UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

☒ **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 001-38487

Origin Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Louisiana	**72-1192928**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

500 South Service Road East
Ruston, Louisiana 71270
(318) 255-2222
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

Title of Each Class	Trading Symbol(s)	Name of Exchange on which registered
Common Stock, par value $5.00 per share	OBNK	Nasdaq Global Select Market

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: 23,768,748 shares of Common Stock, par value $5.00 per share, were issued and outstanding at April 29, 2022.

ORIGIN BANCORP, INC.

FORM 10-Q

MARCH 31, 2022

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Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements preceded by, followed by or that otherwise include the words "anticipates," "believes," "estimates," "expects," "foresees," "intends," "plans," "projects," and similar expressions or future or conditional verbs such as "could," "may," "might," "should," "will," and "would," or variations or negatives of such terms are generally forward-looking in nature and not historical facts, although not all forward-looking statements include the foregoing words. Forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions and uncertainties that are difficult to predict. Although we believe that the expectations reflected in our forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements.

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

- business and economic conditions generally and in the financial services industry, nationally and within our local market areas, including the impact of supply-chain disruptions and labor pressures;
- natural disasters and adverse weather events, acts of terrorism, an outbreak of hostilities, (including the impacts related to or resulting from Russia's military action in Ukraine, including the imposition of additional sanctions and export controls, as well as the broader impacts to financial markets and the global macroeconomic and geopolitical environments), regional or national protests and civil unrest (including any resulting branch closures or property damage), widespread illness or public health outbreaks or other international or domestic calamities, and other matters beyond our control;
- system failures, cybersecurity threats and/or security breaches and the cost of defending against them;
- the duration and impact of the coronavirus ("COVID-19") pandemic and efforts to contain its transmission, as well as the impact of the actions taken by governmental authorities to address the impact of COVID-19 on the United States economy, including, without limitation, the Coronavirus Aid, Relief and Economic Security Act (“CARES Act") and any related future economic stimulus legislation;
- The discontinuation of LIBOR (and its replacement with alternatives) could result in financial, operational, legal, reputational or compliance risks to us;
- deterioration of our asset quality;
- risks associated with widespread inflation or deflation;
- factors that can impact the performance of our loan portfolio, including real estate values and liquidity in our primary market areas, the financial health of our commercial borrowers and the success of construction projects that we finance, including any loans acquired in acquisition transactions;
- the risks of mergers, acquisitions and divestitures, including our ability to continue to identify acquisition targets and successfully acquire and integrate desirable financial institutions;
- changes in the value of collateral securing our loans;
- our ability to anticipate interest rate changes and manage interest rate risk;
- the effectiveness of our risk management framework and quantitative models;
- our inability to receive dividends from our bank subsidiary and to service debt, pay dividends to our common stockholders, repurchase our shares of common stock and satisfy obligations as they become due;
- changes in our operation or expansion strategy or our ability to prudently manage our growth and execute our strategy;

- changes in management personnel;
- our ability to maintain important deposit customer relationships, our reputation or otherwise avoid liquidity risks;
- increasing costs as we grow deposits;
- operational risks associated with our business;
- volatility and direction of market interest rates;
- increased competition in the financial services industry, particularly from regional and national institutions;
- our level of nonperforming assets and the costs associated with resolving any problem loans, including litigation and other costs;
- our ability to comply with applicable capital and liquidity requirements, including our ability to generate liquidity internally or raise capital on favorable terms, including continued access to the debt and equity capital markets;
- changes in the utility of our non-GAAP liquidity measurements and their underlying assumptions or estimates;
- difficult market conditions and unfavorable economic trends in the United States generally, and particularly in the market areas in which Origin operates and in which its loans are concentrated;
- an increase in unemployment levels and slowdowns in economic growth;
- the credit risk associated with the substantial amount of commercial real estate, construction and land development, and commercial loans in our loan portfolio;
- changes in the laws, rules, regulations, interpretations or policies relating to financial institutions, as well as tax, trade, monetary and fiscal matters;
- periodic changes to the extensive body of accounting rules and best practices, may change the treatment and recognition of critical financial line items and affect our profitability;
- further government intervention in the U.S. financial system;
- compliance with governmental and regulatory requirements, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and others relating to banking, consumer protection, securities and tax matters; and
- our ability to manage the risks involved in the foregoing.

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this report. If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate. In addition, as a result of these and other factors, our past financial performance should not be relied upon as an indication of future performance. Accordingly, you should not place undue reliance on any forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and we do not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. New risks and uncertainties emerge from time to time, and it is not possible for us to predict those events or how they may affect us. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

ORIGIN BANCORP, INC.
Consolidated Balance Sheets
(Dollars in thousands, except per share amounts)

	March 31, 2022	December 31, 2021
Assets	(Unaudited)	
Cash and due from banks	$ 129,825	$ 133,334
Interest-bearing deposits in banks	454,619	572,284
Total cash and cash equivalents	584,444	705,618
Securities:		
Available for sale	1,905,687	1,504,728
Held to maturity, net allowance for credit losses of $352 and $167 at March 31, 2022, and December 31, 2021, respectively (fair value of $5,642 and $25,117 at March 31, 2022, and December 31, 2021, respectively)	4,831	22,767
Securities carried at fair value through income	7,058	7,497
Total securities	1,917,576	1,534,992
Non-marketable equity securities held in other financial institutions	45,242	45,192
Loans held for sale ($41,922 and $37,032 at fair value at March 31, 2022, and December 31, 2021, respectively)	80,295	80,387
Loans, net of allowance for credit losses of $62,173 and $64,586 at March 31, 2022, and December 31, 2021, respectively	5,132,233	5,166,745
Premises and equipment, net	80,421	80,691
Mortgage servicing rights	21,187	16,220
Cash surrender value of bank-owned life insurance	38,547	38,352
Goodwill and other intangible assets, net	50,578	51,330
Accrued interest receivable and other assets	161,772	141,758
Total assets	$ 8,112,295	$ 7,861,285
Liabilities and Stockholders' Equity		
Noninterest-bearing deposits	$ 2,295,682	$ 2,163,507
Interest-bearing deposits	3,947,714	3,864,058
Time deposits	523,783	543,128
Total deposits	6,767,179	6,570,693
Federal Home Loan Bank ("FHLB") advances, repurchase obligations and other borrowings	305,560	309,801
Subordinated indebtedness, net	157,478	157,417
Accrued expenses and other liabilities	205,213	93,163
Total liabilities	7,435,430	7,131,074
Commitments and contingencies - See *Note 11 - Commitments and Contingencies*		
Stockholders' equity:		
Preferred stock, no par value, 2,000,000 shares authorized	—	—
Common stock ($5.00 par value; 50,000,000 shares authorized; 23,748,748 and 23,746,502 shares issued at March 31, 2022, and December 31, 2021, respectively)	118,744	118,733
Additional paid-in capital	242,789	242,114
Retained earnings	381,222	363,635
Accumulated other comprehensive (loss) income	(65,890)	5,729
Total stockholders' equity	676,865	730,211
Total liabilities and stockholders' equity	$ 8,112,295	$ 7,861,285

The accompanying notes are an integral part of these consolidated financial statements.

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ORIGIN BANCORP, INC.
Consolidated Statements of Income
(Unaudited)
(Dollars in thousands, except per share amounts)

	Three Months Ended March 31,	
	2022	2021
Interest and dividend income		
Interest and fees on loans	$ 51,183	$ 56,810
Investment securities-taxable	5,113	3,300
Investment securities-nontaxable	1,400	1,672
Interest and dividend income on assets held in other financial institutions	587	345
Total interest and dividend income	58,283	62,127
Interest expense		
Interest-bearing deposits	2,886	3,789
FHLB advances and other borrowings	1,094	1,269
Subordinated indebtedness	1,801	1,830
Total interest expense	5,781	6,888
Net interest income	52,502	55,239
Provision for credit losses	(327)	1,412
Net interest income after provision for credit losses	52,829	53,827
Noninterest income		
Service charges and fees	3,998	3,343
Mortgage banking revenue	4,096	4,577
Insurance commission and fee income	6,456	3,771
Gain on sales of securities, net	—	1,668
Loss on sales and disposals of other assets, net	—	(38)
Limited partnership investment (loss) income	(363)	1,772
Swap fee income	139	348
Other fee income	598	771
Other income	982	919
Total noninterest income	15,906	17,131

The accompanying notes are an integral part of these consolidated financial statements.

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ORIGIN BANCORP, INC.
Consolidated Statements of Income - Continued
(Unaudited)
(Dollars in thousands, except per share amounts)

	Three Months Ended March 31,	
	2022	**2021**
Noninterest expense		
Salaries and employee benefits	26,488	22,325
Occupancy and equipment, net	4,427	4,339
Data processing	2,486	2,173
Electronic banking	917	961
Communications	281	415
Advertising and marketing	871	680
Professional services	1,631	973
Regulatory assessments	626	1,170
Loan-related expenses	1,305	1,705
Office and operations	1,560	1,454
Intangible asset amortization	537	234
Franchise tax expense	770	619
Other expenses	875	2,388
Total noninterest expense	42,774	39,436
Income before income tax expense	25,961	31,522
Income tax expense	5,278	6,009
Net income	$ 20,683	$ 25,513
Basic earnings per common share	$ 0.87	$ 1.09
Diluted earnings per common share	0.87	1.08

The accompanying notes are an integral part of these consolidated financial statements.

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ORIGIN BANCORP, INC.
Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)
(Dollars in thousands)

	Three Months Ended March 31,	
	2022	**2021**
Net income	$ 20,683	$ 25,513
Other comprehensive income (loss)		
Securities available for sale and transferred securities:		
Net unrealized holding (loss) arising during the period	(91,214)	(15,852)
Net losses realized as a yield adjustment in interest on investment securities	(3)	(3)
Reclassification adjustment for net gain included in net income	—	(1,668)
Change in the net unrealized (loss) on investment securities, before tax	(91,217)	(17,523)
Income tax (benefit) related to net unrealized (loss) arising during the period	(19,156)	(3,680)
Change in the net unrealized (loss) on investment securities, net of tax	(72,061)	(13,843)
Cash flow hedges:		
Net unrealized gain arising during the period	513	431
Reclassification adjustment for (loss) gain included in net income	(46)	(49)
Change in the net unrealized gain on cash flow hedges, before tax	559	480
Income tax expense related to net unrealized gain on cash flow hedges	117	101
Change in net unrealized position on cash flow hedges, net of tax	442	379
Other comprehensive (loss), net of tax	(71,619)	(13,464)
Comprehensive (loss) income	$ (50,936)	$ 12,049

The accompanying notes are an integral part of these consolidated financial statements.

ORIGIN BANCORP, INC.
Condensed Consolidated Statements of Changes in Stockholders' Equity
(Unaudited)
(Dollars in thousands, except per share amounts)

	Common Shares Outstanding	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Total Stockholders' Equity
Balance at January 1, 2021	23,506,312	$ 117,532	$ 237,341	$ 266,628	$ 25,649	$ 647,150
Net income	—	—	—	25,513	—	25,513
Other comprehensive (loss), net of tax	—	—	—	—	(13,464)	(13,464)
Recognition of stock compensation, net	20,140	100	661	—	—	761
Dividends declared - common stock ($0.10 per share)	—	—	—	(2,349)	—	(2,349)
Repurchase of common stock	(37,568)	(188)	(1,068)	—	—	(1,256)
Balance at March 31, 2021	23,488,884	$ 117,444	$ 236,934	$ 289,792	$ 12,185	$ 656,355

	Common Shares Outstanding	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Total Stockholders' Equity
Balance at January 1, 2022	23,746,502	$ 118,733	$ 242,114	$ 363,635	$ 5,729	$ 730,211
Net income	—	—	—	20,683	—	20,683
Other comprehensive (loss), net of tax	—	—	—	—	(71,619)	(71,619)
Recognition of stock compensation, net	2,246	11	675	—	—	686
Dividends declared - common stock ($0.13 per share)	—	—	—	(3,096)	—	(3,096)
Balance at March 31, 2022	23,748,748	$ 118,744	$ 242,789	$ 381,222	$ (65,890)	$ 676,865

The accompanying notes are an integral part of these consolidated financial statements.

ORIGIN BANCORP, INC.
Consolidated Statements of Cash Flows
(Unaudited)
(Dollars in thousands)

	Three Months Ended March 31,	
Cash flows from operating activities:	**2022**	**2021**
Net income	$ 20,683	$ 25,513
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	(327)	1,412
Depreciation and amortization	2,067	1,695
Net amortization on securities	2,439	1,748
Amortization of investments in tax credit funds	470	373
Gain on sale of securities, net	—	(1,668)
Deferred income tax expense (benefit)	2,572	(991)
Stock-based compensation expense	737	614
Originations of mortgage loans held for sale	(81,175)	(137,644)
Proceeds from mortgage loans held for sale	81,916	184,283
Gain on mortgage loans held for sale, including origination of servicing rights	(2,450)	(6,940)
Mortgage servicing rights valuation adjustment	(4,240)	(1,949)
Increase in the cash surrender value of life insurance	(195)	(204)
Net losses on sales and write-downs of other real estate owned	—	38
Other operating activities, net	(7,362)	4,786
Net cash provided by operating activities	15,135	71,066
Cash flows from investing activities:		
Purchases of securities available for sale	(430,946)	(71,717)
Maturities and pay downs of securities available for sale	40,661	38,028
Proceeds from sales and calls of securities available for sale	2,662	40,493
Maturities, pay downs and calls of securities held to maturity	17,749	142
Net sales (purchases) of non-marketable equity securities held in other financial institutions	(19)	15,353
Originations of mortgage warehouse loans	(2,631,129)	(5,050,426)
Proceeds from pay-offs of mortgage warehouse loans	2,754,959	5,044,082
Net (increase) in loans, excluding mortgage warehouse and loans held for sale	(88,325)	(124,129)
Return of capital and other distributions from limited partnership investments	5,276	—
Capital calls on limited partnership investments	(97)	(225)
Purchase of low-income housing tax credit investments	—	(300)
Purchases of premises and equipment	(1,243)	(813)
Proceeds from sales of premises and equipment	—	51
Proceeds from sales of other real estate owned	—	269
Net cash (used in) investing activities	(330,452)	(109,192)

The accompanying notes are an integral part of these consolidated financial statements.

ORIGIN BANCORP, INC.
Consolidated Statements of Cash Flows - Continued
(Unaudited)
(Dollars in thousands)

	Three Months Ended March 31,	
Cash flows from financing activities:	**2022**	**2021**
Net increase in deposits	$ 196,486	$ 594,879
Repayments on long-term FHLB advances	(64)	(13,529)
Proceeds from short-term FHLB advances	—	6,053,425
Repayments on short-term FHLB advances	—	(6,703,425)
Net increase (decrease) in securities sold under agreements to repurchase	805	(2,087)
Dividends paid	(3,084)	(2,341)
Cash received from exercise of stock options	—	147
Common stock repurchased	—	(1,256)
Net cash provided by (used in) financing activities	194,143	(74,187)
Net increase (decrease) in cash and cash equivalents	(121,174)	(112,313)
Cash and cash equivalents at beginning of period	705,618	377,214
Cash and cash equivalents at end of period	$ 584,444	$ 264,901
Interest paid	$ 5,714	$ 6,999
Income taxes paid	—	4,040
Significant non-cash transactions:		
Unsettled liability for investment purchases recorded at trade date	115,180	1,376
Real estate acquired in settlement of loans	—	2,575
(Decrease) increase in GNMA repurchase obligations	(4,982)	9,593
Recognition of operating right-of-use assets	4,769	—
Recognition of operating lease liabilities	4,769	—

The accompanying notes are an integral part of these consolidated financial statements.

Note 1 - Significant Accounting Policies

Nature of Operations. Origin Bancorp, Inc. ("Company") is a financial holding company headquartered in Ruston, Louisiana. The Company's wholly-owned bank subsidiary, Origin Bank ("Bank"), provides a broad range of financial services to businesses, municipalities, high net worth individuals and retail clients. The Company currently operates 45 banking centers located in Dallas/Fort Worth and Houston, Texas, North Louisiana and in Mississippi. The Company principally operates in one business segment, community banking.

Basis of Presentation. The consolidated financial statements in this quarterly report on Form 10-Q include the accounts of the Company and all other entities in which Origin Bancorp, Inc. has a controlling financial interest, including the Bank and Davison Insurance Agency, LLC, doing business as Lincoln Agency, LLC (the "Lincoln Agency"), Lincoln Agency Transportation Insurance, Pulley-White Insurance Agency (the "Pulley-White"), Reeves, Coon and Funderburg, Simoneaux & Wallace Agency and Thomas & Farr Agency. All significant intercompany balances and transactions have been eliminated in consolidation. The Company's accounting and financial reporting policies conform, in all material respects, to generally accepted accounting principles in the United States ("U.S. GAAP") and to general practices within the financial services industry. The Company has evaluated subsequent events for potential recognition and/or disclosure through the date these consolidated financial statements were issued.

The consolidated financial statements in this quarterly report on Form 10-Q have not been audited by an independent registered public accounting firm, excluding the figures as of December 31, 2021, but in the opinion of management, reflect all adjustments necessary for a fair presentation of the Company's financial position and results of operations for the periods presented. These consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and with the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim financial reporting. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2021, included in the Company's annual report on Form 10-K ("2021 Form 10-K") filed with the SEC. Operating results for the interim periods disclosed herein are not necessarily indicative of results that may be expected for a full year. Certain prior period amounts have been reclassified to conform to the current year financial statement presentations. These reclassifications did not impact previously reported net income or comprehensive income.

Use of Estimates. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions based on available information that affect the amounts reported in the financial statements and disclosures provided, including the accompanying notes, and actual results could differ. Material estimates that are particularly susceptible to change include the allowance for credit losses for loans and available for sale securities; fair value measurements of assets and liabilities; and income taxes. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the Company's consolidated financial statements in the period they are deemed necessary. While management uses its best judgment, actual results could differ from those estimates.

Effect of Recently Adopted Accounting Standards

ASU No. 2021-06, Presentation of Financial Statements (Topic 205), Financial Services —Depository and Lending(Topic 942), and Financial Services — Investment Companies (Topic 946) —Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10786, Amendments to Financial Disclosures about Acquired and Disposed Businesses, and No. 33-10835, Update of Statistical Disclosures for Bank and Savings and Loan Registrants amends the Accounting Standards Codification in order to agree the Codification to the new SEC releases 33-10786 and 33-10835 (the "Releases"). The Releases clearly define whether an acquired or disposed business subsidiary is significant; update, expand and eliminate certain disclosures; eliminate overlap with certain SEC and U.S.GAAP rules; and add a new subpart of Regulation S-K. The ASU is effective upon issuance; however, the SEC release on which the ASU is based is effective for registrants with the first fiscal year ending after December 15, 2021, while Guide 3 will be rescinded effective January 1, 2023. Implementation of this ASU did not materially impact the Company's financial statement disclosures.

Effect of Newly Issued But Not Yet Effective Accounting Standards

ASU No. 2021-08, Business Combinations (Topic 805) — Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. The amendments in this Update affect accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to recognition of an acquired contract liability and payment terms and their effect on subsequent revenue recognized by the acquirer. The ASU
is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Implementation of this ASU is not expected to materially impact the Company's financial statements or disclosures.

ASU No. 2022-01, Derivatives and Hedging (Topic 815) — Fair Value Hedging - Portfolio Layer Method. The amendments in this Update clarify the accounting for and promote consistency in the reporting of hedge basis adjustments applicable to both a single hedged layer and multiple hedged layers. Additionally, this Update allows entities to elect to apply the portfolio layer method of hedge accounting in accordance with Topic 815. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Implementation of this ASU is not expected to materially impact the Company's financial statements or disclosures.

ASU No. 2022-02, Financial Instruments - Credit Losses (Topic 326) — Troubled Debt Restructurings and Vintage Disclosures. The amendments in this Update eliminate the accounting guidance for TDRs by creditors in 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. Specifically, rather than applying the recognition and measurement guidance for TDRs, an entity must apply the loan refinancing and restructuring guidance in paragraphs 310-20-35-9 through 35-11 to determine whether a modification results in a new loan or a continuation of an existing loan. For public business entities, the amendments in this Update require that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is reviewing this ASU and the possible impact to the Company's financial statements or disclosures.

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Note 2 - Earnings Per Share

Basic and diluted earnings per common share are calculated using the treasury method. Under the treasury method, basic earnings per share is calculated as net income divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share includes the dilutive effect of additional potential common shares issuable under the Company's stock and incentive compensation plans. Information regarding the Company's basic and diluted earnings per common share is presented in the following table:

(Dollars in thousands, except per share amounts)	Three Months Ended March 31,	
Numerator:	**2022**	**2021**
Net income	$ 20,683	$ 25,513
Denominator:		
Weighted average common shares outstanding	23,700,550	23,393,356
Dilutive effect of stock-based awards	70,241	197,074
Weighted average diluted common shares outstanding	23,770,791	23,590,430
Basic earnings per common share	$ 0.87	$ 1.09
Diluted earnings per common share	0.87	1.08

Note 3 - Securities

The following table is a summary of the amortized cost and estimated fair value, including the allowance for credit losses and gross unrealized gains and losses, of available for sale, held to maturity and securities carried at fair value through income for the dates indicated:

(Dollars in thousands) March 31, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses	Net Carrying Amount
Available for sale:						
State and municipal securities	$ 441,527	$ 2,812	$ (23,754)	$ 420,585	$ —	$ 420,585
Corporate bonds	85,236	817	(1,422)	84,631	—	84,631
U.S. government and agency securities	268,249	2	(7,256)	260,995	—	260,995
Commercial mortgage-backed securities	114,014	—	(6,899)	107,115	—	107,115
Residential mortgage-backed securities	737,342	473	(34,451)	703,364	—	703,364
Commercial collateralized mortgage obligations	45,061	—	(2,524)	42,537	—	42,537
Residential collateralized mortgage obligations	217,819	29	(11,359)	206,489	—	206,489
Asset-backed securities	80,383	109	(521)	79,971	—	79,971
Total	$ 1,989,631	$ 4,242	$ (88,186)	$ 1,905,687	$ —	$ 1,905,687
Held to maturity:						
State and municipal securities	$ 5,183	$ 459	$ —	$ 5,642	$ (352)	$ 4,831
Securities carried at fair value through income:						
State and municipal securities[(1)]	$ 7,375	$ —	$ —	$ 7,058	$ —	$ 7,058
December 31, 2021						
Available for sale:						
State and municipal securities	$ 394,046	$ 14,095	$ (2,323)	$ 405,818	$ —	$ 405,818
Corporate bonds	80,498	2,509	(273)	82,734	—	82,734
U.S. government and agency securities	98,892	2	(1,236)	97,658	—	97,658
Commercial mortgage-backed securities	65,691	—	(1,448)	64,243	—	64,243
Residential mortgage-backed securities	559,655	3,751	(5,605)	557,801	—	557,801
Commercial collateralized mortgage obligations	20,000	2	(330)	19,672	—	19,672
Residential collateralized mortgage obligations	196,691	460	(3,411)	193,740	—	193,740
Asset-backed securities	81,985	1,077	—	83,062	—	83,062
Total	$ 1,497,458	$ 21,896	$ (14,626)	$ 1,504,728	$ —	$ 1,504,728
Held to maturity:						
State and municipal securities	$ 22,934	$ 2,183	$ —	$ 25,117	$ (167)	$ 22,767
Securities carried at fair value through income:						
State and municipal securities[(1)]	$ 7,375	$ —	$ —	$ 7,497	$ —	$ 7,497

[(1)] Securities carried at fair value through income have no unrealized gains or losses at the balance sheet date as all changes in value have been recognized in the consolidated statements of income. See *Note 5 - Fair Value of Financial Instruments* for more information.

Securities with unrealized losses at March 31, 2022, and December 31, 2021, aggregated by investment category and those individual securities that have been in a continuous unrealized loss position for less than 12 months, and for 12 months or more, were as follows.

(Dollars in thousands)	Less than 12 Months		12 Months or More		Total	
March 31, 2022	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
Available for sale:						
State and municipal securities	$ 284,749	$ (21,092)	$ 18,775	$ (2,662)	$ 303,524	$ (23,754)
Corporate bonds	35,517	(1,286)	2,864	(136)	38,381	(1,422)
U.S. government and agency securities	206,100	(6,777)	4,427	(479)	210,527	(7,256)
Commercial mortgage-backed securities	101,077	(6,120)	6,038	(779)	107,115	(6,899)
Residential mortgage-backed securities	602,374	(32,188)	26,400	(2,263)	628,774	(34,451)
Commercial collateralized mortgage obligations	42,537	(2,524)	—	—	42,537	(2,524)
Residential collateralized mortgage obligations	137,027	(6,664)	51,501	(4,695)	188,528	(11,359)
Asset-backed securities	64,455	(521)	—	—	64,455	(521)
Total	$ 1,473,836	$ (77,172)	$ 110,005	$ (11,014)	$ 1,583,841	$ (88,186)
Held to maturity:						
State and municipal securities	$ —	$ —	$ —	$ —	$ —	$ —
December 31, 2021						
Available for sale:						
State and municipal securities	$ 82,627	$ (1,651)	$ 16,617	$ (672)	$ 99,244	$ (2,323)
Corporate bonds	13,299	(201)	2,928	(72)	16,227	(273)
U.S. government and agency securities	97,010	(1,234)	440	(2)	97,450	(1,236)
Commercial mortgage-backed securities	57,703	(1,167)	6,540	(281)	64,243	(1,448)
Residential mortgage-backed securities	409,382	(5,577)	1,693	(28)	411,075	(5,605)
Commercial collateralized mortgage obligations	14,568	(330)	—	—	14,568	(330)
Residential collateralized mortgage obligations	127,080	(2,623)	31,301	(788)	158,381	(3,411)
Total	$ 801,669	$ (12,783)	$ 59,519	$ (1,843)	$ 861,188	$ (14,626)
Held to maturity:						
State and municipal securities	$ —	$ —	$ —	$ —	$ —	$ —

Management evaluates available for sale debt securities in unrealized loss positions to determine whether the impairment is due to credit-related factors or noncredit-related factors. Consideration is given to (1) the extent to which the fair value is less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the security for a period of time sufficient to allow for any anticipated recovery in fair value.

Management does not have the intent to sell any of the securities in an unrealized loss position and believes that it is more likely than not that the Company will not have to sell any such securities before a recovery of cost. The fair value is expected to recover as the securities approach their maturity date or repricing date or if market yields for such investments decline. Accordingly, at March 31, 2022, management believes that the unrealized losses detailed in the previous table are due to noncredit-related factors, including changes in interest rates and other market conditions, and therefore no losses have been recognized in the Company’s consolidated statements of income.

The following table presents the activity in the allowance for credit losses for held-to-maturity debt securities.

(Dollars in thousands)	Municipal Securities
Allowance for credit losses:	**2022**
Balance at January 1, 2022	$ 167
Credit loss expense	185
Balance at March 31, 2022	$ 352
Balance at January 1, 2021	$ 66
Credit loss expense	—
Balance at March 31, 2021	$ 66

Accrued interest of $6.8 million and $5.6 million was not included in the calculation of the allowance at March 31, 2022 or 2021, respectively. There were no past due held-to-maturity securities or held-to-maturity securities in nonaccrual status at March 31, 2022 or December 31, 2021.

Proceeds from sales and calls, and related gross gains and losses of securities available for sale, are shown below.

	Three Months Ended March 31,	
(Dollars in thousands)	2022	2021
Proceeds from sales/calls	$ 2,662	$ 40,493
Gross realized gains	—	1,700
Gross realized losses	—	(32)

The following table presents the amortized cost and fair value of securities available for sale and held to maturity at March 31, 2022, grouped by contractual maturity. Mortgage-backed securities, collateralized mortgage obligations and asset-backed securities, which do not have contractual payments due at a single maturity date, are shown separately. Actual maturities for mortgage-backed securities, collateralized mortgage obligations and asset-backed securities will differ from contractual maturities as a result of prepayments made on the underlying loans.

(Dollars in thousands)	Held to Maturity		Available for Sale	
March 31, 2022	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Due in one year or less	$ —	$ —	$ 14,112	$ 13,996
Due after one year through five years	—	—	282,759	279,278
Due after five years through ten years	5,183	5,642	196,493	190,003
Due after ten years	—	—	301,648	282,934
Commercial mortgage-backed securities	—	—	114,014	107,115
Residential mortgage-backed securities	—	—	737,342	703,364
Commercial collateralized mortgage obligations	—	—	45,061	42,537
Residential collateralized mortgage obligations	—	—	217,819	206,489
Asset-backed securities	—	—	80,383	79,971
Total	$ 5,183	$ 5,642	$ 1,989,631	$ 1,905,687

The following table presents carrying amounts of securities pledged as collateral for deposits and repurchase agreements for the period ends presented.

(Dollars in thousands)	March 31, 2022	December 31, 2021
Carrying value of securities pledged to secure public deposits	$ 558,671	$ 331,651
Carrying value of securities pledged to repurchase agreements	10,399	10,312

Note 4 - Loans

Loans consist of the following:

(Dollars in thousands)	March 31, 2022	December 31, 2021
Loans held for sale	$ 80,295	$ 80,387
LHFI:		
Loans secured by real estate:		
Commercial real estate	$ 1,801,382	$ 1,693,512
Construction/land/land development	593,350	530,083
Residential real estate	922,054	909,739
Total real estate	3,316,786	3,133,334
Commercial and industrial[(1)]	1,358,597	1,454,235
Mortgage warehouse lines of credit	503,249	627,078
Consumer	15,774	16,684
Total LHFI[(2)]	5,194,406	5,231,331
Less: Allowance for loan losses	62,173	64,586
LHFI, net	$ 5,132,233	$ 5,166,745

(1) Includes $32.2 million and $105.8 million of PPP loans at March 31, 2022 and December 31, 2021, respectively.
(2) Includes net deferred loan fees of $8.4 million and $9.6 million at March 31, 2022, and December 31, 2021, respectively.

The Company was a participating lender in the Paycheck Protection Program ("PPP") during fiscal years 2020 and 2021. There were approximately $32.2 million and $105.8 million in PPP loans outstanding included in the Company's commercial and industrial loan portfolio at March 31, 2022, and December 31, 2021, respectively, which included $736,000 and $3.0 million in net deferred loan fees at March 31, 2022, and December 31, 2021, respectively. PPP loans have a maximum maturity of five years and earn interest at 1%. PPP loans are fully guaranteed by the U.S. government and can be forgiven by the Small Business Administration ("SBA") if the borrower uses the proceeds to pay specified expenses. The Company believes that the vast majority of its PPP loans will ultimately be forgiven by the SBA in accordance with the terms of the program. The Company originated $767.4 million in PPP loans and as of March 31, 2022, $731.8 million have been forgiven.

Credit quality indicators. As part of the Company's commitment to managing the credit quality of its loan portfolio, management annually and periodically updates and evaluates certain credit quality indicators, which include but are not limited to (i) weighted-average risk rating of the loan portfolio, (ii) net charge-offs, (iii) level of non-performing loans, (iv) level of classified loans (defined as substandard, doubtful and loss), and (v) the general economic conditions in the cities and states in which the Company operates. The Company maintains an internal risk rating system where ratings are assigned to individual loans based on assessed risk. Loan risk ratings are the primary indicator of credit quality for the loan portfolio and are continually evaluated to ensure they are appropriate based on currently available information.

The following is a summary description of the Company's internal risk ratings:

• Pass (1-6)	Loans within this risk rating are further categorized as follows:
Minimal risk (1)	Well-collateralized by cash equivalent instruments held by the Bank.
Moderate risk (2)	Borrowers with excellent asset quality and liquidity. Borrowers' capitalization and liquidity exceed industry norms. Borrowers in this category have significant levels of liquid assets and have a low level of leverage.
Better than average risk (3)	Borrowers with strong financial strength and excellent liquidity that consistently demonstrate strong operating performance. Borrowers in this category generally have a sizable net worth that can be converted into liquid assets within 12 months.
Average risk (4)	Borrowers with sound credit quality and financial performance, including liquidity. Borrowers are supported by sufficient cash flow coverage generated through operations across the full business cycle.
Marginally acceptable risk (5)	Loans generally meet minimum requirements for an acceptable loan in accordance with lending policy, but possess one or more attributes that cause the overall risk profile to be higher than the majority of newly approved loans.
Watch (6)	A passing loan with one or more factors that identify a potential weakness in the overall ability of the borrower to repay the loan. These weaknesses are generally mitigated by other factors that reduce the risk of delinquency or loss.
• Special Mention (7)	This grade is intended to be temporary and includes borrowers whose credit quality has deteriorated and is at risk of further decline.
• Substandard (8)	This grade includes "Substandard" loans under regulatory guidelines. Substandard loans exhibit a well-defined weakness that jeopardizes debt repayment in accordance with contractual agreements, even though the loan may be performing. These obligations are characterized by the distinct possibility that a loss may be incurred if these weaknesses are not corrected and repayment may be dependent upon collateral liquidation or secondary source of repayment.
• Doubtful (9)	This grade includes "Doubtful" loans under regulatory guidelines. Such loans are placed on nonaccrual status and repayment may be dependent upon collateral with no readily determinable valuation or valuations that are highly subjective in nature. Repayment for these loans is considered improbable based on currently existing facts and circumstances.
• Loss (0)	This grade includes "Loss" loans under regulatory guidelines. Loss loans are charged-off or written down when repayment is not expected.

In connection with the review of the loan portfolio, the Company considers risk elements attributable to particular loan types or categories in assessing the quality of individual loans. The list of loans to be reviewed for possible individual evaluation consists of nonaccrual commercial loans over $100,000 with direct exposure, unsecured loans over 90 days past due, commercial loans classified substandard or worse over $100,000 with direct exposure, TDRs, consumer loans greater than $100,000 with a FICO score under 625, loans greater than $100,000 in which the borrower has filed bankruptcy, and all loans 180 days or more past due. Loans under $50,000 will be evaluated collectively in designated pools unless a loss exposure has been identified. Some additional risk elements considered by loan type include:

- for commercial real estate loans, the debt service coverage ratio, operating results of the owner in the case of owner-occupied properties, the loan to value ratio, the age and condition of the collateral and the volatility of income, property value and future operating results typical of properties of that type;
- for construction, land and land development loans, the perceived feasibility of the project, including the ability to sell developed lots or improvements constructed for resale or the ability to lease property constructed for lease, the quality and nature of contracts for presale or prelease, if any, experience and ability of the developer and loan to value ratio;
- for residential mortgage loans, the borrower's ability to repay the loan, including a consideration of the debt to income ratio and employment and income stability, the loan-to-value ratio, and the age, condition and marketability of the collateral; and

- for commercial and industrial loans, the debt service coverage ratio (income from the business in excess of operating expenses compared to loan repayment requirements), the operating results of the commercial, industrial or professional enterprise, the borrower's business, professional and financial ability and expertise, the specific risks and volatility of income and operating results typical for businesses in that category and the value, nature and marketability of collateral.

The following table reflects recorded investments in loans by credit quality indicator and origination year at March 31, 2022, excluding loans held for sale and loans accounted for at fair value. The Company had an immaterial amount of revolving loans converted to term loans at March 31, 2022.

	Term Loans Amortized Cost Basis by Origination Year							
(Dollars in thousands)	2022	2021	2020	2019	2018	Prior	Revolving Loans Amortized Cost Basis	Total
Commercial real estate:								
Pass	$ 213,746	$ 547,625	$ 330,492	$ 256,055	$ 215,760	$ 185,845	$ 20,262	$ 1,769,785
Special mention	—	—	—	3,890	8,332	1,433	—	13,655
Classified	—	1,842	593	745	2,403	12,196	163	17,942
Total commercial real estate loans	$ 213,746	$ 549,467	$ 331,085	$ 260,690	$ 226,495	$ 199,474	$ 20,425	$ 1,801,382
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ 166	$ —	$ 166
Current period gross recoveries	—	—	—	—	—	2	—	2
Current period net charge-offs (recoveries)	$ —	$ —	$ —	$ —	$ —	$ 164	$ —	$ 164
Construction/land/land development:								
Pass	$ 57,089	$ 272,703	$ 92,952	$ 87,621	$ 31,925	$ 5,232	$ 35,645	$ 583,167
Special mention	—	—	—	—	—	—	—	—
Classified	—	418	288	1,562	1,596	1,159	5,160	10,183
Total construction/land/land development loans	$ 57,089	$ 273,121	$ 93,240	$ 89,183	$ 33,521	$ 6,391	$ 40,805	$ 593,350
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Current period gross recoveries	—	—	—	—	—	—	—	—
Current period net charge-offs (recoveries)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Residential real estate:								
Pass	$ 98,676	$ 273,938	$ 256,590	$ 79,379	$ 44,583	$ 95,794	$ 59,291	$ 908,251
Special mention	—	—	170	—	—	—	—	170
Classified	101	723	126	2,235	2,630	7,448	370	13,633
Total residential real estate loans	$ 98,777	$ 274,661	$ 256,886	$ 81,614	$ 47,213	$ 103,242	$ 59,661	$ 922,054
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ 75	$ —	$ 75
Current period gross recoveries	—	—	—	—	—	6	—	6
Current period net charge-offs (recoveries)	$ —	$ —	$ —	$ —	$ —	$ 69	$ —	$ 69

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	Term Loans Amortized Cost Basis by Origination Year							
(Dollars in thousands)	2022	2021	2020	2019	2018	Prior	Revolving Loans Amortized Cost Basis	Total
Commercial and industrial:								
Pass	$ 81,971	$ 355,694	$ 127,696	$ 77,612	$ 45,066	$ 35,546	$ 605,033	$ 1,328,618
Special mention	150	73	27	—	204	—	999	1,453
Classified	79	11,448	121	1,685	2,431	6,673	6,089	28,526
Total commercial and industrial loans	$ 82,200	$ 367,215	$ 127,844	$ 79,297	$ 47,701	$ 42,219	$ 612,121	$ 1,358,597
Current period gross charge-offs	$ —	$ 724	$ —	$ 865	$ 335	$ 174	$ 48	$ 2,146
Current period gross recoveries	—	—	—	27	12	135	461	635
Current period net charge-offs (recoveries)	$ —	$ 724	$ —	$ 838	$ 323	$ 39	$ (413)	$ 1,511
Mortgage Warehouse Lines of Credit:								
Pass	$ —	$ —	$ —	$ —	$ —	$ —	$ 503,249	$ 503,249
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Current period gross recoveries	—	—	—	—	—	—	—	—
Current period net charge-offs (recoveries)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Consumer:								
Pass	$ 2,004	$ 5,646	$ 1,742	$ 1,237	$ 300	$ 82	$ 4,667	$ 15,678
Classified	5	20	15	8	—	—	48	96
Total consumer loans	$ 2,009	$ 5,666	$ 1,757	$ 1,245	$ 300	$ 82	$ 4,715	$ 15,774
Current period gross charge-offs	$ —	$ 6	$ 7	$ —	$ 1	$ 1	$ —	$ 15
Current period gross recoveries	—	—	—	—	1	4	—	5
Current period net charge-offs (recoveries)	$ —	$ 6	$ 7	$ —	$ —	$ (3)	$ —	$ 10

The following table reflects recorded investments in loans by credit quality indicator and origination year at December 31, 2021, excluding loans held for sale and loans accounted for at fair value. The Company had an immaterial amount of revolving loans converted to term loans at December 31, 2021.

	Term Loans Amortized Cost Basis by Origination Year							
(Dollars in thousands)	2021	2020	2019	2018	2017	Prior	Revolving Loans Amortized Cost Basis	Total
Commercial real estate:								
Pass	$ 556,218	$ 369,128	$ 278,045	$ 236,543	$ 111,308	$ 86,498	$ 22,904	$ 1,660,644
Special mention	—	—	—	8,392	15,828	—	—	24,220
Classified	2,045	625	772	2,456	299	2,288	163	8,648
Total commercial real estate loans	$ 558,263	$ 369,753	$ 278,817	$ 247,391	$ 127,435	$ 88,786	$ 23,067	$ 1,693,512
Current period gross charge-offs	$ —	$ —	$ —	$ 120	$ 24	$ 26	$ —	$ 170
Current period gross recoveries	—	—	—	48	3	14	—	65
Current period net charge-offs (recoveries)	$ —	$ —	$ —	$ 72	$ 21	$ 12	$ —	$ 105

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	Term Loans Amortized Cost Basis by Origination Year							
(Dollars in thousands)	2021	2020	2019	2018	2017	Prior	Revolving Loans Amortized Cost Basis	Total
Construction/land/land development:								
Pass	$ 256,212	$ 102,459	$ 85,442	$ 32,128	$ 5,422	$ 553	$ 30,729	$ 512,945
Special mention	—	—	8,126	—	1,003	—	—	9,129
Classified	443	297	272	1,677	158	—	5,162	8,009
Total construction/land/land development loans	$ 256,655	$ 102,756	$ 93,840	$ 33,805	$ 6,583	$ 553	$ 35,891	$ 530,083
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Current period gross recoveries	—	—	—	—	—	—	—	—
Current period net charge-offs (recoveries)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Residential real estate:								
Pass	$ 313,898	$ 252,115	$ 109,564	$ 52,515	$ 45,042	$ 59,690	$ 60,342	$ 893,166
Special mention	—	174	—	421	477	—	—	1,072
Classified	1,398	191	2,393	2,848	1,819	6,606	246	15,501
Total residential real estate loans	$ 315,296	$ 252,480	$ 111,957	$ 55,784	$ 47,338	$ 66,296	$ 60,588	$ 909,739
Current period gross charge-offs	$ —	$ 7	$ 61	$ —	$ —	$ 10	$ —	$ 78
Current period gross recoveries	—	21	19	—	25	52	—	117
Current period net charge-offs (recoveries)	$ —	$ (14)	$ 42	$ —	$ (25)	$ (42)	$ —	$ (39)
Commercial and industrial:								
Pass	$ 448,377	$ 164,910	$ 93,488	$ 64,791	$ 14,742	$ 24,014	$ 599,144	$ 1,409,466
Special mention	259	2,170	—	1,519	—	—	3,752	7,700
Classified	14,378	167	2,978	3,849	3,849	3,008	8,840	37,069
Total commercial and industrial loans	$ 463,014	$ 167,247	$ 96,466	$ 70,159	$ 18,591	$ 27,022	$ 611,736	$ 1,454,235
Current period gross charge-offs	$ 9	$ 1,172	$ 54	$ 5	$ 1,467	$ 6,354	$ 2,862	$ 11,923
Current period gross recoveries	—	18	51	3	102	204	339	717
Current period net charge-offs (recoveries)	$ 9	$ 1,154	$ 3	$ 2	$ 1,365	$ 6,150	$ 2,523	$ 11,206
Mortgage Warehouse Lines of Credit:								
Pass	$ —	$ —	$ —	$ —	$ —	$ —	$ 627,078	$ 627,078
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Current period gross recoveries	—	—	—	—	—	—	—	—
Current period net charge-offs (recoveries)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Consumer:								
Pass	$ 6,976	$ 2,169	$ 1,467	$ 443	$ 55	$ 67	$ 5,407	$ 16,584
Classified	26	21	1	—	—	1	51	100
Total consumer loans	$ 7,002	$ 2,190	$ 1,468	$ 443	$ 55	$ 68	$ 5,458	$ 16,684
Current period gross charge-offs	$ —	$ 5	$ 29	$ 2	$ —	$ 9	$ 18	$ 63
Current period gross recoveries	—	—	20	7	1	17	4	49
Current period net charge-offs (recoveries)	$ —	$ 5	$ 9	$ (5)	$ (1)	$ (8)	$ 14	$ 14

The following tables present the Company's loan portfolio aging analysis at the dates indicated:

	March 31, 2022						
(Dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	Loans Past Due 90 Days or More	Total Past Due	Current Loans	Total Loans Receivable	Accruing Loans 90 or More Days Past Due
Loans secured by real estate:							
Commercial real estate	$ 134	$ —	$ —	$ 134	$ 1,801,248	$ 1,801,382	$ —
Construction/land/land development	1,420	151	—	1,571	591,779	593,350	—
Residential real estate	827	1,549	7,827	10,203	911,851	922,054	—
Total real estate	2,381	1,700	7,827	11,908	3,304,878	3,316,786	—
Commercial and industrial	1,231	172	8,340	9,743	1,348,854	1,358,597	—
Mortgage warehouse lines of credit	—	—	—	—	503,249	503,249	—
Consumer	76	—	26	102	15,672	15,774	—
Total LHFI	$ 3,688	$ 1,872	$ 16,193	$ 21,753	$ 5,172,653	$ 5,194,406	$ —

	December 31, 2021						
(Dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	Loans Past Due 90 Days or More	Total Past Due	Current Loans	Total Loans Receivable	Accruing Loans 90 or More Days Past Due
Loans secured by real estate:							
Commercial real estate	$ 22	$ —	$ 197	$ 219	$ 1,693,293	$ 1,693,512	$ —
Construction/land/land development	—	129	52	181	529,902	530,083	—
Residential real estate	2,245	352	10,331	12,928	896,811	909,739	—
Total real estate	2,267	481	10,580	13,328	3,120,006	3,133,334	—
Commercial and industrial	77	1,172	10,927	12,176	1,442,059	1,454,235	—
Mortgage warehouse lines of credit	—	—	—	—	627,078	627,078	—
Consumer	90	—	21	111	16,573	16,684	—
Total LHFI	$ 2,434	$ 1,653	$ 21,528	$ 25,615	$ 5,205,716	$ 5,231,331	$ —

The following tables detail activity in the allowance for loan credit losses by portfolio segment. Accrued interest of $15.5 million and $20.2 million was not included in the book value for the purposes of calculating the allowance at March 31, 2022, and March 31, 2021, respectively. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

	Three Months Ended March 31, 2022						
(Dollars in thousands)	Beginning Balance	Charge-offs	Recoveries	Provision[1]	Ending Balance	Average Balance	Net Charge-offs to Loan Average Balance[2]
Loans secured by real estate:							
Commercial real estate	$ 13,425	$ 166	$ 2	$ 1,345	$ 14,606	$ 1,718,259	0.04 %
Construction/land/land development	4,011	—	—	569	4,580	565,347	—
Residential real estate	6,116	75	6	(226)	5,821	907,320	0.03
Commercial and industrial	40,146	2,146	635	(2,320)	36,315	1,425,236	0.43
Mortgage warehouse lines of credit	340	—	—	(11)	329	423,795	—
Consumer	548	15	5	(16)	522	16,462	0.25
Total	$ 64,586	$ 2,402	$ 648	$ (659)	$ 62,173	$ 5,056,419	0.14

(1) The $327,000 provision for credit losses net benefit on the consolidated statements of income includes a $659,000 provision for loan losses net benefit, a $147,000 provision for off-balance sheet commitments and a $185,000 provision for held to maturity securities credit losses for the three months ended March 31, 2022.
(2) Annualized.

	Three Months Ended March 31, 2021						
(Dollars in thousands)	Beginning Balance	Charge-offs	Recoveries	Provision[1]	Ending Balance	Average Balance	Net Charge-offs to Loan Average Balance[2]
Loans secured by real estate:							
Commercial real estate	$ 15,430	$ 28	$ 3	$ 2,992	$ 18,397	$ 1,421,819	0.01 %
Construction/land/land development	8,191	—	—	(802)	7,389	541,782	—
Residential real estate	9,418	—	9	(1,133)	8,294	888,208	—
Commercial and industrial	51,857	2,955	108	332	49,342	1,821,089	0.63
Mortgage warehouse lines of credit	856	—	—	67	923	961,808	—
Consumer	918	44	13	(96)	791	17,649	0.71
Total	$ 86,670	$ 3,027	$ 133	$ 1,360	$ 85,136	$ 5,652,355	0.21

(1) The $1.4 million provision for credit losses on the consolidated statements of income includes a $1.4 million net loan loss provision, and a $52,000 provision for off-balance sheet commitments for the three months ended March 31, 2021.
(2) Annualized

The release of credit loss provision during the three months ended March 31, 2022, reflects improved credit loss metrics with no material adjustments to model assumptions based upon economic forecasts. The Company's credit quality profile in relation to the allowance for loan credit losses drove a release of $23.0 million in the collectively evaluated portion of the reserve at March 31, 2022, when compared to March 31, 2021, of which a $16.7 million reduction was related to qualitative factor changes across the Company's risk pools.

The following tables show the recorded investment in loans by loss estimation methodology.

	March 31, 2022			
	Collectively Evaluated	Individually Evaluated		
(Dollars in thousands)	Probability of Default	Fair Value of Collateral	Discounted Cash Flow	Total
Loans secured by real estate:				
Commercial real estate	$ 1,799,439	$ —	$ 1,943	$ 1,801,382
Construction/land/land development	593,128	—	222	593,350
Residential real estate	910,986	10,602	466	922,054
Commercial and industrial	1,348,536	8,744	1,317	1,358,597
Mortgage warehouse lines of credit	503,249	—	—	503,249
Consumer	15,774	—	—	15,774
Total	$ 5,171,112	$ 19,346	$ 3,948	$ 5,194,406

	December 31, 2021			
	Collectively Evaluated	Individually Evaluated		
(Dollars in thousands)	Probability of Default	Fair Value of Collateral	Discounted Cash Flow	Total
Loans secured by real estate:				
Commercial real estate	$ 1,691,269	$ 166	$ 2,077	$ 1,693,512
Construction/land/land development	529,789	—	294	530,083
Residential real estate	898,456	8,150	3,133	909,739
Commercial and industrial	1,441,204	8,547	4,484	1,454,235
Mortgage warehouse lines of credit	627,078	—	—	627,078
Consumer	16,682	2	—	16,684
Total	$ 5,204,478	$ 16,865	$ 9,988	$ 5,231,331

The following tables show the allowance for loan credit losses by loss estimation methodology at March 31, 2022, and December 31, 2021.

	March 31, 2022			
	Collectively Evaluated	Individually Evaluated		
(Dollars in thousands)	Probability of Default	Fair Value of Collateral	Discounted Cash Flow	Total
Loans secured by real estate:				
Commercial real estate	$ 14,575	$ —	$ 31	$ 14,606
Construction/land/land development	4,580	—	—	4,580
Residential real estate	5,275	546	—	5,821
Commercial and industrial	28,567	7,745	3	36,315
Mortgage warehouse lines of credit	329	—	—	329
Consumer	522	—	—	522
Total	$ 53,848	$ 8,291	$ 34	$ 62,173

	December 31, 2021			
	Collectively Evaluated	Individually Evaluated		
(Dollars in thousands)	Probability of Default	Fair Value of Collateral	Discounted Cash Flow	Total
Loans secured by real estate:				
Commercial real estate	$ 13,416	$ —	$ 9	$ 13,425
Construction/land/land development	3,997	—	14	4,011
Residential real estate	5,017	19	1,080	6,116
Commercial and industrial	29,995	6,680	3,471	40,146
Mortgage warehouse lines of credit	340	—	—	340
Consumer	546	2	—	548
Total	$ 53,311	$ 6,701	$ 4,574	$ 64,586

Collateral-dependent loans consist primarily of commercial real estate and commercial and industrial loans. These loans are individually evaluated when foreclosure is probable or when the repayment of the loan is expected to be provided substantially through the operation or sale of the underlying collateral and, in the case of commercial and industrial loans secured by equipment, the fair value of the collateral is estimated by third-party valuation experts. Loan balances are charged down to the underlying collateral value when they are deemed uncollectible. Note that the Company did not elect to use the collateral maintenance agreement practical expedient available under CECL.

Nonaccrual LHFI were as follows:

	Nonaccrual With No Allowance for Credit Loss		Nonaccrual	
(Dollars in thousands) Loans secured by real estate:	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021
Commercial real estate	$ 177	$ 453	$ 233	$ 512
Construction/land/land development	110	52	256	338
Residential real estate	7,617	7,684	11,609	11,647
Total real estate	7,904	8,189	12,098	12,497
Commercial and industrial	743	58	8,987	12,306
Consumer	—	—	96	100
Total nonaccrual loans	$ 8,647	$ 8,247	$ 21,181	$ 24,903

All interest accrued but not received for loans placed on nonaccrual status is reversed against interest income. Subsequent receipts on nonaccrual loans are recorded as a reduction of principal, and interest income is recorded only after principal recovery is reasonably assured. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. At March 31, 2022, the Company had $1,000 in funding commitments for which the terms have been modified in TDRs.

For the three months ended March 31, 2022 and 2021, gross interest income, that would have been recorded had the nonaccruing loans been current in accordance with their original terms, was $245,000 and $341,000, respectively. No interest income was recorded on these loans while they were considered nonaccrual during the three months ended March 31, 2022 and 2021.

The Company elects the fair value option for recording residential mortgage loans held for sale in accordance with U.S. GAAP. The Company had $2.7 million of nonaccrual mortgage loans held for sale that were recorded using the fair value option election at March 31, 2022, compared to $1.8 million at December 31, 2021.

Loans classified as TDRs, excluding the impact of forbearances granted due to COVID-19, were as follows:

(Dollars in thousands)	March 31, 2022	December 31, 2021
TDRs		
Nonaccrual TDRs	$ 3,709	$ 4,064
Performing TDRs	3,338	2,763
Total	$ 7,047	$ 6,827

The tables below summarize loans classified as TDRs by loan and concession type during the dates indicated.

	Three Months Ended March 31, 2022					
(Dollars in thousands)	Number of Loans Restructured	Pre-Modification Recorded Balance	Term Concessions	Interest Rate Concessions	Combination of Term and Rate Concessions	Total Modifications
Commercial and industrial	2	$ 664	$ 664	$ —	$ —	$ 664
Total	2	$ 664	$ 664	$ —	$ —	$ 664

During the three months ended March 31, 2022, and March 31, 2021, no loan defaulted after having been modified as a TDR within the previous 12 months. A payment default is defined as a loan that was 90 or more days past due. The Company monitors the performance of the modified loans to their restructured terms on an ongoing basis. In the event of subsequent default, the allowance for loan credit losses continues to be reassessed on the basis of an individual evaluation of each loan. The modifications made during the three months ended March 31, 2022, and March 31, 2021, did not significantly impact the Company's determination of the allowance for loan credit losses.

Note 5 - Fair Value of Financial Instruments

Fair value is the exchange price that is expected to be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Certain assets and liabilities are recorded in the Company's consolidated financial statements at fair value. Some are recorded on a recurring basis and some on a non-recurring basis.

The Company utilizes fair value measurement to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The determination of fair values of financial instruments often requires the use of estimates. In cases where quoted market values in an active market are not available, the Company utilizes valuation techniques that are consistent with the market approach, the income approach and/or the cost approach to estimate the fair values of its financial instruments. Such valuation techniques are consistently applied.

A hierarchy for fair value has been established, which categorizes the valuation techniques into three levels used to measure fair value. The three levels are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Fair value is based on significant other observable inputs that are generally determined based on a single price for each financial instrument provided to the Company by an unrelated third-party pricing service and is based on one or more of the following:

- Quoted prices for similar, but not identical, assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are not active;
- Inputs other than quoted prices that are observable, such as interest rate and yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates; and
- Other inputs derived from or corroborated by observable market inputs.

Level 3 - Prices or valuation techniques that require inputs that are both significant and unobservable in the market. These instruments are valued using the best information available, some of which is internally developed, and reflects the Company's own assumptions about the risk premiums that market participants would generally require and the assumptions they would use.

There were no transfers between fair value reporting levels for any period presented.

Fair Values of Assets and Liabilities Recorded on a Recurring Basis

The following tables summarize financial assets and financial liabilities recorded at fair value on a recurring basis at March 31, 2022, and December 31, 2021, segregated by the level of valuation inputs within the fair value hierarchy utilized to measure fair value. There were no changes in the valuation techniques during 2022 or 2021.

	March 31, 2022			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total
State and municipal securities	$ —	$ 365,491	$ 55,094	$ 420,585
Corporate bonds	—	84,631	—	84,631
U.S. treasury securities	117,577	—	—	117,577
U.S. government agency securities	—	143,418	—	143,418
Commercial mortgage-backed securities	—	107,115	—	107,115
Residential mortgage-backed securities	—	703,364	—	703,364
Commercial collateralized mortgage obligations	—	42,537	—	42,537
Residential collateralized mortgage obligations	—	206,489	—	206,489
Asset-backed securities	—	79,971	—	79,971
Securities available for sale	117,577	1,733,016	55,094	1,905,687
Securities carried at fair value through income	—	—	7,058	7,058
Loans held for sale	—	41,922	—	41,922
Mortgage servicing rights	—	—	21,187	21,187
Other assets - derivatives	—	13,539	—	13,539
Total recurring fair value measurements - assets	$ 117,577	$ 1,788,477	$ 83,339	$ 1,989,393
Other liabilities - derivatives	$ —	$ (12,229)	$ —	$ (12,229)
Total recurring fair value measurements - liabilities	$ —	$ (12,229)	$ —	$ (12,229)

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	December 31, 2021			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total
State and municipal securities	$ —	$ 364,357	$ 41,461	$ 405,818
Corporate bonds	—	82,734	—	82,734
U.S. treasury securities	92,245	—	—	92,245
U.S. government agency securities	—	5,413	—	5,413
Commercial mortgage-backed securities	—	64,243	—	64,243
Residential mortgage-backed securities	—	557,801	—	557,801
Commercial collateralized mortgage obligations		19,672		19,672
Residential collateralized mortgage obligations	—	193,740	—	193,740
Asset-backed securities	—	83,062	—	83,062
Securities available for sale	92,245	1,371,022	41,461	1,504,728
Securities carried at fair value through income	—	—	7,497	7,497
Loans held for sale	—	37,032	—	37,032
Mortgage servicing rights	—	—	16,220	16,220
Other assets - derivatives	—	11,459	—	11,459
Total recurring fair value measurements - assets	$ 92,245	$ 1,419,513	$ 65,178	$ 1,576,936
Other liabilities - derivatives	$ —	$ (11,494)	$ —	$ (11,494)
Total recurring fair value measurements - liabilities	$ —	$ (11,494)	$ —	$ (11,494)

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the three months ended March 31, 2022 and 2021, are summarized as follows:

(Dollars in thousands)	MSRs	Securities Available for Sale	Securities at Fair Value Through Income
Balance at January 1, 2022	$ 16,220	$ 41,461	$ 7,497
Gain (loss) recognized in earnings:			
Mortgage banking revenue[1]	4,240	—	—
Other noninterest income	—	—	(439)
Loss recognized in AOCI	—	(2,216)	—
Purchases, issuances, sales and settlements:			
Originations	727	—	—
Purchases	—	18,015	—
Settlements	—	(2,166)	—
Balance at March 31, 2022	$ 21,187	$ 55,094	$ 7,058

(Dollars in thousands)	Loans at Fair Value	MSRs	Securities Available for Sale	Securities at Fair Value Through Income
Balance at January 1, 2021	$ 17,011	$ 13,660	$ 44,065	$ 11,554
Gain (loss) recognized in earnings:				
Mortgage banking revenue[1]	—	1,949	—	—
Other noninterest income	(59)	—	—	(477)
Loss recognized in AOCI	—	—	(489)	—
Purchases, issuances, sales and settlements:				
Originations	—	1,943	—	—
Settlements	(3,374)	—	(2,101)	—
Balance at March 31, 2021	$ 13,578	$ 17,552	$ 41,475	$ 11,077

(1) Total mortgage banking revenue includes changes in fair value due to market changes and run-off.

The Company obtains fair value measurements for loans at fair value, securities available for sale and securities at fair value through income from an independent pricing service; therefore, quantitative unobservable inputs are unknown.

The following methodologies were used to measure the fair value of financial assets and liabilities valued on a recurring basis:

Securities Available for Sale

Securities classified as available for sale are reported at fair value utilizing Level 1, Level 2 or Level 3 inputs. For Level 1 securities, the Company obtains the fair value measurements for those identical assets from an independent pricing service. For Level 2 securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, market consensus prepayment speeds, credit information and the security's terms and conditions, among other things. In order to ensure the fair values are consistent with ASC 820, *Fair Value Measurements and Disclosures*, the Company periodically checks the fair value by comparing them to other pricing sources, such as Bloomberg LP. The third-party pricing service is subject to an annual review of internal controls in accordance with the Statement on Standards for Attestation Engagements No. 16, which was made available to the Company. In certain cases where Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Mortgage Servicing Rights ("MSRs")

The carrying amounts of the MSRs equal fair value and are valued using a discounted cash flow valuation technique. The significant assumptions used to value MSRs were as follows:

	March 31, 2022		December 31, 2021	
	Range	Weighted Average[1]	Range	Weighted Average[1]
Prepayment speeds	5.73% - 22.67%	7.84 %	9.10% - 36.51%	15.63 %
Discount rates	8.92 - 10.71	9.41	8.89 - 10.39	9.32

(1) The weighted average was calculated with reference to the principal balance of the underlying mortgages.

In recent years, there have been significant market-driven fluctuations in the assumptions listed above. Loans with higher average coupon rates have a greater likelihood of prepayment during comparatively low interest rate environments, while loans with lower average coupon rates have a lower likelihood of prepayment. The increase in rates since the year ended December 31, 2021, has caused a decrease in our weighted average prepayment speed and an increase in our discount rate assumptions used in the MSR valuation. These fluctuations can be rapid and may continue to be significant. Therefore, estimating these assumptions within ranges that market participants would use in determining the fair value of MSRs requires significant management judgment.

Derivatives

Fair values for interest rate swap agreements are based upon the amounts that would be required to settle the contracts. Fair values for derivative loan commitments and forward loan sale commitments are based on fair values of the underlying mortgage loans and the probability of such commitments being exercised. Significant management judgment and estimation is required in determining these fair value measurements.

Fair Values of Assets Recorded on a Recurring Basis for which the Fair Value Option has been Elected

Certain assets are measured at fair value on a recurring basis due to the Company's election to adopt fair value accounting treatment for those assets. This election allows for a more effective offset of the changes in fair values of the assets and the derivative instruments used to economically hedge them without the burden of complying with the requirements for hedge accounting under ASC Topic 815, *Derivatives and Hedging.* For assets for which the fair value has been elected, the earned current contractual interest payment is recognized in interest income, loan origination costs and fees on fair value option loans are recognized in earnings as incurred and not deferred. At March 31, 2022, and December 31, 2021, there were no gains or losses recorded attributable to changes in instrument-specific credit risk. The following tables summarize the difference between the fair value and the unpaid principal balance for financial instruments for which the fair value option has been elected:

	March 31, 2022		
(Dollars in thousands)	Aggregate Fair Value	Aggregate Unpaid Principal Balance	Difference
Loans held for sale[1]	$ 41,922	$ 41,459	$ 463
Securities carried at fair value through income	7,058	7,375	(317)
Total	$ 48,980	$ 48,834	$ 146

(1) $2.7 million of loans held for sale were designated as nonaccrual or 90 days or more past due at March 31, 2022. Of this balance, $1.5 million was guaranteed by U.S. Government agencies.

(Dollars in thousands)	December 31, 2021 Aggregate Fair Value	Aggregate Unpaid Principal Balance	Difference
Loans held for sale[(1)]	$ 37,032	$ 36,072	$ 960
Securities carried at fair value through income	7,497	7,375	122
Total	$ 44,529	$ 43,447	$ 1,082

(1) $1.8 million of loans held for sale were designated as nonaccrual or 90 days or more past due at December 31, 2021. Of this balance, $1.2 million was guaranteed by U.S. Government agencies.

Changes in the fair value of assets for which the Company elected the fair value option are classified in the consolidated statement of income line items reflected in the following table:

(Dollars in thousands)	Three Months Ended March 31,	
Changes in fair value included in noninterest income:	2022	2021
Mortgage banking revenue (loans held for sale)	$ (497)	$ (4,125)
Other income:		
Loans at fair value held for investment	—	(59)
Securities carried at fair value through income	(439)	(477)
Total impact on other income	(439)	(536)
Total fair value option impact on noninterest income [(1)]	$ (936)	$ (4,661)

(1) The fair value option impact on noninterest income is offset by the derivative gain/loss recognized in noninterest income. Please see *Note 6 - Mortgage Banking* for more detail.

The following methodologies were used to measure the fair value of financial assets valued on a recurring basis for which the fair value option was elected:

Securities at Fair Value through Income

Securities carried at fair value through income are valued using a discounted cash flow with a credit spread applied to each instrument based on the creditworthiness of each issuer. Credit spreads ranged from 83 to 227 basis points at both March 31, 2022 and December 31, 2021. The Company believes the fair value approximates an exit price.

Loans Held for Sale

Fair values for loans held for sale are established using anticipated sale prices for loans allocated to a sale commitment, and those unallocated to a commitment are valued based on the interest rate and term for similar loans allocated. The Company believes the fair value approximates an exit price.

Fair Value of Assets Recorded on a Nonrecurring Basis

Equity Securities without Readily Determinable Fair Values

Equity securities without readily determinable fair values totaled $45.2 million at March 31, 2022, and December 31, 2021, and are shown on the face of the consolidated balance sheets. The majority of the Company's equity investments qualify for the practical expedient allowed for equity securities without a readily determinable fair value, such that the Company has elected to carry these securities at cost adjusted for any observable transactions during the period, less any impairment. To date, no impairment has been recorded on the Company's investments in equity securities that do not have readily determinable fair values.

Government National Mortgage Association Repurchase Asset

The Company recorded $38.4 million and $43.4 million, respectively, at March 31, 2022, and December 31, 2021, for Government National Mortgage Association ("GNMA") repurchase assets included in loans held for sale on the consolidated balance sheets. The assets are valued at the lower of cost or market and, where market is lower than cost, valued using anticipated sale prices for loans allocated to a sale commitment, and those unallocated to a commitment are valued based on the interest rate and term for similar loans allocated. The Company believes the fair value approximates an exit price. Please see *Note 6 - Mortgage Banking* for more information on the GNMA repurchase asset.

Collateral Dependent Loans with Credit Losses

Loans for which it is probable that the Company will not collect all principal and interest due according to contractual terms are measured to determine if any credit loss exists. Allowable methods for determining the amount of credit loss include estimating the fair value using the fair value of the collateral for collateral-dependent loans. If the loan is identified as collateral-dependent, the fair value method of measuring the amount of credit loss is utilized. This method requires obtaining a current independent appraisal of the collateral and applying a discount factor to the value. Loans that have experienced a credit loss that are collateral-dependent are classified within Level 3 of the fair value hierarchy when the credit loss is determined using the fair value method. The fair value of loans that have experienced a credit loss with specific allocated losses was approximately $5.5 million and $4.8 million at March 31, 2022, and December 31, 2021, respectively.

Non-Financial Assets

Foreclosed assets held for sale are the only non-financial assets valued on a non-recurring basis that are initially recorded by the Company at fair value, less estimated costs to sell. At foreclosure, if the fair value, less estimated costs to sell, of the real estate acquired is less than the Company's recorded investment in the related loan, a write-down is recognized through a charge to the allowance for loan credit losses. Additionally, valuations are periodically performed by management, and any subsequent reduction in value is recognized by a charge to income. The carrying value and fair value of foreclosed assets held for sale was estimated using Level 3 inputs based on observable market data and was $1.5 million at March 31, 2022 and December 31, 2021. At March 31, 2022, the Company had $6.7 million in principal amount of residential mortgage loans in the process of foreclosure.

Fair Values of Financial Instruments Not Recorded at Fair Value

Loans

The estimated fair value approximates carrying value for variable-rate loans that reprice frequently and with no significant change in credit risk. The fair value of fixed rate loans and variable-rate loans, which reprice on an infrequent basis, is estimated by discounting future cash flows using exit level pricing, which combines the current interest rates at which similar loans with similar terms would be made to borrowers of similar credit quality and an estimated additional rate to reflect a liquidity premium. An overall valuation adjustment is made for specific credit risks as well as general portfolio credit risk.

Deposits

The estimated fair value approximates carrying value for demand deposits. The fair value of fixed rate deposit liabilities with defined maturities is estimated by discounting future cash flows using the interest rates currently available for funding from the FHLB. The estimated fair value of deposits does not take into account the value of our long-term relationships with depositors, commonly known as core deposit intangibles, which are separate intangible assets, and not considered financial instruments. Nonetheless, the Company would likely realize a core deposit premium if the deposit portfolio were sold in the principal market for such deposits.

Borrowed Funds

The estimated fair value approximates carrying value for short-term borrowings. The fair value of long-term fixed rate and fixed-to-floating-rate borrowings is estimated using quoted market prices, if available, or by discounting future cash flows using current interest rates for similar financial instruments. The estimated fair value approximates carrying value for variable-rate junior subordinated debentures that reprice quarterly.

The carrying value and estimated fair values of financial instruments not recorded at fair value are as follows:

(Dollars in thousands)	March 31, 2022		December 31, 2021	
Financial assets:	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Level 1 inputs:				
Cash and cash equivalents	$ 584,444	$ 584,444	$ 705,618	$ 705,618
Level 2 inputs:				
Non-marketable equity securities held in other financial institutions	45,242	45,242	45,192	45,192
Accrued interest and loan fees receivable	23,728	23,728	23,402	23,402
Level 3 inputs:				
Securities held to maturity	4,831	5,642	22,767	25,117
LHFI, net	5,132,233	5,095,816	5,166,745	5,133,257
Financial liabilities:				
Level 2 inputs:				
Deposits	6,767,179	6,761,821	6,570,693	6,572,215
FHLB advances and other borrowings	305,560	270,814	309,801	305,374
Subordinated indebtedness	157,478	156,690	157,417	156,629
Accrued interest payable	2,764	2,764	2,696	2,696

Note 6 - Mortgage Banking

The following table presents the Company's revenue from mortgage banking operations:

(Dollars in thousands)	Three Months Ended March 31,	
Mortgage banking revenue	**2022**	**2021**
Origination	$ 205	$ 376
Gain on sale of loans held for sale	1,723	4,997
Originations of MSRs	727	1,943
Servicing	1,426	1,501
Total gross mortgage revenue	4,081	8,817
MSR valuation adjustments, net	4,240	1,949
Mortgage HFS and pipeline fair value adjustment	326	(3,158)
MSR hedge impact	(4,551)	(3,031)
Mortgage banking revenue	$ 4,096	$ 4,577

Management uses mortgage-backed securities to mitigate the impact of changes in fair value of MSRs. See *Note 7 - Derivative Financial Instruments* for further information.

Mortgage Servicing Rights

Activity in MSRs was as follows:

	Three Months Ended March 31,	
(Dollars in thousands)	**2022**	**2021**
Balance at beginning of period	$ 16,220	$ 13,660
Addition of servicing rights	727	1,943
Valuation adjustment, net of amortization	4,240	1,949
Balance at end of period	$ 21,187	$ 17,552

The Company receives annual servicing fee income approximating 0.28% of the outstanding balance of the underlying loans. In connection with the Company's activities as a servicer of mortgage loans, the investors and the securitization trusts have no recourse to the Company's assets for failure of debtors to pay when due.

The Company is potentially subject to losses in its loan servicing portfolio due to loan foreclosures. The Company has obligations to either repurchase the outstanding principal balance of a loan or make the purchaser whole for the economic benefits of a loan if it is determined that the loan sold violated representations or warranties made by the Company and/or the borrower at the time of the sale, which the Company refers to as mortgage loan servicing putback expenses. Such representations and warranties typically include those made regarding loans that had missing or insufficient file documentation and/or loans obtained through fraud by borrowers or other third parties. Putback claims may be made until the loan is paid in full. When a putback claim is received, the Company evaluates the claim and takes appropriate actions based on the nature of the claim. The Company is required by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation to provide a response to putback claims within 60 of the date of receipt.

At March 31, 2022, and December 31, 2021, the reserve for mortgage loan servicing putback expenses totaled $334,000 and $379,000, respectively. There is inherent uncertainty in reasonably estimating the requirement for reserves against future mortgage loan servicing putback expenses. Future putback expenses depend on many subjective factors, including the review procedures of the purchasers and the potential refinance activity on loans sold with servicing released and the subsequent consequences under the representations and warranties.

GNMA optional repurchase programs allow financial institutions to buy back individual delinquent mortgage loans that meet certain criteria from the securitized loan pool for which the institution provides servicing. At the servicer's option and without GNMA's prior authorization, the servicer may repurchase a delinquent loan for an amount equal to 100% of the remaining principal balance of the loan. This buy-back option is considered a conditional option until the delinquency criteria are met, at which time the option becomes unconditional. When a financial institution is deemed to have regained effective control over these loans under the unconditional buy-back option, the loans can no longer be reported as sold and must be included in the balance sheet as mortgage loans held for sale, regardless of whether the institution intends to exercise the buy-back option. These loans totaled $38.4 million and $43.4 million at March 31, 2022, and December 31, 2021, respectively, and were recorded as mortgage loans held for sale, at the lower of cost or fair value with a corresponding liability in FHLB advances and other borrowings on the Company's consolidated balance sheets.

Note 7 - Derivative Financial Instruments

Risk Management Objective of Using Derivatives

The Company enters into derivative financial instruments to manage risks related to differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments, as well as to manage changes in fair values of some assets which are marked at fair value through the consolidated statement of income on a recurring basis.

Cash Flow Hedges of Interest Rate Risk

The Company is a party to an interest rate swap agreement under which the Company receives interest at a variable rate and pays at a fixed rate. The derivative instrument represented by this swap agreement is designated as a cash flow hedge of the Company's forecasted variable cash flows under a variable-rate term borrowing agreement. During the term of the swap agreement, the effective portion of changes in the fair value of the derivative instrument are recorded in accumulated other comprehensive income and subsequently reclassified into earnings in the periods that the hedged forecasted variable-rate interest payments affected earnings. There was no ineffective portion of the change in fair value of the derivative recognized directly in earnings. The entire swap fair value will be reclassified into earnings before the expiration date of the swap agreement.

Derivatives Not Designated as Hedges

Customer interest rate derivative program

The Company offers certain derivatives products, primarily interest rate swaps, directly to qualified commercial banking customers to facilitate their risk management strategies. In some instances, the Company acts only as an intermediary, simultaneously entering into offsetting agreements with unrelated financial institutions, thereby mitigating its net risk exposure resulting from such transactions without significantly impacting its results of operations. Because the interest rate derivatives associated with this program do not meet hedge accounting requirements, changes in the fair value of both the customer derivatives and any offsetting derivatives are recognized directly in earnings as a component of noninterest income.

From time to time, the Company shares in credit risk on interest rate swap arrangements, by entering into risk participation agreements with syndication partners. These are accounted for at fair value and disclosed as risk participation derivatives.

Mortgage banking derivatives

The Company enters into certain derivative agreements as part of its mortgage banking and related risk management activities. These agreements include interest rate lock commitments on prospective residential mortgage loans and forward commitments to sell these loans to investors on a mandatory delivery basis. The Company also economically hedges the value of MSRs by entering into a series of commitments to purchase mortgage-backed securities in the future.

Fair Values of Derivative Instruments on the Balance Sheet

The following tables disclose the fair value of derivative instruments in the Company's balance sheets at March 31, 2022, and December 31, 2021, as well as the effect of these derivative instruments on the Company's consolidated statements of income for the three months ended March 31, 2022 and 2021.

(Dollars in thousands)	Notional Amounts[1]		Fair Values	
Derivatives designated as cash flow hedging instruments:	**March 31, 2022**	**December 31, 2021**	**March 31, 2022**	**December 31, 2021**
Interest rate swaps included in other assets	$ 17,000	$ 21,000	$ 457	$ (103)
Derivatives not designated as hedging instruments:				
Interest rate swaps included in other assets	$ 307,605	$ 315,188	$ 11,216	$ 10,417
Interest rate swaps included in other liabilities	319,841	327,510	(11,275)	(10,762)
Risk participation derivatives included in accrued expenses and other liabilities on the consolidated balance sheets	63,374	63,374	—	(2)
Forward commitments to purchase mortgage-backed securities included in other liabilities	45,000	80,000	(954)	(627)
Forward commitments to sell residential mortgage loans included in other assets	56,000	52,000	1,234	1
Interest rate-lock commitments on residential mortgage loans included in other assets	48,694	36,694	632	1,041
	$ 840,514	$ 874,766	$ 853	$ 68

[1] Notional or contractual amounts, which represent the extent of involvement in the derivatives market, are used to determine the contractual cash flows required in accordance with the terms of the agreement. These amounts are typically not exchanged, significantly exceed amounts subject to credit or market risk and are not reflected in the consolidated balance sheets.

The weighted-average rates paid and received for interest rate swaps at March 31, 2022, were as follows:

	Weighted-Average Interest Rate	
Interest rate swaps:	**Paid**	**Received**
Cash flow hedges	5.40 %	3.54 %
Non-hedging interest rate swaps - financial institution counterparties	4.35	2.85
Non-hedging interest rate swaps - customer counterparties	2.86	4.35

Gains and losses recognized on derivative instruments not designated as hedging instruments are as follows:

(Dollars in thousands)	Three Months Ended March 31,	
Derivatives not designated as hedging instruments:	**2022**	**2021**
Amount of (loss) recognized in mortgage banking revenue [1]	$ (2,407)	$ (1,206)
Amount of gain recognized in other non-interest income	286	307

[1] Gains and losses on these instruments are largely offset by market fluctuations in mortgage servicing rights. See *Note 6 - Mortgage Banking* for more information on components of mortgage banking revenue.

Some interest rate swaps included in other assets were subject to a master netting arrangement with the counterparty in all years presented and could be offset against some amounts included in interest rate swaps included in other liabilities. The Company has chosen not to net these exposures in the consolidated balance sheets, and any impact of netting these amounts would not be significant.

At March 31, 2022, and December 31, 2021, the Company had cash collateral on deposit with swap counterparties totaling $7.2 million and $16.5 million, respectively. These amounts are included in interest-bearing deposits in banks in the consolidated balance sheets and are considered restricted cash until such time as the underlying swaps are settled.

Note 8 - Stock and Incentive Compensation Plans

The Company has granted, and currently has outstanding, stock and incentive compensation awards subject to the provisions of the Company's 2012 Stock Incentive Plan (the "2012 Plan"). Additionally, stock options were issued prior to the establishment of the 2012 Plan, some of which were still outstanding at March 31, 2022. The 2012 Plan is designed to provide flexibility to the Company regarding its ability to motivate, attract and retain the services of key officers, employees and directors. The 2012 Plan allows the Company to make grants of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock awards ("RSA"), restricted stock units ("RSU"), dividend equivalent rights, performance stock units ("PSU") or any combination thereof. At March 31, 2022, the maximum number of shares of the Company's common stock available for issuance under the 2012 Plan was 597,304 shares.

Additionally, in April 2021, an employee stock purchase plan ("ESPP") was approved by the Company's stockholders and qualified as an ESPP under IRS guidelines. The ESPP provides for the purchase of up to an aggregate one million shares of the Company's common stock by employees pursuant to the terms of the ESPP. Under the ESPP, employees of the Company, who elect to participate, have the right to purchase a limited number of shares of the Company's common stock at a 15% discount from the lower of the market value of the common stock at the beginning or the end of each one year offering period, beginning on June 1st. The ESPP benefit is treated as compensation to the employee, and the compensation expense will be recognized over the service period based on the fair value of the rights on the grant date, adjusted for forfeitures and certain modifications.

There were no shares of common stock issued pursuant to the ESPP during three months ended March 31, 2022 or March 31, 2021.

The Company granted PSUs to select officers and employees pursuant to the approval by the Compensation Committee ("Committee") in February 2022. Each PSU to which the participant becomes entitled represents a right for the participant to receive shares of Company common stock or cash equal to the fair market value of such stock, as determined by the Committee. The number of PSUs to which the participant will be entitled will vary from 0% to 150% of the target number of PSUs, based on the Company’s achievement of specified performance criteria during the performance period compared to performance benchmarks adopted by the Committee and, further, the participant's continuous service with the Company through the third anniversary of the date of the grant. The performance period is the three-year period commencing on January 1, 2022 and ending on December 31, 2024 ("Performance Period").

Share-based compensation cost charged to income for the three months ended March 31, 2022 and 2021, is presented below. There was no stock option expense for any of the periods shown.

	Three Months Ended March 31,	
(Dollars in thousands)	2022	2021
RSA & RSU	$ 611	$ 614
PSU	46	—
ESPP	80	—
Total stock compensation expense	$ 737	$ 614
Related tax benefits recognized in net income	$ 155	$ 129

Restricted Stock and Performance Stock Grants

The Company's RSAs and RSUs are time-vested awards and are granted to the Company's Board of Directors, executives and senior management team. The service period in which time-vested awards are earned ranges from one to five years. Time-vested awards are valued utilizing the fair value of the Company's stock at the grant date. These awards are recognized on the straight-line method over the requisite service period, with forfeitures recognized as they occur.

The Company's PSU awards are three-year cliff-vested awards, with each unit divided into two categories ("ROAA Unit Group" and "ROAE Unit Group"), composed of an equivalent number of PSUs. The ROAA Unit Group is based upon the Company's Performance Period Return on Average Assets performance, and the ROAE Unit Group is based upon the Company's Performance Period Return on Average Equity performance. The PSUs are initially valued utilizing the fair value of the Company's stock at the grant date, assuming 100% of the target number of units are achieved. Subsequent valuation of the PSUs is determined using the ratio of the actual Company's Performance Period ROAA or ROAE to the Company's targeted Performance Period ROAA or ROAE, applied to the PSUs awarded times the Company's period end stock price. Forfeitures are recognized as they occur.

The following table summarizes the Company's award activity:

	Three Months Ended March 31,			
	2022		2021	
	Shares	Weighted Average Grant-Date Fair Value	Shares	Weighted Average Grant-Date Fair Value
Nonvested RSA shares, January 1,	48,048	$ 35.27	103,359	$ 31.51
Granted RSA	—	—	6,286	33.82
Vested RSA	—	—	(1,782)	27.20
Forfeited RSA	—	—	(946)	24.69
Nonvested RSA shares, March 31,	48,048	35.27	106,917	31.78
Nonvested RSU, January 1,	73,977	$ 40.64	—	$ —
Granted RSU	40,475	44.77	—	—
Forfeited RSU	(743)	40.40	—	—
Nonvested RSU, March 31	113,709	42.11	—	—
Nonvested PSU, January 1	—	$ —	—	$ —
Granted PSU	27,632	44.77	—	—
Nonvested PSU, March 31	27,632	44.77	—	—

At March 31, 2022, there was $834,000, $4.4 million and $1.2 million of total unrecognized compensation cost related to nonvested RSA shares, RSU shares and PSU shares under the 2012 Plan, respectively. Those costs are expected to be recognized over a weighted-average period of 1.2 years, 1.7 years and 2.9 years for RSA shares, RSU shares and PSU shares, respectively.

Stock Option Grants

The Company has previously issued common stock options to select officers and employees primarily through individual agreements. The exercise price of each option varies by agreement and is based on the fair value of the stock at the date of the grant. No outstanding stock option has a term that exceeds twenty years, and all of the outstanding options are fully vested. The Company recognizes compensation cost for stock option grants over the required service period based upon the grant date fair value, which is established using a Black-Scholes valuation model. The Black-Scholes valuation model uses assumptions of risk-free interest rate, expected term of stock options, expected stock price volatility and expected dividends. Forfeitures are recognized as they occur.

The table below summarizes the status of the Company's stock options and changes during the three months ended March 31, 2022 and 2021 .

(Dollars in thousands, except per share amounts)	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Three Months Ended March 31, 2022				
Outstanding at January 1, 2022	39,200	$ 10.73	2.28	$ 1,262
Exercised	(4,800)	13.31	—	—
Outstanding and exercisable at March 31, 2022	34,400	10.37	2.34	1,098
Three Months Ended March 31, 2021				
Outstanding at January 1, 2021	224,000	$ 10.86	4.92	$ 3,789
Exercised	(14,800)	9.89	—	—
Outstanding and exercisable at March 31, 2021	209,200	10.93	5.05	6,587

Note 9 - Accumulated Other Comprehensive Income

Accumulated other comprehensive income ("AOCI") includes the after-tax change in unrealized gains and losses on AFS securities and cash flow hedging activities.

(Dollars in thousands)	Unrealized Gain (Loss) on AFS Securities	Unrealized (Loss) Gain on Cash Flow Hedges	Accumulated Other Comprehensive (Loss) Income
Balance at January 1, 2022	$ 5,809	$ (80)	$ 5,729
Net change	(72,061)	442	(71,619)
Balance at March 31, 2022	$ (66,252)	$ 362	$ (65,890)
Balance at January 1, 2021	$ 26,206	$ (557)	$ 25,649
Net change	(13,843)	379	(13,464)
Balance at March 31, 2021	$ 12,363	$ (178)	$ 12,185

Note 10 - Capital and Regulatory Matters

The Company (on a consolidated basis) and the Bank are subject to various regulatory capital requirements administered by federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

The Company is subject to the Basel III regulatory capital framework ("Basel III Capital Rules"), which includes a 2.5% capital conservation buffer. The capital conservation buffer is designed to absorb losses during periods of economic stress and requires increased capital levels for the purpose of capital distributions and other payments. Failure to meet the full amount of the buffer will result in restrictions on the Company's ability to make capital distributions, which includes dividend payments, stock repurchases and to pay discretionary bonuses to executive officers.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the table below) of total, common equity Tier 1 capital, Tier 1 capital, Tier 1 capital, and total capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average total consolidated assets (as defined). Management believes, at March 31, 2022 and December 31, 2021, that the Company and the Bank met all capital adequacy requirements to which they are subject, including the capital buffer requirement.

At March 31, 2022 and December 31, 2021, the Bank's capital ratios exceeded those levels necessary to be categorized as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," the Bank must maintain minimum total risk-based, common equity Tier 1 capital, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table below. A final rule adopted by the federal banking agencies in February 2019 provides banking organizations with the option to phase in, over a three-year period, the adverse day-one regulatory capital effects of the adoption of CECL. In addition, on March 27, 2020, the federal banking agencies issued an interim final rule that gives banking organizations that were required to implement CECL before the end of 2020 the option to delay for two years CECL's adverse effects on regulatory capital. Origin elected to adopt CECL in the first quarter of 2020 and exercised the option to delay the estimated impact of the adoption of CECL on the Company's regulatory capital for two years (from January 2020 through December 31, 2021). The two-year delay is followed by a three-year transition period of CECL's initial impact on our regulatory capital (from January 1, 2022 through December 31, 2024). The amount representing the CECL impact to the Company's regulatory capital that will be ratably transiting back into regulatory capital over the transition period is $7.0 million and $7.6 million at March 31, 2022, and December 31, 2021, respectively.

The actual capital amounts and ratios of the Company and Bank at March 31, 2022, and December 31, 2021, are presented in the following table:

(Dollars in thousands)	Actual		Minimum Capital Required - Basel III		To be Well Capitalized Under Prompt Corrective Action Provisions	
March 31, 2022	Amount	Ratio	Amount	Ratio	Amount	Ratio
Common Equity Tier 1 Capital to Risk-Weighted Assets						
Origin Bancorp, Inc.	$ 699,538	11.20 %	$ 437,270	7.00 %	N/A	N/A
Origin Bank	740,991	11.91	435,676	7.00	$ 404,556	6.50 %
Tier 1 Capital to Risk-Weighted Assets						
Origin Bancorp, Inc.	708,955	11.35	530,973	8.50	N/A	N/A
Origin Bank	740,991	11.91	529,035	8.50	497,915	8.00
Total Capital to Risk-Weighted Assets						
Origin Bancorp, Inc.	914,619	14.64	655,977	10.50	N/A	N/A
Origin Bank	867,955	13.95	653,515	10.50	622,395	10.00
Leverage Ratio						
Origin Bancorp, Inc.	708,955	8.84	320,747	4.00	N/A	N/A
Origin Bank	740,991	9.26	319,920	4.00	399,900	5.00
December 31, 2021						
Common Equity Tier 1 Capital to Risk-Weighted Assets						
Origin Bancorp, Inc.	681,039	11.20 %	425,475	7.00 %	N/A	N/A
Origin Bank	724,440	11.97	423,819	7.00	393,546	6.50 %
Tier 1 Capital to Risk-Weighted Assets						
Origin Bancorp, Inc.	690,448	11.36	516,648	8.50	N/A	N/A
Origin Bank	724,440	11.97	514,637	8.50	484,365	8.00
Total Capital to Risk-Weighted Assets						
Origin Bancorp, Inc.	897,503	14.77	638,212	10.50	N/A	N/A
Origin Bank	852,825	14.09	635,727	10.50	605,454	10.00
Leverage Ratio						
Origin Bancorp, Inc.	690,448	9.20	300,195	4.00	N/A	N/A
Origin Bank	724,440	9.66	299,932	4.00	374,915	5.00

In the ordinary course of business, the Company depends on dividends from the Bank to provide funds for the payment of dividends to stockholders and to provide for other cash requirements. Banking regulations may limit the amount of dividends that may be paid. Approval by regulatory authorities is required if the effect of dividends declared would cause the regulatory capital of the Bank to fall below specified minimum levels. Approval is also required if dividends declared and paid exceed the Bank's year-to-date net income combined with the retained net income for the preceding year, which was $109.9 million at March 31, 2022.

Stock Repurchases

In July 2019, our board of directors authorized a stock buyback program pursuant to which we may, from time to time, purchase up to $40 million of our outstanding common stock. The shares may be repurchased in the open market or in privately negotiated transactions from time to time, depending upon market conditions and other factors, and in accordance with applicable regulations of the SEC. The stock buyback program was initially approved for a period of 36 months, but may be extended, terminated or amended by our board of directors.

At March 31, 2022, there remained approximately $28.0 million of capacity under the stock buyback program. During the first quarter of 2021, the Company repurchased a total of 37,568 shares of its common stock pursuant to its stock buyback program at an average price per share of $33.42, for an aggregate purchase price of $1.3 million. There have been no common stock repurchases since the first quarter of the 2021 year.

Note 11 - Commitments and Contingencies

Credit-Related Commitments

In the ordinary course of business, the Company enters into financial instruments, such as commitments to extend credit and letters of credit, to meet the financing needs of its customers. Such instruments are not reflected in the accompanying consolidated financial statements until they are funded, although they expose the Company to varying degrees of credit risk and interest rate risk in much the same way as funded loans.

Commitments to extend credit include revolving commercial credit lines, non-revolving loan commitments issued mainly to finance the acquisition and development or construction of real property or equipment, and credit card and personal credit lines. The availability of funds under commercial credit lines and loan commitments generally depends on whether the borrower continues to meet credit standards established in the underlying contract and has not violated other contractual conditions. Loan commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. Credit card and personal credit lines are generally subject to cancellation if the borrower's credit quality deteriorates. A number of commercial and personal credit lines are used only partially or, in some cases, not at all before they expire, and the total commitment amounts do not necessarily represent future cash requirements of the Company.

A substantial majority of the letters of credit are standby agreements that obligate the Company to fulfill a customer's financial commitments to a third-party if the customer is unable to perform. The Company issues standby letters of credit primarily to provide credit enhancement to its customers' other commercial or public financing arrangements and to help them demonstrate financial capacity to vendors of essential goods and services.

The contract amounts of these instruments reflect the Company's exposure to credit risk. The Company undertakes the same credit evaluation in making loan commitments and assuming conditional obligations as it does for on-balance sheet instruments and may require collateral or other credit support.

The table below presents the Company's commitments to extend credit by commitment expiration date for the dates indicated:

(Dollars in thousands)	Less than One Year	One-Three Years	Three-Five Years	Greater than Five Years	Total
March 31, 2022					
Commitments to extend credit[1]	$ 643,210	$ 662,394	$ 373,426	$ 52,013	$ 1,731,043
Standby letters of credit	46,837	8,335	—	—	55,172
Total off-balance sheet commitments	$ 690,047	$ 670,729	$ 373,426	$ 52,013	$ 1,786,215
December 31, 2021					
Commitments to extend credit[1]	$ 643,089	$ 620,741	$ 300,863	$ 56,525	$ 1,621,218
Standby letters of credit	42,516	6,633	—	—	49,149
Total off-balance sheet commitments	$ 685,605	$ 627,374	$ 300,863	$ 56,525	$ 1,670,367

(1) Includes $503.4 million and $513.0 million of unconditionally cancellable commitments at March 31, 2022 and December 31, 2021, respectively.

At March 31, 2022, the Company held 41 unfunded letters of credit from the FHLB totaling $588.7 million, with expiration dates ranging from April 12, 2022, to May 25, 2023. At December 31, 2021, the Company held 43 unfunded letters of credit from the FHLB totaling $599.3 million, with expiration dates ranging from January 20, 2022, to March 22, 2023.

Management establishes an asset-specific allowance for certain lending-related commitments and computes a formula-based allowance for performing consumer and commercial lending-related commitments. These are computed using a methodology similar to that used for the commercial loan portfolio, modified for expected maturities and probabilities of drawdown. The reserve for lending-related commitments was $2.4 million and 2.3 million at March 31, 2022, and December 31, 2021, respectively, and is included in accrued expenses and other liabilities in the accompanying consolidated balance sheets.

Loss Contingencies

From time to time, the Company is also party to various legal actions arising in the ordinary course of business. At this time, management does not expect that loss contingencies, if any, arising from any such proceedings, either individually or in the aggregate, would have a material adverse effect on the consolidated financial position or liquidity of the Company.

Note 12 - Business Combinations

On February 23, 2022, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with BT Holdings, Inc., a Texas corporation (“BTH”), pursuant to which, upon the terms and subject to the conditions set forth in the Merger Agreement, BTH will merge with and into the Company (the “Merger”), with the Company as the surviving entity. In connection with the execution of the Merger Agreement, BTH’s wholly-owned subsidiary, BTH Bank, N.A. (“BTH Bank”), agreed to be merged with and into Origin’s wholly-owned subsidiary, Origin Bank, with Origin Bank as the surviving bank.

Upon the terms and subject to the conditions set forth in the Merger Agreement, at the effective time of the Merger (the “Effective Time”), Origin will issue an aggregate of 6,828,390 shares of its common stock, par value $5.00 per share (“Origin Common Stock”), in exchange for all shares of common stock, par value $1.00 per share, of BTH (“BTH Common Stock”) outstanding immediately prior to the Effective Time, subject to certain adjustments described below. The per share consideration payable in respect of each share of BTH Common Stock shall equal (a) 6,828,390 divided by (b) the total number of shares of BTH Common Stock outstanding immediately prior to the Effective Time (excluding any BTH Cancelled Shares (as defined in the Merger Agreement)) (such quotient, the “Exchange Ratio”). Based on the closing price of Origin Common Stock on February 23, 2022, of $44.52 per share, the aggregate consideration to be paid to holders of BTH Common Stock in connection with the Merger is valued at approximately $313.5 million.

The Exchange Ratio, and thus the number of shares of Origin Common Stock issued in the Merger, may be adjusted downward if the Adjusted Tangible Equity (as defined in the Merger Agreement) of BTH at the closing is less than $198.0 million, such that the aggregate merger consideration, based on the Average Closing Price, is reduced dollar for dollar by the amount of the deficiency. For purposes of the Merger Agreement, “Adjusted Tangible Equity” means the sum of

BTH's equity capital stock, capital surplus, and retained earnings, including the impact of any accumulated other comprehensive income (loss) resulting from unrealized securities gains or losses (subject to certain limitations set forth in the Merger Agreement), less goodwill and intangible assets, on a consolidated basis with BTH Bank, as determined pursuant to generally accepted accounting principles in the United States of America, and adjusted to reflect certain merger related expenses described in the Merger Agreement. "Average Closing Price" means the average closing price of Origin Common Stock during the 20 consecutive trading days immediately prior to the fifth business day before closing.

At the Effective Time, each option to purchase shares of BTH Common Stock will accelerate and vest and be converted into an option to purchase a number of shares of Origin Common Stock equal to the product of (1) the total number of shares of BTH Common Stock subject to such option immediately prior to the Effective Time multiplied by (2) the Exchange Ratio. Each such converted option will have an exercise price per share of Origin Common Stock equal to (a) the per share exercise price for the shares of BTH Common Stock subject to such option immediately prior to the Effective Time divided by (b) the Exchange Ratio.

The closing of the Merger, which is expected to occur during the second half of 2022, is subject to customary conditions, including receipt of regulatory approvals and approval by the shareholders of each of the Company and BTH. Based on combined balances as of December 31, 2021, Origin is expected to have approximately $9.9 billion in assets, $6.4 billion in loans and $8.3 billion in deposits following the close of the Merger.

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

Unless the context indicates otherwise, references in this report to "we," "us," "our," "our company," "the Company" or "Origin" refer to Origin Bancorp, Inc., a Louisiana corporation, and its consolidated subsidiaries. All references to "Origin Bank" or "the Bank" refer to Origin Bank, our wholly-owned bank subsidiary.

The following discussion and analysis presents our financial condition and results of operations on a consolidated basis. However, we conduct all of our material business operations through our wholly-owned bank subsidiary, Origin Bank, and the discussion and analysis that follows primarily relates to activities conducted at the Bank level.

The following discussion and analysis should be read in conjunction with our unaudited consolidated financial statements and related condensed notes contained in Item 1 of this report. To the extent that this discussion describes prior performance, the descriptions relate only to the periods listed, which may not be indicative of our future financial outcomes. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause results to differ materially from management's expectations. Factors that could cause such differences are discussed in the sections titled "Cautionary Note Regarding Forward-Looking Statements" and "Item 1A. Risk Factors" and in the section titled "Risk Factors" in our 2021 Form 10-K. We assume no obligation to update any of these forward-looking statements.

General

We are a financial holding company headquartered in Ruston, Louisiana. Origin's wholly-owned bank subsidiary, Origin Bank, was founded in 1912. Deeply rooted in Origin's history is a culture committed to providing personalized, relationship banking to its clients and communities. Origin provides a broad range of financial services to businesses, municipalities, high net-worth individuals and retail clients. Origin currently operates 45 banking centers located from Dallas/Fort Worth and Houston, Texas, across North Louisiana and into Mississippi. As a financial holding company operating through one segment, we generate the majority of our revenue from interest earned on loans and investments, service charges and fees on deposit accounts.

We incur interest expense on deposits and other borrowed funds and noninterest expense, such as salaries and employee benefits and occupancy expenses. We analyze our ability to maximize income generated from interest-earning assets and minimize expense of our liabilities through our net interest margin. Net interest margin is a ratio calculated as net interest income divided by average interest-earning assets. Net interest income is the difference between interest income on interest-earning assets, such as loans, securities and interest-bearing cash, and interest expense on interest-bearing liabilities, such as deposits and borrowings. Net interest spread is the average yield on interest-earning assets minus the average rate on interest-bearing liabilities.

Changes in market interest rates and the interest rates we earn on interest-earning assets or pay on interest-bearing liabilities, as well as in the volume and types of interest-earning assets, interest-bearing and noninterest-bearing liabilities and stockholders' equity, are usually the largest drivers of periodic changes in net interest spread, net interest margin and net interest income.

2022 First Quarter Highlights

- Total loans held for investment ("LHFI") were $5.19 billion at March 31, 2022, a decrease of $36.9 million compared to December 31, 2021. Excluding Paycheck Protection Program ("PPP") loans and mortgage warehouse lines of credit, LFHI were $4.66 billion, reflecting a $160.5 million or 14.5% annualized increase, compared to December 31, 2021.
- Total deposits grew $196.5 million, or 12.1% annualized, to $6.77 billion at March 31, 2022, compared to $6.57 billion at December 31, 2021. Noninterest-bearing deposits grew $132.2 million, or 24.8% annualized, compared to December 31, 2021, and represented 33.9% of total deposits at March 31, 2022.
- Average balances of total securities for the quarter ended March 31, 2022, were $1.66 billion, reflecting a $157.1 million, or 10.4%, increase compared to the quarter ended December 31, 2021. Total securities were $1.92 billion at March 31, 2022, compared to $1.53 billion at December 31, 2021.
- Provision for credit losses was a net benefit of $327,000 for the quarter ended March 31, 2022, compared to a provision expense of $1.4 million for the quarter ended March 31, 2021.

- Total nonperforming LHFI to total LHFI was 0.41% at March 31, 2022, compared to 0.48% at December 31, 2021, reflecting the lowest total nonperforming LHFI to total LHFI ratio for Origin as a public company. The allowance for loan credit losses to nonperforming LHFI was 293.53% at March 31, 2022, compared to 259.35% and 255.22% at December 31, 2021, and March 31, 2021, respectively.
- On February 23, 2022, the Company entered into an agreement and plan of merger with BT Holdings, Inc., ("BTH"), pursuant to which, upon the terms and subject to the conditions set forth in the merger agreement, BTH will merge with and into the Company, with Origin Bancorp, Inc. as the surviving entity in the merger. Subject to various terms and conditions, the merger is expected to close during the second half of 2022.

Comparison of Results of Operations for the Three Months Ended March 31, 2022 and 2021

Net Interest Income and Net Interest Margin

Net interest income for the three months ended March 31, 2022, was $52.5 million, a decrease of $2.7 million compared to the three months ended March 31, 2021. The decrease was primarily due to a $4.8 million decrease in interest earned on mortgage warehouse lines of credit and a $3.7 million decrease in interest income and fees earned on PPP loans, partially offset by a $2.9 million and a $1.5 million increase in interest income earned on total real estate-based loans and total investment securities, respectively.

The decreases in interest income earned on mortgage warehouse lines of credit and PPP loans were caused primarily by decreases in average loan balances of $538.0 million and $495.2 million, respectively, as the continued normalization and higher interest rates had a negative impact on mortgage warehouse lines of credit and the outstanding balances of PPP loans continued to be forgiven by the Small Business Administration ("SBA").

The $2.9 million increase in interest income earned on total real estate loans was primarily driven by a $339.1 million increase in average real estate loan balances, partially offset by a decline in yield to 4.04% during the three months ended March 31, 2022, from 4.11% during the three months ended March 31, 2021.

The $1.5 million increase in interest income earned on total investment securities was primarily due to a $657.3 million increase in the average balances of investments in taxable securities during the three months ended March 31, 2022, compared to the three months ended March 31, 2021. A $2.9 million increase in interest income earned on taxable investment securities was driven by an increase in the average balance of investments in taxable securities, which was offset by a $1.1 million decrease due to a decline in the average yield earned on these securities. The average yield earned on investments in taxable securities was 1.47% for the current period, down from 1.78% for the three months ended March 31, 2021. The primary driver of the increase in average balance of investment securities was higher liquidity due to a decline in PPP loan balances and lower mortgage warehouse loan volume driven by higher interest rates. This excess liquidity was the primary cause of the increase in average balances of lower-yielding investment securities and interest-bearing deposits due from banks.

Deposit interest expense decreased to $2.9 million during the three months ended March 31, 2022, compared to $3.8 million during the three months ended March 31, 2021, primarily due to a decline in deposit interest rates between the comparable periods. The average rate paid on total interest-bearing deposits decreased to 0.26% for the three months ended March 31, 2022, down from 0.37% for the three months ended March 31, 2021, providing a decrease of $917,000 in interest expense due to rate alone, partially offset by the increase in average balances.

The fully tax-equivalent net interest margin was 2.86% for the three months ended March 31, 2022, a 36 basis point decrease from the three months ended March 31, 2021. The yield earned on interest-earning assets for the three months ended March 31, 2022, was 3.13%, a 45 basis point decrease from 3.58% for the three months ended March 31, 2021. This decrease was partially offset by a nine basis point decrease in interest rates paid on total interest-bearing liabilities. The margin compression we experienced since the quarter ended March 31, 2021, was primarily caused by declining short-term interest rates during early to mid-2021.

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The following table presents average balance sheet information, interest income, interest expense and the corresponding average yields earned and rates paid for the three months ended March 31, 2022 and 2021.

	Three Months Ended March 31,					
	2022			2021		
(Dollars in thousands) **Assets**	Average Balance[1]	Income/Expense	Yield/Rate	Average Balance[1]	Income/Expense	Yield/Rate
Commercial real estate	$ 1,718,259	$ 17,039	4.02 %	$ 1,421,819	$ 14,593	4.16 %
Construction/land/land development	565,347	5,869	4.21	541,782	5,465	4.09
Residential real estate	907,320	8,912	3.98	888,208	8,848	4.04
PPP	70,442	2,403	13.83	565,653	6,138	4.40
Commercial and industrial excl. PPP	1,354,794	12,564	3.76	1,255,436	12,223	3.95
Mortgage warehouse lines of credit	423,795	3,897	3.73	961,808	8,707	3.67
Consumer	16,462	235	5.78	17,649	253	5.81
LHFI	5,056,419	50,919	4.08	5,652,355	56,227	4.03
Loans held for sale	32,710	264	3.27	87,177	583	2.71
Loans receivable	5,089,129	51,183	4.08	5,739,532	56,810	4.01
Investment securities-taxable	1,408,109	5,113	1.47	750,801	3,300	1.78
Investment securities-non-taxable	253,875	1,400	2.24	295,000	1,672	2.30
Non-marketable equity securities held in other financial institutions	45,205	215	1.93	60,326	216	1.45
Interest-bearing deposits in banks	746,057	372	0.20	196,616	129	0.27
Total interest-earning assets	7,542,375	58,283	3.13	7,042,275	62,127	3.58
Noninterest-earning assets[2]	502,871			340,220		
Total assets	$ 8,045,246			$ 7,382,495		
Liabilities and Stockholders' Equity						
Liabilities						
Interest-bearing liabilities						
Savings and interest-bearing transaction accounts	$ 3,975,395	$ 2,177	0.22 %	$ 3,513,281	$ 2,256	0.26 %
Time deposits	535,044	709	0.54	656,255	1,533	0.95
Total interest-bearing deposits	4,510,439	2,886	0.26	4,169,536	3,789	0.37
FHLB advances & other borrowings	265,472	1,094	1.67	557,798	1,269	0.92
Subordinated indebtedness	157,455	1,801	4.64	157,221	1,830	4.72
Total interest-bearing liabilities	4,933,366	5,781	0.48	4,884,555	6,888	0.57
Noninterest-bearing liabilities						
Noninterest-bearing deposits	2,218,092			1,700,523		
Other liabilities[2]	171,284			139,554		
Total liabilities	7,322,742			6,724,632		
Stockholders' Equity	722,504			657,863		
Total liabilities and stockholders' equity	$ 8,045,246			$ 7,382,495		
Net interest spread			2.65 %			3.01 %
Net interest income and margin		$ 52,502	2.82		$ 55,239	3.18
Net interest income and margin - (tax equivalent)[3]		$ 53,178	2.86		$ 55,988	3.22

(1) Nonaccrual loans are included in their respective loan category for the purpose of calculating the yield earned. All average balances are daily average balances.

(2) Includes Government National Mortgage Association ("GNMA") repurchase average balances of $43.8 million, $59.0 million for the three months ended March 31, 2022 and 2021, respectively. The GNMA repurchase asset and liability are recorded as equal offsetting amounts in the consolidated balance sheets, with the asset included in loans held for sale and the liability included in FHLB advances and other borrowings. For more information on the GNMA repurchase option, see *Note 6 - Mortgage Banking* in the condensed notes to our consolidated financial statements.

(3) In order to present pre-tax income and resulting yields on tax-exempt investments comparable to those on taxable investments, a tax-equivalent adjustment has been computed. This adjustment also includes income tax credits received on Qualified School Construction Bonds and income from tax-exempt investments and tax credits were computed using a federal income tax rate of 21%.

Rate/Volume Analysis

The following tables present the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities. It distinguishes between the changes related to outstanding balances and those due to changes in interest rates. The change in interest attributable to rate changes has been determined by applying the change in rate between periods to average balances outstanding in the earlier period. The change in interest due to volume has been determined by applying the rate from the earlier period to the change in average balances outstanding between periods. For purposes of this table, changes attributable to both rate and volume that cannot be segregated, including the difference in day count, have been allocated to rate.

(Dollars in thousands)	Three Months Ended March 31, 2022 vs. Three Months Ended March 31, 2021		
	Increase (Decrease) Due To Change In		
	Volume	Yield/Rate	Total Change
Interest-earning assets			
Loans:			
Commercial real estate	$ 3,043	$ (597)	$ 2,446
Construction/land/land development	238	166	404
Residential real estate	190	(126)	64
PPP	(5,373)	1,638	(3,735)
Commercial and industrial excl. PPP	1,382	(1,041)	341
Mortgage warehouse lines of credit	(4,871)	61	(4,810)
Consumer	(17)	(1)	(18)
Loans held for sale	(364)	45	(319)
Loans receivable	(5,772)	145	(5,627)
Investment securities-taxable	2,889	(1,076)	1,813
Investment securities-non-taxable	(233)	(39)	(272)
Non-marketable equity securities held in other financial institutions	(54)	53	(1)
Interest-bearing deposits in banks	360	(117)	243
Total interest-earning assets	(2,810)	(1,034)	(3,844)
Interest-bearing liabilities			
Savings and interest-bearing transaction accounts	297	(376)	(79)
Time deposits	(283)	(541)	(824)
FHLB advances & other borrowings	(665)	490	(175)
Subordinated indebtedness	3	(32)	(29)
Total interest-bearing liabilities	(648)	(459)	(1,107)
Net interest income	$ (2,162)	$ (575)	$ (2,737)

Provision for Credit Losses

The provision for credit losses, which includes the provisions for loan losses, off-balance sheet commitments and security credit losses, is based on management's assessment of the adequacy of our allowance for credit losses ("ACL") for loans, securities and our reserve for off-balance-sheet lending commitments. Factors impacting the provision include inherent risk characteristics in our loan portfolio, the level of nonperforming loans and net charge-offs, both current and historic, local economic and credit conditions, the direction of the change in collateral values, reasonable and supportable forecasts, and the funding probability on unfunded lending commitments. The provision for credit losses is charged against earnings in order to maintain our ACL, which reflects management's best estimate of life of loan credit losses inherent in our loan portfolio at the balance sheet date, and our reserve for off-balance-sheet lending commitments, which reflects management's best estimate of losses inherent in our legally binding lending-related commitments. The allowance is increased by the provision for loan credit losses and decreased by charge-offs, net of recoveries.

We recorded a provision for credit loss benefit of $327,000 for the quarter ended March 31, 2022, a decrease of $1.7 million from provision expense of $1.4 million for the three months ended March 31, 2021. The release of credit loss provision reflects improved credit loss metrics with no material adjustments to model assumptions based upon economic forecasts. As it pertains to economic forecasts, uncertainty remains due to risks related to rising inflation, market interest rate increases, labor pressures, continued global supply-chain disruptions, as well as increased geopolitical risks. Net charge-offs were $1.8 million during the quarter ended March 31, 2022, compared to $2.9 million during the three months ended March 31, 2021, while the allowance for loan credit losses to nonperforming LHFI was 293.53% at March 31, 2022, compared to 255.22% at March 31, 2021.

Noninterest Income

Our primary sources of recurring noninterest income are service charges on deposit accounts, mortgage banking revenue, insurance commission and fee income, and other fee income.

The table below presents the various components of and changes in our noninterest income for the periods indicated.

(Dollars in thousands)	Three Months Ended March 31,			
Noninterest income:	**2022**	**2021**	**$ Change**	**% Change**
Service charges and fees	$ 3,998	$ 3,343	$ 655	19.6 %
Mortgage banking revenue	4,096	4,577	(481)	(10.5)
Insurance commission and fee income	6,456	3,771	2,685	71.2
Gains on sales of securities, net	—	1,668	(1,668)	(100.0)
Loss on sales and disposals of other assets, net	—	(38)	38	100.0
Limited partnership investment (loss) income	(363)	1,772	(2,135)	(120.5)
Swap fee income	139	348	(209)	(60.1)
Other fee income	598	771	(173)	(22.4)
Other income	982	919	63	6.9
Total noninterest income	$ 15,906	$ 17,131	$ (1,225)	(7.2)

Noninterest income for the three months ended March 31, 2022, decreased by $1.2 million, or 7.2%, to $15.9 million, compared to $17.1 million for the three months ended March 31, 2021. The decrease was largely driven by a $2.1 million and $1.7 million decrease in limited partnership investment income and gain on sales of securities, net, respectively, which was partially offset by an increase of $2.7 million in insurance commission and fee income.

Limited partnership investment income. The $2.1 million decrease in limited partnership investment income during the three months ended March 31, 2022, as compared to the three months ended March 31, 2021, was primarily due to a decrease in the fair value of investments in one of the limited partnership funds during the current quarter.

Gain on sale of securities, net. The $1.7 million decrease in gain on sale of securities, net during the three months ended March 31, 2022, as compared to the three months ended March 31, 2021, was the result of the movement out of positions in lower yielding securities during the 2021 quarter. We used the funds generated from the sale of the securities during the three months ended March 31, 2021, to prepay relatively high-cost FHLB advances.

Insurance commission and fee income. The $2.7 million increase in the insurance commission and fee income during the three months ended March 31, 2022, compared to the three months ended March 31, 2021, was primarily due to the insurance acquisitions that occurred on December 31, 2021. The acquisition contributed $1.5 million to insurance commissions and fee income during the current quarter.

Noninterest Expense

The following table presents the significant components of noninterest expense for the periods indicated:

(Dollars in thousands)	Three Months Ended March 31,			
Noninterest expense:	2022	2021	$ Change	% Change
Salaries and employee benefits	$ 26,488	$ 22,325	$ 4,163	18.6 %
Occupancy and equipment, net	4,427	4,339	88	2.0
Data processing	2,486	2,173	313	14.4
Electronic banking	917	961	(44)	(4.6)
Communications	281	415	(134)	(32.3)
Advertising and marketing	871	680	191	28.1
Professional services	1,631	973	658	67.6
Regulatory assessments	626	1,170	(544)	(46.5)
Loan-related expenses	1,305	1,705	(400)	(23.5)
Office and operations	1,560	1,454	106	7.3
Intangible asset amortization	537	234	303	129.5
Franchise tax expense	770	619	151	24.4
Other expenses	875	2,388	(1,513)	(63.4)
Total noninterest expense	$ 42,774	$ 39,436	$ 3,338	8.5

Noninterest expense for the three months ended March 31, 2022, increased by $3.3 million, or 8.5%, to $42.8 million, compared to the noninterest expense for the three months ended March 31, 2021, primarily due to increases of $4.2 million and $658,000 in salaries and employee benefits expenses and professional services expense, respectively. The increases were partially offset by decreases of $1.5 million and $544,000 in other noninterest expenses and regulatory assessments expense, respectively.

Salaries and employee benefits. The $4.2 million increase in salaries and employee benefits expenses was primarily due to the insurance agency acquisitions that occurred on December 31, 2021, which accounted for $1.2 million of the increase. Additionally, bank salaries and benefits were higher due to annual raises and a cost of living adjustment that occurred during the quarter ended March 31, 2022, and an increase in bank full time equivalent employees to 690 at March 31, 2022, from 666 at March 31, 2021.

Other expenses. The $1.5 million decrease in other noninterest expense was primarily due to $1.6 million in long-term FHLB advance prepayment penalties during the three months ended March 31, 2021, related to the prepayment of relatively high FHLB advances, with no similar transaction occurring during the current quarter.

Professional services. The $658,000 increase in professional service expense was primarily due to $548,000 in transaction costs in the current quarter directly related to the pending merger with BTH Holdings.

Regulatory assessments. The $544,000 decrease in regulatory assessments expense was primarily due to a reduction in the Federal Deposit Insurance Corporation ("FDIC") assessment multiplier during the three months ended March 31, 2022.

Income Tax Expense

For the three months ended March 31, 2022, we recognized income tax expense of $5.3 million, compared to $6.0 million for the three months ended March 31, 2021. The effective tax rate for the quarter ended March 31, 2022, was negatively impacted by the transaction costs associated with the BTH merger. The effective tax rate for the three months ended March 31, 2022, was 20.4%, compared to 19.1% for the three months ended March 31, 2021.

Our quarterly provision for income taxes has historically been calculated using the estimated annual effective tax rate ("EATR") method, which applies an estimated annual effective tax rate to pre-tax income or loss. However, we recorded our interim income tax provision using the actual effective tax rate as of January 1, 2020, and throughout fiscal years 2020 and 2021, as allowed under ASC 740-270, *Accounting for Income Taxes - Interim Reporting*. As of January 1, 2022, we reverted back to using the EATR method for calculating and recording our interim provision for income taxes.

Our effective income tax rates have differed from the applicable U.S. statutory rates of 21% at March 31, 2022 and 2021, due to the effect of tax-exempt income from securities, low-income housing and qualified school construction bond tax credits, tax-exempt income from life insurance policies and income tax effects associated with stock-based compensation, partially offset by merger-related costs in the current quarter. These tax-exempt items can have a larger than proportional effect on the effective income tax rate as net income decreases. Any increases to the statutory tax rate would increase income taxes in the future.

Comparison of Financial Condition at March 31, 2022, and December 31, 2021

General

Total assets increased by $251.0 million, or 3.2%, to $8.11 billion at March 31, 2022, from $7.86 billion at December 31, 2021. The increase was primarily attributable to an increase of $382.6 million in total securities, partially offset by a $121.2 million decrease in cash and cash equivalents for the comparable periods.

Loan Portfolio

Our loan portfolio is our largest category of interest-earning assets and interest income earned on our loan portfolio is our primary source of income. At March 31, 2022, 81.9% of the loan portfolio held for investment was comprised of commercial and industrial loans, including PPP loans, mortgage warehouse lines of credit, commercial real estate and construction/land/land development loans, which were primarily originated within our market areas of Texas, North Louisiana, and Mississippi.

The following table presents the ending balance of our loan portfolio held for investment at the dates indicated.

(Dollars in thousands)	March 31, 2022		December 31, 2021		2022 vs. 2021	
Real estate:	Amount	Percent	Amount	Percent	$ Change	% Change
Commercial real estate	$ 1,801,382	34.7 %	$ 1,693,512	32.4 %	$ 107,870	6.4 %
Construction/land/land development	593,350	11.4	530,083	10.1	63,267	11.9
Residential real estate	922,054	17.8	909,739	17.4	12,315	1.4
Total real estate	3,316,786	63.9	3,133,334	59.9	183,452	5.9
PPP	32,154	0.6	105,761	2.0	(73,607)	(69.6)
Commercial and industrial	1,326,443	25.5	1,348,474	25.8	(22,031)	(1.6)
Mortgage warehouse lines of credit	503,249	9.7	627,078	12.0	(123,829)	(19.7)
Consumer	15,774	0.3	16,684	0.3	(910)	(5.5)
Total LHFI	$ 5,194,406	100.0 %	$ 5,231,331	100.0 %	$ (36,925)	(0.7)%

At March 31, 2022, total LHFI were $5.19 billion, a decrease of $36.9 million, or 0.7%, compared to $5.23 billion at December 31, 2021. The decrease primarily reflected declines of $123.8 million in mortgage warehouse lines of credit and $73.6 million in PPP loans, primarily due to the increase in market interest rates which drove the decrease in mortgage warehouse lines of credit and PPP loan forgiveness from the Small Business Administration ("SBA"), respectively. Total LHFI at March 31, 2022, excluding PPP and mortgage warehouse lines of credit, were $4.66 billion, reflecting an increase of $160.5 million, or 14.5% annualized increase, compared to December 31, 2021. Our lending focus is on operating companies, including commercial loans and lines of credit, as well as owner-occupied commercial real estate loans. We currently do not plan to significantly alter the real estate concentrations within our loan portfolio.

Under the CARES Act, Congress allocated funds to the PPP, which was designed to provide short-term loans to certain qualifying businesses that retained employees during the COVID-19 pandemic. These loans, totaling $32.2 million with $736,000 in unearned net deferred loan fees for the Company at March 31, 2022, have a maximum maturity of five years, bear a fixed rate of interest at one percent for the entire term, and as of March 31, 2022, approximately 95.8% of our total PPP loans granted have been forgiven under this program.

Loan Portfolio Maturity Analysis

The table below presents the maturity distribution of our LHFI at March 31, 2022. The table also presents the portion of our loans that have fixed interest rates, rather than interest rates that fluctuate over the life of the loans based on changes in the interest rate environment.

	March 31, 2022				
(Dollars in thousands)	One Year or Less	After One Year Through Five Years	After Five Years Through Fifteen Years	After Fifteen Years	Total
Real estate:					
Commercial real estate	$ 251,584	$ 1,116,338	$ 414,743	$ 18,717	$ 1,801,382
Construction/land/land development	146,490	361,762	70,634	14,464	593,350
Residential real estate loans	83,180	354,890	62,344	421,640	922,054
Total real estate	481,254	1,832,990	547,721	454,821	3,316,786
Commercial and industrial loans	451,482	809,064	97,901	150	1,358,597
Mortgage warehouse lines of credit	503,249	—	—	—	503,249
Consumer loans	4,197	10,385	547	645	15,774
Total LHFI	$ 1,440,182	$ 2,652,439	$ 646,169	$ 455,616	$ 5,194,406
Amounts with fixed rates	$ 334,897	$ 1,505,707	$ 428,637	$ 52,538	$ 2,321,779
Amounts with variable rates	1,105,285	1,146,732	217,532	403,078	2,872,627
Total	$ 1,440,182	$ 2,652,439	$ 646,169	$ 455,616	$ 5,194,406

Nonperforming Assets

Nonperforming assets consist of nonperforming loans and property acquired through foreclosures or repossession, as well as bank-owned property not currently in use and listed for sale.

Loans are placed on nonaccrual status when management believes that the borrower's financial condition, after giving consideration to economic and business conditions, and collection efforts, is such that collection of interest is doubtful, or generally when loans are 90 days or more past due. Loans may be placed on nonaccrual status even if the contractual payments are not past due if information becomes available that causes substantial doubt about the borrower's ability to meet the contractual obligations of the loan. When accrual of interest is discontinued, all unpaid accrued interest is reversed. Past due status is based on contractual terms of the loan. Interest income on nonaccrual loans may be recognized to the extent cash payments are received, but payments received are usually applied to principal. Nonaccrual loans are generally returned to accrual status when contractual payments are less than 90 days past due, the customer has made required payments for at least six months, and the Company reasonably expects to collect all principal and interest. If a loan is determined by management to be uncollectible, regardless of size, the portion of the loan determined to be uncollectible is then charged to the allowance for loan credit losses.

We manage the quality of our lending portfolio in part through a disciplined underwriting policy and through continual monitoring of loan performance and borrowers' financial condition. There can be no assurance, however, that our loan portfolio will not become subject to losses due to declines in economic conditions or deterioration in the financial condition of our borrowers.

While economic forecasts have improved, uncertainty remains due to risks related to rising inflation, market interest rate increases, labor pressures, continued global supply-chain disruptions, as well as increased geopolitical risks.

The following table shows our nonperforming loans and nonperforming assets at the dates indicated:

(Dollars in thousands)	March 31, 2022	December 31, 2021
Nonperforming LHFI:		
Commercial real estate	$ 233	$ 512
Construction/land/land development	256	338
Residential real estate	11,609	11,647
Commercial and industrial	8,987	12,306
Consumer	96	100
Total nonperforming LHFI	21,181	24,903
Nonperforming loans held for sale	2,698	1,754
Total nonperforming loans	23,879	26,657
Other real estate owned:		
Commercial real estate, construction/land/land development	1,280	1,279
Residential real estate	180	180
Total other real estate owned	1,460	1,459
Other repossessed assets owned	243	401
Total repossessed assets owned	1,703	1,860
Total nonperforming assets	$ 25,582	$ 28,517
Troubled debt restructuring loans - nonaccrual	$ 3,709	$ 4,064
Troubled debt restructuring loans - accruing	3,338	2,763
Total LHFI	5,194,406	5,231,331
Ratio of nonperforming LHFI to total LHFI	0.41 %	0.48 %
Ratio of nonperforming assets to total assets	0.32	0.36

At March 31, 2022, total nonperforming LHFI decreased by $3.7 million, or 14.9%, from December 31, 2021, primarily due to reductions in all nonperforming LHFI loan categories. Please see *Note 4 - Loans* to our consolidated financial statements contained in Item 8 of this report for more information on nonperforming loans.

Potential Problem Loans

From a credit risk standpoint, we classify loans using risk grades which fall into one of five categories: pass, special mention, substandard, doubtful or loss. The classifications of loans reflect a judgment about the risks of default and loss associated with the loan. We review the ratings on loans and adjust them to reflect the degree of risk and loss that is felt to be inherent or expected in each loan. The methodology is structured so that reserve allocations are increased in accordance with deterioration in credit quality (and a corresponding increase in risk and loss) or decreased in accordance with improvement in credit quality (and a corresponding decrease in risk and loss). Loans rated special mention reflect borrowers who exhibit credit weaknesses or downward trends deserving close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the bank's credit position at some future date. While potentially weak, no loss of principal or interest is envisioned, and these borrowers currently do not pose sufficient risk to warrant adverse classification. Loans rated substandard are those borrowers with deteriorating trends and well-defined weaknesses that jeopardize the orderly liquidation of debt. A substandard loan is inadequately protected by the current sound worth and paying capacity of the obligor or by the collateral pledged, if any, and where normal repayment from the borrower might be in jeopardy.

Loans rated as doubtful have the weaknesses of substandard assets with the additional characteristic that the weaknesses make collection or liquidation in full questionable, and there is a high probability of loss based on currently existing facts, conditions and values. Loans classified as loss are charged-off, and we have no expectation of the recovery of any payments with respect to loans rated as loss. Information regarding the internal risk ratings of our loans at March 31, 2022, is included in *Note 4 - Loans* to our consolidated financial statements contained in Item 1 of this report.

Allowance for Loan Credit Losses

The allowance for loan credit losses represents the estimated losses for loans accounted for on an amortized cost basis. Expected losses are calculated using relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The Company evaluates LHFI on a pool basis with pools of loans characterized by loan type, collateral, industry, internal credit risk rating and FICO score. The Company applied a probability of default, loss given default loss methodology, to the loan pools at March 31, 2022. Historical loss rates for each pool are calculated based on charge-off and recovery data beginning with the second quarter of 2012. These loss rates are adjusted for the effects of certain economic variables forecast over a one-year period, particularly for differences between current period conditions and the conditions existing during the historical loss period. Subsequent to the forecast effects, historical loss rates are used to estimate losses over the estimated remaining lives of the loans. The estimated remaining lives consist of the contractual lives, adjusted for estimated prepayments. Loans that exhibit characteristics different from their pool characteristics are evaluated on an individual basis. Certain of these loans are considered to be collateral dependent, with the borrower experiencing financial difficulty. For these loans, the fair value of collateral practical expedient is elected whereby the allowance is calculated as the amount by which the amortized cost exceeds the fair value of collateral, less costs to sell (if applicable). Those individual loans that are not collateral dependent are evaluated based on a discounted cash flow methodology.

The amount of the allowance for loan credit losses is affected by loan charge-offs, which decrease the allowance, recoveries on loans previously charged off, which increase the allowance, as well as the provision for loan credit losses charged to income, which increases the allowance. In determining the provision for loan credit losses, management monitors fluctuations in the allowance resulting from actual charge-offs and recoveries and periodically reviews the size and composition of the loan portfolio in light of current and forecasted economic conditions. If actual losses exceed the amount of the allowance for loan credit losses, it would materially and adversely affect our earnings.

As a general rule, when it becomes evident that the full principal and accrued interest of a loan may not be collected, or at 90 days past due, we will reflect that loan as nonperforming. It will remain nonperforming until it performs in a manner that it is reasonable to expect that we will collect principal and accrued interest in full. When the amount or likelihood of a loss on a loan has been confirmed, a charge-off will be taken in the period it is determined.

We establish general allocations for each major loan category and credit quality. The general allocation is based, in part, on historical charge-off experience and loss given default methodology, derived from our internal risk rating process. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data. We give consideration to trends, changes in loan mix, delinquencies, prior losses, reasonable and supportable forecasts and other related information.

In connection with the review of our loan portfolio, we consider risk elements attributable to particular loan types or categories in assessing the quality of individual loans. Some of the risk elements we consider include:

- for commercial real estate loans, the debt service coverage ratio, operating results of the owner in the case of owner-occupied properties, the loan to value ratio, the age and condition of the collateral and the volatility of income, property value and future operating results typical of properties of that type;
- for construction, land and land development loans, the perceived feasibility of the project, including the ability to sell developed lots or improvements constructed for resale or the ability to lease property constructed for lease, the quality and nature of contracts for presale or prelease, if any, experience and ability of the developer and loan to value ratio;
- for residential mortgage loans, the borrower's ability to repay the loan, including a consideration of the debt to income ratio and employment and income stability, the loan-to-value ratio, and the age, condition and marketability of the collateral; and
- for commercial and industrial loans, the debt service coverage ratio (income from the business in excess of operating expenses compared to loan repayment requirements), the operating results of the commercial, industrial or professional enterprise, the borrower's business, professional and financial ability and expertise, the specific risks and volatility of income and operating results typical for businesses in that category and the value, nature and marketability of collateral.

Overall credit metrics improved at March 31, 2022, compared to December 31, 2021. The allowance for loan credit losses to nonperforming LHFI increased to 293.53% at March 31, 2022, compared to 259.35% at December 31, 2021. The Company’s nonperforming LHFI and quarterly net charge-offs improved to $21.2 million and $7.1 million (annualized), respectively, compared to $24.9 million and $10.7 million (annualized), respectively, at December 31, 2021.

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

(Dollars in thousands)	Three Months Ended March 31,		Year Ended December 31,
Allowance for loan credit losses	2022	2021	2021
Balance at beginning of period	$ 64,586	$ 86,670	$ 86,670
Provision for loan credit losses	(659)	1,360	(10,798)
Charge-offs:			
Commercial real estate	166	28	170
Residential real estate	75	—	78
Commercial and industrial	2,146	2,955	11,923
Consumer	15	44	63
Total charge-offs	2,402	3,027	12,234
Recoveries:			
Commercial real estate	2	3	65
Residential real estate	6	9	117
Commercial and industrial	635	108	717
Consumer	5	13	49
Total recoveries	648	133	948
Net charge-offs	1,754	2,894	11,286
Balance at end of period	$ 62,173	$ 85,136	$ 64,586
Ratio of allowance for loan credit losses to:			
Nonperforming LHFI	293.53 %	255.22 %	259.53 %
LHFI	1.20	1.46	1.23
Net charge-offs as a percentage of:			
Provision for loan credit losses	N/M	863.00	N/M
Allowance for loan credit losses	11.44	13.79	17.47
Average LHFI	0.14	0.21	0.21

N/M = Not meaningful.

Securities

Our securities portfolio totaled $1.92 billion at March 31, 2022, representing an increase of $382.6 million, or 24.9%, from $1.53 billion at December 31, 2021. The overall increase in securities reflects a shift in balance sheet composition as liquidity surged primarily due to increases in deposits, and declines in PPP loan balances due to the SBA's forgiveness process, and declines in mortgage warehouse line of credit loan balances driven by the increase in market interest rates. For additional information regarding our securities portfolio, please see *Note 3 - Securities* in the condensed notes to our consolidated financial statements contained in Part I, Item 1 of this report.

Deposits

Deposits are the primary funding source used to fund our loans, investments and operating needs. We offer a variety of products designed to attract and retain both consumer and commercial deposit customers. These products consist of noninterest and interest-bearing checking accounts, savings deposits, money market accounts and time deposits. Deposits are primarily gathered from individuals, partnerships and corporations in our market areas. We also obtain deposits from local municipalities and state agencies. Increases of $132.2 million and $82.1 million in noninterest-bearing and interest-bearing demand, respectively, drove the increase in total deposits compared to December 31, 2021.

The following table presents our deposit mix at the dates indicated:

	March 31, 2022		December 31, 2021			
(Dollars in thousands)	Balance	% of Total	Balance	% of Total	$ Change	% Change
Noninterest-bearing demand	$ 2,295,682	33.9 %	$ 2,163,507	32.9 %	$ 132,175	6.1 %
Interest-bearing demand	1,494,201	22.1	1,412,089	21.5	82,112	5.8
Money market	2,191,735	32.4	2,204,109	33.5	(12,374)	(0.6)
Time deposits	523,783	7.7	543,128	8.3	(19,345)	(3.6)
Savings	261,778	3.9	247,860	3.8	13,918	5.6
Total deposits	$ 6,767,179	100.0 %	$ 6,570,693	100.0 %	$ 196,486	3.0 %

We manage our interest expense on deposits through specific deposit product pricing that is based on competitive pricing, economic conditions and current and anticipated funding needs. We may use interest rates as a mechanism to attract or deter additional deposits based on our anticipated funding needs and liquidity position. We also consider potential interest rate risk caused by extended maturities of time deposits when setting the interest rates in periods of future economic uncertainty.

The following table reflects the classification of our average deposits and the average rate paid on each deposit category for the periods indicated:

	Three Months Ended March 31,					
	2022			2021		
(Dollars in thousands)	Average Balance	Interest Expense	Average Rate Paid	Average Balance	Interest Expense	Average Rate Paid
Interest-bearing demand	$ 1,496,041	$ 698	0.19 %	$ 1,477,298	$ 731	0.20 %
Money market	2,225,356	1,439	0.26	1,821,093	1,487	0.33
Time deposits	535,044	709	0.54	656,255	1,533	0.95
Savings	253,998	40	0.06	214,890	38	0.07
Total interest-bearing	4,510,439	2,886	0.26	4,169,536	3,789	0.37
Noninterest-bearing demand	2,218,092			1,700,523		
Total average deposits	$ 6,728,531	$ 2,886	0.17 %	$ 5,870,059	$ 3,789	0.26 %

Our average deposit balance was $6.73 billion for the three months ended March 31, 2022, an increase of $858.5 million, or 14.6%, from $5.87 billion for the three months ended March 31, 2021. The average annualized rate paid on our interest-bearing deposits for the three months ended March 31, 2022, was 0.26%, compared to 0.37% for the three months ended March 31, 2021. The decrease in the average cost of our deposits was primarily the result of the low interest rate environment. The Federal Reserve lowered the federal funds target rate twice during March 2020, resulting in an aggregate 150 basis point decrease in the target rate, which did not change during the intervening period until the most recent increase of 25 basis points in March of 2022.

Average noninterest-bearing deposits at March 31, 2022, were $2.22 billion, compared to $1.70 billion at March 31, 2021, an increase of $517.6 million, or 30.4%, and represented 33.0% and 29.0% of average total deposits for the three months ended March 31, 2022 and 2021, respectively.

Borrowings

The table below shows FHLB advances by maturity and weighted average rate at March 31, 2022:

(Dollars in thousands)	Balance	Weighted Average Rate
Three to five years	$ 1,214	4.42 %
After five years	255,721	1.69
Total	$ 256,935	1.70 %

At March 31, 2022, we were eligible to borrow an additional $1.02 billion from the FHLB.

Liquidity and Capital Resources

Overview

Management oversees our liquidity position to ensure adequate cash and liquid assets are available to support our operations and satisfy current and future financial obligations, including demand for loan funding and deposit withdrawals. Management continually monitors, forecasts and tests our liquidity and non-core dependency ratios to ensure compliance with targets established by our Asset-Liability Management Committee and approved by our board of directors.

Management measures our liquidity position by giving consideration to both on-balance sheet and off-balance sheet sources of, and demands for, funds on a daily and weekly basis.

The Company, which is a separate legal entity apart from the Bank, must provide for its own liquidity, including payment of any dividends that may be declared for its common stockholders and interest and principal on any outstanding debt or trust preferred securities incurred by the Company. The cash held at the holding Company is available for general corporate purposes described above, as well as providing capital support to the Bank. In addition, the Company has a line of credit under the terms of which the loan amount shall not exceed an aggregate principal balance of $100 million, consisting of an initial $50 million extension of credit and any one or more potential incremental revolving loan amounts that the lender may make in its sole discretion, up to an aggregate principal of $50 million, upon the request of the Company.

The table below shows the liquidity measures for the Company at the dates indicated:

(Dollars in thousands)	March 31, 2022	December 31, 2021
Available cash balances at the holding company (unconsolidated)	$ 28,566	$ 28,904
Cash and liquid securities as a percentage of total assets	23.0 %	23.2 %

There are regulatory restrictions on the ability of the Bank to pay dividends under federal and state laws, regulations and policies, please see *Note 10 - Capital and Regulatory Matters* in the condensed notes to our consolidated financial statements for more information on the availability of Bank dividends.

Liquidity Sources

In addition to cash generated from operations, we utilize a number of funding sources to manage our liquidity, including core deposits, investment securities, cash and cash equivalents, loan repayments, federal funds lines of credit available from other financial institutions, as well as advances from the FHLB. We may also use the discount window at the Federal Reserve Bank ("FRB") as a source of short-term funding.

Core deposits, which are total deposits excluding time deposits greater than $250,000 and brokered deposits, are a major source of funds used to meet our cash flow needs. Maintaining the ability to acquire these funds as needed in a variety of markets is the key to assuring our liquidity.

Our investment portfolio is another source for meeting our liquidity needs. Monthly payments on mortgage-backed securities are used for short-term liquidity, and our investments are generally traded in active markets that offer a readily available source of cash liquidity through sales, if needed. Securities in our investment portfolio are also used to secure certain deposit types, such as deposits from state and local municipalities, and can be pledged as collateral for other borrowing sources.

Other sources available for meeting liquidity needs include long- and short-term advances from the FHLB, and unsecured federal funds lines of credit. Long-term funds obtained from the FHLB are primarily used as an alternative source to fund long-term growth of the balance sheet by supporting growth in loans and other long-term interest-earning assets. We typically rely on such funding when the cost of such borrowings compares favorably to the rates that we would be required to pay for other funding sources, including certain deposits.

We also had unsecured federal funds lines of credit available to us, with no amounts outstanding at either March 31, 2022, or December 31, 2021. These lines of credit primarily provide short-term liquidity and, in order to ensure the availability of these funds, we test these lines of credit at least annually. Interest is charged at the prevailing market rate on federal funds purchased and FHLB advances.

Additionally, we had the ability to borrow at the discount window of the FRB using our commercial and industrial loans as collateral. There were no borrowings against this line at March 31, 2022.

In the normal course of business as a financial services provider, we enter into financial instruments, such as certain contractual obligations and commitments to extend credit and letters of credit, to meet the financing needs of our customers. These commitments involve elements of credit risk, interest rate risk and liquidity risk. Some instruments may not be reflected in our consolidated financial statements until they are funded, and a significant portion of commitments to extend credit may expire without being drawn, although they expose us to varying degrees of credit risk and interest rate risk in much the same way as funded loans.

Stockholders' Equity

Stockholders' equity provides a source of permanent funding, allows for future growth and provides a degree of protection to withstand unforeseen adverse developments. Changes in stockholders' equity is reflected below:

(Dollars in thousands)	**Total Stockholders' Equity**
Balance at January 1, 2022	$ 730,211
Net income	20,683
Other comprehensive income, net of tax	(71,619)
Dividends declared - common stock ($0.13 per share)	(3,096)
Other	686
Balance at March 31, 2022	$ 676,865

A decline of $71.6 million in accumulated other comprehensive (loss) income negatively impacted total stockholders' equity primarily due to the steepening of the short end of the yield curve during the first quarter and its impact on our investment portfolio, however, it did not impact regulatory capital.

Please see Part II, Item 2. *"Unregistered Sales of Equity Securities and Use of Proceeds"* below for information on the Company's stock buy-back program.

Regulatory Capital Requirements

Together with the Bank, we are subject to various regulatory capital requirements administered by federal banking agencies. For further information, these requirements are discussed in greater detail in "*Item 1. Business - Regulation and Supervision*" included in our 2021 Form 10-K, filed with the SEC. Failure to meet minimum capital requirements may result in certain actions by regulators that, if enforced, could have a direct material effect on our financial statements. At March 31, 2022, and December 31, 2021, we and the Bank were in compliance with all applicable regulatory capital requirements, and the Bank was classified as "well capitalized" for purposes of the prompt corrective action regulations of the Federal Reserve. As we deploy capital and continue to grow operations, regulatory capital levels may decrease depending on the level of earnings. However, we expect to monitor and control growth in order to remain "well capitalized" under applicable regulatory guidelines and in compliance with all applicable regulatory capital standards. While we are currently classified as "well capitalized," an extended economic recession could adversely impact our reported and regulatory capital ratios.

The following table presents our regulatory capital ratios, as well as those of the Bank, at the dates indicated:

(Dollars in thousands)	March 31, 2022		December 31, 2021	
Origin Bancorp, Inc.	**Amount**	**Ratio**	**Amount**	**Ratio**
Common equity Tier 1 capital (to risk-weighted assets)	$ 699,538	11.20 %	$ 681,039	11.20 %
Tier 1 capital (to risk-weighted assets)	708,955	11.35	690,448	11.36
Total capital (to risk-weighted assets)	914,619	14.64	897,503	14.77
Tier 1 capital (to average total consolidated assets)	708,955	8.84	690,448	9.20
Origin Bank				
Common equity Tier 1 capital (to risk-weighted assets)	$ 740,991	11.91 %	$ 724,440	11.97 %
Tier 1 capital (to risk-weighted assets)	740,991	11.91	724,440	11.97
Total capital (to risk-weighted assets)	867,955	13.95	852,825	14.09
Tier 1 capital (to average total consolidated assets)	740,991	9.26	724,440	9.66

Critical Accounting Policies and Estimates

SEC guidance requires disclosure of “critical accounting estimates.” The SEC defines “critical accounting estimates” as those estimates made in accordance with generally accepted accounting principles that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on the financial condition or results of operations of the registrant.

Our accounting policies are fundamental to understanding our management’s discussion and analysis of our results of operations and financial condition. We have identified certain significant accounting policies which involve a higher degree of judgment and complexity in making certain estimates and assumptions that affect amounts reported in our consolidated financial statements. See *Note 1 – Significant Accounting Policies* in the condensed notes to our consolidated financial statements for more information about our critical accounting policies and use of estimates. Since December 31, 2021, there have been no changes to our critical accounting policies.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Sensitivity and Market Risk

As a financial institution, our primary component of market risk is interest rate volatility. Our financial management policy provides management with guidelines for effective funds management and we have established a measurement system for monitoring the net interest rate sensitivity position.

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

We manage exposure to interest rates by structuring the balance sheet in the ordinary course of business. Additionally, from time to time, we enter into derivatives and futures contracts to mitigate interest rate risk from specific transactions. Based upon the nature of operations, we are not subject to foreign exchange or commodity price risk. We have entered into interest rate swaps to mitigate interest rate risk in limited circumstances, but it is not our policy to enter into such transactions on a regular basis.

Our exposure to interest rate risk is managed by the Bank's Asset-Liability Management Committee in accordance with policies approved by the Bank's board of directors. The committee formulates strategies based on appropriate levels of interest rate risk. In determining the appropriate level of interest rate risk, the committee considers the impact on earnings and capital of the current outlook on interest rates, potential changes in interest rates, regional economies, liquidity, business strategies and other factors.

The committee meets regularly to review, among other things, the sensitivity of assets and liabilities to interest rate changes, the book and market values of assets and liabilities, unrealized gains and losses, purchase and sale activities, commitments to originate loans and the maturities of investments and borrowings. Additionally, the committee reviews liquidity, cash flow flexibility, maturities of deposits and consumer and commercial deposit activity. We employ methodologies to manage interest rate risk, which includes an analysis of relationships between interest-earning assets and interest-bearing liabilities, and an interest rate shock simulation model.

We use interest rate risk simulation models and shock analyses to test the interest rate sensitivity of net interest income and fair value of equity, and the impact of changes in interest rates on other financial metrics. Contractual maturities and re-pricing opportunities of loans are incorporated in the model, as are prepayment assumptions, maturity data and call options within the investment portfolio. The average life of non-maturity deposit accounts is based on our balance retention rates using a vintage study methodology. The assumptions used are inherently uncertain and, as a result, the model cannot precisely measure future net interest income or precisely predict the impact of fluctuations in market interest rates on net interest income. Actual results will differ from the model's simulated results due to timing, magnitude and frequency of interest rate changes as well as changes in market conditions and the application and timing of various management strategies.

On a quarterly basis, we run various simulation models, including a static balance sheet and dynamic growth balance sheet. These models test the impact on net interest income and fair value of equity from changes in market interest rates under various scenarios. Under the static model, rates are shocked instantaneously and ramped rates change over a twelve-month and twenty-four-month horizon based upon parallel yield curve shifts. Parallel shock scenarios assume instantaneous parallel movements in the yield curve compared to a flat yield curve scenario. Additionally, we run non-parallel simulation involving analysis of interest income and expense under various changes in the shape of the yield curve. Internal policy regarding interest rate risk simulations currently specifies that for instantaneous parallel shifts of the yield curve, estimated net interest income at risk for the subsequent one-year period should not decline by more than 8.0% for a 100 basis point shift, 15.0% for a 200 basis point shift, 20.0% for a 300 basis point shift, and 25.0% for a 400 basis point shift. We are marginally modeling outside of policy in most negative basis point rate scenarios, and we continue to monitor our asset sensitivity and evaluate strategies to prevent being significantly impacted by future changes in interest rates.

The following table summarizes the impact of an instantaneous, sustained simulated change in net interest income and fair value of equity over a 12-month horizon at the date indicated:

	March 31, 2022	
Change in Interest Rates (basis points)	% Change in Net Interest Income	% Change in Fair Value of Equity
+400	23.5 %	(2.9)%
+300	17.0	(2.9)
+200	11.4	(1.6)
+100	8.1	0.8
Base		
-100	(9.0)	(3.9)
-200	(16.9)	(9.9)

We have found that, historically, interest rates on deposits change more slowly than changes in the discount and federal funds rates. This assumption is incorporated into the simulation model and is generally not fully reflected in a gap analysis, meaning that process by which we measure the gap between interest rate sensitive assets versus interest rate sensitive liabilities. The assumptions incorporated into the model are inherently uncertain and, as a result, the model cannot precisely measure future net interest income or precisely predict the impact of fluctuations in market interest rates on net interest income. Actual results will differ from the model's simulated results due to timing, magnitude and frequency of interest rate changes, as well as changes in market conditions and the application and timing of various strategies.

Impact of Inflation

Our financial statements included herein have been prepared in accordance with U.S. GAAP. U.S. GAAP presently requires us to measure financial position and operating results primarily in terms of historic dollars. Changes in the relative value of money due to inflation or recession are generally not considered. The primary effect of inflation on our operations is reflected in increased operating costs. In management's opinion, changes in interest rates affect the financial condition of a financial institution to a far greater degree than changes in the inflation rate. While interest rates are greatly influenced by changes in the inflation rate, they do not necessarily change at the same rate or in the same magnitude as the inflation rate. Interest rates are highly sensitive to many factors that are beyond our control, including changes in the expected rate of inflation, the influence of general and local economic conditions and the monetary and fiscal policies of the United States government, its agencies and various other governmental regulatory authorities.

Market Risk

Regulators expect banks to transition away from the use of the London Interbank Offered Rate ("LIBOR") as a reference rate. It is expected that the transition away from the widespread use of LIBOR to alternative rates will continue to occur over the course of the next fifteen months, ahead of the FCA's announced cessation of the remaining LIBOR settings by June 30, 2023. Please see "*Item 1A Risk Factors - Risks Related to Our Business"* included in our annual report on Form 10-K for the year ended December 31, 2021, for further information.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures — As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our design and operation of our disclosure controls and procedures. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply judgment in evaluating its controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective as of the end of the period covered by this report.

Our management, including the Chief Executive Officer and Chief Financial Officer, identified no change in our internal control over financial reporting that occurred during the three month period ended March 31, 2022, that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

Refer to *Note 11 - Commitments and Contingencies - Loss Contingencies* in the condensed notes to the consolidated financial statements included in Part I, Item 1 of this report for additional information regarding legal proceedings not reportable under this Item.

Item 1A. Risk Factors

In evaluating an investment in the Company's securities, investors should consider carefully, among other things, the risk factors previously disclosed in Part I, Item 1A of our 2021 Form 10-K.

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

In July 2019, the Company's board of directors authorized a stock buyback program pursuant to which the Company may, from time to time, purchase up to $40 million of its outstanding common stock. The shares may be repurchased in the open market or in privately negotiated transactions from time to time, depending upon market conditions and other factors, and in accordance with applicable regulations of the SEC. The stock buyback program was initially approved for a period of 36 months, but may be extended, terminated or amended by our board of directors. The stock buyback program does not obligate the Company to purchase any shares at any time.

The following table shows the Company's monthly stock repurchases during the quarter ended March 31, 2022.

(Dollars in thousands, except per share amounts) **Period**	**Total Number of Shares Purchased**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plan**	**Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plan at the End of the Period**
January 1, 2022- January 31, 2022	—	—	—	$ 27,962
February 1, 2022 - February 28, 2022	—	—	—	27,962
March 1, 2022- March 31, 2022	—	—	—	27,962

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
2.1	Agreement and Plan of Merger by and between Origin Bancorp, Inc. and BT Holdings, Inc. dated February 23, 2022 (incorporated by reference to Exhibit 2.1 to the Company's Form 8-K filed February 24, 2022 (File No. 001-38487))
3.1	Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed April 28, 2020 (File No. 001-38487)).
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to the Company's Form 8-K filed April 28, 2020 (File No. 001-38487)).
31.1	Certification by Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a).
31.2	Certification by Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a).
32.1	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from Origin Bancorp, Inc. Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, is formatted in XBRL: (i) the Unaudited Consolidated Balance Sheets, (ii) the Unaudited Consolidated Statements of Income, (iii) the Unaudited Consolidated Statements of Comprehensive Income, (iv) the Unaudited Consolidated Statements of Changes in Stockholders' Equity, (v) the Unaudited Consolidated Statements of Cash Flows, and (vi) the Condensed Notes to Unaudited Consolidated Financial Statements
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

Origin Bancorp, Inc.

Date:	May 4, 2022	By: **/s/ Drake Mills** Drake Mills Chairman, President and Chief Executive Officer
Date:	May 4, 2022	By: **/s/ Stephen H. Brolly** Stephen H. Brolly Executive Vice President and Chief Financial Officer

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, Drake Mills, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 4, 2022

By: **/s/ Drake Mills**
Drake Mills
Chairman, President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, Stephen H. Brolly, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 4, 2022

By: **/s/ Stephen Brolly**
Stephen H. Brolly
Executive Vice President and Chief Financial Officer

Exhibit 32.1

STATEMENT FURNISHED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q of Origin Bancorp, Inc. (the “Company”), for the quarter ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Drake Mills, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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 results of operations of the Company at the dates and for the periods presented in the financial statements included in such Report.

Date: May 4, 2022

By: **/s/ Drake Mills**

Drake Mills

Chairman, President and Chief Executive Officer

Exhibit 32.2

STATEMENT FURNISHED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q of Origin Bancorp, Inc. (the “Company”), for the quarter ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Stephen H. Brolly, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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 results of operations of the Company at the dates and for the periods presented in the financial statements included in such Report.

Date: May 4, 2022

By: **/s/ Stephen Brolly**
Stephen H. Brolly
Executive Vice President and Chief Financial Officer