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 **March 31, 2022**
or
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from ___________ to __________.

Commission File Number **0-16587**

Summit Financial Group, Inc.
(Exact name of registrant as specified in its charter)

West Virginia (State or other jurisdiction of incorporation or organization)	**55-0672148** (IRS Employer Identification No.)
300 North Main Street **Moorefield, West Virginia** (Address of principal executive offices)	**26836** (Zip Code)

(304) 530-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☑ No ☐

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par Value $2.50 per share	SMMF	NASDAQ Global Select Market

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock as of the latest practicable date.

Common Stock, $2.50 par value

12,768,620 shares outstanding as of May 3, 2022

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Item 1. Financial Statements

Consolidated Balance Sheets (unaudited)

Dollars in thousands, except per share amounts	March 31, 2022 (unaudited)	December 31, 2021 (*)
ASSETS		
Cash and due from banks	**$ 18,404**	$ 21,006
Interest bearing deposits with other banks	**42,853**	57,452
Cash and cash equivalents	**61,257**	78,458
Debt securities available for sale (at fair value)	**374,855**	401,103
Debt securities held to maturity (at amortized cost; estimated fair value - $93,284 - 2022, $101,242 - 2021)	**97,589**	98,060
Less: allowance for credit losses	—	—
Debt securities held to maturity, net	**97,589**	98,060
Equity investments (at fair value)	20,574	20,202
Other investments	**10,974**	11,304
Loans held for sale	**265**	227
Loans, net of unearned fees	**2,850,621**	2,761,391
Less: allowance for credit losses	**(32,623)**	(32,298)
Loans, net	**2,817,998**	2,729,093
Property held for sale	**6,900**	9,858
Premises and equipment, net	**55,713**	56,371
Accrued interest and fees receivable	**11,022**	10,578
Goodwill and other intangible assets, net	**63,212**	63,590
Cash surrender value of life insurance policies and annuities	**70,825**	60,613
Derivative financial instruments	24,455	11,187
Other assets	**28,052**	26,075
Total assets	**$ 3,643,691**	$ 3,576,719
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits		
Non-interest bearing	**$ 629,002**	$ 568,986
Interest bearing	**2,379,061**	2,374,103
Total deposits	**3,008,063**	2,943,089
Short-term borrowings	**140,146**	140,146
Long-term borrowings	**674**	679
Subordinated debentures, net	**102,997**	102,891
Subordinated debentures owed to unconsolidated subsidiary trusts	**19,589**	19,589
Other liabilities	**41,756**	42,852
Total liabilities	**3,313,225**	3,249,246
Commitments and Contingencies		
Shareholders' Equity		
Preferred stock, $1.00 par value, authorized 250,000 shares; issued: 2022 and 2021- 1,500	**14,920**	14,920
Common stock and related surplus, $2.50 par value; authorized 20,000,000 shares; issued: 2022 - 12,768,620 shares and 2021 - 12,763,827 shares; outstanding: 2022 - 12,753,094 shares and 2021 - 12,743,125	**89,842**	89,525
Unallocated common stock held by Employee Stock Ownership Plan - 2022 - 15,526 shares and 2021 - 20,702 shares	**(167)**	(224)
Retained earnings	**226,944**	217,770
Accumulated other comprehensive (loss) income	**(1,073)**	5,482
Total shareholders' equity	**330,466**	327,473
Total liabilities and shareholders' equity	**$ 3,643,691**	$ 3,576,719

(*) - Derived from audited consolidated financial statements

See Notes to Consolidated Financial Statements

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Consolidated Statements of Income (unaudited)

	For the Three Months Ended March 31,	
Dollars in thousands (except per share amounts)	**2022**	**2021**
Interest income		
Loans, including fees		
Taxable	**$ 30,178**	$ 27,419
Tax-exempt	**46**	119
Securities		
Taxable	**1,656**	1,295
Tax-exempt	**967**	862
Interest on interest bearing deposits with other banks	**46**	67
Total interest income	**32,893**	29,762
Interest expense		
Deposits	**1,727**	2,496
Short-term borrowings	**373**	469
Long-term borrowings and subordinated debentures	**1,239**	545
Total interest expense	**3,339**	3,510
Net interest income	**29,554**	26,252
Provision for credit losses	**1,950**	1,500
Net interest income after provision for credit losses	**27,604**	24,752
Noninterest income		
Trust and wealth management fees	**757**	638
Mortgage origination revenue	**339**	998
Service charges on deposit accounts	**1,401**	1,100
Bank card revenue	**1,491**	1,341
Realized (losses) gains on debt securities, net	**(152)**	476
Gain on equity investments	**372**	—
Bank owned life insurance and annuities income	**283**	298
Other	**54**	123
Total noninterest income	**4,545**	4,974
Noninterest expenses		
Salaries, commissions and employee benefits	**9,700**	8,435
Net occupancy expense	**1,242**	1,174
Equipment expense	**1,843**	1,581
Professional fees	**362**	338
Advertising and public relations	**172**	90
Amortization of intangibles	**378**	405
FDIC premiums	**390**	277
Bank card expense	**714**	573
Foreclosed properties expense, net of (gains)/losses	**(90)**	227
Acquisition-related expenses	**29**	440
Other	**2,459**	2,893
Total noninterest expenses	**17,199**	16,433
Income before income tax expense	**14,950**	13,293
Income tax expense	**3,257**	2,933
Net income	**11,693**	10,360
Preferred stock dividends	**225**	—
Net income applicable to common shares	**$ 11,468**	$ 10,360
Basic earnings per common share	**$ 0.90**	$ 0.80
Diluted earnings per common share	**$ 0.90**	$ 0.80

See Notes to Consolidated Financial Statements

Consolidated Statements of Comprehensive Income (unaudited)

Dollars in thousands	For the Three Months Ended March 31, 2022	2021
Net income	**$ 11,693**	$ 10,360
Other comprehensive (loss) income:		
Net unrealized gain on cashflow hedges of:		
2022 - $11,133, net of deferred taxes of $(2,672); 2021 - $8,013, net of deferred taxes of $(1,923)	**8,461**	6,090
Net unrealized gain on fair value hedge of available for sale securities of:		
2022 - $2,724, net of deferred taxes of $(654)	**2,070**	—
Net unrealized loss on debt securities available for sale of:		
2022 - $(22,482), net of deferred taxes of $5,396 and reclassification adjustment for net realized losses included in net income of $(152), net of tax of $36; 2021 - $(3,575), net of deferred taxes of $858 and reclassification adjustment for net realized gains included in net income of $476, net of tax of $(114)	**(17,086)**	(2,717)
Total other comprehensive (loss) income	**(6,555)**	3,373
Total comprehensive income	**$ 5,138**	$ 13,733

See Notes to Consolidated Financial Statements

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Consolidated Statements of Shareholders' Equity (unaudited)

Dollars in thousands, except per share amounts	Preferred Stock and Related Surplus	Common Stock and Related Surplus	Unallocated Common Stock Held by ESOP	Retained Earnings	Accumulated Other Compre-hensive (Loss) Income	Total Share-holders' Equity
Balance December 31, 2021	$ 14,920	$ 89,525	$ (224)	$ 217,770	$ 5,482	$ 327,473
Three Months Ended March 31, 2022						
Net income	—	—	—	**11,693**	—	**11,693**
Other comprehensive loss	—	—	—	—	**(6,555)**	**(6,555)**
Exercise of SARs - 390 shares	—	—	—	—	—	—
Vesting of RSUs - 1,846 shares	—	—	—	—	—	—
Share-based compensation expense	—	**169**	—	—	—	**169**
Unallocated ESOP shares committed to be released - 5,176 shares	—	**83**	**57**	—	—	**140**
Common stock issuances from reinvested dividends - 2,557 shares	—	**65**	—	—	—	**65**
Preferred stock cash dividends declared	—	—	—	(225)	—	**(225)**
Common stock cash dividends declared ($0.18 per share)	—	—	—	**(2,294)**	—	**(2,294)**
Balance, March 31, 2022	**$ 14,920**	**$ 89,842**	**$ (167)**	**$ 226,944**	**$ (1,073)**	**$ 330,466**
Balance December 31, 2020	$ —	$ 94,964	$ (472)	$ 181,643	$ 5,445	$ 281,580
Three Months Ended March 31, 2021						
Net income	—	—	—	10,360	—	10,360
Other comprehensive income		—	—	—	3,373	3,373
Exercise of SARs - 380 shares	—	—	—	—	—	—
Share-based compensation expense	—	126	—	—	—	126
Unallocated ESOP shares committed to be released - 5,751 shares	—	74	62	—	—	136
Common stock issuances from reinvested dividends - 2,579 shares	—	70	—	—	—	70
Common stock cash dividends declared ($0.17 per share)	—	—	—	(2,200)	—	(2,200)
Balance, March 31, 2021	$ —	$ 95,234	$ (410)	$ 189,803	$ 8,818	$ 293,445

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows (unaudited)

Dollars in thousands	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Cash Flows from Operating Activities		
Net income	**$ 11,693**	$ 10,360
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**930**	859
Provision for credit losses	**1,950**	1,500
Share-based compensation expense	**169**	126
Deferred income tax expense (benefit)	**661**	(127)
Loans originated for sale	**(8,891)**	(38,748)
Proceeds from sale of loans	**9,006**	38,413
Gains on loans held for sale	**(153)**	(750)
Realized losses (gains) on debt securities, net	**152**	(476)
Gains on equity investments	(372)	—
(Gain) loss on disposal of assets	**(109)**	138
Write-downs of foreclosed properties	**24**	23
Amortization of securities premiums, net	**1,255**	948
Accretion related to acquisition adjustments, net	**(357)**	(371)
Amortization of intangibles	**378**	405
Earnings on bank owned life insurance and annuities	**(212)**	(302)
(Increase) decrease in accrued interest receivable	**(444)**	1,335
Increase in other assets	**(332)**	(163)
(Decrease) increase in other liabilities	**(512)**	2,348
Net cash provided by operating activities	**14,836**	15,518
Cash Flows from Investing Activities		
Proceeds from maturities and calls of debt securities available for sale	**210**	2,825
Proceeds from sales of debt securities available for sale	**16,092**	5,117
Principal payments received on debt securities available for sale	**8,730**	7,222
Purchases of debt securities available for sale	**(22,202)**	(44,012)
Purchases of other investments	**(304)**	—
Proceeds from redemptions of other investments	**304**	3,138
Net loan originations	**(90,457)**	(40,428)
Purchases of premises and equipment	**(320)**	(1,611)
Proceeds from sales of repossessed assets & property held for sale	**3,063**	1,534
Purchase of life insurance contracts and annuities	**(10,000)**	—
Net cash used in investing activities	**(94,884)**	(66,215)
Cash Flows from Financing Activities		
Net increase in demand deposit, NOW and savings accounts	**71,595**	153,810
Net decrease in time deposits	**(6,289)**	(24,168)
Repayment of long-term borrowings	**(5)**	(5)
Proceeds from issuance of common stock, net of issuance costs	**65**	70
Dividends paid on common stock	**(2,294)**	(2,200)
Dividends paid on preferred stock	**(225)**	—
Net cash provided by financing activities	**62,847**	127,507
(Decrease) increase in cash and cash equivalents	**(17,201)**	76,810
Cash and cash equivalents:		
Beginning	**78,458**	99,787
Ending	**$ 61,257**	$ 176,597
Supplemental Disclosures of Cash Flow Information		
Cash payments for:		
Interest	**$ 2,680**	$ 3,302

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NOTE 1. BASIS OF PRESENTATION

We, Summit Financial Group, Inc. and subsidiaries, prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America for interim financial information and with instructions to Form 10-Q and Regulation S-X. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for annual year end financial statements. In our opinion, all adjustments considered necessary for a fair presentation have been included and are of a normal recurring nature.

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from these estimates. You should carefully consider each risk factor discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021.

The results of operations for the three months ended March 31, 2022 are not necessarily indicative of the results to be expected for the full year. The consolidated financial statements and notes included herein should be read in conjunction with our 2021 audited financial statements and Annual Report on Form 10-K.

NOTE 2. SIGNIFICANT NEW AUTHORITATIVE ACCOUNTING GUIDANCE

Recently Adopted

In October 2020, the FASB issued ASU 2020-08 *Codification Improvements to Subtopic 310-20, Receivables – Nonrefundable fees and Other Costs* which clarifies that an entity should reevaluate whether a callable debt security is within the scope of ASC paragraph 310-20-35-33 for each reporting period. For public business entities, the ASU is effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is not permitted. All entities should apply ASU No. 2020-08 on a prospective basis as of the beginning of the period of adoption for existing or newly purchased callable debt securities. The adoption of ASU 2020-08 did not have a material impact on our consolidated financial statements.

Pending Adoption

In March 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-04 *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* which provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. The ASU provides optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued. It is intended to help stakeholders during the global market-wide reference rate transition period. The guidance is effective for all entities as of March 12, 2020 through December 31, 2022. At this time, we do not anticipate any material adverse impact to our business operation or financial results during the period of transition.

In October 2021, the FASB issued ASU 2021-08 *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The ASU requires entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination. The amendments improve comparability after the business combination by providing consistent recognition and measurement guidance for revenue contracts with customers acquired in a business combination and revenue contracts with customers not acquired in a business combination. The ASU is effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2022. Entities should apply the amendments prospectively and early adoption is permitted. We do not expect the adoption of ASU 2021-08 to have a material impact on our consolidated financial statements.

In March 2022, the Financial Accounting Standards Board (FASB) issued ASU No. 2022-01, *Derivatives and Hedging (Topic 815), Fair Value Hedging—Portfolio Layer Method.* ASU 2022-01 clarifies the guidance in ASC 815 on fair value hedge accounting of interest rate risk for portfolios of financial assets and is intended to better align hedge accounting with an organization's risk management strategies. In 2017, FASB issued ASU 2017-12 to better align the economic results of risk management activities with hedge accounting. One of the major provisions of that standard was the addition of the last-of-layer hedging method. For a closed portfolio of fixed-rate prepayable financial assets or one or more beneficial interests secured by a portfolio of prepayable financial instruments, such as mortgages or mortgage-backed securities, the last-of-layer method allows an entity to hedge its exposure to fair value changes due to changes in interest rates for a portion of the portfolio that is not expected to be affected by prepayments, defaults, and other events affecting the timing and amount of cash flows. ASU 2022-01 renames that method the portfolio layer method. For public business entities, ASU 2022-01 is effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. We do not expect the adoption of ASU 2022-01 to have a material impact on our consolidated financial statements.

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. ASU 2022-02 eliminates the accounting guidance for troubled debt restructurings in ASC Subtopic 310-40, *Receivables - Troubled Debt Restructurings by Creditors*, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Additionally, ASU 2022-02 requires entities to disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of ASC Subtopic 3126-20, *Financial Instruments - Credit Losses - Measured at Amortized Cost*. ASU 2022-02 will be effective for us on January 1, 2023 though early adoption is permitted. The adoption of ASU 2022-02 is not expected to have a significant impact on our financial statements.

NOTE 3. FAIR VALUE MEASUREMENTS

The table below presents the recorded amount of assets and liabilities measured at fair value on a recurring basis.

	Balance at	Fair Value Measurements Using:		
Dollars in thousands	**March 31, 2022**	**Level 1**	**Level 2**	**Level 3**
Debt securities available for sale				
U.S. Government sponsored agencies	$ 33,899	$ —	$ 33,899	$ —
Mortgage backed securities:				
Government sponsored agencies	57,193	—	57,193	—
Nongovernment sponsored entities	32,280	—	32,280	—
State and political subdivisions	111,949	—	111,949	—
Corporate debt securities	32,366	—	32,366	—
Asset-backed securities	24,077	—	24,077	—
Tax-exempt state and political subdivisions	83,091	—	83,091	—
Total debt securities available for sale	$ 374,855	$ —	$ 374,855	$ —
Derivative financial assets				
Interest rate caps	$ 20,953	$ —	$ 20,953	$ —
Interest rate swaps	3,502	—	3,502	—

	Balance at	Fair Value Measurements Using:		
Dollars in thousands	**December 31, 2021**	**Level 1**	**Level 2**	**Level 3**
Debt securities available for sale				
U.S. Government sponsored agencies	$ 36,629	$ —	$ 36,629	$ —
Mortgage backed securities:				
Government sponsored agencies	62,211	—	62,211	—
Nongovernment sponsored entities	26,586	—	26,586	—
State and political subdivisions	137,786	—	137,786	—
Corporate debt securities	30,278	—	30,278	—
Asset-backed securities	24,883	—	24,883	—
Tax-exempt state and political subdivisions	82,730	—	82,730	—
Total debt securities available for sale	$ 401,103	$ —	$ 401,103	$ —
Derivative financial assets				
Interest rate caps	$ 11,187	$ —	$ 11,187	$ —
Derivative financial liabilities				
Interest rate swaps	$ 1,124	$ —	$ 1,124	$ —

We may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with U.S. generally accepted accounting principles. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. Assets measured at fair value on a nonrecurring basis are included in the table below.

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Dollars in thousands	Balance at March 31, 2022	Fair Value Measurements Using: Level 1	Level 2	Level 3
Residential mortgage loans held for sale	$ 265	$ —	$ 265	$ —
Collateral-dependent loans with an ACLL				
Commercial real estate	$ 3,051	$ —	$ 3,051	$ —
Construction and development	350	—	350	—
Residential real estate	337	—	182	155
Total collateral-dependent loans with an ACLL	$ 3,738	$ —	$ 3,583	$ 155
Property held for sale				
Commercial real estate	$ 1,163	$ —	$ 1,163	$ —
Construction and development	5,350	—	5,350	—
Residential real estate	—	—	—	—
Total property held for sale	$ 6,513	$ —	$ 6,513	$ —

Dollars in thousands	Balance at December 31, 2021	Fair Value Measurements Using: Level 1	Level 2	Level 3
Residential mortgage loans held for sale	$ 227	$ —	$ 227	$ —
Collateral-dependent loans with an ACLL				
Commercial real estate	$ 2,417	$ —	$ 2,417	$ —
Construction and development	693	—	693	—
Residential real estate	528	—	528	—
Total collateral-dependent loans with an ACLL	$ 3,638	$ —	$ 3,638	$ —
Property held for sale				
Commercial real estate	$ 1,170	$ —	$ 1,170	$ —
Construction and development	7,893	—	7,893	—
Residential real estate	27	—	27	—
Total property held for sale	$ 9,090	$ —	$ 9,090	$ —

The carrying values and estimated fair values of our financial instruments are summarized below:

	March 31, 2022		Fair Value Measurements Using:		
Dollars in thousands	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets					
Cash and cash equivalents	$ 61,257	$ 61,257	$ 18,404	$ 42,853	$ —
Debt securities available for sale	374,855	374,855	—	374,855	—
Debt securities held to maturity	97,589	93,284	—	93,284	—
Equity investments	20,574	20,574	—	20,574	—
Other investments	10,974	10,974	—	10,974	—
Loans held for sale, net	265	265	—	265	—
Loans, net	2,817,998	2,864,756	—	3,583	2,861,173
Accrued interest receivable	11,022	11,022	—	11,022	—
Cash surrender value of life insurance policies and annuities	70,825	70,825	—	70,825	—
Derivative financial assets	24,455	24,455	—	24,455	—
	$ 3,489,814	$ 3,532,267	$ 18,404	$ 652,690	$ 2,861,173
Financial liabilities					
Deposits	$ 3,008,063	$ 2,893,414	$ —	$ 2,893,414	$ —
Short-term borrowings	140,146	140,146	—	140,146	—
Long-term borrowings	674	743	—	743	—
Subordinated debentures	102,997	104,624	—	—	104,624
Subordinated debentures owed to unconsolidated subsidiary trusts	19,589	19,589	—	19,589	—
Accrued interest payable	1,548	1,548	—	1,548	—
	$ 3,273,017	$ 3,160,064	$ —	$ 3,055,440	$ 104,624

	December 31, 2021		Fair Value Measurements Using:		
Dollars in thousands	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets					
Cash and cash equivalents	$ 78,458	$ 78,458	$ 21,006	$ 57,452	$ —
Debt securities available for sale	401,103	401,103	—	401,103	—
Debt securities held to maturity	98,060	101,242	—	101,242	—
Equity investments	20,202	20,202	—	20,202	—
Other investments	11,304	11,304	—	11,304	—
Loans held for sale, net	227	227	—	227	—
Loans, net	2,729,093	2,726,959	—	3,638	2,723,321
Accrued interest receivable	10,578	10,578	—	10,578	—
Cash surrender value of life insurance policies and annuities	60,613	60,613	—	60,613	—
Derivative financial assets	11,187	11,187	—	11,187	—
	$ 3,420,825	$ 3,421,873	$ 21,006	$ 677,546	$ 2,723,321
Financial liabilities					
Deposits	$ 2,943,089	$ 2,944,722	$ —	$ 2,944,722	$ —
Short-term borrowings	140,146	140,146	—	140,146	—
Long-term borrowings	679	795	—	795	—
Subordinated debentures	102,891	103,623	—	—	103,623
Subordinated debentures owed to unconsolidated subsidiary trusts	19,589	19,589	—	19,589	—
Accrued interest payable	788	788	—	788	—
Derivative financial liabilities	1,124	1,124	—	1,124	—
	$ 3,208,306	$ 3,210,787	$ —	$ 3,107,164	$ 103,623

NOTE 4. EARNINGS PER SHARE

The computations of basic and diluted earnings per share follow:

	For the Three Months Ended March 31,					
	2022			2021		
Dollars in thousands,except per share amounts	Net Income (Numerator)	Common Shares (Denominator)	Per Share	Net Income (Numerator)	Common Shares (Denominator)	Per Share
Net income	$ 11,693			$ 10,360		
Less preferred stock dividends	(225)			—		
Basic earnings per share	$ 11,468	12,745,297	$ 0.90	$ 10,360	12,942,099	$ 0.80
Effect of dilutive securities:						
Stock options		—			4,511	
Stock appreciation rights ("SARs")		51,681			49,781	
Restricted stock units ("RSUs")		4,925			5,671	
Diluted earnings per share	$ 11,468	12,801,903	$ 0.90	$ 10,360	13,002,062	$ 0.80

Stock option and SAR grants are disregarded in this computation if they are determined to be anti-dilutive. All stock options were dilutive for the three months ended March 31, 2021. Our anti-dilutive SARs for the three months ended March 31, 2022 and March 31, 2021 were 346,920 and 222,740, respectively.

NOTE 5. DEBT SECURITIES

Debt Securities Available for Sale

The amortized cost, unrealized gains, unrealized losses and estimated fair values of debt securities available for sale at March 31, 2022 and December 31, 2021 are summarized as follows:

	March 31, 2022			
	Amortized	Unrealized		Estimated
Dollars in thousands	Cost	Gains	Losses	Fair Value
Debt Securities Available for Sale				
Taxable debt securities				
U.S. Government and agencies and corporations	$ 34,193	$ 131	$ 425	$ 33,899
Residential mortgage-backed securities:				
Government-sponsored agencies	58,521	410	1,738	57,193
Nongovernment-sponsored entities	32,859	18	597	32,280
State and political subdivisions				
General obligations	76,033	3	8,876	67,160
Various tax revenues	13,023	8	1,170	11,861
Other revenues	35,490	34	2,596	32,928
Corporate debt securities	32,818	30	482	32,366
Asset-backed securities	24,319	38	280	24,077
Total taxable debt securities	307,256	672	16,164	291,764
Tax-exempt debt securities				
State and political subdivisions				
General obligations	49,441	375	2,953	46,863
Water and sewer revenues	10,510	76	505	10,081
Lease revenues	7,945	144	232	7,857
Various tax revenues	9,631	21	796	8,856
Other revenues	10,096	56	718	9,434
Total tax-exempt debt securities	87,623	672	5,204	83,091
Total debt securities available for sale	$ 394,879	$ 1,344	$ 21,368	$ 374,855

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Dollars in thousands	December 31, 2021 Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Debt Securities Available for Sale				
Taxable debt securities				
U.S. Government and agencies and corporations	$ 36,820	$ 169	$ 360	$ 36,629
Residential mortgage-backed securities:				
Government-sponsored agencies	61,646	1,153	588	62,211
Nongovernment-sponsored entities	26,839	26	279	26,586
State and political subdivisions				
General obligations	78,627	377	1,323	77,681
Water and sewer revenues	9,839	294	—	10,133
Lease revenues	6,401	215	26	6,590
Income tax revenues	6,487	250	3	6,734
Sales tax revenues	6,909	19	99	6,829
Various tax revenues	13,031	218	203	13,046
Utility revenues	7,153	137	130	7,160
Other revenues	9,291	331	9	9,613
Corporate debt securities	30,524	78	324	30,278
Asset-backed securities	24,873	97	87	24,883
Total taxable debt securities	318,440	3,364	3,431	318,373
Tax-exempt debt securities				
State and political subdivisions				
General obligations	47,583	1,526	270	48,839
Water and sewer revenues	10,618	375	15	10,978
Lease revenues	7,974	553	31	8,496
Other revenues	14,028	405	16	14,417
Total tax-exempt debt securities	80,203	2,859	332	82,730
Total debt securities available for sale	$ 398,643	$ 6,223	$ 3,763	$ 401,103

Accrued interest receivable on debt securities available for sale totaled $2.5 million and $2.3 million at March 31, 2022 and December 31, 2021 and is included in accrued interest and fees receivable in the accompanying consolidated balance sheets.

The below information is relative to the five states where issuers with the highest volume of state and political subdivision securities held in our available for sale portfolio are located. We own no such securities of any single issuer which we deem to be a concentration.

Dollars in thousands	March 31, 2022 Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
California	$ 47,963	$ 71	$ 4,832	$ 43,202
Texas	23,385	66	2,324	21,127
Pennsylvania	14,101	123	848	13,376
Oregon	14,751	—	1,928	12,823
Washington	12,737	60	851	11,946

Management performs pre-purchase and ongoing analysis to confirm that all investment securities meet applicable credit quality standards.

The maturities, amortized cost and estimated fair values of debt securities available for sale at March 31, 2022, are summarized as follows:

Dollars in thousands	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 35,137	$ 34,887
Due from one to five years	83,090	82,135
Due from five to ten years	58,133	56,755
Due after ten years	218,519	201,078
Total	$ 394,879	$ 374,855

The proceeds from sales, calls and maturities of debt securities available for sale, including principal payments received on mortgage-backed obligations, and the related gross gains and losses realized, for the three months ended March 31, 2022 and 2021 are as follows:

	Proceeds from			Gross realized	
Dollars in thousands	Sales	Calls and Maturities	Principal Payments	Gains	Losses
For the Three Months Ended March 31,					
2022	$ 16,092	$ 210	$ 8,730	$ 97	$ 249
2021	$ 5,117	$ 2,825	$ 7,222	$ 476	$ —

Provided below is a summary of debt securities available for sale which were in an unrealized loss position at March 31, 2022 and December 31, 2021.

	March 31, 2022						
		Less than 12 months		12 months or more		Total	
Dollars in thousands	# of securities in loss position	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
Taxable debt securities							
U.S. Government agencies and corporations	43	$ 6,306	$ 63	$ 21,545	$ 362	$ 27,851	$ 425
Residential mortgage-backed securities:							
Government-sponsored agencies	34	30,776	1,505	7,310	233	38,086	1,738
Nongovernment-sponsored entities	10	13,596	388	4,708	209	18,304	597
State and political subdivisions:							
General obligations	53	64,626	8,640	1,539	236	66,165	8,876
Various tax revenues	8	8,565	843	1,494	327	10,059	1,170
Other revenues	22	25,515	2,596	—	—	25,515	2,596
Corporate debt securities	17	15,346	364	2,896	118	18,242	482
Asset-backed securities	12	14,888	123	2,653	157	17,541	280
Tax-exempt debt securities							
State and political subdivisions:							
General obligations	17	30,383	2,917	821	36	31,204	2,953
Water and sewer revenues	6	4,792	505	—	—	4,792	505
Lease revenues	2	3,291	232	—	—	3,291	232
Various tax revenues	5	7,049	782	143	14	7,192	796
Other revenues	4	7,062	718	—	—	7,062	718
Total	233	$ 232,195	$ 19,676	$ 43,109	$ 1,692	$ 275,304	$ 21,368

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		December 31, 2021					
		Less than 12 months		12 months or more		Total	
Dollars in thousands	# of securities in loss position	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
Taxable debt securities							
U.S. Government agencies and corporations	41	$ 6,630	$ 23	$ 21,061	$ 337	$ 27,691	$ 360
Residential mortgage-backed securities:							
Government-sponsored agencies	19	19,828	376	6,886	212	26,714	588
Nongovernment-sponsored entities	6	4,345	61	7,591	218	11,936	279
State and political subdivisions:							
General obligations	41	62,543	1,286	1,055	37	63,598	1,323
Lease revenues	2	1,564	14	494	12	2,058	26
Income tax revenues	1	721	3	—	—	721	3
Sales tax revenues	2	6,052	99	—	—	6,052	99
Various tax revenues	5	8,389	203	—	—	8,389	203
Utility revenues	3	5,175	130	—	—	5,175	130
Other revenues	1	744	9	—	—	744	9
Corporate debt securities	10	10,534	314	990	10	11,524	324
Asset-backed securities	8	10,522	86	751	1	11,273	87
Tax-exempt debt securities							
State and political subdivisions:							
General obligations	13	25,555	261	853	9	26,408	270
Water and sewer revenues	1	904	15	—	—	904	15
Lease revenues	1	2,396	31	—	—	2,396	31
Other revenues	3	3,558	15	156	1	3,714	16
Total	157	$ 169,460	$ 2,926	$ 39,837	$ 837	$ 209,297	$ 3,763

We do not intend to sell the above securities, and it is more likely than not that we will not be required to sell these securities before recovery of their amortized cost bases. We believe that this decline in value is primarily attributable to changes in market interest rates, and in some cases limited market liquidity and is not due to credit quality as none of these securities are in default and all carry above investment grade ratings. Accordingly, no allowance for credit losses has been recognized relative to these securities.

Debt Securities Held to Maturity

The amortized cost, unrealized gains, unrealized losses and estimated fair values of debt securities held to maturity at March 31, 2022 and December 31, 2021 are summarized as follows:

	March 31, 2022			
	Amortized	Unrealized		Estimated
Dollars in thousands	Cost	Gains	Losses	Fair Value
Debt Securities Held to Maturity				
Tax-exempt debt securities				
State and political subdivisions				
General obligations	$ 71,458	$ —	$ 2,834	$ 68,624
Water and sewer revenues	8,146	—	300	7,846
Lease revenues	4,295	—	314	3,981
Sales tax revenues	4,566	—	282	4,284
Various tax revenues	5,574	—	458	5,116
Other revenues	3,550	—	117	3,433
Total debt securities held to maturity	$ 97,589	$ —	$ 4,305	$ 93,284

	December 31, 2021			
	Amortized	Unrealized		Estimated
Dollars in thousands	Cost	Gains	Losses	Fair Value
Debt Securities Held to Maturity				
Tax-exempt debt securities				
State and political subdivisions				
General obligations	$ 71,807	$ 2,583	$ —	$ 74,390
Water and sewer revenues	8,192	210	—	8,402
Lease revenues	4,316	74	—	4,390
Sales tax revenues	4,582	106	—	4,688
Other revenues	9,163	214	5	9,372
Total debt securities held to maturity	$ 98,060	$ 3,187	$ 5	$ 101,242

Accrued interest receivable on debt securities held to maturity totaled $937,000 and $1.1 million at March 31, 2022 and December 31, 2021, respectively and is included in accrued interest and fees receivable in the accompanying consolidated balance sheets.

The below information is relative to the five states where issuers with the highest volume of state and political subdivision securities held in our held to maturity portfolio are located. We own no such securities of any single issuer which we deem to be a concentration.

	March 31, 2022			
	Amortized	Unrealized		Estimated
Dollars in thousands	Cost	Gains	Losses	Fair Value
Texas	$ 15,326	$ —	$ 498	$ 14,828
California	9,823	—	357	9,466
Pennsylvania	8,596	—	281	8,315
Florida	7,563	—	406	7,157
Michigan	7,001	—	365	6,636

The following table displays the amortized cost of held to maturity debt securities by credit rating at March 31, 2022 and December 31, 2021.

	March 31, 2022				
Dollars in thousands	AAA	AA	A	BBB	Below Investment Grade
Tax-exempt state and political subdivisions	$ 13,024	$ 77,101	$ 7,464	$ —	$ —

	December 31, 2021				
Dollars in thousands	AAA	AA	A	BBB	Below Investment Grade
Tax-exempt state and political subdivisions	$ 15,450	$ 75,119	$ 7,491	$ —	$ —

We owned no past due or nonaccrual held to maturity debt securities at March 31, 2022 or December 31, 2021.

The maturities, amortized cost and estimated fair values of held to maturity debt securities at March 31, 2022, are summarized as follows:

Dollars in thousands	Amortized Cost	Estimated Fair Value
Due in one year or less	$ —	$ —
Due from one to five years	—	—
Due from five to ten years	2,858	2,691
Due after ten years	94,731	90,593
Total	$ 97,589	$ 93,284

There were no proceeds from calls and maturities of debt securities held to maturity for the three months ended March 31, 2022 or for the year ended December 31, 2021.

At March 31, 2022, no allowance for credit losses on debt securities held to maturity has been recognized.

NOTE 6. LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS

Loans

The following table presents the amortized cost of loans held for investment:

Dollars in thousands	March 31, 2022	December 31, 2021
Commercial	$ 447,482	$ 365,301
Commercial real estate - owner occupied		
Professional & medical	148,502	150,759
Retail	189,003	190,304
Other	153,779	143,645
Commercial real estate - non-owner occupied		
Hotels & motels	143,082	128,450
Mini-storage	54,083	59,045
Multifamily	272,113	233,157
Retail	172,598	162,758
Other	268,072	282,621
Construction and development		
Land & land development	103,203	100,805
Construction	171,384	146,038
Residential 1-4 family real estate		
Personal residence	256,872	262,805
Rental - small loan	118,368	121,989
Rental - large loan	81,443	79,108
Home equity	70,770	72,112
Mortgage warehouse lines	164,896	227,869
Consumer	32,095	31,923
Other		
Credit cards	1,991	1,891
Overdrafts	885	811
Total loans, net of unearned fees	2,850,621	2,761,391
Less allowance for credit losses - loans	32,623	32,298
Loans, net	$ 2,817,998	$ 2,729,093

Accrued interest and fees receivable on loans totaled $6.4 million and $7.2 million at March 31, 2022 and December 31, 2021, respectively and is included in accrued interest and fees receivable in the accompanying consolidated balance sheets.

The following table presents the contractual aging of the amortized cost basis of past due loans by class as of March 31, 2022 and December 31, 2021.

	At March 31, 2022					
	Past Due					
Dollars in thousands	30-59 days	60-89 days	90 days or more	Total	Current	90 days or more and Accruing
Commercial	$ 395	$ 17	$ 151	$ 563	$ 446,919	$ —
Commercial real estate - owner occupied						
Professional & medical	46	—	—	46	148,456	—
Retail	—	676	405	1,081	187,922	—
Other	326	—	—	326	153,453	—
Commercial real estate - non-owner occupied						
Hotels & motels	—	—	—	—	143,082	—
Mini-storage	1	—	—	1	54,082	—
Multifamily	—	—	53	53	272,060	—
Retail	65	—	261	326	172,272	—
Other	—	331	—	331	267,741	—
Construction and development						
Land & land development	646	—	968	1,614	101,589	—
Construction	—	—	—	—	171,384	—
Residential 1-4 family real estate						
Personal residence	2,793	1,089	1,457	5,339	251,533	—
Rental - small loan	569	33	620	1,222	117,146	—
Rental - large loan	—	—	—	—	81,443	—
Home equity	36	42	115	193	70,577	—
Mortgage warehouse lines	—	—	—	—	164,896	—
Consumer	53	17	—	70	32,025	—
Other						
Credit cards	16	12	19	47	1,944	19
Overdrafts	—	—	—	—	885	—
Total	$ 4,946	$ 2,217	$ 4,049	$ 11,212	$ 2,839,409	$ 19

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	At December 31, 2021					
	Past Due					
Dollars in thousands	30-59 days	60-89 days	90 days or more	Total	Current	90 days or more and Accruing
Commercial	$ 736	$ 15	$ 613	$ 1,364	$ 363,937	$ —
Commercial real estate - owner occupied						
Professional & medical	409	—	—	409	150,350	—
Retail	—	405	144	549	189,755	—
Other	208	—	150	358	143,287	—
Commercial real estate - non-owner occupied						
Hotels & motels	—	—	—	—	128,450	—
Mini-storage	2	—	—	2	59,043	—
Multifamily	—	—	55	55	233,102	—
Retail	66	—	338	404	162,354	—
Other	—	—	—	—	282,621	—
Construction and development						
Land & land development	38	7	962	1,007	99,798	—
Construction	—	—	—	—	146,038	—
Residential 1-4 family real estate						
Personal residence	2,283	1,211	1,384	4,878	257,927	—
Rental - small loan	429	247	1,093	1,769	120,220	—
Rental - large loan	—	—	—	—	79,108	—
Home equity	236	80	175	491	71,621	—
Mortgage warehouse lines	—	—	—	—	227,869	—
Consumer	98	101	7	206	31,717	—
Other						
Credit cards	12	10	4	26	1,865	4
Overdrafts	—	—	—	—	811	—
Total	$ 4,517	$ 2,076	$ 4,925	$ 11,518	$ 2,749,873	$ 4

The following table presents the nonaccrual loans included in the net balance of loans at March 31, 2022 and December 31, 2021.

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Dollars in thousands	March 31, 2022 Nonaccrual	March 31, 2022 Nonaccrual with No Allowance for Credit Losses - Loans	December 31, 2021 Nonaccrual	December 31, 2021 Nonaccrual with No Allowance for Credit Losses - Loans
Commercial	$ 433	$ 105	$ 740	$ 96
Commercial real estate - owner occupied				
Professional & medical	—	—	—	—
Retail	622	—	775	—
Other	337	—	341	—
Commercial real estate - non-owner occupied				
Hotels & motels	3,036	3,036	3,085	—
Mini-storage	—	—	—	—
Multifamily	52	—	55	—
Retail	710	—	338	—
Other	8	—	9	—
Construction and development				
Land & land development	968	—	1,560	—
Construction	—	—	—	—
Residential 1-4 family real estate				
Personal residence	2,655	—	2,504	—
Rental - small loan	2,779	—	3,094	—
Rental - large loan	—	—	—	—
Home equity	115	—	174	—
Mortgage warehouse lines	—	—	—	—
Consumer	1	—	17	—
Other				
Credit cards	—	—	—	—
Overdrafts	—	—	—	—
Total	$ 11,716	$ 3,141	$ 12,692	$ 96

At March 31, 2022, we had troubled debt restructurings ("TDRs") of $20.8 million, of which $18.6 million were current with respect to restructured contractual payments. At December 31, 2021, our TDRs totaled $20.9 million, of which $18.7 million were current with respect to restructured contractual payments. There were no commitments to lend additional funds under these restructurings at either balance sheet date.

The following table presents by class the TDRs that were restructured during the three months ended March 31, 2022 and March 31, 2021. Generally, the modifications were extensions of term, modifying the payment terms from principal and interest to interest only for an extended period, or reduction in interest rate. TDRs are evaluated individually for allowance for credit loss purposes if the loan balance exceeds $500,000, otherwise, smaller balance TDR loans are included in the pools to determine ACLL.

	For the Three Months Ended March 31, 2022			For the Three Months Ended March 31, 2021		
Dollars in thousands	Number of Modifications	Pre-modification Recorded Investment	Post-modification Recorded Investment	Number of Modifications	Pre-modification Recorded Investment	Post-modification Recorded Investment
Residential 1-4 family real estate						
Personal residence	6	$ 335	$ 335	—	$ —	$ —
Total	6	$ 335	335	$ —	$ —	$ —

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The following tables present defaults during the stated period of TDRs that were restructured during the prior 12 months. For purposes of these tables, a default is considered as either the loan was past due 30 days or more at any time during the period, or the loan was fully or partially charged off during the period.

	For the Three Months Ended March 31, 2022		For the Three Months Ended March 31, 2021	
Dollars in thousands	Number of Defaults	Recorded Investment at Default Date	Number of Defaults	Recorded Investment at Default Date
Residential 1-4 family real estate				
Personal residence	4	$ 315	1	$ 48
Rental - small loan	—	—	1	399
Total	4	$ 315	2	$ 447

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 and current economic trends, among other factors. We analyze loans individually by classifying the loans as to credit risk. We internally grade all commercial loans at the time of loan origination. In addition, we perform an annual loan review on all non-homogenous commercial loan relationships with an aggregate exposure of $5.0 million, at which time these loans are re-graded. We use the following definitions for our risk grades:

Pass: Loans graded as Pass are loans to borrowers of acceptable credit quality and risk. They are higher quality loans that do not fit any of the other categories described below.

Special Mention: Commercial loans categorized as Special Mention are potentially weak. The credit risk may be relatively minor yet represent a risk given certain specific circumstances. If the potential weaknesses are not monitored or mitigated, the asset may weaken or inadequately protect our position in the future.

Substandard: Commercial loans categorized as Substandard are inadequately protected by the borrower's ability to repay, equity and/or the collateral pledged to secure the loan. These loans have identified weaknesses that could hinder normal repayment or collection of the debt. These loans are characterized by the distinct possibility that we will sustain some loss if the identified weaknesses are not mitigated.

Doubtful: Commercial loans categorized as Doubtful have all the weaknesses inherent in those loans classified as Substandard, with the added elements that the full collection of the loan is improbable and the possibility of loss is high.

Loss: Loans classified as loss are considered to be non-collectible and of such little value that their continuance as a bankable asset is not warranted. This does not mean that the loan has absolutely no recovery value, but rather it is neither practical nor desirable to defer writing off the loan, even though partial recovery may be obtained in the future.

Management considers the guidance in ASC 310-20 when determining whether a modification, extension, or renewal of loan constitutes a current period origination. Generally, current period renewals of credit are reunderwritten at the point of renewal and considered current period originations for purposes of the table below. As of March 31, 2022 and December 31, 2021, based on the most recent analysis performed, the risk category of loans based on year of origination is as follows:

	March 31, 2022									
Dollars in thousands	Risk Rating	2022	2021	2020	2019	2018	Prior	Revolvi-ng	Revolving-Term	Total
Commercial	Pass	$ 51,438	$ 113,621	$ 32,878	$ 24,917	$ 4,735	$ 21,969	$ 193,884	$ —	**$ 443,442**
	Special Mention	—	923	278	66	37	205	1,954	—	**3,463**
	Substandard	30	171	31	105	41	11	188	—	**577**
Total Commercial		**51,468**	**114,715**	**33,187**	**25,088**	**4,813**	**22,185**	**196,026**	—	**447,482**
Commercial Real Estate - Owner Occupied										

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	March 31, 2022									
Dollars in thousands	**Risk Rating**	**2022**	**2021**	**2020**	**2019**	**2018**	**Prior**	**Revolvi-ng**	**Revolving-Term**	**Total**
Professional & medical	Pass	2,317	72,236	10,866	6,933	4,439	47,269	2,771	—	**146,831**
	Special Mention	—	—	1,141	—	—	243	—	—	**1,384**
	Substandard	—	—	72	—	—	215	—	—	**287**
Total Professional & Medical		**2,317**	**72,236**	**12,079**	**6,933**	**4,439**	**47,727**	**2,771**	**—**	**148,502**
Retail	Pass	3,474	77,537	29,354	30,578	8,683	33,463	2,641	—	**185,730**
	Special Mention	—	—	—	—	—	1,328	—	—	**1,328**
	Substandard	—	—	—	1,323	—	622	—	—	**1,945**
Total Retail		**3,474**	**77,537**	**29,354**	**31,901**	**8,683**	**35,413**	**2,641**	**—**	**189,003**
Other	Pass	5,738	35,259	34,086	13,047	15,920	44,747	4,009	—	**152,806**
	Special Mention	—	58	—	—	—	578	—	—	**636**
	Substandard	—	—	—	—	—	300	37	—	**337**
Total Other		**5,738**	**35,317**	**34,086**	**13,047**	**15,920**	**45,625**	**4,046**	**—**	**153,779**
Total Commercial Real Estate - Owner Occupied		**11,529**	**185,090**	**75,519**	**51,881**	**29,042**	**128,765**	**9,458**	**—**	**491,284**
Commercial Real Estate - Non-Owner Occupied										
Hotels & motels	Pass	24,593	1,726	3,283	32,985	15,874	22,081	2,772	—	**103,314**
	Special Mention	—	—	—	36,733	—	—	—	—	**36,733**
	Substandard	—	—	2,787	—	—	248	—	—	**3,035**
Total Hotels & Motels		**24,593**	**1,726**	**6,070**	**69,718**	**15,874**	**22,329**	**2,772**	**—**	**143,082**
Mini-storage	Pass	958	13,406	8,291	3,987	14,055	13,340	—	—	**54,037**
	Special Mention	—	—	—	—	—	46	—	—	**46**
	Substandard	—	—	—	—	—	—	—	—	**—**
Total Mini-storage		**958**	**13,406**	**8,291**	**3,987**	**14,055**	**13,386**	**—**	**—**	**54,083**
Multifamily	Pass	33,082	60,824	39,668	51,632	23,493	59,332	3,728	—	**271,759**
	Special Mention	—	—	91	—	—	41	169	—	**301**
	Substandard	—	—	—	—	—	53	—	—	**53**
Total Multifamily		**33,082**	**60,824**	**39,759**	**51,632**	**23,493**	**59,426**	**3,897**	**—**	**272,113**
Retail	Pass	18,879	52,270	41,795	13,845	7,502	30,073	6,573	—	**170,937**
	Special Mention	—	—	—	—	—	951	—	—	**951**
	Substandard	—	—	—	—	—	710	—	—	**710**
Total Retail		**18,879**	**52,270**	**41,795**	**13,845**	**7,502**	**31,734**	**6,573**	**—**	**172,598**
Other	Pass	11,369	107,343	64,889	14,145	6,818	57,798	2,227	—	**264,589**
	Special Mention	—	—	—	—	570	—	—	—	**570**
	Substandard	—	—	—	—	—	2,913	—	—	**2,913**
Total Other		**11,369**	**107,343**	**64,889**	**14,145**	**7,388**	**60,711**	**2,227**	**—**	**268,072**
Total Commercial Real Estate - Non-Owner Occupied		**88,881**	**235,569**	**160,804**	**153,327**	**68,312**	**187,586**	**15,469**	**—**	**909,948**

Dollars in thousands	Risk Rating	March 31, 2022 2022	2021	2020	2019	2018	Prior	Revolvi-ng	Revolving-Term	Total
Construction and Development										
Land & land development	Pass	10,423	24,715	11,231	20,051	5,379	23,094	5,878	—	**100,771**
	Special Mention	—	—	153	115	—	576	—	—	**844**
	Substandard	—	—	—	—	—	1,588	—	—	**1,588**
Total Land & land development		**10,423**	**24,715**	**11,384**	**20,166**	**5,379**	**25,258**	**5,878**	**—**	**103,203**
Construction	Pass	24,875	67,427	68,031	317	1,394	—	8,841	—	**170,885**
	Special Mention	—	—	—	—	—	—	—	—	**—**
	Substandard	—	—	—	—	328	171	—	—	**499**
Total Construction		**24,875**	**67,427**	**68,031**	**317**	**1,722**	**171**	**8,841**	**—**	**171,384**
Total Construction and Development		**35,298**	**92,142**	**79,415**	**20,483**	**7,101**	**25,429**	**14,719**	**—**	**274,587**
Residential 1-4 Family Real Estate										
Personal residence	Pass	9,497	37,446	33,363	17,822	18,050	120,774	—	—	**236,952**
	Special Mention	1	—	—	182	62	9,825	—	—	**10,070**
	Substandard	—	—	—	527	843	8,480	—	—	**9,850**
Total Personal Residence		**9,498**	**37,446**	**33,363**	**18,531**	**18,955**	**139,079**	**—**	**—**	**256,872**
Rental - small loan	Pass	5,795	29,557	13,154	12,975	9,862	36,200	4,483	—	**112,026**
	Special Mention	—	228	106	—	—	1,482	—	—	**1,816**
	Substandard	—	—	58	181	406	3,749	132	—	**4,526**
Total Rental - Small Loan		**5,795**	**29,785**	**13,318**	**13,156**	**10,268**	**41,431**	**4,615**	**—**	**118,368**
Rental - large loan	Pass	4,166	37,401	12,481	5,529	4,373	12,756	1,195	—	**77,901**
	Special Mention	—	—	—	—	—	28	—	—	**28**
	Substandard	—	—	—	—	—	3,514	—	—	**3,514**
Total Rental - Large Loan		**4,166**	**37,401**	**12,481**	**5,529**	**4,373**	**16,298**	**1,195**	**—**	**81,443**
Home equity	Pass	198	117	101	11	27	1,378	66,808	—	**68,640**
	Special Mention	—	—	—	—	—	92	1,392	—	**1,484**
	Substandard	—	—	—	—	—	389	257	—	**646**
Total Home Equity		**198**	**117**	**101**	**11**	**27**	**1,859**	**68,457**	**—**	**70,770**
Total Residential 1-4 Family Real Estate		**19,657**	**104,749**	**59,263**	**37,227**	**33,623**	**198,667**	**74,267**	**—**	**527,453**
Mortgage warehouse lines	Pass	—	—	—	—	—	—	164,896	—	**164,896**
	Special Mention	—	—	—	—	—	—	—	—	**—**
	Substandard	—	—	—	—	—	—	—	—	**—**
Total Mortgage Warehouse Lines		**—**	**—**	**—**	**—**	**—**	**—**	**164,896**	**—**	**164,896**
Consumer	Pass	4,593	12,289	5,218	3,502	1,381	1,971	943	—	**29,897**
	Special Mention	381	695	368	169	46	129	11	—	**1,799**

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Dollars in thousands	Risk Rating	March 31, 2022 2022	2021	2020	2019	2018	Prior	Revolving	Revolving-Term	Total
	Substandard	157	110	65	26	8	5	28	—	399
Total Consumer		**5,131**	**13,094**	**5,651**	**3,697**	**1,435**	**2,105**	**982**	**—**	**32,095**
Other										
Credit cards	Pass	1,991	—	—	—	—	—	—	—	**1,991**
	Special Mention	—	—	—	—	—	—	—	—	**—**
	Substandard	—	—	—	—	—	—	—	—	**—**
Total Credit Cards		**1,991**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,991**
Overdrafts	Pass	885	—	—	—	—	—	—	—	885
	Special Mention	—	—	—	—	—	—	—	—	—
	Substandard	—	—	—	—	—	—	—	—	—
Total Overdrafts		**885**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**885**
Total Other		**2,876**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**2,876**
Total		**$ 214,840**	**$ 745,359**	**$ 413,839**	**$ 291,703**	**$ 144,326**	**$ 564,737**	**$ 475,817**	**$ —**	**$ 2,850,621**

Dollars in thousands	Risk Rating	December 31, 2021 2021	2020	2019	2018	2017	Prior	Revolving	Revolving-Term	Total
Commercial	Pass	$ 123,890	$ 36,339	$ 31,116	$ 5,549	$ 8,831	$ 14,061	$ 141,003	$ —	**$ 360,789**
	Special Mention	693	279	69	41	60	539	1,984	—	**3,665**
	Substandard	135	45	110	48	18	7	484	—	**847**
Total Commercial		**124,718**	**36,663**	**31,295**	**5,638**	**8,909**	**14,607**	**143,471**	**—**	**365,301**
Commercial Real Estate - Owner Occupied										
Professional & medical	Pass	72,417	11,869	7,046	4,595	22,939	27,905	2,366	—	**149,137**
	Special Mention	—	1,146	—	—	—	187	—	—	**1,333**
	Substandard	—	72	—	—	217	—	—	—	**289**
Total Professional & Medical		**72,417**	**13,087**	**7,046**	**4,595**	**23,156**	**28,092**	**2,366**	**—**	**150,759**
Retail	Pass	78,780	29,749	33,114	8,813	9,318	25,296	2,464	—	**187,534**
	Special Mention	—	—	—	—	—	671	—	—	**671**
	Substandard	—	—	1,324	—	549	226	—	—	**2,099**
Total Retail		**78,780**	**29,749**	**34,438**	**8,813**	**9,867**	**26,193**	**2,464**	**—**	**190,304**
Other	Pass	32,805	30,897	13,216	16,716	7,501	38,796	2,782	—	**142,713**
	Special Mention	59	—	—	—	—	532	—	—	**591**
	Substandard	—	—	—	—	—	303	38	—	**341**
Total Other		**32,864**	**30,897**	**13,216**	**16,716**	**7,501**	**39,631**	**2,820**	**—**	**143,645**
Total Commercial Real Estate - Owner Occupied		**184,061**	**73,733**	**54,700**	**30,124**	**40,524**	**93,916**	**7,650**	**—**	**484,708**

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		December 31, 2021								
Dollars in thousands	**Risk Rating**	**2021**	**2020**	**2019**	**2018**	**2017**	**Prior**	**Revolvi-ng**	**Revolving-Term**	**Total**
Commercial Real Estate - Non-Owner Occupied										
Hotels & motels	Pass	1,736	3,313	32,634	15,949	6,953	20,308	7,531	—	**88,424**
	Special Mention	—	—	36,941	—	—	—	—	—	**36,941**
	Substandard	—	2,830	—	—	—	255	—	—	**3,085**
Total Hotels & Motels		**1,736**	**6,143**	**69,575**	**15,949**	**6,953**	**20,563**	**7,531**	**—**	**128,450**
Mini-storage	Pass	13,294	7,641	9,218	14,209	4,506	10,109	21	—	**58,998**
	Special Mention	—	—	—	—	—	47	—	—	**47**
	Substandard	—	—	—	—	—	—	—	—	**—**
Total Mini-storage		**13,294**	**7,641**	**9,218**	**14,209**	**4,506**	**10,156**	**21**	**—**	**59,045**
Multifamily	Pass	55,367	39,105	45,016	23,665	14,629	51,155	3,372	—	**232,309**
	Special Mention	—	582	—	—	—	43	169	—	**794**
	Substandard	—	—	—	—	—	54	—	—	**54**
Total Multifamily		**55,367**	**39,687**	**45,016**	**23,665**	**14,629**	**51,252**	**3,541**	**—**	**233,157**
Retail	Pass	52,533	42,177	20,763	7,653	6,778	24,958	6,586	—	**161,448**
	Special Mention	—	—	—	—	—	972	—	—	**972**
	Substandard	—	—	—	—	—	338	—	—	**338**
Total Retail		**52,533**	**42,177**	**20,763**	**7,653**	**6,778**	**26,268**	**6,586**	**—**	**162,758**
Other	Pass	107,962	82,846	14,211	8,443	11,421	51,587	2,620	—	**279,090**
	Special Mention	—	—	—	572	—	—	—	—	**572**
	Substandard	—	—	—	—	—	2,959	—	—	**2,959**
Total Other		**107,962**	**82,846**	**14,211**	**9,015**	**11,421**	**54,546**	**2,620**	**—**	**282,621**
Total Commercial Real Estate - Non-Owner Occupied		**230,892**	**178,494**	**158,783**	**70,491**	**44,287**	**162,785**	**20,299**	**—**	**866,031**
Construction and Development										
Land & land development	Pass	26,671	14,050	20,275	5,627	2,927	21,875	6,721	—	**98,146**
	Special Mention	—	155	117	—	—	591	—	—	**863**
	Substandard	—	—	—	—	—	1,796	—	—	**1,796**
Total Land & land development		**26,671**	**14,205**	**20,392**	**5,627**	**2,927**	**24,262**	**6,721**	**—**	**100,805**
Construction	Pass	64,352	64,022	7,438	1,407	—	—	8,320	—	**145,539**
	Special Mention	—	—	—	—	—	—	—	—	**—**
	Substandard	—	—	—	329	—	170	—	—	**499**
Total Construction		**64,352**	**64,022**	**7,438**	**1,736**	**—**	**170**	**8,320**	**—**	**146,038**
Total Construction and Development		**91,023**	**78,227**	**27,830**	**7,363**	**2,927**	**24,432**	**15,041**	**—**	**246,843**
Residential 1-4 Family Real Estate										

		December 31, 2021								
Dollars in thousands	**Risk Rating**	**2021**	**2020**	**2019**	**2018**	**2017**	**Prior**	**Revolvi-ng**	**Revolving-Term**	**Total**
Personal residence	Pass	39,637	34,962	18,974	18,784	14,597	115,384	—	—	**242,338**
	Special Mention	—	—	184	62	534	10,377	—	—	**11,157**
	Substandard	—	—	475	847	456	7,532	—	—	**9,310**
Total Personal Residence		**39,637**	**34,962**	**19,633**	**19,693**	**15,587**	**133,293**	—	—	**262,805**
Rental - small loan	Pass	30,342	13,990	14,093	11,524	6,567	33,936	4,630	—	**115,082**
	Special Mention	229	107	57	250	1	1,579	9	—	**2,232**
	Substandard	—	132	133	374	513	3,388	135	—	**4,675**
Total Rental - Small Loan		**30,571**	**14,229**	**14,283**	**12,148**	**7,081**	**38,903**	**4,774**	—	**121,989**
Rental - large loan	Pass	34,558	14,069	5,971	5,283	2,790	11,776	1,078	—	**75,525**
	Special Mention	—	—	—	—	—	29	—	—	**29**
	Substandard	—	—	—	—	—	3,554	—	—	**3,554**
Total Rental - Large Loan		**34,558**	**14,069**	**5,971**	**5,283**	**2,790**	**15,359**	**1,078**	—	**79,108**
Home equity	Pass	27	115	11	50	78	1,380	68,293	—	**69,954**
	Special Mention	—	—	—	—	—	94	1,399	—	**1,493**
	Substandard	—	—	—	—	—	407	258	—	**665**
Total Home Equity		**27**	**115**	**11**	**50**	**78**	**1,881**	**69,950**	—	**72,112**
Total Residential 1-4 Family Real Estate		**104,793**	**63,375**	**39,898**	**37,174**	**25,536**	**189,436**	**75,802**	—	**536,014**
Mortgage warehouse lines	Pass	—	—	—	—	—	—	227,869	—	**227,869**
	Special Mention	—	—	—	—	—	—	—	—	**—**
	Substandard	—	—	—	—	—	—	—	—	**—**
Total Mortgage Warehouse Lines		—	—	—	—	—	—	**227,869**	—	**227,869**
Consumer	Pass	14,134	6,333	4,444	1,767	540	1,691	902	—	**29,811**
	Special Mention	904	381	210	66	87	53	11	—	**1,712**
	Substandard	199	96	40	11	3	22	29	—	**400**
Total Consumer		**15,237**	**6,810**	**4,694**	**1,844**	**630**	**1,766**	**942**	—	**31,923**
Other										
Credit cards	Pass	1,891	—	—	—	—	—	—	—	**1,891**
Total Credit Cards		**1,891**	—	—	—	—	—	—	—	**1,891**
Overdrafts	Pass	811	—	—	—	—	—	—	—	811
Total Overdrafts		**811**	—	—	—	—	—	—	—	**811**
Total Other		**2,702**	—	—	—	—	—	—	—	**2,702**
Total		**$ 753,426**	**$ 437,302**	**$ 317,200**	**$ 152,634**	**$ 122,813**	**$ 486,942**	**$ 491,074**	**$ —**	**$ 2,761,391**

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Allowance for Credit Losses - Loans

The following tables presents the activity in the ACLL by portfolio segment during the three months ended March 31, 2022 and the twelve months ended December 31, 2021:

	For the Three Months Ended March 31, 2022				
	Allowance for Credit Losses - Loans				
Dollars in thousands	Beginning Balance	Provision for Credit Losses - Loans	Charge-offs	Recoveries	Ending Balance
Commercial	$ 3,218	$ 992	$ (202)	$ 3	$ 4,011
Commercial real estate - owner occupied					
Professional & medical	1,092	59	—	—	1,151
Retail	1,362	(28)	—	—	1,334
Other	575	(180)	—	—	395
Commercial real estate - non-owner occupied					
Hotels & motels	2,532	(1,332)	—	—	1,200
Mini-storage	133	(13)	—	—	120
Multifamily	1,821	236	—	1	2,058
Retail	1,074	476	—	—	1,550
Other	1,820	135	—	3	1,958
Construction and development					
Land & land development	3,468	(16)	—	4	3,456
Construction	6,346	1,032	—	—	7,378
Residential 1-4 family real estate					
Personal residence	2,765	(36)	(53)	20	2,696
Rental - small loan	2,834	(469)	(83)	8	2,290
Rental - large loan	2,374	(181)	—	—	2,193
Home equity	497	(51)	(8)	4	442
Mortgage warehouse lines	—	—	—	—	—
Consumer	163	14	(55)	25	147
Other					
Credit cards	17	(1)	—	2	18
Overdrafts	207	196	(216)	39	226
Total	$ 32,298	$ 833	$ (617)	$ 109	$ 32,623

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Dollars in thousands	For the Twelve Months Ended December 31, 2021 Allowance for Credit Losses - Loans					
	Beginning Balance	Provision for Credit Losses - Loans	Adjustment for PCD Acquired Loans	Charge-offs	Recoveries	Ending Balance
Commercial	$ 2,304	$ 1,112	$ —	$ (222)	$ 24	$ 3,218
Commercial real estate - owner occupied						
Professional & medical	954	71	71	(4)	—	1,092
Retail	3,173	(1,812)	—	—	1	1,362
Other	610	(35)	—	—	—	575
Commercial real estate - non-owner occupied						
Hotels & motels	2,135	397	—	—	—	2,532
Mini-storage	337	(204)	—	—	—	133
Multifamily	1,547	265	—	—	9	1,821
Retail	981	93	—	—	—	1,074
Other	1,104	947	—	(233)	2	1,820
Construction and development						
Land & land development	4,084	(628)	—	—	12	3,468
Construction	4,648	1,698	—	—	—	6,346
Residential 1-4 family real estate						
Personal residence	3,559	(548)	—	(365)	119	2,765
Rental - small loan	2,736	177	20	(189)	90	2,834
Rental - large loan	3,007	(633)	—	—	—	2,374
Home equity	713	(206)	—	(26)	16	497
Mortgage warehouse lines	—	—	—	—	—	—
Consumer	216	(44)	—	(131)	122	163
Other						
Credit cards	17	10	—	(16)	6	17
Overdrafts	121	255	—	(321)	152	207
Total	$ 32,246	$ 915	$ 91	$ (1,507)	$ 553	$ 32,298

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The following tables presents, as of March 31, 2022 and December 31, 2021 segregated by loan portfolio segment, details of the loan portfolio and the ACLL calculated in accordance with our credit loss accounting methodology for loans described above.

	March 31, 2022					
	Loan Balances			Allowance for Credit Losses - Loans		
Dollars in thousands	Loans Individually Evaluated	Loans Collectively Evaluated (1)	Total	Loans Individually Evaluated	Loans Collectively Evaluated	Total
Commercial	$ 168	$ 447,314	$ 447,482	$ —	$ 4,011	$ 4,011
Commercial real estate - owner occupied						
Professional & medical	2,050	146,452	148,502	235	916	1,151
Retail	5,569	183,434	189,003	—	1,334	1,334
Other	—	153,779	153,779	—	395	395
Commercial real estate - non-owner occupied						
Hotels & motels	3,036	140,046	143,082	—	1,200	1,200
Mini-storage	—	54,083	54,083	—	120	120
Multifamily	—	272,113	272,113	—	2,058	2,058
Retail	3,109	169,489	172,598	105	1,445	1,550
Other	5,663	262,409	268,072	308	1,650	1,958
Construction and development						
Land & land development	1,540	101,663	103,203	613	2,843	3,456
Construction	—	171,384	171,384	—	7,378	7,378
Residential 1-4 family real estate						
Personal residence	—	256,872	256,872	—	2,696	2,696
Rental - small loan	1,444	116,924	118,368	417	1,873	2,290
Rental - large loan	3,129	78,314	81,443	—	2,193	2,193
Home equity	473	70,297	70,770	—	442	442
Mortgage warehouse lines	—	164,896	164,896	—	—	—
Consumer	3	32,092	32,095	—	147	147
Other						
Credit cards	—	1,991	1,991	—	18	18
Overdrafts	—	885	885	—	226	226
Total	$ 26,184	$ 2,824,437	$ 2,850,621	$ 1,678	$ 30,945	$ 32,623

(1) Included in the loans collectively evaluated are $15.1 million in fully guaranteed or cash secured loans, which are excluded from the pools collectively evaluated and carry no allowance.

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	December 31, 2021					
	Loan Balances			Allowance for Credit Losses - Loans		
Dollars in thousands	Loans Individually Evaluated	Loans Collectively Evaluated [1]	Total	Loans Individually Evaluated	Loans Collectively Evaluated	Total
Commercial	$ 177	$ 365,124	$ 365,301	$ —	$ 3,218	$ 3,218
Commercial real estate - owner occupied						
Professional & medical	2,073	148,686	150,759	199	893	1,092
Retail	5,559	184,745	190,304	—	1,362	1,362
Other	—	143,645	143,645	—	575	575
Commercial real estate - non-owner occupied						
Hotels & motels	3,085	125,365	128,450	669	1,863	2,532
Mini-storage	1,058	57,987	59,045	—	133	133
Multifamily	—	233,157	233,157	—	1,821	1,821
Retail	2,693	160,065	162,758	—	1,074	1,074
Other	5,726	276,895	282,621	69	1,751	1,820
Construction and development						
Land & land development	2,004	98,801	100,805	723	2,745	3,468
Construction	—	146,038	146,038	—	6,346	6,346
Residential 1-4 family real estate						
Personal residence	—	262,805	262,805	—	2,765	2,765
Rental - small loan	1,463	120,526	121,989	436	2,398	2,834
Rental - large loan	3,162	75,946	79,108	—	2,374	2,374
Home equity	523	71,589	72,112	—	497	497
Mortgage warehouse lines	—	227,869	227,869	—	—	—
Consumer	—	31,923	31,923	—	163	163
Other						
Credit cards	—	1,891	1,891	—	17	17
Overdrafts	—	811	811	—	207	207
Total	$ 27,523	$ 2,733,868	$ 2,761,391	$ 2,096	$ 30,202	$ 32,298

(1) Included in the loans collectively evaluated are $19.8 million in fully guaranteed or cash secured loans, which are excluded from the pools collectively evaluated and carry no allowance.

The following table presents the amortized cost basis of collateral dependent loans, which are individually evaluated to determine expected credit losses, and the related ACLL allocated to those loans:

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Dollars in thousands	March 31, 2022 Real Estate Secured Loans	Non-Real Estate Secured Loans	Total Loans	Allowance for Credit Losses - Loans
Commercial	$ —	$ 168	$ 168	$ —
Commercial real estate - owner occupied				
Professional & medical	2,050	—	2,050	235
Retail	5,569	—	5,569	—
Other	—	—	—	—
Commercial real estate - non-owner occupied				
Hotels & motels	3,036	—	3,036	—
Mini-storage	—	—	—	—
Multifamily	—	—	—	—
Retail	3,109	—	3,109	105
Other	5,663	—	5,663	308
Construction and development				
Land & land development	1,540	—	1,540	613
Construction	—	—	—	—
Residential 1-4 family real estate				
Personal residence	—	—	—	—
Rental - small loan	1,444	—	1,444	417
Rental - large loan	3,129	—	3,129	—
Home equity	473	—	473	—
Consumer	—	3	3	—
Other				
Credit cards	—	—	—	—
Overdrafts	—	—	—	—
Total	$ 26,013	$ 171	$ 26,184	$ 1,678

Dollars in thousands	December 31, 2021 Real Estate Secured Loans	Non-Real Estate Secured Loans	Total Loans	Allowance for Credit Losses - Loans
Commercial	$ —	$ 177	$ 177	$ —
Commercial real estate - owner occupied				
Professional & medical	2,073	—	2,073	199
Retail	5,559	—	5,559	—
Other	—	—	—	—
Commercial real estate - non-owner occupied				
Hotels & motels	3,085	—	3,085	669
Mini-storage	1,058	—	1,058	—
Multifamily	—	—	—	—
Retail	2,693	—	2,693	—
Other	5,726	—	5,726	69
Construction and development				
Land & land development	2,004	—	2,004	723
Construction	—	—	—	—
Residential 1-4 family real estate				
Personal residence	—	—	—	—
Rental - small loan	1,463	—	1,463	436
Rental - large loan	3,162	—	3,162	—
Home equity	523	—	523	—
Consumer	—	—	—	—
Other				
Credit cards	—	—	—	—
Overdrafts	—	—	—	—
Total	$ 27,346	$ 177	$ 27,523	$ 2,096

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NOTE 7. GOODWILL AND OTHER INTANGIBLE ASSETS

The following tables present our goodwill activity for the quarter ending March 31, 2022 and the balance of other intangible assets at March 31, 2022 and December 31, 2021.

Dollars in thousands		Goodwill Activity
Balance, January 1, 2022	$	55,347
Reclassifications from goodwill		—
Acquired goodwill		—
Balance, March 31, 2022	$	55,347

	Other Intangible Assets			
Dollars in thousands		March 31, 2022		December 31, 2021
Identifiable intangible assets				
Gross carrying amount	$	15,828	$	15,828
Less: accumulated amortization		7,963		7,585
Net carrying amount	$	7,865	$	8,243

We recorded amortization expense of $378,000 for the three months ended March 31, 2022 and $405,000 for the three months ended March 31, 2021, relative to our identifiable intangible assets.

Amortization relative to our identifiable intangible assets is expected to approximate the following during the next five years and thereafter:

Dollars in thousands		Core Deposit Intangible
Nine month period ending December 31, 2022	$	1,063
Year ending December 31, 2023		1,299
Year ending December 31, 2024		1,158
Year ending December 31, 2025		1,019
Year ending December 31, 2026		878
Thereafter		2,378

NOTE 8. DEPOSITS

The following is a summary of interest bearing deposits by type as of March 31, 2022 and December 31, 2021:

Dollars in thousands		March 31, 2022		December 31, 2021
Demand deposits, interest bearing	$	1,134,964	$	1,127,298
Savings deposits		702,069		698,156
Time deposits		542,028		548,649
Total	$	2,379,061	$	2,374,103

Included in time deposits are deposits acquired through a third party ("brokered deposits") totaling $32.8 million and $14.7 million at March 31, 2022 and December 31, 2021, respectively.

A summary of the scheduled maturities for all time deposits as of March 31, 2022 is as follows:

Dollars in thousands		
Nine month period ending December 31, 2022	$	309,079
Year ending December 31, 2023		131,634
Year ending December 31, 2024		44,519
Year ending December 31, 2025		30,725
Year ending December 31, 2026		15,514
Thereafter		10,557
Total	$	542,028

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The aggregate amount of time deposits in denominations that meet or exceed the FDIC insurance limit of $250,000 totaled $116.2 million at March 31, 2022 and $98.9 million at December 31, 2021.

NOTE 9. BORROWED FUNDS

Short-term borrowings: Federal funds purchased mature the next business day and totaled $146,000 at March 31, 2022 and December 31, 2021. A summary of short-term FHLB advancecs is presented below:

	Three Months Ended March 31,	
	2022	2021
Dollars in thousands	Short-term FHLB Advances	
Balance at March 31	$ 140,000	$ 140,000
Average balance outstanding for the period	140,084	140,000
Maximum balance outstanding at any month end during period	140,000	140,000
Weighted average interest rate for the period	0.41 %	0.37 %
Weighted average interest rate for balances outstanding at March 31	0.47 %	0.38 %

	Year Ended December 31, 2021
Dollars in thousands	Short-term FHLB Advances
Balance at December 31	$ 140,000
Average balance outstanding for the period	140,000
Maximum balance outstanding at any month end during period	140,000
Weighted average interest rate for the period	0.33 %
Weighted average interest rate for balances outstanding at December 31	0.26 %

Long-term borrowings: Our long-term borrowings of $674,000 and $679,000 at March 31, 2022 and December 31, 2021, respectively, consisted of a 5.34% fixed rate advance from the Federal Home Loan Bank ("FHLB"), maturing in 2026. This FHLB advance is collateralized by a blanket lien of $1.68 billion of residential mortgage loans, certain commercial loans, mortgage backed securities and securities of U.S. Government agencies and corporations.

Subordinated debentures: We issued $75 million of subordinated debentures, net of $1.67 million debt issuance costs, during fourth quarter 2021 in a private placement transaction, which had a net balance of $73.5 million at March 31, 2022 and $73.4 million at December 31, 2021. The subordinated debt qualifies as Tier 2 capital under Federal Reserve Board guidelines, until the debt is within 5 years of its maturity; thereafter the amount qualifying as Tier 2 capital is reduced by 20 percent each year until maturity. This subordinated debt bears interest at a fixed rate of 3.25% per year, from and including November 16, 2021 to, but excluding, December 1, 2026, payable semi-annually in arrears. From and including December 1, 2026 to, but excluding, the maturity date or earlier redemption date, the interest rate will reset quarterly at a variable rate equal to the then current three-month term Secured Overnight Financing Rate ("SOFR"), as published by the Federal Reserve Bank of New York, plus 230 basis points, payable quarterly in arrears. This debt has a 10 years term and generally, is not prepayable by us within the first five years.

We issued $30 million of subordinated debentures, net of $664,000 debt issuance costs, during third quarter 2020 in a private placement transaction, which had a net balance of $29.5 million at March 31, 2022 and December 31, 2021. The subordinated debt qualifies as Tier 2 capital under Federal Reserve Board guidelines, until the debt is within 5 years of its maturity; thereafter the amount qualifying as Tier 2 capital is reduced by 20 percent each year until maturity. This subordinated debt bears interest at a fixed rate of 5.00% per year, from and including September 22, 2020 to, but excluding, September 30, 2025, payable quarterly in arrears. From and including September 30, 2025 to, but excluding, the maturity date or earlier redemption date, the interest rate will reset quarterly at a variable rate equal to the then current three-month term Secured Overnight Financing Rate ("SOFR"), as published by the Federal Reserve Bank of New York, plus 487 basis points, payable quarterly in arrears. This debt has a 10 years term and generally, is not prepayable by us within the first five years.

Subordinated debentures owed to unconsolidated subsidiary trusts: We have three statutory business trusts that were formed for the purpose of issuing mandatorily redeemable securities (the "capital securities") for which we are obligated to third party investors and investing the proceeds from the sale of the capital securities in our junior subordinated debentures (the "debentures"). The debentures held by the trusts are their sole assets. These subordinated debentures totaled $19.6 million at March 31, 2022 and December 31, 2021.

The capital securities held by SFG Capital Trust I, SFG Capital Trust II, and SFG Capital Trust III qualify as Tier 1 capital under Federal Reserve Board guidelines. In accordance with these Guidelines, trust preferred securities generally are limited to 25% of Tier 1 capital elements, net of goodwill. The amount of trust preferred securities and certain other elements in excess of the limit can be included in Tier 2 capital.

A summary of the maturities of all long-term borrowings and subordinated debentures for the next five years and thereafter is as follows:

Dollars in thousands		**Long-term borrowings**	**Subordinated debentures**	**Subordinated debentures owed to unconsolidated subsidiary trusts**
Year Ending December 31,	2022	$ 16	$ —	$ —
	2023	22	—	—
	2024	23	—	—
	2025	24	—	—
	2026	589	—	—
	Thereafter	—	105,000	19,589
		$ 674	$ 105,000	$ 19,589

NOTE 10. SHARE-BASED COMPENSATION

Under the 2014 Long-Term Incentive Plan ("2014 LTIP"), stock options, SARs and RSUs have generally been granted with an exercise price equal to the fair value of Summit's common stock on the grant date. We periodically grant employee stock options to individual employees.

The fair value of our employee stock options and SARs granted under the Plans is estimated at the date of grant using the Black-Scholes option-pricing model. This model requires the input of highly subjective assumptions, changes to which can materially affect the fair value estimate. Additionally, there may be other factors that would otherwise have a significant effect on the value of employee stock options and SARs granted but are not considered by the model. Because our employee stock options and SARs have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options and SARs at the time of grant.

There were no grants of SARs or stock options during first quarter 2022. During third quarter 2021, we granted 54,947 SARs with a $9.44 grant date fair value per SAR that become exercisable ratably over seven years (14.3% per year) and expire ten years after the grant date. Also during 2021, we granted 122,542 SARs with an $9.34 grant date fair value per SAR that become exercisable ratably over five years (20% per year) and expire ten years after the grant date.

The fair value of our employee stock options and SARs granted under the Plans is estimated at the date of grant using the Black-Scholes option-pricing model. This model requires the input of highly subjective assumptions, changes to which can materially affect the fair value estimate. Additionally, there may be other factors that would otherwise have a significant effect on the value of employee stock options and SARs granted but are not considered by the model. Because our employee stock options and SARs have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options and SARs at the time of grant. The assumptions used to value SARs granted in 2021 are as follows:

	2021 grant with 7 year expiration	2021 grant with 5 year expiration
Risk-free interest rate	1.06 %	0.74 %
Expected dividend yield	3.00 %	3.00 %
Expected common stock volatility	55.59 %	55.59 %
Expected life	7 years	5.5 years

A summary of our SAR and stock option activity during the first three months of 2022 and 2021 is as follows:

	For the Three Months Ended March 31,					
	2022					
	Options/SARs		Aggregate Intrinsic Value *(in thousands)*	Remaining Contractual Term (Yrs.)		Weighted-Average Exercise Price
Outstanding, January 1	491,792				$	21.32
Granted	—					—
Exercised	(700)					12.01
Forfeited	—					—
Expired	—					—
Outstanding, March 31	491,092	$	—	6.78	$	21.33
Exercisable, March 31	244,557	$	1,363	4.92	$	20.15

	For the Three Months Ended March 31,					
	2021					
	Options/SARs		Aggregate Intrinsic Value *(in thousands)*	Remaining Contractual Term (Yrs.)		Weighted-Average Exercise Price
Outstanding, January 1	329,203				$	20.47
Granted	—					—
Exercised	(800)					12.01
Forfeited	—					—
Expired	—					—
Outstanding, March 31	328,403	$	1,989	6.10	$	20.49
Exercisable, March 31	218,216	$	1,751	5.43	$	18.53

Grants of RSUs include time-based vesting conditions that generally vest ratably over a period of 3 to 5 years.

	RSUs		Weighted Average Grant Date Fair Value
Nonvested, December 31, 2021	13,015	$	21.24
Granted	—		—
Forfeited	—		—
Vested	(1,846)		27.09
Nonvested, March 31, 2022	11,169	$	20.28

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	RSUs		Weighted Average Grant Date Fair Value
Nonvested, December 31, 2020	15,686	$	20.40
Granted	—		—
Forfeited	—		—
Vested	—		—
Nonvested, March 31, 2021	15,686	$	20.40

We recognize compensation expense based on the estimated number of stock awards expected to actually vest, exclusive of the awards expected to be forfeited. During the first three months of 2022 and 2021, total stock compensation expense for all share-based arrangements was $169,000 and $126,000 and the related deferred tax benefits were approximately $41,000 and $30,000. At March 31, 2022 our total unrecognized compensation expense related to all nonvested awards not yet recognized totaled $2.18 million and on a weighted average basis, will be recognized over the next 2.31 years.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Off-Balance Sheet Arrangements

We are a party to certain financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of our customers. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the statement of financial position. The contract amounts of these instruments reflect the extent of involvement that we have in this class of financial instruments.

Many of our lending relationships contain both funded and unfunded elements. The funded portion is reflected on our balance sheet. The unfunded portion of these commitments is not recorded on our balance sheet until a draw is made under the loan facility. Since many of the commitments to extend credit may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash flow requirements.

A summary of the total unfunded, or off-balance sheet, credit extension commitments follows:

Dollars in thousands		March 31, 2022
Commitments to extend credit:		
Revolving home equity and credit card lines	$	99,419
Construction loans		296,068
Other loans		422,148
Standby letters of credit		23,070
Total	$	840,705

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. We evaluate each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if we deem necessary upon extension of credit, is based on our credit evaluation. Collateral held varies but may include accounts receivable, inventory, equipment or real estate.

Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Standby letters of credit generally are contingent upon the failure of the customer to perform according to the terms of the underlying contract with the third party.

Our exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. We use the same credit policies in making commitments and conditional obligations as we do for on-balance sheet instruments.

Allowance For Credit Losses - Off-Balance-Sheet Credit Exposures

The provision for credit losses on unfunded commitments was $1.12 million and $(485,000) for the three months ended March 31, 2022 and 2021. The ACL on off-balance-sheet credit exposures totaled $8.39 million at March 31, 2022 compared to $7.28 million at December 31, 2021 and is included in other liabilities on the accompanying consolidated balance sheets.

Litigation

We are not a party to litigation except for matters that arise in the normal course of business. While it is impossible to ascertain the ultimate resolution or range of financial liability, if any, with respect to these contingent matters, in the opinion of management, after consultation with legal counsel, the outcome of these matters will not have a significant adverse effect on the consolidated financial statements.

NOTE 12. PREFERRED STOCK

In April 2021, we sold through a private placement 1,500 shares or $15.0 million of Series 2021 6% Fixed-Rate Non-Cumulative Perpetual Preferred Stock, $1.00 par value, with a liquidation preference of $10,000 per share (the “Preferred Stock”). The Preferred Stock is non-convertible and will pay noncumulative dividends, if and when declared by the Summit board of directors, at a rate of 6.0% per annum. Dividends declared will be payable quarterly in arrears on the 15th day of March, June, September and December of each year.

NOTE 13. REGULATORY MATTERS

Our bank subsidiary, Summit Community Bank, Inc. (“Summit Community”), is subject to various regulatory capital requirements administered by the banking regulatory agencies. Under the capital adequacy guidelines and the regulatory framework for prompt corrective action, Summit Community must meet specific capital guidelines that involve quantitative measures of its assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. Our bank subsidiary’s capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Quantitative measures established by regulation to ensure capital adequacy require Summit Community to maintain minimum amounts and ratios of Common Equity Tier 1("CET1"), Total capital and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). We believe, as of March 31, 2022, that our bank subsidiary met all capital adequacy requirements to which they were subject.

The most recent notifications from the banking regulatory agencies categorized Summit Community as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, Summit Community must maintain minimum CET1, Total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table below.

In December 2018, the federal bank regulatory agencies approved a final rule modifying their regulatory capital rules to provide an option to phase-in over a period of three years the day-one regulatory capital effects of the implementation of ASC 326. In March 2020, those agencies approved a final rule providing an option to delay the estimated impact on regulatory capital. We elected this optional phase-in period upon adoption of ASC 326 on January 1, 2020 and elected to delay the estimated impact. The initial impact of adoption as well as 25% of the quarterly increases in the allowance for credit losses subsequent to adoption (collectively the “transition adjustments”) will be delayed for two years. After two years, the cumulative amount of the transition adjustments will become fixed and will be phased out of the regulatory capital calculations evenly over a three year period, with 75% recognized in year three, 50% recognized in year four, and 25% recognized in year five. After five years, the temporary regulatory capital benefits will be fully reversed.

The following tables present Summit's, as well as Summit Community's, actual and required minimum regulatory capital amounts and ratios as of March 31, 2022 and December 31, 2021.

Capital levels required to be considered well capitalized are based upon prompt corrective action regulations, as amended.

Dollars in thousands	Actual		Minimum Required Capital - Basel III		Minimum Required To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of March 31, 2022						
CET1 (to risk weighted assets)						
Summit	$ 264,327	8.2 %	$ 225,645	7.0	N/A	N/A
Summit Community	370,527	11.6 %	223,594	7.0 %	207,623	6.5 %
Tier I Capital (to risk weighted assets)						
Summit	298,247	9.3 %	272,591	8.5	N/A	N/A
Summit Community	370,527	11.6 %	271,507	8.5 %	255,536	8.0 %
Total Capital (to risk weighted assets)						
Summit	432,110	13.5 %	336,086	10.5	N/A	N/A
Summit Community	401,393	12.5 %	337,170	10.5 %	321,114	10.0 %
Tier I Capital (to average assets)						
Summit	298,247	8.4 %	142,022	4.0	N/A	N/A
Summit Community	370,527	10.5 %	141,153	4.0 %	176,441	5.0 %

Dollars in thousands	Actual		Minimum Required Capital - Basel III		Minimum Required To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2021						
CET1 (to risk weighted assets)						
Summit	257,122	8.4 %	214,268	7.0 %	N/A	N/A
Summit Community	364,125	11.9 %	214,191	7.0 %	198,892	6.5 %
Tier I Capital (to risk weighted assets)						
Summit	291,042	9.5 %	260,406	8.5 %	N/A	N/A
Summit Community	364,125	11.9 %	260,089	8.5 %	244,790	8.0 %
Total Capital (to risk weighted assets)						
Summit	420,045	13.8 %	319,599	10.5 %	N/A	N/A
Summit Community	390,236	12.8 %	320,115	10.5 %	304,872	10.0 %
Tier I Capital (to average assets)						
Summit	291,042	8.3 %	140,261	4.0 %	N/A	N/A
Summit Community	364,125	10.4 %	140,048	4.0 %	175,060	5.0 %

NOTE 14. DERIVATIVE FINANCIAL INSTRUMENTS

Cash flow hedges

We have entered into two pay-fixed/receive LIBOR interest rate swaps as follows:

- A $20 million notional interest rate swap with an effective date of October 18, 2021 and expiring on October 18, 2023, was designated as a cash flow hedge of $20 million of variable rate Federal Home Loan Bank advances. Under the terms of this swap we will pay a fixed rate of 1.07% and receive a variable rate equal to three month LIBOR.

- A $20 million notional interest rate swap with an effective date of October 18, 2021 and expiring on October 18, 2024, was designated as a cash flow hedge of $20 million of variable rate Federal Home Loan Bank advances. Under the terms of this swap we will pay a fixed rate of 1.1055% and receive a variable rate equal to three month LIBOR.

In addition, we have entered into two interest rate caps as follows:

- A $100 million notional interest rate cap with an effective date of July 20, 2020 and expiring on April 18, 2030, was designated as a cash flow hedge of $100 million of fixed rate Federal Home Loan Bank advances. Under the terms of this cap we will hedge the variability of cash flows when three month LIBOR is above .75%.

- A $100 million notional interest rate cap with an effective date of December 29, 2020 and expiring on December 18, 2025, was designated as a cash flow hedge of $100 million of certain indexed interest bearing demand deposit accounts. Under the terms of this cap we will hedge the variability of cash flows when the indexed rate of SOFR is above 0.50%.

Fair value hedges

We have entered into two pay fixed/receive variable interest rate swaps to hedge fair value variability of two commercial fixed rate loans with the same principal, amortization, and maturity terms of the underlying loans, which are designated as fair value hedges with a total original notional amount of $21.3 million.

We have also entered into a pay fixed/receive variable interest rate swap to hedge the fair value variability of certain available for sale taxable muncipal securities, which is designated as a fair value hedge with a total original notional amount of $71.2 million.

A summary of our derivative financial instruments as of March 31, 2022 and December 31, 2021 follows:

	March 31, 2022			
		Derivative Fair Value		Net Ineffective
Dollars in thousands	Notional Amount	Asset	Liability	Hedge Gains/(Losses)
CASH FLOW HEDGES				
Pay-fixed/receive-variable interest rate swaps				
Short term borrowings	$ 40,000	$ 1,078	$ —	$ —
Interest rate cap hedging:				
Short term borrowings	$ 100,000	$ 14,244	$ —	$ —
Indexed interest bearing demand deposit accounts	100,000	6,709	—	—
FAIR VALUE HEDGES				
Pay-fixed/receive-variable interest rate swaps				
Commercial real estate loans	$ 17,383	$ 235	$ —	$ —
Available for sale taxable municipal securities	71,245	2,189	—	(6)

	December 31, 2021			
		Derivative Fair Value		Net Ineffective
Dollars in thousands	Notional Amount	Asset	Liability	Hedge Gains/(Losses)
CASH FLOW HEDGES				
Pay-fixed/receive-variable interest rate swaps				
Short term borrowings	$ 40,000	$ —	$ 83	$ —
Interest rate cap hedging:				
Short term borrowings	$ 100,000	$ 8,336	$ —	$ —
Indexed interest bearing demand deposit accounts	100,000	2,851	—	—
FAIR VALUE HEDGES				
Pay-fixed/receive-variable interest rate swaps				
Commercial real estate loans	$ 17,548	$ —	$ 512	$ —
Available for sale taxable municipal securities	71,245	—	529	22

Loan commitments: ASC Topic 815, *Derivatives and Hedging,* requires that commitments to make mortgage loans should be accounted for as derivatives if the loans are to be held for sale, because the commitment represents a written option and accordingly is recorded at the fair value of the option liability.

NOTE 15. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

The following is changes in accumulated other comprehensive (loss) income by component, net of tax, for the three months ending March 31, 2022 and 2021.

	For the Three Months Ended March 31, 2022					
Dollars in thousands	Gains and Losses on Pension Plan	Gains and Losses on Other Post-Retirement Benefits	Gains and Losses on Cash Flow Hedges	Unrealized Gains/Losses on Debt Securities Available for Sale	Unrealized Gains on Securities Fair Value Hedge	Total
Beginning balance	$ 30	$ 9	$ 3,993	$ 1,868	$ (418)	$ 5,482
Other comprehensive (loss) income before reclassification	—	—	8,461	(17,202)	2,070	(6,671)
Amounts reclassified from accumulated other comprehensive income, net of tax	—	—	—	116	—	116
Net current period other comprehensive (loss) income	—	—	8,461	(17,086)	2,070	(6,555)
Ending balance	$ 30	$ 9	$ 12,454	$ (15,218)	$ 1,652	$ (1,073)

	For the Three Months Ended March 31, 2021				
Dollars in thousands	Gains and Losses on Pension Plan	Gains and Losses on Other Post-Retirement Benefits	Gains and Losses on Cash Flow Hedges	Unrealized Gains/Losses on Debt Securities Available for Sale	Total
Beginning balance	$ (199)	$ (40)	$ (1,132)	$ 6,816	$ 5,445
Other comprehensive income (loss) before reclassification	—	—	6,090	(2,355)	3,735
Amounts reclassified from accumulated other comprehensive income, net of tax	—	—	—	(362)	(362)
Net current period other comprehensive income (loss)	—	—	6,090	(2,717)	3,373
Ending balance	$ (199)	$ (40)	$ 4,958	$ 4,099	$ 8,818

NOTE 16. INCOME TAXES

Our income tax expense for the three ended March 31, 2022 and March 31, 2021 totaled $3.3 million and $2.9 million, respectively. Our effective tax rate (income tax expense as a percentage of income before taxes) for the three months ended March 31, 2022 and 2021 was 21.8% and 22.1% respectively. A reconciliation between the statutory income tax rate and our effective income tax rate for the three and nine months ended March 31, 2022 and 2021 is as follows:

	For the Three Months Ended March 31,	
	2022	2021
	Percent	Percent
Applicable statutory rate	21.0 %	21.0 %
Increase (decrease) in rate resulting from:		
Tax-exempt interest and dividends, net	(1.4)%	(1.6)%
State income taxes, net of Federal income tax benefit	1.9 %	2.2 %
Low-income housing and rehabilitation tax credits	(0.2)%	(0.3)%
Other, net	0.5 %	0.8 %
Effective income tax rate	21.8 %	22.1 %

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The components of applicable income tax expense for the three months ended March 31, 2022 and 2021 are as follows:

	For the Three Months Ended March 31,	
Dollars in thousands	**2022**	**2021**
Current		
Federal	$ 2,326	$ 2,675
State	270	385
	2,596	3,060
Deferred		
Federal	578	(111)
State	83	(16)
	661	(127)
Total	$ 3,257	$ 2,933

NOTE 17. REVENUE FROM CONTRACTS WITH CUSTOMERS

Interest income, loan fees, realized securities gains and losses, bank owned life insurance income and mortgage banking revenue are not in the scope of ASC Topic 606, *Revenue from Contracts with Customers*. With the exception of gains or losses on sales of foreclosed properties, all of our revenue from contracts with customers in the scope of ASC 606 is recognized within Noninterest Income in the Consolidated Statements of Income. Incremental costs of obtaining a contract are expensed when incurred when the amortization period is one year or less.

The following table illustrates our total non-interest income segregated by revenues within the scope of ASC Topic 606 and those which are within the scope of other ASC Topics:

	Three Months Ended March 31,	
Dollars in thousands	**2022**	**2021**
Service fees on deposit accounts	$ 1,401	$ 1,100
Bank card revenue	1,491	1,341
Trust and wealth management fees	757	638
Other	101	149
Net revenue from contracts with customers	3,750	3,228
Non-interest income within the scope of other ASC topics	795	1,746
Total noninterest income	$ 4,545	$ 4,974

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

INTRODUCTION

The following discussion and analysis focuses on significant changes in our financial condition and results of operations of Summit Financial Group, Inc. (“Company” or “Summit”) and its operating subsidiary, Summit Community Bank (“Summit Community”), for the periods indicated. This discussion and analysis should be read in conjunction with our 2021 audited consolidated financial statements and Annual Report on Form 10-K.

The Private Securities Litigation Act of 1995 indicates that the disclosure of forward-looking information is desirable for investors and encourages such disclosure by providing a safe harbor for forward-looking statements by us. This Quarterly Report on Form 10-Q contains comments or information that constitute forward-looking statements (within the meaning of the Private Securities Litigation Act of 1995) that are based on current expectations that involve a number of risks and uncertainties. Words such as “expects”, “anticipates”, “believes”, “estimates” and other similar expressions or future or conditional verbs such as “will”, “should”, “would” and “could” are intended to identify such forward-looking statements.

Although we believe the expectations reflected in such forward-looking statements are reasonable, actual results may differ materially. Factors that might cause such a difference include: the effect of the COVID-19 crisis, including the negative impacts and disruptions on the communities we serve, and the domestic and global economy, which may have an adverse effect on our business; current and future economic and market conditions, including the effects of declines in housing prices, high unemployment rates, U.S. fiscal debt, budget and tax matters, geopolitical matters, and any slowdown in global economic growth; fiscal and monetary policies of the Federal Reserve; future provisions for credit losses on loans and debt securities; changes in nonperforming assets; changes in interest rates and interest rate relationships; demand for products and services; the degree of competition by traditional and non-traditional competitors; the successful integration of operations of our acquisitions; changes in banking laws and regulations; changes in tax laws; the impact of technological advances; the outcomes of contingencies; trends in customer behavior as well as their ability to repay loans; and changes in the national and local economies. We undertake no obligation to revise these statements following the date of this filing.

OVERVIEW

On July 12, 2021 we acquired four full-service MVB branch banking offices and two MVB drive-up banking locations in southern West Virginia whose results are included in our financial statements from the acquisition dates forward, impacting comparisons to the prior-year periods.

Our primary source of income is net interest income from loans and deposits. Business volumes tend to be influenced by the overall economic factors including market interest rates, business spending, and consumer confidence, as well as competitive conditions within the marketplace.

Primarily due to our 2021 acquisition and organic loan growth, average interest earning assets increased by 13.7% for the first three months in 2022 compared to the same period of 2021 while our net interest earnings on a tax equivalent basis increased 12.5%. Our tax equivalent net interest margin decreased 4 basis points as our yield on interest earning assets decreased 12 basis points while our cost of interest bearing funds decreased 9 basis points.

COVID-19 IMPACTS

Overview

Significant progress has been made to combat the outbreak of COVID-19; however, the global pandemic adversely impacted a broad range of industries in which our clients operate and could still impair their ability to fulfill their financial obligations to the Company.

Impact on our Operations

While it appears that epidemiological and macroeconomic conditions are trending in a positive direction as of March 31, 2022, if there is a resurgence in the virus, we could experience further adverse effects on our business, financial condition, results of operations and cash flows. While it is not possible to know the full extent of the impact of COVID-19 or the impact of any potential resulting measures to curtail its spread on future operations, we are disclosing potentially material items of which we are aware.

Impact on our Financial Position and Results of Operations

Lending and Credit Risks: Improving conditions around COVID-19 had an impact on our allowance for credit losses ("ACL") throughout the prior year as we experienced a decline in required reserves over that period. COVID-19 had little impact on required ACL levels, our financial condition and results of operations for first quarter 2022. We have not experienced any material charge-offs related to COVID-19. Our ACL calculation, and resulting provision for credit losses, are significantly impacted by changes in forecasted economic conditions. Should economic conditions worsen as a result of a resurgence in the virus and resulting measures to curtail its spread, we could experience increases in our required ACL and record additional credit loss expense. It is possible that our asset quality measures could worsen at future measurement periods if the effects of COVID-19 are prolonged.

While all industries experienced adverse impacts as a result of COVID-19, we had no material exposure (on balance sheet loans and commitments to lend greater than 5% of the loan portfolio) to loan categories that management considered to be "at-risk" of significant impact as of March 31, 2022. We continue to work with customers directly affected by COVID-19. As a result of the current economic environment caused by COVID-19, we continue to engage in communication with borrowers to better understand their situation and the challenges faced, allowing us to respond proactively as needs and issues arise.

Capital and Liquidity: Our capital management activities, coupled with our historically strong earnings performance and prudent dividend practices, have allowed us to build and maintain strong capital reserves. At March 31, 2022, all of Summit's regulatory capital ratios significantly exceeded well-capitalized standards. More specifically, the Company bank subsidiary's Tier 1 Leverage Ratio, a common measure to evaluate a financial institutions capital strength, was 10.5% at March 31, 2022, which is well in excess of the well-capitalized regulatory minimum of 5.0%.

In addition, management believes the Company's liquidity position is strong. The Company's bank subsidiary maintains a funding base largely comprised of core noninterest bearing demand deposit accounts and low cost interest-bearing transactional deposit accounts with clients that operate or reside within the footprint of its branch bank network. At March 31, 2022, the Company's cash and cash equivalent balances were $61.3 million. In addition, Summit maintains an available-for-sale securities portfolio, comprised primarily of highly liquid U.S. agency securities, highly-rated municipal securities and U.S. agency-backed mortgage backed securities, which serves as a ready source of liquidity. At March 31, 2022, the Company's available-for-sale securities portfolio totaled $374.9 million, $238.7 million of which was unpledged as collateral. The Company's bank subsidiary's unused borrowing capacity at the Federal Home Loan Bank of Pittsburgh at March 31, 2022 was $1.04 billion, and it maintained $407.9 million of borrowing availability at the Federal Reserve Bank of Richmond's discount window.

CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and follow general practices within the financial services industry. Application of these principles requires us to make estimates, assumptions and judgments that affect the amounts reported in our financial statements and accompanying notes. These estimates, assumptions and judgments are based on information available as of the date of the financial statements; accordingly, as this information changes, the financial statements could reflect different estimates, assumptions and judgments. Certain policies inherently have a greater reliance on the use of estimates, assumptions and judgments and as such have a greater possibility of producing results that could be materially different than originally reported.

Our most significant accounting policies are presented in the notes to the consolidated financial statements of our 2021 Annual Report on Form 10-K. These policies, along with the other disclosures presented in the financial statement notes and in this financial review, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined.

Based on the valuation techniques used and the sensitivity of financial statement amounts to the methods, assumptions and estimates underlying those amounts, we have identified the determination of ACL, fair value measurements and accounting for acquired loans to be the accounting areas that require the most subjective or complex judgments and as such could be most subject to revision as new information becomes available. Refer to Note 7 of the Notes to the Consolidated Financial Statements in the 2021 Form 10-K for a discussion of the methodology we employ regarding the ACL.

For additional information regarding critical accounting policies, refer to Critical Accounting Policies section in Management's Discussion and Analysis of Financial Condition and Results of Operations included in the 2021 Form 10-K. There have been no significant changes in our application of critical accounting policies since December 31, 2021.

RESULTS OF OPERATIONS

Earnings Summary

Net income applicable to common shares for the three months ended March 31, 2022 was $11.5 million, or $0.90 per diluted share, compared to $10.4 million, or $0.80 per diluted share for the same period of 2021. The increased earnings for the three months ended March 31, 2022 were primarily attributable to increased net interest income due to our growth. Returns on average equity and assets for the first three months of 2022 were 14.20% and 1.30%, respectively, compared with 14.51% and 1.31% for the same period of 2021.

MVB's results of operations are included in our consolidated results of operations from the date of acquisition, and therefore our 2022 results reflect increased levels of average balances, income and expense as compared to the same periods of 2021 results. At consummation (prior to fair value acquisition adjustments), the MVB branch transaction consisted primarily of $54.4 million loans acquired and $164.0 million deposits assumed.

Net Interest Income

Net interest income is the principal component of our earnings and represents the difference between interest and fee income generated from earning assets and the interest expense paid on deposits and borrowed funds. Fluctuations in interest rates as well as changes in the volume and mix of earning assets and interest bearing liabilities can materially impact net interest income.

Q1 2022 compared to Q4 2021

For the quarter ended March 31, 2022, our net interest income on a fully taxable-equivalent basis increased $718,000 to $29.8 million compared to $29.1 million for the quarter end December 31, 2021. Our taxable-equivalent earnings on interest earning assets increased $1,072,000, while the cost of interest bearing liabilities increased $354,000 (see Tables I and II).

For the three months ended March 31, 2022, average interest earning assets increased to $3.35 billion compared to $3.31 billion for the three months ended December 31, 2021, while average interest bearing liabilities increased to $2.64 billion for the three months ended March 31, 2022 from $2.61 billion for the three months ended December 31, 2021.

For the quarter ended March 31, 2022, our net interest margin increased to 3.61%, compared to 3.49% for the linked quarter, as the yields on earning assets increased 16 basis points and the cost of our interest bearing funds increased by 6 basis points.

Excluding the impact of accretion and amortization of fair value acquisition accounting adjustments related to the interest earning assets and interest bearing liabilities acquired by merger, Summit's net interest margin was 3.57% and 3.45% for the three months ended March 31, 2022 and December 31, 2021.

Q1 2022 compared to Q1 2021

For the quarter ended March 31, 2022, our net interest income on a fully taxable-equivalent basis increased $3.3 million to $29.8 million compared to $26.5 million for the quarter ended March 31, 2021. Our taxable-equivalent earnings on interest earning assets increased $3.1 million, while the cost of interest bearing liabilities decreased $171,000 (see Tables I and II).

For the three months ended March 31, 2022, average interest earning assets increased 13.7% to $3.35 billion compared to $2.95 billion for the three months ended March 31, 2021, while average interest bearing liabilities increased 11.2% from $2.38 billion for the three months ended March 31, 2021 to $2.64 billion for the three months ended March 31, 2022.

For the quarter ended March 31, 2022, our net interest margin decreased to 3.61%, compared to 3.65% for the same period of 2021, as the yields on earning assets decreased 12 basis points, while the cost of our interest bearing funds decreased by 9 basis points.

Excluding the impact of accretion and amortization of fair value acquisition accounting adjustments related to the interest earning assets and interest bearing liabilities acquired by merger, Summit's net interest margin was 3.60% for the three months ended March 31, 2021.

Table I - Average Balance Sheet and Net Interest Income Analysis

	For the Quarter Ended								
	March 31, 2022			December 31, 2021			March 31, 2021		
Dollars in thousands	Average Balance	Earnings/ Expense	Yield/ Rate	Average Balance	Earnings/ Expense	Yield/ Rate	Average Balance	Earnings/ Expense	Yield/ Rate
Interest earning assets									
Loans, net of unearned fees (1)									
Taxable	$ 2,771,842	$ 30,178	4.42 %	$ 2,640,975	$ 28,916	4.34 %	$ 2,355,705	$ 27,419	4.72 %
Tax-exempt (2)	5,369	58	4.38 %	6,888	81	4.67 %	12,679	151	4.83 %
Securities									
Taxable	320,170	1,656	2.10 %	349,541	1,806	2.05 %	266,289	1,295	1.97 %
Tax-exempt (2)	180,473	1,223	2.75 %	177,757	1,212	2.71 %	144,880	1,091	3.05 %
Federal funds sold and interest bearing deposits with other banks	72,883	46	0.26 %	132,471	75	0.22 %	166,531	67	0.16 %
Total interest earning assets	3,350,737	33,161	4.01 %	3,307,632	32,090	3.85 %	2,946,084	30,023	4.13 %
Noninterest earning assets									
Cash & due from banks	19,226			21,037			17,961		
Premises and equipment	56,043			56,566			53,317		
Property held for sale	63,429			63,810			14,859		
Other assets	142,719			126,635			152,484		
Allowance for loan losses	(32,462)			(32,691)			(32,706)		
Total assets	$ 3,599,692			$ 3,542,989			$ 3,151,999		
Interest bearing liabilities									
Interest bearing demand deposits	$ 1,135,068	$ 465	0.17 %	$ 1,128,637	$ 319	0.11 %	$ 960,190	$ 394	0.17 %
Savings deposits	700,115	573	0.33 %	692,893	590	0.34 %	642,241	645	0.41 %
Time deposits	542,360	689	0.52 %	560,140	809	0.57 %	583,723	1,457	1.01 %
Short-term borrowings	140,230	373	1.08 %	140,146	365	1.03 %	140,146	469	1.36 %
Long-term borrowings and capital trust securities	123,203	1,239	4.08 %	86,509	902	4.14 %	49,664	545	4.45 %
Total interest bearing liabilities	2,640,976	3,339	0.51 %	2,608,325	2,985	0.45 %	2,375,964	3,510	0.60 %
Noninterest bearing liabilities and shareholders' equity									
Demand deposits	586,903			568,764			451,957		
Other liabilities	42,493			40,905			38,393		
Total liabilities	3,270,372			3,217,994			2,866,314		
Shareholders' equity - preferred	14,921			14,920			—		
Shareholders' equity - common	314,399			310,075			285,685		
Total liabilities and shareholders' equity	$ 3,599,692			$ 3,542,989			$ 3,151,999		
Net interest earnings		$ 29,822			$ 29,105			$ 26,513	
Net yield on interest earning assets			3.61 %			3.49 %			3.65 %

(1) - For purposes of this table, nonaccrual loans are included in average loan balances.

(2) - Interest income on tax-exempt securities and loans has been adjusted assuming a Federal tax rate of 21% for all periods presented. The tax equivalent adjustment resulted in an increase in interest income of $268,000, $273,000, and $260,000 for the three months ended March 31, 2022, December 31, 2021, and March 31, 2021, respectively.

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Table II - Changes in Net Interest Income Attributable to Rate and Volume

	For the Quarter Ended March 31, 2022 vs. December 31, 2021			For the Quarter Ended March 31, 2022 vs. March 31, 2021		
	Increase (Decrease) Due to Change in:			Increase (Decrease) Due to Change in:		
Dollars in thousands	Volume	Rate	Net	Volume	Rate	Net
Interest earned on:						
Loans						
Taxable	$ 948	$ 314	$ 1,262	$ 4,615	$ (1,856)	$ 2,759
Tax-exempt	(18)	(5)	(23)	(80)	(13)	(93)
Securities						
Taxable	(181)	32	(149)	275	87	362
Tax-exempt	5	6	11	249	(117)	132
Federal funds sold and interest bearing deposits with other banks	(38)	9	(29)	(49)	28	(21)
Total interest earned on interest earning assets	716	356	1,072	5,010	(1,871)	3,139
Interest paid on:						
Interest bearing demand deposits	2	144	146	72	(1)	71
Savings deposits	1	(18)	(17)	54	(126)	(72)
Time deposits	(29)	(91)	(120)	(97)	(671)	(768)
Short-term borrowings	—	8	8	—	(96)	(96)
Long-term borrowings and capital trust securities	350	(13)	337	743	(49)	694
Total interest paid on interest bearing liabilities	324	30	354	772	(943)	(171)
Net interest income	$ 392	$ 326	$ 718	$ 4,238	$ (928)	$ 3,310

Provision for Credit Losses

Provision for credit losses is determined by management as the amount to be added to the allowance for credit loss accounts for various types of financial instruments including loans, securities and off-balance-sheet credit exposure after net charge-offs have been deducted to bring the allowance to a level which, in management's best estimate, is necessary to absorb expected credit losses over the lives of the respective financial instruments.

We recorded $1.95 million and $1.50 million provision for credit losses for the three months ended March 31, 2022 and 2021, respectively. The following table summarizes the changes in the various factors that comprise the components of credit loss expense.

Table III - Provision for Credit Losses

	For the Three Months Ended March 31,	
Dollars in thousands	2022	2021
Provision for credit losses-loans		
Due to changes in:		
Volume and mix	$ 2,648	$ 2,831
Loss experience	(640)	(735)
Reasonable and supportable economic forecasts	(757)	(1,137)
Individually evaluated credits	(418)	1,026
Acquired loans	—	—
Total provision for credit losses - loans	833	1,985
Provision for credit losses-unfunded commitments		
Due to changes in:		
Volume and mix	1,231	34
Loss experience	(219)	(156)
Reasonable and supportable economic forecasts	105	(363)
Individually evaluated credits	—	—
Acquired loan commitments	—	—
Total provision for credit losses - unfunded commitments	1,117	(485)
Total provision for credit losses - debt securities	—	—
Total provision for credit losses	$ 1,950	$ 1,500

Our reasonable and supportable economic forecasts at March 31, 2022 resulted in a net decrease to the provision for the quarter primarily due to our hotel and motel lending portfolio returning to pre-pandemic levels of operations. In addition, our provision for individually evaluated credits also decreased due to an improved collateral valuation for one relationship within our hotel and motel lending portfolio.

Noninterest Income

Total noninterest income for the three months ended March 31, 2022 decreased 8.6% compared to the same period of 2021 principally due to realized losses on debt securities in first quarter 2022 compared to realized gains on debt securities in first quarter 2021 and lower mortgage origination revenue as mortgage refinance opportunities have become more limited which more than offset the higher service charges on deposit accounts and increased gain on equity investments. Further detail regarding noninterest income is reflected in the following table.

Table IV - Noninterest Income

	For the Quarter Ended March 31,	
Dollars in thousands	2022	2021
Trust and wealth management fees	757	638
Mortgage origination revenue	339	998
Service charges on deposit accounts	1,401	1,100
Bank card revenue	1,491	1,341
Realized (losses) gains on debt securities	(152)	476
Gain on equity investments	372	—
Bank owned life insurance income	283	298
Other	54	123
Total	$ 4,545	$ 4,974

Noninterest Expense

Total noninterest expense increased 4.7% for the three months ended March 31, 2022 compared to the same period of 2021 primarily due to higher salaries, commissions, and employee benefits that more than offset the lower foreclosed properties expense, acquisition-related expenses and other expenses. Table V below shows the breakdown of the changes.

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Table V- Noninterest Expense

	For the Quarter Ended March 31,			
		Change		
Dollars in thousands	**2022**	**$**	**%**	**2021**
Salaries, commissions, and employee benefits	**$ 9,700**	$ 1,265	15.0 %	$ 8,435
Net occupancy expense	**1,242**	68	5.8 %	1,174
Equipment expense	**1,843**	262	16.6 %	1,581
Professional fees	**362**	24	7.1 %	338
Advertising and public relations	**172**	82	91.1 %	90
Amortization of intangibles	**378**	(27)	(6.7)%	405
FDIC premiums	**390**	113	40.8 %	277
Bank card expense	**714**	141	24.6 %	573
Foreclosed properties expense, net of (gains)/losses	**(90)**	(317)	(139.6)%	227
Acquisition-related expenses	**29**	(411)	(93.4)%	440
Other	**2,459**	(434)	(15.0)%	2,893
Total	**$ 17,199**	$ 766	4.7 %	$ 16,433

Salaries, commissions, and employee benefits: The increases in these expenses for the three months ended March 31, 2022 compared to the same period of 2021 is primarily due to general merit raises and the following:

- Higher group health insurance premiums which were $822,000 during first quarter 2022 compared to $513,000 during first quarter 2021; and
- Accrued expenses related to employee bonus plans increased from $690,000 during first quarter 2021 to $1.17 million in first quarter 2022.

Equipment expense: Equipment expenses have increased primarily due to depreciation and amortization related to various technological upgrades, both hardware and software, including interactive teller machine upgrades and recent acquisitions.

Foreclosed properties expense, net of (gains)/losses: The decrease in foreclosed properties expense, net of (gains)/losses, for the three months ended March 31, 2022 is primarily due to gains recognized on sales of foreclosed properties which totaled $157,000 in first quarter 2022 compared to losses of $113,000 during first quarter 2021.

Acquisition-related expenses: Acquisition-related expenses decreased during 2022 as no transactions occurred during 2022.

Other: The decrease in other expenses for the three months ended March 31, 2022 compared to the same period of 2021 is largely due to the following:

- Deferred director compensation plan-related income of $400,000 in 2022 compared to plan-related expense of $236,000 in the comparable period of 2021 as a result of the stock market's overall declined performance during Q1 2022. Under the plan, the directors optionally defer their director fees into a "phantom" investment plan whereby the company recognizes expense or benefit relative to the phantom returns or losses of such investments
- During the first three months of 2022, Virginia franchise tax totaled $148,000 compared to $90,000 for the same period of 2021 primarily due to our balance sheet growth
- Internet banking expense increased to $342,000 for the three months ended March 31, 2022 compared to $278,000 for the same period of 2021 due to increased internet banking activity by clients

Income Taxes

Our income tax expense for the three months ended March 31, 2022 and March 31, 2021 totaled $3.3 million and $2.9 million, respectively. Our effective tax rate (income tax expense as a percentage of income before taxes) for the quarters ended March 31, 2022 and 2021 was 21.8% and 22.1%, respectively. Refer to Note 16 of the accompanying financial statements for further information regarding our income taxes.

FINANCIAL CONDITION

Our total assets were $3.64 billion at March 31, 2022 and $3.58 billion at December 31, 2021. TableVI below is a summary of significant changes in our financial position between December 31, 2021 and March 31, 2022.

Table VI - Summary of Significant Changes in Financial Position

Dollars in thousands	Balance at December 31, 2021	Increase (Decrease)	Balance at March 31, 2022
Assets			
Cash and cash equivalents	$ 78,458	$ (17,201)	$ 61,257
Debt securities available for sale	401,103	(26,248)	374,855
Debt securities held to maturity	98,060	(471)	97,589
Equity investments	20,202	372	20,574
Other investments	11,304	(330)	10,974
Loans, net	2,729,093	88,905	2,817,998
Property held for sale	9,858	(2,958)	6,900
Premises and equipment	56,371	(658)	55,713
Accrued interest and fees receivable	10,578		11,022
Goodwill and other intangibles	63,590	(378)	63,212
Cash surrender value of life insurance policies and annuities	60,613	10,212	70,825
Derivative financial instruments	11,187	13,268	24,455
Other assets	26,302	2,015	28,317
Total assets	**$ 3,576,719**	**$ 66,528**	**$ 3,643,691**
Liabilities			
Deposits	$ 2,943,089	$ 64,974	$ 3,008,063
Short-term borrowings	140,146	—	140,146
Long-term borrowings	679	(5)	674
Subordinated debentures	102,891	106	102,997
Subordinated debentures owed to unconsolidated subsidiary trusts	19,589	—	19,589
Other liabilities	42,852	(1,096)	41,756
Shareholders' Equity - preferred	14,920	—	14,920
Shareholders' Equity - common	312,553	2,993	315,546
Total liabilities and shareholders' equity	**$ 3,576,719**	**$ 66,972**	**$ 3,643,691**

The following is a discussion of the significant changes in our financial position during the first three months of 2022:

Cash and cash equivalents: Net decrease of $17.2 million is primarily attributable to increased customer loans.

Debt securities available for sale: The net decrease of $26.2 million in debt securities available for sale is principally attributable to a $22.5 million decrease in the fair value of the portfolio, purchases of $22.2 million securities, sales of taxable municipals and mortgage-backed securities of $16.1 million and principal paydowns on mortgage-backed securities of $8.7 million.

Loans: Mortgage warehouse lines of credit declined $63.0 million during the first quarter of 2022 due to a reduction in size of our participation arrangement with a regional bank to fund residential mortgage warehouse lines of medium- and large-sized mortgage originators located throughout the United States. Excluding mortgage warehouse lines of credit, loan growth was $152.2 million during the first quarter of 2022, which included PPP loans declining $4.9 million.

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Deposits: During the first three months of 2022, noninterest bearing checking deposits increased $60.0 million, interest bearing checking deposits grew $7.67 million, savings deposits grew $3.91 million as we increased new commercial account relationships while brokered CDs increased $18.1 million, retail CDs decreased $23.9 million and Direct CDs decreased $0.8 million.

Shareholders' equity - common: Changes in common shareholders' equity are a result of net income, other comprehensive income and common dividends. Refer to the Consolidated Statements of Shareholders' Equity of the accompanying financial statements for further details.

Refer to Notes 5, 6, 8, and 9 of the notes to the accompanying consolidated financial statements for additional information with regard to changes in the composition of our securities, loans, deposits and borrowings between March 31, 2022 and December 31, 2021.

Credit Experience

For purposes of this discussion, nonperforming assets include foreclosed properties, other repossessed assets, and nonperforming loans, which is comprised of loans 90 days or more past due and still accruing interest and nonaccrual loans. Performing TDRs are excluded from nonperforming loans.

The provision for credit losses represents charges to earnings necessary to maintain an adequate allowance to cover an estimate of the full amount of expected credit losses relative to loans. Our determination of the appropriate level of the allowance is based on an ongoing analysis of credit quality and loss potential in the loan portfolio, change in the composition and risk characteristics of the loan portfolio, and the anticipated influence of national and local economic conditions. The adequacy of the allowance for loan losses is reviewed quarterly and adjustments are made as considered necessary.

At March 31, 2022 and December 31, 2021, our allowance for loan credit losses totaled $32.6 million, or 1.14% of total loans and $32.3 million, or 1.17% of total loans. The allowance for loan credit losses is considered adequate to cover an estimate of the full amount of expected credit losses relative to loans.

We incurred net loan charge-offs of $508,000 in first three months of 2022 (0.07 percent of average loans annualized), compared to $189,000 net loan charge-offs during first three months of 2021 (0.03 percent of average loans annualized).

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As illustrated in Table VII below, our non-performing assets have decreased since year end 2021.

Table VII - Summary of Non-Performing Assets

	March 31,		December 31,
Dollars in thousands	**2022**	**2021**	**2021**
Accruing loans past due 90 days or more	$ 19	$ 2	$ 4
Nonaccrual loans			
Commercial	433	848	740
Commercial real estate	4,765	17,137	4,603
Commercial construction and development	—	—	—
Residential construction and development	968	626	1,560
Residential real estate	5,549	6,667	5,772
Consumer	1	52	17
Other	—	—	—
Total nonaccrual loans	11,716	25,330	12,692
Foreclosed properties			
Commercial	—	—	—
Commercial real estate	1,251	2,281	1,389
Commercial construction and development	2,332	3,884	2,332
Residential construction and development	3,018	7,129	5,561
Residential real estate	299	624	576
Total foreclosed properties	6,900	13,918	9,858
Repossessed assets	—	—	—
Total nonperforming assets	$ 18,635	$ 39,250	$ 22,554
Total nonperforming loans as a percentage of total loans	0.41 %	1.03 %	0.46 %
Total nonperforming assets as a percentage of total assets	0.51 %	1.21 %	0.63 %
Allowance for credit losses-loans as a percentage of nonperforming loans	278.00 %	134.39 %	254.39 %
Allowance for credit losses-loans as a percentage of period end loans	1.14 %	1.39 %	1.17 %
Total nonaccrual loans as a percentage of total loans	0.41 %	1.03 %	0.46 %
Allowance for credit losses on loans as a percentage of nonaccrual loans	278.45 %	203.64 %	254.47 %

The decline in residential construction and development foreclosed properties during first quarter 2022 was due to the sale of two residential subdivisions.

The following table details the activity regarding our foreclosed properties for the three months ended March 31, 2022 and 2021.

Table VIII - Foreclosed Property Activity

	For the Three Months Ended March 31,	
Dollars in thousands	**2022**	**2021**
Beginning balance	$ 9,858	$ 15,588
Acquisitions	—	—
Improvements	—	—
Disposals	(2,934)	(1,647)
Writedowns to fair value	(24)	(23)
Balance March 31	$ 6,900	$ 13,918

Refer to Note 7 of the Notes to the Consolidated Financial Statements in the 2021 Form 10-K for a discussion of the methodology information regarding our past due loans, nonaccrual loans, troubled debt restructurings and information regarding our methodology we employ on a quarterly basis to evaluate the overall adequacy of our allowance for credit losses.

At March 31, 2022 and December 31, 2021 we had approximately $6.9 million and $9.9 million in foreclosed properties which were obtained as the result of foreclosure proceedings. Although foreclosed property is recorded at fair value less estimated costs to sell, the prices ultimately realized upon their sale may or may not result in us recognizing additional gains or losses.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity reflects our ability to ensure the availability of adequate funds to meet loan commitments and deposit withdrawals, as well as provide for other transactional requirements. Liquidity is provided primarily by funds invested in cash and due from banks (net of float and reserves), Federal funds sold, non-pledged securities, and available lines of credit with the Federal Home Loan Bank of Pittsburgh ("FHLB") and Federal Reserve Bank of Richmond, which totaled approximately $1.7 billion or 46.73% of total consolidated assets at March 31, 2022.

Our liquidity strategy is to fund loan growth with deposits and other borrowed funds while maintaining an adequate level of short- and medium-term investments to meet normal daily loan and deposit activity. As a member of the FHLB, we have access to approximately $1.18 billion. As of March 31, 2022 and December 31, 2021, these advances totaled approximately $141 million. At March 31, 2022, we had additional borrowing capacity of $1.0 billion through FHLB programs. We have established a line with the Federal Reserve Bank to be used as a contingency liquidity vehicle. The amount available on this line at March 31, 2022 was approximately $414 million, which is secured by a pledge of certain consumer and our commercial and industrial loan portfolios. We have a $6 million unsecured line of credit with a correspondent bank. Also, we have a $375 million portfolio of available for sale debt securities which can be liquidated to meet liquidity needs.

Liquidity risk represents the risk of loss due to the possibility that funds may not be available to satisfy current or future commitments based on external market issues, customer or creditor perception of financial strength, and events unrelated to Summit such as war, terrorism, pandemic or financial institution market specific issues. The Asset/Liability Management Committee ("ALCO"), comprised of members of senior management and certain members of the Board of Directors, oversees our liquidity risk management process.   The ALCO develops and recommends policies and limits governing our liquidity to the Board of Directors for approval with the objective of ensuring that we can obtain cost-effective funding to meet current and future obligations, as well as maintain sufficient levels of on-hand liquidity, under both normal and "stressed" circumstances.

We continuously monitor our liquidity position to ensure that day-to-day as well as anticipated funding needs are met. We are not aware of any trends, commitments, events or uncertainties that have resulted in or are reasonably likely to result in a material change to our liquidity.

One of our continuous goals is maintenance of a strong capital position. Through management of our capital resources, we seek to provide an attractive financial return to our shareholders while retaining sufficient capital to support future growth. Shareholders' equity at March 31, 2022 totaled $330.5 million compared to $327.5 million at December 31, 2021.

Refer to Note 13 of the notes to the accompanying consolidated financial statements for additional information regarding regulatory restrictions on our capital as well as our subsidiaries' capital.

CONTRACTUAL CASH OBLIGATIONS

During our normal course of business, we incur contractual cash obligations. The following table summarizes our contractual cash obligations at March 31, 2022.

Table IX - Contractual Cash Obligations

Dollars in thousands	Long Term Debt	Subordinated Debentures	Capital Trust Securities	Operating Leases
2022	$ 16	$ —	$ —	$ 744
2023	22	—	—	769
2024	23	—	—	719
2025	24	—	—	645
2026	589	—	—	627
Thereafter	—	105,000	19,589	2,223
Total	$ 674	$ 105,000	$ 19,589	$ 5,727

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OFF-BALANCE SHEET ARRANGEMENTS

We are involved with some off-balance sheet arrangements that have or are reasonably likely to have an effect on our financial condition, liquidity, or capital. These arrangements at March 31, 2022 are presented in the following table.

Table X - Off-Balance Sheet Arrangements *Dollars in thousands*		**March 31, 2022**
Commitments to extend credit:		
Revolving home equity and credit card lines	$	99,419
Construction loans		296,068
Other loans		422,148
Standby letters of credit		23,070
Total	$	840,705

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market Risk Management

Market risk is the risk of loss arising from adverse changes in the fair value of financial instruments due to changes in interest rates, exchange rates and equity prices. Interest rate risk is our primary market risk and results from timing differences in the repricing of assets, liabilities and off-balance sheet instruments, changes in relationships between rate indices and the potential exercise of imbedded options. The principal objective of asset/liability management is to minimize interest rate risk and our actions in this regard are taken under the guidance of our Asset/Liability Management Committee ("ALCO"), which is comprised of members of senior management and members of the Board of Directors. The ALCO actively formulates the economic assumptions that we use in our financial planning and budgeting process and establishes policies which control and monitor our sources, uses and prices of funds.

Some amount of interest rate risk is inherent and appropriate to the banking business. Our net income is affected by changes in the absolute level of interest rates. Our interest rate risk position is asset sensitive. That is, absent any changes in the volumes of our interest earning assets or interest bearing liabilities, assets are likely to reprice faster than liabilities, resulting in an increase in net income in a rising rate environment. Net income would decrease in a falling interest rate environment. Net income is also subject to changes in the shape of the yield curve. In general, a flattening yield curve would decrease our earnings due to the compression of earning asset yields and funding rates, while a steepening would increase earnings as margins widen.

Several techniques are available to monitor and control the level of interest rate risk. We control interest rate risk principally by matching the maturities of our interest earning assets with similar maturing interest bearing liabilities and by hedging adverse risk exposures with derivative financial instruments such as interest rate swaps and caps. We primarily use earnings simulations modeling to monitor interest rate risk. The earnings simulation model forecasts the effects on net interest income under a variety of interest rate scenarios that incorporate changes in the absolute level of interest rates and changes in the shape of the yield curve. Each increase or decrease in interest rates is assumed to gradually take place over either the next 12 months or the next 24 months (as footnoted in table below), and then remain stable. Assumptions used to project yields and rates for new loans and deposits are derived from historical analysis. Securities portfolio maturities and prepayments are reinvested in like instruments. Mortgage loan prepayment assumptions are developed from industry estimates of prepayment speeds. Noncontractual deposit repricings are modeled on historical patterns.

The following table presents the estimated sensitivity of our net interest income to changes in interest rates, as measured by our earnings simulation model as of March 31, 2022. The sensitivity is measured as a percentage change in net interest income given the stated changes in interest rates (change over 12 months, stable thereafter or change over 24 months, stable thereafter, see footnotes below) compared to net interest income with rates unchanged in the same period. The estimated changes set forth below are dependent on the assumptions discussed above.

	Estimated % Change in Net Interest Income over:	
Change in	**0 - 12 Months**	**13 - 24 Months**
Interest Rates	**Actual**	**Actual**
Down 100 basis points (1)	-1.0 %	-2.2 %
Up 200 basis points (1)	2.6 %	10.2 %
Up 200 basis points (2)	0.7 %	3.5 %

(1) assumes a parallel shift in the yield curve over 12 months, with no change thereafter

(2) assumes a parallel shift in the yield curve over 24 months, with no change thereafter

Item 4. Controls and Procedures

Our management, including the Chief Executive Officer and Chief Financial Officer, has conducted as of March 31, 2022, an evaluation of the effectiveness of disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures as of March 31, 2022 were effective. There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2022, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Part II. Other Information

Item 1. Legal Proceedings

Refer to Note 11 of the Notes to the Consolidated Financial Statements in Part I, Item 1 for information regarding legal proceedings not reportable under this Item.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In February 2020, the Board of Directors authorized the open market repurchase of up to 750,000 shares of the issued and outstanding shares of Summit's common stock ("February 2020 Repurchase Plan"). The timing and quantity of purchases under this stock repurchase plan are at the discretion of management. The plan may be discontinued, suspended, or restarted at any time at the Company's discretion.

The following table sets forth certain information regarding Summit's purchases of its common stock under the Repurchase Plan and for the benefit of Summits Employee Stock Ownership Plan for the quarter ended March 31, 2022.

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
January 1, 2022 - January 31, 2022	—	$ —	—	426,423
February 1, 2022 - February 28, 2022	—	—	—	426,423
March 1, 2022 - March 31, 2022	—	—	—	426,423

(a) All shares purchased for the benefit of Summit's Employee Stock Ownership Plan

Item 6. Exhibits

Exhibit 3.i	Amended and Restated Articles of Incorporation of Summit Financial Group, Inc.
Exhibit 3.ii	Articles of Amendment 2009
Exhibit 3.iii	Articles of Amendment 2011
Exhibit 3.iv	Amended and Restated Articles of Amendment 2021
Exhibit 3.v	Amended and Restated By-Laws of Summit Financial Group, Inc.
Exhibit 11	Statement re: Computation of Earnings per Share – Information contained in Note 4 to the Consolidated Financial Statements on page 13 of this Quarterly Report is incorporated herein by reference.
Exhibit 31.1	Sarbanes-Oxley Act Section 302 Certification of Chief Executive Officer
Exhibit 31.2	Sarbanes-Oxley Act Section 302 Certification of Chief Financial Officer
Exhibit 32.1	Sarbanes-Oxley Act Section 906 Certification of Chief Executive Officer
Exhibit 32.2	Sarbanes-Oxley Act Section 906 Certification of Chief Financial Officer
Exhibit 101	Interactive Data File (Inline XBRL)
Exhibit 104	Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101)

EXHIBIT INDEX

Exhibit No.	Description	Page Number
(3)	Articles of Incorporation and By-laws:	
	(i) Amended and Restated Articles of Incorporation of Summit Financial Group, Inc.	(a)
	(ii) Articles of Amendment 2009	(b)
	(iii) Articles of Amendment 2011	(c)
	(iv) Amended and Restated Articles of Amendment 2021	(d)
	(v) Amended and Restated By-laws of Summit Financial Group, Inc.	(e)
11	Statement re: Computation of Earnings per Share	14
31.1	Sarbanes-Oxley Act Section 302 Certification of Chief Executive Officer	
31.2	Sarbanes-Oxley Act Section 302 Certification of Chief Financial Officer	
32.1*	Sarbanes-Oxley Act Section 906 Certification of Chief Executive Officer	
32.2*	Sarbanes-Oxley Act Section 906 Certification of Chief Financial Officer	
101**	Interactive data file (Inline XBRL)	
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101)	

*Furnished, not filed.
** As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

(a) Incorporated by reference to Exhibit 3.2 of Summit Financial Group, Inc.'s filing on Form 8-K dated April 30, 2021.
(b) Incorporated by reference to Exhibit 3.1 of Summit Financial Group, Inc.'s filing on Form 8-K dated September 30, 2009.
(c) Incorporated by reference to Exhibit 3.1 of Summit Financial Group, Inc.'s filing on Form 8-K dated November 3, 2011.
(d) Incorporated by reference to Exhibit 3.1 of Summit Financial Group, Inc.'s filing on Form 8-K dated April 30, 2021.
(e) Incorporated by reference to Exhibit 3.1 of Summit Financial Group, Inc.'s filing on Form 8-K dated March 2, 2022.

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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.

SUMMIT FINANCIAL GROUP, INC.
(registrant)

By: /s/ H. Charles Maddy, III
H. Charles Maddy, III,
President and Chief Executive Officer

By: /s/ Robert S. Tissue
Robert S. Tissue,
Executive Vice President and Chief Financial Officer

By: /s/ Julie R. Markwood
Julie R. Markwood,
Senior Vice President and Chief Accounting Officer

Date: May 6, 2022

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Exhibit 31.1

SARBANES-OXLEY ACT SECTION 302
CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, H. Charles Maddy, III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Summit Financial Group, Inc.;

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

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

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

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of 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 registrant’s internal control over financial reporting.

/s/ H. Charles Maddy, III
H. Charles Maddy, III,
President and Chief Executive Officer

Date: May 6, 2022

Exhibit 31.2

SARBANES-OXLEY ACT SECTION 302
CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Robert S. Tissue, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Summit Financial Group, Inc.;

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

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

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

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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 registrant's internal control over financial reporting.

/s/ Robert S. Tissue
Robert S. Tissue
Executive Vice President and Chief Financial Officer

Date: May 6, 2022

Exhibit 32.1

SARBANES-OXLEY ACT SECTION 906
CERTIFICATION OF CHIEF EXECUTIVE OFFICER

In connection with this Quarterly Report of Summit Financial Group, Inc. ("Summit “) on Form 10-Q for the period ending March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, H. Charles Maddy, III, President and Chief Executive Officer of Summit, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of Summit.

/s/ H. Charles Maddy, III
H. Charles Maddy, III,
President and Chief Executive Officer

Date: May 6, 2022

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.2

SARBANES-OXLEY ACT SECTION 906
CERTIFICATION OF CHIEF FINANCIAL OFFICER

In connection with this Quarterly Report of Summit Financial Group, Inc. ("Summit “) on Form 10-Q for the period ending March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert S. Tissue, Executive Vice President and Chief Financial Officer of Summit, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of Summit.

/s/ Robert S. Tissue

Robert S. Tissue,
Executive Vice President and Chief Financial Officer

Date: May 6, 2022

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.