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# DELTA REPORT

## 10-Q

EQBK - EQUITY BANCSHARES INC

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

**TOTAL DELTAS** 1759

 **CHANGES** 583

 **DELETIONS** 331

 **ADDITIONS** 845

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

FORM 10-Q

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

For the quarterly period ended **June** **September** 30, 2023

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	Name of each exchange on which registered
Class A, Common Stock, par value \$0.01 per share	EQBK	New York Stock Exchange

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, 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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

As of **July 31, 2023** **October 31, 2023**, the registrant had **15,412,139** **15,413,064** shares of Class A common stock, \$0.01 par value per share, outstanding.

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## TABLE OF CONTENTS

Part I	<a href="#">Financial Information</a>	5
Item 1.	<a href="#">Financial Statements</a>	5
	<a href="#">Consolidated Balance Sheets</a>	5
	<a href="#">Consolidated Statements of Income</a>	6
	<a href="#">Consolidated Statements of Comprehensive Income</a>	7
	<a href="#">Consolidated Statements of Stockholders' Equity</a>	8
	<a href="#">Consolidated Statements of Cash Flows</a>	10
	<a href="#">Condensed Notes to Interim Consolidated Financial Statements</a>	131
		2
Item 2.	<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	494
	<a href="#">Overview</a>	8
		504
		9

<a href="#"><u>Critical Accounting Policies</u></a>	515
	0
<a href="#"><u>Results of Operations</u></a>	525
	1
<a href="#"><u>Financial Condition</u></a>	616
	0
<a href="#"><u>Liquidity and Capital Resources</u></a>	706
	9
<a href="#"><u>Non-GAAP Financial Measures</u></a>	727
	1
Item 3. <a href="#"><u>Quantitative and Qualitative Disclosures About Market Risk</u></a>	757
	3
Item 4. <a href="#"><u>Controls and Procedures</u></a>	767
	5
Part II <a href="#"><u>Other Information</u></a>	777
	6
Item 1. <a href="#"><u>Legal Proceedings</u></a>	777
	6
Item 1A. <a href="#"><u>Risk Factors</u></a>	777
	6
Item 2. <a href="#"><u>Unregistered Sales of Equity Securities and Use of Proceeds</u></a>	777
	6
Item 3. <a href="#"><u>Defaults Upon Senior Securities</u></a>	787
	7
Item 4. <a href="#"><u>Mine Safety Disclosures</u></a>	787
	7
Item 5. <a href="#"><u>Other Information</u></a>	787
	7
Item 6. <a href="#"><u>Exhibits</u></a>	797
	8

#### Important Notice about Information in this Quarterly Report

Unless we state otherwise or the context otherwise requires, references in this Quarterly Report 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 Quarterly Report is accurate only as of the date of this Quarterly Report on Form 10-Q and as of the dates specified herein.

#### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q 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 under the heading "Item 1A - Risk Factors" in our Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 9, 2023, and in Item 1A – Risk Factors of this Quarterly Report.

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 a pandemic, especially one affecting our core market areas;
- 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 a pandemic or other 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;

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- an inability to keep pace with the rate of technological advances due to a lack of resources to invest in new technologies;

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- 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;
- effect of pending and future litigation, including the results of the overdraft fee litigation against the Company that is described in this quarterly report;

- 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 Quarterly Report. 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 on which 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 Quarterly Report on Form 10-Q are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or verbal forward-looking statements that we or persons acting on our behalf may issue.

## PART I

### Item 1: Financial Statements

**EQUITY BANCSHARES, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
June September 30, 2023, and December 31, 2022  
(Dollar amounts in thousands)

See accompanying condensed notes to interim consolidated financial statements.

	(Unaudited)			
	June 30,		December 31,	
	2023	2022	2023	2022
<b>ASSETS</b>				
Cash and due from banks	\$ 262,604	\$ 104,013	262,604	104,013
Federal funds sold	15,495	415	15,495	415
Cash and cash equivalents	278,099	104,428	278,099	104,428
Available-for-sale securities	1,094,748	1,184,390	1,094,748	1,184,390
Held-to-maturity securities, fair value of \$2,236 and \$1,973	2,216	1,948	2,216	1,948
Loans held for sale	2,456	349	2,456	349
Loans, net of allowance for credit losses of \$44,544 and \$45,847	3,278,126	3,265,701	3,278,126	3,265,701
Other real estate owned, net	4,362	4,409	4,362	4,409
Premises and equipment, net	106,186	101,492	106,186	101,492

Bank-owned life insurance	123,451	123,176
Federal Reserve Bank and Federal Home Loan Bank stock	21,129	21,695
Interest receivable	21,360	20,630
Goodwill	53,101	53,101
Core deposit intangibles, net	8,760	10,596
Other	100,889	89,736
<b>Total assets</b>	<b>\$ 5,094,883</b>	<b>\$ 4,981,651</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Deposits		
Demand	\$ 978,968	\$ 1,097,899
Total non-interest-bearing deposits	978,968	1,097,899
Demand, savings and money market	2,397,524	2,329,584
Time	854,458	814,324
Total interest-bearing deposits	3,251,982	3,143,908
Total deposits	4,230,950	4,241,807
Federal funds purchased and retail repurchase agreements	44,770	46,478
Federal Home Loan Bank advances	100,000	138,864
Federal Reserve Bank borrowings	140,000	—
Subordinated debt	96,653	96,392
Contractual obligations	29,608	15,218
Interest payable and other liabilities	34,467	32,834
<b>Total liabilities</b>	<b>4,676,448</b>	<b>4,571,593</b>
Commitments and contingent liabilities, see Notes 11 and 12		
Stockholders' equity, see Note 7		
Common stock	207	205
Additional paid-in capital	487,225	484,989
Retained earnings	160,715	140,095
Accumulated other comprehensive income (loss)	(110,225)	(113,511)
Treasury stock	(119,487)	(101,720)
Total stockholders' equity	418,435	410,058
<b>Total liabilities and stockholders' equity</b>	<b>\$ 5,094,883</b>	<b>\$ 4,981,651</b>
<b>(Unaudited)</b>		
	<b>September 30,</b>	<b>December 31,</b>
	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
Cash and due from banks	\$ 183,404	\$ 104,013
Federal funds sold	15,613	415

Cash and cash equivalents	199,017	104,428
Available-for-sale securities	1,057,009	1,184,390
Held-to-maturity securities, fair value of \$2,124 and \$1,973	2,212	1,948
Loans held for sale	627	349
Loans, net of allowance for credit losses of \$44,186 and \$45,847	3,237,932	3,265,701
Other real estate owned, net	3,369	4,409
Premises and equipment, net	110,271	101,492
Bank-owned life insurance	124,245	123,176
Federal Reserve Bank and Federal Home Loan Bank stock	20,780	21,695
Interest receivable	23,621	20,630
Goodwill	53,101	53,101
Core deposit intangibles, net	7,961	10,596
Other	105,122	89,736
<b>Total assets</b>	<b>\$ 4,945,267</b>	<b>\$ 4,981,651</b>

#### **LIABILITIES AND STOCKHOLDERS' EQUITY**

Deposits		
Demand	\$ 936,217	\$ 1,097,899
Total non-interest-bearing deposits	936,217	1,097,899
Demand, savings and money market	2,397,003	2,329,584
Time	748,950	814,324
Total interest-bearing deposits	3,145,953	3,143,908
Total deposits	4,082,170	4,241,807
Federal funds purchased and retail repurchase agreements	39,701	46,478
Federal Home Loan Bank advances	100,000	138,864
Federal Reserve Bank borrowings	140,000	—
Subordinated debt	96,787	96,392
Contractual obligations	29,019	15,218
Interest payable and other liabilities	39,460	32,834
Total liabilities	4,527,137	4,571,593
Commitments and contingent liabilities, see Notes 11 and 12		
Stockholders' equity, see Note 7		
Common stock	207	205
Additional paid-in capital	488,137	484,989
Retained earnings	171,188	140,095
Accumulated other comprehensive income (loss)	(122,047)	(113,511)
Treasury stock	(119,355)	(101,720)
Total stockholders' equity	418,130	410,058

Total liabilities and stockholders' equity

\$ 4,945,267 \$ 4,981,651

**EQUITY BANCSHARES, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**

**For the Three and Six Nine Months ended June 30, 2023 September 30, 2023, and 2022**

**(Dollar amounts in thousands, except per share data)**

	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30, 2023	2022	June 30, 2023	2022	September 30, 2023	2022	September 30, 2023	2022
<b>Interest and dividend income</b>								
Loans, including fees					55,	41,	156	114
	52,	36,	101,	73,	15	55	,28	,71
	\$ 748	\$ 849	\$ 129	\$ 155	\$ 2	\$ 5	\$ 1	\$ 0
Securities, taxable	5,8	5,5	11,7	10,	5,6	5,7	17,	16,
	13	84	60	975	96	92	456	767
Securities, nontaxable			1,23	1,3	36	68	1,6	2,0
	568	678	7	33	9	7	06	20
Federal funds sold and other	2,1		3,25		3,8	51	7,0	1,3
	27	513	3	813	22	4	75	27
Total interest and dividend income	61,	43,	117,	86,	65,	48,	182	134
	256	624	379	276	9	8	8	4
<b>Interest expense</b>								
Deposits					19,			
	17,	2,1	31,0	3,9	37	4,4	50,	8,3
	204	83	25	05	4	03	399	08
Federal funds purchased and retail repurchase agreements	192	46	387	79	6	71	633	150
Federal Home Loan Bank advances			1,97		96	40	2,9	
	953	176	1	185	8	9	39	594
Federal Reserve Bank borrowings	1,5		1,66		1,5		3,2	
	28	—	3	—	46	—	09	—
Subordinated debt	1,9	1,6	3,79	3,2	1,8	1,7	5,6	4,9
	50	53	4	52	93	21	87	73

Total interest expense					24,			
	21,	4,0	38,8	7,4	02	6,6	62,	14,
	827	58	40	21	7	04	867	025
<b>Net interest income</b>					41,	41,	119	120
	39,	39,	78,5	78,	01	94	,55	,79
	429	566	39	855	2	4	1	9
Provision (reversal) for credit losses					1,2	(13	1,1	
	298	824	(68)	412	30	6)	62	276
<b>Net interest income after provision (reversal) for credit losses</b>					39,	42,	118	120
	39,	38,	78,6	78,	78	08	,38	,52
	131	742	07	443	2	0	9	3
Non-interest income								
Service charges and fees	2,6	2,6	5,19	5,1	2,6	2,7	7,8	7,9
	53	17	8	39	90	88	88	27
Debit card income	2,6	2,8	5,20	5,4	2,5	2,6	7,7	8,1
	53	10	7	38	91	82	98	20
Mortgage banking					22	31		1,3
	213	428	301	990	6	0	527	00
Increase in value of bank-owned life insurance			2,34	1,6	79	75	3,1	2,3
Net Gain on acquisition and branch sales	757	736	0	01	4	4	34	55
Net gain on acquisition and branch sales	—	540	—	540	—	—	—	540
Net gain (loss) from securities transactions	(1,3 22)	(32)	(1,2 90)	8	(1)	(17)	(1,2 91)	(9)
Other	1,9	2,5	3,79	4,9	2,4	2,4	6,2	7,3
	96	38	4	43	35	52	29	95
<b>Total non-interest income</b>	6,9 50	9,6 37	15,5 50	18, 659	8,7 35	8,9 69	24, 285	27, 628
Non-interest expense								
Salaries and employee benefits					15,	15,		
	15, 237	15, 383	31,9 29	30, 451	85 7	44 2	47, 786	45, 893
Net occupancy and equipment	2,9 40	3,0 07	5,81 9	6,1 77	3,2 62	3,1 27	9,0 81	9,3 04
Data processing	4,4 93	3,6 42	8,40 9	7,4 11	4,5 53	4,1 38	12, 962	11, 549

Professional fees	1,6	1,1	3,02	2,2	1,3	1,2	4,3	3,5
	45	11	9	82	12	65	41	47
Advertising and business development	1,2		2,40	1,9	1,4	1,1	3,8	3,1
	49	972	8	48	19	91	27	39
Telecommunications			1,00		50	48	1,5	1,3
	516	442	1	912	2	7	03	99
FDIC insurance					66	34	1,5	
	515	260	875	440	0	0	35	780
Courier and postage					54	43	1,4	1,3
	463	489	921	912	8	6	69	48
Free nationwide ATM cost			1,04	1,0	51	55	1,5	1,5
	524	541	9	42	6	1	65	93
Amortization of core deposit intangibles		1,1	1,83	2,1	79	95	2,6	3,1
	918	11	6	61	9	7	35	18
Loan expense					13	17		
	136	207	253	392	2	4	385	566
Other real estate owned					12	18		
	71	14	190	13	8	8	318	201
Merger expenses						11		
	—	88	—	411	—	5	—	526
Other	4,4	4,1	8,64	6,3	4,5	3,8	13,	10,
	23	69	0	43	56	25	196	168
<b>Total non-interest expense</b>	<b>33,</b>	<b>31,</b>	<b>66,3</b>	<b>60,</b>	<b>24</b>	<b>23</b>	<b>,60</b>	<b>93,</b>
	<b>130</b>	<b>436</b>	<b>59</b>	<b>895</b>	<b>4</b>	<b>6</b>	<b>3</b>	<b>131</b>
Income (loss) before income tax					14,	18,		
	12,	16,	27,7	36,	27	81	42,	55,
	951	943	98	207	3	3	071	020
Provision (benefit) for income taxes	1,4	1,6	4,01	5,2	1,9	3,6	5,9	8,9
	95	84	9	98	32	42	51	40
<b>Net income (loss) and net income (loss) allocable to common stockholders</b>	<b>11,</b>	<b>15,</b>	<b>23,7</b>	<b>30,</b>	<b>34</b>	<b>17</b>	<b>36,</b>	<b>46,</b>
	<b>\$ 456</b>	<b>\$ 259</b>	<b>\$ 79</b>	<b>\$ 909</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>\$ 120</b>	<b>\$ 080</b>
Basic earnings (loss) per share	0.7	0.9		1.8	0.8	0.9	2.3	2.8
	<b>\$ 4</b>	<b>\$ 5</b>	<b>\$ 1.52</b>	<b>\$ 8</b>	<b>\$ 0</b>	<b>\$ 4</b>	<b>\$ 2</b>	<b>\$ 3</b>
Diluted earnings (loss) per share	0.7	0.9		1.8	0.8	0.9	2.3	2.7
	<b>\$ 4</b>	<b>\$ 4</b>	<b>\$ 1.51</b>	<b>\$ 6</b>	<b>\$ 0</b>	<b>\$ 3</b>	<b>\$ 0</b>	<b>\$ 9</b>

See accompanying condensed notes to interim consolidated financial statements.

**EQUITY BANCSHARES, INC.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**For the Three and Six Nine Months ended June 30, 2023 September 30, 2023, and 2022**

**(Dollar amounts in thousands)**

	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,	2023	June 30,	2022	September 30,	2023	September 30,	2022
Net income	11,	15,	23,	30,9	12,	15,	36,	46,0
	\$ 456	\$ 259	\$ 779	\$ 09	\$ 341	\$ 171	\$ 120	\$ 80
Other comprehensive income (loss):								
Unrealized holding gains (losses) arising during the period on available-for-sale securities				(10				(16
	(15,	(35,		4,70	(17,	(55,	(16,	0,34
	346)	364)	672	3)	654)	639)	982)	2)
Reclassification for net (gains) losses included in net income	1,3		1,3				1,3	
	30	2	30	(77)	—	—	30	(77)
Unrealized holding gains (losses) arising during the period on cash flow hedges	2,1		2,9	1,12	1,9	(2,1	4,9	(2,6
	15	545	14	5	94	49)	08	16)
Total other comprehensive income (loss)				(10				(16
	(11,	(34,	4,9	3,65	(15,	(57,	(10,	3,03
	901)	817)	16	5)	660)	788)	744)	5)
Tax effect	2,9	7,4	(1,6	24,4	3,8	14,	2,2	40,3
	14	03	30)	53	38	296	08	41
Other comprehensive income (loss), net of tax	(8,9	(27,	3,2	(79,	(11,	(43,	(8,5	2,69
	87)	414)	86	202)	822)	492)	36)	4)
Comprehensive income (loss)	2,4	(12,	27,	(48,	(28,	27,	(76,	
	\$ 69	\$ 155)	\$ 065	\$ 293)	\$ 519	\$ 321)	\$ 584	\$ 614)

See accompanying condensed notes to interim consolidated financial statements.

**EQUITY BANCSHARES, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
For the Three Months ended **June 30, 2023** **September 30, 2023**, and **2022**  
(Uaudited)

(Dollar amounts in thousands, except share and per share data)

												Accumulated Deficit						Accumulated Capital							
												Common Stock			Additional Paid-in Capital			Retained Earnings			Treasury Stock				
Shares Outstanding		Paid-in Capital		Retained Earnings		Treasury Stock		Stockholders' Equity		Shares Outstanding		Paid-in Capital		Retained Earnings		Treasury Stock		Stockholders' Equity		Treasury Stock		Stockholders' Equity			
g	nt	I	gs	(Loss)	Stock	Equity				g	nt	al	ngs	(Loss)	Stock	y									
Balance at April 1, 2022	16,454		480	102	(50)	(80)	452																		
	,96		,10	,63	,01	,91	,01																		
	6	\$ 204	\$ 6	\$ 2	\$ 2)	\$ 5)	\$ 5																		
Balance at July 1, 2022																									
Net income																									
Other comprehensive income (loss), net of tax effects																									

Cash								
dividends								
- common								
stock,								
\$0.08 per								
share	—	—	—	(1,		(1,		
				290 )		290 )		
Dividend								
equivalent								
s -								
restricted								
stock								
units,								
\$0.08 per								
share	—	—	—	(25 )		(25 )		
Cash								
dividends								
- common								
stock,							(1,	
\$0.10 per							60	60
share						—	—	0 )
Dividend								
equivalent								
s -								
restricted								
stock								
units,								
\$0.10 per								
share						—	—	(33 )
Stock-								
based								
compensa							88	88
tion	624	—	744	—	—	744	—	—
							8	8

Common stock issued upon exercise of stock options	3,6	—	47	—	—	—	47	21,	48	—	—	—	48
Common stock issued under stock-based incentive plan	56	—	47	—	—	—	—	500	—	2	—	—	2
Common stock issued under employee stock purchase plan	3,4	—	—	—	—	—	—	1,8	—	—	—	—	—
Common stock issued under employee stock purchase plan	16	—	—	—	—	—	—	61	—	—	—	—	—
Treasury stock purchase	—	—	—	—	—	—	—	14,	40	—	—	—	40
Treasury stock purchase	—	—	—	—	—	—	—	555	—	1	—	—	1
Balance at June 30, 2022	(35	—	—	—	—	—	—	(11	(11	(12	—	—	(4,
Balance at June 30, 2022	5,8	—	—	—	—	—	—	,22	,22	6,9	—	—	12
Balance at June 30, 2022	44)	—	—	—	—	—	—	1)	1)	00)	—	—	6)
Balance at June 30, 2022	16,	—	—	—	—	—	—	—	—	—	—	—	6)
Balance at September 30, 2022	106	—	480	—	116	—	(77	—	(92	—	428	—	—
Balance at September 30, 2022	,81	—	,89	—	,57	—	,42	—	,13	—	,11	—	—
Balance at September 30, 2022	8	\$ 204	\$ 7	\$ 6	\$ 6)	\$ 6)	\$ 6)	\$ 5	\$ 5	\$ 4	\$ 4	\$ 68	\$ 14
Balance at September 30, 2022	—	—	—	—	—	—	—	—	—	—	—	—	—
Balance at September 30, 2022	16,	—	—	—	—	—	—	017	48	13	(12	(96	39
Balance at September 30, 2022	—	—	—	—	—	—	—	,83	20	2,6	0,1	0,9	,26
Balance at September 30, 2022	—	—	—	—	—	—	—	4	\$ 4	\$ 68	\$ 14	\$ 18)	\$ 2)
Balance at September 30, 2022	—	—	—	—	—	—	—	—	—	—	—	—	\$ 06



Cash												
dividends												
- common												
stock,												
\$0.12 per												
share							—	—	—	1)	—	—
Dividend												
equivalent												
s-												
restricted												
stock												
units and												
restricted												
stock												
awards,												
\$0.12 per												
share							—	—	—	(17)	—	—
Stock-												
based												
compensa												
tion	—	—	568	—	—	—	568	—	—	1	—	—
Common												
stock												
issued												
upon												
exercise												
of stock												
options												
Common												
stock												
issued												
under												
stock-												
based												
incentive	30,											
plan	998	1	(1)	—	—	—	—	20	—	—	—	—
								1,1				

Common stock issued under employee stock purchase plan	—	—	—	—	—	14,	32	32
Treasury stock purchases	(34	9,1	16 )	(8,	(8,	548	—	6
Balance at June 30, 2023	15,	412	487	160	(11	418	13	13
	,13	,22	,71	0,2	9,4	,43	2	2
	9	\$ 207	\$ 5	\$ 5	\$ 25 )	\$ 87 )	\$ 5	
Balance at September 30, 2023	15,	428	428	48	17	(12	(11	41
	,46	,46	20	8,1	1,1	2,0	9,3	8,1
	4	\$ 7	\$ 37	\$ 88	\$ 47 )	\$ 55 )	\$ 30	

See accompanying condensed notes to interim consolidated financial statements.

**EQUITY BANCSHARES, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**For the Six Nine Months ended June 30, 2023 September 30, 2023, and 2022**  
**(Unaudited)**  
**(Dollar amounts in thousands, except share and per share data)**

Common Stock	Accumulated Deficit			Common Stock	Accumulated Deficit		
	Additional	Other	Total		Additional	Other	Total

	Comp							Comp						
	Share			rehe				Share			rehe			
	s	Paid-	Retain	sive	Stock	s	Paid-	Retai	sive	Stock	s	Paid-	Retai	sive
	Outst	In	ed	Incom	Treas	holder	Outst	ned	Incom	Treas	andin	Amou	Capit	Earni
	andin	Amou	Capita	Earnin	e	ury	s'	andin	Amou	Capit	Earni	e	ury	Equit
	g	nt	I	gs	(Loss)	Stock	Equity	g	nt	al	ngs	(Loss)	Stock	y
Balance at January 1, 2022	16,760,115	\$ 203	\$ 2	\$ 324	\$ 76	\$ 4)	\$ 1	16,760,115	\$ 3	\$ 62	\$ 4	\$ 76	\$ 4)	\$ 31
Implementation of ASU 2016-13, current expected credit losses	—	—	—	—	—	—	—	—	—	—	0	—	—	0
Net income	30,909							30,909						
Other comprehensive income (loss), net of tax effects	(79,20,2)							(79,20,2)						
Cash dividends - common stock, \$0.16 per share	(2,608)							(2,608)						

Dividend												
equivalent												
s-												
restricted												
stock												
units,												
\$0.16 per												
share	—	—	—	(49)	—	—	(49)					
Cash												
dividends												
- common												
stock,								(4,				(4,
\$0.26 per								20				20
share								—	—	—	8)	—
Dividend												
equivalent												
s-												
restricted												
stock												
units,												
\$0.26 per												
share								—	—	—	(82)	—
Stock-based compensation				1,5			1,5				2,4	
Common stock issued upon exercise of stock options	624	—	48	—	—	—	48	624	—	36	—	—
options	7,1		97	—	—	—	97	28,	57			57
	56						656	9	—	—	—	9

Common stock issued under stock-based incentive plan	64,876	1	(1)	—	—	—	—	66,737	1	(1)	—	—	—
Common stock issued under employee stock purchase plan	14,274		391	—	—	—	391	28,829	2	—	—	—	2
Repayment on employee stock loans	—		—	—	—	—	—	—	—	—	—	—	—
Treasury stock purchase	(74,02,27)	—	—	—	—	—	—	(23,60,2)	(23,60,2)	—	—	—	—
Balance at June 30, 2022	16,106,81		480,89	116,57	(77,42	(92,13	428,11						
	8	\$ 204	\$ 7	\$ 6	\$ 6)	\$ 6)	\$ 5						
Treasury stock purchases								(86,7,1,27)				(27,72,8)	(27,72,8)
Balance at September 30, 2022								16,017,48,13,12,96				39,5,8,26,5,8	
								4,\$ 4,\$ 68,\$ 14,\$ 18)				\$ 2), \$ 06	

Balance	15,									15,							
at January	930		484	140	(11	(10	410			930		48	14	(11	(10	41	
1, 2023	,11		,98	,09	3,5	1,7	,05			,11		20	4,9	0,0	3,5	1,7	0,0
	2	\$ 205	\$ 9	\$ 5	\$ 11)	\$ 20)	\$ 8			2	\$ 5	\$ 89	\$ 95	\$ 11)	\$ 20)	\$ 58	
Net income				23,			23,						36,			36,	
	—	—	—	779	—	—	779	—	—	—	—	—	0	—	—	0	
Other comprehensive income (loss), net of tax effects					3,2		3,2							(8,		(8,	
	—	—	—	—	86	—	86	—	—	—	—	—	6)	—	—	53	
Cash dividends - common stock, \$0.26 per share				(3,			(3,										
	—	—	—	114)	—	—	114)	—	—	—	—	—					
Dividend equivalent \$- restricted stock units and restricted stock awards, \$0.10 per share																	
	—	—	—	(45)	—	—	(45)	—	—	—	—	—	5)	—	—	5)	
Cash dividends - common stock, \$0.32 per share														(4,		(4,	
	—	—	—					—	—	—	—	—	96	—	—	96	

Dividend													
equivalent													
S-													
restricted													
stock													
units and													
restricted													
stock													
awards,													
\$0.32 per													
share													
Stock-													
based													
compensa-			1,7				1,7						2,3
tion	—	—	80	—	—	—	80	—	—	51	—	—	51
Common													
stock													
issued													
upon													
exercise													
of stock													
options	—	—	—	—	—	—	—	657	—	15	—	—	15
Common													
stock													
issued													
under													
stock-			133					134					
based													
incentive			,68					,80					
plan	5	2	(2)	—	—	—	—	5	2	(2)	—	—	—
Common													
stock													
issued													
under													
employee													
stock													
purchase			17,					32,		78			78
plan	508	—	458	—	—	—	458	056	—	4	—	—	4

Treasury stock purchases	(66)	—	—	—	—	—	(17)	(17)	(66)	—	—	—	(17)	(17)
	9,1						,76	,76	9,1				,63	,63
	66)	—	—	—	—	—	7)	7)	66)	—	—	—	5)	5)
Balance at June 30, 2023	15, .13	412	487	160	(11	(11	418							
	9	\$ 207	\$ 5	\$ 5	\$ 25)	\$ 87)	\$ 5							
Balance at September 30, 2023	15, .46	428					48	17	(12	(11	41			
	4	\$ 7					\$ 37	\$ 88	\$ 47)	\$ 55)	\$ 30			

See accompanying condensed notes to interim consolidated financial statements.

9

<b>EQUITY BANCSHARES, INC.</b>			
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>			
<b>For the Nine Months ended September 30, 2023, and 2022</b>			
<b>(Dollar amounts in thousands)</b>			
			(Unaudited)
			September 30,
			2023
			2022
<b>Cash flows from operating activities</b>			
Net income	\$ 36,120	\$ 46,080	
Adjustments to reconcile net income to net cash from operating activities:			
Stock-based compensation	2,351	2,436	
Depreciation	3,338	3,391	
Amortization of operating lease right-of-use asset	472	533	
Amortization of cloud computing implementation costs	141	141	
Provision (reversal) for credit losses	1,162	276	
Net amortization (accretion) of purchase valuation adjustments	(649)	(3,437)	
Amortization (accretion) of premiums and discounts on securities	3,384	5,059	
Amortization of intangible assets	2,743	3,225	
Deferred income taxes	953	484	
Federal Home Loan Bank stock dividends	(446)	(181)	
Loss (gain) on sales and valuation adjustments on other real estate owned	44	(202)	

Net loss (gain) on sales and settlements of securities	1,330	(78)
Change in unrealized (gains) losses on equity securities	(39)	87
Loss (gain) on disposal of premises and equipment	(16)	(83)
Loss (gain) on sales of foreclosed assets	14	(355)
Loss (gain) on sales of loans	(385)	(994)
Originations of loans held for sale	(20,279)	(42,443)
Proceeds from the sale of loans held for sale	20,387	45,925
Increase in the value of bank-owned life insurance	(3,134)	(2,355)
Change in fair value of derivatives recognized in earnings	334	(1,684)
Gain on acquisition and branch sales	—	(540)
Payments on operating lease payable	(588)	(622)
Net change in:		
Interest receivable	(2,991)	(840)
Other assets	13,727	21,614
Interest payable and other liabilities	5,582	(17,741)
Net cash provided by operating activities	<u>63,555</u>	<u>57,696</u>
<b>Cash flows (to) from investing activities</b>		
Purchases of available-for-sale securities	(2,249)	(178,313)
Purchases of held-to-maturity securities	(275)	—
Proceeds from sales, calls, pay-downs and maturities of available-for-sale securities	109,261	141,392
Proceeds from calls, pay-downs and maturities of held-to-maturity securities	13	—
Net change in loans	28,380	(126,122)
Purchase of mortgage loans	—	(794)
Purchase of USDA guaranteed loans	(1,235)	(2,293)
Capitalized construction cost of other real estate owned	(561)	—
Purchase of premises and equipment	(12,141)	(1,199)
Proceeds from sale of premises and equipment	40	139
Proceeds from sale of foreclosed assets	141	29,678
Net redemptions (purchases) of Federal Home Loan Bank and Federal Reserve		
Bank stock	1,361	(6,736)
Net redemptions (purchases) of correspondent and miscellaneous other stock	(6,033)	(3,673)
Proceeds from sale of other real estate owned	1,833	3,518
Proceeds from bank-owned life insurance death benefits	2,071	723
Net cash paid from branch sale to United Bank and Trust	—	(22,940)
Net cash (used in) provided by investing activities	<u>120,606</u>	<u>(166,620)</u>
<b>Cash flows (to) from financing activities</b>		
Net increase (decrease) in deposits	(159,734)	(140,607)
Net change in federal funds purchased and retail repurchase agreements	(6,777)	(8,563)

Net borrowings (repayments) on Federal Home Loan Bank line of credit	(138,864)	186,001
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10

<b>EQUITY BANCSHARES, INC.</b> <b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b> <b>For the Six Months ended June 30, 2023, and 2022</b> <b>(Dollar amounts in thousands)</b>			
	(Unaudited)		
	June 30,		
	2023	2022	
<b>Cash flows from operating activities</b>			
Net income	\$ 23,779	\$ 30,909	
Adjustments to reconcile net income to net cash from operating activities:			
Stock-based compensation	1,780	1,548	
Depreciation	2,194	2,313	
Amortization of operating lease right-of-use asset	323	352	
Amortization of cloud computing implementation costs	94	94	
Provision (reversal) for credit losses	(68)	412	
Net amortization (accretion) of purchase valuation adjustments	(49)	(2,083)	
Amortization (accretion) of premiums and discounts on securities	2,327	3,622	
Amortization of intangible assets	1,908	2,233	
Deferred income taxes	426	(382)	
Federal Home Loan Bank stock dividends	(321)	(92)	
Loss (gain) on sales and valuation adjustments on other real estate owned	13	(108)	
Net loss (gain) on sales and settlements of securities	1,330	(77)	
Change in unrealized (gains) losses on equity securities	(40)	71	
Loss (gain) on disposal of premises and equipment	(15)	(68)	
Loss (gain) on sales of foreclosed assets	12	(49)	
Loss (gain) on sales of loans	(220)	(793)	
Originations of loans held for sale	(12,847)	(31,431)	
Proceeds from the sale of loans held for sale	10,960	34,724	
Increase in the value of bank-owned life insurance	(2,340)	(1,601)	
Change in fair value of derivatives recognized in earnings	505	(1,195)	
Gain on acquisition and branch sales	—	(540)	
Payments on operating lease payable	(441)	(411)	
Net change in:			
Interest receivable	(730)	1,138	

Other assets	8,442	17,556
Interest payable and other liabilities	1,437	(13,006)
Net cash provided by operating activities	38,459	43,136
<b>Cash flows (to) from investing activities</b>		
Purchases of available-for-sale securities	(2,237)	(166,932)
Purchases of held-to-maturity securities	(275)	—
Proceeds from sales, calls, pay-downs and maturities of available-for-sale securities	90,222	97,870
Proceeds from calls, pay-downs and maturities of held-to-maturity securities	8	—
Net change in loans	(11,147)	(93,562)
Purchase of mortgage loans	—	(795)
Purchase of USDA guaranteed loans	(1,235)	(2,293)
Purchase of premises and equipment	(6,911)	(722)
Proceeds from sale of premises and equipment	39	78
Proceeds from sale of foreclosed assets	136	20,368
Net redemptions (purchases) of Federal Home Loan Bank and Federal Reserve		
Bank stock	887	(3,876)
Net redemptions (purchases) of correspondent and miscellaneous other stock	(2,613)	(1,970)
Proceeds from sale of other real estate owned	308	935
Proceeds from bank-owned life insurance death benefits	2,071	723
Net cash paid from branch sale to United Bank and Trust	—	(22,939)
Net cash (used in) provided by investing activities	69,253	(173,115)
<b>Cash flows (to) from financing activities</b>		
Net increase (decrease) in deposits	(10,932)	(75,470)
Net change in federal funds purchased and retail repurchase agreements	(1,708)	(3,256)
Net borrowings (repayments) on Federal Home Loan Bank line of credit	(138,864)	—
Proceeds from Federal Home Loan Bank term advances	1,066,091	403,501
Principal repayments on Federal Home Loan Bank term advances	(966,091)	(403,501)
Proceeds from Federal Reserve Bank borrowings	141,000	1,000
Principal payments on Federal Reserve Bank borrowings	(1,000)	(1,000)
Proceeds from the exercise of employee stock options	15	579
Proceeds from employee stock purchase plan	784	792
Purchase of treasury stock	(17,635)	(27,728)
Net change in contractual obligations	(2,599)	(2,130)
Dividends paid on common stock	(4,762)	(3,961)
Net cash (used in) provided by financing activities	(89,572)	4,383
Net change in cash and cash equivalents	94,589	(104,541)
Cash and cash equivalents, beginning of period	104,428	259,954

<b>Ending cash and cash equivalents</b>	<b>\$</b>	<b>199,017</b>	<b>\$</b>	<b>155,413</b>
Supplemental cash flow information:				
Interest paid	\$	52,730	\$	14,471
Income taxes paid, net of refunds		3,406		666
Supplemental noncash disclosures:				
Other real estate owned acquired in settlement of loans		476		2,224
Other repossessed assets acquired in settlement of loans		176		771
Other real estate owned recorded as a result of transferring non-operational branch right-of-use-asset		—		2,210
Purchase of investments in tax credit structures and resulting contractual obligations		16,400		—

**11**

Proceeds from Federal Home Loan Bank term advances		766,091		403,501
Principal repayments on Federal Home Loan Bank term advances		(666,091)		(323,501)
Proceeds from Federal Reserve Bank borrowings		141,000		1,000
Principal payments on Federal Reserve Bank borrowings		(1,000)		(1,000)
Proceeds from the exercise of employee stock options		—		97
Proceeds from employee stock purchase plan		458		391
Purchase of treasury stock		(17,767)		(23,602)
Net change in contractual obligations		(2,010)		(1,879)
Dividends paid on common stock		(3,218)		(2,672)
Net cash (used in) provided by financing activities		65,959		(26,391)
Net change in cash and cash equivalents		173,671		(156,370)
Cash and cash equivalents, beginning of period		104,428		259,954
<b>Ending cash and cash equivalents</b>	<b>\$</b>	<b>278,099</b>	<b>\$</b>	<b>103,584</b>
Supplemental cash flow information:				
Interest paid	\$	33,219	\$	7,295
Income taxes paid, net of refunds		3,061		196
Supplemental noncash disclosures:				
Other real estate owned acquired in settlement of loans		408		2,208
Other repossessed assets acquired in settlement of loans		169		436
Other real estate owned recorded as a result of transferring non-operational branch right-of-use-asset		—		2,210
Purchase of investments in tax credit structures and resulting contractual obligations		16,400		—

See accompanying condensed notes to interim consolidated financial statements.

**1211**

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**EQUITY BANCSHARES, INC.**  
**CONDENSED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**June September 30, 2023**  
**(Unaudited)**  
**(Dollar amounts in thousands, except per share data)**

**NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The interim consolidated financial statements include the accounts of Equity Bancshares, Inc., its wholly-owned subsidiaries, Equity Bank ("Equity Bank"), EBAC, LLC ("EBAC") and Equity Risk Management, Inc. ("ERMI"). ERMI provides property and casualty insurance coverage to Equity Bancshares and Equity Bank and reinsurance to other third party insurance captives for which insurance may not be currently available or economically feasible in today's insurance marketplace. The wholly-owned subsidiaries of Equity Bank are comprised of SA Holdings, Inc. ("SA Holdings"), SA Property LLC ("SA Property"), and EQBK Investments, LLC. ("EQBK Investments"). SA Holdings was and SA Property were established for the purpose of holding and selling other real estate owned. EQBK Investments was established for the purpose to hold Equity Bank's investment in a real estate investment trust. These entities are collectively referred to as the "Company". All significant intercompany accounts and transactions have been eliminated in consolidation.

The accompanying unaudited condensed interim consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles ("GAAP") for interim financial information and in accordance with guidance provided by the Securities and Exchange Commission. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial information. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. In the opinion of management, the interim statements reflect all adjustments necessary for a fair presentation of the financial position, results of operations and cash flows of the Company on a consolidated basis and all such adjustments are of a normal recurring nature. These financial statements and the accompanying notes should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2022, included in the Company's Annual Report on Form 10-K filed with the SEC on March 9, 2023. Operating results for the six nine months ended June 30, 2023 September 30, 2023, are not necessarily indicative of the results that may be expected for the year ending December 31, 2023, or any other period.

**Reclassifications**

Some items in prior 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 the periods reported.

**Risk and Uncertainties**

The recent high-profile bank failures involving Silicon Valley Bank, Signature Bank and First Republic Bank have generated significant market volatility among publicly traded bank holding companies and, in particular, regional banks like Equity Bank. These market developments have negatively impacted customer confidence in the safety and soundness of regional banks. As a result, customers may choose to maintain deposits with larger financial institutions or invest in higher yielding short-term fixed income securities, all of which could materially adversely impact Equity Bank's liquidity, loan funding capacity, net interest margin, capital and results of operations. While the Department of the Treasury, the Federal Reserve, and the FDIC have made statements ensuring that depositors of these recently failed banks would have access to their deposits, including uninsured deposit accounts, there is no guarantee that such actions will be successful in restoring customer confidence in regional banks and the banking system more broadly. Equity Bank pledged additional investments to the Federal Reserve Bank to increase liquidity under the Bank Term Funding Program as a precaution; however, the Company has not experienced the same level of deposit runoff as compared to the recent failed financial institutions which, the Company believes, is due to the difference in the types of deposits being offered, deposit concentration and ALM management practices.

#### Recent Accounting Pronouncements

In March 2020, the 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

12

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securities classified as held-to-maturity. The guidance was effective immediately for the Company and the amendments may be

13

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applied prospectively through December 31, 2022. The Company's contracts issued prior to December 31, 2021, were primarily LIBOR tenures that had operational fallback language or were covered by the transition rules of the Adjustable Interest Rate (LIBOR) Act of 2021 and resulted in this guidance not having a significant impact on the Company's financial condition, results of operations or cash flows.

In January 2021, the 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, were primarily LIBOR tenures that had operational fallback language or were covered by the transition rules of the Adjustable Interest Rate (LIBOR) Act of 2021 and resulted in this guidance not having a significant impact on the Company's financial condition, results of operations or cash flows.

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments – Credit Losses (Topic 326), Trouble Debt Restructurings and Vintage Disclosures*. ASU 2022-02 eliminates the accounting guidance for TDRs by creditors, while enhancing disclosure requirements for loan restructurings by creditor when a borrower is experiencing financial difficulty. Creditors will be required to apply the refinancing and restructuring guidance to determine whether a modification results in a new loan or a continuation of an existing loan. Additionally, ASU 2022-02 requires that public business entities disclose gross write offs by year of

origination for financing receivables and net investment in leases within the scope of *Financial Instruments – Credit Losses – Measured at Amortized Cost* of the Accounting Standards Codification. The guidance was effective for the Company on January 1, 2023, and the Company was permitted to apply the guidance prospectively or through a modified retrospective method, resulting in a cumulative-effect adjustment to retained earnings in the period of adoption. Since the Company had adopted ASU 2016-13 effective January 1, 2021, the Company was permitted to early adopt the guidance in totality or individually for the topics covered in this update. The Company did not early adopt this guidance and the implementation of this guidance did not have a material financial impact on our financial condition, results of operations or cash flows, but it impacted the Company's loan disclosures.

In December 2022, the FASB issued ASU 2022-06, *Reference Rate Reform (Topic 848), Deferral of the Sunset Date of Topic 848*. ASU 2022-06 extends the current sunset date of Topic 848 from December 31, 2022, to December 31, 2024, to allow for contracts tied to certain tenors of USD LIBOR that have cessation dates of June 30, 2023, to apply the relief of Topic 848. The Company's contracts issued prior to December 31, 2021, were primarily LIBOR tenures that had operational fallback language or were covered by the transition rules of the Adjustable Interest Rate (LIBOR) Act of 2021 and resulted in this guidance not having a significant impact on the Company's financial condition, results of operations or cash flows.

In March 2023, the FASB issued ASU 2023-02, *Investments-Equity Method and Joint Ventures (Topic 323), Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method, a consensus of the Emerging Issues Task Force*. The amendments in ASU 2023-02 permit all reporting entities that hold tax equity investments that meet the conditions for and elect to account for them using the proportional amortization method or investments in Low Income Housing Tax Credit ("LIHTC") structure through a limited liability entity that is not accounted for using the proportional amortization method and was previously applying LIHTC specific guidance which has been removed by ASU 2023-02. The election to apply the proportional amortization election is a program-by-program election rather than at a reporting entity or individual investment level. The amendments require specific disclosures that must be provided for all investments that generate income tax credits and other income tax benefits from a tax program for which the entity elected to apply the proportional amortization method which must be provided in both annual and interim financial statements. This guidance will be effective for the Company for fiscal years beginning after December 31, 2023, including interim periods within those fiscal years and early adoption is permitted in any interim period and shall be adopted as of the beginning of the fiscal year that includes that interim period. The amendments in this update must be applied using a modified retrospective method or a retrospective method through a cumulative-effect adjustment to the opening balance of retained earnings for the period adoption for the modified retrospective method or the earliest period presented for the retrospective method. The Company is adopting this guidance for investments in solar tax credit structures entered into during 2023, and as the Company's investments in solar tax credit structures exclusive of the low-income housing tax credit structures entered into prior to 2023 do not qualify for the proportional amortization method under this guidance. The Company's financial condition, results of operations and cash flows were not significantly impacted by this guidance for investments in tax credit structures outstanding at December 31, 2022; however, the Company's disclosures related to income tax expense and investments in tax credit structures at June 30, 2023 have been expanded by this guidance.

## NOTE 2 – INVESTMENTS

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 (loss) are listed below.

	Allowance for Credit Losses					Allowance for Fair Value Losses				
	Amortized Cost		Unrealized Gains		Unrealized Losses	Allowance for Credit Losses		Amortized Cost		Unrealized Gains
	Gross	Gross	for	Credit	Fair	Gross	for	Credit	Fair	Losses
	Cost	Gains	Losses	Losses	Value	Cost	Gains	Losses	Losses	Value
<u>June 30, 2023</u>										
<u>September 30, 2023</u>										
<u>Available-for-sale securities</u>										
U.S. Government-sponsored entities	12		(15		10	12		(17		10
	2,8		,47		7,3	2,6		,07		5,5
	\$ 43	\$ —	\$ (1)	\$ —	\$ 72	\$ 65	\$ —	\$ (9)	\$ —	\$ 86
U.S. Treasury securities	25		(24		23	25		(25		23
	9,4		,75		4,6	9,2		,34		3,9
	55	—	7)	—	98	53	—	1)	—	12
<u>Mortgage-backed securities</u>										
Government-sponsored residential mortgage-backed securities	52		(60		46	51		(70		44
	6,4		,38		6,0	2,9		,55		2,4
	57	—	6)	—	71	80	—	9)	—	21
Private label residential mortgage-backed securities	17		(27		15	17		(29		14
	9,0		,03		1,9	3,8		,04		4,8
	07	—	1)	—	76	76	—	1)	—	35
Corporate	56,		(7,		48,	56,		(7,		49,
	68		73		94	70		00		70
	2	—	4)	—	8	2	—	1)	—	1
Small Business Administration loan pools	11,				10,	10,				10,
	44		(73		71	95		(80		14
	8	—	4)	—	4	3	—	5)	—	8
State and political subdivisions	84,		(9,		74,	84,		(13		70,
	88		95		96	26		,85		40
	3	38	2)	—	9	1	—	5)	—	6

	1,2		1,0		1,2			1,0
40,		(14		94,	20,		(16	57,
77		6,0		74	69		3,6	00
\$ 5	\$ 38	\$ 65)	\$ —	\$ 8	\$ 0	\$ —	\$ 81)	\$ —

		Gross	Gross	Allowance
		Amortized	Unrealized	for Credit
		Cost	Gains	Losses

December 31, 2022

<u>Available-for-sale securities</u>					
U.S. Government-sponsored entities	\$ 123,196	\$ —	\$ (16,790)	\$ —	\$ 106,406
U.S. Treasury securities	257,690	—	(25,532)	—	232,158
Mortgage-backed securities					
Government-sponsored residential mortgage-backed securities	560,776	—	(62,170)	—	498,606
Private label residential mortgage-backed securities	190,889	17	(27,346)	—	163,560
Corporate	56,642	—	(4,268)	—	52,374
Small Business Administration loan pools	12,915	—	(734)	—	12,181
State and political subdivisions	130,311	55	(11,261)	—	119,105
	<u>\$ 1,332,419</u>	<u>\$ 72</u>	<u>\$ (148,101)</u>	<u>\$ —</u>	<u>\$ 1,184,390</u>

The amortized cost and fair value of held-to-maturity securities and the related gross unrecognized gains and losses are listed in the following tables.

	Gross					Gross				
	Amortized	Gross		Unrealized	Allowance	Amortized	Gross		Unrealized	Allowance
		Unrealized	Losses	for Credit	Fair Value		Unrealized	Losses	for Credit	Fair Value
		Cost	Gains	—	—		Cost	Gains	—	—
<u>June 30, 2023</u>										
<u>September 30, 2023</u>										
<u>Held-to-maturity securities</u>										
Mortgage-backed securities										

Government-sponsored residential mortgage-backed securities	1,101	\$ (7)	—	\$ 4	1,09	\$ 7	—	\$ (4)	—	\$ 3
State and political subdivisions	1,115	—	(2)	—	14	—	—	—	—	1
	—	—	—	—	2,22	—	—	—	—	2,12
	\$ 16	\$ 29	\$ (9)	\$ —	\$ 6	\$ 2	\$ —	\$ (8)	\$ —	\$ 4
	<b>15</b>	<b>29</b>	<b>(9)</b>	<b>—</b>	<b>6</b>	<b>2</b>	<b>—</b>	<b>(8)</b>	<b>—</b>	<b>4</b>

15 14

	Gross		Gross		Allowance	
	Amortized Cost	Unrealized Gains	Unrealized Losses	for Credit Losses	Fair Value	
					Cost	Value
December 31, 2022						
<u>Held-to-maturity securities</u>						
Mortgage-backed securities						
Government-sponsored residential mortgage-backed securities	\$ 1,108	\$ —	\$ —	\$ —	\$ —	\$ 1,108
State and political subdivisions	840	25	—	—	—	865
	<b>\$ 1,948</b>	<b>\$ 25</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,973</b>

The fair value and amortized cost of debt securities at **June 30, 2023** **September 30, 2023**, 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		Held-to-Maturity		Available-for-Sale		Held-to-Maturity	
		Amortize				Amortize	
Amortized	Fair	d	Fair	Amortized	Fair	d	Fair
Cost	Value	Cost	Value	Cost	Value	Cost	Value

Within one year	\$ 5,017	\$ 4,994	\$ —	\$ —	\$ 24,41	\$ 23,41	\$ —	\$ —
One to five years	329,8	299,7			329,9	297,2		
Five to ten years	32	80	—	—	15	79	—	—
After ten years	150,4	129,6			135,1	114,4		
	46	51	—	—	36	31	—	—
	50,01	42,27	1,11	1,1	44,37	34,63	1,11	1,0
	6	6	5	42	1	0	5	81
Mortgage-backed securities	705,4	618,0	1,10	1,0	686,8	587,2	1,09	1,0
	64	47	1	94	56	56	7	43
Total debt securities	1,240,	1,094,	2,21	2,2	1,220,	1,057,	2,21	2,1
	\$ 775	\$ 748	\$ 6	\$ 36	\$ 690	\$ 009	\$ 2	\$ 24

The following table shows the carrying value of securities pledged as collateral to secure public deposits, borrowings from the Federal Reserve Bank and for other purposes, was approximately \$753,640 retail repurchase obligations at June 30, 2023 September 30, 2023, and \$820,751 at December 31, 2022.

	September 30, 2023	December 31, 2022
Public fund deposits	\$ 777,425	\$ 820,751
Federal Reserve Bank borrowings	147,642	33,235
Retail repurchase agreements	44,873	55,289
Total securities pledged	\$ 969,940	\$ 909,275

16 15

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 June 30, 2023 September 30, 2023, and December 31, 2022.

	Less Than 12 Months		12 Months or				Less Than 12 Months		12 Months or			
	Months		More		Total		Months		More		Total	
	Fair Value	Unreal Loss	Fair Value	Unreal Loss	Fair Value	Unreal Loss	Fair Value	Unreal Loss	Fair Value	Unreal Loss	Fair Value	Unreal Loss
	Value	Loss	Value	Loss	Value	Loss	Value	Loss	Value	Loss	Value	Loss
June 30, 2023												
September 30, 2023												
Available-for-sale securities												

U.S.						(1)				10	(1)	10	(1)
Government-sponsored entities			10	(1)	10	5,				5,	7,	5,	7,
			7,3	5,4	7,3	47				58	07	58	07
	\$ —	\$ —	\$ 72	\$ (71)	\$ 72	\$ (1)	\$ —	\$ —	\$ 6	\$ (9)	\$ 6	\$ (9)	
U.S. Treasury securities						(2)				23	(2)	23	(2)
			23	(2)	23	4,	1,		2,	5,	3,	5,	
	1,4		3,2	4,7	4,6	75	01		89	34	91	34	
	03	(2)	95	55)	98	7)	9	—	3	1)	2	1)	
Mortgage-backed securities													
Government-sponsored residential mortgage-backed securities						(6)				44	(7)	44	(7)
	17,		44	(5)	46	0,				2,	0,	2,	0,
	26	(8)	8,8	9,5	6,0	38	15			26	55	42	55
	5	48)	06	38)	71	6)	2	(6)	9	3)	1	1	9)
Private label residential mortgage-backed securities						(2)				14	(2)	14	(2)
			15	(2)	15	7,				4,	9,	4,	9,
			1,9	7,0	1,9	03				83	04	83	04
	—	—	76	31)	76	1)	—	—	5	1)	5	1)	
Corporate			10,	(1,	38,	(5,	48,	(7,		49	(7,	49	(7,
	76	73	18	99	94	73			,7	00	,7	00	
	5	5)	3	9)	8	4)	—	—	01	1)	01	1)	
Small Business Administration loan pools						10,				4,		10	
	5,9		4,7	(7	71	(7	70			44	(8	,1	(8
	91	(4)	23	30)	4	34)	6	(2)	2	03)	48	05)	
State and political subdivisions											(1		(1
	14,		56,	(9,	71,	(9,	11			58	2,	70	3,
	87	(2)	84	66	71	95	,8	(9	,2	92	,1	85	
	0	88)	7	4)	7	2)	90	29)	14	6)	04	5)	
Total temporarily impaired securities			1,0	(1	1,0	(1				03	(1	05	(1
	50,	(2,	41,	43,	91,	46	18			7,	62	6,	63
	29	87	20	18	49	,0	,7	(9	94	,7	70	,6	
	\$ 4	\$ 7)	\$ 2	\$ 8)	\$ 6	\$ 65)	\$ 67	\$ 37)	\$ 0	\$ 44)	\$ 7	\$ 81)	
December 31, 2022													

Available-for-sale securities													
U.S.							(1			10	(1	10	(1
Government-sponsored entities	3,9	(9	2,4	5,8	6,4	79	3,	93	(9	47	87	40	79
	\$ 36	\$ 13)	\$ 70	\$ 77)	\$ 06	\$ 0)	\$ 6	\$ 13)	\$ 0	\$ 7)	\$ 6	\$ 0)	
U.S. Treasury securities	92,	(6,	13	(1	23	5,	92	(6,	9,	8,	2,	5,	(2
	89	86	9,2	8,6	2,1	53	,8	86	26	66	15	53	
	6	6)	62	66)	58	2)	96	6)	2	6)	8	2)	
Mortgage-backed securities													
Government-sponsored residential mortgage-backed securities							(6	20	(1	29	(4	49	(6
	20	(1	29	(4	49	2,	3,	5,	5,	6,	8,	2,	
	3,4	5,5	5,1	6,6	8,6	17	41	51	19	65	60	17	
	16	11)	90	59)	06	0)	6	1)	0	9)	6	0)	
Private label residential mortgage-backed securities							(2			11	(2	16	(2
	43,	(7,	11	(2	16	7,	43	(7,	6,	0,	0,	7,	
	61	22	6,4	0,1	0,0	34	,6	22	41	11	02	34	
	0	7)	10	19)	20	6)	10	7)	0	9)	0	6)	
Corporate	48,	(3,					52,	(4,	48	(3,	4,	52	(4,
	19	44	4,1	(8	37	26	,1	44	17	(8	,3	26	
	9	3)	75	25)	4	8)	99	3)	5	25)	74	8)	
Small Business Administration loan pools							12,		7,	4,		12	
	7,6	(6	4,5	(6	18	(7	67	(6	50	(6	,1	(7	
	76	0)	05	74)	1	34)	6	0)	5	74)	81	34)	
State and political subdivisions							(1					10	(1
	88,	(5,	19,	(5,	10	1,	88	(5,	19	(5,	8,	1,	
	71	46	67	79	8,3	26	,7	46	,6	79	38	26	
	3	3)	1	8)	84	1)	13	3)	71	8)	4	1)	
Total temporarily impaired securities							(1	1,1	(1	48	(3	68	(1
	48	(3	68	08,	70,	48	8,	9,	1,	08	0,	48	
	8,4	9,4	1,6	61	12	,1	44	48	68	,6	12	,1	
	\$ 46	\$ 83)	\$ 83	\$ 8)	\$ 9	\$ 01)	\$ 6	\$ 3)	\$ 3	\$ 18)	\$ 9	\$ 01)	

	Less Than 12 Months						12 Months or More						Less Than 12 Months						12 Months or More					
	Months		More		Total		Months		More		Total		Months		More		Total		Months		More		Total	
	Unrealized		Unrealized		Unrealized		Unrealized		Unrealized		Unrealized		Unrealized		Unrealized		Unrealized		Unrealized		Unrealized			
	Fair Value	Loss	Fair Value	Loss	Fair Value	Loss	Fair Value	Loss	Fair Value	Loss	Fair Value	Loss	Fair Value	Loss	Fair Value	Loss	Fair Value	Loss	Fair Value	Loss	Fair Value	Loss		
<u>June 30, 2023</u>																								
<u>September 30, 2023</u>																								
<u>Held-to-maturity securities</u>																								
Residential mortgage-backed (issued by government-sponsored entities)	1,094	\$ (7)	\$ —	\$ —	\$ 94	\$ (7)	1,094	\$ (5)	\$ 3	\$ 4	\$ —	\$ —	\$ 3	\$ 4	1,04	(5)	1,04	(5)	1,04	\$ 3	\$ 4			
<u>Corporate</u>	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
State and political subdivisions	27	—	—	—	27	—	27	—	1,08	(3)	—	—	—	—	1,08	(3)	—	—	—	—	—	—		
<u>Total</u>	3	(2)	—	—	3	(2)	1,367	\$ (9)	\$ 4	\$ 8	—	—	—	—	1,367	\$ (9)	2,124	(8)	2,124	\$ 4	\$ 8			
<u>December 31, 2022</u>																								
<u>Held-to-maturity securities</u>																								
Residential mortgage-backed (issued by government-sponsored entities)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —			
<u>Corporate</u>	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		

State and political subdivisions	—	—	—	—	—	—	—	—	—	—	—	—
Total temporarily impaired securities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

The tables above present unrealized losses on available-for-sale and held-to-maturity securities since the date of purchase, independent of the impact associated with changes in cost basis upon transfer from the available-for-sale designation to the held-to-maturity designation. As of **June 30, 2023** **September 30, 2023**, the Company held **491** **498** available-for-sale and **two** **four** held-to-maturity securities in an unrealized loss position.

17

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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. The decline in fair value is largely due to changes in interest rates and the fair value is expected to recover as the securities approach maturity.

16

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The Company's available-for-sale and held-to-maturity investments that carry some form of credit risk are the investments in private label residential mortgage-backed securities, corporate securities and state and political subdivisions securities.

All private label residential mortgage-backed securities held by the Company are senior in the capital structure, carry substantial credit enhancement and are 20% risk weighted by the Simplified Supervisory Formula Approach ("SSFA"). At **June 30, 2023** **September 30, 2023**, the Company does not anticipate any credit losses in the private label residential mortgage-backed securities portfolio.

The Company's corporate debt exposure consists of 14 separate positions in U.S. financial institutions, all of which the Company has determined to be investment grade. Substantially all of the positions are subordinated debt issued by bank holding companies. The Company periodically reviews financial data of the issuers to ensure their continued investment grade status. At **June 30, 2023** **September 30, 2023**, the Company does not anticipate any credit losses in the corporate debt securities portfolio.

The Company's portfolio of state and political subdivisions securities is comprised of 132 positions of which 88% of the positions are rated "A" or better by a Nationally Recognized Statistical Ratings Organization ("NRSRO"), and **63** **73**% of the overall portfolio is made up of general obligation bonds. The Company periodically reviews financial data of the entities and regularly monitors credit ratings changes of the entities. At **June 30, 2023** **September 30, 2023**, the Company does not anticipate any credit losses in the state and political subdivisions securities portfolio.

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.

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Proceeds	49,2		49,2	3,2			49,2	3,2
	\$ 58	\$ —	\$ 58	\$ 65	\$ —	\$ —	\$ 58	\$ 65
Gross gain	—	—	—	115	—	—	—	115
Gross losses	1,33		1,33				1,33	
	0	—	0	36	—	—	0	36
Income tax expense on net realized gains	(325)	—	5)	20	—	—	5)	20

The Company also invests in several other investments, including investments in stocks and partnerships, which are included in other assets. The following table shows the various investment balances and method of accounting at **June 30, 2023** **September 30, 2023**, and December 31, 2022.

		June 30, 2023		December 31, 2022	
<b>Investments in stocks</b>					
Accounted for at fair value through net income		\$ 610		\$ 570	
Accounted for at amortized cost assessed for impairment		1,397		1,398	
Total investments in stocks		2,007		1,968	
<b>Investments in partnerships</b>					
Accounted for at equity method		2,110		1,816	
Accounted for at hypothetical liquidation book value		7,784		980	
Accounted for at proportional amortization		23,330		19,794	
Total investments in partnerships		33,224		22,590	
Total other investments	\$ 35,231		\$ 24,558		
		September 30, 2023		December 31, 2022	
<b>Investments in stocks</b>					
Accounted for at fair value through net income		\$ 609		\$ 570	
Accounted for at amortized cost assessed for impairment		1,397		1,398	
Total investments in stocks		2,006		1,968	
<b>Investments in partnerships</b>					
Accounted for under the equity method		2,213		1,816	
Accounted for under the hypothetical liquidation book value		3,346		980	
Accounted for under proportional amortization		27,228		19,794	
Total investments in partnerships		32,787		22,590	
Total other investments	\$ 34,793		\$ 24,558		

The following table discloses the financial statement impact of tax credit investments for the three month period ended **June 30, 2023** **September 30, 2023**.

<u>September 30, 2023</u>	Income Tax Credits				Investment	
	Recognized During		Other Income Tax		Amortization	
	Period <sup>(a)</sup>	Benefits <sup>(a)</sup>	Total Tax Benefits		Included in Income	
						Tax Expense
<b>Investments and tax credit structures:</b>						
Included in proportional amortization	\$ (2,950)	\$ (274)	\$ (3,224)	\$ 2,805		
Not included in proportional amortization	\$ (945)	\$ (186)	\$ (1,131)	—		
(a) Reported in income tax expense on statements of income and reported in net change in other assets on statements of cash flows.						

**1817**

<u>June 30, 2023</u>	Income Tax Credits				Investment	
	Recognized During		Other Income Tax		Amortization	
	Period	Benefits	Total Tax Benefits		Included in Income	
						Tax Expense
<b>Investments and tax credit structures:</b>						
Included in proportional amortization	\$ (5,469)	\$ (829)	\$ (6,298)	\$ 5,575		
Not included in proportional amortization	\$ (870)	\$ (223)	\$ (1,093)	—		

The following table discloses the financial statement impact of tax credit investments for the **six** **nine** month period ended **June 30, 2023** **September 30, 2023**.

<u>June 30, 2023</u>	Investmen				Investmen			
	Income		Amortizati		Income		Amortizati	
	Tax	on	Tax	on	Tax	on	Tax	on
	Credits	Other	Total	Included	Credits	Income	Total	Included
	Recogniz	Income	Tax	in Income	Recogniz	Tax	Tax	in Income
	ed During	Tax	Benefit	Tax	ed During	Benefits	Benefit	Tax
	Period	Benefits	s	Expense	Period <sup>(a)</sup>	(a)	s	Expense

September 30,

2023

Investments and  
tax credit  
structures:

Included in proportional amortization			(6,								(1
	(5,95		(97		92						(1, 0,
	\$ 1)	\$ 3)	\$ 4)	\$ 6,161		\$ 1)	\$ 7)	\$ 8)	\$ 8,966		24 14
Not included in proportional amortization			(2,								(3, 25
	(1,67		(45		12						(2,61 64 25
	\$ 2)	\$ 5)	\$ 7)	\$ —		\$ 7)	\$ 1)	\$ 8)	\$ —		

(a) Reported in  
income tax  
expense on  
statements of  
income and  
reported in net  
change in other  
assets on  
statements of  
cash flows.

(a) Reported in income tax expense on statements of  
income and reported in net change in other assets on  
statements of cash flows.

Contingent contributions for investment tax credit structures not subject to proportional amortization were ~~\$3.0~~ zero million for the ~~six~~ nine month period ended ~~June 30, 2023~~ September 30, 2023.

### **NOTE 3 – LOANS AND ALLOWANCE FOR CREDIT LOSSES**

Types of loans and normal collateral securing those loans are listed below.

*Commercial real estate:* Commercial real estate loans include all loans secured by nonfarm, nonresidential properties and by multifamily residential properties, as well as 1-4 family investment-purpose real estate loans.

*Commercial and industrial:* Commercial and industrial loans include loans used to purchase fixed assets, provide working capital or meet other financing needs of the business. Loans are normally secured by the assets being purchased or already owned by the borrower, inventory or accounts receivable. These may include SBA and other guaranteed or partially guaranteed types of loans.

*Residential real estate:* Residential real estate loans include loans secured by primary or secondary personal residences.

*Agricultural real estate:* Agricultural real estate loans are loans typically secured by farmland.

*Agricultural:* Agricultural loans are primarily operating lines subject to annual farming revenues including productivity/yield of the agricultural commodities produced. These loans may be secured by growing crops, stored crops, livestock, equipment, and miscellaneous receivables.

*Consumer:* Consumer loans may include installment loans, unsecured and secured personal lines of credit, overdraft protection and letters of credit. These loans are generally secured by consumer assets but may be unsecured.

The following table lists categories of loans at **June 30, 2023** **September 30, 2023**, and December 31, 2022.

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Commercial real estate	\$ 1,764,460	\$ 1,721,268	\$ 1,721,761	\$ 1,721,268
Commercial and industrial	583,664	594,863	585,129	594,863
Residential real estate	560,389	570,550	558,188	570,550
Agricultural real estate	202,317	199,189	205,865	199,189
Agricultural	104,510	120,003	103,352	120,003
Consumer	107,330	105,675	107,823	105,675
<b>Total loans</b>	<b>3,322,670</b>	<b>3,311,548</b>	<b>3,282,118</b>	<b>3,311,548</b>
Allowance for credit losses	(44,544)	(45,847)	(44,186)	(45,847)
<b>Net loans</b>	<b>\$ 3,278,126</b>	<b>\$ 3,265,701</b>	<b>\$ 3,237,932</b>	<b>\$ 3,265,701</b>

19

From time to time, the Company has purchased pools of residential real estate loans originated by other financial institutions to hold for investment with the intent to diversify the residential real estate portfolio. During the three and **six nine** months ended **June 30, 2023** **September 30, 2023**, the Company did not purchase any pools of residential loans. During the three and **six nine** months ended **June 30, 2022** **September 30, 2022**, the Company purchased residential loan pools of **\$795,794**. As of **June 30, 2023** **September 30, 2023**, and December 31, 2022, residential real estate loans include **\$313,785** **\$307,724** and **\$327,309** of purchased residential real estate loans.

18

The Company occasionally purchases the government guaranteed portion of loans originated by other financial institutions to hold for investment. During the three and **six nine** months ended **June 30, 2023** **September 30, 2023**, the Company purchased **\$433,0** and **\$1,235** in loans guaranteed by governmental agencies. During the three and **nine** months ended **September 30, 2022**, the Company purchased **\$0** and **\$2,293** in loans guaranteed by governmental agencies.

The unamortized **discount of merger** purchase accounting **adjustments** **discounts** related to non-purchase credit deteriorated loans included in the loan totals above are **\$3,060** **2,574** with related loans of **\$261,881** **\$218,115** at **June 30, 2023** **September 30, 2023**, and **\$3,632** with related loans of **\$286,538** at December 31, 2022.

Overdraft deposit accounts are reclassified and included in consumer loans above. These accounts totaled \$831,661 at June 30, 2023 September 30, 2023, and \$475 at December 31, 2022.

The following tables present the activity in the allowance for credit losses by class for the three month periods ended June 30, 2023 September 30, 2023, and 2022.

	Com	Com	Resi					Com	Com	Agri				
	merc	merc	denti					merc	merc	cultu				
	ial	ial	al	Agricu				ial	ial	Resid	ral			
June 30,	Real	and	Real	Itural				Real	and	ential	Real	Agric	Con	
2023	Estat	Indu	Estat	Real	Agricu	Cons	Total	Estat	Indu	Real	Estat	ultura	sum	
	e	strial	e	Estate	Itural	umer	Total	e	strial	Estate	e	I	er	Total
Septem ber 30, 2023														
Allowa nce for credit losses:														
Begin ning	1	1					4	1	1					4
balan ce	6,61	5,56	8,7				1,9	5,1	6,1	8,8	5,5	1,9	4,5	1,4
Provi sion for credi t loss es	1,20	2,67	5,4	58	1,5	8	0	5,9	9,85	8,8	28	7,7	4	4
Loan char ged- off	\$ 1	\$ 0	\$ 1	\$ 6	\$ 47	\$ 8	\$ 3	\$ 2	\$ 4	\$ 5	\$ 3	\$ 9	\$ 1	\$ 4
Rec overi es	(2,0)	(7,7)	(1,4)	(6)	(50)	(3)	(8)	(4)	(3)	(1)	(0)	(35)	(3)	0

Total														
endi														
ng														
allo	1	1					4	1	1					4
wan	6,	5,	8,				1,	4,	3,	8,			1,	4,
ce	6	1	8				9	5	6	9	7,	2	1,	6
bala	5	9	5	58	1,2	7	4	9	6	33	0	32	7	8
nce	\$ 2	\$ 4	\$ 5	\$ 3	\$ 89	\$ 1	\$ 4	\$ 6	\$ 0	\$ 6	\$ 0	\$ 4	\$ 0	\$ 6
	<u>Com</u>	<u>Com</u>	<u>Resi</u>											
	merc	merc	denti											
	ial	ial	al	Agricu										
	Real	and	Real	ltural										
June 30,	Estat	Indu	Estat	Real	Agricu	Cons								
2022	e	strial	e	Estate	ltural	umer	Total							
								<u>Com</u>	<u>Com</u>	<u>Resi</u>				
								merc	merc	denti	Agric			
								ial	ial	al	ultura			
Septem								Real	and	Real	I	Agric	Con	
ber 30,								Estat	Indu	Estat	Real	ultura	sum	
2022								te	strial	te	Estate	I	er	Total
Allowa														
nce for														
credit														
losses:														
Begi	2	1					4	2	1					4
nnin	1,	3,	5,				2,	7,	2,	3,	6,			2,
g	7	8	9				0	5	6	2	8			2
bala	6	1	6	1,5	2,4	3	9	6	0	1	00	28	5	3
nce	\$ 4	\$ 4	\$ 0	\$ 42	\$ 72	\$ 8	\$ 0	\$ 5	\$ 9	\$ 8	\$ 7	\$ 9	\$ 0	\$ 8
Prov														
ision														
for														
credi														
t	9	(6	8				4	8	,7	9	4			3
loss	1	5	7	(5	(1	1	2	1	1	8		(2	4	3
es	1	0)	0	35)	82)	0	4	2)	1	6	40	02)	1	6)

Loan														
s														
char														
ged-	(1	(3	(4				(2	(3	(6	(7				
off	1)	5)	6)	—	(1)	9)	2)	2)	1	0	(5		(4	(1
Rec														
overi		8	3				9	0					6	7
es	1	0	4	—	—	1	6	7	1	7	1	—	0	6
Total														
endi														
ng														
allo	2	1					4	2	1					4
wan	2,	3,	6,				2,	8,	0,	3,	7,		2,	6,
ce	6	2	8				2	2	3	4	2	1,	2,	3
bala	6	0	1	1,0	2,2	5	3	4	1	6	04	04	8	9
nce	\$ 5	\$ 9	\$ 8	\$ 07	\$ 89	\$ 0	\$ 8	\$ 8	\$ 5	\$ 0	\$ 8	\$ 3	\$ 5	\$ 9

The following tables present the activity in the allowance for credit losses by class for the **six** **nine** month periods ended **June 30, 2023** **September 30, 2023**, and 2022.

	Com	Com	Resi					Com	Com	Resi	Agric			
	merc	merc	denti					merc	merc	denti	ultur			
	ial	ial	al	Agricu				ial	ial	al	al			
Real	and	Real	Itural	Agric			Real	and	Real	Real	Agri			
June 30,	Estat	Indu	Estat	Real	ultur	Cons	Estat	Indu	Estat	Estat	Cultu			
2023	e	strial	e	Estate	al	umer	Total	e	strial	e	ral			
Septem														
ber 30,														
2023														
Allowa														
nce for														
credit														
losses:														

Begi	1	1				4	1	1				4
nnin	6,	4,	8,		2,	2,	5,	6,	4,	8,		2,
g	7	9	6		4	2	8	7	9	6	8	2
bala	3	5	0	81	5	8	4	3	5	0	1	5
nce	\$ 1	\$ 1	\$ 8	\$ 9	\$ 7	\$ 1	\$ 7	\$ 1	\$ 1	\$ 8	\$ 9	\$ 7
Prov												
ision												
for												
credi		1,			(1			(3	6,	(1		(1
t	(1	2	2		,2			,1	4	,2	3	,1
loss	4	6	4	(2	1	1	(6	0	3	7	8	(9
es	6)	7	6	39)	5)	9	8)	0)	0	5)	1	0)
Loan												
s		(1				(1			(2			(3
char		,0			(1	(4	,7		,4			(1
ged-	(1	7	(5		0	5	0	(1	7	(5		0
off	0)	5)	7)	—	8)	6)	6)	8)	4)	7)	(4)	8)
Rec					1	1	4					5
overi	7	5	5		5	2	7	8	5	6		5
es	7	1	8	3	5	7	1	3	3	0	4	5
Total	—	—	—	—	—	—	—	—	—	—	—	—
end												
ing												
allo	1	1				4	1	1				4
wan	6,	5,	8,		1,	1,	4,	3,	8,	7,	1,	1,
ce	6	1	8		2	9	5	6	9	3	2	3
bala	5	9	5	58	8	7	4	9	6	3	0	2
nce	\$ 2	\$ 4	\$ 5	\$ 3	\$ 9	\$ 1	\$ 4	\$ 6	\$ 0	\$ 6	\$ 0	\$ 4
	<u>  </u>											

September 30, 2022			Commercial	Residential	Agricultural					
			Commercial	Real	Real					
			Real Estate	Industrial	Estate	Estate	Agricultural	Consumer	Total	
Allowance for credit losses:										
Beginning balance		\$ 22,478	\$ 12,248	\$ 5,560	\$ 2,235	\$ 3,756	\$ 2,088	\$ 48,365		
Provision for credit losses		(1,293)	1,833	1,758	(1,195)	(1,668)	841	276		
Loans charged-off		(906)	(785)	(99)	—	(45)	(760)	(2,595)		
Recoveries		69	119	41	8	—	216	453		
Total ending allowance balance		\$ 20,348	\$ 13,415	\$ 7,260	\$ 1,048	\$ 2,043	\$ 2,385	\$ 46,499		

2019

June 30, 2022	Commercial							
	Commercial		Residential		Agricultural			
	Real Estate	Industrial	Real Estate	Real Estate	Agricultural	Consumer	Total	
Allowance for credit losses:								
Beginning balance	\$ 22,478	\$ 12,248	\$ 5,560	\$ 2,235	\$ 3,756	\$ 2,088	\$ 48,365	
Provision for credit losses	419	922	1,272	(1,235)	(1,466)	500	412	
Loans charged-off	(294)	(79)	(48)	—	(1)	(494)	(916)	
Recoveries	62	118	34	7	—	156	377	
Total ending allowance balance	<u>\$ 22,665</u>	<u>\$ 13,209</u>	<u>\$ 6,818</u>	<u>\$ 1,007</u>	<u>\$ 2,289</u>	<u>\$ 2,250</u>	<u>\$ 48,238</u>	

The following tables present the recorded investment in loans and the balance in the allowance for credit losses by portfolio and class based on method to determine allowance for credit loss as of **June 30, 2023** **September 30, 2023**, and December 31, 2022.

June 30, 2023	Commercial						Residential						Agricultural					
	Com merci	Com merc	Resi denti	Agric ultur	Real al	and ial	Real al	Agric al	Real Real	and and	Real Real	Agric Real	Real Real	and and	Real Real	Agric Real	Real Real	Agric Real
	Estat e	Indu strial	Estat e	Estat al	Estat umer	Estat Total	Estat e	Indu strial	Estat e	Estat e	Estat al	Estat umer	Estat e	Indu strial	Estat e	Estat al	Estat e	Estat al
Allowan ce for credit losses:																		
Individu ally eval uated																		
for	1,				3,		1,											4,
credit	3	1	7	1	9	4	4	4	4	7	6	9	1	1	4			
losse	0	5	2	8	7	9	4	4	4	8	8	1	6	2				
s	\$ 5	\$ 8	\$ 4	\$ 9	\$ 1	\$ 7	\$ 4	\$ 1	\$ 6	\$ 0	\$ 3	\$ 2	\$ 3	\$ 5				

Collective evaluated for credit losses	1 1 4 8, 1, 1, 4 1 1 1 3, 7, 6, 1, 9,								3								
	6,	4,	8,			1,	1,	3,	7,	6,							
	3	0	1	3	3	8	1	2	5	5	5	4	5	7			
	4	3	3	9	1	7	0	5	1	5	1	1	0	6			
	7	6	1	4	8	4	0	5	4	6	7	2	7	1			
	1	1				4		1	1					4			
	6,	5,	8,			1,	1,	4,	3,	8,	7,	1,	1,	4,			
	6	1	8	5	2	9	5	6	9	3	2	3	6	1			
	5	9	5	8	8	7	4	9	6	3	0	2	7	8			
	\$ 2	\$ 4	\$ 5	\$ 3	\$ 9	\$ 1	\$ 4	\$ 6	\$ 0	\$ 6	\$ 0	\$ 4	\$ 0	\$ 6			
Loan Balance :	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	
	Individually evaluated for credit losses								2								
	2,	5,	3,	2,	3,	7,	1	3,	6,	3,	4,	3,	1,	1,			
	9	1	0	3	5	4	4	4	1	2	6	6	6	9			
	0	7	5	7	7	1	9	7	8	3	6	9	9	4			
	\$ 2	\$ 7	\$ 3	\$ 0	\$ 6	\$ 6	\$ 4	\$ 6	\$ 2	\$ 7	\$ 7	\$ 1	\$ 3	\$ 6			
	1,						3,	1,								3,	
	7	5	5	1	1	1	3	7	5	5	2		1	2			
	6	7	5	9	0	0	0	1	7	5	0	9	0	6			
	1,	8,	7,	9,	0,	6,	5,	8,	8,	4,	1,	9,	7,	0,			
Collective evaluated for credit losses	5	4	3	9	9	9	1	2	9	9	1	6	1	1			
	5	8	3	4	3	1	7	8	4	5	9	6	3	7			
	8	7	6	7	4	4	6	5	7	1	8	1	0	2			

Total	1, 7 6 4, 4 6	5 8 3, 6 6	5 0 2, 3 8	2 0 4, 5 1	1 0 7, 3 1	1 2 2, 6 7	3, 5 5, 8, 1	1, 5 8, 5, 1	2 0 3, 8 6	1 0 3, 8 5	1 0 7, 8 5	2 8 1
	\$ 0	\$ 4	\$ 9	\$ 7	\$ 0	\$ 0	\$ 0	\$ 1	\$ 9	\$ 8	\$ 5	\$ 2
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

December 31, 2022	Commercial Residential Agricultural												
	Commercial		Real		Real		Agricultural				Consumer		Total
	Real Estate	Industrial	Estate	Real Estate	Agricultural	Consumer							
Allowance for credit losses:													
Individually evaluated for credit losses	\$ 285	\$ 1,433	\$ 795	\$ 221	\$ 2,125	\$ 87	\$ 4,946						
Collectively evaluated for credit losses	16,446	13,518	7,813	598	332	2,194	40,901						
Total	\$ 16,731	\$ 14,951	\$ 8,608	\$ 819	\$ 2,457	\$ 2,281	\$ 45,847						
Loan Balance:													
Individually evaluated for credit losses	\$ 2,867	\$ 6,653	\$ 3,344	\$ 2,606	\$ 4,576	\$ 379	\$ 20,425						
Collectively evaluated for credit losses	1,718,4 01	588,210	567,206	196,583	115,427	105,296	3,291,1 23						
Total	1,721,2 \$ 68	\$ 594,863	\$ 570,550	\$ 199,189	\$ 120,003	\$ 105,675	\$ 48 21						

The following tables presents present information related to nonaccrual loans at June 30, 2023 September 30, 2023, and December 31, 2022.

	June 30, 2023						September 30, 2023					
	Unpaid Principal Balance		Allowance for Recorded Investment		Allowance for Credit Losses Allocated		Unpaid Principal Balance		Allowance for Recorded Investment		Allowance for Credit Losses Allocated	
	With no related allowance recorded:											
Commercial real estate	\$ 2,442	\$ 1,824	\$ —	\$ 2,309	\$ 1,674	\$ —						
Commercial and industrial	31	—	—	5,097	1,256	—						
Residential real estate	25	—	—	23	—	—						
Agricultural real estate	2,893	1,571	—	1,421	1,031	—						
Agricultural	2,303	—	—	2,303	—	—						

Consumer	4	—	—	27	1	—
Subtotal				11,18		
	7,698	3,395	—	0	3,962	—
With an allowance recorded:						
Commercial real estate	1,117	904	226	1,640	1,413	334
Commercial and industrial	10,54					
	7	4,572	875	5,635	4,363	1,124
Residential real estate	3,199	2,916	716	3,432	3,124	777
Agricultural real estate	526	312	84	4,820	3,333	673
Agricultural	2,961	2,511	851	3,056	2,585	788
Consumer	435	360	89	733	655	159
Subtotal	18,78			19,31		
	5	11,575	2,841	6	15,473	3,855
Total	26,48			30,49		
	\$ 3	\$ 14,970	\$ 2,841	\$ 6	\$ 19,435	\$ 3,855

	December 31, 2022		
	Unpaid Principal Balance	Recorded Investment	Allowance for Credit Losses Allocated
With no related allowance recorded:			
Commercial real estate	\$ 2,443	\$ 1,866	\$ —
Commercial and industrial	21	—	—
Residential real estate	54	25	—
Agricultural real estate	1,518	583	—
Consumer	6	—	—
Subtotal	4,042	2,474	—
With an allowance recorded:			
Commercial real estate	1,011	823	206
Commercial and industrial	10,758	5,838	1,091
Residential real estate	3,488	3,181	786
Agricultural real estate	1,956	1,469	216
Agricultural	6,272	3,468	1,860
Consumer	412	348	85
Subtotal	23,897	15,127	4,244
Total	\$ 27,939	\$ 17,601	\$ 4,244

	December 31, 2022		
	Unpaid Principal Balance	Recorded Investment	Allowance for Credit Losses Allocated
With no related allowance recorded:			
Commercial real estate	\$ 2,443	\$ 1,866	\$ —
Commercial and industrial	21	—	—
Residential real estate	54	25	—
Agricultural real estate	1,518	583	—
Consumer	6	—	—
<b>Subtotal</b>	<b>4,042</b>	<b>2,474</b>	<b>—</b>
With an allowance recorded:			
Commercial real estate	1,011	823	206
Commercial and industrial	10,758	5,838	1,091
Residential real estate	3,488	3,181	786
Agricultural real estate	1,956	1,469	216
Agricultural	6,272	3,468	1,860
Consumer	412	348	85
<b>Subtotal</b>	<b>23,897</b>	<b>15,127</b>	<b>4,244</b>
<b>Total</b>	<b>\$ 27,939</b>	<b>\$ 17,601</b>	<b>\$ 4,244</b>

The tables below presents present average recorded investment and interest income related to nonaccrual loans for the three and six nine months ended June 30, 2023 September 30, 2023, and 2022. Interest income recognized in the following table was substantially recognized on the cash basis. The recorded investment in loans excludes accrued interest receivable due to immateriality.

As of and for the three months ended				As of and for the three months ended			
June 30, 2023		June 30, 2022		September 30, 2023		September 30, 2022	
Average	Interest	Average	Interest	Average	Interest	Average	Interest
Recorded	Income	Recorded	Income	Recorded	Income	Recorded	Income
Investmen	Recogniz	Investmen	Recogniz	Investmen	Recogniz	Investmen	Recogniz
t	ed	t	ed	t	ed	t	ed

With no related allowance recorded:								
Commercial real estate	1,83	\$ 3	\$ —	\$ 2	\$ —	\$ 9	\$ —	\$ 6
Commercial and industrial	—	2	982	—	628	—	9	157
Residential real estate	—	1	553	—	—	—	—	—
Agricultural real estate	1,06	8	—	1,40	0	—	1,30	1,44
Agricultural	—	—	—	—	—	—	—	5
Consumer	—	—	—	—	—	1	—	5
Subtotal	2,90	1	3	4,50	7	—	3,67	6,08
Total	—	—	—	—	—	9	—	4
	1	3	7	—	—	—	—	158

With an  
allowan  
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d:

Commercial real estate	882	—	0	—	1,15	8	14	7	20
Commercial and industrial	5,02	2	2,54	9	4,46	7	19	4	97
Residential real estate	3,00	4	3,16	0	3,02	0	8	6	18
Agricultural real estate	842	—	2,37	8	1,82	2	—	4	2
Agricultural	2,71	—	4,07	2	2,54	8	2	4	—
Consumer	388	—	312	—	507	11	266	2	—
Subtotal	12,8	—	15,2	—	13,5	—	14,9	—	—
Total	58	6	71	4	22	54	11	—	139
Total	15,7	—	19,7	—	17,2	—	20,9	—	—
	\$ 59	\$ 9	\$ 78	\$ 4	\$ 01	\$ 54	\$ 95	\$ 297	

	June 30, 2023				June 30, 2022			
	Average Recorded		Interest Income		Average Recorded		Interest Income	
	Investment	Recognized	Investment	Recognized	Investment	Recognized	Investment	Recognized
With no related allowance recorded:								
Commercial real estate	\$ 1,845	\$ —	\$ 1,048	\$ —				
Commercial and industrial	—	2	1,309	—				
Residential real estate	8	1	512	1				
Agricultural real estate	906	—	1,487	—				
Agricultural	—	—	—	—				
Consumer	—	—	16	—				
<b>Subtotal</b>	<b>2,759</b>	<b>3</b>	<b>4,372</b>	<b>1</b>				
With an allowance recorded:								
Commercial real estate	862	—	4,144	—				
Commercial and industrial	5,297	2	3,231	—				
Residential real estate	3,062	4	3,655	1				
Agricultural real estate	1,051	1	2,498	3				
Agricultural	2,967	—	4,773	—				
Consumer	375	—	299	—				
<b>Subtotal</b>	<b>13,614</b>	<b>7</b>	<b>18,600</b>	<b>4</b>				
<b>Total</b>	<b>\$ 16,373</b>	<b>\$ 10</b>	<b>\$ 22,972</b>	<b>\$ 5</b>				

23

	As of and for the nine months ended							
	September 30, 2023				September 30, 2022			
	Average Recorded		Interest Income		Average Recorded		Interest Income	
	Investment	Recognized	Investment	Recognized	Investment	Recognized	Investment	Recognized
With no related allowance recorded:								
Commercial real estate	\$ 1,802	\$ —	\$ 1,528	\$ —				
Commercial and industrial	314	1	1,480	157				
Residential real estate	6	1	384	1				
Agricultural real estate	937	—	1,554	—				
Agricultural	—	—	2	—				
Consumer	—	—	15	1				
<b>Subtotal</b>	<b>3,059</b>	<b>2</b>	<b>4,963</b>	<b>159</b>				
With an allowance recorded:								

Commercial real estate	1,000	14	3,702	20
Commercial and industrial	5,064	21	3,808	97
Residential real estate	3,077	12	3,559	19
Agricultural real estate	1,621	1	2,251	5
Agricultural	2,872	2	4,437	—
Consumer	445	11	291	2
<b>Subtotal</b>	<b>14,079</b>	<b>61</b>	<b>18,048</b>	<b>143</b>
<b>Total</b>	<b>\$ 17,138</b>	<b>\$ 63</b>	<b>\$ 23,011</b>	<b>\$ 302</b>

The following tables present the aging of the recorded investment in past due loans as of **June 30, 2023** **September 30, 2023**, and December 31, 2022, by portfolio and class of loans.

June 30, 2023										September 30, 2023										
30 -	60 -	Due	59	89	Still	Days	90	Days	On	Not	30 -	Due	59	60 - 89	Still	Days	90	Days	Past	
Days	Days		Days	Days	On		Days	Days	On	Not	Days		Days	Days	On	Days	Days	On	Past	
June 30,	Past	Past	Accru	Nonac	Past		June 30,	Past	Accru	Nonac	June 30,	Past	Accru	Nonac	Past	June 30,	Past	Accru	Past	
2023	Due	Due	al	crual	Due		2023	Due	Due	al	2023	Due	Due	al	crual	2023	Due	Due	Total	
Commercial real estate	6	2,	1,7	1,7	2,	1,7	77	1	72	33	46	5	9	2,2	48	3,	13,	21,	76	
	\$ 9	\$ 8	\$ —	\$ 8	\$ 5	\$ 0										\$ 6	\$ 98	\$ 3	\$ 7	\$ 1

Commercial and industrial	569	8	—	4,57	58	9	40	31	561	57	58
Residential real estate	5,1,32	20	—	2,91	56	0	4,5	39	3,12	54	55
Agricultural real estate	5,65	9	—	1,88	20	9	—	—	36	0,5	5,8
Agricultural	5,54	6	—	2,51	10	1	—	—	58	0,5	3,3
Consumer	35	0	—	391	17	9	—	—	4	22	65
Total	1	2	—	0	67	30	3	88	—	6	56
	—	—	—	—	—	—	—	—	—	—	—
	6,4,34	71	—	14,9	22,63	3,3	6,1	—	19	48,37	82,11
	\$ 8	\$ 4	\$ —	\$ 70	\$ 8	\$ 0	\$ 9	\$ 42	\$ 4	\$ 35	\$ 8
	<u>\$ 8</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ 70</u>	<u>\$ 8</u>	<u>\$ 0</u>	<u>\$ 9</u>	<u>\$ 42</u>	<u>\$ 4</u>	<u>\$ 35</u>	<u>\$ 8</u>

December 31, 2022	Greater Than 90 Days									
	30 - 59 Days		60 - 89 Days		Past Due		Due Still On		Loans Not	
	Past Due		Past Due		Accrual		Nonaccrual		Past Due	
	\$ 1,526	\$ 69	\$ —	\$ 2,689	\$ 4	\$ 8				
Commercial real estate									1,716,98	1,721,26
Commercial and industrial	232	195	—	5,838	588,598	594,863				
Residential real estate	1,133	1,993	—	3,206	564,218	570,550				
Agricultural real estate	569	—	—	2,052	196,568	199,189				
Agricultural	212	—	—	3,468	116,323	120,003				
Consumer	246	55	—	348	105,026	105,675				
Total	\$ 3,918	\$ 2,312	\$ —	\$ 17,601	\$ 7	\$ 8				

## 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 pass credits unless downgraded due to payment status or reviewed as part of a larger credit relationship. Loans that participated in the short-term deferral program are not automatically considered classified solely due to a deferral, are subject to ongoing monitoring and will be downgraded or placed on nonaccrual if a noted weakness exists. 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.

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.

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.

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.

2423

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Based on the most recent analysis performed, the risk category of loans, by type and year of origination, at **June 30, 2023** **September 30, 2023**, is as follows.

June September 30, 2023	2023	2022	2021	2020	2019	Prior	Revolving	Revolvin	Total							
							Loans	g Loans								
							Amortized	Converte								
<hr/>																
Commercial real estate																
<hr/>																
Risk rating																
<hr/>																
Pass	112,818	370,660	248,084	182,452	79,866 6	244,040	513,702		1,752,333 1							
	\$ 175,524	\$ 382,092	\$ 243,586	\$ 168,924	\$ 8,734	\$ 205,595	\$ 465,774	\$ 711,870	\$ 711,099							
Special mention	3,238 2,0					1,074 25										
	—	37	121 120	—	—	398	7	—	4,831 2,812							

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Substandard	—	429	3,060 3,0	239 237	1,558 1,5	2,439 2,5	79	—	7
		86		00	19				1
									2
									9
									6
									7
									8
									5
									0
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial real estate	112,818	373,898	251,265	182,691	81,424 7	246,877	514,776	1,764,460 1	
	\$ 175,524	\$ 384,558	\$ 246,792	\$ 169,161	\$ 0,234	\$ 208,512	\$ 466,110	\$ 711,870	\$ 721,761
Commercial and industrial									
Risk rating									
Pass	94,556 1	130,492	63,515 5	59,645 5	34,478 3	9,391 8,3	179,009	1,879 1,	572,965 57
	\$ 11,420	\$ 122,245	\$ 7,766	\$ 3,275	\$ 1,559	\$ 35	\$ 185,545	\$ 859	\$ 2,004
Special mention	—	—	18 15	—	—	8	51	—	4,348 3,264
Substandard	—	—	—	—	—	—	—	—	6
									1
									3
									5
									1
									9
									1
									8
									0
									6
									1
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial and industrial	95,880 1	130,802	63,687 5	60,010 5	34,739 3	12,703 1	183,964	1,879 1,	583,664 58
	\$ 12,730	\$ 122,869	\$ 8,091	\$ 5,555	\$ 1,813	\$ 1,525	\$ 190,687	\$ 859	\$ 5,129
Residential real estate									
Risk rating									
Pass	18,203 2	30,901 3	290,274	5,633 5,5	12,824 1	139,805	58,239 5	1,284 1,	557,163 55
	\$ 5,540	\$ 0,415	\$ 284,667	\$ 54	\$ 2,662	\$ 135,185	\$ 9,834	\$ 141	\$ 4,998
Special mention	—	—	—	—	—	—	—	—	—

Substandard	—	126,123	—	23,22	239,198	1,970,1,9	847,670	21,70	3,226,3,190
				92					
Doubtful	—	—	—	—	—	—	—	—	—
Total residential real estate	18,203 2	31,027 3	290,274	5,656 5,5	13,063 1	141,775	59,086 6	1,305 1,	560,389 55
	\$ 5,540	\$ 0,538	\$ 284,782	\$ 76	\$ 2,860	\$ 137,177	\$ 0,504	\$ 211	\$ 8,188
Agricultural real estate									
Risk rating									
Pass	15,701 2	29,780 2	18,904 1	21,647 1	11,415 1	21,992 2	68,567 8		188,295 19
	\$ 2,127	\$ 7,644	\$ 8,627	\$ 9,285	\$ 0,845	\$ 0,968	\$ 0,167	\$ 289	\$ 9,952
Special mention	445 903	549 395	—	—	—	599 168	597 755	—	2,190 2,221
Substandard	—	—	—	—	—	1,978 3,5		—	11,832 3,69
	4,781 1	—	185 28	—	103 102	24	4,785 38	—	2
Doubtful	—	—	—	—	—	—	—	—	—
Total agricultural real estate	20,927 2	30,329 2	19,089 1	21,647 1	11,518 1	24,569 2	73,949 8		202,317 20
	\$ 3,030	\$ 8,039	\$ 8,655	\$ 9,285	\$ 0,947	\$ 4,660	\$ 0,960	\$ 289	\$ 5,865
Agricultural									
Risk rating									
Pass	9,831 10,	10,187 8,	5,472 5,6	7,562 8,1	1,665 1,6	3,872 4,2	59,950 6		98,625 99,6
	\$ 865	\$ 113	\$ 53	\$ 44	\$ 21	\$ 28	\$ 0,921	\$ 86 55	\$ 00
Special mention	—	—	—	—	—	328 33	475 259	—	803 292
Substandard	—	—	—	—	—	—	—	—	5
									0
									8
									2
									1 3
									813 4
									889 6
	— 59	69	503	640	1,862	63	264	—	1,056 359 0
Doubtful	—	—	—	—	—	—	—	—	—
Total agricultural	9,831 10,	10,187 8,	6,528 6,1	9,141 8,7	3,548 3,4	4,365 4,3	60,824 6		104,510 10
	\$ 924	\$ 182	\$ 56	\$ 84	\$ 83	\$ 24	\$ 1,444	\$ 86 55	\$ 3,352
Consumer									
Risk rating									

Pass	\$ 38,366 4	\$ 31,088 2	\$ 13,399 1	\$ 6,386 5,5	\$ 2,070 1,6	\$ 3,559 3,2	\$ 12,101 1	\$ 1	\$ 106,970 10
	5,341	7,568	1,826	55	19	11	2,046		7,167
Special mention	—	—	—	—	—	—	—	—	—
Substandard	— 19	91 267	149 194	40 92	49 57	30 26	1	—	360 656
Doubtful	—	—	—	—	—	—	—	—	—
Total consumer	38,366 4	31,179 2	13,548 1	6,426 5,6	2,119 1,6	3,589 3,2	12,102 1		107,330 10
	\$ 5,360	\$ 7,835	\$ 2,020	\$ 47	\$ 76	\$ 37	\$ 2,047	\$ 1	\$ 7,823
Total loans	—	—	—	—	—	—	—	—	—
Risk rating									
Pass	289,475	603,108	639,648	283,325	142,318	422,659	891,568	4,250 4,	3,276,351 3
	\$ 390,817	\$ 598,077	\$ 622,125	\$ 260,737	\$ 127,040	\$ 377,522	\$ 864,287	\$ 215	\$ 244,820
Special mention	3,787 2,4	—	—	—	2,414 1,5	5,387 3,5	—	—	12,172 8,58
	445 903	32	139 135	—	—	97	22	—	9
Substandard	6,105 1,3	527 1,51	4,604 4,2	2,246 3,2	4,093 3,9	8,805 10,	7,746 3,9	—	34,147 28,7
	88	2	36	71	73	316	43	21 70	09
Doubtful	—	—	—	—	—	—	—	—	—
Total loans	296,025	607,422	644,391	285,571	146,411	433,878	904,701	4,271 4,	3,322,670 3
	\$ 393,108	\$ 602,021	\$ 626,496	\$ 264,008	\$ 131,013	\$ 389,435	\$ 871,752	\$ 285	\$ 282,118

25 24

Based on the analysis performed at December 31, 2022, the risk category of loans, by type and year of origination is as follows.

December 31, 2022	2022	2021	2020	2019	2018	Prior	Revolving	Revolvin
							Loans	g Loans
							Amortized	Converte
Commercial real estate							Cost	ad to Term
Risk rating							Total	
Pass	\$ 432,196	\$ 252,616	\$ 188,897	\$ 92,290	\$ 114,415	\$ 171,498	\$ 462,140	\$ 741
Special mention	—	122	—	—	—	401	—	—
Substandard	—	3,049	244	144	—	2,515	—	—
Doubtful	—	—	—	—	—	—	—	—
Total commercial real estate	\$ 432,196	\$ 255,787	\$ 189,141	\$ 92,434	\$ 114,415	\$ 174,414	\$ 462,140	\$ 741
Commercial and industrial								

Risk rating												
Pass	\$ 172,912	\$ 79,782	\$ 65,915	\$ 39,487	\$ 6,712	\$ 5,089	\$ 189,998	\$ 6,654	\$ 566,549			
Special mention	—	—	—	—	674	3,851	—	—	4,525			
Substandard	283	4,316	2,167	10,127	1,460	783	4,653	—	23,789			
Doubtful	—	—	—	—	—	—	—	—	—			
Total commercial and industrial	\$ 173,195	\$ 84,098	\$ 68,082	\$ 49,614	\$ 8,846	\$ 9,723	\$ 194,651	\$ 6,654	\$ 594,863			
Residential real estate												
Risk rating												
Pass	\$ 34,705	\$ 299,840	\$ 5,939	\$ 13,073	\$ 47,986	\$ 102,871	\$ 62,494	\$ 271	\$ 567,179			
Special mention	—	—	—	—	—	—	—	—	—			
Substandard	58	86	48	209	239	2,633	98	—	3,371			
Doubtful	—	—	—	—	—	—	—	—	—			
Total residential real estate	\$ 34,763	\$ 299,926	\$ 5,987	\$ 13,282	\$ 48,225	\$ 105,504	\$ 62,592	\$ 271	\$ 570,550			
Agricultural real estate												
Risk rating												
Pass	\$ 33,586	\$ 20,712	\$ 26,408	\$ 12,754	\$ 5,608	\$ 18,882	\$ 68,510	\$ 300	\$ 186,760			
Special mention	874	—	2,493	—	—	604	5,983	—	9,954			
Substandard	—	203	—	115	485	1,635	37	—	2,475			
Doubtful	—	—	—	—	—	—	—	—	—			
Total agricultural real estate	\$ 34,460	\$ 20,915	\$ 28,901	\$ 12,869	\$ 6,093	\$ 21,121	\$ 74,530	\$ 300	\$ 199,189			
Agricultural												
Risk rating												
Pass	\$ 23,917	\$ 7,778	\$ 9,437	\$ 2,642	\$ 2,250	\$ 2,134	\$ 64,647	\$ 75	\$ 112,880			
Special mention	—	—	—	92	22	375	556	—	1,045			
Substandard	—	1,003	1,838	2,044	386	213	594	—	6,078			
Doubtful	—	—	—	—	—	—	—	—	—			
Total agricultural	\$ 23,917	\$ 8,781	\$ 11,275	\$ 4,778	\$ 2,658	\$ 2,722	\$ 65,797	\$ 75	\$ 120,003			
Consumer												
Risk rating												
Pass	\$ 56,497	\$ 17,460	\$ 8,415	\$ 3,235	\$ 1,370	\$ 3,396	\$ 14,955	\$ —	\$ 105,328			
Special mention	—	—	—	—	—	—	—	—	—			
Substandard	17	148	54	81	13	34	—	—	347			
Doubtful	—	—	—	—	—	—	—	—	—			
Total consumer	\$ 56,514	\$ 17,608	\$ 8,469	\$ 3,316	\$ 1,383	\$ 3,430	\$ 14,955	\$ —	\$ 105,675			
Total loans												
Risk rating												

Pass	\$ 753,813	\$ 678,188	\$ 305,011	\$ 163,481	\$ 178,341	\$ 303,870	\$ 862,744	\$ 8,041	\$ 3,253,489
Special mention	874	122	2,493	92	696	5,231	6,539	—	16,047
Substandard	358	8,805	4,351	12,720	2,583	7,813	5,382	—	42,012
Doubtful	—	—	—	—	—	—	—	—	—
Total loans	\$ 755,045	\$ 687,115	\$ 311,855	\$ 176,293	\$ 181,620	\$ 316,914	\$ 874,665	\$ 8,041	\$ 3,311,548

2625

The following table **disclose** **discloses** the charge-off and recovery activity by loan type and year of origination for the **six** **nine** month period ending **June 30, 2023** **September 30, 2023**.

										Revol	
										Revol	ving
										ving	Loans
										Loans	Conv
										Amort	erted
										ized	to
June	2023	2023	2022	2021	2020	2019	Prior	Cost	Term	Total	
30,											Rev
2023											olvi
Sept											Rev
emb											ng
er											olvi
30,											Loa
2023											ns
Co											Con
mm											ns
erci											vert
al											Amo
real											ed
esta											rtize
te											to
										202	202
										202	202
										202	202
										201	201
										Prio	d
										Cost	Ter
										m	Tot
										3	al

G																				
ro																				
ss																				
c																				
h																				
ar																				
g																				
e-																				
of																				
fs	\$ —	\$ —	\$ —	\$ —	\$ (9)	\$ (1)	\$ —	\$ —	\$ 0											\$ 8
G																				(1)
ro																				
ss																				
re																				
c																				
o																				
v																				
er																				
ie																				
s	—	—	64	—	—	—	—	13	—	—	—	—	77	—	—	64	—	—	—	83
N																				
e																				
t																				
c																				
h																				
a																				
r																				
g																				
e																				
-																				
o																				
f																				
s	\$ —	\$ 64	\$ —	\$ —	\$ (9)	\$ 12	\$ —	\$ —	\$ 67	\$ —	\$ 64	\$ —	\$ —	\$ (9)	\$ 10	\$ —	\$ —	\$ 65		



N e t c h a r g e -		(1,030,024)										(1,024,4916)									
Resi dent ial real esta te	Resi dential real estate	\$ —	\$ 24	\$ 0)	\$ (4)	\$ (2)	\$ 7	\$ 9)	\$ —	\$ 4)	\$ —	\$ 0)	\$ 0)	\$ (4)	\$ (2)	\$ 49)	\$ 16)	\$ —	\$ 21)		
G ro ss c h ar g e- of fs	Gross charge of fs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3)	\$ (4)	\$ —	\$ 7)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2)	\$ (5)	\$ —	\$ 7)		
G ro ss re c o v er ie s	Gross revenue from over ies	—	—	—	—	—	—	—	—	58	—	—	—	—	—	—	—	60	—	—	







Net cash arrearages - 0	(6	(9	(3	(2	(3	(5	(2	(3	(1	(1	(4	(3	(3	(7	(4	(5
\$ (1)	\$ 9)	\$ 4)	\$ 0)	\$ 4)	\$ 8)	\$ 3)	\$ —	\$ 29)	\$ 67)	\$ 14)	\$ 3)	\$ 8)	\$ 7)	\$ 0)	\$ 8)	\$ 17)
Total loans	<u>      </u>															
Gross carrying																
of fs	(6	(1	(1	(4	(5	(1	07	(1,	(1,	(1	(1	(2	(6	(5	(1	(3
\$ (1)	\$ 13)	\$ 88)	\$ 7)	\$ 0)	\$ 73)	\$ 4)	\$ —	\$ 6)	\$ 68)	\$ 98)	\$ 01)	\$ 7)	\$ 7)	\$ 88)	\$ 80)	\$ 59)
Gross recoveries																
ie	10	37	23	5	6	8	—	47	10	8	41	25	9	1	11	53
s	—	2	37	23	5	6	8	—	1	1	8	41	25	9	1	6

### Modifications to Debtors Experiencing Financial Difficulty

The Company adopted ASU 2022-02 *Troubled Debt Restructurings and Vintage Disclosures*, effective January 1, 2023, and this accounting guidance is applied prospectively. The following table presents the amortized cost basis of loans at **June 30, 2023** **September 30, 2023**, that were both experiencing financial difficulty and modified during the three months ended **June 30, 2023** **September 30, 2023**, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below.

Co mm erci al real esta te	\$ —	\$ —	\$ —	\$ 443	\$ 443	0.03 %	\$ —	\$ —	\$ —	\$ —	\$ —	0.0 %
Co mm erci al and indu stria I	1,32			3,09	4,42	0.76 %						0.8 %
Resi dent ial real esta te	—	4	—	8	2		—	—	—	6	96	
Agri cult ural real esta te	—	—	—	12	12	0.00 %	—	—	—	—	—	0.0 %
Agri cult ural	—	—	—	—	—	0.00 %	—	458	—	—	458	0.2 %
Con sum er	—	—	—	—	—	0.00 %	—	—	—	—	—	0.0 %
Total	1,32			3,55	4,87	0.15 %	—	—	—	4,89	5,3	0.1 %
I	\$ —	\$ 4	\$ —	\$ 3	\$ 7		\$ —	\$ 458	\$ —	\$ 6	\$ 54	6

The following table presents the amortized cost basis of loans at **June 30, 2023** **September 30, 2023**, that were both experiencing financial difficulty and modified during the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, by class and by type of modification.

Combination Rate

September 30, 2023	Payment Delay	Term Extension	Change, Payment	Combination Payment	Total	Total Class of	
						Delay and Term	
						Extension	
Commercial real estate	\$ —	\$ —	\$ —	\$ 355	\$ 355	0.02 %	
Commercial and industrial	—	1,491	—	10,884	12,375	2.11 %	
Residential real estate	—	163	—	12	175	0.03 %	
Agricultural real estate	—	858	—	170	1,028	0.50 %	
Agricultural	122	—	—	421	543	0.53 %	
Consumer	—	—	24	—	24	0.02 %	
<b>Total</b>	<b>\$ 122</b>	<b>\$ 2,512</b>	<b>\$ 24</b>	<b>\$ 11,842</b>	<b>\$ 14,500</b>	<b>0.44 %</b>	

27 26

June 30, 2023	Payment Delay	Term Extension	Change, Payment	Combination Rate		Modifications	Total	Financing	Receivable				
				Delay and Term									
				Extension	Extension								
Commercial real estate	\$ —	\$ —	\$ —	\$ 443	\$ 443	0.03 %							
Commercial and industrial	—	1,566	—	9,079	10,645	1.82 %							
Residential real estate	—	—	—	12	12	0.00 %							
Agricultural real estate	—	400	—	171	571	0.28 %							
Agricultural	122	—	—	475	597	0.57 %							
Consumer	—	—	25	—	25	0.02 %							
<b>Total</b>	<b>\$ 122</b>	<b>\$ 1,966</b>	<b>\$ 25</b>	<b>\$ 10,180</b>	<b>\$ 12,293</b>	<b>0.37 %</b>							

At **June 30, 2023** **September 30, 2023**, there were **\$410,796** thousand in commitments to lend additional amounts on these loans.

The Company considers loans modified to borrowers in financial distress as loans that do not share similar risk characteristics with collectively evaluated loans at modification date for the purposes of calculating the allowance for credit losses. These loans will be evaluated for credit losses based on either discounted cash flows or the fair value of collateral at modification date; however, subsequent to the modification date these loans will be evaluated for credit losses as part of the collectively evaluated pools after a period of ongoing performance under the terms of the modified loan.

The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table presents the performance of such loans that have been modified during the three months ended **June 30, 2023** **September 30, 2023**.

June 30, 2023	Greater				Greater			
	30 - 59 Days Past Due	60 - 89 Days Past Due	Than 89 days Past Due	Total Past Due	30 - 59 Days Past Due	60 - 89 Days Past Due	Than 89 days Past Due	Total Past Due
Commercial real estate	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial and industrial	—	—	—	—	—	—	—	—
Residential real estate	—	—	12	12	163	12	—	175
Agricultural real estate	—	—	—	—	—	—	—	—
Agricultural	—	—	—	—	—	—	—	—
Consumer	—	25	—	25	24	—	—	24
Total	\$ —	\$ 25	\$ 12	\$ 37	\$ 187	\$ 12	\$ —	\$ 199

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty for the three months ended **June 30, 2023** **September 30, 2023**.

June 30, 2023	Principal Forgiveness	Weighted Average		Weighted Average Term Extension in Years
		Interest Rate Reduction	Term Extension in Years	
Commercial real estate	\$ —	— %	0.49	
Commercial and industrial	—	— %	3.11	
Residential real estate	—	— %	3.42	
Agricultural real estate	—	— %	—	
Agricultural	—	— %	—	
Consumer	—	— %	—	

Total loans	\$	—	%	2.88
		28		

September 30, 2023	Principal Forgiveness	Weighted Average		Term Extension in Years
		Interest Rate Reduction	— %	
Commercial real estate	\$ —	—	— %	—
Commercial and industrial	1,142	—	— %	0.13
Residential real estate	—	—	— %	—
Agricultural real estate	—	—	— %	1.00
Agricultural	—	—	— %	—
Consumer	—	—	— %	—
Total loans	\$ 1,142	—	— %	0.20

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty for the **six nine** months ended **June 30, 2023 September 30, 2023**.

June 30, 2023	Principal Forgiven ess	Weighted		Weighted	
		Principal	Average	Interest Rate	Average
		Forgiven ess	Reduction	Reduction	Term
September 30, 2023		Extension in Years	Years	Extension in Years	Years
Commercial real estate	\$ —	— %	0.49	\$ —	— %
Commercial and industri al	—	— %	1.36	1,142	— %
					1.13

Residential real estate	—	—	%	3.42	—	—	%	9.60
Agricultural real estate	—	—	%	1.00	—	—	%	0.99
Agricultural	—	—	%	0.58	—	—	%	0.58
Consumer	—	(0.24)	%	2.16	—	—	%	2.16
Total loans	\$ —	(0.24)	%	1.28	\$ 1,142	—	%	1.19

For the three and six months ended June 30, 2023, there were no loans that had a payment default and were modified prior to that default to the borrower experiencing financial difficulty.

#### 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

27

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 **June 30, 2023** **September 30, 2023**, and December 31, 2022.

	Allowance for Credit Losses		Allowance for Credit Losses	
	June 30, 2023		September 30, 2023	
Commercial real estate	\$ 387	\$ 336	\$ 311	\$ 336
Commercial and industrial	716	700	854	700
Residential real estate	40	45	38	45
Agricultural	3	3	8	3
Consumer	251	269	246	269

Total allowance for credit losses	\$ 1,397	\$ 1,353	\$ 1,457	\$ 1,353
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#### NOTE 4 – DERIVATIVE FINANCIAL INSTRUMENTS

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.

##### 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 LIBOR plus a spread to this index and pays a fixed-rate cash flow equal to the customer loan rate. rate, rate resets subsequent to June 30, 2023, are based on one-month SOFR. At June 30, 2023 September 30, 2023, the portfolio of interest rate swaps had a weighted average maturity of 7.24 7.19 years, a weighted average pay rate of 4.58 4.60% and a weighted average rate received of 8.21 8.47%. At December 31, 2022, the portfolio of interest rate swaps had a weighted average maturity of 8.5 years, a weighted average pay rate of 4.53% and a weighted average rate received of 7.13%.

29

##### Interest Rate Swaps Designated as Cash Flow Hedges

The Company has entered into cash flow hedges to hedge future cash flows related to subordinated notes interest expense and prime rate adjustable rate loans interest income. These agreements are designated as cash flow hedges and are marked to market through other comprehensive income.

June 30, 2023			December 31, 2022			September 30, 2023			December 31, 2022		
Wei	ghte	d	Wei	ghte	d	Wei	ghte	d	Wei	ghte	d
aver	Weig	hted	Weigh	ted	ted	aver	Weig	hted	Weigh	ted	Weigh
age	Weig	hted	ted	ted	ted	age	Weig	hted	ted	Weigh	ted
Matu	hted	avera	avera	Weigh	avera	Matu	hted	avera	avera	ted	avera
rity	avera	ge	ge	ted	ge	rity	avera	ge	ge	avera	ge
in	ge	rate	Maturi	avera	rate	in	ge	rate	Maturi	ge	rate
year	pay	recei	ty in	ge pay	receiv	year	pay	recei	ty in	pay	receiv
s	rate	ved	years	rate	ed	s	rate	ved	years	rate	ed

Sub ordi nat ed not e ges	1 2. 2	2. 81 %	7. 61 %	12. 7	2.8 1 %	6.5 7 %	1 2. 0	2. 81 %	7. 47 %	12. 7	2.8 1 %	6.5 7 %
Vari abl e rate												
FH LB adv anc e ges	2. 7	5. 05 %	3. 59 %	—	—%	—%	2. 5	3. 59 %	5. 31 %	—	—%	—%
Pri me bas ed rec eiva ble loa n ges	0. 5	8. 25 %	5. 60 %	1.3	7.5 0 %	5.6 0 %	0. 3	8. 50 %	5. 60 %	1.3	7.5 0 %	5.6 0 %
Total cas h flow ges	1. 9	6. 85 %	4. 88 %	1.8	7.2 8 %	5.6 5 %	1. 6	6. 43 %	5. 54 %	1.8	7.2 8 %	5.6 5 %

### 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, in addition to stand alone interest-rate swaps designed to offset the economic impact of fixed rate loans. Neither swap is designated as a hedge, and both are marked to market through earnings. At **June 30, 2023** **September 30, 2023**, this portfolio of interest rate swaps had a weighted average maturity of **5.14** **4.88** years, weighted average pay rate of **8.15** **8.30%** and a weighted average rate received of **8.28** **8.44%**. At December 31, 2022, this portfolio

28

of interest rate swaps had a weighted average maturity of 5.6 years, weighted average pay rate of 6.96% and weighted average rate received of 7.06%.

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 **June 30, 2023** **September 30, 2023**, and December 31, 2022.

	June 30, 2023			December 31, 2022		
	Notional	Derivative	Derivative	Notional	Derivative	Derivative
	Amount	Assets	Liabilities	Amount	Assets	Liabilities
Derivatives designated as hedging instruments:						
Interest rate swaps	\$ 16,740	\$ 1,896	\$ —	\$ 21,528	\$ 2,425	\$ —
Derivatives designated as cash flow hedges:						
Interest rate swaps	250,000	2,048	1,474	157,500	2,120	4,457
Total derivatives designated as hedging relationships	266,740	3,944	1,474	179,028	4,545	4,457
Derivatives not designated as hedging instruments:						
Interest rate swaps	182,552	4,199	3,684	184,277	4,191	3,555
Total derivatives not designated as hedging instruments	182,552	4,199	3,684	184,277	4,191	3,555
Total	\$ 449,292	8,143	5,158	\$ 363,305	8,736	8,012
Cash collateral		—	5,732		—	2,860
Netting adjustments		(6,658)	(6,658)		(7,336)	(7,336)
Net amount presented in Balance Sheet	\$ 1,485	\$ 4,232		\$ 1,400	\$ 3,536	

30

	September 30, 2023			December 31, 2022		
	Notional Amount	Derivative Assets	Derivative Liabilities	Notional Amount	Derivative Assets	Derivative Liabilities
Derivatives designated as hedging instruments:						
Interest rate swaps	\$ 15,647	\$ 2,059	\$ —	\$ 21,528	\$ 2,425	\$ —
Derivatives designated as cash flow hedges:						
Interest rate swaps	257,500	2,557	—	157,500	2,120	4,457
Total derivatives designated as hedging relationships	273,147	4,616	—	179,028	4,545	4,457
Derivatives not designated as hedging instruments:						
Interest rate swaps	181,799	5,530	4,870	184,277	4,191	3,555
Total derivatives not designated as hedging instruments	181,799	5,530	4,870	184,277	4,191	3,555
Total	\$ 454,946	10,146	4,870	\$ 363,305	8,736	8,012
Cash collateral		—	9,562		—	2,860
Netting adjustments		(9,329)	(9,329)		(7,336)	(7,336)
Net amount presented in Balance Sheet	\$ 817	\$ 5,103		\$ 1,400	\$ 3,536	

The table below lists designated and qualifying hedged items in fair value hedges at June 30, 2023 September 30, 2023, and December 31, 2022.

June 30, 2023			December 31, 2022			September 30, 2023			December 31, 2022		
Carrying Value	Adjustment	Hedging Instruments	Carrying Value	Adjustment	Hedging Instruments	Carrying Value	Adjustment	Hedging Instruments	Carrying Value	Adjustment	Hedging Instruments
Carrying Value	Adjustment	Hedging Instruments	Carrying Value	Adjustment	Hedging Instruments	Carrying Value	Adjustment	Hedging Instruments	Carrying Value	Adjustment	Hedging Instruments
Carrying Value	Discontinued	Amendment	Carrying Value	Discontinued	Amendment	Carrying Value	Discontinued	Amendment	Carrying Value	Discontinued	Amendment
Amendment	Amendment	Hedges	Amendment	Amendment	Hedges	Amendment	Amendment	Hedges	Amendment	Amendment	Hedges

Co											
mm											
erci											
al											
real	1		1			1		1		1	
est	6,		7,			5,		7,			
ate	7	(1,	2	(2,		4	(2,	2	(2,		
loa	1	76	(47	0	38	4	36	(45	0	38	
ns	\$ 3	\$ 5)	\$ 0)	\$ 2	\$ 4)	\$ —	\$ 5	\$ 2)	\$ 8)	\$ 2	\$ 4)
Tot	1		1			1		1		1	
al	6,		7,			5,		7,			
	7	(1,	2	(2,		4	(2,	2	(2,		
	1	76	(47	0	38	4	36	(45	0	38	
	\$ 3	\$ 5)	\$ 0)	\$ 2	\$ 4)	\$ —	\$ 5	\$ 2)	\$ 8)	\$ 2	\$ 4)

The Company reports hedging derivative gains (losses) as adjustments to loan interest income and loan interest expense along with the related net interest settlements. The non-hedging derivative gains (losses) and related net interest settlements for economic

29

derivatives are reported in other income. For the three and **six** **nine** months period ended **June 30, 2023** **September 30, 2023**, and 2022, the Company recorded net gains (losses) on derivatives and hedging activities as shown in the table below.

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Derivatives designated as hedging instruments:								
Interest rate swaps	\$ 2	\$ 64	\$ 10	\$ 102	\$ (5)	\$ 46	\$ 5	\$ 148
Total net gain (loss) related to derivatives designated as hedging instruments	2	64	10	102	(5)	46	5	148
Derivatives designated as cash flow hedges:								
Interest rate swaps	—	—	—	—	—	—	—	—
Total net gain (loss) related to derivatives designated as cash flow hedges	—	—	—	—	—	—	—	—
Total net gains (losses) related to hedging relationships	2	64	10	102	(5)	46	5	148

Derivatives not designated as hedging instruments:								
Economic hedges:								
Interest rate swaps				1,1	20	40	40	1,5
207	467	204	42	3	2	7	44	
Total net gains (losses) related to derivatives not designated as hedging instruments				1,1	20	40	40	1,5
207	467	204	42	3	2	7	44	
Net gains (losses) on derivatives and hedging activities				1,2	19	44	41	1,6
\$ 209	\$ 531	\$ 214	\$ 44	\$ 8	\$ 8	\$ 2	\$ 92	

The following tables shows show the recorded net gains (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 three month periods ended June 30, 2023 September 30, 2023, and 2022.

	June 30, 2023				September 30, 2023			
	Effect of				Effect of			
	Gain/(Loss)	Gain/(Loss)	Net Fair	Derivative	Gain/(Loss)	Gain/(Loss)	Net Fair	Derivative
	s)	s)	Value	s on	s)	ss)	Value	s on
	on	on	Hedge	Net	on	on	Hedge	Net
	Derivative	Hedged	Gain/(Lo)	Interest	Derivative	Hedged	Gain/(Lo)	Interest
	s	Items	ss)	Income	s	Items	ss)	Income
Commercial real estate loans	\$ 237	\$ (235)	\$ 2	\$ 155	\$ 133	\$ 8)	\$ (5)	\$ 247
Total	\$ 237	\$ (235)	\$ 2	\$ 155	\$ 133	\$ 8)	\$ (5)	\$ 247

	June 30, 2022			
	Effect of			
	Gain/(Loss)		Net Fair Value	Derivatives on
	on Hedged		Hedge	Net Interest
Commercial real estate loans	\$ 683	\$ (619)	\$ 64	\$ 629
Total	\$ 683	\$ (619)	\$ 64	\$ 629

September 30, 2022

	Effect of			
	Gain/(Loss)		Net Fair Value	Derivatives on
	on Hedged	Items	Hedge	Net Interest
	on Derivatives		Gain/(Loss)	Income
Commercial real estate loans	\$ 761	\$ (715)	\$ 46	\$ (154)
Total	\$ 761	\$ (715)	\$ 46	\$ (154)

The following tables **shows** show the recorded net gains (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 **six** **nine** month periods ended **June 30, 2023** **September 30, 2023**, and 2022.

	June 30, 2023				September 30, 2023			
	Effect of		Effect of					
	Gain/(Loss)	Gain/(Loss)	Net Fair	Derivative	Gain/(Loss)	Gain/(Loss)	Net Fair	Derivative
	on	on	Value	on	on	on	Value	on
	Derivative	Hedged	Hedge	Net	Derivative	Hedged	Hedge	Net
	s	Items	s)	Interest	es	Items	s)	Interest
			s)	Income			s)	Income
Commercial real estate loans	\$ (130)	\$ 140	\$ 10	\$ 304	\$ (3)	\$ (2)	\$ (5)	\$ 551
Total	\$ (130)	\$ 140	\$ 10	\$ 304	\$ (3)	\$ (2)	\$ (5)	\$ 551

	June 30, 2022			
	Effect of			
	Gain/(Loss)		Net Fair Value	Derivatives on
	on Hedged		Hedge	Net Interest
	on Derivatives		Gain/(Loss)	Income
Commercial real estate loans	\$ 2,079	\$ (1,977)	\$ 102	\$ 472
Total	\$ 2,079	\$ (1,977)	\$ 102	\$ 472

30

September 30, 2022

		Gain/(Loss)		Gain/(Loss)		Net Fair Value		Effect of	
		on Derivatives		on Hedged Items		Hedge Gain/(Loss)		Derivatives on Net Interest	
Commercial real estate loans		\$ 2,840		\$ (2,692)		\$ 148		\$ (626)	
Total		\$ 2,840		\$ (2,692)		\$ 148		\$ (626)	

The following tables **shows** show the recorded net gains or (losses) on derivatives and the related hedged items in cash flow hedging relationships and the impact of those derivatives on the Company's net interest income for the three month periods ended **June 30, 2023** **September 30, 2023**, and 2022.

		June 30, 2023					September 30, 2023				
		Effect of			Effect of			Effect of			Derivative
		Gain/(Loss)	Gain/(Loss)	Derivative	Gain/(Loss)	Gain/(Loss)	Derivative	Gain/(Loss)	Gain/(Loss)	Derivative	Gain/(Loss)
Prime based receivable loan hedges		\$ 33	\$ 25	\$ (970)	\$ 1,03	\$ 781	\$ 3	1,90	412	421	(1,08)
FHLB advance hedges		1,90	9	1,442	545						
Subordinated note hedges		173	130	(6)	414	311	92				
Total		2,11			1,99	1,504	\$ (570)				
		\$ 5	\$ 1,597	\$ (627)	\$ 4						
		June 30, 2022					September 30, 2022				
		Effect of			Effect of			Effect of			Derivative
		Gain/(Loss)	Gain/(Loss)	Derivative	Gain/(Loss)	Gain/(Loss)	Derivative	Gain/(Loss)	Gain/(Loss)	Derivative	Gain/(Loss)
Prime based receivable loan hedges		\$ —	\$ —	\$ —	\$ (2,5)	\$ 1,913	\$ (135)				
FHLB advance hedges		—	—	—	—	—	—				

Subordinated note hedges	545	(410)	(2)	393	(296)	(23)
Total	\$ 545	\$ (410)	\$ (2)	\$ 49)	\$ 1,617	\$ (158)

The following tables **shows** **show** the recorded net gains or (losses) on derivatives and the related hedged items in cash flow hedging relationships and the impact of those derivatives on the Company's net interest income for the **six** **nine** month periods ended **June 30, 2023** **September 30, 2023**, and 2022.

	September 30, 2023		
	Gain/(Loss)		
	Recorded in		
	Accumulated		Effect of
	Gain/(Loss)	Other	Derivatives on
	on	Comprehensive	Net Interest
	Derivatives	Income	Income
Prime based receivable loan hedges	\$ 1,991	\$ 1,492	\$ (2,833)
FHLB advance hedges	2,577	1,946	803
Subordinated note hedges	340	256	157
Total	\$ 4,908	\$ 3,694	\$ (1,873)

	September 30, 2022		
	Gain/(Loss)		
	Recorded in		
	Accumulated		Effect of
	Gain/(Loss)	Other	Derivatives on
	on	Comprehensive	Net Interest
	Derivatives	Income	Income
Prime based receivable loan hedges	\$ (4,151)	\$ 3,124	\$ (603)
FHLB advance hedges	—	—	—
Subordinated note hedges	1,535	(1,144)	(21)
Total	\$ (2,616)	\$ 1,980	\$ (624)

3231

June 30, 2023		

	Gain/(Loss)		Gain/(Loss)		Effect of
	on	Recorded in	Derivatives on		
	Derivatives	Accumulated	Net Interest		
			Other		Income
		Comprehensive		Income	
		Income			
Prime based receivable loan hedges	\$ 956	\$ 711	\$ (1,750)		
FHLB advance hedges	2,032	1,534	382		
Subordinated note hedges	(74)	(55)	65		
Total	\$ 2,914	\$ 2,190	\$ (1,303)		
June 30, 2022					
		Gain/(Loss)			
		Recorded in			
		Accumulated		Effect of	
		Gain/(Loss)		Derivatives on	
		on	Other	Net Interest	
		Derivatives	Comprehensive	Income	
		Income		Income	
Prime based receivable loan hedges	\$ —	\$ —	\$ —	\$ —	
FHLB advance hedges	—	—	—	—	
Subordinated note hedges	1,125	(846)	(2)		
Total	\$ 1,125	\$ (846)	\$ (2)		

## NOTE 5 – LEASE OBLIGATIONS

Right-of-use asset and lease obligations by type of property for the periods ended **June 30, 2023** **September 30, 2023**, and December 31, 2022, are listed below.

	Weight				
	Weighted		Average		
	Right-of-	Lease	Discou		
	Use	Term	nt		
June 30, 2023	Asset	Liability	in Years	Rate	

September 30, 2023									Weighted d	Weighted ed
					Right-of- Use		Lease	Term	Average	Discount
					Asset	Liability	in Years	Lease	Discount	
								Term	Rate	
Operating Leases										
Land and building leases	4,9	4,9	13.	2.3	4,5	4,5	13.	2.2		
	\$ 33	\$ 12	1	2%	\$ 84	\$ 93	3	9%		
Total operating leases	4,9	4,9	13.	2.3	4,5	4,5	13.	2.2		
	\$ 33	\$ 12	1	2%	\$ 84	\$ 93	3	9%		
Right-of-use-asset reported in other assets	2,9				2,6					
	\$ 80				\$ 92					
Right-of-use-asset not in operation, reported in other real estate owned	1,9				1,8					
	53				92					
Total	4,9				4,5					
	\$ 33				\$ 84					

December 31, 2022					Weighted Average	Weighted Average		
					Right-of-Use	Lease	Lease Term	Discount
					Asset	Liability	in Years	Rate
Operating Leases								
Land and building leases		\$ 5,256		\$ 5,294		13.2		2.32%
Total operating leases		\$ 5,256		\$ 5,294		13.2		2.32%
Right-of-use-asset reported in other assets		\$ 3,185						
Right-of-use-asset not in operation, reported in other real estate owned			\$ 2,071					
Total		\$ 5,256						
		33						

During the quarter ended June 30, 2022, one of our bank locations became non-operational. The right-of-use-asset for this location was transferred to other real estate owned, the weighted average lease term is 7.8 7.5 years.

Operating lease costs for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**, and 2022, are listed below.

	Three Months Ended				Nine Months Ended			
	September 30,				September 30,			
	2023	2022	2023	2022	2023	2022	2023	2022
Operating lease cost	\$ 177	\$ 213	\$ 585	\$ 632				
Short-term lease cost	—	—	—	—				
Variable lease cost	34	17	62	44				
<b>Total operating lease cost</b>	<b>\$ 211</b>	<b>\$ 230</b>	<b>\$ 647</b>	<b>\$ 676</b>				
	Three Months Ended				Six Months Ended			
	June 30,				June 30,			
	2023	2022	2023	2022	2023	2022	2023	2022
Operating lease cost	\$ 212	\$ 191	\$ 408	\$ 399				
Short-term lease cost	—	—	—	—				
Variable lease cost	14	5	28	27				
<b>Total operating lease cost</b>	<b>\$ 226</b>	<b>\$ 196</b>	<b>\$ 436</b>	<b>\$ 426</b>				

32

There were no sale and leaseback transactions, leverage leases, lease transactions with related parties or leases that had not yet commenced during the three or **six** **nine** month periods ended **June 30, 2023** **September 30, 2023**.

A maturity analysis of operating lease liabilities and reconciliation of the undiscounted cash flows to the total operating lease liability is listed below.

Lease Payments	June 30,		September 30,	
	2023	2023	2023	2023
Due in one year or less	\$ 525		\$ 481	
Due after one year through two years	552		521	
Due after two years through three years	554		522	
Due after three years through four years	553		522	
Due after four years through five years	554		524	
Thereafter	3,177		2,975	
<b>Total undiscounted cash flows</b>	<b>5,915</b>		<b>5,545</b>	
Discount on cash flows	(1,003)		(952)	
<b>Total operating lease liability</b>	<b>\$ 4,912</b>		<b>\$ 4,593</b>	

## NOTE 6 – BORROWINGS

### Federal funds purchased and retail repurchase agreements

Federal funds purchased and retail repurchase agreements as of **June 30, 2023** **September 30, 2023**, and December 31, 2022, are listed below.

	June 30,	December 31,	September 30,	December 31,
	2023	2022	2023	2022
Federal funds purchased	\$ —	\$ —	\$ —	\$ —
Retail repurchase agreements	44,770	46,478	39,701	46,478

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 **\$43,789** **44,873** and \$55,289 at **June 30, 2023** **September 30, 2023**, and December 31, 2022. 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 **June 30, 2023** **September 30, 2023**, and December 31, 2022.

	June 30,	December 31,	September 30,	December 31,
	2023	2022	2023	2022
Average daily balance during the period	\$ 44,370	\$ 53,337	\$ 43,324	\$ 53,337
Average interest rate during the period	1.32 %	0.42 %	1.36 %	0.42 %
Maximum month-end balance year-to-date	\$ 46,798	\$ 64,323	\$ 46,798	\$ 64,323
Weighted average interest rate at period-end	1.37 %	0.72 %	1.47 %	0.72 %

#### Federal Home Loan Bank advances

Federal Home Loan Bank advances include both draws against the Company's line of credit and fixed rate term advances.

34

Federal Home Loan Bank advances as of **June 30, 2023** **September 30, 2023**, and December 31, 2022, are as follows.

	June 30,	December 31,	September 30,	December 31,
	2023	2022	2023	2022
Federal Home Loan Bank line of credit advances	\$ —	\$ 138,864	\$ —	\$ 138,864
Federal Home Loan Bank fixed-rate term advances	100,000	—	100,000	—
<b>Total principal outstanding</b>	<b>100,000</b>	<b>138,864</b>		
Total Federal Home Loan Bank advances	\$ 100,000	\$ 138,864	\$ 100,000	\$ 138,864

At **June 30, 2023** **September 30, 2023**, and December 31, 2022, the Company had undisbursed advance commitments (letters of credit) with the Federal Home Loan Bank of **\$32,077** **40,807** and **\$18,305**. 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 **\$946,005** **869,176** and securities of **\$67,724** **65,125** for a total of **\$1,013,729** **934,301** at **June 30, 2023** **September 30, 2023**, and qualifying loans of **\$74** **\$4,125** **744,125** and securities of **\$74,083** for a total of **\$818,208** at December 31, 2022. Based on this collateral and the Company's holdings of Federal Home Loan Bank stock, the Company was eligible to borrow an additional **\$880,475** **792,317** and **\$659,695** at **June 30, 2023** **September 30, 2023**, and December 31, 2022.

#### Federal Reserve Bank borrowings

At **June 30, 2023** **September 30, 2023**, and December 31, 2022, the Company had a borrowing capacity of **\$450,220** **478,720** and **\$330,077**, for which the Company has pledged loans with an outstanding balance of **\$394,095** **392,718** and **\$390,102** and securities with a fair value of **\$147,705** **147,642** and **\$33,235**. There was **\$140,000** in borrowings secured from this facility under the Federal Reserve's Bank Term Funding Program with a rate of 4.38% and a maturity date of March 22, 2024. The Company can repay this borrowing at any time without penalties or fees. There were no outstanding borrowings at December 31, 2022.

#### 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. 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 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.

The loan was renewed on February 10, 2023, with a new maturity date of February 10, 2024. With this renewal, the maximum borrowing amount will remain at \$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 outstanding principal balances on the bank stock loan at **June 30, 2023** **September 30, 2023**, and December 31, 2022.

The terms of the borrowing facility require the Company and Equity Bank to maintain minimum capital ratios and other covenants. In the event of default, the lender has the option to declare all outstanding balances immediately due. The Company believes it is in compliance with the terms of the borrowing facility and has not been otherwise notified of noncompliance.

**Subordinated debt**

Subordinated debt as of **June 30, 2023** **September 30, 2023**, and December 31, 2022, are listed below.

	June 30,	December 31,	September 30,	December 31,
	2023	2022	2023	2022
Subordinated debentures	\$ 23,423	\$ 23,255	\$ 23,508	\$ 23,255
Subordinated notes	73,230	73,137	73,279	73,137
<b>Total</b>	<b>\$ 96,653</b>	<b>\$ 96,392</b>	<b>\$ 96,787</b>	<b>\$ 96,392</b>

**Subordinated debentures**

In conjunction with prior acquisitions, the Company assumed certain subordinated debentures owed to special purpose unconsolidated subsidiaries that are controlled by the Company. These subordinated debentures have the same terms as the trust preferred securities issued by the special purpose unconsolidated subsidiaries.

FCB Capital Trust II ("CTII"): The trust preferred securities issued by CTII **were initially issued to accrue and pay distributions quarterly at three-month LIBOR plus 2.00%; however on October 12, 2023, after the LIBOR transition it will now accrue and pay distributions quarterly at three-month CME term SOFR plus a tenor spread adjustment of 0.26% plus 2.00%** on the stated liquidation amount of the trust preferred securities. These trust preferred securities are mandatorily redeemable upon maturity on April 15, 2035, or upon earlier redemption.

FCB Capital Trust III ("CTIII"): The trust preferred securities issued by CTIII **were initially issued to accrue and pay distributions quarterly at three-month LIBOR plus 1.89%; however on September 15, 2023, after the LIBOR transition it will now accrue and pay distributions quarterly at three-month CME term SOFR plus a tenor spread adjustment of 0.26% plus 1.89%** on the stated liquidation amount of the trust preferred securities. These trust preferred securities are mandatorily redeemable upon maturity on June 15, 2037, or upon earlier redemption.

Community First (AR) Statutory Trust I ("CFSTI"): The trust preferred securities issued by CFSTI **were initially issued to accrue and pay distributions quarterly at three-month LIBOR plus 3.25%; however on September 26, 2023, after the LIBOR transition it will now accrue and pay distributions quarterly at three-month CME term SOFR plus a tenor spread adjustment of 0.26% plus 3.25%** 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.

American State Bank Statutory Trust I ("ASBSTI"): The trust preferred securities issued by ASBSTI **were initially issued to accrue and pay distributions quarterly at three-month LIBOR plus 1.80%; however on September 15, 2023, after the LIBOR**

transition it will now accrue and pay distributions quarterly at three-month CME term SOFR plus a tenor spread adjustment of 0.26% plus 1.80% 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.

Subordinated debentures as of **June 30, 2023**, **September 30, 2023**, and December 31, 2022, are listed below.

	June 30, 2023	September			
		30, 2023	Weighted Average Rate	Weighted Average Term in Years	
		Weighted Average Rate	Term in Years	Weighted Average Term in Years	
CTII subordinated debentures	10,3 \$ 10	7.26 %	11.8	10,31 \$ 0	7.57 % 11.5
CTIII subordinated debentures	5,15 5	7.44 %	14.0	5,155	7.56 % 13.7
CFSTI subordinated debentures	5,15 5	8.79 %	9.5	5,155	8.91 % 9.2
ASBII subordinated debentures	7,73 2	7.35 %	12.2		
ASBSTI subordinated debentures				7,732	7.47 % 12.0
Total contractual balance	28,3 52			28,35 2	
Fair market value adjustments	(4,9 29)			(4,84 4)	
Total subordinated debentures	23,4 \$ 23			23,50 \$ 8	

	December			December		
	31, 2022	Weighted Average Rate	Weighted Average Term in Years	31, 2022	Weighted Average Rate	Weighted Average Term in Years
	Weighted Average Rate	Term in Years	Weighted Average Term in Years	Weighted Average Rate	Term in Years	Weighted Average Term in Years
CTII subordinated debentures	10,31 \$ 0	6.08 %	12.3	10,31 \$ 0	6.08 %	12.3

CTIII subordinated debentures	5,155	6.66 %	14.5	5,155	6.66 %	14.5
CFSTI subordinated debentures	5,155	7.97 %	10.0	5,155	7.97 %	10.0
ASBII subordinated debentures	<u>7,732</u>	6.57 %	12.7			
ASBSTI subordinated debentures				<u>7,732</u>	6.57 %	12.7
Total contractual balance	28,35			28,35		
Fair market value adjustments	2			2		
	(5,09			(5,09		
	<u>7)</u>			<u>7)</u>		
Total subordinated debentures	23,25			23,25		
	<u>\$</u> <u>5</u>			<u>\$</u> <u>5</u>		

3635

#### 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 June 30, 2023 September 30, 2023, are listed below.

	June 30,	Weighted	Weighted
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	2023	Average	Average
	Rate	Term in	Years
Subordinated notes	\$ 75,000	7.00 %	7.0
Total principal outstanding	75,000		
Debt issuance cost	(1,770)		
Total subordinated notes	\$ 73,230		

	September 30, 2023	Average	Weighted
	Rate	Term in	Average
Subordinated notes	\$ 75,000	7.00 %	6.8
Total principal outstanding	75,000		
Debt issuance cost	(1,721)		
Total subordinated notes	\$ 73,279		

Subordinated notes as of December 31, 2022, are listed below.

	December 31, 2022	Average	Weighted
	Rate	Term in	Average
Subordinated notes	\$ 75,000	7.00 %	7.5
Total principal outstanding	75,000		
Debt issuance cost	(1,863)		
Total subordinated notes	\$ 73,137		

#### Future principal repayments

Future principal repayments of the **June 30, 2023** **September 30, 2023**, outstanding balances are as follows.

	Retail		Subordinat			FRB
	Repurchase	FHLB	ed	Subordinat		
	Agreements	Advances	Debentures	ed Notes	Borrowings	
Due in one year or less	\$ 44,770	\$ 100,000	\$ —	\$ —	\$ 140,000	\$ 284,770
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
<b>Total</b>	<b>\$ 44,770</b>	<b>\$ 100,000</b>	<b>\$ 28,352</b>	<b>\$ 75,000</b>	<b>\$ 140,000</b>	<b>\$ 388,122</b>

37

	Retail		Subordinat			FRB
	Repurchase	FHLB	ed	Subordinat		
	Agreements	Advances	Debentures	ed Notes	Borrowings	
Due in one year or less	\$ 39,701	\$ 100,000	\$ —	\$ —	\$ 140,000	\$ 279,701
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
<b>Total</b>	<b>\$ 39,701</b>	<b>\$ 100,000</b>	<b>\$ 28,352</b>	<b>\$ 75,000</b>	<b>\$ 140,000</b>	<b>\$ 383,053</b>

## NOTE 7 – STOCKHOLDERS' EQUITY

### Preferred stock

The Company's articles of incorporation provide for the issuance of shares of preferred stock. At **June 30, 2023** **September 30, 2023**, and December 31, 2022, there was no preferred stock outstanding.

36

### 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.

The following table presents shares that were issued, held in treasury or were outstanding at **June 30, 2023** **September 30, 2023**, and December 31, 2022.

	June 30,	December 31,	September 30,	December 31,
	2023	2022	2023	2022
Class A common stock – issued	20,429,103	20,277,910	20,445,428	20,277,910
Class A common stock – held in treasury	(5,016,964)	(4,347,798)	(5,016,964)	(4,347,798)
Class A common stock – outstanding	15,412,139	15,930,112	15,428,464	15,930,112
Class B common stock – issued	234,903	234,903	234,903	234,903

Class B common stock – held in treasury	(234,903)	(234,903)	(234,903)	(234,903)
Class B common stock – outstanding	—	—	—	—

Treasury stock is stated at cost, determined by the first-in first-out method.

In 2019, the Company's Board of Directors adopted the Equity Bancshares, Inc. 2019 Employee Stock Purchase Plan ("ESPP"). 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. ESPP compensation expense of **\$38.17** and **\$77.94** was recorded for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**. ESPP compensation expense of **\$42.30** and **\$78.108** was recorded for the three and **six** **nine** months ended **June 30, 2022** **September 30, 2022**. The following table presents the offering periods and costs associated with this program during the reporting period.

Offering Period	Shares			Cost Per			Compensation			Shares			Cost Per			Compensation		
	Purchased		Share	Share		Expense	Purchased		Share	Share		Expense	Purchased		Share	Share		Expense
August 15, 2021 to February 14, 2022	14,274	\$ 27.37	\$ 69	14,274	\$ 27.37	\$ 69	14,274	\$ 27.37	\$ 69	14,555	27.61	84	17,058	26.18	81	14,548	22.34	57
February 15, 2022 to August 14, 2022	14,555	27.61	84															
August 15, 2022 to February 14, 2023	17,058	26.18	81															
February 15, 2023 to August 14, 2023																		

In September of 2021, the Company's Board of Directors authorized the 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 did not obligate the Company to acquire a specific dollar amount or number of shares and it may be extended, modified or discontinued at any time without notice. Under this program, during the years ended December 31, 2022 and 2021, the Company repurchased a total of 1,000,000 shares of the Company's outstanding common stock at an average price paid of \$32.11 per share.

In September of 2022, the Company's Board of Directors authorized the repurchase of up to 1,000,000 shares of the Company's outstanding common stock, from time to time, beginning October 1, 2022, and concluding on September 30, 2023. 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, 2022, and 2023, the Company repurchased a total of **163,727** **832,893** shares of the Company's outstanding common stock at an average price paid of **\$33.33** per share. During the six months ended June 30, 2023, the Company repurchased a total of **669,166** shares of the Company's outstanding common stock at an average price paid of **\$26.55** **27.89** per share. At **June 30, 2023** **September 30, 2023**, there are 167,107 shares remaining available for repurchase under the program that expired on September 30, 2023.

On July 26, 2023, the Board of Directors of Equity Bancshares, Inc. approved a share repurchase plan for up to 1,000,000 shares of outstanding common stock beginning on October 1, 2023, and concluding on September 30, 2024. The repurchase program does not obligate Equity to acquire a specific dollar amount or number of shares, and it may be extended, modified or

discontinued at any time without notice. Non-objection from the Federal Reserve Bank of Kansas City related to this repurchase plan was received September 27, 2023.

Accumulated other comprehensive income (loss)

At **June 30, 2023** **September 30, 2023**, and December 31, 2022, accumulated other comprehensive income (loss) consisted of (i) the after-tax effect of unrealized gains (losses) on available-for-sale securities and (ii) unrealized gains (losses) on cash flow hedges.

3837

Components of accumulated other comprehensive income as of **June 30, 2023** **September 30, 2023**, and December 31, 2022, are listed below.

	Accumulated			Accumulated		
	Other		Comprehens	Other		Comprehens
	Available-	for-	ive	Available-	for-	ive
	for-	Cash Flow	Income	for-	Cash Flow	Income
	Sale	Hedges	(Loss)	Sale	Hedges	(Loss)
	Securities			Securities		
<u>June 30, 2023</u>						
Net unrealized or unamortized gains (losses)	(146,027)	\$ 51	\$ (145,976)	(163,681)	\$ 2,045	\$ (161,636)
Tax effect	35,768	(17)	35,751	40,095	(506)	39,589
	(110,259)	\$ 34	\$ (110,225)	(123,586)	\$ 1,539	\$ (122,047)
<u>September 30, 2023</u>						
Net unrealized or unamortized gains (losses)	(146,027)	\$ 51	\$ (145,976)	(163,681)	\$ 2,045	\$ (161,636)
Tax effect	35,768	(17)	35,751	40,095	(506)	39,589
	(110,259)	\$ 34	\$ (110,225)	(123,586)	\$ 1,539	\$ (122,047)
<u>December 31, 2022</u>						
Net unrealized or unamortized gains (losses)	(148,029)	\$ (2,863)	\$ (150,892)	(148,029)	\$ (2,863)	\$ (150,892)
Tax effect	36,673	708	\$ 37,381	36,673	708	37,381
	(111,356)	\$ (2,155)	\$ (113,511)	(111,356)	\$ (2,155)	\$ (113,511)

**NOTE 8 – REGULATORY MATTERS**

Banks and bank holding companies (on a consolidated basis) 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 **judgements** **judgments** by regulators. Failure to meet capital requirements can initiate regulatory action. The Basel III rules 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% which can limit certain activities of an institution, 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 **June 30, 2023** **September 30, 2023**, 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 **June 30, 2023** **September 30, 2023**, 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 below. 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 **June 30, 2023** **September 30, 2023**, and December 31, 2022, are presented in the table below. The Company was able to take advantage of the accumulated other comprehensive income exception on capital

39

calculations that was made available by regulators in order to maintain strong regulatory ratios. Ratios provided for Equity Bancshares, Inc. represent the ratios of the Company on a consolidated basis.

38

							To Be Well Capitalized Under Prompt Corrective Provisions			
	Actual		Minimum Required for Capital Adequacy Under Basel III							
	Amount	Ratio	Amount	Ratio	Amount	Ratio				
<b>June 30, 2023</b>										
Total capital to risk weighted assets										
Equity Bancshares, Inc.	609,44		400,85							
	\$ 1	15.96 %	\$ 1	10.50 %	\$ N/A	N/A				
Equity Bank	592,36		400,28							
	8	15.54 %	1	10.50 %	381,220	10.00 %				
Tier 1 capital to risk weighted assets										
Equity Bancshares, Inc.	490,27		324,49							
	0	12.84 %	8	8.50 %	N/A	N/A				
Equity Bank	546,42		324,03							
	7	14.33 %	7	8.50 %	304,976	8.00 %				

Common equity Tier 1 capital to risk weighted assets							
Equity Bancshares, Inc.	466,84		267,23				
	7	12.23 %	4	7.00 %	N/A	N/A	
Equity Bank	546,42		266,85				
	7	14.33 %	4	7.00 %	247,793	6.50 %	
Tier 1 leverage to average assets							
Equity Bancshares, Inc.	490,27		205,63				
	0	9.54 %	3	4.00 %	N/A	N/A	
Equity Bank	546,42		205,28				
	7	10.65 %	3	4.00 %	256,603	5.00 %	
<u>December 31, 2022</u>							
Total capital to risk weighted assets							
Equity Bancshares, Inc.	603,59		394,07				
	\$ 3	16.08 %	\$ 2	10.50 %	\$	N/A	N/A
Equity Bank	588,16		393,16				
	5	15.71 %	8	10.50 %	374,445	10.00 %	
Tier 1 capital to risk weighted assets							
Equity Bancshares, Inc.	483,53		319,01				
	9	12.88 %	1	8.50 %	N/A	N/A	
Equity Bank	541,35		318,27				
	4	14.46 %	9	8.50 %	299,556	8.00 %	
Common equity Tier 1 capital to risk weighted assets							
Equity Bancshares, Inc.	460,28		262,71				
	5	12.26 %	5	7.00 %	N/A	N/A	
Equity Bank	541,35		262,11				
	4	14.46 %	2	7.00 %	243,390	6.50 %	
Tier 1 leverage to average assets							
Equity Bancshares, Inc.	483,53		201,28				
	9	9.61 %	8	4.00 %	N/A	N/A	
Equity Bank	541,35		201,06				
	4	10.77 %	6	4.00 %	251,332	5.00 %	

					To Be Well	
			Minimum Required for Capital Adequacy Under Basel III		Capitalized Under Prompt Corrective Provisions	
	Actual					
	Amount	Ratio	Amount	Ratio	Amount	Ratio

September 30, 2023

Total capital to risk weighted assets							
Equity Bancshares, Inc.	620,75		396,87				
	\$ 1	16.42 %	\$ 3	10.50 %	\$	N/A	N/A
Equity Bank	599,51		396,32				
	5	15.88 %	1	10.50 %	377,448		10.00 %
Tier 1 capital to risk weighted assets							
Equity Bancshares, Inc.	501,82		321,27				
	9	13.27 %	8	8.50 %		N/A	N/A
Equity Bank	553,87		320,83				
	2	14.67 %	1	8.50 %	301,959		8.00 %
Common equity Tier 1 capital to risk weighted assets							
Equity Bancshares, Inc.	478,32		264,58				
	1	12.65 %	2	7.00 %		N/A	N/A
Equity Bank	553,87		264,21				
	2	14.67 %	4	7.00 %	245,341		6.50 %
Tier 1 leverage to average assets							
Equity Bancshares, Inc.	501,82		205,42				
	9	9.77 %	1	4.00 %		N/A	N/A
Equity Bank	553,87		205,11				
	2	10.80 %	0	4.00 %	256,388		5.00 %
<u>December 31, 2022</u>							
Total capital to risk weighted assets							
Equity Bancshares, Inc.	603,59		394,07				
	\$ 3	16.08 %	\$ 2	10.50 %	\$	N/A	N/A
Equity Bank	588,16		393,16				
	5	15.71 %	8	10.50 %	374,445		10.00 %
Tier 1 capital to risk weighted assets							
Equity Bancshares, Inc.	483,53		319,01				
	9	12.88 %	1	8.50 %		N/A	N/A
Equity Bank	541,35		318,27				
	4	14.46 %	9	8.50 %	299,556		8.00 %
Common equity Tier 1 capital to risk weighted assets							
Equity Bancshares, Inc.	460,28		262,71				
	5	12.26 %	5	7.00 %		N/A	N/A
Equity Bank	541,35		262,11				
	4	14.46 %	2	7.00 %	243,390		6.50 %

Tier 1 leverage to average assets							
Equity Bancshares, Inc.	483,53		201,28				
	9	9.61 %	8	4.00 %	N/A	N/A	
Equity Bank	541,35		201,06				
	4	10.77 %	6	4.00 %	251,332	5.00 %	

Equity Bank is subject to certain restrictions on the amount of dividends that it may declare without prior regulatory approval.

40

#### NOTE 9 – EARNINGS PER SHARE

The following table presents earnings per share for the three and **six nine** months ended **June 30, 2023 September 30, 2023**, and 2022.

	Three months ended		Six months ended		Three months ended		Nine months ended	
	June	June	June	June	Septem	Septem	Septem	Septem
	30,	30,	30,	30,	ber 30,	ber 30,	ber 30,	ber 30,
	2023	2022	2023	2022	2023	2022	2023	2022
<b>Basic:</b>								
Net income (loss)								
allocable to								
common	11,	15,	23,	30,	12,	15,	36,	46,
stockholders	\$ 456	\$ 259	\$ 779	\$ 909	\$ 341	\$ 171	\$ 120	\$ 080
Weighted	15,	16,	15,	16,	15,	16,	15,	16,
average	467	106	654	426	404	056	570	301
common shares	,85	,64	,46	,09	,88	,36	,35	,50
outstanding	7	3	6	8	2	6	7	0
Weighted								
average vested								
restricted stock			8,0	2,4			5,3	2,0
units	521	40	49	37	110	292	74	86
Weighted	15,	16,	15,	16,	15,	16,	15,	16,
average shares	468	106	662	428	404	056	575	303
	,37	,68	,51	,53	,99	,65	,73	,58
	8	3	5	5	2	8	1	6
Basic earnings								
(loss) per	0.7	0.9	1.5	1.8	0.8	0.9	2.3	2.8
common share	\$ 4	\$ 5	\$ 2	\$ 8	\$ 0	\$ 4	\$ 2	\$ 3
<b>Diluted:</b>								

Net income (loss) allocable to common stockholders	11, \$ 456	15, \$ 259	23, \$ 779	30, \$ 909	12, \$ 341	15, \$ 171	36, \$ 120	46, \$ 080
Weighted average common shares outstanding for:								
Basic earnings per common share	15, 468 .37 8	16, 106 .68 3	15, 662 .51 5	16, 428 .53 5	15, 404 .99 2	16, 056 .65 8	15, 575 .73 1	16, 303 .58 6
Dilutive effects of the assumed exercise of stock options	28, 479	95, 010	39, 736	98, 886	33, 189	88, 530	37, 550	95, 435
Dilutive effects of the assumed vesting of restricted stock units		109		110		126		115
	55, 231	,03 6	83, 613	,61 8	66, 892	,13 8	76, 193	,84 4
Dilutive effects of the assumed exercise of ESPP purchases	2,1 67	2,2 24	3,1 97	1,9 31	2,0 99	1,9 05	2,8 31	1,9 22
Average shares and dilutive potential common shares	15, 554 .25 5	16, 312 .95 3	15, 789 .06 1	16, 639 .97 0	15, 507 .17 2	16, 273 .23 1	15, 692 .30 5	16, 516 .78 7
Diluted earnings (loss) per common share	0.7 \$ 4	0.9 \$ 4	1.5 \$ 1	1.8 \$ 6	0.8 \$ 0	0.9 \$ 3	2.3 \$ 0	2.7 \$ 9

39

Average shares not included in the computation of diluted earnings per share because they were antidilutive are shown in the following table as of **June 30, 2023** **September 30, 2023**, and 2022.

Three months ended	Six months ended	Three months ended	Nine months ended
--------------------	------------------	--------------------	-------------------

	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	Septembe r 30, 2023	Septembe r 30, 2022	Septembe r 30, 2023	Septembe r 30, 2022
Stock options	279, 720	281, 669	262, 562	205, 750	280,8 14	275,4 71	268,7 13	204,9 82
Restricted stock units	212, 210	3,50 5	181, 834	3,50 5	122,0 74		129,1 60	
Total antidilutiv e shares	491, 930	285, 174	444, 396	209, 255	402,8 88	275,4 72	397,8 73	204,9 82

#### NOTE 10 – 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

41

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 securities available-for-sale and equity securities with readily determinable fair value 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, including U.S. Government sponsored entity securities, residential mortgage-backed securities (all of which are issued or guaranteed by government sponsored agencies), **private-label residential mortgage-backed securities**, corporate securities, Small Business Administration securities, and State and Political Subdivision securities 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 interest rate derivative. Cash collateral received from or delivered to a derivative counterparty is classified as Level 1.

40

Assets and liabilities measured at fair value on a recurring basis are summarized in the following tables as of **June 30, 2023**, **September 30, 2023**, and December 31, 2022.

	June 30, 2023			September 30, 2023		
	(Level 1)	(Level 2)	(Level 3)	(Level 1)	(Level 2)	(Level 3)
<b>Assets:</b>						
Available-for-sale securities:						
U.S. Government-sponsored entities		107,3			105,5	
U.S. Treasury securities	\$ —	\$ 72	\$ —	\$ —	\$ 86	\$ —
Mortgage-backed securities	234,6			233,9		
Government-sponsored residential mortgage-backed securities	98	—	—	12	—	—
Private label residential mortgage-backed securities		466,0			442,4	
Corporate	—	71	—	—	21	—
Small Business Administration loan pools		151,9			144,8	
	—	76	—	—	35	—
		48,94			49,70	
	—	8	—	—	1	—
		10,71			10,14	
	—	4	—	—	8	—

State and political subdivisions	—	74,96	—	—	70,40	—
Derivative assets:	—	9	—	—	6	—
Derivative assets (included in other assets)	—	8,143	—	—	10,14	—
Cash collateral held by counterparty and netting adjustments	(6,65)	—	—	(9,32)	—	—
Total derivative assets	(6,65)	—	—	(9,32)	10,14	—
	8)	8,143	—	9)	6	—
Other assets:	—	—	—	—	—	—
Equity securities with readily determinable fair value	610	—	—	609	—	—
Total other assets	610	—	—	609	—	—
Total assets	228,6	868,1	—	225,1	833,2	—
	\$ 50	\$ 93	\$ —	\$ 92	\$ 43	\$ —
Liabilities:	—	—	—	—	—	—
Derivative liabilities:	—	—	—	—	—	—
Derivative liabilities (included in other liabilities)	\$ —	\$ 5,158	\$ —	\$ —	\$ 4,870	\$ —
Cash collateral held by counterparty and netting adjustments	(926)	—	—	233	—	—
Total derivative liabilities	(926)	5,158	—	233	4,870	—
Total liabilities	\$ (926)	\$ 5,158	\$ —	\$ 233	\$ 4,870	\$ —

42 41

	December 31, 2022		
	(Level 1)	(Level 2)	(Level 3)
Assets:			
Available-for-sale securities:			
U.S. Government-sponsored entities	\$ —	\$ 106,406	\$ —
U.S. Treasury securities	232,158	—	—
Mortgage-backed securities	—	498,606	—
Government-sponsored residential mortgage-backed securities	—	163,560	—
Private label residential mortgage-backed securities	—	—	—

Corporate	—	52,374	—
Small Business Administration loan pools	—	12,181	—
State and political subdivisions	—	119,105	—
<b>Derivative assets:</b>			
Derivative assets (included in other assets)	—	8,736	—
Cash collateral held by counterparty and netting adjustments	(7,336)	—	—
Total derivative assets	(7,336)	8,736	—
<b>Other assets:</b>			
Equity securities with readily determinable fair value	570	—	—
Total other assets	570	—	—
<b>Total assets</b>	<b>\$ 225,392</b>	<b>\$ 960,968</b>	<b>\$ —</b>
<b>Liabilities:</b>			
<b>Derivative liabilities:</b>			
Derivative liabilities (included in other liabilities)	\$ —	\$ 8,012	\$ —
Cash collateral held by counterparty and netting adjustments	(4,476)	—	—
<b>Total derivative liabilities</b>	<b>(4,476)</b>	<b>8,012</b>	<b>—</b>
<b>Total liabilities</b>	<b>\$ (4,476)</b>	<b>\$ 8,012</b>	<b>\$ —</b>

There were no material transfers between levels during the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, or the year ended December 31, 2022. 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 loans individually assessed for credit losses. The fair value of loans individually assessed for credit losses with specific 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 estimated 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 made to real estate appraisals and other loan valuations are typically significant and result in a Level 3 classification of the inputs for determining fair value.

43

Assets measured at fair value on a non-recurring basis are summarized below as of **June 30, 2023** **September 30, 2023**, and December 31, 2022.

June 30, 2023			September 30, 2023		
(Level 1)	(Level 2)	(Level 3)	(Level 1)	(Level 2)	(Level 3)

Loans individually evaluated for credit losses:											
Commercial real estate	\$	—	\$	—	\$	678	\$	—	\$	—	\$ 1,079
Commercial and industrial	—		—		3,697		—		—		3,239
Residential real estate	—		—		2,200		—		—		2,347
Agricultural real estate	—		—		228		—		—		2,660
Other	—		—		1,930		—		—		2,293
Other real estate owned:											
Commercial real estate	—		—		964		—		—		1,263
Residential real estate	—		—		—		—		—		170

42

	December 31, 2022		
	(Level 1)	(Level 2)	(Level 3)
Loans individually evaluated for credit losses:			
Commercial real estate	\$	—	\$ 617
Commercial and industrial	—		4,747
Residential real estate	—		2,395
Agricultural real estate	—		1,253
Other	—		1,871
Other real estate owned:			
Commercial real estate	—		792
Residential real estate	—		170

The Company did not record any liabilities for which the fair value was measured on a non-recurring basis at **June 30, 2023** **September 30, 2023**, or December 31, 2022.

Valuations of individually evaluated loans and other real estate owned utilize third party appraisals or broker price opinions and were classified as Level 3 due to the significant judgement 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 as of **June 30, 2023** **September 30, 2023**, and December 31, 2022.

	Range			Range		
	Valuation	Unobser	average) or	Valuati	Unobser	(weighted
			Techniqu			average) or
	Fair Value	e	Input	Earnings	Fair Value	que
June 30, 2023						

September 30,

2023

Individually evaluated real estate loans	\$ 8,73 3	Sales Compari son Approac h	Adjust ments for differen ces between n compar able sales	10% - 51% (31%)	\$ 11,6 18	Sales Com paris on Appr oach	Adjust ments for differen ces between n compar able sales	5% - 56% (30%)
Individually evaluated other real estate owned	\$ 964	Sales Compari son Approac h	Adjust ments for differen ces between n compar able sales	3% - 24% (13%)	\$ 1,43 3	Sales Com paris on Appr oach	Adjust ments for differen ces between n compar able sales	5% - 23% (14%)
Individually evaluated real estate loans	\$ 930	Discoun ted Cash Flow	N/A	8%				
<u>December 31,</u> <u>2022</u>								
Individually evaluated real estate loans	\$ 10,8 83	Sales Compari son Approac h	Adjust ments for differen ces between n compar able sales	10% - 51% (31%)	\$ 10,8 83	Sales Com paris on Appr oach	Adjust ments for differen ces between n compar able sales	10% - 51% (31%)

Individually evaluated other real estate owned	\$ 962	Sales Comparison son Approach between comparable sales	Adjustments for differences between comparable sales	3% - 24% (13%)	\$ 962	Sales Comparison son Approach between comparable sales	Adjustments for differences between comparable sales	3% - 24% (13%)
--	--------	--	--	----------------	--------	--	--	----------------

44 43

Carrying amount and estimated fair values of financial instruments at period end were as follows for June 30, 2023 September 30, 2023, and December 31, 2022.

	June 30, 2023					September 30, 2023				
	Estimated		(Level 1)	(Level 2)	(Level 3)	Estimated		(Level 1)	(Level 2)	(Level 3)
	Carrying amount	Fair value				Carrying amount	Fair value			
<b>Financial assets:</b>										
Cash and cash equivalents	278,09	278,09	27,80			199,01	199,01	19		
Available-for-sale securities	1,094,748	1,094,748	23,46	860,05	0	1,057,009	1,057,009	23,3,9	823,09	7
Held-to-maturity securities	2,216	2,236	—	2,236	—	2,212	2,224	—	2,224	—
Loans held for sale	2,456	2,456	—	2,456	—	627,627	627,627	—	627,627	—
Loans, net of allowance for credit losses	3,278,126	3,202,085	—	3,202,085	—	3,237,093	3,161,093	—	3,161,093	—

Federal Reserve Bank and Federal Home									
Loan Bank stock	21,129	21,129	—	21,129	—	20,780	20,780	—	20,780
Interest receivable	21,360	21,360	—	21,360	—	23,621	23,621	—	23,621
Derivative assets	8,143	8,143	—	8,143	—	10,146	10,146	—	10,146
Cash collateral held by derivative counterparty and netting adjustments	(6,658)	(6,658)	8)	—	—	(9,29)	(9,29)	9)	—
Total derivative assets	1,485	1,485	8)	8,143	—	817	817	9)	146
Equity securities with readily determinable fair value	610	610	0	—	—	609	609	9	—
Total assets	4,700,	4,624,	50,6,7	915,37	3,202,	4,542,	4,465,	42,4,2	880,39
	<u>\$ 229</u>	<u>\$ 208</u>	<u>\$ 49</u>	<u>\$ 4</u>	<u>\$ 085</u>	<u>\$ 624</u>	<u>\$ 697</u>	<u>\$ 09</u>	<u>\$ 5</u>
Financial liabilities:									
Deposits	4,230,	4,223,	—	4,223,	—	4,082,	4,075,	—	4,075,
	<u>\$ 950</u>	<u>\$ 099</u>	<u>\$ —</u>	<u>\$ 099</u>	<u>\$ —</u>	<u>\$ 170</u>	<u>\$ 032</u>	<u>\$ —</u>	<u>\$ 032</u>
Federal funds purchased and retail									
repurchase agreements	44,770	44,770	—	44,770	—	39,701	39,701	—	39,701
Federal Home Loan Bank advances	100,00	100,00	—	100,00	—	100,00	100,00	—	100,00
	<u>0</u>	<u>0</u>	<u>—</u>	<u>0</u>	<u>—</u>	<u>0</u>	<u>0</u>	<u>—</u>	<u>0</u>

Federal	140	140	140		140	140	140
Reserve Bank	,00	,00	,00		,00	,00	,00
borrowings	0	0	0		0	0	—
Subordinated	23,	23,	23,		23,	23,	23,
debentures	423	423	—	423	—	508	508
Subordinated	73,	69,	69,		73,	71,	71,
notes	230	293	—	293	—	279	029
Contractual	29,	29,	29,		29,	29,	29,
obligations	608	608	—	608	—	019	019
Interest	7,9	7,9	7,9		11,	11,	11,
payable	51	51	—	51	—	138	138
Derivative	5,1	5,1	5,1		4,8	4,8	4,8
liabilities	58	58	—	58	—	70	70
Cash collateral							
held by							
derivative							
counterparty							
and netting	(92	(92	(92				23
adjustments	— 6)	— 6)	— 6)	—	—	233	233
Total derivative	4,2	4,2	(92	5,1		5,1	5,1
liabilities	32	32	— 6)	58	—	03	03
Total liabilities	4,6	4,6		4,6		4,5	4,4
	54,	42,	(92	43,		03,	94,
	\$ 164	\$ 376	\$ 6)	\$ 302	\$ —	\$ 918	\$ 530
	<u>      </u>						
						\$ 3	\$ 297
						<u>      </u>	<u>      </u>

45 44

December 31, 2022

	Carrying Amount	Estimated		
		Fair Value	(Level 1)	(Level 2)
<b>Financial assets:</b>				
Cash and cash equivalents	\$ 104,428	\$ 104,428	\$ 104,428	\$ — \$ —
Available-for-sale securities	1,184,390	1,184,390	232,158	952,232
Held-to-maturity securities	1,948	1,973	—	1,973
Loans held for sale	349	349	—	349
Loans, net of allowance for credit losses	3,265,701	3,251,129	—	3,251,129
<b>Federal Reserve Bank and Federal Home</b>				
Loan Bank stock	21,695	21,695	—	21,695

Interest receivable	20,630	20,630	—	20,630	—
Derivative assets	8,736	8,736	—	8,736	—
Cash collateral held by derivative counterparty and netting adjustments	(7,336)	(7,336)	(7,336)	—	—
Total derivative assets	1,400	1,400	(7,336)	8,736	—
Equity securities with readily determinable fair value	570	570	570	—	—
<b>Total assets</b>	<b>\$ 4,601,111</b>	<b>\$ 4,586,564</b>	<b>\$ 329,820</b>	<b>\$ 1,005,615</b>	<b>\$ 3,251,129</b>
<b>Financial liabilities:</b>					
Deposits	\$ 4,241,807	\$ 4,232,948	\$ —	\$ 4,232,948	\$ —
Federal funds purchased and retail repurchase agreements	46,478	46,478	—	46,478	—
Federal Home Loan Bank advances	138,864	138,864	—	138,864	—
Subordinated debentures	23,255	23,255	—	23,255	—
Subordinated notes	73,137	70,887	—	70,887	—
Contractual obligations	15,218	15,218	—	15,218	—
Interest payable	2,462	2,462	—	2,462	—
Derivative liabilities	8,012	8,012	—	8,012	—
Cash collateral held by derivative counterparty and netting adjustments	(4,476)	(4,476)	(4,476)	—	—
Total derivative liabilities	3,536	3,536	(4,476)	8,012	—
<b>Total liabilities</b>	<b>\$ 4,544,757</b>	<b>\$ 4,533,648</b>	<b>\$ (4,476)</b>	<b>\$ 4,538,124</b>	<b>\$ —</b>

The fair value of off-balance-sheet items is not considered material.

## NOTE 11 – 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 which 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 **June 30, 2023** **September 30, 2023**, and December 31, 2022, were as follows.

**4645**

	June 30, 2023		December 31, 2022		September 30, 2023		December 31, 2022	
	Fixed	Variable	Fixed	Variable	Fixed	Variable	Fixed	Variable
	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate
Commitments to make loans	54,3 \$ 15	367, \$ 690	73,1 \$ 85	210, \$ 266	49,0 \$ 14	343, \$ 726	73,1 \$ 85	210, \$ 266
Mortgage loans in the process of origination	3,87 9	3,59 1	2,13 0	3,48 0	2,47 3	4,02 2	2,13 0	3,48 0
Unused lines of credit	129, 082	357, 751	130, 843	354, 408	130, 889	392, 145	130, 843	354, 408

At **June 30, 2023** **September 30, 2023**, the fixed rate loan commitments have interest rates ranging from 3.25% to **10.47** **18.00**% and maturities ranging from 1 month to **219** **216** 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 **June 30, 2023** **September 30, 2023**, and December 31, 2022, were as follows.

	June 30, 2023				December 31, 2022			
	Fixed		Variable		Fixed		Variable	
	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate
Standby letters of credit	\$ 15,926	\$ 26,744	\$ 16,358	\$ 25,791				
September 30, 2023				December 31, 2022				
Fixed		Variable		Fixed		Variable		
Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	
Standby letters of credit	\$ 17,040	\$ 31,719	\$ 16,358	\$ 25,791				

#### **NOTE 12 – 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, results of operations or cash flows. A loss contingency is recorded when the outcome is probable and reasonably able to be estimated. Any loss contingency described below has been identified by the Company as reasonably possible to result in an unfavorable outcome for the Company or the Bank.

Equity Bank is party to a lawsuit filed on January 28, 2022, in the Sedgwick County Kansas District Court on behalf of one of our customers alleging improperly collected overdraft fees. The plaintiff seeks to have the case certified as a class action. The Bank has filed a motion to dismiss this claim on its merits and on the grounds that the defendant must litigate any such claims in arbitration. The trial court ruling denying the requirement of arbitration is currently on appeal. The Company believes that the lawsuit is without merit, and it intends to vigorously defend against the claim asserted. At this time, the Company is unable to reasonably estimate the loss amount of this litigation.

Equity Bank is party to a lawsuit filed on February 2, 2022, in Jackson County, Missouri District Court against the Bank on behalf of one of our Missouri customers alleging improperly collected overdraft fees. The plaintiff seeks to have the case certified as a class action of Missouri customers only. The Company believes that the lawsuit is without merit, and it intends to vigorously defend against the claims now asserted. At this time, the Company is unable to reasonably estimate the loss amount of this litigation.

Equity Bank is party to a lawsuit filed on February 18, 2023, in Saline County, Missouri District Court against the Bank on behalf of one of our Missouri customers alleging improperly collected overdraft fees. The plaintiff seeks to have the case certified as a class action for Missouri customers only. The Company believes that the lawsuit is without merit, and it intends to vigorously defend against the claims now asserted. At this time, the Company is unable to reasonably estimate the loss amount of this litigation.

#### **NOTE 13 – 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.

**4746**

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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 are recognized in non-interest income. The following table presents the Company's sources of non-interest income for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**, and 2022.

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Non-interest income								
Service charges and fees	2,65	2,61	5,1	5,1	2,69	2,78	7,8	7,9
	\$ 3	\$ 7	\$ 98	\$ 39	\$ 0	\$ 8	\$ 88	\$ 27

Debit card income	2,65	2,81	5,2	5,4	2,59	2,68	7,7	8,1
	3	0	07	38	1	2	98	20
Mortgage banking(a)	213	428	301	990	226	310	527	1,300
Increase in bank-owned life insurance(a)	757	736	40	01	794	754	34	55
Net gain (loss) on acquisitions (a)	—	540	—	540	—	—	—	540
Net gain (loss) from securities transactions(a)	(1,322)	(32)	(90)	8	(1)	(17)	91	(9)
Other								
Investment referral income	118	140	207	283	101	137	307	420
Trust income	268	264	508	557	291	249	799	806
Insurance sales commissions	28	47	141	113	264	242	405	354
Recovery on zero-basis purchased loans(a)	507	13	513	33	2	129	515	163
Income (loss) from equity method investments(a)	(56)	(56)	1)	1)	(56)	(56)	7)	7)
Other non-interest income related to loans and deposits	1,150	2,113	2,512	4,044	1,828	1,708	4,340	5,752
Other non-interest income not related to loans and deposits(a)	(19)	17	24	24	5	43	30	67
Total other non-interest income	1,996	2,538	3,794	4,943	2,435	2,452	6,229	7,395
Total	6,95	9,63	15,	18,	8,73	8,96	24,	27,
	\$ 0	\$ 7	\$ 550	\$ 659	\$ 5	\$ 9	\$ 285	\$ 628
(a) Not within the scope of ASC 606.	(a) Not within the scope of ASC 606.				(a) Not within the scope of ASC 606.			

## NOTE 14 – BUSINESS COMBINATIONS AND BRANCH SALES

At the close of business on June 24, 2022, the Company sold three branch locations located in Belleville, Clyde and Concordia, Kansas to United Bank and Trust (UBT). Results of the branch sale were included in the Company's results of operations beginning June 27, 2022. Branch sale costs were \$18 (\$14 on an after-tax basis) and are included in merger expense in the Company's income statement for the year ended December 31, 2022. At **June 30, 2023** **September 30, 2023**, there were no costs related to this branch sale.

At the close of business on November 10, 2022, the Company sold one branch location located in Cordell, Oklahoma to High Plains Bank (HPB). Results of the branch sale were included in the Company's results of operations beginning November 14, 2022. There were no branch sale related costs on the Company's income statement for the year ended December 31, 2022. At **June 30, 2023** **September 30, 2023**, there were no costs related to this branch sale.

4847

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### Item 2: 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 "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in our Annual Report on Form 10-K filed with the SEC on March 9, 2023, and our consolidated financial statements and related notes appearing elsewhere in this Quarterly Report. 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 Note Regarding Forward-Looking Statements." Also, see the risk factors and other cautionary statements described under the heading "Item 1A: Risk Factors" included in the Annual Report on Form 10-K and in Item 1A of this Quarterly Report. 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 – a general description of our business and financial highlights;
- 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 – a reconciliation of non-GAAP measures.

4948

(Dollars in thousands, except per share data)	March 2023	Decemb 2023	Septemb 2022	Septemb 2022	Septemb 2023	March 2023	Decemb 2023	Septemb 2022
<b>Statement of Income Data (for the quarterly period ended)</b>								
Interest and dividend income	61, \$ 256	56, \$ 123	53, \$ 424	48, \$ 548	43, \$ 624	65, \$ 039	61, \$ 256	56, \$ 123
Interest expense	21, 827	17, 013	11, 393	6,6 04	4,0 58	24, 027	21, 827	17, 013

Net interest income	39,429	39,110	42,031	41,944	39,566	41,012	39,429	39,110	42,031	41,944
Provision (reversal) for credit losses										
	(36,298)	(15,6)	(13,1)	(13,6)	824	1,2,30	39,298	(36,6)	(15,1)	(13,6)
Net gain on acquisition and branch sales	—	—	422	—	540	—	—	—	422	—
Net gain (loss) from securities transactions	(1,3,22)	32	14	(17)	(32)	(1)	22)	32	14	(17)
Other non-interest income	6,9,50	8,5,68	7,8,93	8,9,86	9,1,29	8,7,36	8,2,72	8,5,68	7,8,93	8,9,86
Merger expenses	—	—	68	115	88	—	—	—	68	115
Other non-interest expense	33,130	33,229	35,181	32,121	31,348	34,244	33,130	33,229	35,181	32,121
Income (loss) before income taxes	12,951	14,847	15,262	18,813	16,943	14,273	12,951	14,847	15,262	18,813
Provision for income taxes	1,4,95	2,5,24	3,6,54	3,6,42	1,6,84	1,9,32	1,4,95	2,5,24	3,6,54	3,6,42
Net income (loss)	11,456	12,323	11,608	15,171	15,259	12,341	11,456	12,323	11,608	15,171
Net income (loss) allocable to common stockholders	11,456	12,323	11,608	15,171	15,259	12,341	11,456	12,323	11,608	15,171
Basic earnings (loss) per share	0.7,\$ 4	0.7,\$ 8	0.7,\$ 3	0.9,\$ 4	0.9,\$ 5	0.8,\$ 0	0.7,\$ 4	0.7,\$ 8	0.7,\$ 3	0.9,\$ 4
Diluted earnings (loss) per share	0.7,\$ 4	0.7,\$ 7	0.7,\$ 2	0.9,\$ 3	0.9,\$ 4	0.8,\$ 0	0.7,\$ 4	0.7,\$ 7	0.7,\$ 2	0.9,\$ 3

Balance Sheet Data (at period end)	278	250	104	155	103	199	278	250	104	155
Cash and cash equivalents	,09	,36	,42	,41	,58	,01	,09	,36	,42	,41
	\$ 9	\$ 6	\$ 8	\$ 3	\$ 4	\$ 7	\$ 9	\$ 6	\$ 8	\$ 3
Securities available-for- sale	1,0	1,1	1,1	1,1	1,2	1,0	1,0	1,1	1,1	1,1
	94,	83,	84,	98,	88,	57,	94,	83,	84,	98,
	748	247	390	962	180	009	748	247	390	962
Securities held-to- maturity	2,2	1,9	1,9			2,2	2,2	1,9	1,9	
	16	44	48	—	—	12	16	44	48	—
Loans held for sale	2,4			1,5	1,7		2,4			1,5
	56	648	349	18	14	627	56	648	349	18
Gross loans held for investment	3,3	3,3	3,3	3,2	3,2	3,2	3,3	3,3	3,3	3,2
	22,	30,	11,	55,	23,	82,	22,	30,	11,	55,
	670	618	548	023	446	118	670	618	548	023
Allowance for credit losses	44,	45,	45,	46,	48,	44,	44,	45,	45,	46,
	544	103	847	499	238	186	544	103	847	499
Loans held for investment, net of allowance for credit losses	3,2	3,2	3,2	3,2	3,1	3,2	3,2	3,2	3,2	3,2
	78,	85,	65,	08,	75,	37,	78,	85,	65,	08,
	126	515	701	524	208	932	126	515	701	524
Goodwill and core deposit intangibles, net	61,	62,	63,	64,	65,	61,	61,	62,	63,	64,
	861	779	697	699	655	062	861	779	697	699
Mortgage servicing asset, net	126	151	176	201	226	100	126	151	176	201
Naming rights, net	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0
	22	33	44	54	65	11	22	33	44	54
Total assets	5,0	5,1	4,9	5,0	5,0	4,9	5,0	5,1	4,9	5,0
	94,	56,	81,	00,	02,	45,	94,	56,	81,	00,
	883	716	651	415	156	267	883	716	651	415
Total deposits	4,2	4,2	4,2	4,2	4,2	4,0	4,2	4,2	4,2	4,2
	30,	86,	41,	26,	91,	82,	30,	86,	41,	26,
	950	933	807	611	771	170	950	933	807	611

Borrowings	381	392	281	329	228	376	381	392	281	329
	,42	,84	,73	,70	,88	,48	,42	,84	,73	,70
	3	2	4	7	5	8	3	2	4	7
Total liabilities	4,6	4,7	4,5	4,6	4,5	4,5	4,6	4,7	4,5	4,6
	76,	31,	71,	04,	74,	27,	76,	31,	71,	04,
	448	593	593	609	041	137	448	593	593	609
Total stockholders' equity	418	425	410	395	428	418	418	425	410	395
Tangible common equity*	,43	,12	,05	,80	,11	,13	,43	,12	,05	,80
	5	3	8	6	5	0	5	3	8	6
Return on average assets (ROAA) annualized	0.9	1.0	0.9	1.2	1.2	0.9	0.9	1.0	0.9	1.2
	1 %	0 %	3 %	1 %	1 %	7 %	1 %	0 %	3 %	1 %
Return on average equity (ROAE) annualized	10.	11.	11.	13.	13.	11.	10.	11.	11.	13.
	82 %	89 %	57 %	80 %	99 %	49 %	82 %	89 %	57 %	80 %
Return on average tangible common equity (ROATCE) annualized	13.	14.	14.	17.	17.	14.	13.	14.	14.	17.
	55 %	89 %	74 %	12 %	60 %	18 %	55 %	89 %	74 %	12 %
Yield on loans annualized	6.3	5.9	5.5	5.0	4.5	6.6	6.3	5.9	5.5	5.0
	4 %	4 %	9 %	9 %	9 %	7 %	4 %	4 %	9 %	9 %
Cost of interest-bearing deposits annualized	2.1	1.7	1.0	0.5	0.2	2.4	2.1	1.7	1.0	0.5
	4 %	3 %	5 %	7 %	8 %	0 %	4 %	3 %	5 %	7 %
Net interest margin annualized	3.3	3.4	3.6	3.6	3.3	3.5	3.3	3.4	3.6	3.6
	8 %	4 %	7 %	2 %	9 %	1 %	8 %	4 %	7 %	2 %

Efficiency ratio*	69.	69.	70.	63.	64.	68.	69.	69.	70.	63.
	45 %	69 %	47 %	07 %	38 %	83 %	45 %	69 %	47 %	07 %
Non-interest income / average assets	0.5	0.7	0.6	0.7	0.7	0.6	0.5	0.7	0.6	0.7
annualized	5 %	0 %	7 %	1 %	6 %	9 %	5 %	0 %	7 %	1 %
Non-interest expense / average assets	2.6	2.7	2.8	2.5	2.4	2.6	2.6	2.7	2.8	2.5
annualized	2 %	0 %	4 %	6 %	9 %	9 %	2 %	0 %	4 %	6 %
<b>Capital Ratios</b>										
Tier 1										
Leverage Ratio	9.5	9.6	9.6	9.4	9.1	9.7	9.5	9.6	9.6	9.4
Common Equity Tier 1 Capital Ratio	4 %	0 %	1 %	6 %	1 %	7 %	4 %	0 %	1 %	6 %
Tier 1 Risk Based Capital Ratio	12.	12.	12.	12.	12.	12.	12.	12.	12.	12.
Total Risk Based Capital Ratio	23 %	21 %	26 %	21 %	08 %	65 %	23 %	21 %	26 %	21 %
Equity / Assets	84 %	83 %	88 %	84 %	71 %	27 %	84 %	83 %	88 %	84 %
Tangible common equity to tangible assets*	15.	15.	16.	16.	15.	16.	15.	15.	16.	16.
Dividend payout ratio	96 %	98 %	08 %	06 %	97 %	42 %	96 %	98 %	08 %	06 %
Book value per share	8.2	8.2	8.2	7.9	8.5	8.4	8.2	8.2	8.2	7.9
Tangible common book value per share*	1 %	4 %	3 %	2 %	6 %	6 %	1 %	4 %	3 %	2 %

Tangible common book value per diluted share*	22.	22.	21.	20.	22.	22.	22.	22.	21.	20.
	\$ 98	\$ 83	\$ 35	\$ 33	\$ 17	\$ 96	\$ 98	\$ 83	\$ 35	\$ 33

\* The value noted is considered a Non-GAAP financial measure. For a reconciliation of Non-GAAP financial measures see "Non-GAAP Financial Measures" in this Item 2.

## Overview

We are a financial 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 64 full-service banking sites located in Arkansas, Kansas, Missouri, and Oklahoma. As of **June 30, 2023** **September 30, 2023**, we had consolidated total assets of **\$5.09 billion** **\$4.95 billion**, total loans held for investment, net of allowance, of **\$3.28 billion** **\$3.24 billion**, total deposits of **\$4.23 billion** **\$4.08 billion**, and total stockholders' equity of **\$418.4 million** **\$418.1 million**. During the three and **six** **nine** month periods ended **June 30, 2023** **September 30, 2023**, the Company had net **income** of **5049**

**\$11.5 million** **income** of **\$12.3 million** and **\$23.8 million** **\$36.1 million**. The Company had net income of **\$15.3 million** **\$15.2 million** and **\$30.9 million** **\$46.1 million** for the three and **six** **nine** month periods ended **June 30, 2022** **September 30, 2022**.

## Critical Accounting Policies

Our significant accounting policies are integral to understanding the results reported. Our accounting policies are described in detail in Note 1 to the December 31, 2022, audited financial statements included in our Annual Report on Form 10-K filed with the SEC on March 9, 2023. 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 Interim 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:** 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 judgement 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 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 **June 30, 2023** **September 30, 2023**. 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, significant** **Significant** changes in economic conditions, both positive and negative, 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 quarter ended **June 30, 2023** **September 30, 2023**, management conducted the quarterly qualitative assessment and has determined there was no 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.

Although management believes that the judgements judgments and estimates used are reasonable, actual results could differ and we may be exposed to losses or gains that could be material.

5150

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## Results of Operations

We generate 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, trust 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.

## Net Income

*Three months ended June 30, 2023 September 30, 2023, compared with three months ended June 30, 2022 September 30, 2022:* Net income allocable to common stockholders for the three months ended June 30, 2023 September 30, 2023, was \$11.5 million \$12.3 million, or \$0.74 \$0.80 diluted earnings per share as compared to \$15.3 million \$15.2 million, or \$0.94 \$0.93 diluted earnings per share for the three months ended June 30, 2022 September 30, 2022, a decrease of \$3.8 million \$2.9 million. The decrease during the three month period ended June 30, 2023, was largely due to a decrease in non-interest net interest income of \$2.7 million \$1.0 million, an increase in the provision for loan losses of \$1.4 million and an increase in non-interest expense of \$2.0 million, offset by a decrease in the provision for income taxes of \$1.7 million.

*Six Nine months ended June 30, 2023 September 30, 2023, compared with six nine months ended June 30, 2022 September 30, 2022:* Net income allocable to common stockholders for the six nine months ended June 30, 2023 September 30, 2023, was \$23.8 million \$36.1 million, or \$1.51 \$2.30 diluted earnings per share as compared to \$30.9 million \$46.1 million, or \$1.86 \$2.79 diluted earnings per share for the six nine months ended June 30, 2022 September 30, 2022, a decrease of \$7.1 million \$10.0 million. The decrease during the six month period ended June 30, 2023, was largely due to a decrease in non-interest net interest income of \$3.1 million and \$1.2 million, a decrease in other income of \$3.3 million, an increase in non-interest expense of \$5.5 million \$7.5 million, offset by a decrease in the provision for income taxes of \$3.0 million.

## 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 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."

*Three months ended June 30, 2023 September 30, 2023, compared with three months ended June 30, 2022 September 30, 2022:* 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 three months ended **June 30, 2023** **September 30, 2023**, and 2022. The yields and rates are calculated by dividing annualized income or annualized expense by the average daily balances of the associated assets or liabilities.

52

51

#### Average Balance Sheets and Net Interest Analysis

	For the Three Months Ended June 30,					For the Three Months Ended September 30,				
	2023			2022		2023			2022	
	Avera ge	Intere st	Aver age	Averag e	Interes t	Avera ge	Avera ge	Intere st	Avera ge	Intere st
(Dollars in thousands)	Outsta nding	Inco me/	Yield /	Outsta nding	Incom e/	Yield/	Outsta nding	Inco me/	Yield /	Yield/
	Balan ce	Expe nse	Rate <sup>(3)</sup> <sup>(4)</sup>	Balanc e	Expen se	Rate <sup>(3)</sup> <sup>(4)</sup>	Balan ce	Expe nse	Rate <sup>(3)</sup> <sup>(4)</sup>	Rate <sup>(3)</sup> <sup>(4)</sup>
<b>Interest- earning assets:</b>										
Loans <sup>(1)</sup>										
Commercial and industrial	1 59 0, 0, 63	1 0, 8 8	7. 7. 3	58 8,1 7,4		5.1 5.1	1 57 0, 3, 03	1 0, 9 8	7. 57 6 5,1	5.3 7,7 5.3
Commercial real estate	1, 30 3, 52	2 0, 8 7	1,2 10, 6. 4	14, 52 5		4.8 4.8 1%	1, 25 0, 36	2 0, 8 2	2 1,3 07, 24	18, 02 3 7%

Real estate construction	46	8,5,2,23,1	7,1,0%	38,17	4,2,97	4,4,8%	48	9,0,8,3,5	8,1,3%	36,0,5,79	4,8,47	5,3,3%
Residential real estate	56	6,7,0	4,2,8%	59,80	5,2,06	3,4,9%	56	6,4,0	4,2,8%	58,2,9,38	5,4,64	3,7,2%
Agricultural real estate	20	3,2,3	6,7,1%	20,38	2,0,38	5,2,5%	20	3,3,8	7,6,0%	20,0,5,34	2,7,40	5,4,2%
Agricultural	10	1,1,7	6,7,4%	13,26	1,5,33	4,5,6%	99	8,7,5	3,8,8%	11,3,3,51	1,4,06	4,9,2%
Consumer	10	1,6,1	6,0	99,68	1,1	4,6	10	1,7,6	6,1	10,1,2,51	1,3,25	5,2,0%
Total loans	3,33	5,2,7	3,2,6,16	5,36	5,84	5,4,5	3,28	5,1,1	6,6	3,2,40,99	5,5	4,9,5,0
Taxable securities	1,06	5,8,2	1,2,10	1,88	5,5,84	1,8,5%	1,02	5,7,6	2,2	1,1,64,69	5,7	1,9,92,7%
Nontaxable securities	87	5,3,6	2,6,8,2	10,67	2,6,84	2,5,5%	58	3,6,5	2,7,7	10,7,7,68	2,5	
Total Securities	1,15	6,5,3	1,3,2,19	71,8	9,6,2	1,9,0%	1,08	6,5,0	2,2	1,2,72,41	6,4	2,0,79,2%

Federal funds sold and other	18 5, 27 6	2, 1 2 7	4. 6 0,0 0 %	14 51 16 3	1.4 7 %	26 7, 99 6	3, 8 2 6 %	5. 6 6	89, 15 51 4	2.2 9 %
Total interest- earning assets	4, 67 8, 74 4	6 1, 2 5 6	4,6 75, 43, 96 7	38 3 5 4	3.7 4 %	4, 63 5, 38 4	6 5, 0 3 9	4,6 02, 48, 56 7 %	4,1 48, 54 8 8	8 %
<b>Non- interest- earning assets:</b>										
Other real estate owned, net	4, 19 0		9,5			4, 20 6		11, 91 4		
Premises and equipment , net	10 5, 61 8		10 2,7 72			10 8, 86 9		10 1,0 35		
Bank- owned life insurance	12 3, 00 2		12 1,1 82			12 3, 79 0		12 1,9 70		
Goodwill, core deposit and other										
intangible s, net	63 ,4 53		68, 97 8			62 ,6 35		66, 44 5		
Other non- interest- earning assets	89 ,9 06		89, 21 7			11 1, 29 5		84, 82 3		

Total assets	5,06	4,41	5,68	5,04	6,17	5,9	4,49	6,88	5,75
	\$ 3		\$ 6			\$ 9		\$ 5	
<b>Interest-bearing liabilities:</b>									
Interest-bearing demand deposits	1,01	5,3	2,49	1,1	2,49	1,95	1,01	6,2	1,12
	69	9	2	69	86	0.3	95	2	4
	\$ 9	8	2%	\$ 1	5	0%	\$ 6	3	3%
Savings and money market	1,30	4,9	1.1	1,3	31,	42	1,40	7,	1,3
	98	0	5	91	48	0.1	42	0	0
	6	5	0%	1	1	4%	4	8	0%
Demand, savings and money market	2,32	0,3	1.5	2,4	81,	0	2,42	3,	2,4
	68	0	8	60	1,3	0.2	38	3	2.
	5	3	1%	2	46	2%	0	1	8%
Certificate s of deposit	90,3	6,7	2.9	63	83	0.5	78,2	6,0	3.65
	28,0	0,9	0.6	0,6	83	0.5	92,4	0,0	5,4
	0,0	1,1	8%	98	7	3%	0,0	3,3	6%
Total interest-bearing deposits	3,22	7,6	2.1	3,1	12,	0	3,20	9,	3,0
	96,5	0,4	1	30	2,1	0.2	30,0	7	4
	5,4	4	4%	0	83	8%	0,4	0%	5,03
FHLB term and line of credit advances	10,1	9,5	3.7	80,6	17,6	0.8	10,0	9,6	3.71
	5,3	3	5%	6	6	8%	0,0	8	4%

Subordinated debt	1,96	9,5	8.0	96,06	1,6	6.9	1,96	8,7	7.9	96,20	1,7	7.1
	82	0	0%	8	53	0%	12	3	7%	0	21	0%
Federal Reserve	14	1,					14	1,				
Bank borrowing	0,00	52	4.3				0,00	54	4.3			
Other borrowing	47,0	19	1.6	61,72		0.3	48,4	24	2.0	53,89		0.5
	77	2	4%	8	46	0%	13	6	2%	9	71	2%
Total interest-bearing liabilities	3,61	21		3,3			3,59	41		3,3		
	2,2	8	2.5	50,			1,0	02				
	46	2	4	36	4,0	0.4	42	26	6	75	6,6	0.7
	9	7	2%	2	58	9%	5	7	5%	9	04	9%
Non-interest-bearing liabilities and stockholders' equity:												
Non-interest-bearing accounts	97		1,2				97		1,2			
	7,		27,				1,		02,			
Checking accounts	36		89				03		61			
	9		6				2		0			
Non-interest-bearing liabilities	50		51,				57		47,			
	,2		94				,4		19			
Stockholders' equity	13		5				62		5			
	42						42					
	4,		43				6,		43			
	86		7,4				26		6,1			
	2		83				0		91			

Total liabilities and stockholders' equity	5,064,913	\$ 3	5,686,913	\$ 6	5,041,755	\$ 9	4,988,755	\$ 5
Net interest income	3,942	\$ 9	4,011	\$ 6	4,011	\$ 2	4,094	\$ 4
Interest rate spread	2.83%	2.3%	3.25%	3.0%	3.22%	2.9%	3.39%	3.0%
Net interest margin <sup>(2)</sup>	3.3%	8%	3.3%	9%	3.5%	1%	3.6%	2%
Total cost of deposits, including non-interest bearing deposits	4,120,403,330	\$ 4	4,179,330	\$ 4	4,179,330	\$ 2	4,285,440	\$ 03
Average interest-earning assets to interest-bearing liabilities	1.295	2.95%	1.13%	7.0%	1.09%	7.0%	1.13%	6.0%

(1) Average loan balances include nonaccrual loans.

(2) Net interest margin is calculated by dividing annualized net interest income by average interest-earnings 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 three month periods ended September 30, 2023, and 2022.

#### Analysis of Changes in Net Interest Income

**For the Three Months Ended September 30, 2023, and 2022**

(Dollars in thousands)	Increase (Decrease) Due to:			Total
	Volume <sup>(1)</sup>	Yield/Rate <sup>(1)</sup>	Increase / (Decrease)	Increase / (Decrease)
<b>Interest-earning assets:</b>				
Loans				
Commercial and industrial	\$ (29)	\$ 3,263	\$ 3,234	
Commercial real estate	(768)	3,569	2,801	
Real estate construction	1,937	3,054	4,991	
Residential real estate	(181)	802	621	
Agricultural real estate	40	1,118	1,158	
Agricultural	(185)	635	450	
Consumer	86	256	342	
Total loans	<u>900</u>	<u>12,697</u>	<u>13,597</u>	
Taxable securities	(719)	623	(96)	
Nontaxable securities	<u>(315)</u>	<u>(3)</u>	<u>(318)</u>	
Total securities	<u>(1,034)</u>	<u>620</u>	<u>(414)</u>	
Federal funds sold and other	1,908	1,400	3,308	
Total interest-earning assets	<u>1,774</u>	<u>14,717</u>	<u>16,491</u>	
<b>Interest-bearing liabilities:</b>				
Interest-bearing demand deposits	(215)	4,181	3,966	
Savings and money market	<u>68</u>	<u>6,179</u>	<u>6,247</u>	
Demand, savings and money market	(147)	10,360	10,213	
Certificates of deposit	<u>294</u>	<u>4,464</u>	<u>4,758</u>	
Total interest-bearing deposits	<u>147</u>	<u>14,824</u>	<u>14,971</u>	
FHLB term and line of credit advances	204	355	559	
Subordinated debt	10	162	172	
Federal Reserve Bank borrowings	1,546	—	1,546	
Other borrowings	<u>(8)</u>	<u>183</u>	<u>175</u>	
Total interest-bearing liabilities	<u>1,899</u>	<u>15,524</u>	<u>17,423</u>	
<b>Net Interest Income</b>	<b><u>\$ (125)</u></b>	<b><u>\$ (807)</u></b>	<b><u>\$ (932)</u></b>	

(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.

Interest income increased \$16.5 million for the quarter ended September 30, 2023, as compared to the quarter ended September 30, 2022. Of this increase, \$12.7 million is attributable to increases in loan rate/yield. Yield on loans increased by 158 basis points for the quarter ended September 30, 2023, as compared quarter ended to September 30, 2022. The increase in interest income on loans is primarily due to higher yields on the entire loan portfolio, offset by decrease due to volume on commercial and industrial, commercial real estate, residential real estate and agricultural. Overall, the increase in interest income on interest earning assets is due to the increase in market interest rates.

Increase in interest expense of \$17.4 million was due to a general increase in market interest rates and to a lesser extent an increase in volume on borrowing, primarily from the Federal Reserve Bank. The increase in the cost of interest-bearing deposits, from 0.57% for the quarter ended September 30, 2022 to 2.40% for the quarter ended September 30, 2023, was primarily the result the Federal Reserve raising the federal funds target rate in response to inflationary concerns.

During the quarter ended September 30, 2023, when compared to the quarter ended September 30, 2022, net interest margin decreased 11 basis points and net interest spread decreased by 47 basis points to 2.92% from 3.39%. The decrease in net interest margin is primarily due to the increase in yield earned on interest-earning asset, which was outpaced by increases in the cost of interest-bearing liabilities. The decrease in interest spread is primarily due to the increase in volume of interest bearing liabilities at current market rates.

*Nine months ended September 30, 2023, compared with nine months ended September 30, 2022:* 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 nine months ended September 30, 2023, and 2022. The yields and rates

are calculated by dividing annualized income or annualized expense by the average daily balances of the associated assets or liabilities.

#### Average Balance Sheets and Net Interest Analysis

(Dollars in thousands)	For the Nine Months Ended September 30,					
	2023			2022		
	Average	Interest	Average	Average	Interest	Average
	Outstanding	Income/	Yield/	Outstanding	Income/	Yield/
		Balance	Expense	Rate <sup>(3)(4)</sup>	Balance	Expense
						Rate <sup>(3)(4)</sup>
<b>Interest-earning assets:</b>						
Loans <sup>(1)</sup>						
Commercial and industrial	\$ 580,359	\$ 31,503	7.26 %	\$ 579,610	\$ 22,994	5.30 %
Commercial real estate	1,300,202	61,811	6.36 %	1,236,282	45,995	4.97 %
Real estate construction	450,147	24,764	7.36 %	362,543	12,443	4.59 %
Residential real estate	567,169	17,933	4.23 %	604,218	16,336	3.61 %
Agricultural real estate	202,963	10,399	6.85 %	201,566	8,046	5.34 %
Agricultural	100,450	5,039	6.71 %	132,485	5,254	5.30 %

Consumer	106,841	4,832	6.05 %	101,341	3,642	4.80 %
Total loans	3,308,131	156,281	6.32 %	3,218,045	114,710	4.77 %
Taxable securities	1,059,858	17,456	2.20 %	1,220,045	16,767	1.84 %
Nontaxable securities	82,230	1,606	2.61 %	109,142	2,020	2.47 %
Total securities	1,142,088	19,062	2.23 %	1,329,187	18,787	1.89 %
Federal funds sold and other	191,585	7,075	4.94 %	116,997	1,327	1.52 %
Total interest-earning assets	4,641,804	182,418	5.25 %	4,664,229	134,824	3.86 %
<b>Non-interest-earning assets:</b>						
Other real estate owned, net	4,226			10,377		
Premises and equipment, net	105,980			102,491		
Bank-owned life insurance	123,409			121,398		
Goodwill, core deposit and other intangibles, net	63,505			68,521		
Other non-interest-earning assets	96,435			87,399		
<b>Total assets</b>	<b>\$ 5,035,359</b>			<b>\$ 5,054,415</b>		
<b>Interest-bearing liabilities:</b>						
Interest-bearing demand deposits	\$ 1,021,163	16,651	2.18 %	\$ 1,158,343	3,702	0.43 %
Savings and money market	1,344,809	15,637	1.55 %	1,321,770	1,759	0.18 %
Demand, savings and money market	2,365,972	32,288	1.82 %	2,480,113	5,461	0.29 %
Certificates of deposit	856,862	18,111	2.83 %	638,692	2,847	0.60 %
Total interest-bearing deposits	3,222,834	50,399	2.09 %	3,118,805	8,308	0.36 %
FHLB term and line of credit advances	97,014	2,939	4.05 %	54,100	594	1.47 %
Subordinated debt	96,584	5,687	7.87 %	96,067	4,973	6.92 %
Federal Reserve Bank borrowings	97,952	3,209	4.38 %	4	—	0.25 %
Other borrowings	48,471	633	1.75 %	56,611	150	0.35 %
<b>Total interest-bearing liabilities</b>	<b>3,562,855</b>	<b>62,867</b>	<b>2.36 %</b>	<b>3,325,587</b>	<b>14,025</b>	<b>0.56 %</b>
<b>Non-interest-bearing liabilities and stockholders' equity:</b>						
Non-interest-bearing checking accounts	997,165			1,220,073		
Non-interest-bearing liabilities	51,443			53,510		
Stockholders' equity	423,895			455,245		
<b>Total liabilities and stockholders' equity</b>	<b>\$ 5,035,358</b>			<b>\$ 5,054,415</b>		
Net interest income	\$ 119,551			\$ 120,799		
Interest rate spread			2.89 %			3.30 %
Net interest margin <sup>(2)</sup>			3.44 %			3.46 %
Total cost of deposits, including non-interest bearing deposits	\$ 4,219,999	\$ 50,399	1.60 %	\$ 4,338,878	\$ 8,308	0.26 %

Average interest-earning assets to interest-bearing liabilities	130.28 %	140.25 %
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(1) Average loan balances include nonaccrual loans.  
 (2) Net interest margin is calculated by dividing annualized net interest income by average interest-earnings 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 **three nine** month periods ended **June 30, 2023 September 30, 2023**, and 2022.

#### Analysis of Changes in Net Interest Income

54

For the **Three Nine Months Ended June 30, 2023 September 30, 2023, and 2022**

(Dollars in thousands)	Total			Total		
	Increase (Decrease) Due to:		Increase / (Decrease)	Increase (Decrease) Due to:		Increase / (Decrease)
	Volume <sup>(1)</sup>	Yield/Rate <sup>(1)</sup>		Volume <sup>(1)</sup>	Yield/Rate <sup>(1)</sup>	
<b>Interest-earning assets:</b>						
Loans						
Commercial and industrial	\$ 32	\$ 3,370	\$ 3,402	\$ 30	\$ 8,479	\$ 8,509
Commercial real estate		1,190	5,164	6,354	2,482	13,334
Real estate construction		1,045	2,889	3,934	3,525	8,796
Residential real estate		(276)	1,118	842	(1,047)	2,644
Agricultural real estate		7	737	744	56	2,297
Agricultural		(443)	614	171	(1,431)	1,216
Consumer		88	364	452	207	983
Total loans			15,89			41,57
	1,643	14,256	9	3,822	37,749	1
Taxable securities		(703)	932	229	(2,375)	3,064
Nontaxable securities		(135)	25	(110)	(520)	106
Total securities		(838)	957	119	(2,895)	3,170
Federal funds sold and other		211	1,403	1,614	1,266	4,482
Total interest-earning assets		1,016	16,616	2	2,193	45,401
<b>Interest-bearing liabilities:</b>						

Interest-bearing demand deposits	(114)	4,847	4,733	(489)	13,438	12,94
Savings and money market	(9)	4,433	4,424	31	13,847	13,87
Demand, savings and money market	(123)	9,280	9,157	(458)	27,285	26,82
Certificates of deposit	505	5,359	5,864	1,277	13,987	15,26
<b>Total interest-bearing deposits</b>	<b>382</b>	<b>14,639</b>	<b>1</b>	<b>819</b>	<b>41,272</b>	<b>1</b>
FHLB term and line of credit advances	59	718	777	728	1,617	2,345
Subordinated debt	8	289	297	27	687	714
Federal Reserve Bank borrowings	1,528	—	1,528	3,207	2	3,209
Other borrowings	(14)	160	146	(25)	508	483
<b>Total interest-bearing liabilities</b>	<b>1,963</b>	<b>15,806</b>	<b>9</b>	<b>4,756</b>	<b>44,086</b>	<b>2</b>
<b>Net Interest Income</b>	<b>\$ (947)</b>	<b>\$ 810</b>	<b>\$ (137)</b>	<b>\$ (2,563)</b>	<b>\$ 1,315</b>	<b>\$ (1,248)</b>

(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.

Interest income on interest-earning assets increased \$17.6 million \$47.6 million for the quarter nine months ended June 30, 2023 September 30, 2023, as compared to the quarter nine months ended June 30, 2022 September 30, 2022. Of this increase, \$14.3 million \$37.7 million is attributable to increases in loan rate/yield. Yield on loans increased yields by 175 155 basis points for the quarter nine months ended June 30, 2023 September 30, 2023, as compared quarter ended to June 30, 2022 the nine months September 30, 2022. The increase in interest income on loans is primarily due to higher yields on commercial and industrial, commercial real estate, real estate construction and residential real estate. Overall, the increase in interest income on interest earning interest-earning assets is due to the overall increase in market interest rates. rates which is driven by the monetary policy of the Federal Reserve.

There was an increase in interest expense on total interest-bearing liabilities of \$17.8 million due to a general increase in market interest rates and to a lesser extent an increase in volume on borrowing, primarily from the Federal Reserve Bank. The increase in the cost of interest-bearing deposits from 0.28% for the quarter ended June 30, 2022 to 2.14% for the quarter ended June 30, 2023, was primarily the result the Federal Reserve raising the federal funds target rate in response to inflation concerns, with more interest rate increases expected during the remainder of 2023.

When compared to the quarter ended June 30, 2022, net interest margin decreased 1 basis points during the quarter ended June 30, 2023. Comparing to the same periods one year ago, net interest spread decreased by 42 basis points to 2.83% from 3.25%. The decrease in net interest margin can be attributed to an increase in the rate/yield earned on interest-earning asset, which

was outpaced by an increase in the cost of interest-bearing liabilities. The decrease in interest spread is primarily due to the increase in volume of interest bearing liabilities at current market rates.

*Six months ended June 30, 2023, compared with six months ended June 30, 2022:* 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 six months ended June 30, 2023, and 2022. The yields and rates are calculated by dividing annualized income or annualized expense by the average daily balances of the associated assets or liabilities.

**Average Balance Sheets and Net Interest Analysis**

(Dollars in thousands)	For the Six Months Ended June 30,					
	2023			2022		
	Average	Interest	Average	Average	Interest	Average
	Outstanding	Income/	Yield/	Outstanding	Income/	Yield/
Balance		Expense	Rate <sup>(3)(4)</sup>	Balance	Expense	Rate <sup>(3)(4)</sup>
<b>Interest-earning assets:</b>						
<b>Loans<sup>(1)</sup></b>						
Commercial and industrial	\$ 584,081	\$ 20,519	7.08 %	\$ 581,880	\$ 15,244	5.28 %
Commercial real estate	1,324,010	40,987	6.24 %	1,200,212	27,972	4.70 %
Real estate construction	434,793	14,926	6.92 %	363,542	7,596	4.21 %
Residential real estate	568,710	11,848	4.20 %	615,035	10,872	3.56 %
Agricultural real estate	202,742	6,501	6.47 %	202,091	5,306	5.29 %
Agricultural	100,795	3,183	6.37 %	142,210	3,849	5.46 %
Consumer	106,546	3,165	5.99 %	101,409	2,316	4.60 %
Total loans	3,321,677	101,129	6.14 %	3,206,379	73,155	4.60 %
Taxable securities	1,076,108	11,760	2.20 %	1,248,178	10,975	1.77 %
Nontaxable securities	94,538	1,237	2.64 %	109,866	1,333	2.45 %
Total securities	1,170,646	12,997	2.24 %	1,358,044	12,308	1.83 %
Federal funds sold and other	152,747	3,253	4.29 %	131,148	813	1.25 %
Total interest-earning assets	4,645,070	117,379	5.10 %	4,695,571	86,276	3.71 %
<b>Non-interest-earning assets:</b>						
Other real estate owned, net	4,236			9,596		
Premises and equipment, net	104,512			103,230		
Bank-owned life insurance	123,215			121,108		
Goodwill, core deposit and other intangibles, net	63,947			69,576		
Other non-interest-earning assets	88,880			88,709		
Total assets	<u><u>\$ 5,029,860</u></u>			<u><u>\$ 5,087,790</u></u>		
<b>Interest-bearing liabilities:</b>						

Interest-bearing demand deposits	\$ 1,024,317	10,428	2.05 %	\$ 1,181,440	1,445	0.25 %
Savings and money market	1,312,474	8,529	1.31 %	1,326,267	897	0.14 %
Demand, savings and money market	2,336,791	18,957	1.64 %	2,507,707	2,342	0.19 %
Certificates of deposit	894,446	12,068	2.72 %	630,189	1,563	0.50 %
Total interest-bearing deposits	3,231,237	31,025	1.94 %	3,137,896	3,905	0.25 %
FHLB term and line of credit advances	95,497	1,971	4.16 %	45,299	185	0.82 %
Subordinated debt	96,520	3,794	7.93 %	96,000	3,252	6.83 %
Federal Reserve Bank borrowings	76,580	1,663	4.38 %	6	—	0.25 %
Other borrowings	48,501	387	1.61 %	57,989	79	0.27 %
Total interest-bearing liabilities	3,548,335	38,840	2.21 %	3,337,190	7,421	0.45 %
<b>Non-interest-bearing liabilities and stockholders' equity:</b>						
Non-interest-bearing checking accounts	1,010,448			1,228,949		
Non-interest-bearing liabilities	48,384			56,722		
Stockholders' equity	422,693			464,929		
Total liabilities and stockholders' equity	\$ 5,029,860			\$ 5,087,790		
Net interest income	\$ 78,539			\$ 78,855		
Interest rate spread		2.89 %			3.26 %	
Net interest margin <sup>(2)</sup>		3.41 %			3.39 %	
Total cost of deposits, including non-interest bearing deposits	\$ 4,241,685	\$ 31,025	1.47 %	\$ 4,366,845	\$ 3,905	0.18 %
Average interest-earning assets to interest-bearing liabilities			130.91 %			140.70 %

(1) Average loan balances include nonaccrual loans.

(2) Net interest margin is calculated by dividing annualized net interest income by average interest-earnings 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 six month periods ended June 30, 2023, and 2022.

**Analysis of Changes in Net Interest Income**  
**For the Six Months Ended June 30, 2023, and 2022**

(Dollars in thousands)	Total		
	Increase (Decrease) Due to:	Volume <sup>(1)</sup>	Yield/Rate <sup>(1)</sup>
Interest-earning assets:	(Decrease)	(Decrease)	(Decrease)

<b>Loans</b>				
Commercial and industrial	\$ 58	\$ 5,217	\$ 5,275	
Commercial real estate	3,112	9,903	13,015	
Real estate construction	1,712	5,618	7,330	
Residential real estate	(862)	1,838	976	
Agricultural real estate	17	1,178	1,195	
Agricultural	(1,240)	574	(666)	
Consumer	121	728	849	
<b>Total loans</b>	<b>2,918</b>	<b>25,056</b>	<b>27,974</b>	
Taxable securities	(1,646)	2,431	785	
Nontaxable securities	(195)	99	(96)	
<b>Total securities</b>	<b>(1,841)</b>	<b>2,530</b>	<b>689</b>	
Federal funds sold and other	154	2,286	2,440	
<b>Total interest-earning assets</b>	<b>1,231</b>	<b>29,872</b>	<b>31,103</b>	
<b>Interest-bearing liabilities:</b>				
Interest-bearing demand deposits	(217)	9,200	8,983	
Savings and money market	(9)	7,641	7,632	
Demand, savings and money market	(226)	16,841	16,615	
Certificates of deposit	907	9,598	10,505	
<b>Total interest-bearing deposits</b>	<b>681</b>	<b>26,439</b>	<b>27,120</b>	
FHLB term and line of credit advances	384	1,402	1,786	
Subordinated debt	18	524	542	
Federal Reserve Bank borrowings	1,661	2	1,663	
Other borrowings	(16)	324	308	
<b>Total interest-bearing liabilities</b>	<b>2,728</b>	<b>28,691</b>	<b>31,419</b>	
<b>Net Interest Income</b>	<b>\$ (1,497)</b>	<b>\$ 1,181</b>	<b>\$ (316)</b>	

(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.

Interest income on interest-earning assets increased \$31.1 million for the six months ended June 30, 2023, as compared to the six months ended June 30, 2022. Of this increase, \$25.1 million is attributable to increases in loans rate/yield. Yield on loans increased by 154 basis points for the six months ended June 30, 2023, as compared to the six months June 30, 2022. The increase in interest income on loans is primarily due to higher yields on commercial and industrial, commercial real estate, real estate construction, residential real estate and agricultural real estate loans, offset by decreases in volume and yield on agricultural loans.

There was an increase in interest expense on Total interest-bearing deposits of \$31.4 million \$42.1 million was due to a general increase in market interest rates. The increase in the cost of interest-bearing deposits increased from 0.25% 0.36% for the six nine months ended March 21, 2022 September 30, 2022 to 1.94% 2.09% for the six nine months ended June 30, 2023 September

30, 2023, was primarily the result the Federal Reserve raising federal funds target rate in response to inflation concerns, with more interest rate increases expected. inflationary concerns.

When compared to the six nine months ended June 30, 2022 September 30, 2022, net interest margin increased decreased 2 basis points during the six nine months ended June 30, 2023 September 30, 2023. Comparing the same periods, net interest spread decreased by 37 41 basis points to 2.89% from 3.26% 3.30%. The increase decrease in both net interest margin and net interest spread can be attributed to an the increase in the rate/yield earned on interest-earning asset, offset assets being out paced by an increase increases in the cost of interest-bearing liabilities portfolio. While the net interest spread decreased over the comparative period as the re-pricing of our interest-bearing liabilities and the increase in the average balance of interest-bearing liabilities continues to outpaced the re-pricing of our interest-earning asset portfolio coupled with the decrease in the average balance of the interest-earning asset portfolio.

56

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liabilities.

## 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 credit 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 lag factors in identifying a sufficiently predictive adjusted-R square, as well as qualitative factors not inherently reflected in our historical loss or

55

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quantitative economic inputs. Included in our qualitative assessment is the consideration of prospective economic conditions over the next 12 months, considered the Company's reasonable and supportable forecast period. As these factors change, the amount of the credit loss provision changes.

Three months ended June 30, 2023 September 30, 2023, compared with three months ended June 30, 2022 September 30, 2022: During the three months ended June 30, 2023 September 30, 2023, there was a provision for credit losses of \$298 thousand \$1.2 million compared to a reversal of provision for credit losses of \$824 \$136 thousand during the three months ended June 30, 2022 September 30, 2022. The provision for the quarter is the result of slight increases in projected losses over our economic forecast period and extended duration within the portfolio as well as realized charge-offs; however, overall we continue to experience positive credit trends. The Company continues to estimate the allowance for credit losses with assumptions that anticipate slowing prepayment rates and continued market disruption caused by elevated inflation, supply chain issues and the impact of monetary policy on consumers and businesses. Net charge-offs for both the three months ended June 30, 2023 September 30, 2023, and 2022, were \$857 thousand compared to net charge-offs of \$176 thousand for the three months ended June 30, 2022 \$1.6 million. For the three months ended June 30, 2023, gross charge-offs were \$1.1 million, offset by gross recoveries of \$211 thousand. In comparison, gross charge-offs were \$382 thousand for the three months ended June 30, 2022, offset by gross recoveries of \$206 thousand.

*Six months ended June 30, 2023, compared with six months ended June 30, 2022:* During the six months ended June 30, 2023, there was a reversal for credit losses of \$68 thousand compared to a provision of \$412 thousand during the six months ended June 30, 2022. The release of provision for the six months ended June 30, 2023, is the result of continued positive credit trends without realization of meaningful losses. Net charge-offs for the six months ended June 30, 2023, were \$1.2 million compared to net charge-offs of \$539 thousand for the six months ended June 30, 2022. For the six months ended June 30, 2023 *September 30, 2023*, gross charge-offs were \$1.7 million, offset by gross recoveries of \$471 thousand. In comparison, gross charge-offs were \$916 thousand for the *six* three months ended *June 30, 2022* *September 30, 2022*, offset by gross recoveries of \$377 thousand.

*Nine months ended September 30, 2023, compared with nine months ended September 30, 2022:* During the nine months ended September 30, 2023, there was a provision for credit losses of \$1.2 million compared to a provision of \$276 thousand during the nine months ended September 30, 2022. The increase in the provision for the nine months ended September 30, 2023, is the result of an increase in realized charge-offs and extension of duration in the portfolio. Net charge-offs for the nine months ended September 30, 2023, were \$2.8 million compared to net charge-offs of \$2.1 million for the nine months ended September 30, 2022. For the nine months ended September 30, 2023, gross charge-offs were \$3.4 million, offset by gross recoveries of \$536 thousand. In comparison, gross charge-offs were \$2.6 million for the nine months ended September 30, 2022, offset by gross recoveries of \$453 thousand.

### Non-Interest Income

The primary sources of non-interest income are service charges and fees, debit card income, mortgage banking income, and increases in the value of bank-owned life insurance. Non-interest income does not include loan origination or other loan fees, which are recognized as an adjustment to yield using the interest method.

*Three months ended June 30, 2023 September 30, 2023, compared with three months ended June 30, 2022 September 30, 2022:* The following table provides a comparison of the major components of non-interest income for the three months ended *June 30, 2023 September 30, 2023*, and 2022.

**Non-Interest Income**  
**For the Three Months Ended June September 30,**

(Dollars in thousands)	2023 vs. 2022			
	2023	2022	Change	%
Service charges and fees	\$ 2,690	\$ 2,788	\$ (98)	(3.5)%
Debit card income	2,591	2,682	(91)	(3.4)%
Mortgage banking	226	310	(84)	(27.1)%
Increase in value of bank-owned life insurance	794	754	40	5.3%
Other				
Investment referral income	101	137	(36)	(26.3)%
Trust income	291	249	42	16.9%
Insurance sales commissions	264	242	22	9.1%
Recovery on zero-basis purchased loans	2	129	(127)	(98.4)%

Income (loss) from equity method investments	(56)	(56)	—	—%
Other non-interest income	1,833	1,751	82	4.7%
Total other	2,435	2,452	(17)	(0.7)%
Subtotal	8,736	8,986	(250)	(2.8)%
Net gain (loss) on acquisition and branch sales	—	—	—	—%
Net gain (loss) from securities transactions	(1)	(17)	16	(94.1)%
<b>Total non-interest income</b>	<b>\$ 8,735</b>	<b>\$ 8,969</b>	<b>\$ (234)</b>	<b>(2.6)%</b>

57

(Dollars in thousands)	2023 vs. 2022			
	2023	2022	Change	%
Service charges and fees	\$ 2,653	\$ 2,617	\$ 36	1.4%
Debit card income	2,653	2,810	(157)	(5.6)%
Mortgage banking	213	428	(215)	(50.2)%
Increase in value of bank-owned life insurance	757	736	21	2.9%
Other				
Investment referral income	118	140	(22)	(15.7)%
Trust income	268	264	4	1.5%
Insurance sales commissions	28	48	(20)	(41.7)%
Recovery on zero-basis purchased loans	507	13	494	3800.0%
Income (loss) from equity method investments	(56)	(56)	—	—%
Other non-interest income	1,131	2,129	(998)	(46.9)%
Total other	1,996	2,538	(542)	(21.4)%
Subtotal	8,272	9,129	(857)	(9.4)%
Net gain (loss) on acquisition and branch sales	—	540	(540)	(100.0)%
Net gain (loss) from securities transactions	(1,322)	(32)	(1,290)	4031.3%
<b>Total non-interest income</b>	<b>\$ 6,950</b>	<b>\$ 9,637</b>	<b>\$ (2,687)</b>	<b>(27.9)%</b>

*Three months ended June 30, 2023, compared with three months ended June 30, 2022: Total non-interest income decreased \$2.7 million \$234 thousand during the three months ended June 30, 2023 September 30, 2023, as compared to the same period in 2022. The decrease is largely attributable to decreases in recovery on zero-basis purchased loans of \$127 thousand, service charges and fees of \$98 thousand, debit card income of \$91 thousand and mortgage banking income of \$84 thousand. The decrease in mortgage banking income is due to decreased activity in held for sale mortgage portfolio primarily due to increases in*

56

mortgage interest rates. The increase in other non-interest income was primarily due to increases in loan repurchase obligation reversal which was partially offset by decreased gains from economic derivatives.

*Nine months ended September 30, 2023, compared with nine months ended September 30, 2022:* The following table provides a comparison of the major components of non-interest income for the nine months ended September 30, 2023, and 2022.

**Non-Interest Income**  
**For the Nine Months Ended September 30,**

(Dollars in thousands)	2023		2022		Change		2023 vs. 2022	
	2023	2022	\$	\$	\$	%	%	%
Service charges and fees	\$ 7,888	\$ 7,927	\$	\$	(39)	(0.5)%		
Debit card income	7,798	8,120			(322)	(4.0)%		
Mortgage banking	527	1,300			(773)	(59.5)%		
Increase in value of bank-owned life insurance	3,134	2,355			779	33.1%		
Other								
Investment referral income	307	420			(113)	(26.9)%		
Trust income	799	806			(7)	(0.9)%		
Insurance sales commissions	405	354			51	14.4%		
Recovery on zero-basis purchased loans	515	163			352	216.0%		
Income from equity method investments	(167)	(167)			—	—%		
Other non-interest income	4,370	5,819			(1,449)	(24.9)%		
Total other	6,229	7,395			(1,166)	(15.8)%		
Subtotal	25,576	27,097			(1,521)	(5.6)%		
Net gain (loss) on acquisition and branch sales	—	540			(540)	(100.0)%		
Net gain (loss) from securities transactions	(1,291)	(9)			(1,282)	14244.4%		
Total non-interest income	<b>\$ 24,285</b>	<b>\$ 27,628</b>	<b>\$</b>	<b>\$</b>	<b>(3,343)</b>	<b>(12.1)%</b>		

Total non-interest income decreased \$3.3 million during the nine months ended September 30, 2023, as compared to the same period in 2022. The decrease is largely attributable to \$1.3 million net loss on the sale of available-for-sale securities, a \$1.2 million decrease in other income and a \$540 thousand gain on branch sale in 2022. The investment securities sold were lower yielding AFS securities and a \$998 decrease in the proceeds from the sale were reinvested in other non-interest income, higher yielding interest-earning assets and to paydown higher cost interest-bearing liabilities to enhance future earnings. The decrease in other non-interest income was primarily due to calculated earn-back is expected to decreases in loan repurchase obligation reversal and net economic derivative loss, be less than 12 months. The decrease in mortgage banking income is due to decreased activity in held for sale mortgage portfolio primarily due to increases in mortgage interest rates.

*Six months ended June 30, 2023, compared with six months ended June 30, 2022:* The following table provides a comparison of the major components of non-interest income for the six months ended June 30, 2023, and 2022.

**Non-Interest Income**

**For the Six Months Ended June 30,**

(Dollars in thousands)	2023		2022		2023 vs. 2022	
	2023	2022	Change	%	2023	2022
Service charges and fees	\$ 5,198	\$ 5,139	\$ 59	1.1%		
Debit card income	5,207	5,438	(231)	(4.2)%		
Mortgage banking	301	990	(689)	(69.6)%		
Increase in value of bank-owned life insurance	2,340	1,601	739	46.2%		
Other						
Investment referral income	207	283	(76)	(26.9)%		
Trust income	508	557	(49)	(8.8)%		
Insurance sales commissions	141	113	28	24.8%		
Recovery on zero-basis purchased loans	513	33	480	1454.5%		
Income from equity method investments	(111)	(111)	—	—%		
Other non-interest income	2,536	4,068	(1,532)	(37.7)%		
Total other	3,794	4,943	(1,149)	(23.2)%		
Subtotal	16,840	18,111	(1,271)	(7.0)%		
Net gain (loss) on acquisition and branch sales	—	540	(540)	(100.0)%		
Net gain (loss) from securities transactions	(1,290)	8	(1,298)	(16225.0)%		
Total non-interest income	<u><u>\$ 15,550</u></u>	<u><u>\$ 18,659</u></u>	<u><u>\$ (3,109)</u></u>	<u><u>(16.7)%</u></u>		

*Six months ended June 30, 2023, compared with six months ended June 30, 2022: Total non-interest income decreased \$3.1 million during the six months ended June 30, 2023, as compared to the same period in 2022. The decrease is largely attributable to \$1.3 million net loss on the sale of AFS securities and a \$1.5 million decrease in other income. The decrease in mortgage banking*

58

income is due to decreased activity in held for sale mortgage portfolio. The decrease in other non-interest income was primarily due to decreases in loan repurchase obligation reversal and net reduced gains on economic derivative loss. derivatives.

57

### Non-Interest Expense

*Three months ended June 30, 2023 September 30, 2023, compared with three months ended June 30, 2022 September 30, 2022: For the three months ended June 30, 2023 September 30, 2023, non-interest expense totaled \$33.1 million \$34.2 million, an increase of \$1.7 million \$2.0 million, when compared to the three months ended June 30, 2022 September 30, 2022. Changes in the various components of non-interest expense for the three months ended June 30, 2023 September 30, 2023, and 2022, are discussed in more detail in the following table.*

**Non-Interest Expense**  
**For the Three Months Ended June September 30,**

2023 vs. 2022	2023 vs. 2022
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(Dollars in thousands)	2023	2022	Change	%	2023	2022	Change	%
Salaries and employee benefits	15,2	15,3	(14)	(0.9)%	15,8	15,4	\$ 415	2.7%
\$ 37	\$ 83	\$ 6			\$ 57	\$ 42		
Net occupancy and equipment	2,94	3,00			3,26	3,12		
0	7	(67)	(2.2)%		2	7	135	4.3%
Data processing	4,49	3,64			4,55	4,13		
3	2	851	23.4%		3	8	415	10.0%
Professional fees	1,64	1,11			1,31	1,26		
5	1	534	48.1%		2	5	47	3.7%
Advertising and business development	1,24				1,41	1,19		
9	972	277	28.5%		9	1	228	19.1%
Telecommunications	516	442	74	16.7%	502	487	15	3.1%
FDIC insurance	515	260	255	98.1%	660	340	320	94.1%
Courier and postage	463	489	(26)	(5.3)%	548	436	112	25.7%
Free nationwide ATM cost	524	541	(17)	(3.1)%	516	551	(35)	(6.4)%
Amortization of core deposit intangible	1,11	(19)	(17)				(15)	(16.5)%
918	1	3)	4)%		799	957	8)	5)%
Loan expense			(34.3)%					(24.1)%
136	207	(71)			132	174	(42)	
Other real estate owned			407.					(31.9)%
71	14	57	1%		128	188	(60)	
Other	4,42	4,16			4,55	3,82		
3	9	254	6.1%		6	5	731	19.1%
Subtotal	33,1	31,3	1,7		34,2	32,1	2,1	
	30	48	82	5.7%	44	21	23	6.6%
Merger expenses			(100)				(11)	(100)
—	88	(88)	(.0)%		—	115	5)	.0)%
Total non-interest expense	33,1	31,4	1,6		34,2	32,2	2,0	
\$ 30	\$ 36	\$ 94	5.4%		\$ 44	\$ 36	\$ 08	6.2%

**Salaries and employee benefits:** There was a minimal decrease in salaries and employee benefits of \$415 thousand for the period ended **June 30, 2023** **September 30, 2023**, as compared to the same period in 2022. The decrease is primarily due to increases in employee salaries and employee insurance cost, off-set by decreases in share-based compensation expense and employee insurance costs. The decrease in share-based compensation is due to the reversal of share-based compensation expense associated with the departure of senior management team members.

**Data processing:** There was an increase in data processing costs of \$851 \$415 thousand for the period ended **June 30, 2023** **September 30, 2023**, as compared to the same period in 2022. The increase was primarily due to increases in inflationary

effects on data processing fees of \$433 thousand, credit card processing fees of \$180 thousand, and software license expenses of \$117 thousand.

**Professional fees:** Costs of professional fees increased \$534 thousand for the period ended June 30, 2023, as compared to the same period in 2022. The increase was primarily due to increases in attorney fees of \$480 thousand and consulting fees of \$229 thousand.

**Advertising and business development:** There was an increase in advertising and business development costs of \$277 thousand for the period ended June 30, 2023, as compared to the same period in 2022. The increase was primarily due to increases in media advertising of \$143 thousand and advertising of \$78 thousand. vendor contracts.

**FDIC insurance:** FDIC insurance costs increased \$255 thousand for the period ended June 30, 2023 September 30, 2023, as compared to the same period in 2022. The increase was primarily due to an increase in FDIC assessment rates.

**Advertising and business development:** There was an increase in advertising and business development costs of \$228 thousand for the period ended September 30, 2023, as compared to the same period in 2022. The increase was primarily driven by additional expense to attract new deposit customers.

**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, losses from limited partnerships entered into for tax credits and provision for unfunded commitments. The increase in the other expense category which includes amortization a loss of solar tax credits \$335 thousand on the disposal of other assets, an increase of \$266 thousand of recruiting expenses, and an increase in the amount travel related expenses of \$1.0 million, was a net \$254 thousand increase, or 6.1%, between the quarters ending June 30, 2023, and 2022. \$130 thousand.

5958

**Six Nine months ended June 30, 2023 September 30, 2023, compared with six nine months ended June 30, 2022 September 30, 2022:** For the six nine months ended June 30, 2023 September 30, 2023, non-interest expense totaled \$66.4 million \$100.6 million, an increase of \$5.5 million \$7.5 million, when compared to the six nine months ended June 30, 2022 September 30, 2022. Changes in the various components of non-interest expense for the six nine months ended June 30, 2023 September 30, 2023, and 2022, are discussed in more detail in the following table.

**Non-Interest Expense**  
**For the Six Nine Months Ended June September 30,**

(Dollars in thousands)	2023 vs. 2022				2023 vs. 2022			
	2023	2022	Change	%	2023	2022	Change	%

Salaries and employee benefits	31,9	30,4	1,4		47,7	45,8	1,8	
	\$ 29	\$ 51	\$ 78	4.9 %	\$ 86	\$ 93	\$ 93	4.1 %
Net occupancy and equipment	5,81	6,17	(35		9,08	9,30	(22	
	9	7	8)	(5.8) %	1	4	3)	(2.4) %
Data processing	8,40	7,41			12,9	11,5	1,4	
	9	1	998	13.5 %	62	49	13	12.2 %
Professional fees	3,02	2,28			4,34	3,54		
	9	2	747	32.7 %	1	7	794	22.4 %
Advertising and business development	2,40	1,94			3,82	3,13		
	8	8	460	23.6 %	7	9	688	21.9 %
Telecommunications	1,00				1,50	1,39		
	1	912	89	9.8 %	3	9	104	7.4 %
FDIC insurance					1,53			
	875	440	435	98.9 %	5	780	755	96.8 %
Courier and postage					1,46	1,34		
	921	912	9	1.0 %	9	8	121	9.0 %
Free nationwide ATM cost	1,04	1,04			1,56	1,59		
	9	2	7	0.7 %	5	3	(28)	(1.8) %
Amortization of core deposit intangibles	1,83	2,16	(32	(15.	2,63	3,11	(48	(15.
	6	1	5)	0) %	5	8	3)	5) %
Loan expense			(13	(35.			(18	(32.
	253	392	9)	5) %	385	566	1)	0) %
Other real estate owned				136				
	190	13	177	1.5 %	318	201	117	58.2 %
Other	8,64	6,34	2,2		13,1	10,1	3,0	
	0	3	97	36.2 %	96	68	28	29.8 %
Sub-Total	66,3	60,4	5,8		100,	92,6	7,9	
	59	84	75	9.7 %	603	05	98	8.6 %
Loss on debt extinguishment	—	-	—	— %				
Merger expenses			(41	(100			(52	(100
	—	411	1)	.0) %	—	526	6)	.0) %
Total non-interest expense	66,3	60,8	5,4		100,	93,1	7,4	
	\$ 59	\$ 95	\$ 64	9.0 %	\$ 603	\$ 31	\$ 72	8.0 %

**Salaries and employee benefits:** There was a **\$1.5 million** **\$1.9 million** increase in salaries and employee benefits for the **six** **nine** month period ended **June 30, 2023** **September 30, 2023**, as compared to the same period in 2022. Salaries and employee benefits increased **\$1.4 million** **\$2.1 million** from **June 30, 2022** **September 30, 2022** and share-based compensation expense

decreased by \$131 \$505 thousand for the same period. The decrease in share-based compensation is due to the reversal of share-based compensation expense associated with the departure of senior management team members.

*Data processing:* There was an increase in data processing costs of \$998 thousand \$1.4 million for the six nine month period ended June 30, 2023 September 30, 2023, as compared to the same period in 2022. The increase was primarily due to increases in data processing fees of \$503 \$794 thousand, software license expenses of \$259 thousand, credit card processing fees of \$197 \$205 thousand, and debit card expenses of \$172 thousand, and software license expenses of \$108 \$200 thousand.

*Professional fees:* Costs of professional fees increased \$747 \$794 thousand for the six nine month period ended June 30, 2023 September 30, 2023, as compared to the same period in 2022. The increase was primarily due to increases in consulting fees of \$636 thousand and attorney fees of \$554 thousand and consulting fees of \$303 thousand.

*Advertising and business development:* There was an increase in advertising and business development costs of \$460 thousand for the six month period ended June 30, 2023, as compared to the same period in 2022. The increase was primarily due to increases in media advertising of \$268 thousand and advertising of \$164 \$168 thousand.

*FDIC insurance:* FDIC insurance costs increased \$435 \$755 thousand for the six nine month period ended June 30, 2023 September 30, 2023, as compared to the same period in 2022. The increase was primarily due to an increase in FDIC assessment rates.

*Advertising and business development:* There was an increase in advertising and business development costs of \$688 thousand for the nine month period ended September 30, 2023, as compared to the same period in 2022. The increase was primarily driven by additional expense to attract new deposit customers.

*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, losses from limited partnerships entered into for tax credits and provision for unfunded commitments. In the other expense category, there was a net \$2.3 million \$3.0 million increase, or 36.2% 29.8%, between the six nine months ending June 30, 2023 September 30, 2023, and 2022. The increase was primarily due to additional amortization of solar tax credits of \$1.1 million and \$749 \$1.0 million, \$825 thousand increase in the estimated credit loss on unfunded commitments.

60

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commitments and an increase in travel related expenses \$704 thousand.

## Efficiency Ratio

The efficiency ratio is a supplemental financial measure utilized in the internal evaluation of performance and is not defined under GAAP. For a reconciliation of non-GAAP financial measures see "Non-GAAP Financial Measures" in this Item 2. Our efficiency ratio is computed by dividing non-interest expense, excluding merger expenses, by the sum of net interest income and

59

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non-interest income, excluding net gain or loss from securities transactions. 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 efficiency ratio was 69.5% 68.8% for the three months ended June 30, 2023 September 30, 2023, compared with 64.4% 63.1% for the three months ended June 30, 2022 September 30, 2022. The increase was primarily due to an increase in non-interest expense as well as a decrease in net interest income primarily due to the volume of interest-bearing liabilities and the increase in the cost of interest-bearing liabilities outpacing the increase in yield of interest-bearing assets. The quarterly efficiency ratio is continuing to show improvement from the high at December 31, 2022, income.

The efficiency ratio was 69.6% 69.3% for the six nine months ended June 30, 2023 September 30, 2023, compared with 62.4% 62.6% for the six nine months ended June 30, 2022 September 30, 2022. The increase was primarily due to an increase in non-interest expense as well as a decrease in net interest income primarily due to the volume of interest-bearing liabilities and the increase in the cost of interest-bearing liabilities outpacing the increase in yield of interest-bearing assets. The annualized efficiency ratio is showing improvement, but until the fixed rate portion of the interest-bearing assets portfolio reprices upward either from maturity or liquidation, the efficiency ratio will continue to higher than 5 year historical average. income.

## Income Taxes

In general, the Company records income tax expense each quarter based on its estimate as to the full year's effective tax rate which includes, in addition to statutory rates, estimated amounts for tax-exempt interest income, non-taxable life insurance income, non-deductible executive compensation, valuation allowance on deferred assets, other non-deductible expense, and federal and state income tax credits anticipated to be available in proportion to anticipated annual income before income taxes. Certain items, however, are given discrete period treatment and the tax effects for such items are therefore reported in the quarter that an event arises. Events or items that may give rise to discrete recognition include excess tax benefits or shortfalls with respect to share-based compensation, changes in tax law, and non-deductible merger expense.

Three months ended June 30, 2023 September 30, 2023, compared with three months ended June 30, 2022 September 30, 2022: The effective income tax rate for the three month period ended June 30, 2023 September 30, 2023, was 11.5% 13.5% as compared to 9.9% 19.4% for the three month period ended June 30, 2022 September 30, 2022. Income tax expense for the three month period ended June 30, 2023 September 30, 2023, includes \$5 \$4 thousand of tax benefit attributable to the settlement in stock of restricted stock units and the exercise of options and \$775 \$476 thousand of benefit related to the recognition of federal tax credits net of related proportional amortization adjustments consistent with ASU 2023-02.

Six Nine months ended June 30, 2023 September 30, 2023, compared with six nine months ended June 30, 2022 September 30, 2022: The effective income tax rate for the six nine month period ended June 30, 2023 September 30, 2023, was 14.5% 14.1% as compared to 14.6% 16.2% for the six nine month period ended June 30, 2022 September 30, 2022. Income tax expense for the six nine month period ended June 30, 2023 September 30, 2023, includes \$75 \$79 thousand of tax benefit attributable to the settlement in stock of restricted stock units and the exercise of options and \$1.5 million \$1.9 million of benefit related to the recognition of federal tax credits net of related proportional amortization adjustments consistent with ASU 2023-02.

## Financial Condition

Total assets increased \$113.2 million decreased \$36.4 million from December 31, 2022, to \$5.09 billion \$4.95 billion at June 30, 2023 September 30, 2023. This variance was primarily due to increases a decrease of \$173.7 million available-for-sale securities of \$127.4 and loans held for investment of \$29.4 million, partially offset by an increase in cash and cash equivalents offset by the decrease in available-for-sale securities of \$89.6 million \$94.6 million. Total liabilities increased \$104.9 million decreased \$44.5 million to \$4.68 billion \$4.53 billion at June 30, 2023 September 30, 2023. The change in total liabilities is mostly due to a decrease in total deposits of \$159.6 million, partially offset by an increase in Federal Reserve Bank borrowings of \$140.0 million, partially offset by a decrease of \$38.9 million in Federal Home Loan Bank advances. Total stockholders' equity increased \$8.4 million \$8.0 million from \$410.1 million at December 31, 2022, to \$418.4 million \$418.1 million at June 30, 2023 September 30, 2023, principally due to net income for the six nine months ended June 30, 2023 September 30, 2023, offset by the increase in treasury stock and from the decrease in unrealized holding losses on available for sale securities, net of tax, in the investment securities portfolio tax.

6160

## Loan Portfolio

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

Composition of Loan Portfolio

	June 30,						December 31,						September 30,						December 31,					
	2023		2022		Chang		2023		2022		Chang		2023		2022		Chang		2023		2022		Chang	
	Amoun	Perc	Amoun	Perc	t	e	Amoun	Perc	Amoun	Perc	t	e	Amoun	Perc	Amoun	Perc	t	%	Amoun	Perc	t	%		
	(Dollars in thousands)																							
Commercial and industrial	583		594		(1		585		594		1		(9,											
	,66	17	,86	18	1,1	(1	,12	17	,86	8.	73	(1												
	\$ 4	.6 %	\$ 3	.0 %	\$ 99)	.9)%	\$ 9	.8 %	\$ 3	0 %	\$ 4)	.6)%												
Real estate loans:																								
Commercial real estate	1,7		1,7		43,		1,7		1,7		5													
	64,	53	21,	52	19	2.	21,	52	21,	2.	49	0.												
	460	.1 %	268	.0 %	2	5 %	761	.5 %	268	0 %	3	0 %												
Residential real estate	560		570		(1		558		570		1		(1											
	,38	16	,55	17	0,1	(1	,18	17	,55	7.	36	(2												
	9	.9 %	0	.2 %	61)	.8)%	8	.0 %	0	2 %	2)	.2)%												
Agricultural real estate	202		199				205		199		6,													
	,31	6.	,18	6.	3,1	1.	,86	6.	,18	6.	67	3.												
	7	1 %	9	0 %	28	6 %	5	3 %	9	0 %	6	4 %												

Total real estate loans	2,5 27, 166	2,4 76 .1 %	36, 91, 007	15 .2 %	1. 9	2,4 85, 814	2,4 75 .8 %	7 91, 007	(5, 5. 2 %	(0 19 3) .2)%
Agricultural	104		120		(1	(1	103	120	6,	(1
	,51	3.	,00	3.	5,4	2.	,35	3.	,00	3.
	0	1 %	3	6 %	93)	9)%	2	1 %	3	6 %
	107		105				107	105	2,	
Consumer	,33	3.	,67	3.	1,6	1.	,82	3.	,67	3.
	0	2 %	5	2 %	55	6 %	3	3 %	5	2 %
	—	—	—	—	—	—	—	—	—	—
Total loans held for investment	3,3 22, \$ 670	10 0. 0 %	3,3 11, \$ 548	10 0. 0 %	11, 12 \$ 2	0. 0. 3 %	3,2 82, \$ 118	10 0. 0 %	3,3 11, \$ 548	0 0. 0 %
Total loans held for sale	2,4 \$ 56	0. 0 %	0. \$ 349	0. 0 %	2,1 \$ 07	3. 7 %	—	10 0. 0 %	0. 0. 0 %	7 27 \$ 8
Total loans held for investment (net of allowances)	3,2 37, \$ 126	10 0. 0 %	3,2 65, \$ 701	10 0. 0 %	12, 42 \$ 5	0. 0. 4 %	3,2 37, \$ 932	10 0. 0 %	3,2 65, \$ 701	0 0. 0 %
										.9)%

Our commercial loan portfolio consists of various types of loans, most of which are generally made to borrowers located in the Wichita, Kansas City, and Tulsa Metropolitan Statistical Areas ("MSAs"), as well as various community markets throughout Arkansas, Kansas, Missouri, and Oklahoma. Most 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 economies in which they operate.

At June 30, 2023 September 30, 2023, gross total loans, including loans held for sale, were 78.6% 80.4% of deposits and 65.3% 66.4% of total assets. At December 31, 2022, gross total loans, including loans held for sale, were 78.1% of deposits and 66.5% of total assets.

We provide commercial lines of credit, working capital loans, commercial real estate loans (including loans secured by owner-occupied commercial properties), term loans, equipment financing, aircraft financing, real property acquisition and development loans, borrowing base loans, real estate construction loans, homebuilder loans, SBA loans, agricultural and agricultural real estate loans, letters of credit and other loan products to national and regional companies, real estate developers, mortgage lenders, manufacturing and industrial companies and other businesses. The types of loans we make to consumers include residential real estate loans, home equity loans, home equity lines of credit, installment loans, unsecured and secured personal lines of credit, overdraft protection, and letters of credit.

*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.

*Residential real estate:* Residential real estate loans include loans secured by primary or secondary personal residences. 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.

62 61

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 **June 30, 2023** **September 30, 2023**, are summarized in the following table.

**Loan Maturity and Sensitivity to Changes in Interest Rates**

	As of June 30, 2023						As of September 30, 2023					
	After		After five		After		After		After		After	
	one	year	through	years	fifteen	fifteen	one	through	years	fifteen	fifteen	
	or less	years	years	years	years	years	or less	years	years	years	years	Total
	(Dollars in thousands)						(Dollars in thousands)					
Commercial and industrial	18						16					
	4,	31					3,		34			58
	26	9,0	76,94	3,3	3,6		00		3,9	74,82	3,3	5,1
	\$ 4	\$ 89	\$ 0	\$ 71	\$ 64		\$ 1	\$ 80	\$ 5	\$ 23	\$ 29	
Real Estate:												
Commercial real estate	30	1,1				1,7	32		1,0			1,7
	4,	05,				64,	0,	72,				21,
	33	34	283,9	70,	46		47	84	250,2	78,	76	
	7	4	60	819	0		8	1	42	200	1	
Residential real estate						430	56	1,	10,		420	55
	85	9,9	119,1	,42	0,3		25	00	126,6	,26	8,1	
	5	90	23	1	89		6	8	56	8	88	

Agricultural real estate	50,01	11,38	29,14,4	7,6,34	20,17	78,54	89,2	27,96,7	9,9,32	20,5,8,65
Total real estate	35,49,3	1,2,57,2	29,14,432,2	7,6,87	2,5,16	40,38	1,1,16	27,96,404,8	9,9,40	2,4,85,81
Agricultural	70,1,33	26,80,3	4,1,3,383	10,4,91	10,10	70,62	25,9	72,3,088	4,1,63	10,3,3,52
Consumer	32,0,08	49,93,0	23,17,0	10,2,22	10,30	32,91	51,9	21,89,0	2,0,13	10,7,8,23
Total	64,1,89	1,6,39	518,535,7	3,3,65	66,67	1,5,14	1,5,40	504,6	3,2,517	3,2,82,11
Loans with a predetermined fixed interest rate	23,2,55	1,1,1,1	141,7	1,4,35,26	24,9,72	1,5,72	1,5,40	504,6	1,3,293,135,5	1,3,99,22
Loans with an adjustable/floating interest rate	40,9,34	40,86,5,2	1,8,218,393,9	1,8,87,40	41,6,42	1,5,2,7	1,5,369,0	504,6	1,8,224,135,5	1,8,82,89
Total	64,1,89	1,6,39	518,535,7	3,3,65	66,67	1,5,14	1,5,40	504,6	3,2,517	3,2,82,11
	\$ 8	\$ 4	\$ 20	\$ 8	\$ 0	\$ 2	\$ 9	\$ 68	\$ 9	\$ 8

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, 2022, are summarized in the following table.

#### Loan Maturity and Sensitivity to Changes in Interest Rates

As of December 31, 2022

	As of December 31, 2022			
	After one year		After five	
	One year or less	through five years	years through fifteen years	After fifteen years
(Dollars in thousands)				
				Total

Commercial and industrial	\$ 194,487	\$ 310,839	\$ 84,930	\$ 4,607	\$ 594,863
Real Estate:					
Commercial real estate	331,226	1,042,683	279,759	67,600	1,721,268
Residential real estate	1,293	9,647	122,509	437,101	570,550
Agricultural real estate	47,696	112,387	31,295	7,811	199,189
Total real estate	380,215	1,164,717	433,563	512,512	2,491,007
Agricultural	79,055	32,688	3,714	4,546	120,003
Consumer	35,026	45,258	23,091	2,300	105,675
Total	\$ 688,783	\$ 1,553,502	\$ 545,298	\$ 523,965	\$ 3,311,548
Loans with a predetermined fixed interest rate	\$ 218,417	\$ 771,980	\$ 181,239	\$ 306,537	\$ 1,478,173
Loans with an adjustable/floating interest rate	470,366	781,522	364,059	217,428	1,833,375
Total	\$ 688,783	\$ 1,553,502	\$ 545,298	\$ 523,965	\$ 3,311,548
	<b>6362</b>				

## Credit Quality Indicators

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, current economic trends, and 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.

For additional information, see "NOTE 3 – LOANS AND ALLOWANCE FOR CREDIT LOSSES" in the Condensed Notes to Interim Consolidated Financial Statements.

## Nonperforming Assets

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

	Nonperforming Assets							
	June 30,		December 31,		September 30,		December 31,	
	2023	2022	2023	2022	2023	2022	2023	2022
(Dollars in thousands)								
Nonaccrual loans		14,97						
	\$ 0	\$ 17,601			\$ 19,435	\$ 17,601		
Accruing loans 90 or more days past due	—	—			834	—		
OREO acquired through foreclosure, net	671	600			214	600		
Other repossessed assets	67	47			64	47		
Total nonperforming assets	15,70							
	\$ 8	\$ 18,248			\$ 20,547	\$ 18,248		
Ratios:								

Nonperforming assets to total assets	0.31 %	0.37 %	0.42 %	0.37 %
Nonperforming assets to total loans plus OREO and repossessed assets	0.47 %	0.55 %	0.63 %	0.55 %

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 earned in the current year is reversed against income and unpaid interest earned in prior years is charged off. 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.

The nonperforming loans at **June 30, 2023** **September 30, 2023**, consisted of **174** **219** separate credits and **151** **188** separate borrowers. We had 4 non-performing loan relationships, totaling **\$5.2 million** **\$7.5 million**, with an outstanding balance in excess of **\$1.0 million** as of **June 30, 2023** **September 30, 2023**.

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. In accordance with applicable regulation, appraisals or evaluations are required to independently value real estate and are 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. 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.

### Potential Problem Loans

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 **June 30, 2023** **September 30, 2023**, the Company had **\$28.8 million** **\$14.5 million** in potential problem loans which were not included in either non-accrual or 90 days past due categories, compared to \$37.6 million at December 31, 2022.

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.

**64** **63**

### 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. Some of the risk elements include the following items.

- 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 to 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 the real estate, and appraisals are obtained to support the loan amount. 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 is 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. We evaluate the borrower's repayment ability through a review of credit reports and debt to income ratios. 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. We evaluate the borrower's ability to repay based on cash flows from farming operations.
- Agricultural loans are primarily operating lines subject to annual farming revenues including productivity/yield of the agricultural commodities produced and market pricing at the time of sale.
- Consumer loans are dependent on the local economy. Consumer loans are generally secured by consumer assets but may be unsecured. We evaluate the borrower's repayment ability through a review of credit scores and an evaluation of debt to income ratios.

65 64

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

A ll o w a n c e f o r C r e d it L o s s e s	<b>Allowance for Credit Losses</b>	<b>Allowance for Credit Losses</b>
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F o r t h e Q u a r t e r s E n d e d ,	For the Quarters Ended,	For the Quarters Ended,
	( D o ll a r s i n t h o u s a n d )	( D o ll a r s i n t h o u s a n d )
	( D o ll a r s i n t h o u s a n d )	( D o ll a r s i n t h o u s a n d )



A ll ow a n c e f o r c r e d it I o s s e s												1			
(	1	1				1	4	1	8				1	4	
A	6,	5,	8,		1,	,	4,	3,	,	7,	1,	1,	,	4,	
C	6	1	8	5	2	9	5	6	9	3	2	3	6	1	
L	5	9	5	8	8	7	4	9	6	3	0	2	7	8	
)	\$ 2	\$ 4	\$ 5	\$ 3	\$ 9	\$ 1	\$ 4	\$ 6	\$ 0	\$ 6	\$ 0	\$ 4	\$ 0	\$ 6	

Total assets											
1,766	552	502	201	100	3,724	1,221	525	215	107	028	3,218
666	860	600	007	022	2,442	2,121	555	500	000	707	888
4,464	3,022	0,244	,402	,000	2,621	1,121	,855	,500	,300	,000	2,811
466	633	333	553	333	6,621	7,121	111	100	800	300	811
666	681	811	111	100	3,724	6,621	222	800	600	500	200
000	497	700	000	000	0,000	1,921	999	800	500	200	308





Average annual balance													
c	1,				1	3,	1,	5		1	3,		
e	7	5	5	2	1	0	3	7	7	2	0	2	
Q	6	9	6	0	0	6	3	3	3	0	9	7	8
T	8,	0,	5,	2,	1,	,	5,	3,	,	3,	9,	,	0,
D	7	6	5	5	3	8	7	7	0	0	3	7	4
(1	5	3	0	8	3	9	0	1	3	8	9	7	1
)	1	4	0	4	3	8	0	7	9	1	9	3	7
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d							1			1				1
i	5	1	1		3	0	5	7	1			3	0	
n	3.	7.	6.	6.	3.	.	0.	2.	.	7.	6.	3.	.	0.
g	1%	6%	9%	1%	1%	2%	0%	5%	8%	0%	3%	1%	3%	0%

A															
C															
L															
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n	0.	2.	1.	0.	1.	.	1.	1	0.	.	1.	0.	1.	.	1.
s	9%	6%	6%	3%	2%	8%	3%		8%	2%	3%	6%	3%	5%	3%

N														
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Q							0							0
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D							—%	.1)%	—%	.1)%	2)%	—%	2)%	—%
							—%	—%	—%	—%	—%	—%	2)%	—%

Net cash available for settling obligations	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)
YTD	(0.2)%	(0.2)%	(0.2)%	(0.2)%	(0.3)%	(0.3)%	(0.4)%	(0.4)%	(0.4)%	(0.4)%	(0.5)%	(0.1)%

N o n - a c c r u a l l o a n s t o t a l l o a							1							0							
0							1							0							
n	0.	0.	0.	0.	2.	.	0.	0.	.	0.	2.	2.	2.	.	0.	0.	2.	1%	5%	6%	6%
s	2%	8%	5%	9%	4%	3%	5%	2%	0%	6%	1%	5%	6%	0.	0.	2.	2.	2.	0.	0.	





Total assets							Total liabilities						
1,						3,	1,	6				1	3,
6	5	5	1	1	9	2	6	0	5	2	1	0	2
4	7	7	9	2	9	2	5	7	7	0	1	2	5
3,	8,	8,	7,	4,	,	3,	5,	,	3,	0,	5,	,	5,
0	8	9	9	7	8	4	6	7	4	4	0	7	0
6	9	3	3	5	5	4	4	2	3	1	4	6	2
8	9	6	8	3	2	6	6	2	1	5	8	0	2





Average annual balance										Average annual balance			
c	1,					3,		1,	5			1	3,
e	5	5	5	2	1	9	2	6	7	5	2	1	0
Q	9	8	9	0	3	9	1	6	5	8	0	1	1
T	4,	8,	5,	2,	4,	,	4,	7,	,	1,	0,	3,	,
D	5	1	5	0	8	6	7	8	1	3	5	3	2
(1)	0	2	7	3	2	8	4	2	4	8	3	5	0
)	2	6	5	8	6	0	7	3	9	9	4	1	5

A															
v															
e															
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g															
e															
l															
o															
a															
n															
b															
a															
l															
a															
n															
c	1,					1	3,		1,	5			1	3,	
e	5	5	6	2	1	0	2		5	7	6	2	1	0	2
Y	6	8	1	0	4	1	0		9	9	0	0	3	1	1
T	3,	1,	2,	2,	2,	,	4,		8,	,	2,	1,	2,	,	6,
D	7	8	8	0	2	4	2		8	6	2	5	4	3	0
(1	5	8	8	9	1	0	3		2	1	7	6	8	4	9
)	4	0	6	1	0	9	0		5	0	1	6	5	0	7

N o n - a c c r u a l l o a n b a l a n c e	1	7	2
5, 1 0 4	3, 3 5 1	2, 9 0 3	3, 4 7 8
3, 7 5 8	7, 2 6 7	8, 8 6 0	3, 2 6 9
3, 2 6 8	3, 4 7 1	3, 2 6 9	3, 4 7 1
3, 4 2 9	3, 4 7 1	3, 2 6 8	3, 4 7 9

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n															
d								1							1
i	5	1	1			3	0		5	8	1			3	0
n	1.	8.	8.	6.	3.	.	0.		0.	.	7.	6.	3.	.	0.
g	0 %	0 %	0 %	1 %	9 %	1 %	0 %		9 %	7 %	6 %	2 %	5 %	2 %	0 %

A															
C															
L															
t															
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t															
a															
l															
l															
a															
n	1.	2.	1.	0.	1.	.	1.	2	1.	.	1.	0.	1.	.	2
s	4%	3%	2%	5%	8%	3%	5%		2%	2%	3%	5%	8%	3%	4%

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Q							0							0
T							.							.
D	—%	—%	—%	—%	—%	—%	2)%	—%	—%	1)%	—%	—%	—%	2)%





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o	4	3	2		4	2	3	7	2		7	2	
a	4	9	3	2	6	2	5	8	8	2	3	5	0
n	4.	4.	4.	9.	0.	.	5.	1.	.	2.	2.	9.	.
s	1%	2%	9%	0%	9%	7%	8%	0%	0%	1%	1%	4%	4%

(1) Excluding loans held for sale.

66 65

Management believes that the allowance for credit losses at **June 30, 2023** **September 30, 2023**, was adequate to cover current expected credit losses in the loan portfolio as of such date. There can be no assurance, however, that we will not sustain losses in future periods, which could be substantial in relation to the size of the allowance at **June 30, 2023** **September 30, 2023**.

The allowance for credit losses on loans measured on a collective basis totaled **\$41.1 million** **\$39.8 million**, or 1.2% of the **\$3.31 billion** **\$3.26 billion** in loans measured on a collective basis at **June 30, 2023** **September 30, 2023**, compared to an allowance for credit losses of \$40.9 million, or 1.2%, of the \$3.29 billion in loans measured on a collective basis at December 31, 2022. The total reserve percentage to total loans was 1.3% at **June 30, 2023** **September 30, 2023**, and 1.4% at December 31, 2022.

## 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 **June 30, 2023** **September 30, 2023**, securities represented **21.5%** **21.4%** of total assets, slightly decreasing from 23.8% at December 31, 2022.

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 that are classified as held-to-maturity are carried at cost, and adjusted for the amortization of premiums and the accretion of discounts, only if management has the positive intent and ability to hold those securities to maturity. Debt securities that are not classified as held-to-maturity are classified as available-for-sale and are 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							
	June 30, 2023		December 31, 2022		September 30, 2023		December 31, 2022	
	Amortize		Amortize		Amortize		Amortize	
	d	Fair	d	Fair	d	Fair	d	Fair
	Cost	Value	Cost	Value	Cost	Value	Cost	Value
(Dollars in thousands)								
U.S. Government-sponsored entities	122, \$ 843	107, \$ 372	123, \$ 196	106, \$ 406	122, \$ 665	105, \$ 586	123, \$ 196	106, \$ 406
U.S. Treasury securities	259, 455	234, 698	257, 690	232, 158	259, 253	233, 912	257, 690	232, 158
Mortgage-backed securities								
Government-sponsored residential mortgage-backed securities	526, 457	466, 071	560, 776	498, 606	512, 980	442, 421	560, 776	498, 606
Private label residential mortgage-backed securities	179, 007	151, 976	190, 889	163, 560	173, 876	144, 835	190, 889	163, 560
Corporate	56,6 82	48,9 48	56,6 42	52,3 74	56,7 02	49,7 01	56,6 42	52,3 74
Small Business Administration loan pools	11,4 48	10,7 14	12,9 15	12,1 81	10,9 53	10,1 48	12,9 15	12,1 81
State and political subdivisions	84,8 83	74,9 69	130, 311	119, 105	84,2 61	70,4 06	130, 311	119, 105
<b>Total available-for-sale securities</b>	<b>1,24 0,77</b>	<b>1,09 4,74</b>	<b>1,33 2,41</b>	<b>1,18 4,39</b>	<b>1,22 0,69</b>	<b>1,05 7,00</b>	<b>1,33 2,41</b>	<b>1,18 4,39</b>
	<b>\$ 5</b>	<b>\$ 8</b>	<b>\$ 9</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 9</b>	<b>\$ 9</b>	<b>\$ 0</b>

### Held-To-Maturity Securities

	June 30, 2023		December 31, 2022		September 30, 2023		December 31, 2022	
	Amortiz ed		Amortiz ed		Amortiz ed		Amortiz ed	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
	(Dollars in thousands)							
<b>Mortgage-backed securities</b>								
Government-sponsored residential mortgage- backed securities	1,10	1,0	1,10	1,1	1,09	1,0	1,10	1,1
	\$ 1	\$ 94	\$ 8	\$ 08	\$ 7	\$ 43	\$ 8	\$ 08
<b>State and political subdivisions</b>	1,11	1,1			1,11	1,0		86
	5	42	840	865	5	81	840	5
<b>Total held-to-maturity securities</b>	2,21	2,2	1,94	1,9	2,21	2,1	1,94	1,9
	\$ 6	\$ 36	\$ 8	\$ 73	\$ 2	\$ 24	\$ 8	\$ 73

At **June 30, 2023** **September 30, 2023**, and December 31, 2022, we did not own securities of any one issuer (other than the U.S. government and its agencies or sponsored entities) for which aggregate par value exceeded 10% of consolidated stockholders' equity at the reporting dates noted.

67

The following tables summarize the contractual maturity of debt securities and their weighted average yields as of **June 30, 2023** **September 30, 2023**, and December 31, 2022. Expected maturities will differ from contractual maturities because issuers may have the right to

66

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.

June 30, 2023					September 30, 2023				
Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years	Total	Due in one year or less	Due after one year through five years	Due after five years through 10 years	years	Due after 10 years

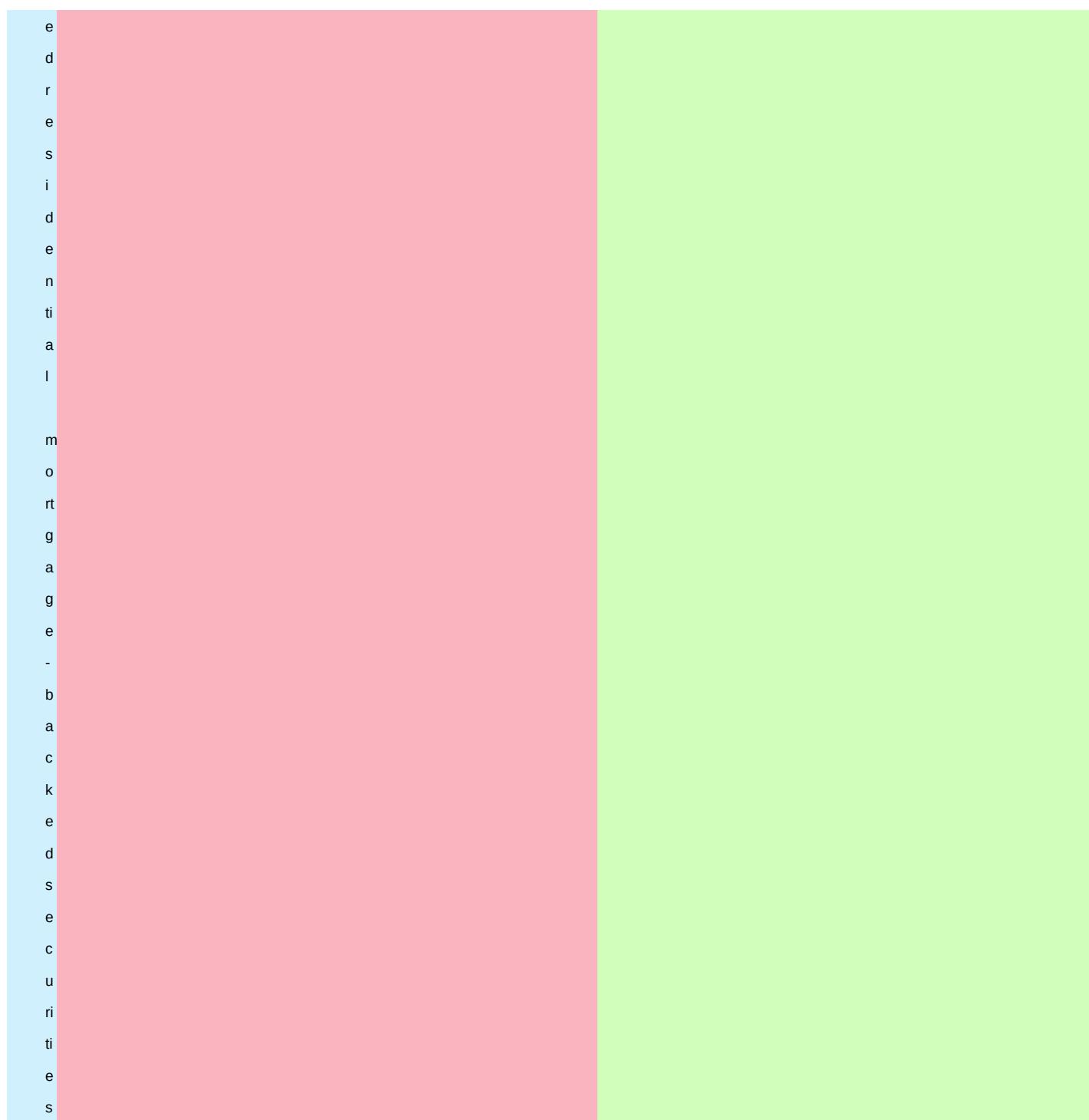


v	90	32	95	6	1	07	86	48	2	1
e		4	7	,	4	1	4	6	,	3
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n			7						2	
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P	—	—%	—	—%	—	—%	15	2. %	1	2%	—	—%	—	—%	—	—%	14	2. %	1	2%
ri							1,	18	5	.							4,	19	4	.
v							97		1	1							83		4	1
a							6		,	8							5		,	9
t										9										8
e										7										3
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Total	1	1
Investments available for sale	,0	,0
equity securities	,9	,5
forex sales	,4	,7
securities	39,3,0,5,97,20,4,13	,2,23,8,1,3,0,35,1,29,2,95,2,0,9
urities	99,2,57,1,97,2,20,2,4,0,4,0%	,0,0,38%,5,43%,1,43%,9,0%
es	4,81%,0,34%,5,30%,9,41%,8,0%	
Held-to-maturity securities:		
Mortgage-backed securities		
Government securities	—,—%,—,—%,—,—%,1,4%,1,4%	—,—%,—,—%,—,—%,1,4%,1,4%
Other securities	10,92,1,9,0,2,1	,09,92,1,9,7,0,9,9,2,7
Non-marketable securities		
Other		



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

#### **Available-for-sale securities:**

U.S. Government-sponsored entities \$ — (—%) \$ 0 0.74 % \$ 4 1.51 % \$ 3,212 1.96 % \$ .06 1.17 %

U.S. Treasury securities	—	—%	222,5	1.18 %	9,606	1.32 %	—	—%	232,1	1.19 %
			52						58	
Mortgage-backed securities										
Government-sponsored										
residential			89,69		161,3		247,5		498,6	
mortgage-backed securities	—	—%	8	1.44 %	54	1.86 %	54	2.50 %	66	2.10 %
Private label residential							163,5		163,5	
mortgage-backed securities	—	—%	—	—%	—	—%	60	2.21 %	60	2.21 %
Corporate					44,47				52,37	
	—	—%	7,904	6.20 %	0	4.65 %	—	—%	4	4.88 %
Small Business									12,18	
Administration loan pools	—	—%	—	—%	7,676	3.53 %	4,505	1.79 %	1	2.89 %
State and political subdivisions <sup>(1)</sup>			18,60		42,08		53,45		119,1	
	4,958	2.61 %	1	2.42 %	8	2.31 %	8	2.50 %	05	2.43 %
Total available-for-sale securities			387,8		319,2		472,2		1,184,	
	4,958	2.61 %	55	1.35 %	88	2.27 %	89	2.39 %	390	2.02 %
<b>Held-to-maturity securities:</b>										
Mortgage-backed securities										
Government-sponsored										
residential										
mortgage-backed securities	—	—%	—	—%	—	—%	1,108	4.96 %	1,108	4.96 %
State and political										
subdivisions <sup>(1)</sup>	—	—%	—	—%	—	—%	840	4.57 %	840	4.57 %
Total held-to-maturity securities	—	—%	—	—%	—	—%	1,948	4.79 %	1,948	4.79 %
<b>Total debt securities</b>			387,8		319,2		474,2		1,186,	
	\$ 4,958	2.61 %	\$ 55	1.35 %	\$ 88	2.27 %	\$ 37	2.40 %	\$ 338	2.02 %

<sup>(1)</sup> The calculated yield is not presented on a tax equivalent basis.

68

Mortgage-backed securities are securities that have been developed by pooling a number of real estate mortgages which are principally issued by federal agencies such as Ginnie Mae, Fannie Mae, and Freddie Mac. 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,

67

mortgage-backed securities which are 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 **June 30, 2023** **September 30, 2023**, and December 31, 2022, **60.3%** **59.6%** and 62.1% of the residential mortgage-backed securities held by us had contractual final maturities of more than ten years, with a weighted average life of 5.2 years and 5.1 years and a modified duration of 4.4 years and 4.3 years.

### Goodwill Impairment Assessment

At **June 30, 2023** **September 30, 2023**, we performed an interim qualitative analysis and concluded there were no indications that goodwill was impaired.

### 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 **June 30, 2023** **September 30, 2023**, and December 31, 2022.

**Composition of Deposits**

	June 30, 2023		December 31, 2022		September 30, 2023		December 31, 2022	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
		of Total		(Dollars in thousands)		of Total		(Dollars in thousands)
Non-interest-bearing demand	978,9		1,097,	25.	936,2	22.	1,097,	25.
	\$ 68	23.1 %	\$ 899	9 %	\$ 17	9 %	\$ 899	9 %
Interest-bearing demand	1,044,		1,061,	25.	947,4	23.	1,061,	25.
	957	24.7 %	264	0 %	64	2 %	264	0 %
Savings and money market	1,352,		1,268,	29.	1,449,	35.	1,268,	29.
	567	32.0 %	320	9 %	539	5 %	320	9 %
Time	854,4		814,3	19.	748,9	18.	814,3	19.
	58	20.2 %	24	2 %	50	4 %	24	2 %
Total deposits	4,230,	100.	4,241,	100	4,082,	100	4,241,	100
	\$ 950	0 %	\$ 807	.0 %	\$ 170	.0 %	\$ 807	.0 %

Total deposits at **June 30, 2023** **September 30, 2023**, were **\$4.23 billion** **\$4.08 billion**, an decrease of **\$10.9 million** **\$159.6 million**, or **0.3%** **3.8%**, compared to total deposits of \$4.24 billion at December 31, 2022.

Equity Bank participates in the Insured Cash Sweep ("ICS") service that allows the Bank to break large **money market** **non-time** 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 through ICS services, but are Equity Bank's customer relationships that management views as core funding. The Bank also participates in the Certificate of Deposit Account Registry Service ("CDARS") program. CDARS allows the bank to break large time 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 lesser 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.

6968

The following table lists reciprocal and brokered deposits included in total deposits categorized by type at **June 30, 2023**, **September 30, 2023**, and December 31, 2022.

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
	(Dollars in thousands)			
Interest-bearing demand				
Reciprocal	\$ 45,886	\$ 17,717	\$ 124,398	\$ 17,717
Total interest-bearing demand	45,886	17,717	124,398	17,717
Savings and money market				
Reciprocal	355,573	282,705	323,308	282,705
Total savings and money market	355,573	282,705	323,308	282,705
Time				
Reciprocal	27,376	11,764	20,739	11,764
Non-reciprocal brokered	199,885	251,799	149,930	251,799
Total time	227,261	263,563	170,669	263,563
Total reciprocal and brokered deposits	\$ 628,720	\$ 563,985	\$ 618,375	\$ 563,985

The following table provides information on the maturity distribution of time deposits of \$250 thousand or more as of **June 30, 2023**, **September 30, 2023**, and December 31, 2022.

	December				September				December			
	June 30, 2023	31, 2022	Change	%	30, 2023	31, 2022	Change	%	30, 2023	31, 2022	Change	%
	(Dollars in thousands)				(Dollars in thousands)				(Dollars in thousands)			
3 months or less	54,2 \$ 05	40,57 \$ 8	13,6 \$ 27	33. 6 %	49,61 \$ 4	40,57 \$ 8	9,03 \$ 6	22. 3 %				
Over 3 through 6 months	30,6 23	51,36 5	(20, 742)	(40. 4)%	58,77 2	51,36 5	7,40 7	14. 4 %				

Over 6								
through 12	93,1	19,19	73,9	385	83,89	19,19	64,7	337
months	63	1	72	.5 %	5	1	04	.2 %
Over 12	46,2	34,58	11,6	33.	25,89	34,58	(8,6	(25.
months	85	6	99	8 %	5	6	91)	1) %
Total Time	224,	145,7	78,5	53.	218,1	145,7	72,4	49.
Deposits	\$ 276	\$ 20	\$ 56	9 %	\$ 76	\$ 20	\$ 56	7 %

## Other Borrowed Funds

We utilize borrowings to supplement deposits to fund our lending and investing activities. Short-term borrowings and long-term borrowings include federal funds purchased and retail repurchase agreements, FHLB advances, Federal Reserve Bank borrowings, a bank stock loan, and subordinated debt. For additional information see "NOTE 6 – BORROWINGS" in the Condensed Notes to Interim Consolidated Financial Statement.

## 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 considering 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 the way they combine to provide adequate liquidity to meet our needs. Recent issues in the banking sector that stem from the failures of several banks has caused banks to increase available liquidity sources and more closely monitor deposit runoff. Prior to the quarter ending March 31, 2023, Equity Bank pledged additional investments to the Federal Reserve Bank and borrowed \$140 million under the Bank Term Funding Program as a precaution; however, the Company did not experience the same level of deposit runoff which, the Company believes, is due to the difference in the types of deposits being offered, deposit concentration and ALM management practices as compared to the recent failed financial institutions.

7069

During the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, and 2022, 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, brokered certificates of deposit, borrowings from the FHLB, and the Federal Reserve Bank borrowings.

Our largest sources of funds are deposits, Federal Reserve Bank borrowings and FHLB borrowings and largest uses of funds are loans, securities and debt repayment. Average loans were \$3.32 billion \$3.31 billion for the six nine months ended June 30, 2023 September 30, 2023, an increase of 2.76% 2.3% over the December 31, 2022, average balance. Excess deposits are primarily invested in our interest-bearing deposit account with the Federal Reserve Bank of Kansas City, 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 5.2 years and a modified duration of 4.5 years at June 30, 2023 September 30, 2023.

Cash and cash equivalents were \$278.1 million \$199.0 million at June 30, 2023 September 30, 2023, an increase of \$173.7 million \$94.6 million from the \$104.4 million cash and cash equivalents at December 31, 2022. The increase in cash and cash equivalents is driven by \$69.3 million \$120.6 million net cash provided by investing activities, \$66.0 million net cash provided by financing activities as well as \$38.5 million \$63.6 million net cash provided by operating activities, offset by \$89.6 million net cash used in financing activities. The \$66.0 million \$89.6 million net change in cash provided by financing activities includes increases in FHLB term advances of \$1.1 billion and federal reserve bank borrowings of \$141.0 million, offset by net outflows of \$138.9 million \$966.1 million for paydown of FHLB overnight borrowing offset by \$100.0 million increase in FHLB term advances, \$17.8 million \$159.7 million in outflows for the decrease in deposits, \$138.9 million outflow for net borrowings on the FHLB line of credit and \$17.6 million outflow for the repurchase of treasury stock and a net increase of \$140.0 million in federal reserve bank borrowings stock. Cash and cash equivalents at January 1, 2023, plus liquidity provided by operating activities, pay downs, sales, and maturities of investment securities, Federal Reserve Bank borrowings and FHLB borrowings during the first six nine months of 2023 were used to originate or purchase loans and to purchase investment securities. We believe that our daily funding needs can be met through cash provided by operating activities, payments and maturities on loans and investment securities, the core deposit base and FHLB advances and other borrowing relationships.

### 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 11 – COMMITMENTS AND CREDIT RISK" in the Condensed Notes to Interim Consolidated Financial Statement.

*Commitments to Extend Credit:* For additional information see "NOTE 11 – COMMITMENTS AND CREDIT RISK" in the Condensed Notes to Interim Consolidated Financial Statement.

### Capital Resources

Capital management consists of providing equity to support our current and future operations. The federal 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 financial holding company and a state-chartered-Fed-member bank, the Company and Equity Bank are subject to regulatory capital requirements.

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. Management believes as of **June 30, 2023** **September 30, 2023**, and December 31, 2022, 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 **June 30, 2023** **September 30, 2023**, the most recent notifications from the federal regulatory agencies categorized

**71** **70**

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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. For additional information, see “NOTE 8 – REGULATORY MATTERS” in the Condensed Notes to Interim Consolidated Financial Statements. There are no conditions or events since that notification that management believes have changed Equity Bank’s category.

### Non-GAAP Financial Measures

We identify certain financial measures discussed in this Quarterly Report as being “non-GAAP financial measures.” In accordance with 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 GAAP in our statements of income, balance sheet 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 Quarterly Report 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 way we calculate the non-GAAP financial measures that we discuss in this Quarterly Report 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 to, or with names like, the non-GAAP financial measures we have discussed in this Quarterly Report 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), and other intangible assets (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 diluted shares of common stock outstanding. 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.

	As of the period ended					As of the period ended				
	June	March	Decembe	Septe	June	Septe	June	March	Decem	Septe
	30,	31,	r 31,	30,	30,	30,	30,	31,	ber 31,	30,
	2023	2023	2022	2022	2022	2023	2023	2023	2022	2022
(Dollars in thousands, except per share data)					(Dollars in thousands, except per share data)					
Total stockholders' equity	41	42		39	42	41	41		41	39
Less: goodwill	8,4	5,1	410,	5,8	8,1	8,1	8,4	425,	0,0	5,8
Less: core deposit intangibles, net	\$ 35	\$ 23	\$ 058	\$ 06	\$ 15	\$ 30	\$ 35	\$ 123	\$ 58	\$ 06
Less: naming rights, net	53,	53,		53,	53,	53,	53,		53,	53,
	10	10	53,1	10	10	10	10	53,1	10	10
	1	1	01	1	1	1	1	01	1	1
Less: mortgage servicing asset, net	1	1	01	1	1	1	1	01	1	1
Less: naming rights, net	12	15		20	22	10	12		17	20
	6	1	176	1	6	0	6	151	6	1
	1,0	1,0	1,04	1,0	1,0	1,0	1,0	1,03	1,0	1,0
	22	33	4	54	65	11	22	3	44	54

<b>Tangible common equity</b>	35	36	32	36	35	35	34	32
	5,4	1,1	345,	9,8	1,1	5,9	5,1	9,8
	\$ 26	\$ 60	\$ 141	\$ 52	\$ 69	\$ 57	\$ 41	\$ 52
Common shares issued at period end	15, 39	15, 73	15,9 01	16, 01	16, 10	15, 41	15, 39	16, 93
	15, 39	15, 73	15,9 01	16, 01	16, 10	15, 41	15, 39	16, 93
Diluted common shares outstanding at period end	15, 46	15, 82	16,1 22	16, 22	16, 28	15, 50	15, 46	16, 22
	15, 46	15, 82	16,1 22	16, 22	16, 28	15, 50	15, 46	16, 22
<b>Book value per common share</b>	27. \$ 18	27. \$ 03	25.7 \$ 4	24. \$ 71	26. \$ 58	27. \$ 13	27. \$ 18	25. \$ 71
<b>Tangible book value per common share</b>	23. \$ 08	22. \$ 96	21.6 \$ 7	20. \$ 59	22. \$ 42	23. \$ 09	23. \$ 08	21. \$ 67
<b>Tangible book value per diluted common share</b>	22. \$ 98	22. \$ 83	21.3 \$ 5	20. \$ 33	22. \$ 17	22. \$ 96	22. \$ 98	21. \$ 35
	22. \$ 98	22. \$ 83	21.3 \$ 5	20. \$ 33	22. \$ 17	22. \$ 96	22. \$ 98	21. \$ 33

*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), and other intangible assets (net of accumulated amortization); (b) tangible assets as total assets less goodwill, core deposit intangibles (net of accumulated

72 71

amortization), and other intangible assets (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 tangible 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.

	As of the period ended					As of the period ended				
	Septe					Septe				
	June	March	Decem	ber 31,	30,	June	30,	June	March	Decem
	30,	31,	ber 31,	30,	30,	30,	30,	31,	31,	30,
	2023	2023	2022	2022	2022	2023	2023	2023	2022	2022
(Dollars in thousands)										
Total stockholders' equity	41	42	41	39	42	41	41	42	41	39
Less: goodwill	8,4	5,1	0,0	5,8	8,1	8,1	8,4	5,1	0,0	5,8
Less: core deposit intangibles, net	\$ 35	\$ 23	\$ 58	\$ 06	\$ 15	\$ 30	\$ 35	\$ 23	\$ 58	\$ 06
Less: mortgage servicing asset, net	53,	53,	53,	53,	53,	53,	53,	53,	53,	53,
	10	10	10	10	10	10	10	10	10	10
	1	1	1	1	1	1	1	1	1	1
Less: naming rights, net	10,	11,	12,						10,	11,
	8,7	9,6	59	59	55	7,9	8,7	9,6	59	59
	60	78	6	8	4	61	60	78	6	8
<b>Tangible common equity</b>	<b>35</b>	<b>36</b>	<b>34</b>	<b>32</b>	<b>36</b>	<b>35</b>	<b>35</b>	<b>36</b>	<b>34</b>	<b>32</b>
	<b>5,4</b>	<b>1,1</b>	<b>5,1</b>	<b>9,8</b>	<b>1,1</b>	<b>5,9</b>	<b>5,4</b>	<b>1,1</b>	<b>5,1</b>	<b>9,8</b>
	<b>\$ 26</b>	<b>\$ 60</b>	<b>\$ 41</b>	<b>\$ 52</b>	<b>\$ 69</b>	<b>\$ 57</b>	<b>\$ 26</b>	<b>\$ 60</b>	<b>\$ 41</b>	<b>\$ 52</b>
Total assets	5,0	5,1	4,9	5,0	5,0	4,9	5,0	5,1	4,9	5,0
	94,	56,	81,	00,	02,	45,	94,	56,	81,	00,
	88	71	65	41	15	26	88	71	65	41
	\$ 3	\$ 6	\$ 1	\$ 5	\$ 6	\$ 7	\$ 3	\$ 6	\$ 1	\$ 5
Less: goodwill	53,	53,	53,	53,	53,	53,	53,	53,	53,	53,
	10	10	10	10	10	10	10	10	10	10
	1	1	1	1	1	1	1	1	1	1

Less: core									
deposit		10,	11,	12,				10,	11,
intangibles,	8,7	9,6	59	59	55	7,9	8,7	9,6	59
net	60	78	6	8	4	61	60	78	6
Less:									
mortgage									
servicing	12	15	17	20	22	10	12	15	17
asset, net	6	1	6	1	6	0	6	1	6
Less: naming	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0
rights, net	22	33	44	54	65	11	22	33	44
<b>Tangible</b>	5,0	5,0	4,9	4,9	4,9	4,8	5,0	5,0	4,9
<b>assets</b>	31,	92,	16,	34,	35,	83,	31,	92,	16,
	87	75	73	46	21	09	87	75	73
	\$ 4	\$ 3	\$ 4	\$ 1	\$ 0	\$ 4	\$ 4	\$ 3	\$ 4
<b>Equity to</b>	8.2	8.2	8.2	7.9	8.5	8.4	8.2	8.2	8.2
<b>assets</b>	1 %	4 %	3 %	2 %	6 %	6 %	1 %	4 %	3 %
<b>Tangible</b>									
<b>common</b>									
<b>equity to</b>									
<b>tangible</b>									
<b>assets</b>	7.0	7.0	7.0	6.6	7.3	7.2	7.0	7.0	6.6
	6 %	9 %	2 %	8 %	2 %	9 %	6 %	9 %	2 %

*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 goodwill, core deposit intangibles (net of accumulated amortization), and other intangible assets (net of accumulated amortization); (b) adjusted net income allocable to common stockholders as net income allocable to common stockholders plus intangible asset amortization (net of taxes); and (c) return on average tangible common equity as annualized 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 who are interested in earnings quality on tangible common equity. Goodwill and other intangible assets have the effect of increasing total stockholders' equity while not increasing tangible common equity.

The following table reconciles, as of the dates set forth below, return on average stockholders' equity and return on average tangible common equity.

7372

For the three months ended	For the three months ended
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	September 30, 2023					September 30, 2022				
	June 30, 2023	March 31, 2023	December 31, 2022	Member 30, 2022	June 30, 2022	Member 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	Member 30, 2022
	(Dollars in thousands)					(Dollars in thousands)				
Total average stockholders' equity	42,486	42,500	39,820	43,6,148	43,7,48	42,6,260	42,4,860	42,500	39,8,245	43,6,191
Less: average intangible assets	63,453	64,447	65,450	66,445	68,490	62,63	63,453	64,447	65,450	66,445
<b>Average tangible common equity</b>	<b>36,1,40,\$ 9</b>	<b>35,6,05,\$ 3</b>	<b>33,2,8,\$ 20</b>	<b>36,9,7,\$ 46</b>	<b>36,8,\$ 5</b>	<b>36,3,6,\$ 25</b>	<b>36,1,\$ 9</b>	<b>35,05,\$ 3</b>	<b>33,2,8,\$ 20</b>	<b>36,9,7,\$ 46</b>
Net income (loss) allocable to common stockholders	11,456	12,23	11,8	15,1	15,59	12,1	11,56	12,23	11,8	15,1
Amortization of intangible assets	95,4	95,4	96,1	99,2	14,8	83,5	95,4	95,4	96,1	99,2
Less: tax effect	20,0	20,0	20,2	20,8	24,1	17,5	20,0	20,0	20,2	20,8
<b>Adjusted net income allocable to common stockholders</b>	<b>12,2,10</b>	<b>13,0,77</b>	<b>12,36,\$ 7</b>	<b>15,95,\$ 5</b>	<b>16,1,66</b>	<b>13,0,1</b>	<b>12,10</b>	<b>13,77</b>	<b>12,36</b>	<b>15,95</b>
<b>Return on total average stockholders' equity (ROAE) annualized</b>	<b>10.82%</b>	<b>11.9%</b>	<b>11.57%</b>	<b>13.80%</b>	<b>13.9%</b>	<b>11.49%</b>	<b>10.2%</b>	<b>11.9%</b>	<b>11.57%</b>	<b>13.80%</b>

Return on average tangible common equity (ROATCE)	13	14	17	13	14	14.	.5	.8	14.	17.
annualized	5 %	9 %	74 %	12 %	0 %	18 %	5 %	9 %	74 %	12 %

***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 merger expenses, by the sum of net interest income and non-interest income, excluding net gain on acquisition and branch sales, and net gain (loss) from securities transactions. The GAAP-based efficiency ratio is non-interest expense divided by net interest income plus non-interest income.

In management's judgement, 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, net gain (loss) from securities transactions, and net gain in acquisition and branch sales.

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

	For the three months ended					For the three months ended				
			Dece	Septe	June			Septe	Dece	Septe
	June	March	mber	mber	June	ember	June	March	mber	mber
	30,	31,	31,	30,	30,	30,	30,	31,	31,	30,
	2023	2023	2022	2022	2022	2023	2023	2023	2022	2022
	(Dollars in thousands)					(Dollars in thousands)				
Non-interest expense					3					
					1,					
	33,	33,	35	32,	4	34,	33,	33,	35	32,
	13	22	,2	23	3	24	13	22	,2	23
	\$ 0	\$ 9	\$ 49	\$ 6	\$ 6	\$ 4	\$ 0	\$ 9	\$ 49	\$ 6
Less: merger expense					11					11
	—	—	68	5	8	—	—	—	68	5
Non-interest expense, excluding loss on debt extinguishment and merger expense					3					
					1,					
	33,	33,	35	32,	3	34,	33,	33,	35	32,
	13	22	,1	12	4	24	13	22	,1	12
	\$ 0	\$ 9	\$ 81	\$ 1	\$ 8	\$ 4	\$ 0	\$ 9	\$ 81	\$ 1

Net interest income						3					
						9,					
	39,	39,	42	41,	5		41,	39,	39,	42	41,
	42	11	,0	94	6		01	42	11	,0	94
	\$ 9	\$ 0	\$ 31	\$ 4	\$ 6		\$ 2	\$ 9	\$ 0	\$ 31	\$ 4
Non-interest income						9,					
						6					
			8,								8,
	6,9	8,6	32	8,9	3		8,7	6,9	8,6	32	8,9
	\$ 50	\$ 00	\$ 9	\$ 69	\$ 7		\$ 35	\$ 50	\$ 00	\$ 9	\$ 69
Less: net gain on acquisition and branch sales						5					
			42			4					42
	—	—	2	—	0		—	—	—	2	—
Less: net gain (loss) from securities transactions	(1, 32 2)	32	14	(1 7)	(2)		(1, 32 1)	32	32	14	7)
<b>Non-interest income, excluding net gain (loss) from securities transactions and net gain on acquisition and branch sales</b>											
						9,					
			7,			1					7,
	8,2	8,5	89	8,9	2		8,7	8,2	8,5	89	8,9
	\$ 72	\$ 68	\$ 3	\$ 86	\$ 9		\$ 36	\$ 72	\$ 68	\$ 3	\$ 86
<b>Net interest income plus non-interest income, excluding net gain on acquisition and branch sales and net gain (loss) from securities transactions</b>											
						4					
						8,					
	47, 70	47, 67	49 ,9	50, 93	6 9		49, 74	47, 70	47, 67	49 ,9	50, 93
	\$ 1	\$ 8	\$ 24	\$ 0	\$ 5		\$ 8	\$ 1	\$ 8	\$ 24	\$ 0

<b>Non-interest expense to net interest income plus non-interest income</b>	71.	69.	.9	63.	8	6	68.	71.	69.	.9	63.
	43 %	65 %	9 %	32 %	9 %	6	84 %	43 %	65 %	9 %	32 %
<b>Efficiency Ratio</b>	<u>  </u>										
	69.	69.	.4	63.	3	70	4.	69.	69.	.4	63.
	45 %	69 %	7 %	07 %	8 %	83 %	45 %	69 %	7 %	07 %	

74

### Item 3: Quantitative and Qualitative Disclosures about Market Risk

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

73

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 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 interest rate exposure 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 futures contracts or forward delivery contracts for the purpose of reducing interest rate risk. 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 our 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. ALCO formulates strategies based on appropriate levels of interest rate risk. In determining the appropriate level of interest rate risk, 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. 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 purchased 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. All assumptions are as of the base period without consideration of preceding market rate changes and any lag in impact to NII. The depicted expectations are management's estimate exclusive of any non-contractual lagging impacts that have not yet been realized in income from preceding changes to interest rates. 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 **June 30, 2023** **September 30, 2023**, and December 31, 2022, 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 positive impact to net interest income in the up interest rate shock scenarios is due to the level of adjustable rate loans receivable that will reprice to higher interest rates, non-term deposits that will adjust to higher rates but at a slower pace, the use of derivatives to hedge borrowing costs, **reduced levels of fixed rate investments, reduced duration of asset based cash flow hedges**, and elevated levels of cash on the balance sheet compared to **the previous quarter** **December 31, 2022**. These factors result in the positive 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 downward pricing of variable rate loans receivable and the level of term deposit repricing; and the assumed prepayment and scheduled repayment of existing fixed rate loans receivable and fixed rate investments. **Term deposits repricing will only decrease the average cost paid by some 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 **June 30, 2023** **September 30, 2023**, and December 31, 2022 is due to 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. 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; however, due to the current level of convexity in our

75

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fixed rate pre-payable assets becoming less negative and positive, in some cases, on a portion of or portfolio has resulted in the overall value of assets increasing more than liabilities. 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 **June 30, 2023** **September 30, 2023**, non-interest-bearing deposits were approximately **\$118.9 million** **\$161.7 million**, or **10.83%** **14.73%**, lower than that deposit type at December 31, 2022. Substantially all investments and approximately 42.5% of loans are prepayable and fixed rate and as rates

74

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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.

Management utilizes static balance sheet rate shocks to estimate the potential impact on various rate scenarios. This analysis estimates a percentage of change in the metric from the stable rate base scenario versus alternative scenarios of rising and falling market interest rates by instantaneously shocking a static balance sheet. The following table summarizes the simulated immediate change in net interest income for twelve months as of the dates indicated.

Change in prevailing interest rates	Market Risk			
	Impact on Net Interest Income		Impact on Net Interest Income	
	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
+300 basis points	8.2 %	5.0 %	7.3 %	5.0 %
+200 basis points	5.4 %	3.3 %	4.8 %	3.3 %
+100 basis points	2.7 %	1.6 %	2.4 %	1.6 %
0 basis points	—	—	—	—
-100 basis points	(2.0)%	(2.3)%	(1.3)%	(2.3)%
-200 basis points	(4.0)%	(6.0)%	(2.3)%	(6.0)%

The following table summarizes the simulated immediate impact on economic value of equity as of the dates indicated.

Change in prevailing interest rates	Impact on Economic Value of Equity		Impact on Economic Value of Equity	
	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
+300 basis points	(9.7)%	(10.7)%	(10.2)%	(10.7)%
+200 basis points	(5.9)%	(6.6)%	(6.3)%	(6.6)%
+100 basis points	(3.1)%	(3.3)%	(3.2)%	(3.3)%
0 basis points	—	—	—	—
-100 basis points	1.1 %	0.7 %	1.5 %	0.7 %
-200 basis points	0.8 %	(0.5)%	1.9 %	(0.5)%

#### Item 4: Controls and Procedures

##### *Evaluation of disclosure controls and procedures*

An evaluation of the effectiveness of the design and operation of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) under the Exchange Act as of the end of the period covered by this Quarterly Report on Form 10-Q was performed under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control

objectives and management was required to apply judgement in evaluating its controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified by the SEC rules and forms.

*Changes in internal control over financial reporting*

There were no changes in the Company's 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 period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

76 75

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## PART II—OTHER INFORMATION

### Item 1: Legal Proceedings

From time to time, we are a party to various litigation matters incidental to the conduct of our business. See "NOTE 12 – LEGAL MATTERS" of the Condensed Notes to Interim Consolidated Financial Statements under Item 1 to this Quarterly report for a complete discussion of litigation matters.

### Item 1A: Risk Factors

Other than the risk factors set forth below, there have been no material changes in the Company's risk factors previously disclosed in our Annual Report on Form 10-K filed with the SEC on March 9, 2023.

*Recent negative developments affecting the banking industry, and resulting media coverage, have eroded customer confidence in the banking system.*

The recent high-profile bank failures involving Silicon Valley Bank, Signature Bank and First Republic Bank have generated significant market volatility among publicly traded bank holding companies and, in particular, regional banks like Equity Bank. These market developments have negatively impacted customer confidence in the safety and soundness of regional banks. As a result, customers may choose to maintain deposits with larger financial institutions or invest in higher yielding short-term fixed income securities, all of which could materially adversely impact Equity Bank's liquidity, loan funding capacity, net interest margin, capital and results of operations. While the Department of the Treasury, the Federal Reserve, and the FDIC have made statements ensuring that depositors of these recently failed banks would have access to their deposits, including uninsured deposit accounts, there is no guarantee that such actions will be successful in restoring customer confidence in regional banks and the banking system more broadly.

*Any regulatory examination scrutiny or new regulatory requirements arising from the recent events in the banking industry could increase the Company's expenses and affect the Company's operations.*

The Company and Equity Bank anticipate increased regulatory scrutiny and new regulations directed towards banks of similar size to the Bank, designed to address the recent negative developments in the banking industry, all of which may increase the Company's costs of doing business and reduce its profitability. Among other things, there may be an increased focus by both regulators and investors on deposit composition and the level of uninsured deposits. As a result, the Bank could face increased scrutiny or be viewed as higher risk by regulators and the investor community. Equity Bank's level of uninsured deposits as a percentage of non-brokered deposits was 25.5% at June 30, 2023, 36.4% at September 30, 2023, and 25.3% at December 31, 2022.

## Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

### Repurchase of Common Stock

In September of 2021, the Company's Board of Directors authorized the 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 did not obligate the Company to acquire a specific dollar amount or number of shares and it may be extended, modified or discontinued at any time without notice. Under this program, during the years ended December 31, 2022 and 2021, the Company repurchased a total of 1,000,000 shares of the Company's outstanding common stock at an average price paid of \$32.11 per share.

In September of 2022, the Company's Board of Directors authorized the repurchase of up to 1,000,000 shares of the Company's outstanding common stock, from time to time, beginning October 1, 2022, and concluding on September 30, 2023. 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, 2022, and 2023, the Company repurchased a total of 163,727 shares of the Company's outstanding common stock at an average price paid of \$33.33 per share. During the six months ended June 30, 2023, the Company repurchased a total of 669,166 shares of the Company's outstanding common stock at an average price paid of \$26.55 per share. At June 30, 2023, there are 167,107 shares remaining available for repurchase under the program that expired on September 30, 2023.

On July 26, 2023, the Board of Directors of Equity Bancshares, Inc. approved a share repurchase plan for up to 1,000,000 shares of outstanding common stock beginning on October 1, 2023, and concluding on September 30, 2024. The following table presents the repurchase program. The repurchase program does not obligate Equity to acquire a specific dollar amount or number of shares, that have been and it may be extended, modified or discontinued at any time without notice. Non-objection from the Federal Reserve Bank of Kansas City related to this repurchase plan was received September 27, 2023.

No shares were repurchased under the program during the second quarter of 2023.

Date	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Number of Shares That May Yet Be Purchased Under the Program

			Plans or Programs	Under the Plans or Programs
April 1, 2023 through April 30, 2023	249,296	\$ 24.11	249,296	266,927
May 1, 2023 through May 31, 2023	99,820	\$ 21.68	99,820	167,107
June 1, 2023 through June 30, 2023	—	\$ —	—	167,107
<b>Total</b>	<b>349,116</b>	<b>\$ 23.42</b>	<b>349,116</b>	<b>167,107</b>

76

### Item 3: Defaults Upon Senior Securities

None

### Item 4: Mine Safety Disclosures

Not applicable.<sup>6</sup> applicable.

### Item 5: Other Information

#### Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

##### Appointment of Chris M. Navratil as Executive Vice President and Chief Financial Officer of Equity Bank

On August 4, 2023, the Company announced the appointment of Chris M. Navratil as Executive Vice President and Chief Financial Officer of the Company.

In connection with his appointment, Mr. Navratil entered into an employment agreement, dated November 6, 2023, by and among the Company, Equity Bank and Mr. Navratil. The initial term of the employment agreement is three years and will automatically renew for successive one-year periods thereafter, unless the agreement is terminated in accordance with its terms. Under the terms of the employment agreement, Mr. Navratil will receive a base salary of \$275,000 and a target annual incentive bonus of 50% of his base salary. Mr. Navratil will also be eligible to receive an annual equity award with a target grant date fair value equal to 50% of his base salary, which may be subject to certain vesting, performance and other conditions.

Mr. Navratil's employment agreement provides that upon the termination of his employment by Mr. Navratil for good reason or by Equity Bank without cause, Mr. Navratil will be entitled to receive his base salary for a period of twelve months following such termination, subject to compliance with the terms of the employment agreement and execution of a general release in favor of the Company and Equity Bank.

Mr. Navratil's employment agreement contains a change in control provision that provides for a payment to him if his employment is terminated by Mr. Navratil for good reason, by Equity Bank (or its successor) without cause, or due to Equity Bank's (or its successor's) nonrenewal of the employment agreement within 24 months after a qualifying change in control. Upon a qualifying change in control and termination of his employment, Mr. Navratil would be entitled to a payment equal to 2.99 times the sum of (i) his prior year's base salary and (ii) all other cash compensation paid to him and received during such year. Any payments pursuant to the change in control provision are subject to compliance with restrictions imposed by the Internal Revenue Code. Additionally, Mr. Navratil is bound by the restrictive covenants set forth in his employment agreement.

**Item 6: Exhibits**

Exhibit	No.	Description
10.1†*		<a href="#">Employment Agreement, dated November 6, 2023, by and between Equity Bank and Chris M. Navratil.</a>
31.1*		<a href="#">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.</a>
31.2*		<a href="#">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.</a>
32.1**		<a href="#">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.</a>
32.2**		<a href="#">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.</a>
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.

## SIGNATURES

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

**Equity Bancshares, Inc.**

August November 9, 2023

Date

By: /s/ Brad S. Elliott

Brad S. Elliott

Chairman and Chief Executive Officer

August November 9, 2023

Date

By: /s/ Eric R. Newell Chris M. Navratil

Eric R. Newell Chris M. Navratil

Executive Vice President and Chief Financial  
Officer

### EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** (this “Agreement”) is entered into this 6th day of November, 2023 (the “Effective Date”), by and between Equity Bank, a Kansas banking corporation (the “Bank”), and Christopher M. Navratil (“Executive”). Equity Bancshares, Inc., a Kansas corporation and parent corporation of the Bank (“Parent”), is joining in this Agreement for the limited purpose of reflecting its agreement to provisions in this Agreement applicable to Parent, the Bank and their respective subsidiaries and affiliates are referred to collectively as the “Equity Group.” Certain capitalized terms set forth herein have the meaning given to such terms in Section 20.

**WHEREAS**, the Bank desires to employ Executive and to enter into this Agreement setting forth the terms of such employment; and

**WHEREAS**, Executive agrees to accept such employment and to provide such services to the Bank in accordance with the terms and conditions of this Agreement.

**NOW, THEREFORE**, in consideration of the mutual promises herein made and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Term of Employment; Duties.

(a) Term. Unless earlier terminated in accordance with Section 3, the term of this Agreement and Executive's employment hereunder (the "Term") will be for an initial period beginning on the Effective Date and ending on the third (3<sup>rd</sup>) anniversary of the Effective Date; *provided that on the third (3<sup>rd</sup>) anniversary of the Effective Date and on each anniversary of such date thereafter (such date and each annual anniversary thereof a "Renewal Date"), the Term will automatically extend so as to terminate one year from such Renewal Date unless, at least 90 days before the applicable Renewal Date, either party gives notice to the other that the Term will not be so extended.* Upon termination of this Agreement and Executive's employment hereunder for any reason, Executive will be deemed to have resigned from all positions that Executive holds as an officer or member of the board of directors of any member of the Equity Group.

(b) Title and Duties. During the Term, Executive will serve as EVP/Chief Financial Officer of Parent and Executive Vice-President and Chief Financial Officer of Equity Bank and be located at the Wichita Rock Road location. In such positions, Executive will have such duties and perform such services as are commensurate with Executive's position and such other duties and services as are from time to time reasonably assigned to Executive by the Direct Supervisor(s). Executive will report to the Direct Supervisor(s). Executive agrees that he will at all times and to the best of his ability and experience faithfully perform all of the duties that may be required of him pursuant to the terms of this Agreement and will comply with all laws and regulations of appropriate governmental entities and all policies and procedures adopted by the Equity Group and applicable to Executive. Executive agrees to devote his full business time and attention to the performance of his obligations hereunder.

(c) Other Activities. During the Term, Executive may serve on civic, charitable or other not-for-profit boards or committees, manage personal investments and, subject to the prior written approval of the Direct Supervisor(s), serve on boards of for-profit entities, in each case so long as such activities do not create a conflict of interest with any member of the Equity Group, interfere

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with the performance of Executive's duties responsibilities hereunder, or violate any provision of this Agreement (including, without limitation, Section 4).

## 2. Compensation and Benefits.

(a) Base Salary. During the Term, the Bank will pay to Executive an annualized base salary of \$275,000 per year, payable in accordance with the Bank's normal payroll practices. The base salary will be subject to annual review for increase but may not be decreased without Executive's consent. As used in this Agreement, the term "Base Salary" means, as of any given date, Executive's annualized base salary as of such date.

(b) Annual Bonus. Executive's Annual Bonus and Long-Term Incentive Awards for calendar year 2023 shall be calculated in accord with the terms of Executive's existing 2023 bonus and incentive plan and based on Executive's prior salary of \$225,000 through June 30, 2023. For the period of July 1, 2023 to December 31, 2023 and for each calendar year ending during the Term beginning January 1, 2024, Executive will be eligible to earn an annual bonus (the "Annual Incentive Bonus"), *provided that Executive does not earn any Annual Incentive Bonus for the prior completed calendar year if Executive engages in any acts or omissions constituting Cause for termination.* The target Annual Incentive Bonus is equal to 50% of Base Salary (the "Target Bonus Amount"), prorated for the calendar year during which Executive is hired. The Target Bonus Amount will be reviewed annually by the Board (or a committee thereof) and may be adjusted upward in the Board's sole discretion, but

not downward during the initial year of the term. The actual amount of the Annual Incentive Bonus with respect to any calendar year will be determined by the Board (or a committee thereof) based on Executive's and the Equity Group's fulfillment of performance goals established by the Board or the Direct Supervisor with respect to the applicable calendar year. The Annual Incentive Bonus for any calendar year will (if and to the extent earned) be paid no later than the March 15th following the completion of such calendar year. Executive must remain continuously employed with the Equity Group through the payment date of the Annual Incentive Bonus in order to earn such Annual Incentive Bonus.

(c) Long-Term Incentive Awards. Beginning July 1, 2023 and for each calendar year thereafter during the Term, Executive will be eligible to receive annual equity awards ("Annual Equity Awards") under Parent's equity incentive plan (the "Equity Plan"), subject to approval of the Board (or a committee thereof). It is currently contemplated that such Annual Equity Awards will have a targeted grant date fair value equal to 50% of Executive's Base Salary for the calendar year of grant, and that the terms and conditions of the Annual Equity Awards (including, without limitation, the form of award(s), vesting schedule, performance objectives, and/or restrictive provisions) will be similar to the terms and conditions applicable to the annual equity awards made to the Equity Group's other similarly situated employees. Any such Annual Equity Awards will be subject to the terms and conditions of the Equity Plan and any grant agreement, award agreement, or similar document entered into or issued in connection therewith.

(d) Employee Benefit Programs. During the Term, Executive will be eligible to participate in all employee benefit programs, including medical, dental and hospitalization programs, now or hereafter made available by the Bank to its senior executives, subject to terms and conditions of such programs, including eligibility. It is understood that the Bank reserves the right to modify and rescind any program or adopt new programs in its sole discretion.

(e) Vacation; Paid Time-Off. Executive will be entitled to paid vacation as outlined in Appendix A.

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(f) Business Expenses. The Bank will pay or reimburse Executive's reasonable business expenses, including expenses incurred for travel on Equity Group business, in accordance with the Bank's expense reimbursement policies and procedures, as may be adopted or amended from time to time.

(g) Other Compensation and Benefits. The Bank will pay or provide the compensation and benefits set forth on Appendix A, attached hereto, which is hereby incorporated herein by reference in its entirety and made a part hereof.

3. Termination of Employment. This Agreement and Executive's employment hereunder may be terminated by the Bank or Executive at any time and for any reason; *provided that, unless otherwise provided herein, either party is required to give the other party at least 60 days' advance written notice of any termination of Executive's employment.* On termination of this Agreement and Executive's employment hereunder, Executive will be entitled to the compensation and benefits described in this Section 3, subject to any applicable "claw-back" or compensation recovery policy and will have no further rights to any compensation or any other benefits from the Equity Group.

(a) Expiration of the Term, For Cause, or Without Good Reason. This Agreement and Executive's employment hereunder may be terminated upon (x) either party's election not to renew the Term of the Agreement in accordance with Section 1, in which case notice must be provided at least 90 days before the

applicable Renewal Date, (y) by the Bank for Cause, or (z) by the Executive without Good Reason. In such event, Executive will be entitled to receive:

- (i) Any accrued but unpaid Base Salary and accrued but unused vacation which will be paid in accordance with the Bank's normal payroll practices following the last day of Executive's employment (the "Termination Date");
- (ii) Any earned but unpaid Annual Incentive Bonus with respect to any completed calendar year immediately preceding the Termination Date, which will be paid on the otherwise applicable payment date (except to the extent payment is otherwise deferred pursuant to any applicable deferred compensation arrangement); *provided* that Executive does not earn, and the Bank will not pay, any Annual Incentive Bonus for the prior completed calendar year if Executive's employment is terminated by the Bank for Cause. If, following payment of an Annual Incentive Bonus for a calendar year, it is determined by the Bank that grounds existed during such calendar year that would have justified termination of Executive's employment for Cause if such grounds were known to the Bank, then such unearned Annual Incentive Bonus shall be immediately repayable by Executive to the Bank upon written demand by the Bank, and the Executive hereby authorizes the Bank to withhold or offset the amount of such Annual Incentive Bonus from or against any other amounts payable by the Bank to the Executive;
- (iii) Reimbursement for unreimbursed business expenses properly incurred by Executive, which will be subject to and paid in accordance with the Bank's expense reimbursement policies and procedures in effect at the time; and
- (iv) Such employee benefits (including equity compensation), if any, to which Executive may be entitled under the Bank's employee benefit plans as of Termination Date; *provided* that, in no event will Executive be entitled to any payments in the nature of severance or termination payments except as specifically provided herein.

Items 3(a)(i) through 3(a)(iv) are referred to herein collectively as the "Accrued Amounts".

(b) Termination by the Bank Without Cause or by Executive for Good Reason. This Agreement and Executive's employment hereunder may be terminated by Executive for Good Reason or by the Bank without Cause. In the event of such termination, Executive will be entitled to receive the Accrued Amounts and, subject to Executive's compliance with Section 3(e) and Section 4 of this Agreement, Executive will be entitled to receive continued Base Salary ("Salary Continuation Payments") for 12 months following the Termination Date payable in equal installments in accordance with the Bank's normal payroll practices, which will commence on the first regularly scheduled payroll date following the effective date of the Release (defined below). The first installment of the Salary Continuation Payments will include all amounts of Base Salary that would otherwise have been paid to Executive during the period beginning on the Termination Date and ending on the first payment date.

(c) Death or Disability. This Agreement and Executive's employment hereunder will terminate automatically on the Executive's death during the Term, and the Bank may terminate Executive's employment on account of Executive's Disability. If Executive's employment is terminated during the Term on account of Executive's death or Disability, Executive (or Executive's estate, legal representatives and/or beneficiaries, as the case may be) will be entitled to receive the Accrued Amounts.

(d) Change of Control Termination. If this Agreement and Executive's employment hereunder is terminated by Executive for Good Reason, by the Bank (or its successor) without Cause, or due to the Bank's (or its successor's) nonrenewal of the Agreement, in each case within 24 months following a Change of Control, then, in lieu of any payment payable to Executive under this Section 3, Executive will be entitled to receive the Accrued Amounts and, to the extent permissible under 12 U.S.C. 1828(k) and 12 C.F.R. Part 359 and subject to Executive's compliance with Section 3(e) and Section 4, a lump sum payment (the "Change of Control Severance Payment") equal to 2.99 times the sum of (i) Executive's Base Salary for the calendar year immediately preceding the calendar year in which the Termination Date occurs and (ii) all other cash compensation paid by the Equity Group and received by Executive during such calendar year (but, for avoidance of doubt, not including the value of any equity-based compensation). The Change of Control Severance Payment will be paid within 10 days following the effective date of the Release (defined below); *provided* that if the Release Execution Period (defined below) begins in one taxable year and ends in another taxable year, payment of the Change of Control Severance Payment will be made in the second taxable year.

(e) Release Requirement. Notwithstanding anything in this Agreement to the contrary, Executive's right to receive the Salary Continuation Payments or the Change of Control Severance Payment, as applicable, is conditioned on Executive's execution and delivery of a separation agreement and release of claims in favor of the Equity Group, its officers, directors, employees and agents in a form provided by the Bank (the "Release") and such Release becoming effective and irrevocable within 60 days following the Termination Date (such 60-day period, the "Release Execution Period"). The Release will include an affirmation of the restrictive covenants set forth in Section 4, and will be in a form and substance satisfactory to the Bank.

(f) Equity Awards. Notwithstanding anything in this Agreement to the contrary, the treatment of any equity award held by Executive as of the Termination Date will be determined in accordance with the terms of the applicable Parent equity incentive plan and award agreement.

(g) Severance Benefits Not Includable for Employee Benefits Purposes. Except to the extent the terms of any applicable benefit plan, policy or program provide otherwise, any benefit

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programs of the Equity Group that take into account Executive's income will exclude any and all severance benefits provided under this Agreement.

(h) Exclusive Severance Benefits. If Executive becomes entitled to receive the Salary Continuation Payments or the Change of Control Severance Payment, as applicable, then such payment(s) will be in lieu of any other severance or similar benefits that would otherwise be payable under any other agreement, plan, program or policy of the Equity Group.

#### 4. Restrictive Covenants.

(a) Confidential Information.

(i) Executive acknowledges that the business of the Equity Group is highly competitive and that the Equity Group will provide Executive with access to Confidential Information relating to the business of the Equity Group, its customers and their respective affiliates. Executive acknowledges that this Confidential Information constitutes a valuable, special, and unique asset used by the Equity Group in its business to obtain a competitive advantage over their competitors.

(ii) Executive further acknowledges that protection of such Confidential Information against unauthorized disclosure and use is of critical importance to the Equity Group in maintaining its competitive position. Executive also will have access to, or knowledge of, Confidential Information of third parties, such as actual and potential customers, suppliers, partners, joint venturers, investors, financing sources and the like, of the Equity Group.

(iii) Executive agrees that he will not, at any time during or after Executive's employment or service with the Equity Group, make any unauthorized disclosure of any Confidential Information or make any use thereof except in the carrying out of Executive's employment responsibilities hereunder. Executive also agrees to preserve and protect the confidentiality of third-party Confidential Information to the same extent, and on the same basis, as the Equity Group's Confidential Information.

(iv) Executive understands that nothing contained in this Agreement (including, without limitation, Section 4(e)) limits Executive's ability to file a charge or complaint with the Securities and Exchange Commission ("SEC") or other governmental agency. Executive further understands that nothing in this Agreement (including, without limitation, Section 4(e)) limits Executive's ability to communicate with the SEC or any other governmental agency or otherwise participate in any investigation or proceeding that may be conducted by the SEC or such other agency, including providing documents or other information, without notice to any member of the Equity Group. This Agreement does not limit Executive's right to receive an award for information provided to the SEC or any other governmental agency.

(v) Executive and the Equity Group specifically acknowledge that 18 U.S.C. § 1833(b) provides: "An individual will not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (i) is made in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal." Nothing in this Agreement is intended to

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conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. § 1833(b). Accordingly, notwithstanding anything to the contrary in the foregoing, the parties to this Agreement have the right to disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law.

(b) Non-Competition Obligations.

(i) Executive acknowledges that the Equity Group is providing Executive with access to Confidential Information. Ancillary to Executive's agreement not to disclose Confidential Information, to protect the Confidential Information described above, and in consideration for Executive's receiving access to this Confidential Information and compensation stated in this Agreement, the Bank and Executive agree to the following non-competition provisions. Executive agrees that during the Restricted Period, Executive will not, directly or indirectly, (A) engage or participate in the ownership, management, operation, control or financing of, (B) provide any service, advice or assistance regarding the management, operation, formation or acquisition of, or (C) have any financial interest in, whether as organizer, director, advisory director, officer, employee, consultant, partner, contractor, stockholder (other than as a holder of less than 3% of the capital stock of a Financial Institution (defined below), whether

the Financial Institution is a privately held company or a reporting company under the Securities Exchange Act of 1934), any national or state commercial bank, credit union, thrift, or savings institution, or any person or entity seeking to acquire or form such an institution or company ("Financial Institution"), competitive with that of the Equity Group or the Equity Group's business as it exists on the date hereof which has a branch or loan production office located in the Restricted Area, including but not limited to a Financial Institution engaged in, or which controls any entity engaged in, retail banking services, commercial banking services, consumer savings accounts, deposit production, commercial loan production or commercial or commercial real estate lending services in the Restricted Area.

(ii) Executive understands that the foregoing restrictions may limit Executive's ability to engage in certain businesses in the Restricted Area and during the Restricted Period, but acknowledges that these restrictions are necessary to protect the Confidential Information that Executive has provided or made available to Executive.

(iii) Executive agrees that this provision defining the scope of activities constituting prohibited competition with the Equity Group is narrow and reasonable for the following reasons: (i) Executive is free to seek employment with other companies providing services that do not directly or indirectly compete with any business of the Equity Group; (ii) Executive is free to seek employment with other companies in the banking business that do not directly or indirectly compete with any business of the Equity Group; and (iii) there are many other companies in the banking business that do not directly or indirectly compete with any business of the Equity Group. Thus, this restriction on Executive's ability to compete does not prevent Executive from using and offering the skills that Executive possessed prior to receiving Confidential Information, specialized training, and knowledge from the Equity Group.

(c) Non-Solicitation of Clients and Customers. Executive agrees that during the Restricted Period, Executive will not directly or indirectly solicit, contact or call upon any current or prospective client or customer of the Equity Group with whom Executive had material contact during the course of his employment or service with the Equity Group for the purpose of providing

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banking or banking related services other than through the Equity Group. For this purpose, "material contact" exists between Executive and each current or prospective client or customer: (i) with whom Executive dealt; (ii) whose dealings with the Equity Group were coordinated or supervised by Executive; or (iii) about whom Executive obtained or had access to Confidential Information in the ordinary course of business as a result of Executive's performance of his duties and responsibilities hereunder.

(d) Non-Solicitation of Employees. Executive agrees that during the Restricted Period, Executive will not, either directly or indirectly, call on, solicit, or induce any other employee or officer of the Equity Group whom Executive had contact with, knowledge of, or association with in the course of employment or service with the Equity Group (a "Covered Employee") to terminate his employment, and will not assist any other person or entity in such a solicitation; *provided, however,* that the foregoing: (i) shall not apply to any Covered Employee who is no longer employed by the Equity Group or has otherwise resigned from employment with the Equity Group; (ii) shall not prohibit Executive from making a general solicitation for employment that is not targeted at any Covered Employees.

(e) Cooperation. Executive agrees he will reasonably cooperate with the members of the Equity Group with respect to any matters arising during or related to his employment, including but not limited to reasonable

cooperation in connection with any litigation, governmental investigation, or regulatory or other proceeding which may have arisen or which may arise following the execution of this Agreement other than in connection with any litigation or other proceeding commenced by a member of the Equity Group against Executive and other than any litigation or other proceeding commenced by Executive against a member of the Equity Group to enforce Executive's rights under this Agreement. As part of such reasonable cooperation, Executive shall provide information to the Equity Group and its attorneys with respect to any matter arising during or related to his employment, shall make himself reasonably available to meet with Equity Group personnel and the Equity Group's attorneys, and will, at the Equity Group's reasonable request and upon reasonable notice, travel to such places as the Equity Group may specify (for which the Equity Group will reimburse Executive for his reasonable travel and lodging expenses). Finally, as part of such reasonable cooperation agreed to herein, Executive shall promptly notify Parent's General Counsel, within three business days, of his actual receipt from any third party or governmental entity of a request for testimony and/or documents, whether by legal process or otherwise, relating to any matter arising during or relating to his employment or directorship with any member of the Equity Group.

(f) Additional Agreements. During the period that begins on the Effective Date and ends of the first to occur of (x) the date that is five (5) years following the Termination Date or (y) the date of a Change of Control, Executive agrees that he will not, without the prior approval of the Board or in the course of his normal duties and responsibilities hereunder on behalf of the Equity Group, directly or indirectly: (i) engage in any solicitation of proxies or consents or become a "participant" in a contested "solicitation" (as such terms are defined in Regulation 14A under the Exchange Act) of proxies or consents (including, without limitation, any solicitation of consents that seeks to call a special meeting of stockholders), in each case, with respect to securities of Parent; (ii) seek or submit, or encourage any person or entity to seek or submit, nomination(s) in furtherance of a "contested solicitation" for the appointment, election or removal of directors with respect to Parent or seek, encourage or take any other action with respect to the appointment, election or removal of any directors of Parent, other than a "solicitation" or acting as a "participant" in support of the nomination and election of all directors then comprising the Incumbent Board, and any individual whose election, or nomination for election to the Board, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board; (iii) make any public

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proposal, alone or in concert with others, to amend any provision of Parent's certificate of incorporation or bylaws; or (iv) alone or in concert with others (A) make any proposal for consideration by stockholders of Parent at any annual or special meeting of stockholders of Parent, (B) affirmatively solicit a third party, on an unsolicited basis, to make an offer or proposal (with or without conditions) with respect to any merger, acquisition, recapitalization, restructuring, disposition or other business combination involving Parent, or publicly encourage or support any third party in making such an offer or proposal, (D) publicly comment on any third party proposal regarding any merger, acquisition, recapitalization, restructuring, disposition, or other business combination with respect to Parent by such third party prior to such proposal becoming public, or (E) call or seek to call a special meeting of stockholders.

(g) Non-Disparagement. Executive represents, covenants and agrees that he will not at any time during the Term or after the Termination Date, through any medium, either orally or in writing, including, but not limited to, electronic mail, television or radio, computer networks or internet bulletin boards, blogs, social media, such as Facebook, LinkedIn, or Twitter, or any other form of communication, disparage, defame, impugn, damage or assail the reputation, or cause or tend to cause the recipient of a communication to question the business condition, integrity, competence, good character, professionalism, or business practices of the Equity

Group or any its stockholders, directors, officers, employees, as applicable, except when such statement or communication (i) is made in a full and accurate response to any question, inquiry or request for information made in connection with a legal proceeding or a government investigation, (ii) required by the Equity Group's policies or procedures or made by Executive in the normal course of performing his duties on behalf of the Equity Group (including in connection with any public or regulatory filing by a member of the Equity Group), or (iii) is otherwise required by applicable law.

(h) Return of Property. Executive agrees to deliver promptly to the Bank, upon termination of his employment hereunder, or at any other time when the Bank so requests, all documents and other materials (including electronically stored information) received by Executive in connection with the performance of his duties hereunder relating to the business of the Equity Group, including without limitation: contract files, notes, records, drawings, manuals, correspondence, financial and accounting information, customer lists, statistical data and compilations, patents, copyrights, trademarks, trade names, inventions, formulae, methods, processes, agreements, contracts, manuals or any documents relating to the business of the Equity Group and all copies thereof and therefrom; *provided, however*, that Executive will be permitted to retain copies of any documents or materials of a personal nature or otherwise related to Executive's rights under this Agreement, copies of this Agreement and any attendant or ancillary documents specifically including any documents referenced in this Agreement and copies of any documents related to Executive's equity incentive awards and other compensation.

(i) Injunctive Relief. Executive acknowledges that a breach of any of the covenants contained in this Section 4 may result in material, irreparable injury to the Equity Group for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such a breach or threat of breach, Parent and/or the Bank will be entitled to obtain a temporary restraining order and/or a preliminary or permanent injunction restraining Executive from engaging in activities prohibited by this Section 4 or such other relief as may be required to specifically enforce any of the covenants in this Section 4. Such remedies will be in addition to all other remedies available to Parent and/or the Bank, at law and equity.

(j) Adjustment of Covenants. The parties consider the covenants and restrictions contained in this Section 4 to be reasonable in all respects. However, if and when any such covenant or restriction is found to be void or unenforceable and would have been valid had some part of it

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been deleted or had its scope of application been modified, such covenant or restriction will be deemed to have been applied with such modification as would be necessary and consistent with the intent of the parties to have made it valid, enforceable and effective.

## 5. Proprietary Information; Inventions.

(a) Executive agrees that any and all information and data originated by Executive while employed by the Equity Group and, where applicable, by other employees or associates under Executive's direction or supervision in connection with or as a result of any work or service performed under the terms of Executive's employment, will be promptly disclosed to the Bank, will become the Equity Group's property, and will be kept confidential by Executive. Any and all such information and data, reduced to written, graphic or other tangible form and any and all copies and reproduction thereof will be furnished to the Bank upon request and in any case will be returned to the Bank upon Executive's termination of employment for any reason.

(b) Executive agrees that Executive will promptly disclose to the Bank all inventions or discoveries made, conceived, or for the first time reduced to practice in connection with or as a result of the work and/or services Executive performs for the Equity Group.

(c) Executive agrees that he will assign the entire right, title and interest in any such invention or inventions and any patents that may be granted thereon in any country in the world concerning such inventions to the Bank. Executive further agrees that Executive will, without expense to the Bank other than reimbursement of Executive's business expenses, execute all documents and do all acts which may be necessary, desirable or convenient to enable the Bank, at its expense, to file and prosecute applications for patents on such inventions, and to maintain patents granted thereon.

6. Notices. All notices, requests, demands and other communications required or permitted hereunder will be in writing and will be deemed to have been given upon receipt when delivered by hand or upon delivery to the address of the party determined pursuant to this Section when delivered by express mail, overnight courier or other similar method to such address or by electronic mail transmission (provided a copy is also sent by registered or certified mail or by overnight courier), or three (3) business days after deposit of the notice in the US mail, if mailed by certified or registered mail, with postage prepaid addressed to the respective party as set forth below, which address may be changed by written notice to the other party:

If to Parent or the Bank:

Equity Bank

7701 E. Kellogg, Suite 300

Wichita, Kansas 67202

Attn: CEO

E-mail: brade@equitybank.com

If to Executive, the most recent electronic mail or physical address on file with the Bank.

7. Section 280G.

(a) Notwithstanding anything in this Agreement to the contrary, in the event it will be determined that any payment or distribution by the Equity Group to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or

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otherwise) (such benefits, payments or distributions are hereinafter referred to as "Payments") would, if paid, be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then, prior to the making of any Payments to Executive, a calculation will be made comparing (i) the net after-tax benefit to Executive of the Payments after payment by Executive of the Excise Tax, to (ii) the net after-tax benefit to Executive if the Payments had been limited to the extent necessary to avoid being subject to the Excise Tax. If the amount calculated under clause (i) of the immediately preceding sentence is less than the amount calculated under clause (ii) thereof, then the Payments will be limited to the extent necessary to avoid triggering the Excise Tax (the "Reduced Amount").

(b) The reduction of the Payments, if applicable, will be made by first reducing cash Payments and then, to the extent necessary, reducing those Payments having the next highest ratio of Parachute Value to actual present value of such Payments as of the date of the Change of Control, as determined by the accounting firm that was the Bank's independent auditor immediately before the Change of Control (the "Determination

Firm"). For purposes of this Section 7, present value will be determined in accordance with Section 280G(d)(4) of the Code. For purposes of this Section 7, the "Parachute Value" of a Payment means the present value as of the date of the Change of Control of the portion of such Payment that constitutes a "parachute payment" under Section 280G(b)(2) of the Code, as determined by the Determination Firm for purposes of determining whether and to what extent the Excise Tax will apply to such Payment.

(c) All determinations required to be made under this Section 7, including whether an Excise Tax would otherwise be imposed, whether the Payments will be reduced, the amount of the Reduced Amount, and the assumptions to be utilized in arriving at such determinations, will be made by the Determination Firm, which will provide detailed supporting calculations both to the Bank and Executive within fifteen (15) business days after the receipt of notice from Executive that a Payment is due to be made, or such earlier time as is requested by the Bank. All fees and expenses of the Determination Firm will be borne solely by the Bank. Any determination by the Determination Firm will be binding upon the Bank and Executive.

(d) As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Determination Firm hereunder, it is possible that amounts will have been paid or distributed by the Equity Group to or for the benefit of Executive that should not have been so paid or distributed (an "Overpayment") or that additional amounts that will have not been paid or distributed by the Equity Group to or for the benefit of Executive could have been so paid or distributed (an "Underpayment"). In the event that the Determination Firm, based upon the assertion of a deficiency by the Internal Revenue Service against the Equity Group or Executive that the Determination Firm believes has a high probability of success determines that an Overpayment has been made, any such Overpayment paid or distributed by the Equity Group to or for the benefit of Executive will be repaid by Executive to the appropriate member of the Equity Group together with interest at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Code; *provided, however,* that no such repayment will be required if and to the extent such deemed repayment would not either reduce the amount on which Executive is subject to tax under Section 1 and Section 4999 of the Code or generate a refund of such taxes. In the event that the Determination Firm, based upon controlling precedent or substantial authority, determines that an Underpayment has occurred, any such Underpayment will be promptly paid by the Equity Group to or for the benefit of Executive, together with interest at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Code, but no later than March 15 of the year after the year in which the Underpayment is determined to exist, which is when the legally binding right to such Underpayment arises.

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(e) To the extent requested by Executive, the Bank will cooperate with the Executive in good faith in valuing, and the Determination Firm will take into account the value of, services provided or to be provided by Executive (including Executive's agreeing to refrain from performing services pursuant to a covenant not to compete or similar covenant) before, on or after the date of a change in ownership or control of Parent or the Bank (within the meaning of Q&A-2(b) of the final regulations under Section 280G of the Code), such that payments in respect of such services may be considered reasonable compensation within the meaning of Q&A-9 and Q&A-40 to Q&A-44 of the final regulations under Section 280G of the Code and/or exempt from the definition of the term "parachute payment" within the meaning of Q&A-2(a) of the final regulations under Section 280G of the Code in accordance with Q&A-5(a) of the final regulations under Section 280G of the Code.

## 8. Section 409A of the Code.

(a) The amounts payable pursuant to this Agreement are intended to be exempt from Section 409A of the Code and related U.S. treasury regulations or official pronouncements and will be construed in a manner that

is compliant with such exemption; *provided, however*, if and to the extent that any compensation payable under this Agreement is determined to be subject to Section 409A of the Code, this Agreement will be construed in a manner that will comply with Section 409A of the Code. The terms “termination of employment” and “separate from service” as used throughout this Agreement refer to a “separation from service” within the meaning of Section 409A of the Code. Any payments under this Agreement that may be excluded from Section 409A of the Code either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A of the Code to the maximum extent possible. For purposes of Section 409A of the Code, each installment payment provided under this Agreement shall be treated as a separate payment.

(b) If any benefits payable or otherwise provided under this Agreement would be deemed to constitute non-qualified deferred compensation subject to Section 409A of the Code, Parent or the Bank, as applicable, will have the discretion to adjust the terms of such payment or benefit (but not the amount or value thereof) as reasonably necessary to comply with the requirements of Section 409A of the Code to avoid the imposition of any excise tax or other penalty with respect to such payment or benefit under Section 409A of the Code.

(c) Notwithstanding any provision to the contrary in this Agreement, if Executive is deemed on the Termination Date to be a “specified employee” within the meaning of Section 409A of the Code, then any payments and benefits under this Agreement that are subject to Section 409A of the Code and paid by reason of a termination of employment will be made or provided on the later of (i) the payment date set forth in this Agreement or (ii) the date that is the earliest of (A) the expiration of the six-month period measured from the Termination Date, or (B) the date of Executive’s death (the “Delay Period”). Payments and benefits subject to the Delay Period will be paid or provided to Executive without interest for such delay.

Any expense reimbursement payable to Executive under the terms of this Agreement will be paid on or before March 15 of the calendar year following the calendar year in which such reimbursable expense was incurred. The amount of such reimbursements that the Bank is obligated to pay in any given calendar year will not affect the amount the Bank is obligated to pay in any other calendar year. In addition, Executive may not liquidate or exchange the right to reimbursement of such expenses for any other benefits.

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9. Binding Effect; Successors and Assigns. This Agreement will inure to the benefit of and be binding upon and enforceable by Executive and his estate, personal representatives, and heirs, and by Parent, the Bank and their respective successors and assigns. This Agreement and the payments hereunder may not be assigned, pledged or otherwise hypothecated by Executive. The Bank will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Bank to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Bank would be required to perform it if no such succession had taken place. As used in this Agreement, the “Bank” will mean the Bank as herein defined and any successor to their respective business or assets which assumes this Agreement by operation of law or otherwise.

10. Entire Agreement. This Agreement is intended by the parties hereto to constitute the entire understanding of the parties with respect to the employment of Executive as an employee and officer of the Bank following the Effective Time and supersedes and replaces any prior offer letter or employment agreement by and between the Bank and Executive.

11. Withholding of Taxes. Parent and the Bank may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as Parent or the Bank, as applicable, is required to withhold pursuant to any applicable

law, regulation or ruling.

**12. Dispute Resolution/Agreement to Arbitrate Claims.** To ensure the rapid and economical resolution of disputes that may arise in connection with Executive's employment with Parent and the Bank, Executive, Parent and the Bank agree that any and all disputes, claims, or causes of action, in law or equity, including but not limited to statutory claims, arising from or relating to the enforcement, breach, performance, or interpretation of this Agreement, Executive's employment with Parent or the Bank, or the termination of Executive's employment from Parent or the Bank, will be resolved pursuant to the Federal Arbitration Act, 9 U.S.C. §1, et seq. and to the fullest extent permitted by law, by final, binding and confidential arbitration, *provided* that neither party may initiate arbitration until 30 days after mediation with a mediator agreed upon by the parties, and where mediation does not result in resolution of the dispute.

**13. Except as provided below, Parent, the Bank and Executive agree that confidential arbitration is the exclusive, final and binding method for resolving all such claims.**

(a) **Claims Covered By this Agreement.** Disputes that are subject to arbitration under this Agreement include, but are not limited to, claims for wages or other compensation due, including claims for overtime; meal or rest break claims; claims for breach of any contract or covenant (express or implied); tort claims, including, but not limited to claims for defamation, intentional infliction of emotional distress, invasion of privacy, and all negligence-based claims; personal injury claims; claims for discrimination, harassment and/or retaliation in employment including, but not limited to claims under Title VII of the Civil Rights Act of 1964, the Fair Labor Standards Act, the Equal Pay Act, the Employee Retirement Income Security Act, the Family and Medical Leave Act, the Americans with Disabilities Act, the Age Discrimination in Employment Act, the Older Worker Benefit Protection Act, the Sarbanes-Oxley Act, all as they may have been amended from time to time, claims for misclassification, and claims for violation of common law or any other federal, state, or local laws relating to employment or separation from employment or benefits associated with employment or separation for employment.

(b) **Claims Not Covered By this Agreement.** Claims for workers' compensation, unemployment insurance, and claims for injunctive relief are not covered by this Agreement. Nothing in this Agreement is intended to prevent Executive from filing an administrative claim with the Equal Employment Opportunity Commission. Moreover, Executive, Parent or the Bank

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may bring an action in any court of competent jurisdiction to compel arbitration under this Agreement and/or enforce an arbitration award.

(c) **Arbitration Rules and Procedures.** The arbitration is to be conducted in or near Wichita, Kansas by JAMS, Inc. ("JAMS") or its successors before a mutually selected single neutral arbitrator, under JAMS' then applicable rules and procedures for employment disputes (which will be provided to Executive upon request); *provided* that the arbitrator shall: (i) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (ii) issue a written arbitration decision including the arbitrator's essential findings and conclusions on which the award was based and a statement of the award. Executive, Parent and the Bank each shall be entitled to all rights and remedies that either would be entitled to pursue in a court of law. Questions of whether a claim is subject to arbitration under this Agreement shall be decided by the arbitrator. Likewise, procedural questions which grow out of the dispute and bear on the final disposition are also matters for the arbitrator. To the maximum extent permitted by applicable law, all claims, disputes, or causes of action under this section, whether by Executive, Parent or the

Bank, must be brought in an individual capacity, and shall not be brought as a plaintiff (or claimant) or class member in any purported class or representative proceeding, nor joined or consolidated with the claims of any other person or entity. The Arbitrator may not consolidate the claims of more than one person or entity, and may not preside over any form of representative or class proceeding. **EACH OF EXECUTIVE, PARENT AND THE BANK ACKNOWLEDGE THAT BY AGREEING TO THIS ARBITRATION PROCEDURE, THEY WAIVE THE RIGHT TO RESOLVE ANY SUCH DISPUTE THROUGH A TRIAL BY JURY OR JUDGE OR ADMINISTRATIVE PROCEEDING.** The Bank shall pay all filing fees in excess of those which would be required if the dispute were decided in a court of law (that is, costs that are unique to arbitration) and shall pay the arbitrator's fee. Each party shall pay the fees of its attorneys, the expenses of its witnesses, and any other costs and expenses that the party incurs in connection with the arbitration; provided that an arbitrator may award attorneys' fees to the prevailing party, if the arbitrator determines in its sole discretion that such an award is permitted by applicable law. Any dispute as to whether a cost is unique to arbitration will be exclusively resolved by the arbitrator. Each of Executive, Parent and the Bank have the right to be represented by legal counsel at any arbitration proceeding. The arbitration proceedings will be confidential to the extent permitted by law. Executive, Parent and the Bank will maintain all information and documents exchanged in connection with and in the course of the arbitration as confidential, except to the extent the disclosure of such information or documentation is necessary to enforce any award or challenge any award as permitted by the applicable law.

(d) No Change in At-Will Employment. This agreement to arbitrate claims is not a contract of employment, expressed or implied, and Executive, Parent and the Bank acknowledge that Executive's employment is at-will and that this agreement does not change the "at-will" status of Executive's employment subject to the Bank's obligations under Sections 3 (b) and (d). **EACH OF EXECUTIVE, PARENT AND THE BANK ACKNOWLEDGE THAT THEY HAVE READ AND UNDERSTAND THE TERMS OF SECTION 12, AGREEMENT TO ARBITRATE CLAIMS, AND AGREE TO BE BOUND BY ITS TERMS.**

**14. Amendments.** This Agreement may not be amended or modified except in writing signed by both parties.

**15. Right to Setoff.** The Bank may, to the extent permitted by applicable law, deduct from and setoff against any amounts payable by the Bank to Executive under this Agreement or otherwise such amounts as may be owed by Executive to the Bank, although the Executive shall remain liable for any part of Executive's payment obligation not satisfied through such deduction and setoff. By signing this

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Agreement, Executive agrees to any deduction or setoff under this Section 15, to the maximum extent permitted by law.

**16. Waivers.** The failure of either party to insist upon the strict performance of any provision hereof will not constitute a waiver of such provision. All waivers must be in writing.

**17. Future Employers.** The Bank may notify anyone employing Executive or evidencing an intention to employ Executive as to the existence and provisions of this Agreement and may provide any such person or organization a copy of this Agreement. Executive agrees that for a period equal to the Restricted Period after Executive's termination of employment for any reason, Executive will provide the Bank the identity of any employer Executive goes to work for along with Executive's job title and anticipated job duties with any such employer.

**18. Governing Law.** This Agreement will be deemed to be made in and in all respects will be interpreted, construed and governed by and in accordance with the laws of the State of Kansas, excluding its conflicts of laws.

**19. Severability.** In the event any provision of this Agreement is held illegal or invalid, the remaining provisions of this Agreement will not be affected thereby.

**20. Definitions.** For purposes of this Agreement:

(a) **"Cause"** means any of the following acts or omissions by Executive: (i) any act or omission requiring the Bank to terminate Executive in order to comply with Section 19 of the Federal Deposit Insurance Act, 12 USC Section 1829(a), (ii) the commission of a felony or any other crime involving moral turpitude or the pleading of nolo contendere to any such act, (iii) the commission of any act or acts of dishonesty when such acts are intended to result or result, directly or indirectly, in gain or personal enrichment of Executive or any related person or affiliated company and are intended to cause harm or damage to any member of the Equity Group, (iv) the illegal use of controlled substances, (v) the misappropriation or embezzlement of assets of any member of the Equity Group, (vi) the breach of any material term or provision of this Agreement, (vii) a knowing and willful violation of a material business directive of the Direct Supervisor that is not remedied within a reasonable period after receipt of written notice from the Direct Supervisor, who may determine the reasonable cure period in such written notice; (viii) continuing or habitual drug or alcohol use that materially interferes with the performance of Executive's duties and responsibilities; or (ix) failure or refusal by Executive to substantially perform his duties to the reasonable satisfaction of the Direct Supervisor(s). The Bank may place Executive on paid leave for up to 60 days while it is determining whether there is a basis to terminate the Executive's employment for Cause. Any such action by the Bank will not constitute Good Reason.

(b) **"Change of Control"** means the occurrence, after the Effective Date, of any event described in (i), (ii) or (iii) below.

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (A) the then-outstanding equity interests of Parent (the "Outstanding Company Equity") or (B) the combined voting power of the then-outstanding voting securities of Parent entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that, for purposes of this Section 19(b)(i), the

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following acquisitions will not constitute a Change of Control: (1) any acquisition directly from Parent, (2) any acquisition by Parent, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Parent, the Bank, or any of their respective affiliates, or (4) any acquisition by any corporation or other entity pursuant to a transaction that complies with Section 19(b)(iii)(X), Section 19(b)(iii)(Y), or Section 19(b)(iii)(Z);

(ii) Any time at which individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by Parent's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board will be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect

to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Incumbent Board; or

(iii) Consummation of (A) a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving Parent or any of its subsidiaries, (B) a sale or other disposition of assets of Parent that have a total gross fair market value (i.e., determined without regard to any liabilities associated with such assets) equal to or more than 75% of the total gross fair market value of all of the assets of Parent immediately prior to such sale or other disposition, or (C) the acquisition of assets or equity interests of another entity by Parent or any of its subsidiaries (each, a **"Business Combination"**), in each case unless, following such Business Combination, (X) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Equity and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding equity interests and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors or equivalent body of the entity resulting from such Business Combination (including, without limitation, a corporation or other entity that, as a result of such transaction, owns Parent or all or substantially all of Parent's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Equity and the Outstanding Company Voting Securities, (Y) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) of Parent or such other entity resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of, respectively, the then-outstanding equity interests of the entity resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such entity, except to the extent that such ownership existed prior to the Business Combination, and (Z) at least a majority of the members of the board of directors of the corporation or equivalent body of any other entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination.

(c) **"Code"** means the Internal Revenue Code of 1986, as amended.

(d) **"Confidential Information"** means and includes the Equity Group's confidential and/or proprietary information and/or trade secrets that have been developed or used and/or will be developed and that cannot be obtained readily by third parties from outside sources. Confidential Information includes, by way of example and without limitation, the following: information regarding customers, employees, contractors, and the industry not generally known to the public; strategies, methods, books, records, and documents; technical information concerning products, equipment, services, and processes; procurement procedures and pricing techniques; the names of and other information concerning customers, investors, and business affiliates (such as contact name, service provided, pricing for that customer, amount of services used, credit and financial data, and/or other information relating to the Equity Group's relationship with that customer); pricing strategies and price curves; plans and strategies for expansion or acquisitions; budgets; customer lists; research; financial and sales data; trading terms; evaluations, opinions, and interpretations of information and data; marketing and merchandising techniques; prospective customers' names and marks; grids and maps; electronic databases; models; specifications; computer programs; internal business records; contracts benefiting or obligating the Equity

Group; bids or proposals submitted to any third party; technologies and methods; training methods and training processes; organizational structure; salaries of personnel; payment amounts or rates paid to consultants or other service providers; and other such confidential or proprietary information.

(e) **“Direct Supervisor”** means the individual(s) identified on Appendix A.

(f) **“Disability”** means the inability of Executive to perform the essential functions of his position with or without reasonable accommodation by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months.

(g) **“Good Reason”** means a termination of employment by Executive due to the occurrence of one (1) or more of the following events which are not corrected within thirty (30) days after receipt of written notice from Executive to the Board:

(i) Assignment to Executive of any duties or responsibilities which are materially inconsistent with the position or responsibilities of Executive with the Bank;

(ii) A material reduction in Executive's Base Salary;

(iii) The requiring of Executive to relocate his principal business office to any place outside a thirty (30) mile radius from Executive's current place of employment in Wichita, Kansas (reasonable required travel on Equity Group business will not constitute a relocation of Executive's principal business office); or

(iv) A material breach of any provision of this Agreement which is not timely corrected by Parent or the Bank, as applicable, upon thirty (30) days prior written notice from Executive;

*provided, however, that Executive must provide notice to the Board within ninety (90) days of obtaining knowledge of any of the events listed above and Executive must terminate his employment no later than 31 days from the date of Executive's written notice to the Board of the occurrence of any of the foregoing events in order for such termination to be deemed a termination for Good Reason.*

(h) **“Restricted Area”** means, as of any given date, any county in which the Bank has a physical location or has taken material steps to establish a physical location, and any county that is contiguous to any such county.

(i) **“Restricted Period”** means the period that begins on the Effective Date and ends twelve (12) months following the Termination Date.

**21. Survival.** Provisions of this Agreement will survive any termination of Executive's employment if so provided or if necessary or desirable to fully accomplish the purposes of the other surviving provisions, including, without limitation, the obligations of Executive under Section 4 and the obligations of the Bank under Sections 3.

**22. Counterparts.** This Agreement may be executed in counterparts (which may be exchanged by facsimile or e-mail), each of which is deemed an original, but which together will constitute one and the same instrument.

**23. Section Headings; Construction.** The section headings used in this Agreement are included solely for convenience and will not affect, or be used in connection with, the interpretation hereof. For purposes of this Agreement, the term "including" will mean "including, without limitation."

*[Signature Page Follows]*

**IN WITNESS WHEREOF**, the parties have executed this Agreement as of the day and year first above written.

**EQUITY BANK**

By: /s/ Brad S. Elliott

Name: Brad S. Elliott

Title: Chairman/CEO

**EXECUTIVE**

/s/ Christopher M. Navratil

Christopher M. Navratil

**For the limited purposes set forth herein:**

**EQUITY BANCSHARES, INC.**

By: /s/ Brad S. Elliott

Name: Brad S. Elliott

Title: Chairman/CEO

**APPENDIX A**

**Other Compensation and Benefits**

- A. **Country Club Membership.** During the Term, the Bank will pay Executive's reasonable membership expenses (including fees, dues, and related expenses) at such country club or clubs as approved by the Board (or a committee thereof). Reimbursements for such membership dues shall be paid monthly following Executive's submission of evidence, satisfactory to the Bank, of the membership dues incurred.
- B. **Vacation, Paid Time Off.** One hundred sixty (160) hours of paid vacation per calendar year (prorated for partial calendar year) to be used in accordance with the Bank's vacation policies, as in effect from time to time, and as may be modified. Executive will receive other paid time off in accordance with the Bank's policies for senior management as such policies may exist from time to time, and as may be modified.
- C. **Option Grant.** Executive shall receive a grant of EQBK stock options in the amount equal to \$150,000 on the first administratively possible date following the effective date of this Agreement. The strike price for such options shall be August 9, 2023. Such options will vest over a five-year period.
- D. **Other Benefit.** Executive shall be eligible for consideration for a periodic SERP award at the discretion of the Company's compensation committee.
- E. **Direct Supervisor(s).** Brad Elliott, Chairman/CEO and Rick Sems, President

**Exhibit 31.1**

## CERTIFICATION

I, Brad S. Elliott, certify that:

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

August **November** 9, 2023

/s/ Brad S. Elliott

Brad S. Elliott

Chairman and Chief Executive Officer

**Exhibit 31.2**

## CERTIFICATION

I, Eric R. Newell, Chris M. Navratil, certify that:

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

August **November** 9, 2023

/s/ Eric R. Newell Chris M. Navratil

Eric R. Newell Chris M. Navratil

Executive Vice President and Chief Financial Officer

**Exhibit 32.1**

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this report of Equity Bancshares, Inc. (the "Company") on Form 10-Q for the period ended **June 30, 2023**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brad S. Elliott, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

EQUITY BANCSHARES, INC.

**August** **November** 9, 2023

/s/ Brad S. Elliott

Brad S. Elliott

Chairman and Chief Executive Officer

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**Exhibit 32.2**

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this report of Equity Bancshares, Inc. (the "Company") on Form 10-Q for the period ended **June 30, 2023**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, **Eric R. Newell**, **Chris M. Navratil**, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

EQUITY BANCSHARES, INC.

**August** **November** 9, 2023

/s/ Eric R. Newell **Chris M. Navratil**

**Eric R. Newell** **Chris M. Navratil**



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