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First Western Financial, Inc.  
*The First, Western-Based Private Trust Bank*  
Second Quarter 2020 Conference Call

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This presentation contains certain non-GAAP financial measures intended to supplement, not substitute for, comparable GAAP measures. Reconciliations of non-GAAP financial measures to GAAP financial measures are provided at the end of this presentation. Numbers in the presentation may not sum due to rounding.



# Overview of 2Q20

## Record Financial Performance

- Net income available to common shareholders of \$8.7 million, or \$1.10 EPS
- Gross revenue<sup>(1)</sup> of \$26.2 million, up 57.0% from 1Q20
- Book value, and tangible book value<sup>(1)</sup>, per share increased 8.0% and 5.5%, respectively, from 1Q20

## Strong Balance Sheet Growth and Stable Asset Quality

- Strong Balance Sheet growth with a combination of PPP, branch acquisition and organic growth
  - Gross loans increased 36.3% from 1Q20
  - Total deposits increased 19.4% from 1Q20
- Non-performing loans increased just \$1.0 million, NPA to total assets down 15 bps to 0.67%

## Record Quarter of Mortgage Production

- Total residential mortgage originations of \$344.3 million
- Net gain on mortgage loans of \$10.2 million

## Completion of Branch Purchase and Assumption Agreement

- Earlier than anticipated closing reduced deposit premium by 1%
- Smooth integration of new employees and clients
- Updated review of acquired loans prior to closing resulted in adversely graded loans not being purchased in the branch acquisition
- Branch consolidation to occur during 3Q20

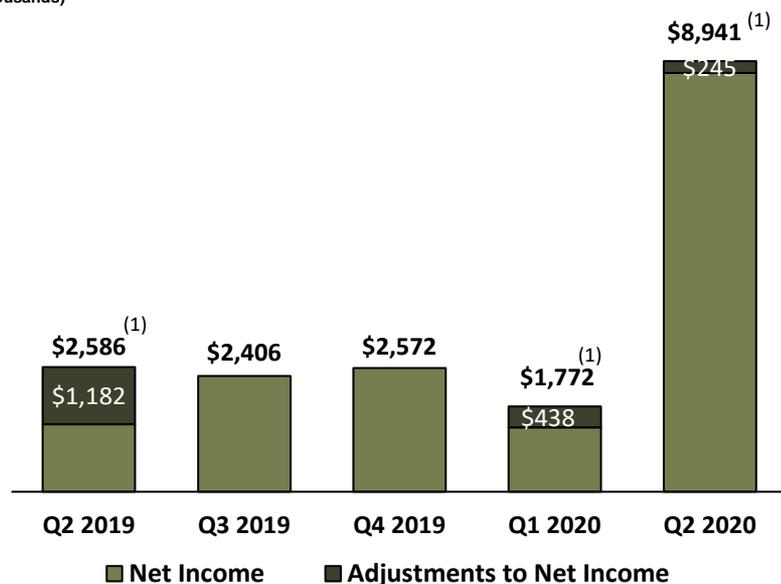
(1) See Non-GAAP reconciliation

# Net Income Available to Common Shareholders and Earnings per Share

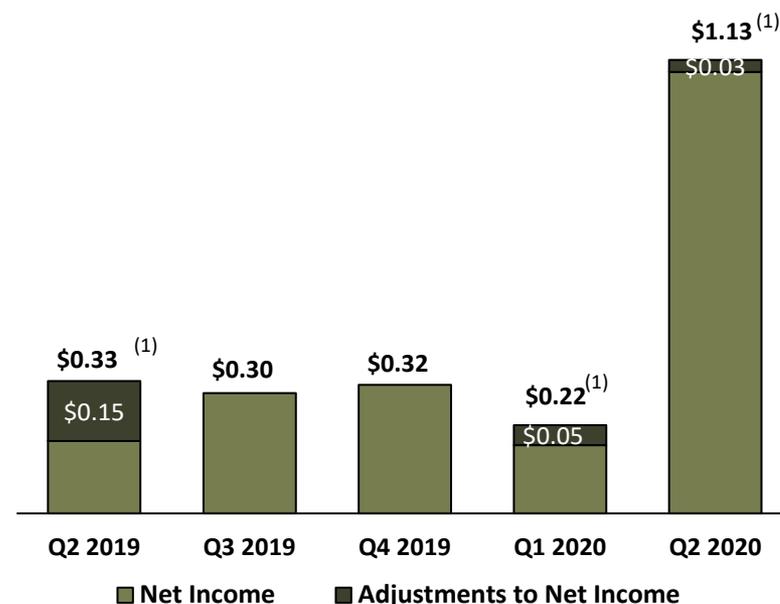
- Record financial performance despite impact of COVID-19 pandemic
- Financial results impacted by \$0.2 million (or \$0.03 per diluted share)<sup>(1)</sup> in tax effected acquisition-related expenses related to branch acquisition
- Net income of \$8.7 million, or \$1.10 diluted earnings per share, in 2Q20

## Net Income Available to Common Shareholders

(in thousands)



## Earnings per Share



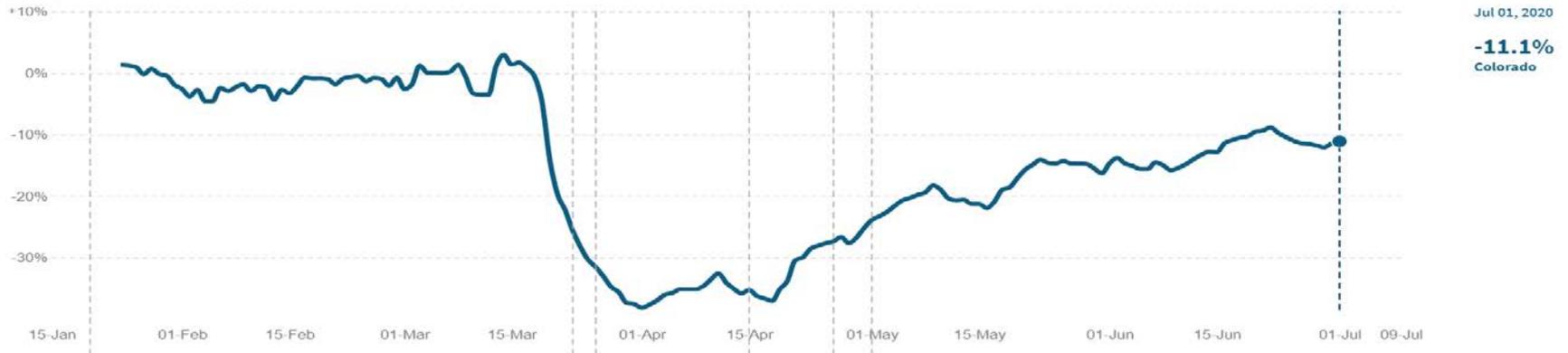
(1) See Non-GAAP reconciliation



# Improving Economic Trends in Colorado

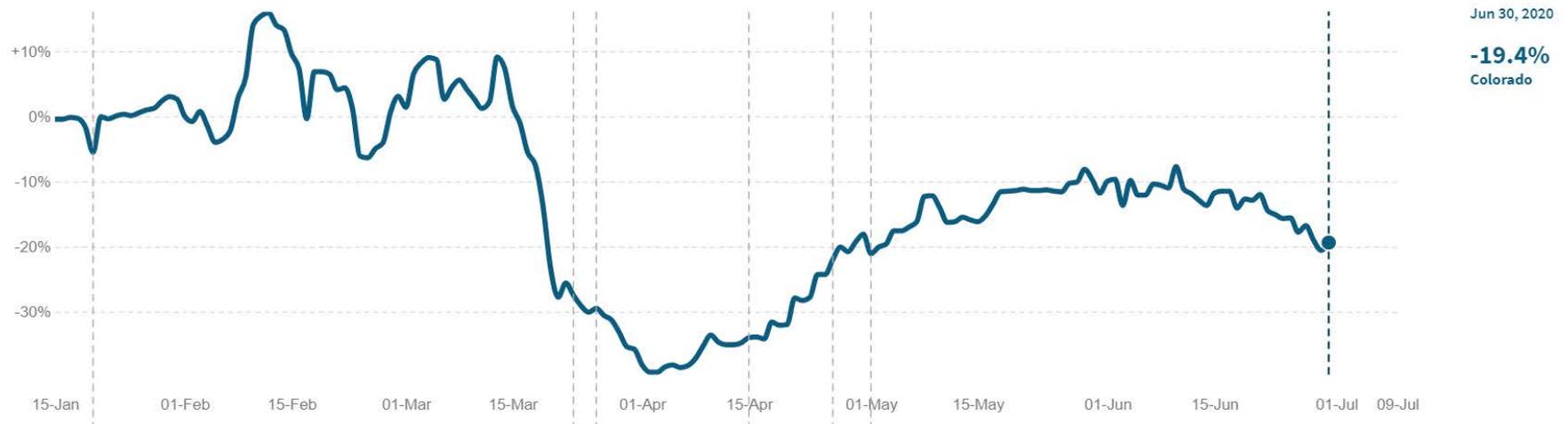
## Percent Change in All Consumer Spending\*

In **Colorado**, as of July 01 2020, total spending by all consumers decreased by **11.1%** compared to January 2020.



## Percent Change in Small Business Revenue\*

In **Colorado**, as of June 30 2020, total small business revenue decreased by **19.4%** compared to January 2020.





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# Loan Portfolio

- Total loans held-for-investment (HFI) increased \$381.7 million, or 36.6% from prior quarter**
  - PPP contributed \$191.7 million
  - Branch acquisition contributed \$123.8 million
- Non-PPP organic loan growth, including Mortgage loans held for sale of \$71.7 million**
- Strongest growth in C&I, CRE, Construction, and Cash, Securities and Other portfolios**

## Loan Portfolio Composition<sup>(2)</sup>

(in thousands, as of quarter-end)

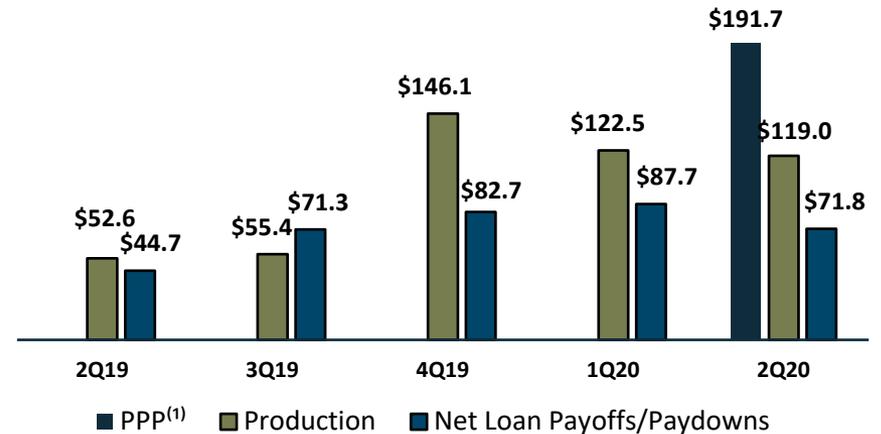
	2Q 2019	1Q 2020	2Q 2020
Cash, Securities and Other	\$149,503	\$147,157	\$371,111
Construction and Development	40,826	25,461	74,793
1 - 4 Family Residential	373,836	412,306	418,409
Non-Owner Occupied CRE	152,664	192,350	229,150
Owner Occupied CRE	112,660	121,138	117,426
Commercial and Industrial	108,516	144,066	213,271
<b>Total Loans HFI</b>	<b>\$938,005</b>	<b>\$1,042,478</b>	<b>\$1,424,160</b>
Mortgage loans held for sale	36,289	64,120	69,604
<b>Total Loans</b>	<b>\$974,294</b>	<b>\$1,106,598</b>	<b>\$1,493,764</b>

(1) Bank originated

(2) Excludes deferred costs, and amortized premium/(unaccreted discount), net

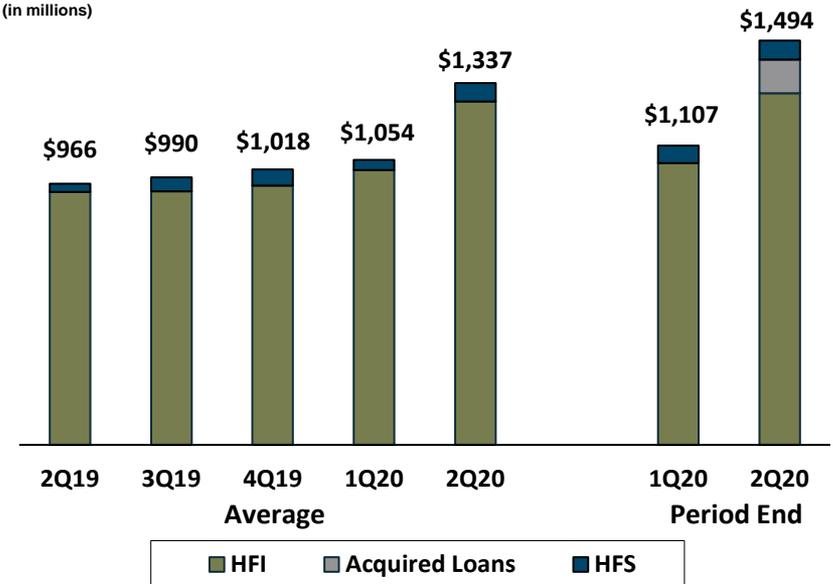
## Loan Production & Net Loan Payoffs/Paydowns

(in millions)



## Total Loans<sup>(2)</sup>

(in millions)



# Total Deposits

- Total deposits increased \$228.5 million, or 19.4%, from end of prior quarter
- Branch acquisition contributed \$65.2 million in deposits at quarter end
- PPP contributed to \$62.4 million in deposits at quarter end
- Growth almost entirely attributable to increases in noninterest-bearing and money market accounts
- Non-maturity deposits increased to 89.1% of total deposits in 2Q20 from 82.5% in 2Q19

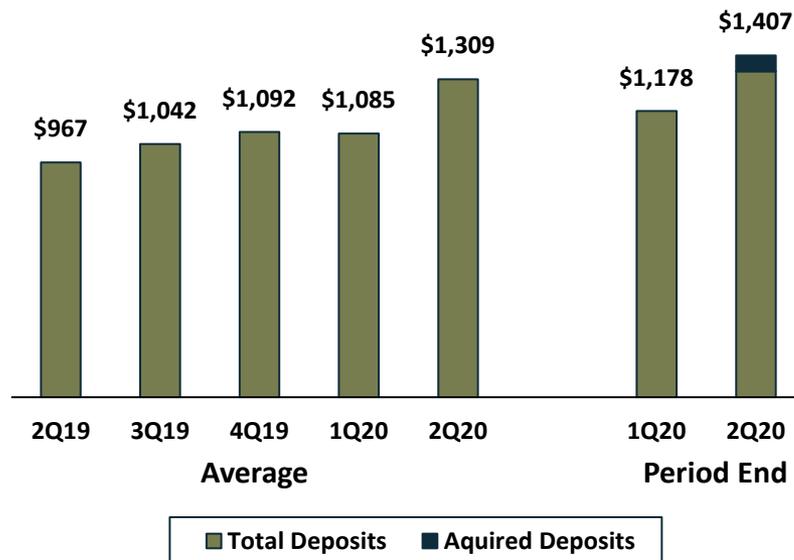
## Deposit Portfolio Composition

(in thousands, as of quarter-end)

	2Q 2019	1Q 2020	2Q 2020 <sup>(1)</sup>
Money market deposit accounts	\$508,263	\$671,641	\$759,997
Time deposits	176,128	150,190	152,897
NOW	88,687	82,092	88,560
Savings accounts	2,833	3,923	7,415
Noninterest-bearing accounts	229,266	270,604	398,063
<b>Total Deposits</b>	<b>\$1,005,177</b>	<b>\$1,178,450</b>	<b>\$1,406,932</b>

## Total Deposits

(in millions)

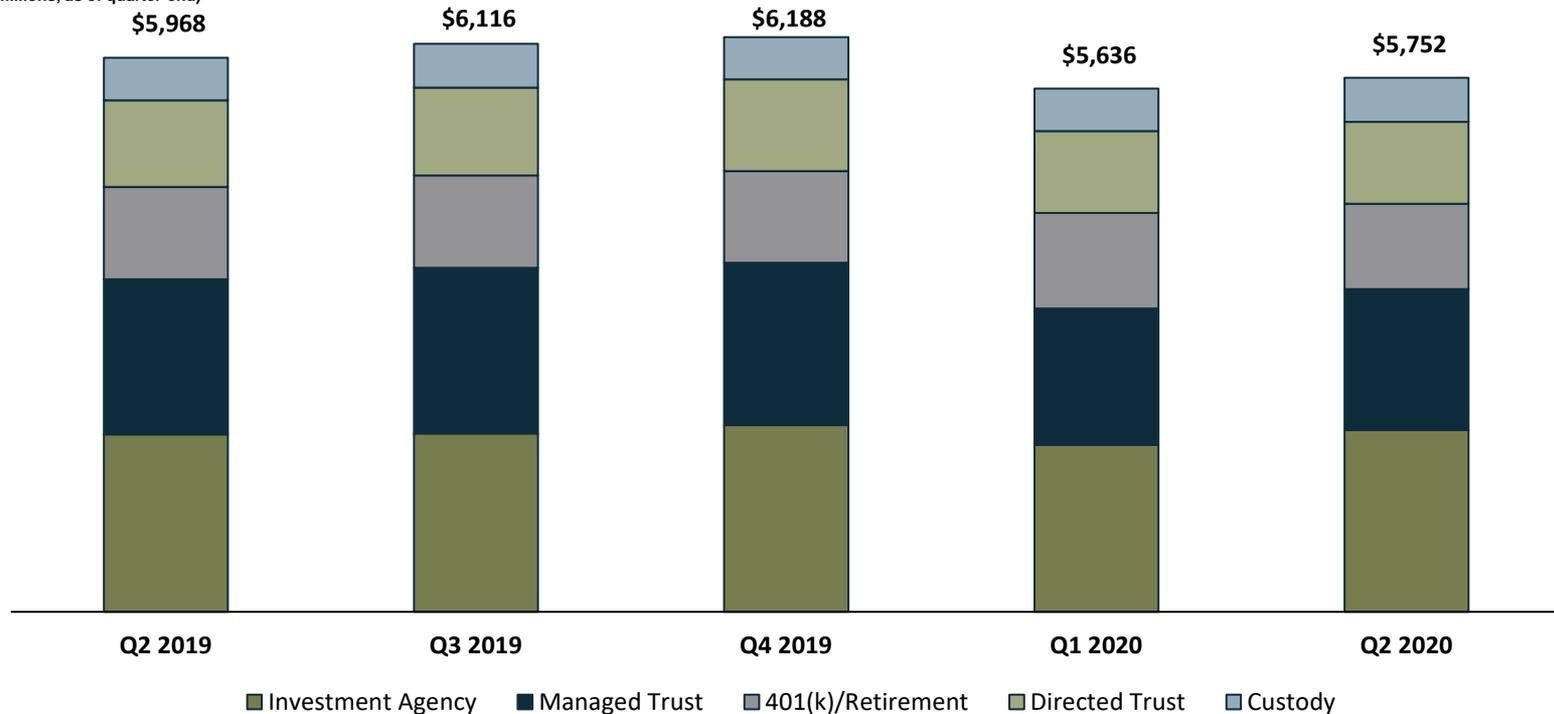


(1) PPP related deposits accounted for \$62.4 million of total deposit balances at 6/30/20

# Trust and Investment Management

- Total assets under management increased \$115.9 million from March 31, 2020 to \$5.75 billion at June 30, 2020
- Increase was primarily attributable to improving market conditions

(in millions, as of quarter-end)





# Paycheck Protection Program Overview

- \$204.6 million in total PPP loans originated, including \$12.9 million purchased PPP loans
- 281 new relationships added, total loans of \$93.0 million
- \$2.4 million <sup>(2)</sup> income remaining to be recognized <sup>(1)</sup>
- Amortizing PPP fees and loan origination expense over 24-month life of loans but expected to be recognized in the second half of 2020 as the borrowers apply for forgiveness

## Impact on 2Q20 Financials <sup>(2)</sup>

(\$ in Millions)	At or for the three months ended 6/30/20
Total Loans	\$204.6
Average Loan Size	\$0.3
Total Deposits	\$62.4
PPPLF Advances	\$204.3
Net Interest Margin Impact	-12 bps

(\$ in Millions)	
<b>Net Interest Income</b>	
Amortization of SBA Fee Income and Deferred Loan Origination Expense <sup>(3)</sup>	\$0.3
Interest Income from PPP loans, less PPPLF funding cost	\$0.3
<b>Net Interest Income</b>	<u>\$0.6</u>
<b>Expense: Salaries &amp; Employee Benefits</b>	
Deferred Loan Origination Expense	(\$2.9)
<b>Net Impact of PPP</b>	<u>\$3.5</u>

(1) Includes \$5.0 million in SBA fee income less \$2.6 million of deferred loan origination expense

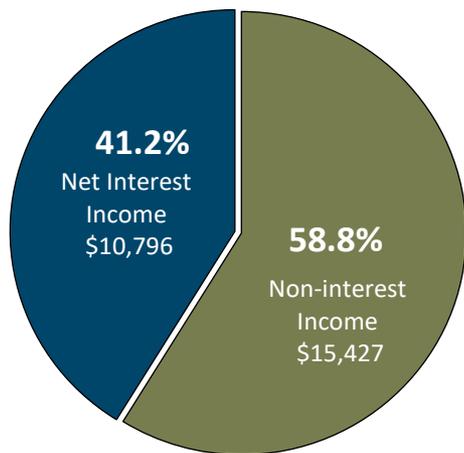
(2) All numbers represented do not include the impact of taxes

(3) The deferred loan origination expenses are recorded in non-interest expenses (Salaries and Benefits) and amortized through net interest income

# Gross Revenue

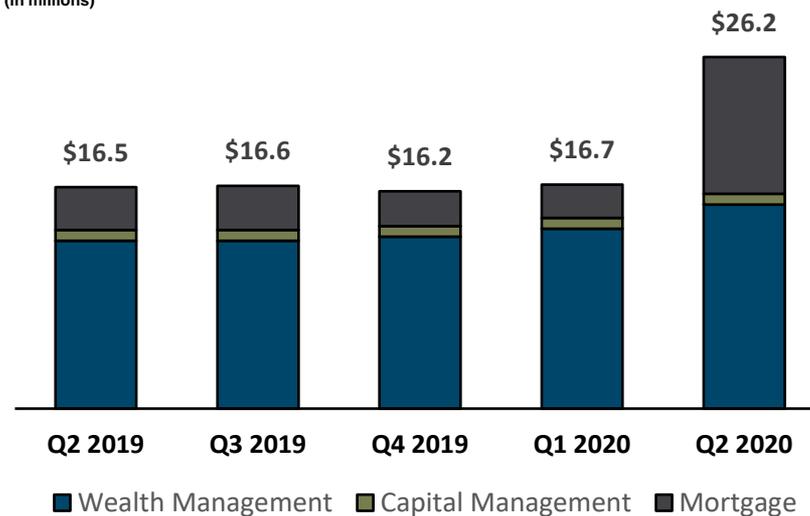
- Gross revenue<sup>(1)</sup> increased 57.0% from 1Q20
- Strong year-over-year growth in both net interest income and non-interest income

2Q20 Gross Revenue<sup>(1)</sup>



Gross Revenue<sup>(1)</sup>

(in millions)



(1) See Non-GAAP reconciliation

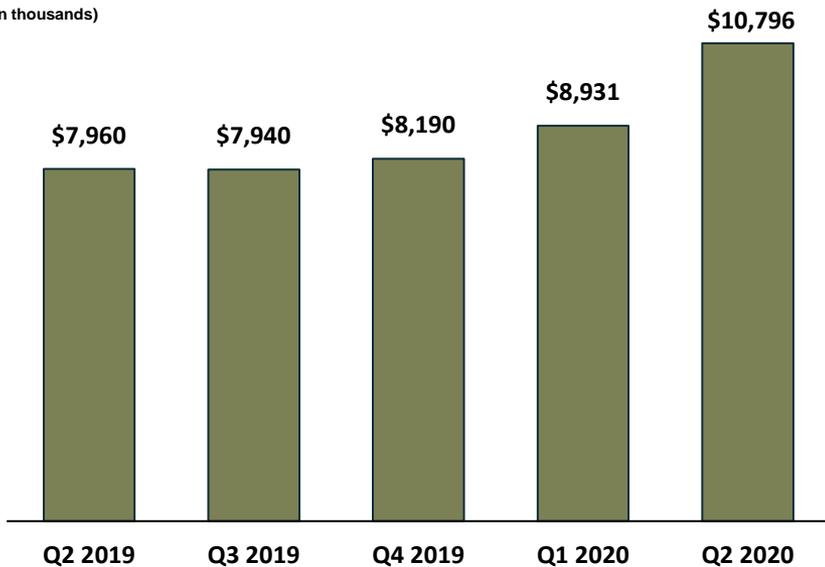


# Net Interest Income & Net Interest Margin

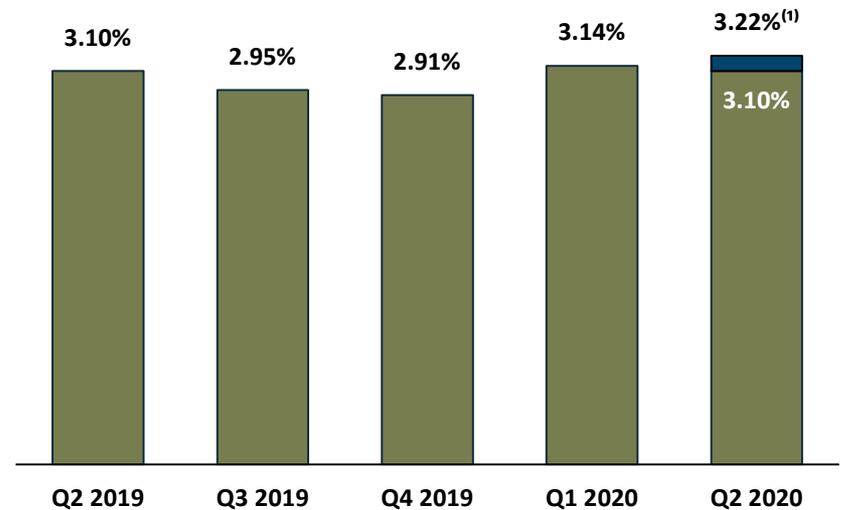
- Net interest income increased 20.9% from 1Q20, due to three primary factors: \$0.7 million from branch acquisition, \$0.6 million from PPP loans and \$0.6 million from higher average loan balances attributed to organic growth
- Net interest margin decreased to 3.10%, due to a 46 bp decline in earning asset yields
- Cost of deposits decreased 48 bps to 0.40% from 0.88% in 1Q20
- Net interest margin, excluding impact of PPP<sup>(1)</sup>, was 3.22% in 2Q20

### Net Interest Income

(in thousands)



### Net Interest Margin



■ Net Interest Margin ■ Adjusted Net Interest Margin

(1) See Non-GAAP reconciliation

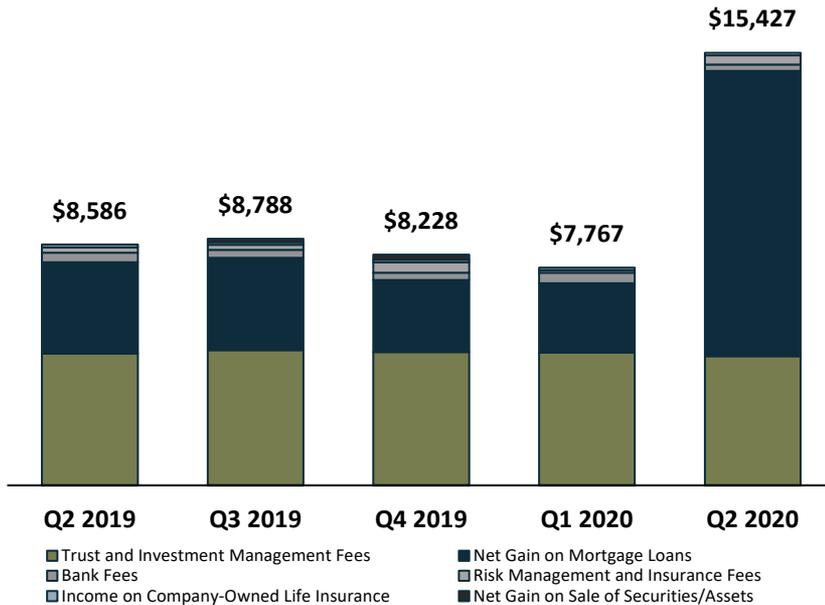


# Non-Interest Income

- Non-interest income increased 98.6% from 1Q20
- Increase primarily due to record quarter of net gain on mortgage loans
- Increase in risk management and insurance fees offset slight decline in trust and investment management fees

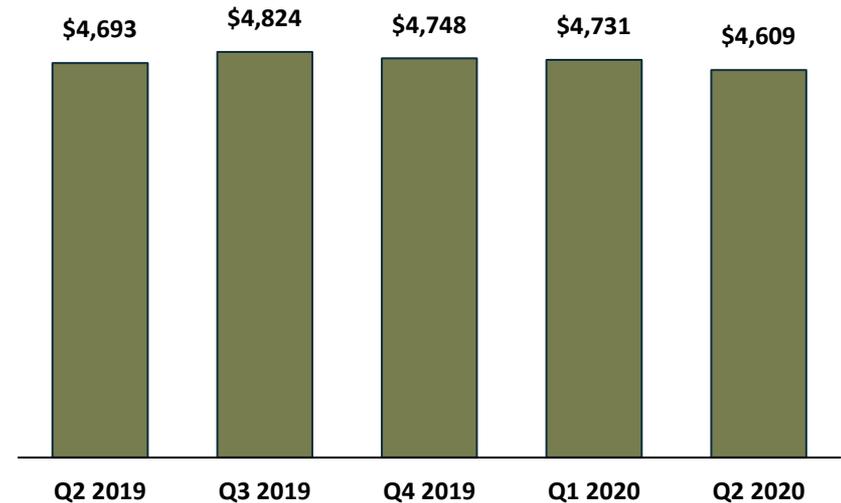
## Total Non-Interest Income

(in thousands)



## Trust & Investment Management Fees

(in thousands)



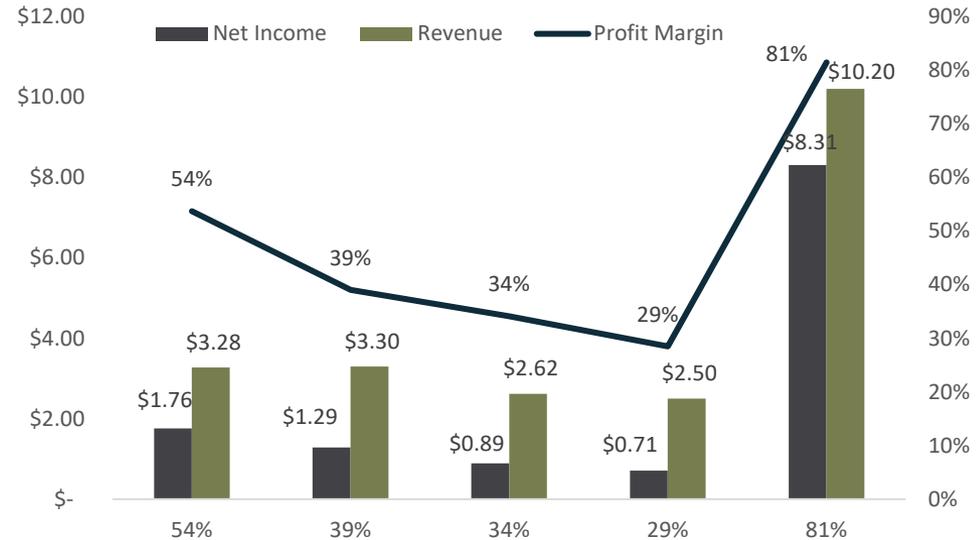


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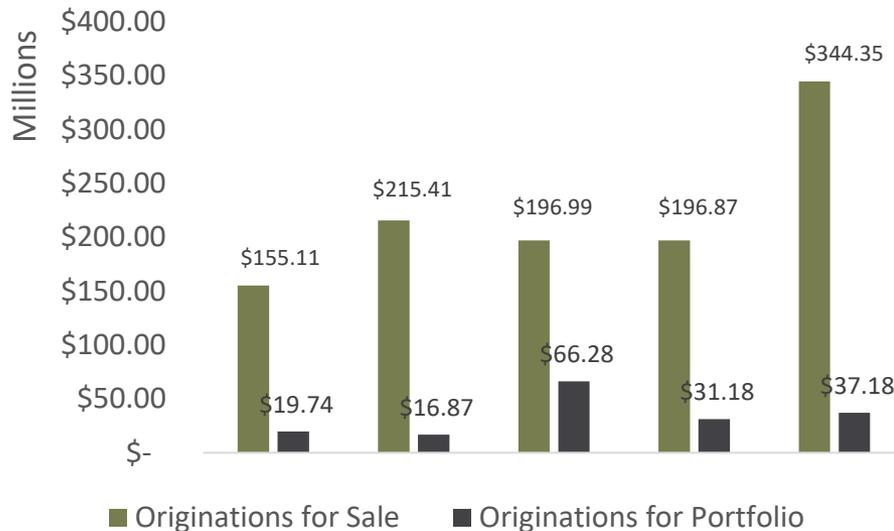
# Mortgage Operations

- Record mortgage originations in 2Q20
- Refi/Purchase mix of 73%/27% in 2Q20, compared to 63%/37% in 1Q20 and 30%/70% in 2Q19
- Mortgage sale margins have increased by 27.8% from 2Q19 to 2Q20 to 81.5%

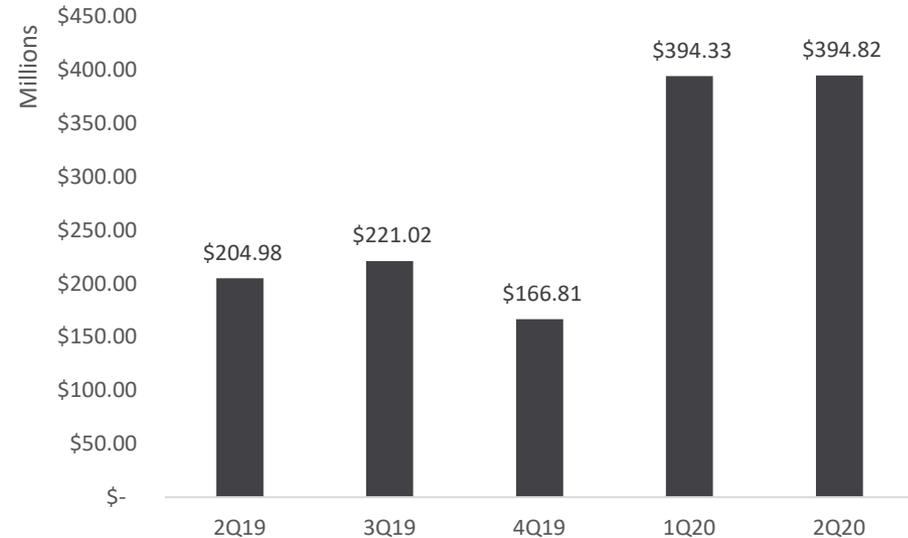
## Profit Margin



## Mortgage Originations



## Mortgage Loan Locks



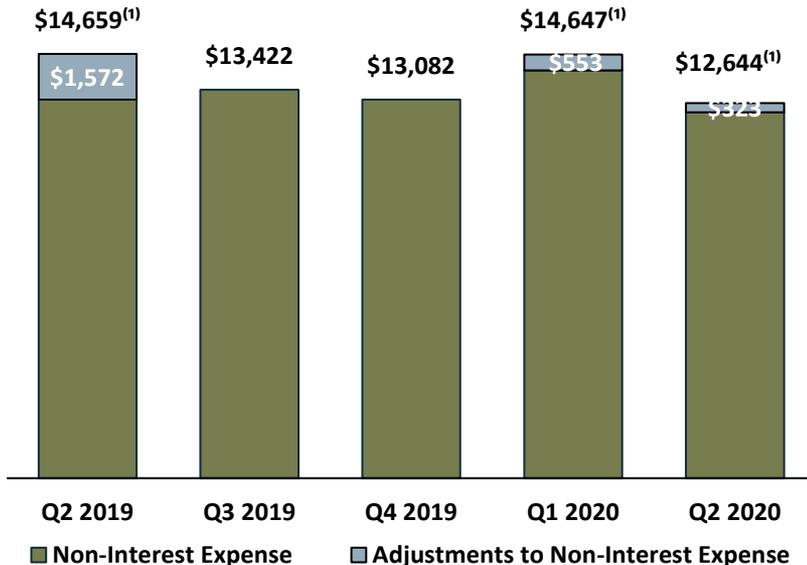


# Non-Interest Expense and Efficiency Ratio

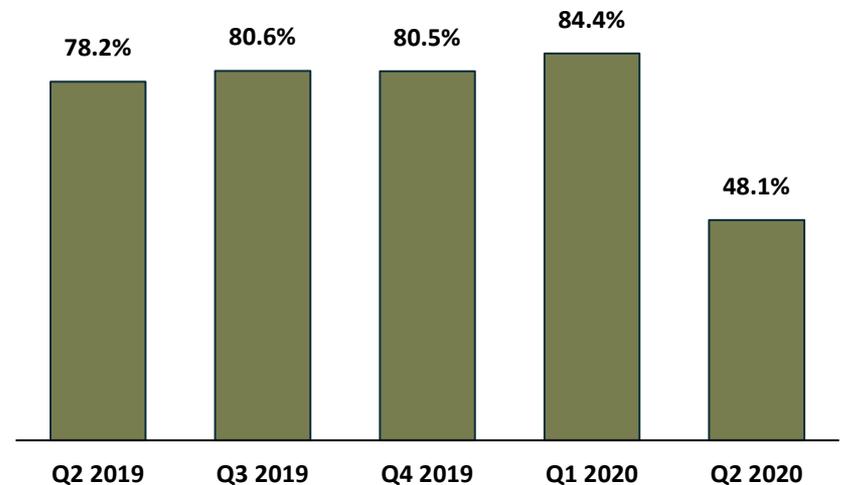
- Non-interest expense decreased 13.7% from 1Q20
- Decrease was attributable to the capitalization of \$2.9 million in PPP loan origination expense that will be amortized through net interest income over the expected 24-month life of the loans, or earlier as borrowers receive forgiveness.
- Non-interest expense in 2Q20 included \$0.3 million in pretax expense related to branch acquisition
- Balance sheet growth and mortgage activity accelerated improvement in efficiency ratio
- Following branch consolidations in 3Q20, run rate for non-interest expense expected to range from \$15.3-\$15.7 million per quarter

### Total Non-Interest Expense

(in thousands)



### Operating Efficiency Ratio<sup>(1)</sup>



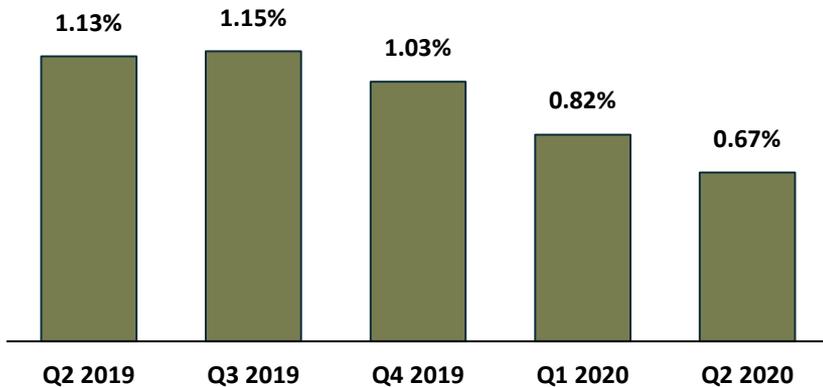
(1) See Non-GAAP reconciliation



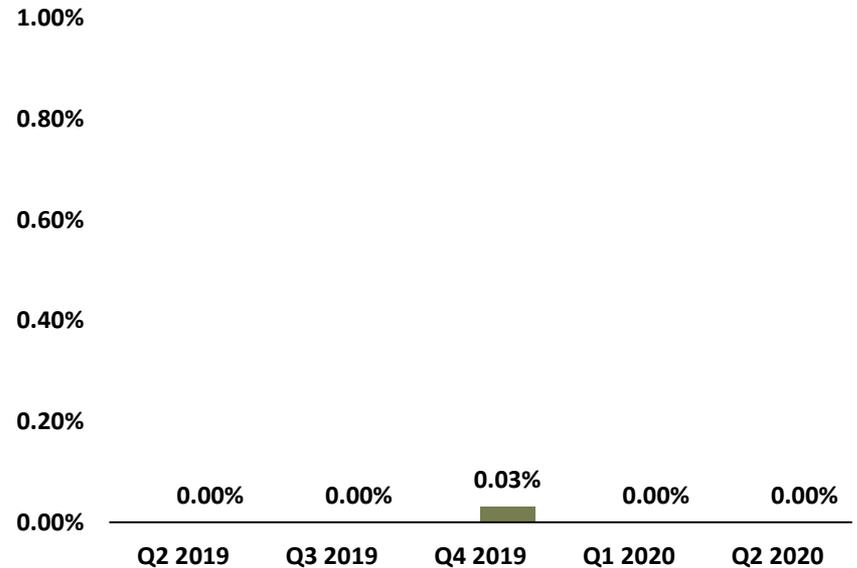
# Asset Quality

- Non-performing assets increased by \$1.0 million, but declined as a percentage of total assets to 0.67% from 0.82% in 1Q20
- Minimal charge-offs in the quarter
- \$1.1 million discount based on fair value of loans added through branch acquisition

Non-Performing Assets/Total Assets

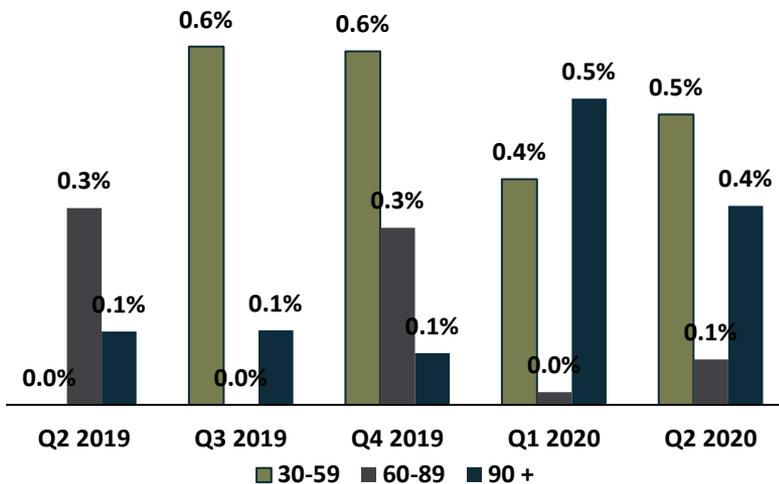


Net Charge-Offs/Average Loans

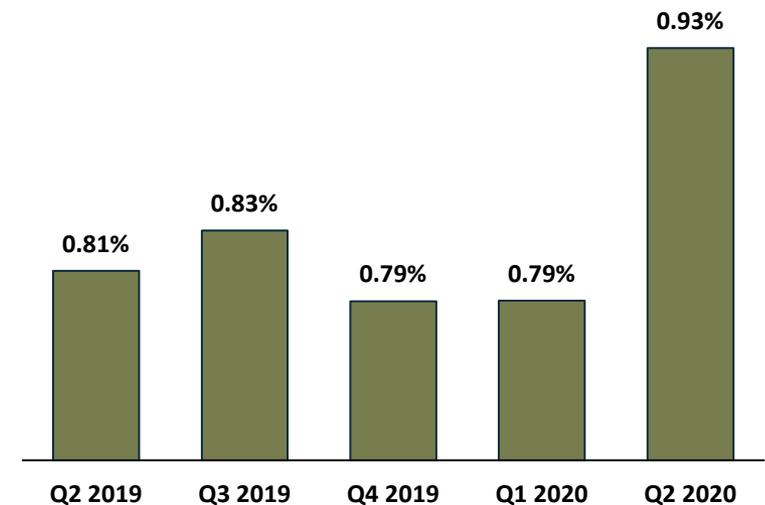


- \$2.1 million provision expense resulting from an increase based on the additional variability surrounding the COVID modifications made during the quarter and increased economic uncertainty.
- Increased loan level reviews and portfolio monitoring
- Past due loans as a % of total loans remains steady

Total Past Due as a % of Total Loans



ALLL/ Adjusted Total Loans<sup>(1)</sup>



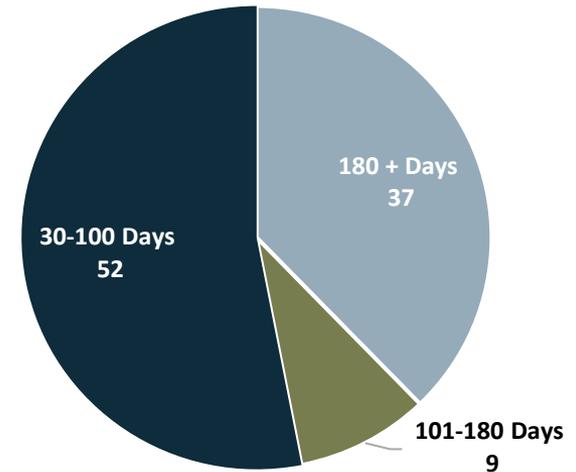
(1) Adjusted Total Loans – Total Loans minus PPP loans and Acquired Loans

# Loan Modification Overview

- Modified ninety-eight loans totaling \$176.9 million during 2Q20, including \$30.8 million acquired with branch acquisition
- New deferral requests have slowed considerably, offering on exception basis only as of June 30
- 90 day loan modifications represent loans added through branch acquisition

Loan Modification by Type (as of 6/30/20)	Loan Balance	Loan Count
Maturity Extension and Payment Deferral	\$101.2 million	65
Payment Deferral Only	\$55.8 million	24
Maturity Extension, Payment Deferral, and Covenant Mod (ALL)	\$15.9 million	6
Covenant Modification Only	\$2.8 million	1
Maturity Extension Only	\$0.9 million	1
Maturity Extension and Covenant Modification	\$0.3 million	1

Length of Loan Modifications



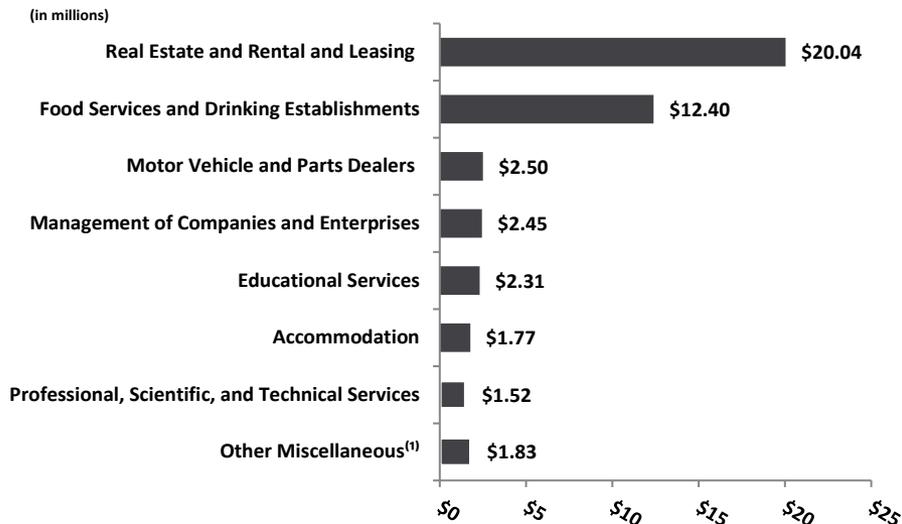
# Loan Modification Overview

## Portfolio Loan Level Reviews

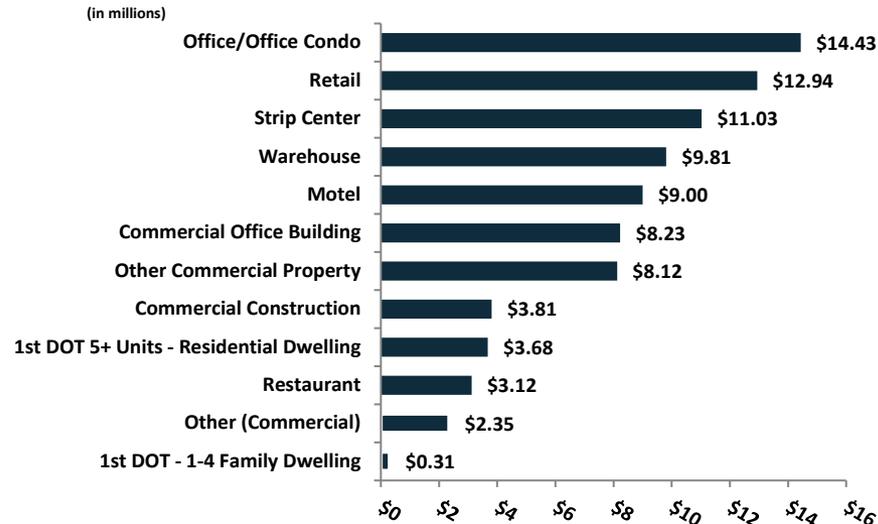
- Borrowers providing current financials and cash flow forecasts
- Increased monitoring and oversight
- Identify emerging issues early

Modified Loan Characteristics	
Commercial / Consumer Mix	76% / 24%
Total Modified Loans	\$176.9 million
Number of Loans	98
Average Loan Size	\$1.8 million
Loan-to-Value (Avg)	48%
Seasoning (Avg)	2.5 years

## Modified C&I Loans by Industry Exposure



## Modified CRE Loans by Collateral Type



(1) Represents the aggregate of individual industries; no one industry is more than \$1.0 million of Commercial loans

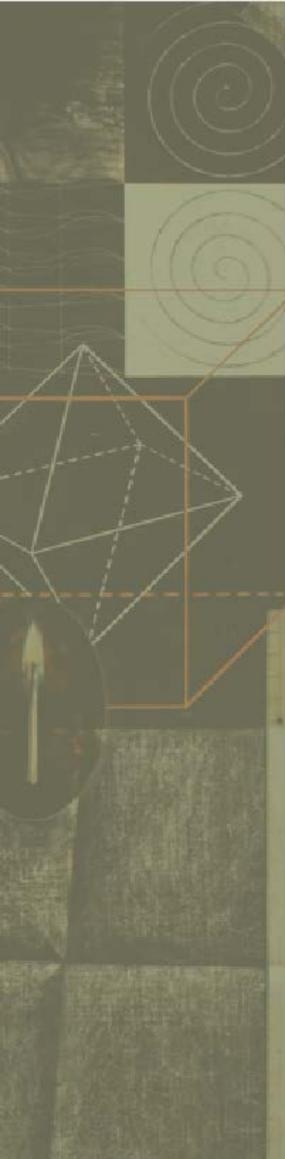
# Near-Term Outlook and Expectations

- Healthy loan pipeline should continue to drive organic loan growth in second half of 2020
- Strong mortgage originations continuing in 3Q20
- Net interest margin expected to expand as earning asset yields stabilize and deposit costs continue to decline
- Positive trends in fee income resulting from higher AUM
- Asset quality continues to show strength despite continuation of pandemic
- Initial synergies realized from branch acquisition



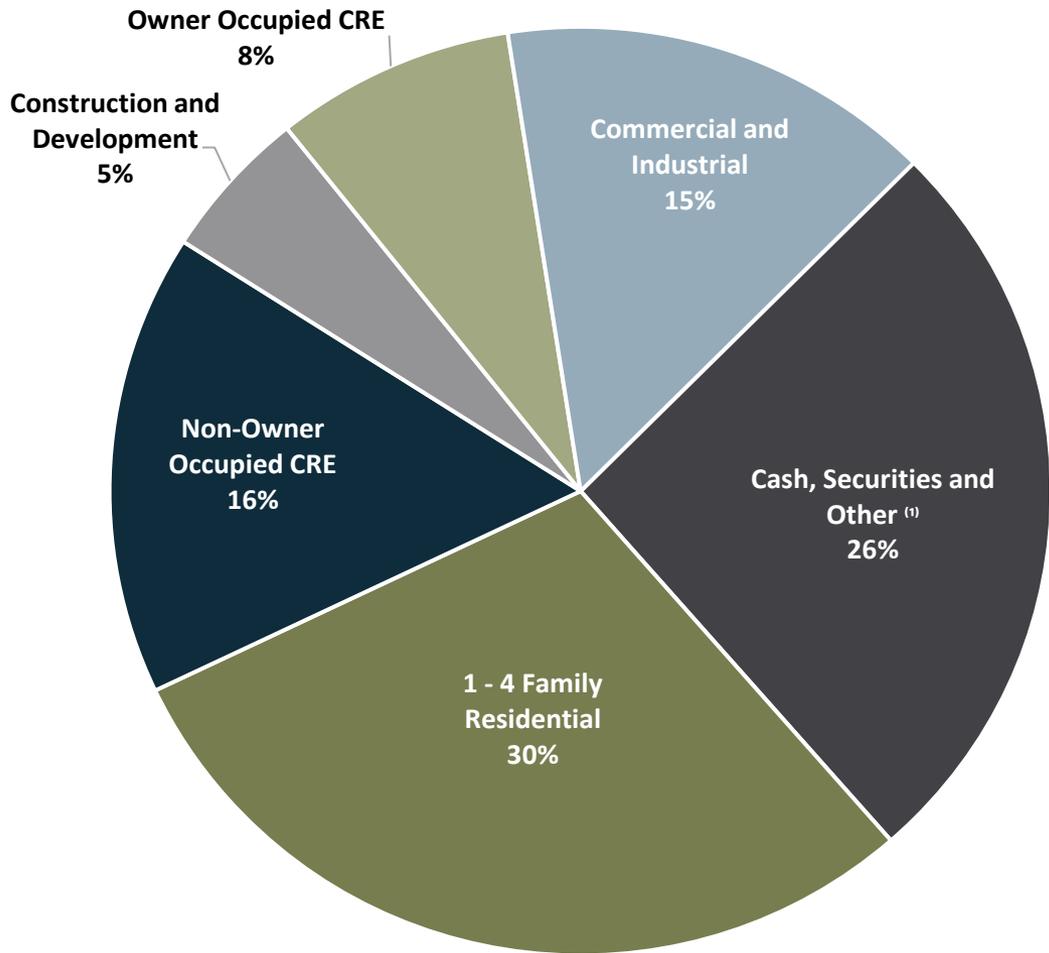
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# Appendix

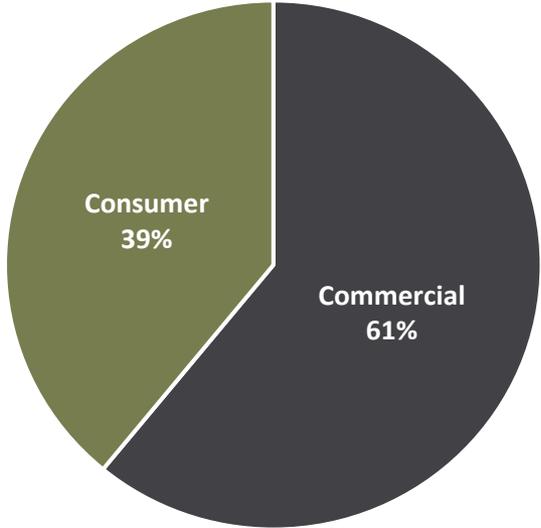


# Loan Portfolio Composition

**\$1.4 Billion**  
(as of 6/30/20)



**Commercial vs. Consumer**



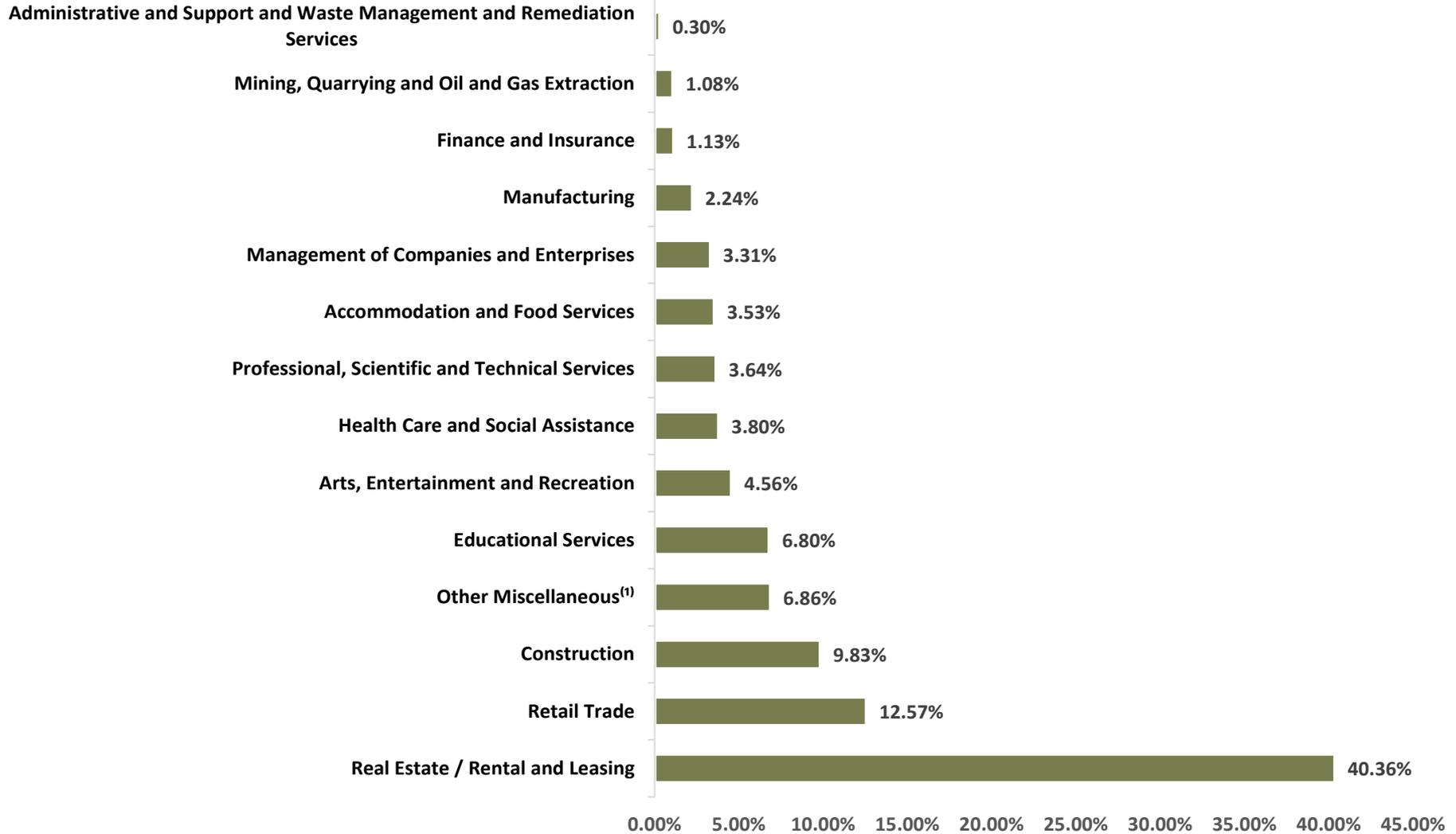
<sup>(1)</sup> PPP loans accounted for \$204.6 million of total loans, including \$12.9 million of acquired PPP at 6/30/20



# Commercial Loans by Industry<sup>(2)</sup>

**\$785.2 Million**  
(as of 6/30/20)

**Industry as a Percentage of Commercial Loans**  
(as of 6/30/20)



(1) Represents the aggregate of individual industries; no one industry is more than 2% of Commercial loans

(2) Excludes PPP loans

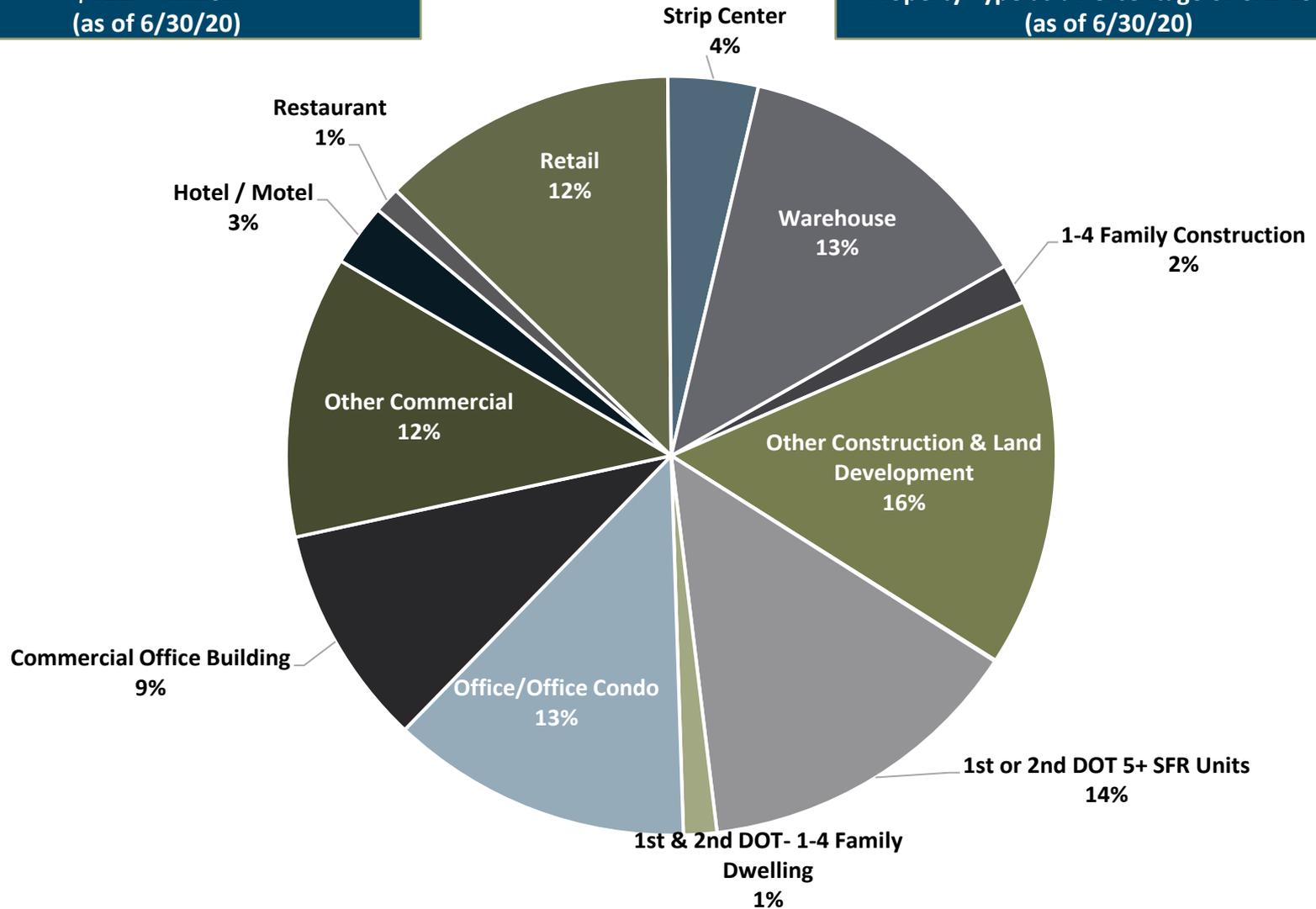


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# CRE<sup>(1)</sup> Loans By Property Type

\$421.4 Million  
(as of 6/30/20)

Property Type as a Percentage of CRE Loans  
(as of 6/30/20)



(1) Commercial Real Estate including Owner Occupied, Non-Owner Occupied, and Construction and Development

# CRE Portfolio Characteristics and Underwriting

Portfolio Characteristics - CRE	
Loan Balances Outstanding (6/30/20)	\$421.4 million
Number of Loans	219
Average Loan Size	\$1.9 million
Loan-to-Value (Avg)	47.4%
Seasoning (Avg)	3 years
Net Charge-offs in 2019 & 2020	0.00%

## Underwriting Criteria

- We require our CRE loans to be secured by seasoned and well-managed properties with adequate margins
- We generally obtain a guaranty from experienced owners and managers with outside cash flows and/or other assets
- Loan amounts generally do not exceed 80% or 75% of the property's appraised value for owner-occupied and non-owner occupied, respectively
- Aggregate debt service ratios, including the guarantor's cash flow and the borrower's other projects, are required by policy to have a minimum annual cash flow to debt service ratio of 2.0x

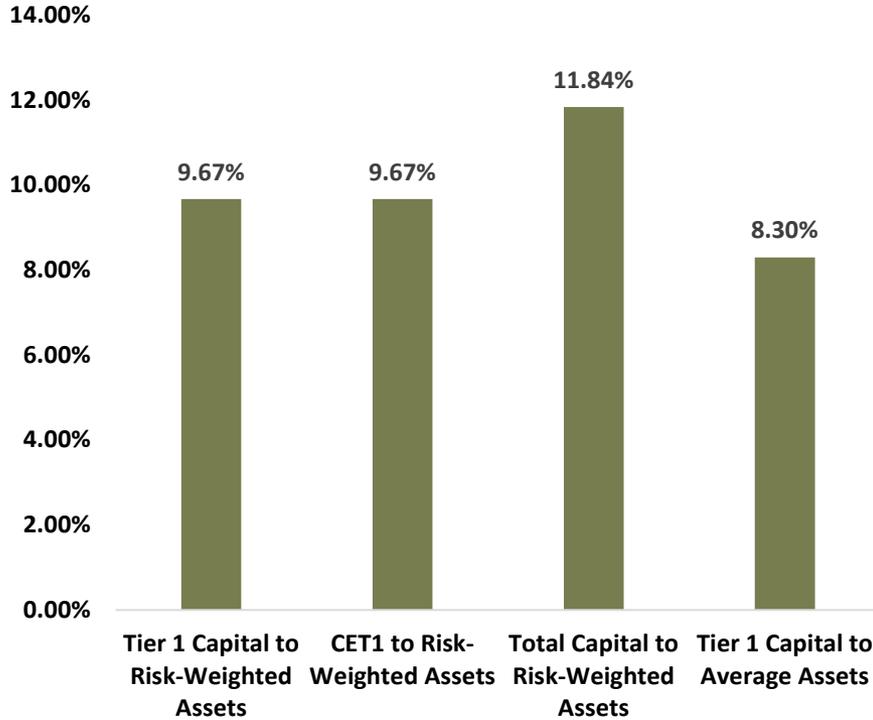
# Exposure to Stressed Industries (as of 6/30/20)

Industry Exposure	Outstanding Balances (\$ in millions)	% of Total Loans	Unused Commitments (\$ in Millions)	Portfolio Characteristics
Energy Related	\$8.4	0.6%	\$16.3	<ul style="list-style-type: none"> <li>Indirect business or personal exposure to energy industry</li> <li>Collateral type: 54% IM accounts, 32% life insurance, 14% other assets</li> </ul>
Accommodations	\$17.7	1.2%	\$5.7	<ul style="list-style-type: none"> <li>Portfolio consists of eight loans</li> <li>Largest loan is in prominent geographic region with multiple sources of repayment and personal guarantee</li> </ul>
Food Service, Drinking Establishments	\$9.8	0.7%	\$2.8	<ul style="list-style-type: none"> <li>Portfolio consists of nineteen borrowers</li> <li>Average loan balance of approximately \$517,000</li> <li>Includes loans directly to restaurants and those with &gt; 50% cash flows from restaurants</li> </ul>



# Capital and Liquidity Overview

## Consolidated Capital Ratios (as of 6/30/20)



## Liquidity Funding Sources (as of 6/30/20)

### Liquidity Reserves:

Total Available Cash	\$190,159,663
Unpledged Investment Securities	\$ 42,123,068

### Borrowed Funds:

#### Unsecured:

Credit Lines	\$ 54,000,000
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#### Secured:

FHLB Available	\$402,470,791
FRB Available	\$ 1,174,905
Brokered Remaining Capacity	\$209,154,867

### Total Liquidity Funding Sources

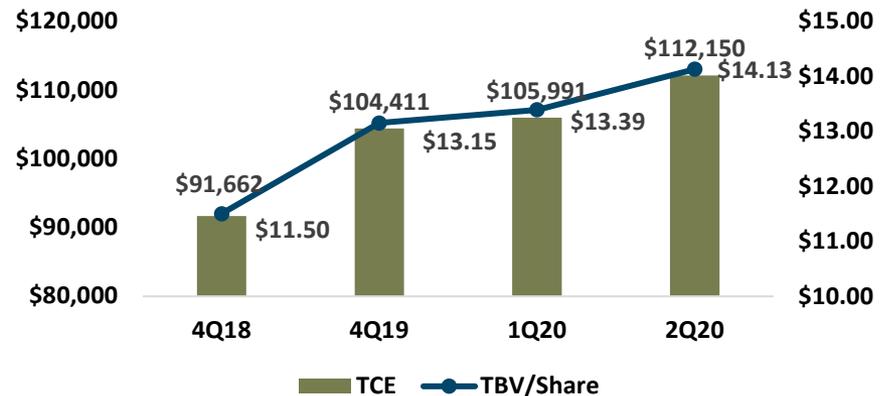
**\$899,083,294**

### Loan to Deposit Ratio

**101.1%**

## Tangible Common Equity / TBV Per Share<sup>(1)</sup>

(in thousands)



(1) See Non-GAAP reconciliation



# Non-GAAP Reconciliation

Consolidated Efficiency Ratio	For the Three Months Ended,					
	(Dollars in thousands)	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020
Non-interest expense		\$14,659	\$13,442	\$13,082	\$14,647	\$12,644
Less: Amortization		142	52	7	2	38
Less: Goodwill impairment		1,572	-	-	-	-
Less: loss on assets held for sale		-	-	-	553	-
Adjusted non-interest expense		\$12,945	\$13,390	\$13,075	\$14,092	\$12,606
Net interest income		\$7,960	\$7,940	\$8,190	\$8,931	\$10,796
Non-interest income		8,586	8,788	8,228	7,767	15,427
Less: Net gain on sale of securities		-	119	-	-	-
Less: Net gain on sale of assets		-	-	183	-	-
Total income		\$16,546	\$16,609	\$16,235	\$16,698	\$26,223
<b>Efficiency ratio</b>		<b>78.2%</b>	<b>80.6%</b>	<b>80.5%</b>	<b>84.4%</b>	<b>48.1%</b>
Consolidated Tangible Common Book Value Per Share	As of the Three Months Ended,					
	(Dollars in thousands)	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020
Total shareholders' equity		\$122,157	\$125,732	\$127,678	\$128,703	\$139,417
Less:						
Goodwill		23,239	19,686	\$19,686	\$19,686	\$24,191
Intangibles held for sale <sup>(1)</sup>		—	3,553	3,553	3,000	3,000
Other intangibles, net		88	36	28	26	76
<b>Tangible common equity</b>		<b>98,830</b>	<b>102,457</b>	<b>104,411</b>	<b>105,991</b>	<b>112,150</b>
Common shares outstanding, end of period		7,983,866	7,983,284	7,940,168	7,917,489	7,939,024
<b>Tangible common book value per share</b>		<b>\$12.38</b>	<b>\$12.83</b>	<b>\$13.15</b>	<b>\$13.39</b>	<b>\$14.13</b>

(1) Represents the intangible portion of assets held for sale



# Non-GAAP Reconciliation

Wealth Management Gross Revenue	For the Three Months Ended,				
(Dollars in thousands)	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020
Total income before non-interest expense	\$12,550	\$12,554	\$12,534	\$13,023	\$13,114
Less: Net gain on sale of securities	-	119	-	-	-
Less: Net gain on sale of assets	-	-	183	-	-
Plus: Provision for (recovery of) credit loss	(78)	100	447	367	2,124
<b>Gross revenue</b>	<b>\$12,472</b>	<b>\$12,535</b>	<b>\$12,798</b>	<b>\$13,390</b>	<b>\$15,238</b>

Capital Management Gross Revenue	For the Three Months Ended,				
(Dollars in thousands)	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020
Total income before non-interest expense	\$798	\$776	\$815	\$804	\$788
Less: Net gain on sale of securities	-	-	-	-	-
Less: Net gain on sale of assets	-	-	-	-	-
Plus: Provision for (recovery of) credit loss	-	-	-	-	-
<b>Gross revenue</b>	<b>\$798</b>	<b>\$776</b>	<b>\$815</b>	<b>\$804</b>	<b>\$788</b>

Mortgage Gross Revenue	For the Three Months Ended,				
(Dollars in thousands)	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020
Total income before non-interest expense	\$3,276	\$3,298	\$2,622	\$2,504	\$10,197
Less: Net gain on sale of securities	-	-	-	-	-
Less: Net gain on sale of assets	-	-	-	-	-
Plus: Provision for (recovery of) credit loss	-	-	-	-	-
<b>Gross revenue</b>	<b>\$3,276</b>	<b>\$3,298</b>	<b>\$2,622</b>	<b>\$2,504</b>	<b>\$10,197</b>

Consolidated Gross Revenue	For the Three Months Ended,				
(Dollars in thousands)	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020
Total income before non-interest expense	\$16,624	\$16,628	\$15,971	\$16,331	\$24,099
Less: Net gain on sale of securities	-	119	-	-	-
Less: Net gain on sale of assets	-	-	183	-	-
Plus: Provision for (recovery of) credit loss	(78)	100	447	367	2,124
<b>Gross revenue</b>	<b>\$16,546</b>	<b>\$16,609</b>	<b>\$16,235</b>	<b>\$16,698</b>	<b>\$26,223</b>



# Non-GAAP Reconciliation

Adjusted net income available to common shareholders	For the Three Months Ended,				
(Dollars in thousands, except per share data)	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020
Net income available to common shareholders	\$1,404	\$2,406	\$2,572	\$1,334	\$8,696
Plus: acquisition related expense including tax impact	-	-	-	-	245
Plus: goodwill impairment including tax impact	1,182	-	-	-	-
Plus: loss on intangibles held for sale including tax impact	-	-	-	438	-
<b>Adjusted net income to common shareholders</b>	<b>\$2,586</b>	<b>\$2,406</b>	<b>\$2,572</b>	<b>\$1,772</b>	<b>\$8,941</b>
Adjusted earnings per share	For the Three Months Ended,				
(Dollars in thousands, except per share data)	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020
Earnings per share	\$0.18	\$0.30	\$0.32	\$0.17	\$1.10
Plus: acquisition related expenses including tax impact	-	-	-	-	0.03
Plus: goodwill impairment including tax impact	0.15	-	-	-	-
Plus: loss on intangibles held for sale including tax impact	-	-	-	0.05	-
<b>Adjusted earnings per share</b>	<b>\$0.33</b>	<b>\$0.30</b>	<b>\$0.32</b>	<b>\$0.22</b>	<b>\$1.13</b>
Allowance for loan losses to loans excluding PPP	As of				
(Dollars in thousands)	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020
Gross loans	938,005	924,356	996,559	1,042,478	1,424,160
Less: Branch acquisition	-	-	-	-	123,786
Less: PPP loans	-	-	-	-	191,676
Loans excluding acquired and PPP	938,005	924,356	996,559	1,042,478	1,108,698
Allowance for loan losses	7,575	7,675	7,875	8,242	10,354
<b>Allowance for loan losses to loans excluding PPP</b>	<b>0.81%</b>	<b>0.83%</b>	<b>0.79%</b>	<b>0.79%</b>	<b>0.93%</b>

Total Non-Interest Expense adjusted for Non-Operating items	For the Three Months Ended,				
(Dollars in thousands)	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020
Net income available to common shareholders	\$14,659	\$13,422	\$13,082	\$14,647	\$12,644
Less: acquisition related expense	-	-	-	-	323
Less: goodwill impairment	1,572	-	-	-	-
Less: loss on intangibles held for sale	-	-	-	553	-
<b>Total Non-Interest Expense adjusted for Non-Operating items</b>	<b>\$13,087</b>	<b>\$13,422</b>	<b>\$13,082</b>	<b>\$14,094</b>	<b>\$12,321</b>



# Non-GAAP Reconciliation

Adjusted net interest margin (Dollars in thousands)	For the Three Months Ended June 30,		
	Average Balance	Interest Earned/Paid	Average Yield/Rate
Interest-bearing deposits in other financial institutions	76,463	44	
PPP adjustment	20,587	25	
Available-for-sale securities	48,614	224	
PPP adjustment	-	-	
Loans	1,268,797	12,202	
PPP adjustment	(152,893)	(718)	
Adjusted total Interest-earning assets	1,261,568	11,777	
Interest-bearing deposits		1,319	
PPP adjustment		-	
Federal Home Loan Bank Topeka and Federal Reserve borrowings		129	
PPP adjustment		(39)	
Subordinated notes		226	
Adjusted total interest-bearing liabilities		1,635	
Net interest income		10,142	
<b>Adjusted net interest margin</b>			<b>3.22%</b>