	158,410	139,131	76,320
Average tangible common equity	$ 395,964	$ 334,279	$ 305,035	$ 281,322	$ 217,478
Net income (loss) allocable to common stockholders	$ 52,480	$ (74,970)	$ 25,579	$ 35,825	$ 20,649
Plus: goodwill impairment, net of actual tax effect	—	99,526	—	—	—
Amortization of intangible assets	4,242	3,898	3,218	2,492	1,070
Less: estimated tax effect on intangible asset amortization	891	819	676	523	375
Adjusted net income allocable to common stockholders	$ 55,831	$ 27,635	$ 28,121	$ 37,794	$ 21,344
Return on average equity (ROAE)	11.75%	(16.14)%	5.52%	8.52%	7.03%
Return on average tangible common equity (ROATCE)	14.10%	8.27%	9.22%	13.43%	9.81%

Efficiency Ratio: The efficiency ratio is a non-GAAP measure generally used by financial analysts and investment bankers to evaluate financial institutions. We calculate the efficiency ratio by dividing non-interest expense, excluding goodwill impairment, merger expenses and loss on debt extinguishment, by the sum of net interest income and non-interest income, excluding net gains on the sale of available-for-sale securities and other securities transactions, and the net gain on acquisition. The GAAP-based efficiency ratio is non-interest expenses divided by net interest income plus non-interest income.

In management's judgment, the adjustments made to non-interest expense and non-interest income allow investors and analysts to better assess operating expenses in relation to operating revenue by removing merger expenses, loss on debt extinguishment, net gains on the sale of available-for-sale securities and other securities transactions, and the net gain on acquisition.

The following table reconciles, as of the dates set forth below, the efficiency ratio to the GAAP-based efficiency ratio.

	December 31,				
	2021	2020	2019	2018	2017
	(Dollars in thousands)				
Non-interest expense	$ 119,465	$ 208,990	$ 99,635	$ 94,387	$ 67,463
Less: goodwill impairment	—	104,831	—	—	—
Less: merger expenses	9,189	299	915	7,462	5,352
Less: loss on debt extinguishment	372	—	—	—	—
Non-interest expense, excluding merger expenses and loss on debt extinguishment	$ 109,904	$ 103,860	$ 98,720	$ 86,925	$ 62,111
Net interest income	$ 142,579	$ 132,652	$ 125,858	$ 124,798	$ 86,002
Non-interest income	$ 32,842	$ 26,023	$ 24,988	$ 19,725	$ 15,440
Less: gain on acquisition	585	2,145	—	—	—
Less: net gains (losses) from securities transactions	406	11	14	(9)	271
Non-interest income, excluding net gains (losses) from security transactions and gain on acquisition	$ 31,851	$ 23,867	$ 24,974	$ 19,734	$ 15,169
Non-interest expense, less goodwill impairment, to net interest income plus non-interest income	68.10%	65.64%	66.05%	65.31%	66.50%
Efficiency Ratio	63.01%	66.36%	65.45%	60.14%	61.39%

Item 7A: Quantitative and Qualitative Disclosure About Market Risk

Our asset liability policy provides guidelines to management for effective funds management, and management has established a measurement system for monitoring net interest rate sensitivity position within established guidelines.

As a financial institution, the primary component of market risk is interest rate volatility. Fluctuations in interest rates will ultimately impact both the level of income and expense recorded on most assets and liabilities, and the market value of all interest-earning assets and interest-bearing liabilities, other than those which have a short term to maturity. Interest rate risk is the potential of economic gains or losses due to future interest rate changes. These changes can be reflected in future net interest income and/or fair market values. The objective is to measure the effect on net interest income ("NII") and economic value of equity ("EVE") and to adjust the balance sheet to minimize the inherent risk, while at the same time maximizing income.

We manage exposure to interest rates by structuring the balance sheet in the ordinary course of business. We have the ability to enter into instruments such as leveraged derivatives, interest rate swaps, financial options, financial future contracts or forward delivery contracts for the purpose of reducing interest rate risk; however, currently, we do not have a material exposure to these instruments. We also have the ability to enter into interest rate swaps as an accommodation to our customers in connection with an interest rate swap program. Based upon the nature of its operations, we are not subject to foreign exchange or commodity price risk. We do not own any trading assets.

Our exposure to interest rate risk is managed by the Asset Liability Committee ("ALCO"), which is composed of certain members of senior management, in accordance with policies approved by the Board of Directors. The ALCO formulates strategies based on appropriate levels of interest rate risk. In determining the appropriate level of interest rate risk, the ALCO considers the impact on earnings and capital of the current outlook on interest rates, potential changes in interest rates, regional economies, liquidity, business strategies and other factors. The ALCO meets monthly to review, among other things, the sensitivity of assets and liabilities to interest rate changes, the book and market values of assets and liabilities, unrealized gains and losses, securities purchase and sale activities, commitments to originate loans and the maturities of investment securities and borrowings. Additionally, the ALCO reviews liquidity, projected cash flows, maturities of deposits and consumer and commercial deposit activity.

ALCO uses a simulation analysis to monitor and manage the pricing and maturity of assets and liabilities in order to diminish the potential adverse impact that changes in interest rates could have on net interest income. The simulation tests the sensitivity of NII and EVE. Contractual maturities and repricing opportunities of loans are incorporated in the simulation model as are prepayment assumptions, maturity data and call options within the investment securities portfolio. Assumptions based on past experience are incorporated into the model for non-maturity deposit accounts. The assumptions used are inherently uncertain and, as a result, the model cannot precisely measure the future NII and EVE. Actual results will differ from the model's simulated results due to timing, magnitude and frequency of interest rate changes as well as changes in market conditions and the application and timing of various management strategies.

The change in the impact of net interest income from the base case for December 31, 2021 and 2020 was primarily driven by the rate and mix of variable and fixed rate financial instruments, the underlying duration of the financial instruments, and the level of response to changes in the interest rate environment. The increase in the level of negative impact to net interest income in the up interest rate shock scenarios is due to the assumed migration of non-term deposit liabilities to higher rate term deposits; the level of fixed rate investments and loans receivable that will not reprice to higher rates; the variable rate subordinated debentures, and the non-term deposits that are assumed not to migrate to term deposits that are variable rate and will reprice to the higher rates; and a portion of our portfolio of variable rate loans contain restrictions on the amount of repricing and frequency of repricing that limit the amount of repricing to the current higher rates. These factors result in the negative impacts to net interest income in the up interest rate shock scenarios that are detailed in the table below. In the down interest rate shock scenario, the main drivers of the negative impact on net interest income are the decrease in investment income due to the negative convexity features of the fixed rate mortgage-backed securities; assumed prepayment of existing fixed rate loans receivable; the downward pricing of variable rate loans receivable; the constraint of the shock on non-term deposits; and the level of term deposit repricing. Our mortgage-backed security portfolio is primarily comprised of fixed rate investments and as rates decrease, the level of prepayments will increase and cause the current higher rate investments to prepay and the assumed reinvestment will be at lower interest rates. Similar to our mortgage-backed securities, the model assumes that our fixed rate loans receivable will prepay at a faster rate and reinvestment will occur at lower rates. The level of downward shock on the non-term deposits is constrained to limit the downward shock to a non-zero rate which results in a minimal reduction in the average rate paid. Term deposits repricing will only decrease the average cost paid by a minimal amount due to the assumed repricing occurring at maturity. These factors result in the negative impact to net interest income in the down interest rate shock scenario.

The change in the economic value of equity from the base case for December 31, 2021 and 2020, is due to us being in a liability sensitive position and the level of convexity in our pre-payable assets. Generally, with a liability sensitive position, as interest rates increase, the value of your assets decrease faster than the value of liabilities and, as interest rates decrease, the value of your assets increase at a faster rate than liabilities. However, due to the level of convexity in our fixed rate pre-payable assets, we do not experience a similar change in the value of assets in a down interest rate shock scenario. In addition, the mix of interest-bearing deposit and non-interest-bearing deposits impact the level of deposit decay and the resulting benefit of discounting from the non-interest-bearing deposits. At December 31, 2021, non-interest-bearing deposits were approximately $1.24 billion, or 57.2%, higher than that deposit type at December 31, 2020. Substantially all investments and approximately 54.0% of loans are pre-payable and fixed rate and as rates decrease the level of modeled prepayments increase. The prepaid principal is assumed to reprice at the assumed current rates, resulting in a smaller positive impact to the economic value of equity.

The following table summarizes the simulated immediate change in net interest income for twelve months as of the dates indicated.

Market Risk

	Impact on Net Interest Income December 31,	
Change in prevailing interest rates	**2021**	**2020**
+300 basis points	(4.4)%	(1.2)%
+200 basis points	(2.4)%	0.4%
+100 basis points	(1.0)%	1.0%
0 basis points	—%	—%
-100 basis points	(4.4)%	(2.3)%

	Impact on Economic Value of Equity December 31,	
Change in prevailing interest rates	**2021**	**2020**
+300 basis points	(2.8)%	12.8%
+200 basis points	0.7%	14.4%
+100 basis points	2.7%	9.2%
0 basis points	—%	—%
-100 basis points	(14.8)%	(21.2)%

Item 8: Financial Statements and Supplementary Data

Our financial statements and accompanying notes, including the Report of Independent Registered Public Accounting Firm, are set forth beginning on page F-1 of this Annual Report on Form 10-K.

Audited Financial Statements

Description	Page Number
Report of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets as of December 31, 2021 and 2020	F-5
Consolidated Statements of Income for the Years Ended December 31, 2021, 2020 and 2019	F-6
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2021, 2020 and 2019	F-7
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2021, 2020 and 2019	F-8
Consolidated Statements of Cash Flows for the Years Ended December 31, 2021, 2020 and 2019	F-9
Notes to Consolidated Financial Statements	F-11

In the last three years, The Company has not had any retroactive change to historical quarterly data.

Item 9: Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None

Item 9A: Controls and Procedures

Disclosure Controls and Procedures

As of the end of the period covered by this report, management of the Company, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Based upon, and as of the date of that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective, in ensuring the information relating to the Company (and its consolidated subsidiaries) required to be disclosed by the Company in the reports it files or submits under the Exchange Act was recorded, processed, summarized and reported in a timely manner.

Changes in Internal Control Over Financial Reporting

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

Report on Management's Assessment of Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting (as defined under Rules 13a-15(f) and 15d-15(f) of the Exchange Act). The Company's internal control system is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance GAAP. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

As of December 31, 2021, management assessed the effectiveness of the Company's internal control over financial reporting based on the criteria for effective internal control over financial reporting established in "Internal Control-Integrated Framework," issued by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission in 2013. Based on the assessment, management determined that the Company maintained effective internal control over financial reporting as of December 31, 2021.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2021, has been audited by Crowe LLP, Indianapolis, Indiana, (U.S. PCAOB Auditor Firm I.D. 173), the independent registered public accounting firm who also has audited the Company's consolidated financial statements included in this Annual Report on Form 10-K. Crowe LLP has issued a

report on the Company’s internal control over financial reporting as of December 31, 2021, which is included in Item 8 of this Form 10-K and is incorporated into this item by reference.

Item 9B: Other Information

None

Item 9C: Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not Applicable

Part III

Item 10: Directors, Executive Officers and Corporate Governance

The information required by this item will be contained in our Proxy Statement for the 2022 Annual Meeting of Stockholders to be held in April 2022, a copy of which will be filed not later than 120 days after the close of the fiscal year and is incorporated herein by reference.

Our board of directors has adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers and directors, including our Chief Executive Officer, Chief Financial Officer and other executive officers. The full text of our Code of Business Conduct and Ethics is posted on the investor relations page of our website which is located at http://investor.equitybank.com. We will post any amendments to our code of business conduct and ethics, or waivers of its requirements, on our website.

Item 11: Executive Compensation

The information required by this item will be contained in our Proxy Statement for the 2022 Annual Meeting of Stockholders to be held in April 2022, a copy of which will be filed not later than 120 days after the close of the fiscal year and is incorporated herein by reference.

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

The information required by this item will be contained in our Proxy Statement for the 2022 Annual Meeting of Stockholders to be held in April 2022, a copy of which will be filed not later than 120 days after the close of the fiscal year and is incorporated herein by reference.

Information relating to securities authorized for issuance under our equity compensation plans is included in Part II of this Annual Report on Form 10-K under "Item 5 – Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities."

Item 13: Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be contained in our Proxy Statement for the 2022 Annual Meeting of Stockholders to be held in April 2022, a copy of which will be filed not later than 120 days after the close of the fiscal year and is incorporated herein by reference.

Item 14: Principal Accounting Fees and Services

The information required by this item will be contained in our Proxy Statement for the 2022 Annual Meeting of Stockholders to be held in April 2022, a copy of which will be filed not later than 120 days after the close of the fiscal year and is incorporated herein by reference.

Part IV

Item 15: Exhibits, Financial Statement Schedules

a) The following documents are filed as part of this Annual Report on Form 10-K:

1. Financial Statements

The financial statements included as part of this Form 10-K are identified in the index to the Audited Financial Statements appearing in Item 8 of this Form 10-K and which index is incorporated in this Item 15 by reference.

2. Financial Statement Schedules

All supplemental schedules are omitted as inapplicable or because the required information is included in the Consolidated Financial Statements or notes thereto.

3. Exhibits

The information required by this Item 15(a)(3) is set forth in the Exhibit Index immediately following. The exhibits listed herein will be furnished upon written request to Equity Bancshares, Inc., 7701 East Kellogg Drive, Suite 300, Wichita, Kansas 67207, Attention: Investor Relations, and payment of a reasonable fee that will be limited to our reasonable expense in furnishing such exhibits.

b) Exhibits

The exhibits listed below are incorporated by reference or attached hereto.

Exhibit No.	Description
3.1	Second Amended and Restated Articles of Incorporation of Equity Bancshares, Inc. (incorporated by reference to Exhibit 3.1 to Equity Bancshares, Inc.'s Current Report on Form 8-K, filed with the SEC on May 3, 2016).
3.2	Amended and Restated Bylaws of Equity Bancshares, Inc. (incorporated by reference to Exhibit 3.2 to Equity Bancshares, Inc.'s Registration Statement on Form S-1, filed with the SEC on October 9, 2015, File No. 333-207351).
4.1	Specimen Class A Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Equity Bancshares, Inc.'s Amendment No. 1 to Registration Statement on Form S-1, filed with the SEC on October 27, 2015, File No. 333-207351).
4.2*	Description of Registrant's Securities.
4.3	Indenture, dated as of June 29, 2020, by and between Equity Bancshares, Inc. and UMB Bank, N.A., as trustee (incorporated by reference to Exhibit 4.1 to Equity Bancshares, Inc.'s Current Report on Form 8-K, filed with the SEC on July 2, 2020).
4.4	Form of 7.00% Fixed-to-Floating Rate Subordinated Note due 2030 (incorporated by reference to Exhibit 4.1 to Equity Bancshares, Inc.'s Current Report on Form 8-K, filed with the SEC on July 2, 2020).
10.1†	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.3 to Equity Bancshares, Inc.'s Registration Statement on Form S-1, filed with the SEC on October 9, 2015, File No. 333-207351).
10.2†	Equity Bancshares, Inc. 2006 Non-Qualified Stock Option Plan, as amended (incorporated by reference to Exhibit 10.1 to Equity Bancshares, Inc.'s Amendment No. 1 to Registration Statement on Form S-1, filed with the SEC on October 27, 2015, File No. 333-207351).
10.3†	Equity Bancshares, Inc. Amended and Restated 2013 Stock Incentive Plan (incorporated by reference to Appendix A to Equity Bancshares, Inc.'s Definitive Proxy Statement on Schedule 14A, filed with the SEC on March 28, 2016).
10.4†*	Amended and Restated Employment Agreement, dated November 1, 2021, between Equity Bank, Equity Bancshares, Inc. and Brad S. Elliott. Exhibit is being refiled to include a corrected Appendix A to the agreement which inadvertently omitted certain information from the original filing.
10.5†*	Amended and Restated Employment Agreement, dated November 1, 2021, among Equity Bank, Equity Bancshares, Inc. and Gregory H. Kossover. Exhibit is being refiled to include a corrected

Exhibit No.	Description
	Appendix A to the agreement which inadvertently omitted certain information from the original filing.
10.6	Loan and Security Agreement, dated January 28, 2016, by and between Equity Bancshares, Inc. and ServisFirst Bank (incorporated by reference to Exhibit 10.1 to Equity Bancshares, Inc.'s Current Report on Form 8-K, filed with the SEC on February 3, 2016).
10.7	Amended Loan and Security Agreement, dated March 13, 2017, between Equity Bancshares, Inc. and ServisFirst Bank (incorporated by reference to Exhibit 10.1 to Equity Bancshares, Inc.'s Current Report on Form 8-K, filed with the SEC on March 16, 2017).
10.8†	Equity Bancshares, Inc. Annual Executive Incentive Plan (incorporated by reference to Appendix A to Equity Bancshares, Inc.'s Definitive Proxy Statement on Schedule 14A, filed with the SEC on March 22, 2017).
10.9†	Amended and Restated Employment Agreement, dated November 1, 2021, between Equity Bank, Equity Bancshares, Inc. and Julie Huber (incorporated by reference to Exhibit 10.4 to Equity Bancshares, Inc.'s Quarterly Report on Form 10-Q, filed with the SEC on November 8, 2021).
10.10†	Form of Performance-vested Restricted Stock Units Award Agreement (incorporated by reference to Exhibit 10.1 to Equity Bancshares, Inc.'s Current Report on Form 8-K, filed with the SEC on March 5, 2018).
10.11†	Form of Time-vested Restricted Stock Units Award Agreement (incorporated by reference to Exhibit 10.2 to Equity Bancshares, Inc.'s Current Report on Form 8-K, filed with the SEC on March 5, 2018).
10.12†	Employment Agreement, dated November 1, 2021, among Equity Bank and Craig L. Anderson, (incorporated by reference to Exhibit 10.3 to Equity Bancshares, Inc.'s Quarterly Report on Form 10-Q, filed with the SEC on November 8, 2021).
10.13	Second Amendment to Loan and Security Agreement, dated March 12, 2018. Between Equity Bancshares, Inc. and ServisFirst Bank (incorporated by reference to Exhibit 10.1 to Equity Bancshares, Inc.'s Quarterly Report on Form 10-Q, filed with the SEC on November 9, 2018).
10.14	Third Amendment to Loan and Security Agreement, dated March 11, 2019, Between Equity Bancshares, Inc. and ServisFirst Bank (incorporated by reference to Exhibit 10.1 to Equity Bancshares, Inc.'s Current Report on Form 8-K, filed with the SEC on March 14, 2019).
10.15†	Equity Bancshares, Inc. 2019 Employee Stock Purchase Plan (incorporated by reference to Appendix A to Equity Bancshares, Inc.'s Definitive Proxy Statement on Schedule 14A, filed with the SEC on March 22, 2019).
10.16†	Employment Agreement, dated April 30, 2020, by and between Equity Bank and Eric Newell, (incorporated by reference to Exhibit 10.1 to Equity Bancshares, Inc.'s Current Report on Form 8-K, filed with the SEC on May 1, 2020).
10.17	Form of Subordinated Note Purchase Agreement, dated as of June 29, 2020, by and among Equity Bancshares, Inc. and the several purchasers thereto (incorporated by reference to Exhibit 10.1 to Equity Bancshares, Inc.'s Current Report on Form 8-K, filed with the SEC on July 2, 2020).
10.18	The Fourth Amendment to Loan and Security Agreement and Promissory Notes Modification Agreement, dated June 29, 2020, by and among Equity Bancshares, Inc., as Borrower, and ServisFirst Bank, as Lender (incorporated by reference to Exhibit 10.3 to Equity Bancshares, Inc.'s Current Report on Form 8-K, filed with the SEC on July 2, 2020).

Exhibit No.	Description
10.19†	Employment Agreement, dated November 1, 2021, between Equity Bank, Equity Bancshares, Inc. and Brett A. Reber (incorporated by reference to Exhibit 10.5 to Equity Bancshares, Inc.'s Quarterly Report on Form 10-Q, filed with the SEC on November 8, 2021).
10.20	Fifth Amendment to Loan and Security Agreement, dated February 11, 2022, by and between Equity Bancshares, Inc. and ServisFirst Bank (incorporated by reference to Exhibit 10.1 to Equity Bancshares, Inc.'s Current Report on Form 8-K, filed with the SEC on February 18, 2022).
21.1*	List of Subsidiaries of Equity Bancshares, Inc.
23.1*	Consent of Crowe LLP.
24.1*	Powers of Attorney.
31.1*	Certification of Chief 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 Chief 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 of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

* Filed herewith.

** These exhibits are furnished herewith and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act.

† Represents a management contract or a compensatory plan or arrangement.

c) Excluded Financial Statements

Not Applicable

Item 16: Form 10-K Summary

Not Applicable

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EQUITY BANCSHARES, INC.

By: /s/ Brad S. Elliott
Name: Brad S. Elliott
Title: Chairman and Chief Executive Officer
Date: March 9, 2022

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

Signature	Title	Date
/s/ Brad S. Elliott Brad S. Elliott	Chairman and Chief Executive Officer (Principal Executive Officer)	March 9, 2022
/s/ Eric R. Newell Eric R. Newell	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 9, 2022
/s/ Gregory H. Kossover Gregory H. Kossover	Director, Executive Vice President and Chief Operating Officer	March 9, 2022
* Gary C. Allerheiligen	Director	March 9, 2022
* James L. Berglund	Director	March 9, 2022
* Junetta M. Everett	Director	March 9, 2022
* Gregory L. Gaeddert	Director	March 9, 2022
* Benjamen M. Hutton	Director	March 9, 2022
* R. Renee Koger	Director	March 9, 2022
* Jerry P. Maland	Director	March 9, 2022
* Shawn D. Penner	Director	March 9, 2022
* Leon H. Borck	Director	March 9, 2022
* Kevin E. Cook	Director	March 9, 2022

*By: /s/ Eric R. Newell
Attorney-in-Fact
March 9, 2022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and the Board of Directors of Equity Bancshares, Inc.
Wichita, Kansas

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Equity Bancshares, Inc. (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework: (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework: (2013) issued by COSO.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Company has changed its method of accounting for credit losses effective January 1, 2021 due to the adoption of Financial Accounting Standards Board Accounting Standards Codification No. 326, *Financial Instruments – Credit Losses (ASC 326)*. The Company adopted the new credit loss standard using the modified retrospective method such that prior period amounts are not adjusted and continue to be reported in accordance with previously applicable generally accepted accounting principles. The adoption of ASC 326 is also communicated as a critical audit matter below.

Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report on Management's Assessment of Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses on Loans

As described in Notes 1 and 4 to the financial statements and noted in the Change in Accounting Principle paragraph above, the Company adopted ASC 326, Financial Instruments – Credit Losses as of January 1, 2021. The current expected credit loss ("CECL") impairment model requires an estimate of expected credit losses, measured over the contractual life of an instrument, which considers reasonable and supportable forecasts of future economic conditions in addition to information about past events and current conditions. The Company recorded a net reduction to retained earnings of $12.4 million as a cumulative-effect adjustment as a result of the adoption of the standard on January 1, 2021. See change in accounting principle explanatory paragraph above. As of December 31, 2021, the Company's allowance for credit losses on loans was $48.4 million and the provision for credit losses on loans was ($8.5 million) for the year then ended.

Upon adoption and in continued application of CECL, the Company measures the allowance for credit losses utilizing a probability of default ("PD") and loss given default ("LGD") modeling approach for historical loss. The estimated PD and LGD rates are applied to the estimated exposure at default ("EAD") to calculate expected credit losses. The Company's CECL model utilizes a statistical regression of loss experience correlated to changes in economic factors for all commercial banks operating within the Company's geographical footprint. The methodologies utilized to develop and implement the macroeconomic factors that drive the loss estimates use multivariate regression modeling techniques. The process involved the selection of the macroeconomic factors and the evaluation of regression analysis outputs to determine the statistical fit of the macroeconomic factors used to forecast expected credit losses. The Company also adjusts for changes in qualitative factors not inherently considered in the quantitative analyses. Following adoption, significant management judgment was required in evaluating the qualitative adjustments used in the analysis.

We determined that auditing the allowance for credit losses on loans was a critical audit matter because of the extent of auditor judgment applied and significant audit effort to evaluate the significant subjective and complex judgments made by management throughout the initial adoption and subsequent application processes, including the need to involve our valuation services specialists. The principal considerations resulting in our determination included the following:

- Significant auditor judgment and audit effort to evaluate the appropriateness of selection of the loss estimation model, appropriateness of loan segmentation, reasonableness of PD, LGD and EAD assumptions
- Significant auditor judgment in evaluating the selection and application of the reasonable and supportable forecast of economic variables
- Significant auditor judgment and effort were used in evaluating the qualitative adjustments used in the calculation
- Significant audit effort related to the relevance and reliability of the high volume of data used to develop assumptions and in the model computation

The primary audit procedures we performed to address this critical audit matter included:

- Testing the effectiveness of management's internal controls over the Company's significant model assumptions and judgments, loan segmentation, reasonable and supportable forecasts, qualitative adjustments and model selection and validation
- Testing the effectiveness of controls over the relevance and reliability of loan data used in the computation of the PD models and LGD assumptions
- Testing the effectiveness of controls over the Company's preparation and review of the allowance for credit loss calculation, including the development and reasonableness of qualitative adjustments and mathematical accuracy and appropriateness of the overall calculation
- Testing the effectiveness of controls over the selection and implementation of relevant macroeconomic variables, including the review of the regression analysis output and the relevance and reliability of third-party data used

- With the assistance of our valuation specialists, evaluating the reasonableness of assumptions and judgments related to the PD, LGD, EAD and loan segmentation, the conceptual design of the credit loss estimation models, model assumption sensitivity analysis and the adequacy of the independent model validation
- Evaluating management’s judgments in the selection and application of reasonable and supportable forecast of economic variables
- Substantively tested management’s process for developing the qualitative factors and assessing relevance and reliability of data used to develop factors, including evaluating management’s judgments and assumptions for reasonableness
- Substantively testing the mathematical accuracy of the PD, LGD and EAD model on a pooled loan level with the assistance of valuation specialists, including the relevance and reliability of loan data used in the model

/s/ Crowe LLP

We have served as the Company's auditor since 2007.

Indianapolis, Indiana
March 9, 2022

EQUITY BANCSHARES, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2021 and 2020
(Dollar amounts in thousands, except per share data)

	2021	2020
ASSETS		
Cash and due from banks	$ 259,131	$ 280,150
Federal funds sold	823	548
Cash and cash equivalents	259,954	280,698
Interest-bearing time deposits in other banks	—	249
Available-for-sale securities	1,327,442	871,827
Loans held for sale	4,214	12,394
Loans, net of allowance for credit losses of $48,365 and $33,709	3,107,262	2,557,987
Other real estate owned, net	9,523	11,733
Premises and equipment, net	104,038	89,412
Bank-owned life insurance	120,787	77,044
Federal Reserve Bank and Federal Home Loan Bank stock	17,510	16,415
Interest receivable	18,048	15,831
Goodwill	54,465	31,601
Core deposit intangibles, net	14,879	16,057
Other	99,509	32,108
Total assets	$ 5,137,631	$ 4,013,356
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Demand	$ 1,244,117	$ 791,639
Total non-interest-bearing deposits	1,244,117	791,639
Savings, NOW and money market	2,522,289	2,029,097
Time	653,598	626,854
Total interest-bearing deposits	3,175,887	2,655,951
Total deposits	4,420,004	3,447,590
Federal funds purchased and retail repurchase agreements	56,006	36,029
Federal Home Loan Bank advances	—	10,144
Subordinated debt	95,885	87,684
Contractual obligations	17,692	5,189
Interest payable and other liabilities	47,413	19,071
Total liabilities	4,637,000	3,605,707
Commitments and contingent liabilities, see Notes 22 and 23		
Stockholders' equity, see Note 14		
Common stock	203	174
Additional paid-in capital	478,862	386,820
Retained earnings	88,324	50,787
Accumulated other comprehensive income (loss)	1,776	19,781
Employee stock loans	—	(43)
Treasury stock	(68,534)	(49,870)
Total stockholders' equity	500,631	407,649
Total liabilities and stockholders' equity	$ 5,137,631	$ 4,013,356

See accompanying notes to consolidated financial statements.

EQUITY BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2021, 2020 and 2019
(Dollar amounts in thousands, except per share data)

	2021	2020	2019
Interest and dividend income			
Loans, including fees	$ 137,334	$ 134,664	$ 149,298
Securities, taxable	15,996	15,521	19,339
Securities, nontaxable	2,843	3,682	4,180
Federal funds sold and other	1,195	1,694	2,682
Total interest and dividend income	157,368	155,561	175,499
Interest expense			
Deposits	8,255	16,582	40,914
Federal funds purchased and retail repurchase agreements	104	105	155
Federal Home Loan Bank advances	169	2,292	6,667
Federal Reserve Bank discount window	—	6	—
Bank stock loan	—	415	654
Subordinated debt	6,261	3,509	1,251
Total interest expense	14,789	22,909	49,641
Net interest income	142,579	132,652	125,858
Provision (reversal) for credit losses	(8,480)	24,255	18,354
Net interest income after provision (reversal) for credit losses	151,059	108,397	107,504
Non-interest income			
Service charges and fees	8,596	6,856	8,672
Debit card income	10,236	9,136	8,230
Mortgage banking	3,306	3,153	2,468
Increase in value of bank-owned life insurance	3,506	1,941	1,998
Net gain on acquisition	585	2,145	—
Net gain (loss) from securities transactions	406	11	14
Other	6,207	2,781	3,606
Total non-interest income	32,842	26,023	24,988
Non-interest expense			
Salaries and employee benefits	54,198	54,129	52,122
Net occupancy and equipment	10,137	8,784	8,674
Data processing	13,261	10,991	10,124
Professional fees	4,713	4,282	4,734
Advertising and business development	3,370	2,498	3,075
Telecommunications	1,966	1,873	2,079
FDIC insurance	1,665	2,088	1,228
Courier and postage	1,429	1,441	1,348
Free nationwide ATM cost	2,019	1,609	1,680
Amortization of core deposit intangibles	4,174	3,850	3,168
Loan expense	934	789	875
Other real estate owned	(188)	2,310	707
Merger expenses	9,189	299	915
Loss on debt extinguishment	372	—	—
Goodwill impairment	—	104,831	—
Other	12,226	9,216	8,906
Total non-interest expense	119,465	208,990	99,635
Income (loss) before income tax	64,436	(74,570)	32,857
Provision for income taxes	11,956	400	7,278
Net income (loss) and net income (loss) allocable to common stockholders	$ 52,480	$ (74,970)	$ 25,579
Basic earnings (loss) per share	$ 3.49	$ (4.97)	$ 1.64
Diluted earnings (loss) per share	$ 3.43	$ (4.97)	$ 1.61

See accompanying notes to consolidated financial statements.

EQUITY BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31, 2021, 2020 and 2019
(Dollar amounts in thousands, except per share data)

	2021	2020	2019
Net income (loss)	$ 52,480	$ (74,970)	$ 25,579
Other comprehensive income (loss):			
Unrealized holding gains (losses) arising during the period on available-for-sale securities	(24,368)	593	5,613
Reclassification for net gains included in net income	368	—	—
Unrealized holding gain arising from the transfer of held-to-maturity securities to available-for-sale	—	25,327	—
Amortization of unrealized losses on held-to-maturity securities	—	509	903
Unrealized holding gains (losses) arising during the period on cash flow hedges	(58)	—	—
Total other comprehensive income (loss)	(24,058)	26,429	6,516
Tax effect	6,053	(6,645)	(1,652)
Other comprehensive income (loss), net of tax	(18,005)	19,784	4,864
Comprehensive income (loss)	$ 34,475	$ (55,186)	$ 30,443

See accompanying notes to consolidated financial statements.

EQUITY BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years ended December 31, 2021, 2020 and 2019
(Dollar amounts in thousands, except share and per share data)

	Common Stock							
	Shares Outstanding	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Treasury Stock	Employee Stock Loans	Total Stockholders' Equity
Balance at December 31, 2018	15,793,095	$ 173	$ 379,085	$ 101,326	$ (4,867)	$ (19,655)	$ (121)	$ 455,941
Net income	—	—	—	25,579	—	—	—	25,579
Other comprehensive income, net of tax effects	—	—	—	—	4,864	—	—	4,864
Stock-based compensation, see Note 19	9,104	—	2,870	—	—	—	—	2,870
Common stock issued upon exercise of stock options	20,402	—	371	—	—	—	—	371
Repayments on employee stock loans	—	—	—	—	—	—	44	44
Common stock issued under stock-based incentive plans	23,628	1	—	—	—	—	—	1
Common stock issued under employee stock purchase plan	19,221	—	405	—	—	—	—	405
Treasury stock purchases	(421,016)	—	—	—	—	(10,867)	—	(10,867)
Cumulative effect of change in accounting principal from implementation of ASU 2017-08	—	—	—	(1,148)	—	—	—	(1,148)
Balance at December 31, 2019	15,444,434	$ 174	$ 382,731	$ 125,757	$ (3)	$ (30,522)	$ (77)	$ 478,060
Net income	—	—	—	(74,970)	—	—	—	(74,970)
Other comprehensive income, net of tax effects	—	—	—	—	19,784	—	—	19,784
Stock-based compensation, see Note 19	17,703	—	3,473	—	—	—	—	3,473
Common stock issued upon exercise of stock options	1,150	—	20	—	—	—	—	20
Repayments on employee stock loans	—	—	—	—	—	—	34	34
Common stock issued under stock-based incentive plans	34,891	—	—	—	—	—	—	—
Common stock issued under employee stock purchase plan	34,593	—	596	—	—	—	—	596
Treasury stock purchases	(992,215)	—	—	—	—	(19,348)	—	(19,348)
Balance at December 31, 2020	14,540,556	$ 174	$ 386,820	$ 50,787	$ 19,781	$ (49,870)	$ (43)	$ 407,649
Net income (loss)	—	—	—	52,480	—	—	—	52,480
Other comprehensive income, net of tax effects	—	—	—	—	(18,005)	—	—	(18,005)
Cash dividends - common stock, $0.16 per share	—	—	—	(2,493)	—	—	—	(2,493)
Dividend equivalents - restricted stock units, $0.16 per share	—	—	—	(47)	—	—	—	(47)
Stock-based compensation, see Note 19	10,242	—	2,906	—	—	—	—	2,906
Common stock issued upon exercise of stock options	247,895	3	3,845	—	—	—	—	3,848
Repayments on employee stock loans	—	—	—	—	—	—	43	43
Common stock issued under stock-based incentive plan	74,454	1	—	—	—	—	—	1
Common stock issued under employee stock purchase plan	33,655	—	569	—	—	—	—	569
Cumulative effect of change in accounting principal from implementation of ASU 2016-13	—	—	—	(12,403)	—	—	—	(12,403)
ASBI merger	2,485,983	25	84,722	—	—	—	—	84,747
Treasury stock purchases	(613,756)	—	—	—	—	(18,664)	—	(18,664)
Balance at December 31, 2021	16,779,029	$ 203	$ 478,862	$ 88,324	$ 1,776	$ (68,534)	$ —	$ 500,631

See accompanying notes to consolidated financial statements.

EQUITY BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years ended December 31, 2021, 2020 and 2019
(Dollar amounts in thousands, except per share data)

	2021	2020	2019
Cash flows from operating activities			
Net income (loss)	$ 52,480	$ (74,970)	$ 25,579
Adjustments to reconcile net income (loss) to net cash from operating activities:			
Stock-based compensation	2,906	3,473	2,870
Depreciation	4,186	3,726	3,565
Amortization of operating lease right-of-use asset	480	613	629
Amortization of cloud computing implementation costs	171	109	100
Provision (reversal) for credit losses	(8,480)	24,255	18,354
Goodwill impairment	—	104,831	—
Net amortization (accretion) of purchase valuation adjustments	18,001	(2,492)	(4,360)
Amortization (accretion) of premiums and discounts on securities	9,638	5,885	5,828
Amortization of intangible assets	4,242	3,898	3,218
Deferred income taxes	1,592	(11,089)	1,563
Federal Home Loan Bank stock dividends	(55)	(610)	(994)
Loss (gain) on sales and valuation adjustments on other real estate owned	(839)	1,562	68
Net loss (gain) on sales and settlements of securities	(373)	—	—
Change in unrealized (gains) losses on equity securities	(68)	(11)	(14)
Loss (gain) on disposal of premises and equipment	(18)	7	(19)
Loss (gain) on lease termination	(2)	—	(7)
Loss (gain) on sales of foreclosed assets	(36)	283	25
Loss (gain) on sales of loans	(2,804)	(2,627)	(2,062)
Originations of loans held for sale	(101,149)	(118,413)	(99,686)
Proceeds from the sale of loans held for sale	111,986	113,981	98,787
Increase in the value of bank-owned life insurance	(3,506)	(1,941)	(1,998)
Change in fair value of derivatives recognized in earnings	(336)	259	308
Gain on acquisition	(585)	(2,145)	—
Payments on operating lease payable	(608)	(701)	(760)
Net change in:			
Interest receivable	1,672	478	1,649
Other assets	(6,503)	(6,253)	(3,823)
Interest payable and other liabilities	20,706	1,513	(299)
Net cash provided by operating activities	102,698	43,621	48,521
Cash flows (to) from investing activities			
Purchases of available-for-sale securities	(785,297)	(265,826)	—
Purchases of held-to-maturity securities	—	(2,754)	(154,573)
Proceeds from sales, calls, pay-downs and maturities of available-for-sale securities	472,894	178,502	30,633
Proceeds from calls, pay-downs and maturities of held-to-maturity securities	—	156,963	129,349
Net change in interest-bearing time deposits in other banks	249	2,249	2,493
Net change in loans	218,107	(13,331)	8,537
Purchase of mortgage loans	(363,892)	—	—
Purchase of USDA guaranteed loans	(10,958)	—	—
Capitalized construction cost of other real estate owned	—	(62)	(56)
Purchase of premises and equipment	(5,101)	(9,549)	(6,948)
Proceeds from sale of premises and equipment	24	10	21
Proceeds from sale of foreclosed assets	161	2,002	410
Net redemptions (purchases) of Federal Home Loan Bank and Federal Reserve Bank stock	3,212	15,518	(928)
Net redemptions (purchases) of correspondent and miscellaneous other stock	(82)	(6)	—
Proceeds from sale of other real estate owned	4,732	6,363	1,803
Purchase of bank-owned life insurance	(25,000)	—	—
Proceeds from bank-owned life insurance death benefits	1,749	—	—
Net cash (paid) received from acquisition of MidFirst locations	—	—	85,360
Net cash (paid) received from acquisition of Almena	—	25,925	—
Net cash (paid) received from acquisition of ASBI	102,710	—	—

	2021	2020	2019
Net cash (paid) received from acquisition of Security Bank locations	71,153	—	—
Net cash (used in) provided by investing activities	(315,339)	96,004	96,101
Cash flows (to) from financing activities			
Net increase (decrease) in deposits	228,515	321,524	(158,652)
Net change in federal funds purchased and retail repurchase agreements	5,765	69	(14,360)
Net borrowings (repayments) on Federal Home Loan Bank line of credit	—	(311,223)	(57,547)
Proceeds from Federal Home Loan Bank term advances	302,906	253,000	—
Principal repayments on Federal Home Loan Bank term advances	(327,422)	(255,988)	(2,954)
Proceeds from Federal Reserve Bank discount window	1,000	62,000	—
Principal payments on Federal Reserve Bank discount window	(1,000)	(62,000)	—
Borrowings on bank stock loan	—	38,354	7,209
Principal repayments on bank stock loan	—	(47,344)	(13,669)
Proceeds from exercise of employee stock options	3,847	20	371
Principal payments on employee stock loan	43	34	44
Proceeds from employee stock purchase plan	569	596	405
Proceeds from subordinated notes	—	75,000	—
Debt issue cost of subordinated notes	(16)	(2,265)	—
Purchase of treasury stock	(18,664)	(19,348)	(10,867)
Net change in contractual obligations	(2,497)	(647)	1,871
Dividends paid on common stock	(1,149)	—	—
Net cash provided by (used in) financing activities	191,897	51,782	(248,149)
Net change in cash and cash equivalents	(20,744)	191,407	(103,527)
Cash and cash equivalents, beginning of period	280,698	89,291	192,818
Ending cash and cash equivalents	$ 259,954	$ 280,698	$ 89,291
Supplemental cash flow information:			
Interest paid	$ 15,028	$ 25,673	$ 48,367
Income taxes paid, net of refunds	4,586	11,608	3,108
Supplemental noncash disclosures:			
Other real estate owned acquired in settlement of loans	1,184	8,684	3,737
Other real estate owned transferred from premise and equipment	1,038	1,982	—
Other repossessed assets acquired in settlement of loans	28,858	—	—
Operating leases recognized	32	—	4,814
Total fair value of assets acquired in purchase of MidFirst locations, net of cash	—	—	13,246
Total fair value of liabilities assumed in purchase of MidFirst locations	—	—	98,606
Total fair value of assets acquired in purchase of Almena, net of cash	—	40,984	—
Total fair value of liabilities assumed in purchase of Almena locations	—	64,764	—
Total fair value of assets acquired in purchase of ASBI, net of cash	679,902	—	—
Total fair value of liabilities assumed in purchase of ASBI	706,635	—	—
Total fair value of assets acquired in purchase of Security locations, net of cash	4,684	—	—
Total fair value of liabilities assumed in purchase of Security locations	76,503	—	—

See accompanying notes to consolidated financial statements.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Equity Bancshares, Inc. is a bank holding company, whose principal activity is the ownership and management of its wholly-owned subsidiaries, Equity Bank ("Equity Bank") and EBAC, LLC ("EBAC"). SA Holdings, Inc. is a wholly-owned subsidiary of Equity Bank and was established for the purpose of holding and selling other real estate owned. These entities are collectively referred to as the "Company". All significant intercompany accounts and transactions have been eliminated in consolidation.

Equity Bank is a Kansas state-chartered bank and member of the Federal Reserve (state Fed member bank jointly supervised by both the Federal Reserve Bank of Kansas City and the Office of the Kansas State Bank Commissioner).

The Company is primarily engaged in providing a full range of banking, mortgage banking and financial services to individual and corporate customers generally in Arkansas, Kansas, Missouri and Oklahoma. Equity Bank competes with a variety of other financial institutions including large regional banks, community banks and thrifts as well as credit unions and other non-traditional lenders.

Use of Estimates: To prepare financial statements in conformity with U.S. generally accepted accounting principles, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided and actual results could differ.

Risk and Uncertainties: The outbreak of COVID-19 has adversely impacted a broad range of industries in which the Company's customers operate and could impair their ability to fulfill their financial obligations to the Company. The World Health Organization declared COVID-19 a global pandemic. The spread of the outbreak caused significant disruptions in the U.S. economy and disrupted banking and other financial activity in the areas in which the Company operates. While there has been no material impact to the Company's employees to date, COVID-19 could also potentially create widespread business continuity issues for the Company. Congress, the President and the Federal Reserve have taken several actions designed to cushion the economic fallout from COVID-19 which, to date, have been successful in driving the re-opening of businesses and communities, however risk remains.

It is not possible to know the full universe or extent of impact to the Company's operations brought about from COVID-19 and resulting measures to curtail its spread.

Cash Equivalents: Cash and cash equivalents include cash, deposits with other financial institutions with original maturities less than 90 days and federal funds sold. Net cash flows are reported for customer loan and deposit transactions, interest-bearing deposits in other financial institutions, federal funds purchased, retail repurchase agreements, Federal Home Loan Bank advances and contractual obligations.

Securities: Securities are classified as held-to-maturity when management has the positive intent and ability to hold them to maturity. Securities are classified as available-for-sale when they might be sold before maturity. Held-to-maturity securities are carried at amortized cost while available-for-sale securities are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on mortgage-backed securities are amortized using the level-yield method over the estimated cash flows of the securities. This method requires retrospective adjustment of the effective yield each time a payment is received, or changes occur in the estimated remaining cash flows, which adjusts life-to-date amortization. Premiums and discounts on other investments are amortized using the level-yield method to contractual maturity or first call date, if purchased at a premium.

Allowance for Credit Losses - Securities: The Company adopted ASU 2016-13, also referred to as CECL, effective January 1, 2021, and with that adoption the Company's method for estimating the allowance for credit losses for securities has changed. The allowance for credit losses "ACL" on held-to-maturity securities is determined on a collective basis by major security type and portfolio. Losses are charged against the allowance for credit losses when the Company determines the held-to-maturity security is uncollectible. The Company does not estimate credit losses on held-to-maturity security accrued interest receivable.

For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or is more likely than not 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 security's amortized cost basis is written down to fair value through income. For securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Company considers the extent to which fair value is less than amortized cost, the current interest rate environment, changes to rating of the security or security issuer, 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 are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected was less than the amortized cost basis, a credit loss existed and an allowance for credit losses would be recorded for the credit loss, which is limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. Changes in the allowance for credit losses are recorded as provision for or reversal of credit loss expense. Losses are charged against the allowance for credit losses when the Company determines the available-for-sale security is uncollectible or when either of the criteria regarding intent or requirement to sell is met. The Company does not estimate credit losses on available-for-sale security accrued interest receivable.

Pre CECL Adoption – Other-than-Temporary Impairment - Securities: Prior to the adoption of CECL, management evaluated securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considered the extent and duration of the unrealized loss and the financial condition and near-term prospects of the issuer. Management also assessed whether it intends to sell, or it is more likely than not that it would have been required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell were met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that did not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, would be recognized in the income statement and 2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

Equity Investments with Readily determinable Fair Value: Equity investments with a readily determinable fair value are measured at fair value with changes in fair value recognized in net income.

Loans Held for Sale: Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings. Mortgage loans held for sale are sold with servicing rights released. Gains or losses on loans held for sale are recognized upon completion of the sale and based on the difference between the net sales proceeds and the carrying value of the sold loan.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of previous charge-offs and an allowance for credit losses, and for purchased loans, net of unamortized purchase premiums and discounts. Interest income is accrued on the unpaid principal balance.

Purchased Credit Impaired Loans: As a part of acquisitions prior to the Company's January 1, 2021 adoption of CECL, the Company acquired certain loans, for which there was, at acquisition, evidence of deterioration of credit quality since origination. These purchased credit impaired loans were recorded at the acquisition date fair value, such that there is no carryover of the seller's allowance for credit losses. After acquisition, losses are recognized by an increase in the allowance for credit losses. Such purchase credit impaired loans are accounted for individually. Upon the Company's adoption of ASU 2016-13, the remaining credit-related discount on these assets was reclassified to the allowance for credit losses. The Company elected the prospective transition approach and all loans previously considered purchased credit impaired are now classified as purchased with credit deterioration. The remaining non-credit discount will continue to be accreted into income over the remaining lives of the assets.

Nonaccrual Loans. Generally, loans are designated as nonaccrual when either principal or interest payments are 90 days or more past due based on contractual terms unless the loan is well secured and in the process of collection. Consumer loans are typically charged off no later than 180 days past due. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful. When a loan is placed on nonaccrual status, unpaid interest credited to income is reversed against income. Future interest income may be recorded on a cash basis after recovery of principal is reasonably assured. Nonaccrual loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Impaired Loans. Prior to the adoption of ASU 2016-13 on January 1, 2021, a loan was considered impaired when, based on current information and events, it is probable that the Company would be unable to collect all contractual principal and interest due according to the terms of the loan agreement. Impaired loans were measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or on the value of the underlying collateral if the loan is collateral dependent. The Company evaluated the collectability of both principal and interest when assessing the need for a loss accrual.

Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experienced insignificant payment delays and payment shortfalls generally were not classified as impaired. Management determined the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed.

Troubled Debt Restructurings. In cases where a borrower experiences financial difficulties and the Company makes certain concessionary modifications to contractual terms, the loan is classified as a troubled debt restructured loan and classified as impaired. Generally, a nonaccrual loan that is a troubled debt restructuring remains on nonaccrual until such time that repayment of the remaining principal and interest is not in doubt and the borrower has a period of satisfactory repayment performance.

<u>Allowance for Credit Losses</u>:

Allowance for Credit Losses – Post CECL Adoption - Loans: As described below under Recently Adopted Accounting Pronouncements, the Company adopted the FASB ASU 2016-13 effective January 1, 2021, which requires the estimation of an allowance for credit losses in accordance with the current expected credit loss ("CECL") methodology. Management assesses the adequacy of the allowance on a quarterly basis. This assessment includes procedures to estimate the allowance and test the adequacy and appropriateness of the resulting balance. The level of the allowance is based upon management's evaluation of historical default and loss experience, current and projected economic conditions, asset quality trends, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay a loan (including the timing of future payments), the estimated value of any underlying collateral, composition of the loan portfolio, industry and peer bank loan quality indications and other pertinent factors, including regulatory recommendations. The level of the allowance for credit losses maintained by management is believed adequate to absorb all expected future losses inherent in the loan portfolio at the balance sheet date. The allowance is adjusted through provision for credit losses and charge-offs, net of recoveries of amounts previously charged off. The Company adopted ASU 2016-13 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for the reporting periods beginning after January 1, 2021, are presented under ASU 2016-13, while prior amounts continue to be reported in accordance with previously applicable GAAP.

The Company adopted ASU 2016-13 using the prospective transition approach for financial assets purchased with credit deterioration ("PCD") that were previously classified as purchased credit impaired ("PCI") and accounted for under ASC 310-30. In accordance with the standard, management did not reassess whether PCI assets met the criteria of PCD assets as of the date of adoption. On January 1, 2021, the amortized cost basis of the PCD assets were adjusted to reflect the addition of $10,438 to the allowance for credit losses. The remaining noncredit discount (based on the adjusted amortized cost basis) will be accreted into interest income at the effective interest rate as of January 1, 2021.

The allowance for credit losses is measured on a collective basis for pools of loans with similar risk characteristics. The Company has identified the following pools of financial assets with similar risk characteristics for measuring expected credit losses.

• Commercial real estate mortgage loans – Owner occupied commercial real estate mortgage loans are secured by commercial office buildings, industrial buildings, warehouses or retail buildings where the owner of the building occupies the property. For such loans, repayment is largely dependent upon the operation of the borrower's business.

• Commercial and industrial loans – Commercial and industrial loans include loans to business enterprises issued for commercial, industrial and/or other professional purposes. These loans are generally secured by equipment, inventory and accounts receivable of the borrower and repayment is primarily dependent on business cash flows.

• Residential real estate mortgage loans – Residential real estate mortgage consists primarily of loans secured by 1-4 family residential properties, including home equity lines of credit. Repayment is primarily dependent on the personal cash flow of the borrower.

• Agricultural real estate loans – Agricultural real estate loans are secured by real estate related to farmland and are affected by the value of farmland. Generally, the borrower's ability to repay is based on the value of farmland and cash flows from farming operations.

• Agricultural production loans – Agricultural production loans are primarily operating lines subject to annual farming revenues, including productivity and yield of farm products and market pricing at the time of sale.

• Consumer – Consumer loans include all loans issued to individuals not included in the categories above. Examples of consumer and other loans are automobile loans, consumer credit cards and loans to finance education, among others. Many consumer loans are unsecured. Repayment is primarily dependent on the personal cash flow of the borrower.

The Company primarily utilizes a probability of default ("PD") and loss given default ("LGD") modeling approach for historical loss coupled with a macroeconomic factor analysis derived from a statistical regression of loss experience correlated to changes in economic factors for all commercial banks operating within our geographical footprint. The macroeconomic regression is based on a multivariate approach and includes key indicators that provide the highest cumulative adjusted R-square figure. Economic factors include, but are not limited to, national unemployment, gross domestic product, market interest rates and property pricing indices. To arrive at the most predictive calculation, a lag factor was applied to these inputs, resulting in current and historic economic inputs driving the projection of loss over our reasonable, supportable forecast period which management has defined as 12 months for all portfolio segments. Following the reasonable and supportable forecast period loss experience immediately reverts to the longer run historical loss experience of the Company. The resultant loss rates are applied to the estimated future exposure at default ("EAD"), as determined based on contractual amortization terms through an average default month and estimated prepayment experience in arriving at the quantitative reserve within our allowance for credit losses.

The estimated loan losses for all loan segments are adjusted for changes in qualitative factors not inherently considered in the quantitative analyses. The qualitative categories and the measurements used to quantify the risks within each of these categories are subjectively selected by management but measured by objective measurements period over period. The data for each measurement may be obtained from internal or external sources. The current period measurements are evaluated and assigned a factor commensurate with the current level of risk relative to past measurements over time. The resulting qualitative adjustments are applied to the relevant collectively evaluated loan portfolios. These adjustments are based upon quarterly trend assessments in projective economic sentiment, portfolio concentrations, policy exceptions, personnel retention, independent loan review results, collateral considerations, risk ratings and competition. The qualitative allowance allocation, as determined by the processes noted above, is increased or decreased for each loan segment based on the assessment of these various qualitative factors. Due to the inclusion of a lag factor in our quantitative economic analysis discussed above, the allowance for credit losses, as of implementation and through the reporting date, is heavily influenced by the qualitative economic factor considered by management to be reflective of risk associated with the COVID-19 pandemic.

Loans that do not share similar risk characteristics with the collectively evaluated pools are evaluated on an individual basis and are excluded from the collectively evaluated loan pools. Such loans are evaluated for credit losses based on either discounted cash flows or the fair value of collateral. When management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral, less selling costs. For loans for which foreclosure is not probable, but for which repayment is expected to be provided substantially through the operation or sale of the collateral, the Company has elected the practical expedient under ASC 326 to estimate expected credit losses based on the fair value of collateral, with selling costs considered in the event sale of the collateral is expected. Loans for which terms have been modified in a troubled debt restructuring ("TDR") are evaluated using these same individual evaluation methods. In the event the discounted cash flow method is used for a TDR, the original interest rate is used to discount expected cash flows.

In assessing the adequacy of the allowance for credit losses, the Company considers the results of the Company's ongoing, independent loan review process. The Company undertakes this process both to ascertain those loans in the portfolio with elevated credit risk and to assist in its overall evaluation of the risk characteristics of the entire loan portfolio. Its loan review process includes the judgment of management, independent internal loan reviewers and reviews that may have been conducted by third-party reviewers including regulatory examiners. The Company incorporates relevant loan review results when determining the allowance.

In accordance with CECL, losses are estimated over the remaining contractual terms of loans, adjusted for estimated prepayments. The contractual term excludes expected extensions, renewals and modifications unless management has a reasonable expectation at the reporting date that a troubled debt restructuring will be executed or such renewals, extensions or modifications are included in the original loan agreement and are not unconditionally cancellable by the Company. Credit losses are estimated on the amortized cost basis of loans, which includes the principal balance outstanding, purchase discounts and premiums and loan fees and costs. Accrued interest receivable, as allowed under ASU 2016-13, is excluded from the credit loss estimate. In addition, accrued interest receivable is presented separately on the balance sheets and is excluded from the tabular loan disclosures in Note 4.

However, as COVID-19 impacted our lending operations, the company has been assessing economic conditions and increasing the allowance for credit losses through adjustments of qualitative adjustment factors as necessary. The Company's policies and procedures used to estimate the allowance for credit losses, as well as the resultant provision for credit losses charged to income, are considered adequate by management and are reviewed periodically by regulators, model validators and internal audit, they are inherently approximate estimates and imprecise. There are factors beyond the Company's control, such as changes in projected

economic conditions, real estate markets or particular industry conditions which may materially impact asset quality and the adequacy of the allowance for credit losses and thus the resulting provision for credit losses.

Allowance for Credit Losses – Pre CECL Adoption – Loans - The allowance for credit losses is a valuation allowance for probable incurred credit losses. Credit losses were charged against the allowance when management believed the collectability of a credit balance was unlikely. Subsequent recoveries, if any, were credited to the allowance. Management estimated the allowance balance required using past credit loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions and other factors. A loan review process, independent of the loan approval process, is utilized by management to verify loans are being made and administered in accordance with Company policy, to review loan risk grades and potential losses, to verify that potential problem loans are receiving adequate and timely corrective measures to avoid or reduce losses and to assist in the verification of the adequacy of the credit loss reserve. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off.

The allowance consisted of specific and general components. The specific component related to loans that are individually classified as impaired. If a loan was impaired, a portion of the allowance is allocated so that the loan is reported net at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment was expected solely from the sale of the collateral. Troubled debt restructurings were separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring was considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently defaulted, the Company determined the amount of reserve in accordance with the accounting policy for the allowance for credit losses.

The general component of the allowance for credit losses covered non-impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio and class and is based on the actual loss history experienced by the Company. This actual loss experience was then adjusted by comparing current conditions to the conditions that existed during the loss history. The Company considered the changes related to (i) lending policies, (ii) economic conditions, (iii) nature and volume of the loan portfolio and class, (iv) lending staff, (v) volume and severity of past due, non-accrual and risk graded loans, (vi) loan review system, (vii) value of underlying collateral for collateral dependent loans, (viii) concentration levels and (ix) effects of other external factors.

The Company considered loan performance and collateral values in assessing risk for each class in the loan portfolio, as follows:

- Commercial and industrial loans are dependent on the strength of the industries of the related borrowers and the success of their businesses. Commercial and industrial loans are advanced for equipment purchases, to provide working capital or meet other financing needs of the business. These loans may be secured by accounts receivable, inventory, equipment or other business assets. Financial information is obtained from the borrower to evaluate the debt service coverage and ability to repay the loans.
- Commercial real estate loans are dependent on the industries tied to these loans, as well as the local commercial real estate market. The loans are secured by real estate and appraisals are typically obtained to support the loan amount. Generally, an evaluation of the project's cash flows is performed to evaluate the borrower's ability to repay the loan at the time of origination and periodically updated during the life of the loan.
- Residential real estate loans are affected by the local residential real estate market, the local economy and movement in interest rates. The Company evaluates the borrower's repayment ability through a review of credit reports and debt to income ratios. Generally, appraisals are obtained to support the loan amount.
- Agricultural real estate loans are real estate loans related to farmland and are affected by the value of farmland. Generally, the Company evaluates the borrower's ability to repay based on cash flows from farming operations.
- Consumer loans are dependent on the local economy. Consumer loans are generally secured by consumer assets, but may be unsecured. Typically, the Company evaluates the borrower's repayment ability through a review of credit scores and an evaluation of debt to income ratios.
- Agricultural loans are primary operating lines subject to annual farming revenues, including productivity and yield of the farm products and market pricing at the time of sale.

Allowance for Credit Losses – Off-Balance-Sheet Credit Exposures

Subsequent to the January 1, 2021, adoption of ASU 2016-13, the Company estimates expected credit losses over the contractual term of obligations to extend credit, unless the obligation is unconditionally cancellable. The allowance for off-balance-

sheet exposures is adjusted through other noninterest expense. The estimates are determined based on the likelihood of funding during the contractual term and an estimate of credit losses subsequent to funding. Estimated credit losses on subsequently funded balances are based on the same assumptions used to estimate credit losses on existing funded loans.

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Bank-Owned Life Insurance: The Company maintains insurance policies on certain key executives as well as policies from acquired institutions. Bank-owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement. In some cases, the Company has entered into agreements with the insured which would require it to make one-time payments to the insured's beneficiaries if certain conditions exist at the time of death.

Other Real Estate Owned: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less estimated cost to sell when acquired, thereby establishing a new cost basis. Generally, collateral properties are recorded as other real estate owned when the Company takes physical possession. Physical possession of residential real estate collateral occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Other real estate owned properties are subsequently accounted for at the lower of cost or fair value less estimated costs to sell. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed.

Premises and Equipment: Land is carried at cost. Premises and equipment are carried at cost less accumulated depreciation. Depreciation is an estimate and is charged to expense using the straight-line method over the estimated useful lives of the respective assets. The useful lives of buildings and related components are estimated to be 39 years. The useful lives of furniture, fixtures and equipment are estimated to be 4 to 7 years. Leasehold improvements are capitalized and depreciated using the straight-line method over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter. Property held for sale is carried at the lower of cost or fair value.

Premises and equipment and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

Lease Obligation. The Company evaluates contracts that convey the right to control the use of identified property, plant or equipment for a period of time for consideration to determine if they are lease obligations. The Company evaluates each lease component to determine if the lease qualifies as a financing lease or as an operating lease. Leases that meet any of the following criteria are considered financing leases: (1) the lease transfers ownership of the underlying asset by the end of the lease term; (2) the lease grants the Company an option to purchase the underlying asset that the Company is reasonably certain to exercise; (3) the lease term is the major part of the remaining economic life of the underlying asset; (4) the present value of the sum of the lease payments and any residual value guaranteed by the Company that is not already reflected in lease payments equals or exceeds substantially all of the fair value of the underlying asset; or (5) the underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term. If none of the financing lease criteria are met, the lease is considered an operating lease.

The Company evaluates each lease to determine the lease term which will be used based on the type and use of the leased equipment and future expected changes in operations. The resulting lease term will consist of the non-cancellable period for which the Company has the right to use the underlying asset plus (1) periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; (2) periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option; and (3) periods covered by an option to extend the lease in which exercise of the option is controlled by the lessor. The Company has certain leases that contain options to extend the lease and contain options for changes in lease payments which are evaluated by the Company to determine the recorded values for right-of-use assets and lease liability.

Lease payments that are contractually known at lease inception are used by the Company for calculating the right-of-use asset and lease liability. Lease payments that vary because of facts or circumstances after the commencement date of the lease from other than passage of time are treated as variable lease payments and are recorded to lease expense in the period in which the obligation for the payments are incurred by the Company. Variable lease payments are not part of the lease payments for determining the right-of-use asset or the lease liability at the lease commencement date.

The discount rate to initially determine the present value of the lease payments is based on the information available at the lease commencement date and is either the rate implicit in the lease or the Company's incremental borrowing rate. If the rate implicit in the lease is known or determinable, that rate shall be used. If that rate is not known, the Company's incremental borrowing rate shall be

used. At January 1, 2019, implementation of this accounting guidance, the Company's incremental borrowing rate based on the remaining lease term was used to calculate the right-of-use assets and operating lease liabilities.

Operating lease right-of-use assets and lease obligations are accounted for subsequent to initial recording by amortizing the right-of-use asset over the lease term on a straight-line method while the lease obligation is increased by the accrual of interest and decreased by subsequent lease payments. Operating lease right-of-use asset amortization and lease obligation interest are reported in non-interest expense in the Consolidated Statements of Income. Operating lease payments and variable lease payments are reflected within cash flows from operating activities in the Consolidated Statement of Cash Flows.

Financing lease right-of-use assets and lease obligations are accounted for subsequent to initial recording by amortizing the right-of-use asset similar to owned assets over the lesser of the lease term or economic life of the asset if the lease transfers ownership of the leased asset while the lease obligation is increased by the accrual of interest and decreased by subsequent lease payments. Financing lease right-of-use asset amortization is reported in non-interest expense, similar to other owned assets, and lease obligation interest accruals are reported in interest expense in the Consolidated Statements of Income. Financing lease obligation principal payments are reflected within cash flows from financing activities and interest payments and variable lease payments are reflected with the cash flows from operating activities in the Consolidated Statements of Cash Flows.

The Company evaluates lease modifications and will consider the modification a new contract if the modification grants the lessee an additional right of use not included in the original lease and the lease payments increase commensurate with the stand-alone price for the additional right-of-use asset. The Company will reallocate the remaining consideration in the contract and remeasure the lease liability using a discount rate for the lease determined at the effective date of the lease modification if the contract modification does any of the following: (1) grants the Company an additional right of use that was not included in the original contract; (2) extends or reduces the term of an existing lease; (3) fully or partially terminates an existing lease; or (4) changes the consideration in the contract only. The Company will recognize the remeasurement of the lease liability for the modification as an adjustment of the right-of-use asset when the contract modification grants additional right-of-use-assets, extends or reduces the term of the lease or changes the consideration of the lease contract. In the case of full or partial termination of the lease, the Company will decrease the carrying amount of the right-of-use-asset on a proportionate basis to the reduction in the lease liability with a gain or loss recognized for the difference between the lease liability adjustment and right of use asset adjustment.

If the Company modifies an operating lease, where the Company is the lessor, and the modification is not accounted for as a separate contract, the Company will account for the modification as if it were a termination of the existing lease and the creation of a new lease that commences on the effective date of the modification as follows:

- If the modified lease is classified as an operating lease, the Company will consider any prepaid or accrued lease rentals relating to the original lease as part of the lease payments for the modified lease.
- If the modified lease is classified as a direct financing lease or a sales-type lease, the Company will derecognize any deferred rent liability or accrued rent asset and adjust the selling profit or loss.

If the Company modifies a direct financing lease, where the Company is the lessor, and the modification is not accounted for as a separate contract, the Company will account for the modified lease as follows:

- If the modified lease is classified as a direct financing lease, the Company will adjust the discount rate for the modified lease, so the initial net investment equals the carrying amount of the original lease at the modification effective date.
- If the modified lease is classified as a sales-type lease, the Company shall determine the selling profit/loss on commencement date of the modified lease as the difference between the fair value of the underlying asset and net investment in the original lease prior to modification.
- If the modified lease is classified as an operating lease, the carrying amount of the underlying asset shall equal the net investment in the original lease immediately before the effective date of the modification.

If the Company modifies a sales-type lease, where the Company is the lessor, and the modification is not accounted for as a separate contract, the Company will account for the modified lease as follows:

- If the modified lease is classified as a direct financing lease, the Company will adjust the discount rate for the modified lease, so the initial net investment of the modified lease equals the carrying amount of the original lease at the modification effective date.
- If the modified lease is classified as a direct financing lease, the Company will adjust the discount rate for the modified lease, so the initial net investment equals the carrying amount of the original lease at the modification effective date.

<u>Federal Reserve Bank and Federal Home Loan Bank Stock</u>: Federal Reserve Bank ("FRB") and Federal Home Loan Bank ("FHLB") stocks are required investments for institutions that are members of the FRB and FHLB systems. FRB and FHLB stocks are carried at cost, considered restricted securities and are periodically evaluated for impairment based on the ultimate recovery of par value. Both cash and stock dividends are reported as income.

Goodwill and Core Deposit Intangibles: Goodwill results from business acquisitions and represents the excess of the purchase price over the fair value of acquired tangible assets and liabilities and identifiable intangible assets. Core deposit intangibles are acquired customer relationships arising from whole bank and branch acquisitions. Core deposit intangibles are initially measured at fair value and then amortized over their estimated useful lives using an accelerated method. The useful lives of the core deposits are estimated to generally be between seven and ten years. Goodwill and core deposit intangibles are assessed at least annually for impairment and any such impairment is recognized and expensed in the period identified. The Company has selected December 31 as the date to perform its annual goodwill impairment test. Goodwill is the only intangible asset with an indefinite useful life.

Credit Related Financial Instruments: Credit related financial instruments include off-balance-sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Derivatives: The Company is exposed to interest rate risk primarily from the effect of interest rate changes on its interest-earning assets and its sources of funding these assets. The Company will periodically enter into interest rate swaps or interest rate caps/floors to manage certain interest rate risk exposure.

An interest rate swap is an agreement between two entities to exchange cash flows in the future. The agreement sets the dates on which the cash flows will be paid and the manner in which the cash flows will be calculated. Typically, an interest rate swap transaction is used as an exchange of cash flows based on a fixed rate for cash flows based on a variable rate.

In an interest rate cap agreement, a cash flow is generated if the price or interest rate of an underlying variable rises above a certain threshold price or interest rate. In an interest rate floor agreement, a cash flow is generated if the price or interest rate of an underlying variable falls below a certain threshold price or interest rate. Caps and floors are designed as protection against the interest rate on a variable rate asset or liability rising above or falling below a certain level.

At the inception of a derivative contract, the Company designates the derivatives as one of three types. These three types are: (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value hedge"); (2) a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"); or (3) an instrument with no hedging designation ("stand-alone derivative").

Beginning January 1, 2019, the Company adopted new hedge accounting guidance that requires the following presentation of gains/(losses) on derivatives and hedging activities for qualifying hedges. For a fair value hedge, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged item and net interest settlements, are recognized in net interest income in the same line as the earnings effect of the hedged item. For a cash flow hedge, the gain or loss on the derivative is reported in other comprehensive income and is reclassified into earnings in the same periods during which the hedged transaction affects earnings. Changes in the fair value of derivatives that do not qualify for hedge accounting are reported currently in earnings as non-interest income.

Net cash settlements on derivatives that qualify for hedge accounting are recorded in interest income or interest expense, based on the item being hedged. Net cash settlements on derivatives that do not qualify for hedge accounting are reported in non-interest income. Cash flows on hedges are classified in the cash flow statement the same as the cash flows of the items being hedged unless the derivative meets the criteria to be a financing derivative. All derivatives are recognized in the consolidated balance sheet at their fair values and are reported as either derivative assets or derivative liabilities net of accrued net settlements and collateral, if any. The individual derivative amounts are netted by counterparty when the netting requirements have been met. If these netted values are positive, they are classified as an asset and, if negative, they are classified as a liability.

The Company formally documents the relationship between derivatives and hedged items, as well as the risk-management objective and the strategy for undertaking hedge transactions at the inception of the hedging relationship. This documentation includes linking fair value or cash flow hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, at least quarterly, whether the derivative instruments that are used are highly effective in offsetting changes in fair values or cash flows of the hedged items. The Company discontinues hedge accounting when it determines that the derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item, the derivative is settled or terminates, a hedged forecasted transaction is no longer probable, a hedged firm commitment is no longer firm or treatment of the derivative as a hedge is no longer appropriate or intended.

When hedge accounting is discontinued, subsequent changes in fair value of the derivative are recorded as non-interest income. When a fair value hedge is discontinued, the hedged asset or liability is no longer adjusted for changes in fair value and the existing basis adjustment is amortized or accreted over the remaining life of the asset or liability. When a cash flow hedge is

discontinued but the hedged cash flows or forecasted transactions are still expected to occur, gains or losses that are accumulated in other comprehensive income are amortized into earnings over the same periods which the hedged transactions will affect earnings.

The Company has entered into interest rate cap derivatives to assist with interest rate risk management. These derivatives are not designated as hedging instruments but rather as stand-alone derivatives. The fair values of stand-alone derivatives are included in other assets and other liabilities. Changes in fair value of stand-alone derivatives are recorded through earnings as non-interest income.

Income Taxes: Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities and are computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized. A tax position is recognized as a benefit only if it is “more likely than not” that the tax position will be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is more likely than not to be realized on examination.

The Company recognizes interest and/or penalties related to income tax matters in income tax expense. There were no such interest or penalties incurred in 2021, 2020 or 2019.

Earnings Per Common Share: Net income, less dividends and discount accretion on preferred stock, equals net income allocable to common stockholders. Basic earnings per common share is net income allocable to common stockholders divided by the weighted average number of common shares and vested restricted stock units outstanding during the period. Diluted earnings per common share include the dilutive effect of additional potential common shares of unexercised stock options, unvested restricted stock units, and pending employee stock purchase plan shares at period end.

Share-Based Payments: The Company has share-based payments which are described more fully in a subsequent note. Compensation expense associated with the stock option plan is based on the fair value of the options at the grant date. This compensation is expensed over the periods during which the options vest. Options vest based on the passage of time or the achievement of performance targets, depending on the structure of the related grant.

Compensation expense associated with restricted stock units is based on the fair value of the units at the grant date. This compensation expense is recognized ratably over the service period stipulated in the grant agreement.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available-for-sale and the amortization of unrealized gains and losses on securities transferred to held-to-maturity from available-for-sale.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Additional discussion of loss contingencies at December 31, 2021, is presented in a subsequent note.

Restrictions on Cash: Cash on hand or on deposit with the Federal Reserve Bank was required to meet regulatory reserve and clearing requirements.

Dividend Restriction: Banking regulations require maintaining certain capital levels, positive undivided profits and a certain level of net income available to shareholders and may limit the dividends paid by the wholly-owned subsidiaries to the holding company or by the holding company to stockholders.

Fair Value: Fair values of financial instruments, impaired loans, other real estate owned and property held for sale are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, collateral values and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could materially affect the estimates.

Segment Information: As a community-oriented financial institution, substantially all of the Company’s operations involve the delivery of loan and deposit products to customers. Management makes operating decisions and assesses performance based on an ongoing review of these banking operations, which constitute the Company’s only operating segment for financial reporting purposes.

Reclassifications: Some items in the prior year financial statements were reclassified to conform to the current presentation. Management determined the items reclassified are immaterial to the consolidated financial statements, taken as a whole, and did not result in a change in equity or net income for years ended December 31, 2021, 2020 and 2019.

<u>Recent Accounting Pronouncements:</u>

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, *Financial Instruments – Credit Losses,* which changed how the Company measures credit losses for most of its financial assets. This guidance is applicable to loans held for investment, off-balance-sheet credit exposures, such as loan commitments and standby letters of credit, and held-to-maturity investment securities. The Company is required to use a new forward-looking current expected credit losses (CECL) model that will result in the earlier recognition of allowances for credit losses. For available-for-sale securities with unrealized losses, the Company will measure credit losses in a manner similar to current practice but will recognize those credit losses as allowances rather than reductions in the amortized cost of the securities. In addition, the ASU requires significantly more disclosure including information about credit quality by year of origination for most loans. Generally, the amendments will be applied through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The ASU was originally effective for the Company beginning in the first quarter of 2020; however, the CARES Act, issued in 2020, provided temporary relief related to the implementation of this accounting guidance until the earlier of the date on which the national emergency concerning the COVID-19 virus terminates or December 31, 2020. The Company elected to utilize this relief and has calculated the allowance for loan losses and the resulting provision for loan losses using the prior incurred loss method through December 31, 2020. Further implementation relief for this standard was provided on December 27, 2020, by section 540 of the Consolidated Appropriations Act ("CAA") which allowed for an additional extension to the earlier of 60 days after the national emergency termination date or January 1, 2022. The Company has elected not to extend the implementation any further and has adopted effective January 1, 2021. The adoption of CECL resulted in an increase to our total allowance for credit losses ("ACL") on loans held for investment of $15,732, an increase in allowance for credit losses on unfunded loan commitments of $838, a reclassification of purchased credit-impaired discount from loans to the ACL of $10,438, an increase in deferred tax asset of $4,167 and a decrease in retained earnings of $12,403. The increase in the ACL is largely attributable to moving to a life of loan allowance methodology and the transition of certain purchase discounts from an adjustment to amortized cost into the ACL.

In January 2017, FASB issued ASU 2017-04, *Intangibles-Goodwill and Other*, which will simplify the subsequent measurement of goodwill. Goodwill and other intangibles must be assessed for impairment annually. If an entity's assessment determines that the fair value of an entity is less than its carrying amount, including goodwill, currently, the measurement of goodwill impairment requires that the entity's identifiable net assets be valued following procedures similar to determining the fair value of assets acquired and liabilities assumed in a business combination. Under ASU 2017-04, goodwill impairment is measured to the extent that the carrying amount of an entity exceeds its fair value. The amendments in this update were effective for the Company's annual goodwill impairment tests beginning in 2020. The impact of this new accounting guidance is highly dependent on changes in financial markets and future events. The Company will monitor indicators of goodwill impairment on a quarterly basis and will record impairment when it is determined to have occurred.

In March 2017, FASB issued ASU 2017-08, *Premium Amortization on Purchased Callable Debt Securities.* This update shortens the amortization period of certain callable debt securities held at a premium to the earliest call date. The amendments in this update are effective for the Company's fiscal year beginning after December 15, 2018, and interim periods within that fiscal year, however, early adoption is permitted. If early adoption of this update is elected by the Company, any adjustments will be reflected as of the beginning of the fiscal year. The amendments will be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption and the Company will be required to provide change in accounting principle disclosures. The Company adopted this accounting standard effective January 1, 2019, which resulted in the Company recording a $1,385 reduction in the amortized cost of investment securities and a reduction of $1,148 in retained earnings, net of $237 in deferred taxes.

In August 2018, FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) - Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 modifies the disclosure requirements on fair value measurements by requiring that Level 3 fair value disclosures include the range and weighted average of significant unobservable inputs used to develop those fair value measurements. For certain unobservable inputs, an entity may disclose other quantitative information in lieu of the weighted average if the entity determines that other quantitative information would be a more reasonable and rational method to reflect the distribution of unobservable inputs used to develop Level 3 fair value measurements. ASU 2018-13 was effective for the Company on January 1, 2020, and did not have a material impact on the Company's financial statement disclosures.

In March 2020, various regulatory agencies, including the Federal Reserve and the Federal Deposit Insurance Corporation, ("the agencies") issued an interagency statement on loan modifications and reporting for financial institutions working with customers affected by the Coronavirus. The interagency statement was effective immediately and impacted accounting for loan modifications. This interagency statement was later revised in April 2020 to clarify the interaction between the original interagency statement and section 4013 of the CARES Act, as well as the agencies' views on consumer protection considerations. Under Accounting Standards Codification 310-40, *Receivables – Troubled Debt Restructurings by Creditors*, ("ASC 310-40"), a restructuring of debt constitutes a troubled debt restructuring ("TDR") if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. The agencies confirmed with the staff of the FASB that short-term

modifications made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief, are not to be considered TDRs. This includes short-term modifications such as payment deferrals, fee waivers, extensions of repayment terms or other delays in payment that are insignificant. Borrowers considered current are those that are less than 30 days past due on their contractual payments at the time a modification program is implemented. The CARES Act provisions were further extended to the earlier of 60 days after the national emergency termination date or January 1, 2022, by section 541 of the CAA. In addition, loan deferrals can be qualified under section 4013 of the CARES Act during the extended relief period if certain criteria are met. This interagency guidance and CARES Act provisions have had a material impact on the Company's financial statements as reflected in Note 4.

In March 2020, FASB issued ASU 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU 2020-04 provides optional expedients and exceptions for applying GAAP to transactions affected by reference rate reform if certain criteria are met. The transactions primarily include contract modifications; hedging relationships; and sale or transfer of debt securities classified as held-to-maturity. The guidance was effective immediately for the Company and the amendments may be applied prospectively through December 31, 2022. The Company's contracts issued prior to December 31, 2021, are primarily LIBOR tenures that will continue to be published until June 30, 2023, and the Company has reviewed the respective fall back language of these contract and believe that the language is operational. The Company will continually evaluate these contracts until the index is no longer published; however, the financial impact on our financial condition, results of operations and cash flows will depend on the population of contracts that are still outstanding on the date the underlying indexes are no longer published.

In October 2020, FASB issued ASU 2020-08, *Codification Improvements to Subtopic 310-20, Receivables-Nonrefundable Fees and Other Costs*. ASU 2020-08 clarifies that the Company should reevaluate whether a callable debt security is within the scope of the guidance of premium amortization of purchased callable debt securities, at each reporting date. If there is no remaining premium or if there are no further call dates, the Company shall reset the effective yield using the payment terms of the debt security. ASU 2020-08 is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2020 and early application is not permitted. The Company adopted ASU 2020-08 on January 1, 2021, and the guidance did not have a material impact on the Company's financial statements.

In January 2021, FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848)*. ASU 2021-01 clarifies that certain optional expedients and exceptions that are noted in Topic 848 apply to derivatives that are affected by the discounting transition. Certain provisions, if elected by the Company, apply to derivative instruments that use an interest rate for managing, discounting or contract price alignment that is modified as a result of reference rate reform. The guidance was effective immediately for the Company and the amendments may be applied prospectively through December 31, 2022. The Company's contracts issued prior to December 31, 2021, are primarily LIBOR tenures that will continue to be published until June 30, 2023, and the Company has reviewed the respective fallback language of these contract and believe that the language is operational. The Company will continually evaluate these contracts until the index is no longer published; however, the financial impact on our financial condition, results of operations and cash flows will depend on the population of contracts that are still outstanding on the date the underlying indexes are no longer published.

NOTE 2 – BUSINESS COMBINATIONS

At close of business on October 1, 2021, the Company acquired 100% of the outstanding common shares of American State Bancshares, Inc. ("ASBI"), based in Wichita, Kansas. Results of operations of American State Bank ("American State") were included in the Company's results of operations beginning October 4, 2021. Acquisition-related costs associated with this acquisition were $8,663 ($6,699 on an after-tax basis) and are included in merger expense in the Company's income statement for the year ended December 31, 2021.

Information necessary to recognize the fair value of assets acquired and liabilities assumed is complete except for certain matters related to loans and taxes. The cash consideration exchanged exceeded the recognized amounts of the identifiable net assets acquired, resulting in goodwill of $22,198. The acquisition was an expansion to the Company's current footprint in Kansas with the addition of five branch locations in the Wichita area, two in Southwest Kansas, five in Central Kansas and five in North Central Kansas.

The following table summarizes the amounts of assets acquired and liabilities assumed recognized at the acquisition date.

Fair value of consideration:		
Cash	$	8,442
Common Stock		84,747
	$	93,189
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Cash and due from banks	$	97,724
Federal funds sold		13,428
Available-for-sale securities		176,476
Bank-owned life insurance		16,986
Federal Reserve Bank and Federal Home Loan Bank stock		4,251
Loans		441,884
Premises and equipment		11,975
Core deposit intangibles		2,660
Other assets		15,164
Total assets acquired		780,548
Deposits		668,849
Federal funds purchased and retail repurchase agreements		12,906
Federal Home Loan Bank advances		14,409
Subordinated debt		7,732
Interest payable and other liabilities		5,661
Total liabilities assumed		709,557
Total identifiable net assets		70,991
Goodwill		22,198
	$	93,189

The following table reconciles the par value of ASBI's loan portfolio as of the purchase date to the fair value indicated in the table above. For non-purchase credit deteriorated assets, the entire fair value adjustment including both interest and credit related components is recorded as an adjustment to par ("Non-Credit Rate Marks") and reflected as an adjustment to the carrying value of that asset within the Consolidated Balance Sheet. Following purchase, an ACL is also established for these non-purchase credit deteriorated assets which is not reflected in this table as it is accounted for outside of the business combination. For purchase-credit deteriorated assets, as required by CECL, the fair value mark is divided between an adjustment to par ("Non-Credit Rate Marks") and an addition to the ACL ("Credit Marks in ACL"). The addition to ACL is based on the application of management's CECL methodology to the individual loans.

Non-Purchase Credit Deteriorated Loans	**Loan Par Value**	**Non-Credit Rate Marks**	**Credit Marks in ACL**	**Purchase Price**
Commercial real estate	$ 98,774	$ (1,220)	$ —	$ 97,554
Commercial and industrial	63,249	(348)	—	62,901
Residential real estate	37,919	(153)	—	37,766
Agricultural real estate	58,632	(1,474)	—	57,158
Agricultural	56,238	(267)	—	55,971
Consumer	15,832	(13)	—	15,819
Total non-PCD loans	330,644	(3,475)	—	327,169
Purchase Credit Deteriorated Loans				
Commercial real estate	95,812	(956)	(3,719)	91,137
Commercial and industrial	2,017	(7)	(60)	1,950
Residential real estate	2,842	(347)	(244)	2,251
Agricultural real estate	10,424	(240)	(421)	9,763
Agricultural	10,693	(148)	(1,113)	9,432
Consumer	243	(6)	(55)	182
Total PCD loans	122,031	(1,704)	(5,612)	114,715
Total loans	$ 452,675	$ (5,179)	$ (5,612)	$ 441,884

On December 3, 2021, the Company acquired the assets and assumed the deposits and certain other liabilities of three bank locations in St. Joseph, Missouri, from Security Bank of Kansas City, based in Kansas City, Kansas ("Security"). Results of operations of these new branches were included in the Company's results of operations beginning December 6, 2021. Acquisition-related costs associated with this acquisition were $289 ($217 on an after-tax basis) and are included in merger expenses in the Company's income statement for the year ended December 31, 2021.

Information necessary to recognize the fair value of assets acquired and liabilities assumed is complete except for certain matters related to loans and taxes. The recognized amounts of the identifiable net assets acquired, exceeded the cash consideration exchanged resulting in goodwill of $666. The acquisition was an expansion to the Company's current footprint in Missouri with the addition of three branch locations in St. Joseph, Missouri.

The following table summarizes the amounts of assets acquired and liabilities assumed recognized at the acquisition date.

Recognized amounts of identifiable assets acquired and liabilities assumed:		
Cash and due from banks	$	71,153
Loans		1,365
Premises and equipment		2,779
Core deposit intangibles		336
Other assets		204
Total assets acquired		75,837
Deposits		75,078
Interest payable and other liabilities		1,425
Total liabilities assumed		76,503
Total identifiable net assets		(666)
Goodwill		666
	$	—

The fair value of consideration exchanged exceeded the recognized amounts of the identifiable net assets and resulted in goodwill of $666. Goodwill resulted from a combination of expected synergies including expansion in western Missouri with an additional three bank locations and growth opportunities.

The following table presents the carrying value of the loans acquired in the Security acquisition by class, as of the date of acquisition. There were no purchase accounting marks, either rate or credit related, recognized on these assets.

Commercial real estate	$	61
Residential real estate		1,116
Consumer		188
Total acquired loans	$	1,365

Assuming that the ASBI and Security acquisitions would have taken place on January 1, 2020, total combined revenue would have been $170,638 for year ended December 31, 2021 and $180,224 for year ended December 31, 2020. Net income would have been $64,252 at December 31, 2021, and net loss would have been $69,531 at December 31, 2020. The pro forma amounts disclosed exclude merger expense from non-interest expense, which is considered a non-recurring adjustment. Separate revenue and earnings of the former ASBI locations are not available subsequent to the acquisition.

At the close of business on October 23, 2020, the Company acquired the assets and assumed the deposit liabilities of Almena State Bank ("Almena"), based in Norton, Kansas, pursuant to a Purchase and Assumption Agreement facilitated by the Federal Deposit Insurance Corporation ("FDIC"). Results of Almena operations were included in the Company's results of operations beginning October 24, 2020. Acquisition-related costs associated with this acquisition were $299 ($225 on an after-tax basis) and are included in merger expense in the Company's income statement for the year ended December 31, 2020. Additional acquisition-related costs for this acquisition were recognized in 2021 of $237 ($177 on an after-tax basis) and are included in merger expense in the Company's income statement for the year ended December 31, 2021.

The recognized amounts of the identifiable net assets acquired, exceeded the cash consideration exchanged resulting in a gain on acquisition of $2,145. The acquisition was an expansion to the Company's current footprint in western Kansas with the addition of one branch location in Norton, Kansas, and one in Almena, Kansas.

The following table summarizes the amounts of assets acquired and liabilities assumed recognized at the acquisition date.

Recognized amounts of identifiable assets acquired and liabilities assumed:		
Cash and due from banks	$	25,925
Available-for-sale securities		7,041
Federal Reserve Bank and Federal Home Loan Bank stock		187
Loans		35,155
Premises and equipment		1,109
Other real estate owned		636
Other assets		604
Total assets acquired		70,657
Deposits		62,472
Federal funds purchased and retail repurchase agreements		251
Interest payable and other liabilities		5,204
Total liabilities assumed		67,927
Total identifiable net assets		2,730
Gain on acquisition		(2,730)
	$	—

The following table presents the best available information about the loans acquired in the Almena acquisition as of the date of acquisition.

	Non-Credit Impaired		Purchased Credit Impaired	
Contractually required principal	$	25,702	$	20,597
Non-accretable difference (expected losses)		—		(10,889)
Cash flows expected to be collected		25,702		9,708
Accretable yield		(255)		—
Fair value of acquired loans	$	25,447	$	9,708

The following table presents the carrying value of the loans acquired in the Almena acquisition by class, as of the date of acquisition.

	Non-Credit Impaired		Purchased Credit Impaired		Total	
Commercial real estate	$	3,895	$	2,298	$	6,193
Commercial and industrial		5,848		2,028		7,876
Residential real estate		3,157		173		3,330
Agricultural real estate		3,226		2,172		5,398
Consumer		1,769		—		1,769
Agricultural		7,552		3,037		10,589
Fair value of acquired loans	$	25,447	$	9,708	$	35,155

Assuming that the Almena acquisition would have taken place on January 1, 2019, total combined revenue would have been $183,625 for year ended December 31, 2020, and $203,002 for year ended December 31, 2019. Net loss would have been $74,078 at December 31, 2020, and net income would have been $26,855 at December 31, 2019. The pro forma amounts disclosed exclude merger expense from non-interest expense, which is considered a non-recurring adjustment. Separate revenue and earnings of the former Almena locations are not available subsequent to the acquisition.

NOTE 3 – SECURITIES

The amortized cost and fair value of available-for-sale securities and the related gross unrealized gains and losses recognized in accumulated other comprehensive income were as follows.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
December 31, 2021					
Available-for-sale securities					
U.S. Government-sponsored entities	$ 124,898	$ 13	$ (1,504)	$ —	$ 123,407
U.S. Treasury securities	157,289	—	(1,687)	—	155,602
Mortgage-backed securities					
Government-sponsored residential mortgage-backed securities	661,584	10,215	(6,912)	—	664,887
Private label residential mortgage-backed securities	173,717	—	(2,029)	—	171,688
Corporate	52,555	1,437	(215)	—	53,777
Small Business Administration loan pools	16,568	13	(106)	—	16,475
State and political subdivisions	138,404	3,618	(416)	—	141,606
	$1,325,015	$ 15,296	$ (12,869)	$ —	$1,327,442

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2020				
Available-for-sale securities				
U.S. Government-sponsored entities	$ 996	$ 27	$ —	$ 1,023
U.S. Treasury securities	4,024	1	—	4,025
Mortgage-backed securities				
Government-sponsored residential mortgage-backed securities	630,485	21,049	(109)	651,425
Private label residential mortgage-backed securities	44,302	5	(129)	44,178
Corporate	52,503	1,153	(6)	53,650
Small Business Administration loan pools	1,226	44	—	1,270
State and political subdivisions	111,865	4,391	—	116,256
	$ 845,401	$ 26,670	$ (244)	$871,827

The fair value and amortized cost of debt securities at December 31, 2021, by contractual maturity, is shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date, primarily mortgage-backed securities, are shown separately.

	Available-for-Sale	
	Amortized Cost	Fair Value
Within one year	$ 8,192	$ 8,260
One to five years	98,660	98,570
Five to ten years	301,043	300,490
After ten years	81,819	83,547
Mortgage-backed securities	835,301	836,575
Total debt securities	$1,325,015	$1,327,442

The carrying value of securities pledged as collateral, to secure public deposits and for other purposes, was approximately $892,182 at December 31, 2021, and $713,001 at December 31, 2020. At year-end 2021 and 2020, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of stockholders' equity.

The following tables show gross unrealized losses and fair value aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2021 and 2020.

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
December 31, 2021						
Available-for-sale securities						
Mortgage-backed securities						
Government-sponsored residential mortgage-backed securities	$ 378,057	$ (6,860)	$ 2,868	$ (52)	$ 380,925	$ (6,912)
Private label residential mortgage-backed securities	159,381	(1,978)	2,208	(51)	161,589	(2,029)
U.S. Government-sponsored entities	117,618	(1,504)	—	—	117,618	(1,504)
U.S. Treasury securities	155,601	(1,687)	—	—	155,601	(1,687)
Corporate	4,785	(215)	—	—	4,785	(215)
Small Business Administration loan pools	15,459	(106)	—	—	15,459	(106)
State and political subdivisions	28,443	(416)	—	—	28,443	(416)
Total temporarily impaired securities	$ 859,344	$ (12,766)	$ 5,076	$ (103)	$ 864,420	$ (12,869)
December 31, 2020						
Available-for-sale securities						
Mortgage-backed securities						
Government-sponsored residential mortgage-backed securities	$ 28,770	$ (109)	$ —	$ —	$ 28,770	$ (109)
Private label residential mortgage-backed securities	28,367	(129)	—	—	28,367	(129)
Corporate	3,908	(6)	—	—	3,908	(6)
Total temporarily impaired securities	$ 61,045	$ (244)	$ —	$ —	$ 61,045	$ (244)

As of December 31, 2021, the Company held 166 available-for-sale securities in an unrealized loss position.

Unrealized losses on securities have not been recognized into income because the security issuers are of high credit quality, management does not intend to sell and it is more likely than not that the Company will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates. The fair value is expected to recover as the securities approach maturity.

The proceeds from sales and the associated gains and losses on available-for-sale securities reclassified from other comprehensive income to income are listed below.

	2021	2020	2019
Proceeds	$ 50,395	$ —	$ —
Gross gains	368	—	—
Gross losses	—	—	—
Income tax expense on net realized gains	93	—	—

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES

Types of loans and normal collateral securing those loans are listed below.

Commercial real estate mortgage loans: Owner occupied commercial real estate mortgage loans are secured by commercial office buildings, industrial buildings, warehouses or retail buildings where the owner of the building occupies the property. For such loans, repayment is largely dependent upon the operation of the borrower's business.

Commercial and industrial: Commercial and industrial loans include loans to business enterprises issued for commercial, industrial and/or other professional purposes. These loans are generally secured by equipment, inventory and accounts receivable of the borrower and repayment is primarily dependent on business cash flows.

Residential real estate mortgage loans: Residential real estate mortgage consists primarily of loans secured by 1-4 family residential properties, including home equity lines of credit. Repayment is primarily dependent on the personal cash flow of the borrower.

Agricultural real estate loans: Agricultural real estate loans are secured by real estate related to farmland and are affected by the value of farmland. Generally, the borrower's ability to repay is based on the value of farmland and cash flows from farming operations.

Agricultural production loans: Agricultural production loans are primarily operating lines subject to annual farming revenues, including productivity and yield of farm products and market pricing at the time of sale.

Consumer: Consumer loans include all loans issued to individuals not included in the categories above. Examples of consumer and other loans are automobile loans, consumer credit cards and loans to finance education, among others. Many consumer loans are unsecured. Repayment is primarily dependent on the personal cash flow of the borrower.

The following table lists categories of loans at December 31, 2021 and 2020.

	2021	2020
Commercial real estate	$ 1,486,148	$ 1,188,696
Commercial and industrial	567,497	734,495
Residential real estate	638,087	381,958
Agricultural real estate	198,330	133,693
Agricultural	166,975	94,322
Consumer	98,590	58,532
Total loans	3,155,627	2,591,696
Allowance for loan losses	(48,365)	(33,709)
Net loans	$ 3,107,262	$ 2,557,987

Included in the commercial and industrial loan balances at December 31, 2021 and 2020, are $44,783 and $253,741 of loans that were originated under the SBA PPP program. At December 31, 2021 and December 31, 2020, unamortized loan fees were $2.3 million and $7.0 million.

During 2021, the Company purchased six pools of residential real estate loans totaling $363,892. During 2020, the Company purchased one pool of residential real estate loans totaling $752. As of December 31, 2021 and 2020, residential real estate loans include $372,069 and $86,093 of purchased residential real estate loans.

The unamortized discount of merger purchase accounting adjustments related to non-purchase credit deteriorated loans included in the loan totals above are $6,649 with related loans of $527,422 at December 31, 2021. At December 31, 2020, excluding purchased credit deteriorated loans, there were $380,058 of loans with a related discount of $5,510 that were purchased as part of a merger. Effective January 1, 2021, with the adoption of CECL, amortizable non-credit discounts on purchase credit impaired loans are included in unamortized discount of merger purchase accounting adjustments.

Overdraft deposit accounts are reclassified and included in consumer loans above. These accounts totaled $886 and $597 at December 31, 2021 and 2020.

The Company adopted ASU 2016-13, also referred to as CECL, effective January 1, 2021, and with that adoption the Company's method for estimating the allowance for credit losses has changed. The Company estimates the allowance for credit losses under CECL using relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. Internal historical loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency levels or loan terms, as well as, for changes in environmental conditions, such as

changes in unemployment rates, property values, consumer price index, gross domestic product, housing starts or relevant index, U.S. personal income, U.S. housing price indices, federal funds target and various U.S. Government interest rates.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Company has identified commercial real estate, commercial and industrial, residential real estate, agricultural real estate, agricultural production and consumer as portfolio segments and measures the allowance for credit losses using a historical loss rate method for each segment to estimate credit losses on a collective basis. The Company's CECL calculation utilizes historical loss rates, average default month, average prepayment rates and exposure at default as assumptions to calculate an unadjusted historical loss estimate for the contractual term of the loans adjusted for prepayment. The historical loss estimate is then adjusted for the anticipated changes in the Company's historical loss rate using a regression analysis and current economic variables over the next 12 months. The Company has selected 12 months as its reasonable and supportable forecast period and has selected an immediate reversion back to unadjusted historical loss rates for periods beyond the reasonable and supportable forecast period. The calculated historical loss estimate and the economic qualitative adjustment are further evaluated for change via a management qualitative adjustment factor. Management qualitative adjustments typically are anticipated changes in loss trends that are not reflected in the historical data to be used in forecasting.

The Company evaluates all loans that do not share risk characteristics on an individual basis for estimating the allowance for credit loss. Loans evaluated on an individual basis are not included in the collective basis. The Company currently reviews all loans that are classified as non-accrual on an individual basis. The Company typically elects the collateral-dependent practical expedient on all individual impairment assessments and expected credit losses are based on the fair value of the collateral at the reporting date adjusted for selling costs as appropriate.

The Company's ACL is highly dependent on credit quality, macroeconomic forecasts and conditions, the composition of our loan portfolio and other management judgements. The current management adjustment represents a significant portion of the Company's ACL and is comprised of the estimated impact to ACL from the COVID-19 pandemic and associated response.

During 2021, the Company updated the purchase accounting conclusions related to PCD assets acquired through the Almena transaction and the adjustment is reflected in the table below within "Adjustment to impact of adopting ASC 326 – PCD loans." During the year, additional information was obtained and additional analysis was performed by the management team which led to a modification of purchase date accounting. The adjustment resulted in a reduction in the allowance for credit losses which was offset by an increase in loan repurchase obligation, which is reported in interest payable and other liabilities in the consolidated balance sheets, decrease in deferred tax asset and an increase in gain on acquisition.

The following tables present the activity in the allowance for credit losses by class for the years ended December 31, 2021, 2020 and 2019.

December 31, 2021	Commercial Real Estate	Commercial and Industrial	Residential Real Estate	Agricultural Real Estate	Agricultural	Consumer	Total
Allowance for credit losses:							
Beginning balance, prior to adoption of ASC 326	$ 9,012	$ 12,456	$ 4,559	$ 904	$ 758	$ 6,020	$ 33,709
Cumulative effect adjustment of adopting ASC 326	5,612	4,167	8,870	167	(207)	(2,877)	15,732
Impact of adopting ASC 326 - PCD loans	4,571	(218)	220	960	4,905	—	10,438
PCD mark on acquired loans	3,719	60	244	420	1,113	55	5,611
Provision for credit losses	(565)	3,653	(8,385)	257	(2,834)	(606)	(8,480)
Loans charged-off	(169)	(9,839)	(39)	(506)	(1)	(823)	(11,377)
Recoveries	298	1,969	91	33	22	319	2,732
Total ending allowance balance	$ 22,478	$ 12,248	$ 5,560	$ 2,235	$ 3,756	$ 2,088	$ 48,365

December 31, 2020	Commercial Real Estate	Commercial and Industrial	Residential Real Estate	Agricultural Real Estate	Agricultural	Consumer	Total
Allowance for loan losses:							
Beginning balance	$ 3,919	$ 3,061	$ 2,676	$ 608	$ 546	$ 1,422	$ 12,232
Provision for credit losses	5,312	10,643	2,284	469	215	5,332	24,255
Loans charged-off	(421)	(1,304)	(446)	(191)	(11)	(949)	(3,322)
Recoveries	202	56	45	18	8	215	544
Total ending allowance balance	$ 9,012	$ 12,456	$ 4,559	$ 904	$ 758	$ 6,020	$ 33,709

December 31, 2019	Commercial Real Estate	Commercial and Industrial	Residential Real Estate	Agricultural Real Estate	Agricultural	Consumer	Total
Allowance for loan losses:							
Beginning balance	$ 4,662	$ 2,707	$ 2,320	$ 391	$ 304	$ 1,070	$ 11,454
Provision for credit losses	1,310	14,193	941	213	310	1,387	18,354
Loans charged-off	(2,178)	(13,911)	(1,077)	(43)	(87)	(1,394)	(18,690)
Recoveries	125	72	492	47	19	359	1,114
Total ending allowance balance	$ 3,919	$ 3,061	$ 2,676	$ 608	$ 546	$ 1,422	$ 12,232

The following tables present the recorded investment in loans and the balance in the allowance for credit losses by portfolio and class based on impairment method as of December 31, 2021 and 2020.

December 31, 2021	Commercial Real Estate	Commercial and Industrial	Residential Real Estate	Agricultural Real Estate	Agricultural	Consumer	Total
Allowance for credit losses:							
Individually evaluated for impairment	$ 4,381	$ 3,650	$ 892	$ 1,488	$ 3,546	$ 75	$ 14,032
Collectively evaluated for impairment	18,097	8,598	4,668	747	210	2,013	34,333
Total	$ 22,478	$ 12,248	$ 5,560	$ 2,235	$ 3,756	$ 2,088	$ 48,365
Loan Balance:							
Individually evaluated for impairment	$ 45,421	$ 13,786	$ 5,362	$ 14,959	$ 13,049	$ 357	$ 92,934
Collectively evaluated for impairment	1,440,727	553,711	632,725	183,371	153,926	98,233	3,062,693
Total	$1,486,148	$ 567,497	$638,087	$ 198,330	$ 166,975	$ 98,590	$3,155,627

December 31, 2020	Commercial Real Estate	Commercial and Industrial	Residential Real Estate	Agricultural Real Estate	Agricultural	Consumer	Total
Allowance for loan losses:							
Individually evaluated for impairment	$ 2,159	$ 5,457	$ 485	$ 595	$ 96	$ 68	$ 8,860
Collectively evaluated for impairment	6,472	5,985	3,949	266	586	5,952	23,210
Purchased credit impaired loans	381	1,014	125	43	76	—	1,639
Total	$ 9,012	$ 12,456	$ 4,559	$ 904	$ 758	$ 6,020	$ 33,709
Loan Balance:							
Individually evaluated for impairment	$ 4,752	$ 20,421	$ 1,939	$ 2,711	$ 2,201	$ 272	$ 32,296
Collectively evaluated for impairment	1,176,403	710,038	377,331	126,256	87,158	58,242	2,535,428
Purchased credit impaired loans	7,541	4,036	2,688	4,726	4,963	18	23,972
Total	$1,188,696	$ 734,495	$381,958	$ 133,693	$ 94,322	$ 58,532	$2,591,696

The following table presents information related to nonaccrual loans at December 31, 2021.

December 31, 2021	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial real estate	$ —	$ —	$ —	$ 336	$ 3
Commercial and industrial	6,060	1,964	—	521	101
Residential real estate	609	429	—	126	4
Agricultural real estate	1,795	1,660	—	2,178	82
Agricultural	—	—	—	1,725	—
Consumer	49	49	—	10	2
Subtotal	8,513	4,102	—	4,896	192
With an allowance recorded:					
Commercial real estate	7,690	6,833	1,632	6,985	19
Commercial and industrial	4,976	4,593	1,800	25,881	119
Residential real estate	5,170	4,646	888	3,204	41
Agricultural real estate	3,726	2,738	637	3,224	56
Agricultural	8,836	6,175	2,307	6,028	113
Consumer	314	274	74	251	8
Subtotal	30,712	25,259	7,338	45,573	356
Total	$ 39,225	$ 29,361	$ 7,338	$ 50,469	$ 548

The above table presents interest income for the twelve months ended December 31, 2021. Interest income recognized in the above table was substantially recognized on the cash basis. The recorded investment in loans excludes accrued interest receivable due to immateriality.

The following table presents information related to impaired loans, excluding purchased credit impaired loans which have not deteriorated since acquisition, by portfolio and class of loans as of and for the year ended December 31, 2020.

December 31, 2020	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial real estate	$ 6,279	$ 1,683	$ —	$ 782	$ 36
Commercial and industrial	2,087	643	—	11,512	28
Residential real estate	270	180	—	3,475	17
Agricultural real estate	3,408	1,090	—	670	5
Agricultural	11,326	4,492	—	898	—
Consumer	—	—	—	—	—
Subtotal	23,370	8,088	—	17,337	86
With an allowance recorded:					
Commercial real estate	7,134	5,899	2,540	5,713	35
Commercial and industrial	29,245	22,814	6,471	12,168	362
Residential real estate	3,023	2,775	610	3,414	14
Agricultural real estate	3,474	3,021	638	3,432	34
Agricultural	1,330	820	172	1,285	1
Consumer	294	272	68	309	7
Subtotal	44,500	35,601	10,499	26,321	453
Total	$ 67,870	$ 43,689	$ 10,499	$ 43,658	$ 539

The above table presents interest income for the twelve months ended December 31, 2020. Interest income recognized in the above table was substantially recognized on the cash basis. The recorded investment in loans excludes accrued interest receivable due to immateriality.

The following tables present the aging of the recorded investment in past due loans as of December 31, 2021 and 2020, by portfolio and class of loans.

December 31, 2021	30 – 59 Days Past Due	60 – 89 Days Past Due	Greater Than 90 Days Past Due Still On Accrual	Nonaccrual	Loans Not Past Due	Total
Commercial real estate	$ 4,633	$ 408	$ 256	$ 6,833	$1,474,018	$1,486,148
Commercial and industrial	424	88	—	6,557	560,428	567,497
Residential real estate	620	1,126	—	5,075	631,266	638,087
Agricultural real estate	28	57	—	4,398	193,847	198,330
Agricultural	5	—	—	6,175	160,795	166,975
Consumer	316	61	—	323	97,890	98,590
Total	$ 6,026	$ 1,740	$ 256	$ 29,361	$3,118,244	$3,155,627

December 31, 2020	30 – 59 Days Past Due	60 – 89 Days Past Due	Greater Than 90 Days Past Due Still On Accrual	Nonaccrual	Loans Not Past Due	Total
Commercial real estate	$ 1,374	$ 172	$ —	$ 7,582	$1,179,568	$1,188,696
Commercial and industrial	261	—	—	23,457	710,777	734,495
Residential real estate	377	4,712	—	2,955	373,914	381,958
Agricultural real estate	260	—	98	4,111	129,224	133,693
Agricultural	196	—	—	5,312	88,814	94,322
Consumer	336	60	45	272	57,819	58,532
Total	$ 2,804	$ 4,944	$ 143	$ 43,689	$2,540,116	$2,591,696

Allowance for Credit Losses on Off-Balance-Sheet Credit Exposures

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk from a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance-sheet credit exposures is adjusted as a provision for credit loss expense recognized within other non-interest expense on the consolidated statements of income and included in other liabilities on the consolidated balance sheets. The estimated credit loss includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The estimate of expected credit loss is based on the historical loss rate for the class of loan the commitments would be classified as if funded.

The following table lists allowance for credit losses on off-balance sheet credit exposures as of December 31, 2021.

December 31, 2021	Allowance for Credit Losses
Commercial real estate	$ 484
Commercial and industrial	1,323
Residential real estate	16
Agricultural real estate	—
Agricultural	3
Consumer	397
Total	$ 2,223

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. Consumer loans are considered unclassified credits unless downgraded due to payment status or reviewed as part of a larger credit relationship. The Company uses the following definitions for risk ratings:

Pass: Loans classified as pass include all loans that do not fall under one of the three following categories. These loans are considered unclassified.

Special Mention: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Company's credit position at some future date. These loans are considered classified.

Substandard: Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected. These loans are considered classified.

Doubtful: Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. These loans are considered classified.

Based on the most recent analysis performed, the risk category of loans by type and year of organization, at December 31, 2021, is as follows.

December 31, 2021	2021	2020	2019	2018	2017	Prior	Revolving Loans Amortized Cost	Revolving Loans Converted to Term	Total
Commercial real estate									
Risk rating									
Pass	$301,947	$212,444	$159,374	$134,465	$ 72,249	$164,363	$409,109	$ 594	$1,454,545
Special Mention	126	885	—	11,817	1,168	8,705	—	—	22,701
Substandard	1,687	401	145	77	828	5,764	—	—	8,902
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial real estate	$303,760	$213,730	$159,519	$146,359	$ 74,245	$178,832	$409,109	$ 594	$1,486,148
Commercial and industrial									
Risk rating									
Pass	$170,263	$100,457	$ 57,955	$ 11,019	$ 17,327	$ 8,855	$155,181	$ 9,726	$ 530,783
Special Mention	19	—	1,958	1,482	284	5,750	—	—	9,493
Substandard	4,200	5,410	10,238	1,417	444	43	5,469	—	27,221
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial and industrial	$174,482	$105,867	$ 70,151	$ 13,918	$ 18,055	$ 14,648	$160,650	$ 9,726	$ 567,497
Residential real estate									
Risk rating									
Pass	$336,775	$ 24,633	$ 22,520	$ 60,461	$ 34,453	$102,363	$ 51,584	$ 184	$ 632,973
Special Mention	—	—	—	—	—	25	—	—	25
Substandard	—	79	48	159	1,909	2,740	154	—	5,089
Doubtful	—	—	—	—	—	—	—	—	—
Total residential real estate	$336,775	$ 24,712	$ 22,568	$ 60,620	$ 36,362	$105,128	$ 51,738	$ 184	$ 638,087
Agricultural real estate									
Risk rating									
Pass	$ 38,412	$ 36,667	$ 18,442	$ 12,142	$ 14,432	$ 21,792	$ 42,541	$ —	$ 184,428
Special Mention	682	—	—	—	40	456	32	—	1,210
Substandard	1,705	206	6,020	592	2,530	554	1,085	—	12,692
Doubtful	—	—	—	—	—	—	—	—	—
Total agricultural real estate	$ 40,799	$ 36,873	$ 24,462	$ 12,734	$ 17,002	$ 22,802	$ 43,658	$ —	$ 198,330
Agricultural									
Risk rating									
Pass	$ 27,637	$ 17,393	$ 6,391	$ 2,399	$ 2,930	$ 1,593	$ 93,982	$ 172	$ 152,497
Special Mention	—	—	90	1,299	—	645	—	—	2,034
Substandard	3,456	2,112	1,414	1,651	137	1,164	2,510	—	12,444
Doubtful	—	—	—	—	—	—	—	—	—
Total agricultural	$ 31,093	$ 19,505	$ 7,895	$ 5,349	$ 3,067	$ 3,402	$ 96,492	$ 172	$ 166,975
Consumer									
Risk rating									
Pass	$ 40,692	$ 15,171	$ 7,186	$ 3,640	$ 2,228	$ 3,551	$ 25,799	$ 1	$ 98,268
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	6	154	94	15	24	29	—	—	322
Doubtful	—	—	—	—	—	—	—	—	—
Total consumer	$ 40,698	$ 15,325	$ 7,280	$ 3,655	$ 2,252	$ 3,580	$ 25,799	$ 1	$ 98,590
Total loans									
Risk rating									
Pass	$915,726	$406,765	$271,868	$224,126	$143,619	$302,517	$778,196	$ 10,677	$3,053,494
Special Mention	827	885	2,048	14,598	1,492	15,581	32	—	35,463
Substandard	11,054	8,362	17,959	3,911	5,872	10,294	9,218	—	66,670
Doubtful	—	—	—	—	—	—	—	—	—
Total loans	$927,607	$416,012	$291,875	$242,635	$150,983	$328,392	$787,446	$ 10,677	$3,155,627

The table below shows classification status of loans by class of loans prior to the adoption of CECL at December 31, 2020.

December 31, 2020	Unclassified	Classified	Total
Commercial real estate	$ 1,171,961	$ 16,735	$ 1,188,696
Commercial and industrial	674,392	60,103	734,495
Residential real estate	378,868	3,090	381,958
Agricultural real estate	125,425	8,268	133,693
Agricultural	86,629	7,693	94,322
Consumer	58,253	279	58,532
Total	$ 2,495,528	$ 96,168	$ 2,591,696

In keeping with regulatory guidance to work with borrowers during COVID-19, the Company executed a payment deferral program for our commercial lending clients that were adversely affected by the pandemic. The Company has made subsequent loan deferrals that have qualified under section 4013 of the CARES Act and CAA Act, these deferred loans were not classified as trouble debt restructurings. Deferred loans are subject to ongoing monitoring and will be downgraded or placed on nonaccrual if noted repayment weaknesses exist. At December 31, 2021, the Company has 20 loans, totaling $36.3 million, that have been granted a payment deferral, and remain on deferral, as part of our COVID-19 response, compared to 28 loans, totaling $60.9 million, at December 31, 2020.

The following table lists loans included in the payment deferral program by deferment type and category at December 31, 2021.

December 31, 2021	Commercial Real Estate	Commercial and Industrial	Total
3 months principal and interest, then 6 months principal only	$ 31,884	$ 3,052	$ 34,936
6 months principal and interest, then 9 months principal only	971	398	1,369
Total loans	$ 32,855	$ 3,450	$ 36,305

The credit risk classification of loans participating in the payment deferral program at December 31, 2021, follows below.

December 31, 2021	Unclassified	Classified	Total
Commercial real estate	$ 32,855	$ —	$ 32,855
Commercial and industrial	3,450	—	3,450
Total loans	$ 36,305	$ —	$ 36,305

Purchased Credit Impaired Loans

Prior to the adoption of CECL, the Company had acquired loans for which there was at acquisition, evidence of deterioration of credit quality since origination and it was probable, at acquisition, that all contractually required payments would not be collected. The recorded investments in purchased credit impaired loans as of December 31, 2020 and 2019, were as follows.

	2020	2019
Contractually required principal payments	$ 41,658	$ 29,895
Discount	(17,686)	(6,505)
Recorded investment	$ 23,972	$ 23,390

The accretable yield associated with these loans was $2,630 and $3,127 as of December 31, 2020 and 2019. The interest income recognized on these loans was $1,583 and $2,227 for the years ended December 31, 2020 and 2019. For the year ended December 31, 2020, there was a $1,359 provision for loan losses recorded for these loans. For the year ended December 31, 2019, there was $628 reversal of provision for loan losses recorded for these loans.

Troubled Debt Restructurings

Consistent with accounting and regulatory guidance, the Company recognizes a TDR when the Company, for economic or legal reasons related to a borrower's financial difficulties, grants a concession to the borrower that would not normally be considered. Regardless of the form of concession granted, the Company's objective in offering a TDR is to increase the probability of repayment of the borrower's loan.

The following table summarizes the Company's TDRs by accrual status at December 31, 2021 and 2020.

December 31, 2021	Nonaccrual	Related Allowance for Credit Losses
Commercial real estate	$ 5,784	$ 1,370
Commercial and industrial	54	27
Residential real estate	1,547	13
Agricultural real estate	2,122	488
Agricultural	1,292	480
Total troubled debt restructurings	$ 10,799	$ 2,378

December 31, 2020	Nonaccrual	Related Allowance for Loan Losses
Commercial real estate	$ 1,167	$ 342
Commercial and industrial	13,613	1,954
Total troubled debt restructurings	$ 14,780	$ 2,296

During the year ended December 31, 2020, there were no loans modified in a TDR. The following table summarizes information regarding TDRs that were restructured during the year ended December 31, 2021.

	Number of Loans	Recorded Investment	Impairment Recognized
Commercial real estate	2	$ 4,018	$ 541
Commercial and industrial	2	54	27
Residential real estate	2	1,547	13
Agricultural real estate	4	2,122	488
Agricultural	7	1,292	480
Total troubled debt restructurings	17	$ 9,033	$ 1,549

No interest income was recognized on TDR loans during the periods ended December 31, 2021 and 2020, as all TDR loans were accounted for as non-accrual.

No restructured loans that were modified within the twelve months preceding December 31, 2021 or 2020, have subsequently had a payment default.

There were no outstanding commitments to lend additional funds on these loans as of the periods ended December 31, 2021 and 2020.

NOTE 5 – OTHER REAL ESTATE OWNED

Changes in other real estate owned for the years ended December 31, 2021 and 2020 were as follows.

	2021	2020
Beginning of year	$ 11,733	$ 8,293
Transfers in	2,222	10,729
Acquired in acquisition	—	636
Net (loss) gain on sales	462	835
Proceeds from sales	(4,732)	(6,363)
	9,685	14,130
Additions to valuation reserve	(162)	(2,397)
Recorded investment	$ 9,523	$ 11,733

Expenses related to other real estate owned for the years ended December 31, 2021, 2020 and 2019 were as follows.

	2021	2020	2019
Net loss (gain) on sales	$ (462)	$ (835)	$ 10
Gain on initial valuation of other real estate properties received	(539)	—	(191)
Provision for unrealized losses	162	2,397	250
Operating expenses, net of rental income	651	748	638
	$ (188)	$ 2,310	$ 707

The balance of other real estate owned includes $329 of foreclosed residential real estate properties recorded as a result of obtaining physical possession of the property at December 31, 2021, and $996 at December 31, 2020. The recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process was $394 at December 31, 2021, and $1,334 at December 31, 2020. Included in the other real estate owned balance at December 31, 2021 and 2020, is $1,940 and $1,035 related to closed bank locations transferred from premises and equipment.

NOTE 6 – PREMISES AND EQUIPMENT

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

	2021	2020
Land	$ 21,217	$ 20,113
Buildings and improvements	86,324	71,923
Furniture, fixtures and equipment	23,215	19,928
	130,756	111,964
Less: accumulated depreciation	(26,718)	(22,552)
Premises and equipment, net	$ 104,038	$ 89,412

At December 31, 2021, the Company had lease liabilities totaling $5,928 and right-of-use assets totaling $5,963 related to operating leases. At December 31, 2020, the Company had lease liabilities totaling $3,524 and right-of-use assets totaling $3,540 related to operating leases. Lease liabilities and right-of-use assets are reflected in other liabilities and other assets.

Right-of-use asset and lease obligations by type of property are listed below.

December 31, 2021	Right-of-Use Asset	Lease Liability	Weighted Average Lease Term in Years	Weighted Average Discount Rate
Operating leases				
Land and building leases	$ 5,963	$ 5,928	13.3	2.30%
Total operating leases	$ 5,963	$ 5,928	13.3	2.30%

December 31, 2020	Right-of-Use Asset	Lease Liability	Weighted Average Lease Term in Years	Weighted Average Discount Rate
Operating leases				
Land and building leases	$ 3,540	$ 3,524	16.9	2.99%
Total operating leases	$ 3,540	$ 3,524	16.9	2.99%

Operating lease costs are listed below.

	2021	2020
Operating lease cost	$ 586	$ 728
Short-term lease cost	—	—
Variable lease cost	35	34
Total operating lease cost	$ 621	$ 762

There were no sales and leaseback transactions, leverage leases, lease transactions with related parties or leases that had not yet commenced during the periods ended December 31, 2021 or 2020.

A maturity analysis of operating lease liabilities and reconciliation of the undiscounted cash flows to the total operating lease liability as of December 31, 2021, is listed below.

Lease payments	
Due in one year or less	$ 757
Due after one year through two years	709
Due after two years through three years	547
Due after three years through four years	554
Due after four years through five years	552
Thereafter	3,999
Total undiscounted cash flows	7,118
Discount on cash flows	(1,190)
Total	$ 5,928

NOTE 7 – GOODWILL AND CORE DEPOSIT INTANGIBLES

The assets and liabilities acquired in business combinations are recorded at their estimated fair values at the acquisition date. The excess of the purchase price over the estimated fair value of the net assets for tax free acquisitions is recorded as goodwill, none of which is deductible for tax purposes. The excess of the purchase price over the estimated fair value of the net assets for taxable acquisitions is recorded as goodwill and is deductible for tax purposes.

As of December 31, 2021, management conducted a qualitative evaluation of current economic and COVID-19 conditions, Company performance, stock price and other pertinent factors, finally concluding that no goodwill impairment is warranted at this time.

In 2020, the Company performed an interim quantitative analysis to assess goodwill for impairment of Equity Bancshares, Inc., the sole reporting unit. Consideration was given to the ongoing economic market disruption, the movement of the Company's stock price in relation to other bank indexes and the length of time that the market value of the reporting unit was below its book value as triggering events and completed a quantitative analysis to assess whether or not goodwill was impaired. This analysis determined that goodwill was impaired, and the Company subsequently booked a $104,831 non-cash impairment charge to goodwill on September 30, 2020.

The determination of the September 30, 2020, fair value of the reporting unit incorporated assumptions that marketplace participants would use in their estimates of fair value in a change in control transaction, as prescribed by ASC Topic 820. To arrive at a conclusion of fair value, management utilized both the income approach and the market approach and then applied weighting factors to each approach. Weighting factors represent management's best business judgement of the weightings a market participant would utilize in arriving at fair value of the reporting unit. In performing the analysis, Company management made numerous assumptions with respect to industry performance, reporting unit business performance, economic and market conditions and various other matters, many of which require significant management judgement. Projections related to business unit performance over the next five years assumed an economic downturn over a 12-month time horizon subsequently returning to conservative positive growth rates in loan and deposits after that time period. The analysis performed and the assumptions that were incorporated into the analysis reflect the best currently available estimates and judgements as to the expected future financial performance of the reporting unit at September 30, 2020.

The carrying basis of goodwill and core deposit intangibles as of and for the years ended December 31, 2021 and 2020, were as follows.

	Goodwill	Core Deposit
Balance as of January 1, 2020	$ 136,432	$ 19,907
Impairment	(104,831)	—
Amortization	—	(3,850)
Balance as of December 31, 2020	31,601	16,057
Acquired in acquisition	22,864	2,996
Amortization	—	(4,174)
Balance as of December 31, 2021	$ 54,465	$ 14,879

Estimated core deposit intangibles amortization expense for each of the following five years and thereafter is listed in the following table.

Expensed in one year or less	$	4,002
Expensed after one year through two years		3,099
Expensed after two years through three years		2,565
Expensed after three years through four years		1,945
Expensed after four years through five years		1,355
Thereafter		1,913
Total	$	14,879

NOTE 8 – QUALIFIED AFFORDABLE HOUSING PROJECT INVESTMENTS

The Company invests in qualified affordable housing projects. At December 31, 2021, 2020 and 2019, the balances of the investments in qualified affordable housing projects were $21,658, $7,799 and $8,663. These balances are reflected in the other assets line in the consolidated balance sheets. Total unfunded commitments related to the investments in qualified affordable housing projects totaled $17,692, $5,189 and $5,836 at December 31, 2021, 2020 and 2019. The Company expects to fulfill these commitments during the years 2022 through 2036.

During the years ended December 31, 2021, 2020 and 2019, the Company recognized amortization expense of $1,142, $860 and $522, which was included in pretax income on the consolidated statements of income. Additionally, during the years ended December 31, 2021, 2020 and 2019, the Company recognized tax credits from its investment in affordable housing tax credits of $565, $600 and $636.

NOTE 9 – DERIVATIVE FINANCIAL INSTRUMENTS

Interest Rate Swaps Designated as Fair Value Hedges

The Company periodically enters into interest rate swaps to hedge the fair value of certain commercial real estate loans. These transactions are designated as fair value hedges. In this type of transaction, the Company typically receives from the counterparty a variable-rate cash flow based on the one-month London Interbank Offered Rate (LIBOR) plus a spread to this index and pays a fixed-rate cash flow equal to the customer loan rate. At December 31, 2021, the portfolio of interest rate swaps had a weighted average maturity of 8.8 years, a weighted average pay rate of 4.63% and a weighted average rate received of 3.11%. At December 31, 2020, the portfolio of interest rate swaps had a weighted average maturity of 6.3 years, a weighted average pay rate of 5.19% and a weighted average rate received of 3.21%.

Interest Rate Swaps Designated as Cash Flow Hedges

The Company acquired a swap agreement from ASBI designed to offset interest expense of subordinated debentures. This agreement is designated as a cash flow hedge and is marked to market through other comprehensive income. At December 31, 2021, this interest rate swap had a maturity of 13.7 years, a weighted average pay rate of 2.81% and a weighted average rate received of 1.92%. There were no swaps designated as cash flow hedges at December 31, 2020.

Stand-Alone Derivatives

The Company periodically enters into interest rate swaps with our borrowers and simultaneously enters into swaps with a counterparty with offsetting terms for the purpose of providing our borrowers long-term fixed rate loans. Neither swap is designated as a hedge and both are marked to market through earnings. Through the acquisition of ASBI, the Company obtained swap agreements with counterparties designed to offset the economic impact of fixed-rate loans. These swaps did not have corresponding agreements with the borrowers. At December 31, 2021, this portfolio of interest rate swaps had a weighted average maturity of 8.2 years, weighed average pay rate of 4.35% and a weighted average rate received of 4.16%. At December 31, 2020, this portfolio of interest rate swaps had a weighted average maturity of 6.3 years, a weighted average pay rate of 5.19% and a weighted average rate received of 3.21%.

Reconciliation of Derivative Fair Values and Gains/(Losses)

The notional amount of a derivative contract is a factor in determining periodic interest payments or cash flows received or paid. The notional amount of derivatives serves as a level of involvement in various types of derivatives. The notional amount does not represent the Company's overall exposure to credit or market risk, generally, the exposure is significantly smaller.

The following table shows the notional balances and fair values (including net accrued interest) of the derivatives outstanding by derivative type at December 31, 2021, and December 31, 2020.

	December 31, 2021			December 31, 2020		
	Notional Amount	Derivative Assets	Derivative Liabilities	Notional Amount	Derivative Assets	Derivative Liabilities
Derivatives designated as hedging instruments:						
Interest rate swaps	$ 26,663	$ —	$ 369	$ 5,585	$ —	$ 497
Derivatives designated as cash flow hedges:						
Interest rate swaps	7,500	602	—	—	—	—
Total derivatives designated as hedging relationships	34,163	602	369	5,585	—	497
Derivatives not designated as hedging instruments:						
Interest rate swaps	150,780	4,419	5,184	119,341	7,172	7,820
Total derivatives not designated as hedging instruments	150,780	4,419	5,184	119,341	7,172	7,820
Total	$ 184,943	5,021	5,553	$ 124,926	7,172	8,317
Cash collateral		—	(8,441)		—	(8,440)
Netting adjustments		2,994	2,994		123	123
Net amount presented in balance sheet		$ 8,015	$ 106		$ 7,295	$ —

The following table shows net gains or losses on derivatives and hedging activities for the years ended December 31, 2021, 2020 and 2019.

	2021	2020	2019
Derivatives designated as hedging instruments:			
Interest rate swaps	$ 28	$ —	$ —
Total net gains (losses) related to derivatives designated as hedging instruments	28	—	—
Derivatives designated as cash flow hedges:			
Interest rate swaps	—	—	—
Total net gains (losses) related to derivatives designated as cash flow hedges	—	—	—
Total net gain (loss) related to hedging relationships	28	—	—
Derivatives not designated as hedging instruments:			
Economic hedges:			
Interest rate swaps	757	254	307
Total net gains (losses) related to derivatives not designated as hedging instruments	757	254	307
Net gains (losses) on derivatives and hedging activities	$ 785	$ 254	$ 307

The following table shows the recorded net gains or losses on derivatives and the related hedged items in fair value hedging relationships and the impact of those derivatives on the Company's net interest income for the years ended December 31, 2021, 2020 and 2019.

	December 31, 2021			
	Gain/(Loss) on Derivatives	Gain/(Loss) on Hedged Items	Net Fair Value Hedge Gain/(Loss)	Effect of Derivatives on Net Interest Income
Commercial real estate loans	$ (14)	$ 42	$ 28	$ (156)
Total	$ (14)	$ 42	$ 28	$ (156)

	December 31, 2020			
	Gain/(Loss) on Derivatives	Gain/(Loss) on Hedged Items	Net Fair Value Hedge Gain/(Loss)	Effect of Derivatives on Net Interest Income
Commercial real estate loans	$ 367	$ (367)	$ —	$ (90)
Total	$ 367	$ (367)	$ —	$ (90)

	December 31, 2019			
	Gain/(Loss) on Derivatives	Gain/(Loss) on Hedged Items	Net Fair Value Hedge Gain/(Loss)	Effect of Derivatives on Net Interest Income
Commercial real estate loans	$ (387)	$ 387	$ —	$ 21
Total	$ (387)	$ 387	$ —	$ 21

NOTE 10 – DEPOSITS

Time deposits that met or exceeded the FDIC insurance limit of $250 totaled $233,460 and $170,556 as of December 31, 2021 and 2020.

At December 31, 2021 and 2020, Insured Cash Sweep ("ICS") reciprocal demand deposits of $52,173 and $256,037 were included in the Company's interest bearing deposits. Also included in savings and money market deposits are $308,374 and $23,733 of ICS reciprocal money market deposits. ICS allows Equity Bank to break large deposits into smaller amounts and place them in a network of other ICS banks to ensure FDIC coverage on the entire deposit.

At December 31, 2021 and 2020, Certificate of Deposit Account Registry Services ("CDARS") deposits of $2,969 and $14,857 were included in the Company's time deposit balance. Of the CDARS deposits at December 31, 2021 and 2020, $2,969 and $14,857 were reciprocal customer funds placed in the CDARS program. CDARS allows Equity Bank to break large deposits into smaller amounts and place them in a network of other CDARS banks to ensure that FDIC insurance coverage is gained on the entire deposit. Reciprocal deposits are not considered brokered deposits as long as the aggregate balance is less than the lesser of 20% of total liabilities or $5 billion and Equity Bank is well capitalized and well rated. All non-reciprocal deposits and reciprocal deposits in excess of regulatory limits are considered brokered deposits.

The following table lists reciprocal and brokered deposits included in total deposits categorized by type.

	December 31, 2021	December 31, 2020
Interest Bearing Demand		
Reciprocal	$ 52,173	$ 256,037
Total interest-bearing demand	52,173	256,037
Savings and money market		
Reciprocal	308,374	23,733
Total saving and money market	308,374	23,733
Time		
Reciprocal	2,969	14,857
Non-reciprocal brokered	10,000	—
Total time	12,969	14,857
Total reciprocal and brokered deposits	$ 373,516	$ 294,627

At December 31, 2021, the scheduled maturities of time deposits are as follows.

Due in one year or less	$ 534,149
Due after one year through two years	79,329
Due after two years through three years	18,688
Due after three years through four years	11,191
Due after four years through five years	9,776
Thereafter	465
Total	$ 653,598

NOTE 11 – BORROWINGS

Federal funds purchased and retail repurchase agreements

Federal funds purchased and retail repurchase agreements included the following at December 31, 2021 and 2020.

	2021	2020
Federal funds purchased	$ —	$ —
Retail repurchase agreements	$ 56,006	$ 36,029

Securities sold under agreements to repurchase (retail repurchase agreements) consist of obligations of the Company to other parties. The obligations are secured by residential mortgage-backed securities held by the Company with a fair value of $55,605 and $47,113 at December 31, 2021 and 2020. The agreements are on a day-to-day basis and can be terminated on demand.

The following table presents the borrowing usage and interest rate information for federal funds purchased and retail repurchase agreements at and for the years ended December 31, 2021 and 2020.

	2021	2020
Average daily balance during the period	$ 45,819	$ 45,041
Average interest rate during the period	0.23%	0.23%
Maximum month-end balance during the period	$ 56,006	$ 53,543
Weighted average interest rate at period-end	0.23%	0.22%

Federal Home Loan Bank advances

There were no Federal Home Loan Bank advances as of December 31, 2021, advances as of December 31, 2020, were as follows.

	2020
Federal Home Loan Bank line of credit advances	$ —
Federal Home Loan Bank fixed rate term advances	10,107
Total principal outstanding	10,107
Federal Home Loan Bank fixed rate term advances, fair market value adjustments	37
Total Federal Home Loan Bank advances	$ 10,144

At December 31, 2021, and December 31, 2020, the Company had no funds drawn against its line of credit.

At December 31, 2021 and 2020, the Company had undisbursed advance commitments (letters of credit) with the Federal Home Loan Bank of $17,025 and $91,700. These letters of credit were obtained in lieu of pledging securities to secure public fund deposits that are over the FDIC insurance limit.

The advances, Mortgage Partnership Finance credit enhancement obligations and letters of credit were collateralized by certain qualifying loans of $694,892 and securities of $15,409 for a total of $710,302 at December 31, 2021, and qualifying loans totaling $763,506 at December 31, 2020. Based on this collateral and the Company's holdings of Federal Home Loan Bank stock, the Company was eligible to borrow an additional $691,149 and $661,490 at December 31, 2021 and 2020.

Bank stock loan

The Company entered into an agreement with an unaffiliated financial institution that provided for a maximum borrowing facility of $40,000, secured by the Company's stock in Equity Bank. The loan was renewed and amended on June 30, 2020, with a maturity date of August 15, 2021, and was extended to February 11, 2022. Each draw of funds on the facility will create a separate

note that is repayable over a term of five years. Each note will bear interest at the greater of a variable interest rate equal to the prime rate published in the "Money Rates" section of The Wall Street Journal (or any generally recognized successor), floating daily, or a floor of 3.50%. Accrued interest and principal payments will be due quarterly with one final payment of unpaid principal and interest due at the end of the five-year term of each separate note. The Company is also required to pay an unused commitment fee in an amount equal to 20 basis points per annum on the unused portion of the maximum borrowing facility.

The loan was renewed and amended on February 11, 2022, with a new maturity date of February 11, 2023. With this amendment, the maximum borrowing amount was decreased from $40,000 to $25,000. Each note will bear interest at the greater of a variable interest rate equal to the prime rate published in the "Money Rates" section of The Wall Street Journal (or any generally recognized successor), floating daily, or a floor of 3.25%. The Company is also required to pay an unused commitment fee in an amount equal to 20 basis points per annum on the unused portion of the maximum borrowing facility due on the maturity date of the renewal.

There were no bank stock loan advances as of December 31, 2021, or December 31, 2020.

The terms of the borrowing facility require the Company and Equity Bank to maintain minimum capital ratios and other covenants. For the twelve months ended December 31, 2021, the Company was in compliance within our loan contract and within all other terms of the borrowing facility. For the twelve months ended December 31, 2020, the lender granted the Company a waiver with reference to the return on assets ratio covenant contained within our loan contract. The Company was in compliance with all other terms of the borrowing facility.

NOTE 12 – SUBORDINATED DEBT

The following table lists outstanding subordinated debt as of December 31, 2021 and 2020.

	2021	2020
Subordinated debentures	$ 22,924	$ 14,872
Subordinated notes	72,961	72,812
Total	$ 95,885	$ 87,684

Subordinated debentures

In conjunction with the 2012 acquisition of First Community Bancshares, Inc. (FCB), the Company assumed certain subordinated debentures owed to special purpose unconsolidated subsidiaries that are controlled by the Company, FCB Capital Trust II and FCB Capital Trust III, ("CTII" and "CTIII", respectively).

On March 24, 2005, CTII, an unconsolidated subsidiary of the Company, issued $10,000 of variable rate trust preferred securities, all of which are outstanding at December 31, 2021 and 2020. The trust preferred securities issued by CTII accrue and pay distributions quarterly at three-month LIBOR plus 2.00% (2.12% at December 31, 2021, and 2.24% at December 31, 2020) on the stated liquidation amount of the trust preferred securities. As an integral part of the acquisition of FCB, the Company has guaranteed fully and unconditionally all of the obligations of CTII. The guaranty covers the quarterly distributions and payments on liquidation or redemption of the trust preferred securities. These trust preferred securities are mandatorily redeemable upon maturity on April 15, 2035, or upon earlier redemption. The Company has the right to redeem the trust preferred securities in whole or in part, on or after April 15, 2015, at a redemption price specified in the indenture plus any accrued but unpaid interest to the redemption date. The proceeds from the sale of the trust preferred securities and the issuance of $310 in common securities to FCB were used by CTII to purchase $10,310 of floating rate subordinated debentures of FCB which have the same payment terms as the trust preferred securities.

On March 30, 2007, CTIII, an unconsolidated subsidiary of the Company, issued $5,000 of variable rate trust preferred securities, all of which are outstanding at December 31, 2021 and 2020. The trust preferred securities issued by CTIII accrue and pay distributions quarterly at three-month LIBOR plus 1.89% (2.09% at December 31, 2021, and 2.11% at December 31, 2020) on the stated liquidation amount of the trust preferred securities. As an integral part of the acquisition of FCB, the Company has guaranteed fully and unconditionally all of the obligations of CTIII. The guaranty covers the quarterly distributions and payments on liquidation or redemption of the trust preferred securities. These trust preferred securities are mandatorily redeemable upon maturity on June 15, 2037, or upon earlier redemption. The Company has the right to redeem the trust preferred securities in whole or in part at a redemption price specified in the indenture plus any accrued but unpaid interest to the redemption date. The proceeds from the sale of the trust preferred securities and the issuance of $155 in common securities to FCB were used by CTIII to purchase $5,155 of floating rate subordinated debentures of FCB which have the same payment terms as the trust preferred securities.

In conjunction with the 2016 acquisition of Community First Bancshares, Inc. (CFBI), the Company assumed certain subordinated debentures owed to a special purpose unconsolidated subsidiary, Community First (AR) Statutory Trust I, ("CFSTI"). The trust preferred securities issued by CFSTI accrue and pay distributions quarterly at three-month LIBOR plus 3.25% (3.47% at December 31, 2021, and 3.50% at December 31, 2020) on the stated liquidation amount of the trust preferred securities. These trust preferred securities are mandatorily redeemable upon maturity on December 26, 2032, or upon earlier redemption.

The common securities issued to the Company by the trusts possess sole voting rights with respect to matters involving those entities. The Company has the right to defer the payment of interest on all of its outstanding trust preferred securities. The Company has the right to declare such a deferral for up to 20 consecutive quarterly periods and deferral may only be declared as long as the Company is not then in default under the provisions of the Amended and Restated Trust Agreements. During the deferral period, interest on the indebtedness continues to accrue and the unpaid interest is compounded. As long as the deferral period continues, the Company is prohibited from: (i) declaring or paying any dividend on any of its capital stock, which would include both its common stock and the outstanding preferred stock issued to the Treasury, or (ii) making any payment on any debt security that is ranked equally with or junior to the securities issued by the trust.

As a part of the acquisition of FCB, the Company recorded the debentures at an estimated fair value of $8,270. As part of the acquisition of CFBI, the Company recorded the debentures at an estimated fair value of $4,187. The initial fair value adjustments will be amortized against earnings on a prospective basis.

In conjunction with the 2021 acquisition of ASBI, the Company assumed certain subordinated debentures owed to a special purpose unconsolidated subsidiary, American State Bank Statutory Trust I, ("ASBSTI"). The trust preferred securities issued by ASBSTI accrue and pay distributions quarterly at three-month LIBOR plus 1.80% (2.00% at December 31, 2021) on the stated liquidation amount of the trust preferred securities. These trust preferred securities are mandatorily redeemable upon maturity on September 15, 2035, or upon earlier redemption.

On September 15, 2005, ASBSTI, an unconsolidated subsidiary of the Company, issued $7,500 of variable rate trust preferred securities, all of which are outstanding at December 31, 2021. As an integral part of the acquisition of ASBI, the Company has guaranteed fully and unconditionally all of the obligations of ASBSTI. The guaranty covers the quarterly distributions and payments on liquidation or redemption of the trust preferred securities. These trust preferred securities are mandatorily redeemable upon maturity on September 15, 2035, or upon earlier redemption. The Company has the right to redeem the trust preferred securities in whole or in part at a redemption price specified in the indenture plus any accrued but unpaid interest to the redemption date. The proceeds from the sale of the trust preferred securities and the issuance of $232 in common securities to ASBI were used by ASBSTI to purchase $7,732 of floating rate subordinated debentures of ASBI which have the same payment terms as the trust preferred securities.

At December 31, 2021 and 2020, the contractual balance and the unamortized fair value adjustments were as shown below.

	2021	2020
Contractual balance	$ 28,352	$ 20,620
Unamortized fair value adjustment	(5,428)	(5,748)
Net book value	$ 22,924	$ 14,872

Subordinated debentures are included in Tier 1 capital for purposes of determining the Company's compliance with regulatory capital requirements.

Subordinated notes

On June 29, 2020, the Company entered into Subordinated Note Purchase Agreements with certain qualified institutional buyers and institutional accredited investors pursuant to which the Company issued and sold $42,000 in aggregate principal amount of its 7.00% Fixed-to-Floating Rate Subordinated Notes due 2030. The notes were issued under an Indenture, dated as of June 29, 2020 (the "Indenture"), by and between the Company and UMB Bank, N.A., as trustee. The notes will mature on June 30, 2030. From June 29, 2020, through June 29, 2025, the Company will pay interest on the notes semi-annually in arrears on June 30 and December 30 of each year, commencing on December 30, 2020, at a fixed interest rate of 7.00%. Beginning June 30, 2025, the notes convert to a floating interest rate, to be reset quarterly, equal to the then-current Three-Month Term SOFR, as defined in the Indenture, plus 688 basis points. Interest payments during the floating-rate period will be paid quarterly in arrears on March 30, June 30, September 30 and December 30 of each year, commencing on September 30, 2025. On July 23, 2020, the Company closed on an additional $33,000 of subordinated notes with the same terms as the June 29, 2020, issue.

Subordinated notes as of December 31, 2021, are listed below.

	December 31, 2021	Weighted Average Rate	Weighted Average Term in Years
Subordinated notes	$ 75,000	7.00%	8.5
Total principal outstanding	75,000		
Debt issuance cost	(2,039)		
Total subordinated notes	$ 72,961		

Subordinated notes are included in Tier 2 capital for purposes of determining the Company's compliance with regulatory capital requirements.

Future principal repayments

Future principal repayments of the December 31, 2021, outstanding balances for all borrowings are as follows.

	Retail Repurchase Agreements	FHLB Advances	Subordinated Debentures	Subordinated Notes	Total
Due in one year or less	$ 56,006	$ —	$ —	$ —	$ 56,006
Due after one year through two years	—	—	—	—	—
Due after two years through three years	—	—	—	—	—
Due after three years through four years	—	—	—	—	—
Due after four years through five years	—	—	—	—	—
Thereafter	—	—	28,352	75,000	103,352
Total	$ 56,006	$ —	$ 28,352	$ 75,000	$ 159,358

NOTE 13 – CONTRACTUAL OBLIGATIONS

At December 31, 2021 and 2020, the Company had contractual obligations of $17,692 and $5,189. Contractual obligations represent commitments made by the Company to make capital investments in limited-liability entities that invest in qualified affordable housing projects. The Company expects to fulfill these commitments during the years 2022 through 2036.

NOTE 14 – STOCKHOLDERS' EQUITY

Preferred Stock

The Company's articles of incorporation provide for the issuance of shares of preferred stock. There were no shares of preferred stock outstanding at December 31, 2021, 2020 or 2019.

Common stock

The Company's articles of incorporation provide for the issuance of 45,000,000 shares of Class A voting common stock ("Class A common stock") and 5,000,000 shares of Class B non-voting common stock ("Class B common stock"), both of which have a par value of $0.01 per share. At December 31, 2021 and 2020, the following table presents shares that were issued and were held in treasury or were outstanding.

	2021	2020
Class A common stock – issued	20,077,059	17,224,830
Class A common stock – held in treasury	(3,316,944)	(2,684,274)
Class A common stock – outstanding	16,760,115	14,540,556
Class B common stock – issued	234,903	234,903
Class B common stock – held in treasury	(234,903)	(234,903)
Class B common stock – outstanding	—	—

Treasury stock is stated at cost, determined by the first-in, first-out method.

On April 18, 2019, the Company's Board of Directors authorized the repurchase of up to 1,100,000 shares of the Company's outstanding common stock, from time to time, beginning April 29, 2019, and concluding October 30, 2020. The repurchase program did not obligate the Company to acquire a specific dollar amount or number of shares and it could be extended, modified or

discontinued at any time without notice. Under this program, during the years ended December 31, 2020 and 2019, the Company repurchased a total of 1,100,000 shares of the Company's outstanding common stock at an average price paid of $21.54 per share.

In September of 2020, the Company's Board of Directors authorized an additional repurchase of up to 800,000 shares of the Company's outstanding common stock, from time to time, beginning October 30, 2020, and concluding October 29, 2021. The repurchase program does not obligate the Company to acquire a specific dollar amount or number of shares and it could be extended, modified or discontinued at any time without notice. Under this program, during the years ended December 31, 2021 and 2020, the Company repurchased a total of 679,557 shares of the Company's outstanding common stock at an average price paid of $24.12 per share.

In September of 2021, the Company's Board of Directors authorized an additional repurchase of up to 1,000,000 shares of the Company's outstanding common stock, from time to time, beginning October 29, 2021, and concluding October 28, 2022. The repurchase program does not obligate the Company to acquire a specific dollar amount or number of shares and it could be extended, modified or discontinued at any time without notice. Under this program, during the year ended December 31, 2021, the company repurchased a total of 132,873 shares of the Company's outstanding common stock at an average price paid of $32.99 per share.

Restricted stock unit plan termination loans

In connection with termination of the Company's restricted stock unit plan ("RSUP"), 203,216 shares of Class A common stock were issued in May 2015 to employees with vested restricted stock units. Additional paid-in capital includes $224 of tax benefits in excess of those previously provided in connection with stock compensation expense. Also, in connection with the termination of the RSUP, the Company agreed to loan electing participants an amount equal to each participant's federal and state income tax withholding obligation associated with the stock issuance. These loans, totaling $43 at December 31, 2020, were collateralized by the shares received with an extended maturity date of March 31, 2021, and an interest rate of 1.60%. These were paid in full in the first quarter of 2021.

Accumulated other comprehensive income (loss)

For the years ended December 31, 2020 and 2019, accumulated other comprehensive income consisted of (i) the after-tax effect of unrealized gains (losses) on available-for-sale securities and (ii) the after-tax effect of unamortized unrealized gains (losses) on securities transferred from the available-for-sale designation to the held-to-maturity designation and unrealized gains (losses) on cash flow hedges. During 2021, 2020 and 2019, there were $368, $0 and $0 of gains reclassified from accumulated other comprehensive income to net gains on sales of and settlement of securities within the consolidated statements of income. During 2020 and 2019, there was $509 and $903 of accretion reclassified from accumulated other comprehensive income to taxable interest income on securities within the consolidated statements of income.

Components of accumulated other comprehensive income as of December 31, 2021 and 2020, were as follows.

	Available -for-Sale Securities	Cash Flow Hedges	Accumulated Other Comprehensive Income
December 31, 2021			
Net unrealized or unamortized gains (losses)	$ 2,426	$ (58)	$ 2,368
Tax effect	(606)	14	$ (592)
	$ 1,820	$ (44)	$ 1,776
December 31, 2020			
Net unrealized or unamortized gains (losses)	$ 26,426	$ —	$ 26,426
Tax effect	(6,645)	—	(6,645)
	$ 19,781	$ —	$ 19,781

NOTE 15 – INCOME TAXES

Income tax expense for the year ended December 31, 2021, 2020, and 2019 is listed in the following table

	2021	2020	2019
Current income tax expense			
Federal	$ 7,614	$ 9,054	$ 4,066
State	2,750	2,435	1,649
Total current income tax expense	10,364	11,489	5,715
Deferred income tax expense			
Federal	1,009	(8,770)	1,444
State	583	(2,319)	119
Total deferred income tax expense	1,592	(11,089)	1,563
Total income tax expense	$ 11,956	$ 400	$ 7,278

A reconciliation of income tax expense at the U.S. federal statutory rate (21% in 2021, 2020 and 2019) to the Company's actual income tax expense for the year ended December 31, 2021, 2020, and 2019 is shown below.

	2021	2020	2019
Computed at the statutory rate	$ 13,532	$ (15,660)	$ 6,900
Increase (decrease) resulting from:			
State and local taxes, net of federal benefit	2,333	407	1,422
Tax-exempt interest	(597)	(766)	(885)
Non-taxable life insurance income	(736)	(408)	(419)
Non-deductible expenses	409	183	353
Share-based payments	(480)	77	18
Federal tax credits	(2,754)	(600)	(636)
Non-deductible goodwill	—	17,584	—
Bargain purchase gain	(123)	(450)	—
Change in valuation allowance	379	164	396
Other	(176)	(131)	129
Non-deductible transactions costs	169	—	—
Income tax expense	$ 11,956	$ 400	$ 7,278

The increase in the income tax benefit related to federal tax credits was primarily driven by the impact of environmental, social and governance ("ESG") investments in renewable energy. The benefits of these investments primarily consist of tax credits.

Components of deferred tax assets and liabilities at December 31, 2021 and 2020 are shown in the table below.

	2021	2020
Deferred tax assets		
Allowance for loan losses	$ 12,514	$ 8,376
Tax credit carryforwards	810	897
Goodwill amortization	2,996	3,102
Accrued compensation	2,583	2,159
Net operating loss and attribute carryforwards	1,907	1,189
Other real estate owned	508	708
Acquired loans fair market value adjustments	72	1,897
Deferred revenue	566	—
Other	1,389	1,342
Gross deferred tax assets	23,345	19,670
Deferred tax liabilities		
Assumed debt fair market value adjustments	1,348	1,389
Depreciation	5,148	4,491
Federal Home Loan Bank stock dividends	219	445
Acquisition related basis adjustment	—	938
Net unrealized or unamortized gains (losses) on securities	590	6,646
Core deposit intangibles	2,330	2,757
Other	493	377
Gross deferred tax liabilities	10,128	17,043
Valuation allowance	(2,348)	(1,479)
Net deferred tax asset (liability)	$ 10,869	$ 1,148

Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax basis and are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered. Federal net operating losses acquired through previous acquisitions were fully utilized at December 31, 2020. Acquired federal tax credits totaling $810 at December 31, 2021, will expire between 2029 and 2034. The utilization of these tax credit carryforwards is not expected to be limited by Internal Revenue Code ("IRC") sections 382 and 383.

The Company and its subsidiaries are subject to U.S. federal income tax as well as state income taxes in multiple jurisdictions. Commercial banks are not allowed to file consolidated Kansas returns with non-bank consolidated group members. The state of Kansas allows net operating losses incurred for tax years beginning after December 31, 2017, to be carried forward indefinitely while those generated prior to this can be carried forward ten years. The Company has unused Kansas net operating loss carryforwards of approximately $37,728 generated through operations and $19,902 acquired through acquisitions. These net operating losses have a valuation allowance of $37,728 and $19,902, respectively, recorded against them and expire between 2022 and 2027 for those incurred for tax years beginning before December 31, 2017, with the remaining carried forward indefinitely. In connection with a 2015 acquisition, the Company acquired Kansas net operating losses useable against Kansas bank income. At December 31, 2021, the Kansas net operating loss carryforward useable against Kansas bank income totaled $1,638 with expiration dates between 2022 and 2024. The utilization of this acquired Kansas net operating loss carryforward is expected to be limited and a valuation allowance has been recorded against the portion which is expected to expire unused. In establishing a valuation allowance, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. Based on this analysis, certain deferred tax assets have a valuation allowance recorded against them resulting in a zero carrying value. The Company is generally no longer subject to U.S. federal, state and local tax examinations for years before 2018. At December 31, 2021, there were no examinations in any jurisdiction.

NOTE 16 – REGULATORY MATTERS

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The final rules implementing the Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Company on January 1, 2015, with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in January 1, 2019. The Basel III rules also require banks to maintain a Common Equity Tier 1 capital

ratio of 6.5%, a total Tier 1 capital ratio of 8%, a total capital ratio of 10% and a leverage ratio of 5% to be deemed “well capitalized” for purposes of certain rules and prompt corrective action requirements. The risk-based ratios include a “capital conservation buffer” of 2.5%. The new capital conservation buffer requirement was to be phased in beginning January 2016 at 0.625% of risk-weighted assets and increased by that amount each year until fully implemented January 2019. An institution is subject to limitations on certain activities, including payment of dividends, share repurchases and discretionary bonuses to executive officers, if its capital level is below the buffer amount. Management believes as of December 31, 2021, the Company and Bank meet all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as are asset growth and acquisitions and capital restoration plans are required.

As of December 31, 2021, the most recent notifications from the federal regulatory agencies categorized Equity Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, Equity Bank must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed Equity Bank’s category.

The Company’s and Equity Bank’s capital amounts and ratios at December 31, 2021 and 2020, are presented in the tables below. Ratios provided for Equity Bancshares, Inc. represent the ratios of the Company on a consolidated basis.

	Actual		**Minimum Required for Capital Adequacy Under Basel III**		**To Be Well Capitalized Under Prompt Corrective Provisions**	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
<u>December 31, 2021</u>						
Total capital to risk weighted assets						
Equity Bancshares, Inc.	$571,514	15.96%	$376,013	10.50%	$ N/A	N/A
Equity Bank	546,503	15.28%	375,646	10.50%	357,758	10.00%
Tier 1 capital to risk weighted assets						
Equity Bancshares, Inc.	453,718	12.67%	304,391	8.50%	N/A	N/A
Equity Bank	501,711	14.02%	304,094	8.50%	286,206	8.00%
Common equity Tier 1 capital to risk weighted assets						
Equity Bancshares, Inc.	430,794	12.03%	250,675	7.00%	N/A	N/A
Equity Bank	501,711	14.02%	250,430	7.00%	232,543	6.50%
Tier 1 leverage to average assets						
Equity Bancshares, Inc.	453,718	9.09%	199,563	4.00%	N/A	N/A
Equity Bank	501,711	10.07%	199,381	4.00%	249,226	5.00%

	Actual		Minimum Required for Capital Adequacy Under Basel III		To Be Well Capitalized Under Prompt Corrective Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2020						
Total capital to risk weighted assets						
Equity Bancshares, Inc.	$462,865	17.35%	$280,072	10.50%	$ N/A	N/A
Equity Bank	418,992	15.73%	279,646	10.50%	266,329	10.00%
Tier 1 capital to risk weighted assets						
Equity Bancshares, Inc.	356,707	13.37%	226,725	8.50%	N/A	N/A
Equity Bank	385,696	14.48%	226,380	8.50%	213,064	8.00%
Common equity Tier 1 capital to risk weighted assets						
Equity Bancshares, Inc.	341,835	12.82%	186,714	7.00%	N/A	N/A
Equity Bank	385,696	14.48%	186,431	7.00%	173,114	6.50%
Tier 1 leverage to average assets						
Equity Bancshares, Inc.	356,707	9.30%	153,490	4.00%	N/A	N/A
Equity Bank	385,696	10.07%	153,276	4.00%	191,595	5.00%

Equity Bank is subject to certain restrictions on the amount of dividends that it may declare without prior regulatory approval.

NOTE 17 – RELATED PARTY TRANSACTIONS

At December 31, 2021 and 2020, the Company had loans outstanding to executive officers, directors, significant stockholders and their affiliates (related parties) in the amount of $12,358 and $1,978. Changes during 2021 are listed below.

	2021
Balance at January 1, 2021	$ 1,978
New loans/advances	14,655
Repayments	(4,275)
Balance at December 31, 2021	$ 12,358

At December 31, 2021 and 2020, the Company had deposits from executive officers, directors, significant stockholders and their affiliates (related parties) in the amount of $20,936 and $6,108.

NOTE 18 – EMPLOYEE BENEFITS

The Company has a defined contribution profit sharing plan and a retirement savings 401(k) plan covering substantially all employees. Employees may contribute up to IRS maximum contribution limit. Contributions to the profit-sharing plan and 401(k) plan are discretionary and are determined annually by the Board of Directors. Employer contributions charged to expense for 2021, 2020 and 2019 were $1,140, $1,023 and $826.

As a result of the acquisition of First Independence, the Company assumed the obligations related to First Independence's participation in the Pentegra Defined Benefit Plan for Financial Institutions, a tax-qualified defined benefit pension plan. The Pentegra Defined Benefit Plan is treated as a multi-employer plan for accounting purposes but operates as a multiple-employer plan under the Employee Retirement Income Security Act of 1974 (ERISA) and the Internal Revenue Code. As a result, certain multi-employer plan disclosures are not applicable to the Pentegra Defined Benefit Plan. Under the Pentegra Defined Benefit Plan, contributions made by a participating employer may be used to provide benefits to employees of other participating employers because assets contributed by an employer are not segregated in a separate account or restricted to provide benefits only to employees of that employer. Also, in the event a participating employer is unable to meet its contribution requirements, the required contributions for the other participating employers could increase proportionately.

The Pentegra Defined Benefit Plan covered substantially all officers and employees of First Independence who began employment prior to December 31, 2009, with 54 participants retaining benefits under the plan.

The Pentegra Defined Benefit Plan operates on a fiscal year from July 1 through June 30 and files one Form 5500 on behalf of all employers who participate in the plan. The Employer Identification Number is 13-5645888 and the three-digit plan number is 333. There are no collective bargaining agreements in place at the Company.

The Pentegra Defined Benefit Plan's annual valuation process includes calculating the plan's funded status and separately calculating the funded status of each participating employer. The funded status is defined as the market value of assets divided by the funding target (100 percent of the present value of all benefit liabilities accrued at that date). As permitted by ERISA, the Pentegra Defined Benefit Plan accepts contributions for the prior plan year up to eight and a half months after the asset valuation date. As a result, the fair value of assets at the valuation date (July 1) will increase by any subsequent contributions designated for the immediately preceding plan year ended June 30. The most recent Form 5500 available for the Pentegra Defined Benefit Plan is for the year ended June 30, 2019.

The following table presents the net pension cost and funded status of the Company relating to the Pentegra Defined Benefit Plan since the date of acquisition (dollar amounts in thousands).

	2021	2020
Net pension cost charged to salaries and employee benefits	$ 168	$ 158
Pentegra defined benefit plan funded status as of July 1	129.62%	108.20%
Plan's funded status as of July 1	101.26%	90.55%
Contributions paid to the plan	$ 150	$ 144

The Company's contributions to the Pentegra Defined Benefit Plan were less than 5.00% of the total contributions to the Pentegra Defined Benefit plan for the plan year ended June 30, 2019.

NOTE 19 – SHARE-BASED PAYMENTS

The Company's Amended and Restated 2013 Stock Incentive Plan (the Plan) reserved 1,500,000 shares for the grant of non-qualified stock options, restricted stock units, restricted stock and unrestricted stock to its employees and directors. The Plan replaced the 2006 Non-qualified Stock Option Plan (2006 Plan). Under the 2006 Plan, there were 0 and 150,000 fully vested and exercisable options outstanding at December 31, 2021 and 2020. No new grants of options may be made under the 2006 Plan. The Company believes that stock-based awards better align the interests of its employees with those of its stockholders. Under the Company's 2021 and 2020 director compensation policy, the directors receive a portion of their compensation in stock. For the years ended December 31, 2021 and 2020, the Company recognized expense of $285 and $260 and issued 10,242 and 17,703 shares. At December 31, 2021, there were 391,101 shares available for equity awards under the Plan.

Stock Option Awards: Options granted to directors and employees under the Plan vest depending on the passage of time or the achievement of performance targets, depending on the terms of the underlying grant.

The following tables summarize stock option activity for the years ended December 31, 2021 and 2020.

December 31, 2021	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at beginning of year	751,333	$ 22.89	5	$ 2,790
Granted	4,163	22.08	10	—
Exercised	(247,895)	15.52	2	—
Forfeited or expired	(28,760)	33.13	7	—
Outstanding at end of year	478,841	$ 26.08	5	$ 3,889
Fully vested and expected to vest	478,841	$ 26.08	5	$ 3,889
Exercisable at end of year	437,801	$ 25.49	5	$ 3,806

December 31, 2020	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at beginning of year	785,758	$ 23.17	6	$ 6,896
Exercised	(1,150)	17.43	4	—
Forfeited or expired	(33,275)	29.66	6	—
Outstanding at end of year	751,333	$ 22.89	5	$ 2,790
Fully vested and expected to vest	751,333	$ 22.89	5	$ 2,790
Exercisable at end of year	647,861	$ 21.22	4	$ 2,790

There were no stock options granted during the year ended December 31, 2020. The fair values of stock options granted during the years ended December 31, 2021 and 2019, were estimated to be $5.85 per share and $7.10 per share. The fair value of each option award is estimated on the date of grant using a closed form option valuation (Black-Scholes) model. Expected stock price volatility is based on the historical volatility of the SNL Bank Index. The expected term of options granted is based on the Simplified Method. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

The fair values of options granted were determined using the following weighted-average assumptions as of grant dates.

	2021	2019
Risk free rate	0.62%	2.52%
Market value of stock on grant date	$ 22.08	$ 32.43
Expected term (in years)	6.0	5.8
Expected volatility	26.13%	15.71%
Dividend rate	—%	—%

Compensation expense for stock options is recognized as the options vest. Total stock option compensation cost that has been charged against income was $201, $464, and $520 for 2021, 2020 and 2019. The total income tax benefit was $51, $117 and $131. At December 31, 2021, there was $109 thousand of unrecognized compensation expense related to non-vested stock options granted under the Plan. Unrecognized compensation expense at December 31, 2021, will be recognized over a remaining weighted average period of 4.7 years.

Restricted Stock Unit Awards: Restricted stock units (RSUs) granted to employees under the Plan represent the right to receive one share of Company stock upon vesting, in accordance with the vesting schedule provided in each award agreement. To the extent vested, the RSUs become Class A voting common stock within ten calendar days of the vesting date. Non-vested RSUs have no voting rights and are not considered outstanding until vesting. The fair value of the RSUs is determined by the closing price of the Company's stock on the date of grant.

A summary of changes in the Company's non-vested RSUs is shown below.

Non-vested Restricted Stock Units	Shares	Weighted Average Grant Date Fair Value
Non-vested RSUs at January 1, 2021	261,078	$ 30.39
Granted	169,696	22.58
Vested	(74,454)	32.56
Forfeited	(68,583)	30.75
Outstanding at December 31, 2021	287,737	$ 25.13

Non-vested Restricted Stock Units	Shares	Weighted Average Grant Date Fair Value
Non-vested RSUs at January 1, 2020	187,450	$ 34.56
Granted	126,827	25.38
Vested	(34,891)	34.36
Forfeited	(18,308)	30.58
Outstanding at December 31, 2020	261,078	$ 30.39

Compensation expense is recognized over the vesting period of the award based on the fair value of RSU awards at the grant date. The Company recognized share-based compensation attributable to RSUs of $2,285, $2,650 and $1,991 for the years ended December 31, 2021, 2020 and 2019. The total income tax benefit was $575, $667 and $501 for the same time periods. Unrecognized RSU compensation expense of $4.5 million at December 31, 2021, will be recognized over a remaining weighted average period of 2.4 years.

Employee Stock Purchase Plan:

On January 27, 2019, the Company's Board of Directors adopted the Equity Bancshares, Inc. 2019 Employee Stock Purchase Plan ("ESPP") and reserved 500,000 shares of common stock for issuance. The ESPP was approved by the Company's stockholders on April 24, 2019. The ESPP enables eligible employees to purchase the Company's common stock at a price per share equal to 85% of the lower of the fair market value of the common stock at the beginning or end of each offering period. The following table presents the offering periods and costs associated with this program.

Offering Period	Shares Purchased	Cost Per Share	Compensation Expense
February 15, 2019 to August 14, 2019	19,221	$ 21.07	$ 72
August 15, 2019 to February 14, 2020	16,764	21.11	63
February 15, 2020 to August 14, 2020	17,829	13.61	43
August 15, 2020 to February 14, 2021	17,621	13.68	42
February 15, 2021 to August 14, 2021	16,034	20.50	58

NOTE 20 – EARNINGS PER SHARE

Earnings per share were computed as shown below.

	2021	2020	2019
Basic:			
Net income allocable to common stockholders	$ 52,480	$ (74,970)	$ 25,579
Weighted average common shares outstanding	15,016,725	15,097,726	15,618,690
Weighted average vested restricted stock units	2,496	786	1,201
Weighted average shares	15,019,221	15,098,512	15,619,891
Basic earnings per common share	$ 3.49	$ (4.97)	$ 1.64
Diluted:			
Net income allocable to common stockholders	$ 52,480	$ (74,970)	$ 25,579
Weighted average common shares outstanding for:			
Basic earnings per common share	15,019,221	15,098,512	15,619,891
Dilutive effects of the assumed exercise of stock options	164,704	—	201,409
Dilutive effects of the assumed redemption of RSUs	120,622	—	21,839
Dilutive effects of the assumed exercise of Employee Stock Purchase Plan	1,884	—	—
Average shares and dilutive potential common shares	15,306,431	15,098,512	15,843,139
Diluted earnings per common share	$ 3.43	$ (4.97)	$ 1.61

Dilutive shares not included above due to the net loss in the period.

	2021	2020	2019
Dilutive effects of the assumed exercise of stock options	—	98,943	—
Dilutive effects of the assumed vesting of restricted stock units	—	37,677	—
Dilutive effects of the assumed exercise of ESPP purchases	—	3,367	—
Total dilutive shares	—	139,987	—

Average outstanding stock options and RSUs not included in the computation of diluted earnings (loss) because they were antidilutive are shown below.

	2021	2020	2019
Stock options	55,872	309,951	308,933
Restricted stock units	451	135,155	2,027
Total antidilutive shares	56,323	445,106	310,960

NOTE 21 – FAIR VALUE

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to disclose the fair value of its financial instruments. Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. For disclosure purposes, the Company groups its financial and non-financial assets and liabilities into three different levels based on the nature of the instrument and the availability and reliability of the information that is used to determine fair value. The three levels of inputs that may be used to measure fair values are defined as follows.

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other 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.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Level 1 inputs are considered to be the most transparent and reliable. The Company assumes the use of the principal market to conduct a transaction of each particular asset or liability being measured and then considers the assumptions that market participants would use when pricing the asset or liability. Whenever possible, the Company first looks for quoted prices for identical assets or liabilities in active markets (Level 1 inputs) to value each asset or liability. However, when inputs from identical assets or liabilities on active markets are not available, the Company utilizes market observable data for similar assets and liabilities. The Company maximizes the use of observable inputs and limits the use of unobservable inputs to occasions when observable inputs are not available. The need to use unobservable inputs generally results from the lack of market liquidity of the actual financial instrument or of the underlying collateral. Although, in some instances, third party price indications may be available, limited trading activity can challenge the implied value of those quotations.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of each instrument under the hierarchy.

Fair Value of Assets and Liabilities Measured on a Recurring Basis

The fair values of available-for-sale securities are carried at fair value on a recurring basis. To the extent possible, observable quoted prices in an active market are used to determine fair value and, as such, these securities are classified as Level 1. For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities, generally determined by matrix pricing, which is a mathematical technique widely used in the industry to value securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). The Company's available-for-sale securities include residential mortgage-backed securities (all of which are issued or guaranteed by government sponsored agencies) and are classified as Level 2.

The fair values of derivatives are determined based on a valuation pricing model using readily available observable market parameters such as interest rate yield curves (Level 2 inputs) adjusted for credit risk attributable to the seller of the derivative.

Assets and liabilities measured at fair value on a recurring basis are summarized below.

	December 31, 2021		
	Level 1	Level 2	Level 3
Assets:			
Available-for-sale securities:			
U.S. Government-sponsored entities	$ —	$ 123,407	$ —
U.S. Treasury securities	155,602	—	—
Mortgage backed securities			
Government-sponsored residential mortgage backed securities	—	664,887	—
Private label residential mortgage backed securities	—	171,688	—
Corporate	—	53,777	—
Small Business Administration loan pools	—	16,475	—
State and political subdivisions	—	141,606	—
Derivative assets:			
Derivative assets (included in other assets)	—	5,021	—
Cash collateral held by counterparty and netting adjustments	2,994	—	—
Total derivative assets	2,994	5,021	—
Other assets:			
Equity securities with readily determinable fair value	644	—	—
Total other assets	644	—	—
Total assets	$ 159,240	$ 1,176,861	$ —
Liabilities:			
Derivative liabilities:			
Derivative liabilities (included in other liabilities)	$ —	$ 5,553	$ —
Cash collateral held by counterparty and netting adjustments	(5,447)	—	—
Total derivative liabilities	(5,447)	5,553	—
Total liabilities	$ (5,447)	$ 5,553	$ —

	December 31, 2020		
	Level 1	Level 2	Level 3
Assets:			
Available-for-sale securities:			
U.S. Government-sponsored entities	$ —	$ 1,023	$ —
U.S. Treasury securities	—	4,025	—
Mortgage backed securities			
Government-sponsored residential mortgage backed securities	—	651,425	—
Private label residential mortgage backed securities	—	44,178	—
Corporate	—	53,650	—
Small Business Administration loan pools	—	1,270	—
State and political subdivisions	—	116,256	—
Derivative assets:			
Derivative assets (included in other assets)	—	7,172	—
Cash collateral held by counterparty and netting adjustments	123	—	—
Total derivative assets	123	7,172	—
Other assets:			
Equity securities with readily determinable fair value	506	—	—
Total other assets	506	—	—
Total assets	$ 629	$ 878,999	$ —
Liabilities:			
Derivative liabilities:			
Derivative liabilities (included in other liabilities)	$ —	$ 8,317	$ —
Cash collateral held by counterparty and netting adjustments	(8,317)	—	—
Total derivative liabilities	(8,317)	8,317	—
Total liabilities	$ (8,317)	$ 8,317	$ —

There were no transfers between Levels during 2021 or 2020. The Company's policy is to recognize transfers into or out of a level as of the end of a reporting period.

Fair Value of Assets and Liabilities Measured on a Non-recurring Basis

Certain assets are measured at fair value on a non-recurring basis when there is evidence of impairment. The fair values of impaired loans with specific allocations of the allowance for credit losses are generally based on recent real estate appraisals of the collateral. Declines in the fair values of other real estate owned, subsequent to their initial acquisitions, are also based on recent real estate appraisals less selling costs.

Real estate appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value.

Assets measured at fair value on a non-recurring basis are summarized below.

	December 31, 2021		
	Level 1	Level 2	Level 3
Loans individually evaluated for credit losses:			
Commercial real estate	$ —	$ —	$ 5,201
Commercial and industrial	—	—	2,793
Residential real estate	—	—	3,758
Agricultural real estate	—	—	2,101
Other	—	—	4,068
Other real estate owned:			
Commercial real estate	—	—	2,043
Residential real estate	—	—	191

	December 31, 2020		
	Level 1	Level 2	Level 3
Impaired loans:			
Commercial real estate	$ —	$ —	$ 3,359
Commercial and industrial	—	—	16,343
Residential real estate	—	—	2,165
Agricultural real estate	—	—	2,383
Other	—	—	852
Other real estate owned:			
Commercial real estate	—	—	3,882
Residential real estate	—	—	469

The Company did not record any liabilities for which the fair value was measured on a non-recurring basis during the years ended December 31, 2021 and 2020.

Valuations of impaired loans and other real estate owned utilize third party appraisals or broker price opinions and are classified as Level 3 due to the significant judgment involved. Appraisals may include the utilization of unobservable inputs, subjective factors and utilize quantitative data to estimate fair market value.

The following table presents additional information about the unobservable inputs used in the fair value measurement of financial assets measured on a nonrecurring basis that were categorized with Level 3 of the fair value hierarchy.

	Fair Value	Valuation Technique	Unobservable Input	Range (weighted average)
December 31, 2021				
Impaired real estate loans	$ 17,921	Sales Comparison Approach	Adjustments for differences between comparable sales	5% - 31% (18%)
Impaired other real estate owned	$ 2,234	Sales Comparison Approach	Adjustments for differences between comparable sales	3% - 20% (12%)
December 31, 2020				
Impaired real estate loans	$ 13,443	Sales Comparison Approach	Adjustments for differences between comparable sales	2% - 22% (12%)
Impaired other loans	$ 11,659	Multiple of Earnings	Multiples of earnings for comparable entities	4.5X - 5.5X (5.0X)
Impaired other real estate owned	$ 4,351	Sales Comparison Approach	Adjustments for differences between comparable sales	16% - 42% (29%)

Carrying amounts and estimated fair values of financial instruments at year end were as follows as of the date indicated.

	December 31, 2021				
	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$ 259,954	$ 259,954	$ 259,954	$ —	$ —
Interest-bearing deposits	—	—	—	—	—
Available-for-sale securities	1,327,442	1,327,442	155,601	1,171,841	—
Loans held for sale	4,214	4,214	—	4,214	—
Loans, net of allowance for credit losses	3,107,262	3,100,232	—	—	3,100,232
Federal Reserve Bank and Federal Home Loan Bank stock	17,510	17,510	—	17,510	—
Interest receivable	18,048	18,048	—	18,048	—
Derivative assets	5,021	5,021	—	5,021	—
Cash collateral held by derivative counterparty and netting adjustments	2,994	2,994	2,994	—	—
Total derivative assets	8,015	8,015	2,994	5,021	—
Equity securities with readily determinable fair value	644	644	644	—	—
Total assets	$ 4,743,089	$ 4,736,059	$ 419,193	$ 1,216,634	$ 3,100,232
Financial liabilities:					
Deposits	$ 4,420,004	$ 4,421,441	$ —	$ 4,421,441	$ —
Federal funds purchased and retail repurchase agreements	56,006	56,006	—	56,006	—
Federal Home Loan Bank advances	—	—	—	—	—
Subordinated debentures	22,924	22,924	—	22,924	—
Subordinated notes	72,961	80,880	—	80,880	—
Contractual obligations	17,692	17,692	—	17,692	—
Interest payable	3,187	3,187	—	3,187	—
Derivative liabilities	5,553	5,553	—	5,553	—
Cash collateral held by derivative counterparty and netting adjustments	(5,447)	(5,447)	(5,447)	—	—
Total derivative liabilities	106	106	(5,447)	5,553	—
Total liabilities	$ 4,592,880	$ 4,602,236	$ (5,447)	$ 4,607,683	$ —

	December 31, 2020				
	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$ 280,698	$ 280,698	$ 280,698	$ —	$ —
Interest-bearing deposits	249	249	—	249	—
Available-for-sale securities	871,827	871,827	—	871,827	—
Loans held for sale	12,394	12,394	—	12,394	—
Loans, net of allowance for loan losses	2,557,987	2,430,325	—	—	2,430,325
Federal Reserve Bank and Federal Home Loan Bank stock	16,415	16,415	—	16,415	—
Interest receivable	15,831	15,831	—	15,831	—
Derivative assets	7,172	7,172	—	7,172	—
Cash collateral held by derivative counterparty and netting adjustments	123	123	123	—	—
Total derivative assets	7,295	7,295	123	7,172	—
Equity securities with readily determinable fair value	506	506	506	—	—
Total assets	$ 3,763,202	$ 3,635,540	$ 281,327	$ 923,888	$ 2,430,325
Financial liabilities:					
Deposits	$ 3,447,590	$ 3,451,366	$ —	$ 3,451,366	$ —
Federal funds purchased and retail repurchase agreements	36,029	36,029	—	36,029	—
Federal Home Loan Bank advances	10,144	10,656	—	10,656	—
Subordinated debentures	14,872	14,872	—	14,872	—
Subordinated notes	72,812	80,448	—	80,448	—
Contractual obligations	5,189	5,189	—	5,189	—
Interest payable	1,231	1,231	—	1,231	—
Derivative liabilities	8,317	8,317	—	8,317	—
Cash collateral held by derivative counterparty and netting adjustments	(8,317)	(8,317)	(8,317)	—	—
Total derivative liabilities	—	—	(8,317)	8,317	—
Total liabilities	$ 3,587,867	$ 3,599,791	$ (8,317)	$ 3,608,108	$ —

The fair value of off-balance-sheet items is not considered material.

NOTE 22 – COMMITMENTS AND CREDIT RISK

The Company extends credit for commercial real estate mortgages, residential mortgages, working capital financing and loans to businesses and consumers.

Commitments to Originate Loans and Available Lines of Credit

Commitments to originate loans and available lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments and lines of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a portion of the commitments and lines of credit may expire without being drawn upon, the total commitment and lines of credit amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, commercial real estate, and residential real estate. Mortgage loans in the process of origination represent amounts that the Company plans to fund within a normal period of 60 to 90 days and are intended for sale to investors in the secondary market.

The contractual amounts of commitments to originate loans and available lines of credit as of December 31, 2021 and 2020 were as follows.

	December 31, 2021		December 31, 2020	
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Commitments to make loans	$ 101,923	$ 173,976	$ 50,123	$ 129,860
Mortgage loans in the process of origination	7,404	2,353	13,826	1,713
Unused lines of credit	106,291	317,249	120,720	226,731

At December 31, 2021, the fixed rate loan commitments have interest rates ranging from 2.49% to 18% and maturities ranging from 1 month to 371 months.

Standby Letters of Credit:

Standby letters of credit are irrevocable commitments issued by the Company to guarantee the performance of a customer to a third party once specified pre-conditions are met. Financial standby letters of credit are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. Performance standby letters of credit are issued to guarantee performance of certain customers under non-financial contractual obligations. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers. The contractual amounts of standby letters of credit as of December 31, 2021 and 2020 are listed below.

	December 31, 2021		December 31, 2020	
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Standby letters of credit	$ 14,656	$ 5,799	$ 9,020	$ 3,314

NOTE 23 – LEGAL MATTERS

The Company is party to various matters of litigation in the ordinary course of business. The Company periodically reviews all outstanding pending or threatened legal proceedings and determines if such matters will have an adverse effect on the business, financial condition or results of operations or cash flows. A loss contingency is recorded when the outcome is probable and reasonably able to be estimated. The following loss contingencies have been identified by the Company as reasonably possible to result in an unfavorable outcome for the Company or the Bank.

Equity Bank was a party to a lawsuit filed on November 5, 2020, in Missouri federal court on behalf of one of our customers, alleging improperly collected overdraft fees. The plaintiff sought to have the case certified as a class action. The Company was successful in obtaining a dismissal of one of the two claims asserted and then settled the suit while the motion to dismiss the remaining claim was under consideration. The case was dismissed with prejudice on November 29, 2021.

NOTE 24 – REVENUE RECOGNITION

The majority of the Company's revenues come from interest income on financial instruments, including loans, leases, securities and derivatives, which are outside the scope of ASC 606. The Company's services that fall within the scope of ASC 606 are presented with non-interest income and are recognized as revenue as the Company satisfies its obligation to the customer. Services within the scope of ASC 606 include service charges and fees on deposits, debit card income, investment referral income, insurance sales commissions and other non-interest income related to loans and deposits.

Except for gains or losses from the sale of other real estate owned, all of the Company's revenue from contracts with customers within the scope of ASC 606 is recognized in non-interest income. The following table presents the Company's sources of non-interest income for the years ended December 31, 2021 and 2020.

	2021	2020
Non-interest income		
Service charges and fees	$ 8,596	$ 6,856
Debit card income	10,236	9,136
Mortgage banking[(a)]	3,306	3,153
Increase in bank-owned life insurance[(a)]	3,506	1,941
Net gain on acquisition[(a)]	585	2,145
Net gain (loss) from securities transactions[(a)]	406	11
Other non-interest income		
Investment referral income	678	567
Trust income	1,140	433
Insurance sales commissions	545	275
Recovery on zero-basis purchased loans[(a)]	85	134
Income from equity method investments[(a)]	(222)	(210)
Other non-interest income related to loans and deposits	3,703	1,299
Other non-interest income not related to loans and deposits[(a)]	278	283
Total other non-interest income	6,207	2,781
Total	$ 32,842	$ 26,023

[(a)] Not within the scope of ASC 606

A description of the Company's revenue streams accounted for under ASC 606 follows.

Service Charges and Fees

The company earns fees from its deposit customers for transaction-based account maintenance and overdraft services. Transaction-based fees, which include services such as stop payment charges, statement rendering and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are collected through withdrawal from the customer's account balance.

Debit Card Income

The Company earns debit card income from cardholder transactions conducted through payment processors. Debit card income from cardholder transactions represents a percentage of the underlying transaction value and is recognized concurrently with the transaction processing services provided to the cardholder.

Investment Referral Income

Investment referral services are offered through an unaffiliated registered broker-dealer and investment advisor. Investment referral income consists of transaction-based fees (i.e., trade commissions) and account fees (i.e., custodial fees). The service obligation for transaction-based fees relates to processing of individual transactions and is considered earned at the time the transaction occurs. The Company currently records this income when payment is received and at each month end for current-month transactions. Account fees are considered earned over the period for which the fees relate. These fees are received during the first month of each quarter and represent advance payment for the current quarter. These fees are amortized ratably over the three months during the quarter. Therefore, all account-based fees are currently recorded as performance obligations are satisfied.

Trust Income

Trust income includes fees from asset management, custody, recordkeeping, investment advisory and administration services. Revenue is recognized at the time the services are performed and may be based on either the fair value of the account or the services provided.

Insurance Sales Commissions

Insurance commissions are received based on contracts with insurance companies which provide for a percentage of premiums to be paid to the Company in exchange for placement of policies with customers. The commissions generally relate to a period of one year or less. Under certain contracts, the Company may also assist with the claims processing, but this performance obligation is considered insignificant compared to the initial placement of the policy. As such, the performance obligation is considered to have been substantially satisfied at the time of policy placement. While this indicates that all related revenue would be appropriately accrued at policy inception, in some cases, recognition occurs over the policy period if received in installments from the insurance

company. In no cases would this deferral extend beyond 12 months and the effect is considered immaterial compared to recognition at the time of policy placement. The Company also receives commissions based on renewals of policies previously placed. However, additional work is required to process the renewals, resulting in future performance obligations to earn the related revenues. In addition, the occurrence of such renewals is not certain as initial policies are generally for one year or less and the fees earned are not determined until the time of renewal, based on underwriting at that time. As such, the Company has determined that accrual of income for future renewals is not appropriate.

Other Non-interest Income

Other non-interest income related to loans and deposits is earned when the specific transaction is processed, similar to service charges and fees.

Gain or Loss on Sale of Other Real Estate

Gain or loss on sale of other real estate is reported in non-interest expense and is netted with other real estate expenses. The Company records a gain or loss from the sale of other real estate when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Company finances the sale of other real estate to the buyer, the Company assesses whether the buyer is committed to perform their obligation under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the other real estate is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Company adjusts the transaction price and related gain or loss on sale if a significant financing component is present. As a result, the Company has concluded that ASC 606 will affect the decision to recognize or defer gains on sales of other real estate in circumstances where the Company has financed the sale.

NOTE 25 – CONDENSED FINANCIAL INFORMATION (PARENT COMPANY ONLY)

Presented below is the condensed financial information as to financial position, results of operations and cash flows of the Parent Company.

CONDENSED BALANCE SHEETS
December 31, 2021 and 2020
(Dollar Amounts in thousands, except per share data)

	2021	2020
ASSETS		
Cash and due from banks	$ 25,063	$ 31,970
Investment in Equity Bank	572,414	452,304
Investment in EBAC	3,538	3,915
Other assets	342	7,657
Total assets	$ 601,357	$ 495,846
LIABILITIES AND STOCKHOLDERS' EQUITY		
Bank stock loan	$ —	$ —
Subordinated debt	95,885	87,684
Interest payable and other liabilities	4,841	513
Total liabilities	100,726	88,197
Stockholders' equity	500,631	407,649
Total liabilities and stockholders' equity	$ 601,357	$ 495,846

CONDENSED STATEMENTS OF INCOME
Years ended December 31, 2021, 2020, and 2019
(Dollar Amounts in thousands, except per share data)

	2021	2020	2019
Dividends from Equity Bank	$ 14,251	$ 7,500	$ 23,000
Other income	56	1	4
Total income	14,307	7,501	23,004
Expenses			
Interest expense	6,261	3,924	1,905
Other expenses	3,450	2,536	2,254
Total expenses	9,711	6,460	4,159
Income before income tax and equity in undistributed income (loss) of subsidiaries	4,596	1,041	18,845
Income tax benefit	1,551	1,504	1,081
Income before equity in undistributed income (loss) of subsidiaries	6,147	2,545	19,926
Equity in undistributed income (loss) of Equity Bank	46,710	(77,143)	5,978
Equity in undistributed income (loss) of EBAC	(377)	(372)	(325)
Net income (loss) and net income (loss) allocable to common stockholders	$ 52,480	$ (74,970)	$ 25,579

CONDENSED STATEMENTS OF CASH FLOWS
Years ended December 31, 2021, 2020, and 2019
(Dollar Amounts in thousands, except per share data)

	2021	2020	2019
Cash flows from operating activities			
Net income (loss)	$ 52,480	$ (74,970)	$ 25,579
Adjustments to reconcile net income to net cash from operating activities:			
Stock based compensation	2,906	3,473	2,870
Equity in undistributed (income) loss of Equity Bank	(46,710)	77,143	(5,978)
Equity in undistributed (income) loss of EBAC	377	372	325
Net amortization of purchase valuation adjustments	485	388	301
Net change in:			
Other assets	6,965	(300)	(4,092)
Interest payable and other liabilities	(207)	(4,524)	(147)
Net cash from (to) operating activities	16,296	1,582	18,858
Cash flows (to) from investing activities			
Proceeds from sales, calls, pay-downs and maturities of AFS securities	376	—	—
Purchase of net assets of ASBI, net of cash acquired	(8,209)	—	—
Additional investment in Equity Bank	—	(17,200)	—
Additional investment in EBAC	—	(450)	(900)
Net cash (used in) investing activities	(7,833)	(17,650)	(900)
Cash flows (to) from financing activities			
Borrowings on bank stock loan	—	38,354	7,209
Principal payments on bank stock loan	—	(47,344)	(13,669)
Borrowings on subordinated debt	—	75,000	—
Subordinated debt issue cost	(16)	(2,265)	—
Proceeds from exercise of employee stock options	3,847	20	371
Principal payments on employee stock loan	43	34	44
Proceeds from employee stock purchase plan	569	596	405
Purchase of treasury stock	(18,664)	(19,348)	(10,867)
Dividends paid on common stock	(1,149)	—	—
Net cash provided by (used in) financing activities	(15,370)	45,047	(16,507)
Net change in cash and cash equivalents	(6,907)	28,979	1,451
Cash and cash equivalents, beginning of period	31,970	2,991	1,540
Ending cash and cash equivalents	$ 25,063	$ 31,970	$ 2,991

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St. John, Kansas

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