

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

**FORM 8-K**

**CURRENT REPORT**

Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 22, 2020

**FIRST WESTERN FINANCIAL, INC.**

(Exact name of registrant as specified in its charter)

<b>Colorado</b> (State or other jurisdiction of incorporation or organization)	<b>001-38595</b> (Commission File Number)	<b>37-1442266</b> (I.R.S. Employer Identification No.)
<b>1900 16th Street, Suite 1200</b> <b>Denver, Colorado</b> (Address of principal executive offices)		<b>80202</b> (Zip Code)

Registrant's telephone number, including area code: **303.531.8100**

Former name or former address, if changed since last report: **Not Applicable**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

- ☒ 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.

<b>Title of each class</b>	<b>Securities registered pursuant to Section 12(b) of the Act:</b>	<b>Name of each exchange on which registered</b>
Common Stock, no par value	<b>Trading Symbol</b> MYFW	The Nasdaq Stock Market LLC

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**Item 2.02            Results of Operations and Financial Condition.**

On October 22, 2020, First Western Financial, Inc. (the “Company”) issued a press release announcing its financial results for the third quarter ended September 30, 2020. A copy of the press release is furnished as Exhibit 99.1 and is incorporated by reference herein.

The information in this Item 2.02, including Exhibit 99.1, is being furnished pursuant to Item 2.02 of Form 8-K and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to liabilities of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, unless specifically identified therein as being incorporated therein by reference.

**Item 7.01            Regulation FD Disclosure.**

The Company intends to hold an investor call and webcast to discuss its financial results for the third quarter ended September 30, 2020 on Friday, October 23, 2020, at 10:00 a.m. Mountain Time. The Company’s presentation to analysts and investors contains additional information about the Company’s financial results for the third quarter ended September 30, 2020 and is furnished as Exhibit 99.2 and is incorporated by reference herein.

The information in this Item 7.01, including Exhibit 99.2, is being furnished pursuant to Item 7.01 of Form 8-K and shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to liabilities of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act, unless specifically identified therein as being incorporated therein by reference.

**Item 9.01            Financial Statements and Exhibits.**

(d) Exhibits.

Exhibit Number	Description
99.1	<a href="#">Press Release issued by First Western Financial, Inc. dated October 22, 2020</a>
99.2	<a href="#">First Western Financial, Inc. Earnings Presentation</a>
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded in the Inline XBRL document)

## SIGNATURES

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

**FIRST WESTERN FINANCIAL, INC.**

Date: October 22, 2020

By: /s/ Scott C. Wylie

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Scott C. Wylie

Chairman, Chief Executive Officer and President



## First Western Reports Third Quarter 2020 Financial Results

### Third Quarter 2020 Summary

- Net income available to common shareholders of \$9.6 million in Q3 2020, compared to \$8.7 million in Q2 2020 and \$2.4 million in Q3 2019
- Diluted EPS of \$1.20 in Q3 2020, compared to \$1.10 in Q2 2020 and \$0.30 in Q3 2019
- Gross revenue<sup>(1)</sup> of \$31.0 million in Q3 2020, compared to \$26.2 million in Q2 2020 and \$16.6 million in Q3 2019
- Net interest margin, including the impact of Paycheck Protection Program (“PPP”) loans, remained relatively flat at 3.07% in Q3 2020, compared with 3.10% in Q2 2020 and 2.95% Q3 2019
- Total assets of \$1.97 billion, up 9.0% from Q2 2020 and 55.1% from Q3 2019
- Total deposits of \$1.56 billion, up 11.1% from Q2 2020 and 41.0% from Q3 2019
- Gross loans of \$1.51 billion, up 5.9% from Q2 2020 and 62.5% from Q3 2019
- Loans under active COVID-19 loan modification agreements declined 62.3% from \$176.9 million in Q2 2020, to \$66.7 million in Q3 2020

<sup>(1)</sup> Represents a Non-GAAP financial measure. See “Reconciliations of Non-GAAP Measures” for a reconciliation of our Non-GAAP measures to the most directly comparable GAAP financial measure.

**Denver, Colo., October 23, 2020** – First Western Financial, Inc., (“First Western” or the “Company”) (NASDAQ: MYFW), today reported financial results for the third quarter ended September 30, 2020.

Net income available to common shareholders was \$9.6 million, or \$1.20 per diluted share, for the third quarter of 2020. This compares to \$8.7 million, or \$1.10 per diluted share, for the second quarter of 2020, and \$2.4 million, or \$0.30 per diluted share, for the third quarter of 2019.

Scott C. Wylie, CEO of First Western, commented, “We are very pleased to deliver another record quarter of earnings driven by strong growth in both net interest income and non-interest income, while our asset quality continues to remain healthy despite the ongoing COVID-19 pandemic. The investments we have made in banking talent and technology over the past few years are having the impact that we expected, resulting in the consistent acquisition of new clients, strong balance sheet growth, improving operating leverage, and greater earnings power.

“With the addition of a number of experienced bankers through our branch purchase consummated in May 2020, we have accelerated our commercial banking initiative and are successfully attracting new commercial relationships. During the third quarter, we generated loan growth of 5.9% and deposit growth of 11.1%,

largely due to growth in commercial banking relationships. As a result, we continue to see a shift in our loan mix towards commercial loans, while our deposit mix reflects the inflow of low-cost transaction deposits with non-interest bearing deposits now accounting for approximately 30% of our total deposits.

“We continue to have a strong business development pipeline in both our commercial banking and residential mortgage areas. We expect our mortgage activity to continue providing a significant earnings contribution in the near-term, while the balance sheet growth, strong net interest margin and improving operating leverage resulting from the expansion of our commercial client roster we believe is creating a sustainable path to consistently generating strong returns over the longer-term. As we continue to gain scale through organic growth, expansion and additional strategic acquisitions, we believe that our model will establish First Western as a high performing financial institution and create significant value for our shareholders in the future,” said Mr. Wylie.

	For the Three Months Ended		
	September 30, 2020	June 30, 2020	September 30, 2019
<i>(Dollars in thousands, except per share data)</i>			
<b>Earnings Summary</b>			
Net interest income	\$ 12,918	\$ 10,796	\$ 7,940
Less: provision for loan losses	1,496	2,124	100
Total non-interest income	18,032	15,427	8,788
Total non-interest expense	16,632	12,644 <sup>(1)</sup>	13,442
Income before income taxes	12,822	11,455	3,186
Income tax expense	3,192	2,759	780
Net income available to common shareholders	9,630	8,696	2,406
Adjusted net income available to common shareholders <sup>(2)</sup>	9,630	8,941	2,855
Basic earnings per common share	1.22	1.10	0.30
Adjusted basic earnings per common share <sup>(2)</sup>	1.22	1.13	0.35
Diluted earnings per common share	1.20	1.10	0.30
Adjusted diluted earnings per common share <sup>(2)</sup>	\$ 1.20	\$ 1.13	\$ 0.35
Return on average assets (annualized)	2.06 %	2.25 %	0.80 %
Adjusted return on average assets (annualized) <sup>(2)</sup>	2.06	2.32	0.95
Return on average shareholders' equity (annualized)	26.43	25.44	7.74
Adjusted return on average shareholders' equity (annualized) <sup>(2)</sup>	26.43	26.16	9.19
Return on tangible common equity (annualized) <sup>(2)</sup>	31.49	31.02	9.39
Adjusted return on tangible common equity (annualized) <sup>(2)</sup>	31.49	31.89	11.15
Net interest margin	3.07	3.10	2.95
Efficiency ratio <sup>(2)</sup>	53.40 %	48.07 %	80.62 %

<sup>(1)</sup> Includes non-recurring acquisition related expenses of \$0.3 million for the three months ended June 30, 2020.

<sup>(2)</sup> Represents a Non-GAAP financial measure. See “Reconciliations of Non-GAAP Measures” for a reconciliation of our Non-GAAP measures to the most directly comparable GAAP financial measure.

## **Operating Results for the Third Quarter 2020**

### **Revenue**

Gross revenue <sup>(1)</sup> was \$31.0 million for the third quarter of 2020, compared to \$26.2 million for the second quarter of 2020. The increase in revenue was driven by a \$2.6 million increase in non-interest income, primarily due to higher mortgage segment activity, as well as a \$2.1 million increase in net interest income.

<sup>(1)</sup> Represents a Non-GAAP financial measure. See “Reconciliations of Non-GAAP Measures” for a reconciliation of our Non-GAAP measures to the most directly comparable GAAP financial measure.

Relative to the third quarter of 2019, gross revenue increased \$14.3 million from \$16.6 million, or 86.3%. The increase in revenue was primarily due to higher mortgage segment activity, as well as a \$5.0 million increase in net interest income.

### **Net Interest Income**

Net interest income for the third quarter of 2020 was \$12.9 million, an increase of 19.7% from \$10.8 million in the second quarter of 2020. The increase in net interest income was driven primarily by a \$194.1 million, or 15.3% increase in average loan balances attributed to organic growth as well as a relatively stable net interest margin, which was partially impacted by an increase of \$0.4 million in accretion of the credit mark from acquired loans.

Relative to the third quarter of 2019, net interest income increased 62.7% from \$7.9 million. The year-over-year increase in net interest income was due primarily to growth in average loans including the impact of PPP loans and the branch acquisition.

### **Net Interest Margin**

Net interest margin for the third quarter of 2020 decreased slightly to 3.07% from 3.10% in the second quarter of 2020. The decrease was primarily driven by a 15 basis point decline in the yield on earning assets. On a net basis, the PPP program negatively impacted net interest margin by 31 basis points which was offset by an increase of 15 basis points relating to the impact of purchase accretion from the branch acquisition completed in the second quarter 2020.

Relative to the third quarter of 2019, the net interest margin increased from 2.95%, primarily due to a 100 basis point decline in cost of deposits partially offset by an 83 basis point reduction in average yields on interest earning assets.

### **Non-interest Income**

Non-interest income for the third quarter of 2020 was \$18.0 million, an increase of 16.9% from \$15.4 million in the second quarter of 2020. The increase was attributable to higher net gain on mortgage loans as a result of record volume of mortgages locked and originated in the quarter. The Company originated \$376.3 million of mortgage loans for sale during the quarter compared to \$344.3 million the previous quarter, an increase of \$32.0 million.

Relative to the third quarter of 2019, non-interest income increased 105.2% from \$8.8 million. The increase was attributable to higher net gain on mortgage loans.

### **Non-interest Expense**

Non-interest expense for the third quarter of 2020 was \$16.6 million, an increase of 31.5% from \$12.6 million for the second quarter of 2020. The increase was primarily attributable to the second quarter deferral of \$2.9 million in loan origination expenses related to PPP loans, resulting in higher salaries and employee benefits expense in the current quarter, as well as the full quarter impact of the personnel added through the branch purchase and an increase in incentive compensation accruals correlating with the increase in revenues and earnings.

Non-interest expense increased 23.7% from \$13.4 million in the third quarter of 2019. The increase was primarily due to higher salaries and employee benefits expense resulting from the personnel added through

the branch purchase and an increase in incentive compensation accruals correlating with the increase in revenues and earnings.

The Company's efficiency ratio was 53.4% in the third quarter of 2020, compared with 48.1% in the second quarter of 2020 and 80.6% in the third quarter of 2019.

### **Income Taxes**

The Company recorded income tax expense of \$3.2 million for the third quarter of 2020, representing an effective tax rate of 24.9%, compared to 24.1% for the second quarter of 2020. The increase in effective tax rate in the third quarter of 2020 was primarily attributable to adjustments related to the vesting of restricted stock award.

### **Loan Portfolio**

Total loans, including mortgage loans held for sale, were \$1.60 billion at September 30, 2020, an increase of \$103.6 million from the end of the prior quarter, and an increase of \$603.8 million from September 30, 2019.

Total loans held for investment, were \$1.51 billion at September 30, 2020, an increase of 5.9% from \$1.42 billion at June 30, 2020, and an increase of 63.1% from \$924.4 million at September 30, 2019. The increase in total loans held for investment from June 30, 2020 was primarily due to growth in the 1-4 family residential, commercial real estate, and construction portfolios.

PPP loans were \$206.1 million at September 30, 2020, an increase of 0.8% from \$204.6 million at June 30, 2020. As of October 16, 2020, the Company has submitted loan forgiveness applications for \$85.2 million and received \$2.1 million from the Small Business Administration.

### **Deposits**

Total deposits were \$1.56 billion at September 30, 2020, compared to \$1.41 billion at June 30, 2020, and \$1.11 billion at September 30, 2019. The increase in total deposits from June 30, 2020 was attributable to an increase in money market, time, negotiable order of withdrawal and non-interest bearing deposits.

Average total deposits for the third quarter of 2020 increased \$420.6 million, or 40.4%, from the third quarter of 2019 and \$153.6 million, or 11.7%, from the second quarter 2020.

### **Borrowings**

Federal Home Loan Bank ("FHLB") and Federal Reserve borrowings were \$222.1 million at September 30, 2020, compared to \$222.3 million at June 30, 2020, a decrease of \$0.2 million from the end of the prior quarter, and an increase of \$212.1 million from September 30, 2019. The increase from September 30, 2019 is attributable to participation in the Paycheck Protection Program Loan Facility from the Federal Reserve in the amount of \$204.1 million. Borrowing from this facility is expected to match the balances of the PPP loans.

### **Assets Under Management**

Total assets under management increased by \$378.8 million during the third quarter to \$6.13 billion at September 30, 2020, compared to \$5.75 billion at June 30, 2020, and \$6.12 billion at September 30, 2019.

The increase was primarily attributable to customer contributions to existing accounts and improving market conditions.

### **Credit Quality**

Non-performing assets totaled \$10.4 million, or 0.53% of total assets, at September 30, 2020, compared with \$12.1 million, or 0.67% of total assets, at June 30, 2020. The decline in non-performing assets is due to continued pay downs on outstanding balances.

As a result of the COVID-19 pandemic, a loan modification program was designed and implemented to assist our clients experiencing financial stress resulting from the economic impacts caused by the global pandemic. The Company offered loan extensions, temporary payment moratoriums, and financial covenant waivers for commercial and consumer borrowers impacted by the pandemic who had a pass risk rating and had not been delinquent over 30 days on payments in the last two years.

At September 30, 2020, the Company has active loan modification agreements on forty-four loans across multiple industries in the amount of \$66.7 million, representing a decline of 62.3% from \$176.9 million, at June 30, 2020. COVID-19 loan modification agreements represented 4.43% of total loans, at September 30, 2020, compared with 12.42% of total loans, at June 30, 2020. Most of the temporary payment moratoriums were for a period of 180 days or less and the Company is recognizing interest income on these loans.

The Company continues to meet regularly with clients who could be more highly impacted by the COVID-19 pandemic. The Company receives and reviews current financial data and cash flow forecasts from borrowers with loan modification agreements. As of September 30, 2020, loans which were granted modifications and the modification term has ended have returned to performing status.

The Company recorded a provision for loan losses of \$1.5 million in the third quarter of 2020, primarily due to the growth in the loan portfolio and the increased economic uncertainty resulting from the pandemic. The Company has increased loan level reviews and portfolio monitoring to thoroughly assess how its clients are being impacted by the current environment.



## Capital

At September 30, 2020, First Western (“Consolidated”) and First Western Trust Bank (“Bank”) exceeded the minimum capital levels required by their respective regulators. At September 30, 2020, the Bank was classified as “well capitalized,” as summarized in the following table:

	<u>September 30,</u> <u>2020</u>
<b>Consolidated Capital</b>	
Tier 1 capital to risk-weighted assets	9.88 %
Common Equity Tier 1 (CET1) to risk-weighted assets	9.88
Total capital to risk-weighted assets	12.03
Tier 1 capital to average assets	7.52
<b>Bank Capital</b>	
Tier 1 capital to risk-weighted assets	10.28
Common Equity Tier 1 (CET1) to risk-weighted assets	10.28
Total capital to risk-weighted assets	11.26
Tier 1 capital to average assets	7.81 %

Book value per common share increased 19.4% from \$15.75 at September 30, 2019 to \$18.81 at September 30, 2020, and was up 7.1% from \$17.56 at June 30, 2020.

Tangible book value per common share <sup>(1)</sup> increased 19.9% from \$12.83 at September 30, 2019 to \$15.38 at September 30, 2020, and was up 8.8% from \$14.13 at June 30, 2020.

<sup>(1)</sup> Represents a Non-GAAP financial measure. See “Reconciliations of Non-GAAP Measures” for a reconciliation of our Non-GAAP measures to the most directly comparable GAAP financial measure.

## Conference Call, Webcast and Slide Presentation

The Company will host a conference call and webcast at 10:00 a.m. MT/ 12:00 p.m. ET on Friday, October 23, 2020. The call can be accessed via telephone at 877-405-1628. A recorded replay will be accessible through October 30, 2020 by dialing 855-859-2056; passcode 6479834.

A slide presentation relating to the third quarter 2020 results will be accessible prior to the scheduled conference call. The slide presentation and webcast of the conference call can be accessed on the Events and Presentations page of the Company’s investor relations website at <https://myfw.gcs-web.com>.

## About First Western

First Western is a financial services holding company headquartered in Denver, Colorado, with operations in Colorado, Arizona, Wyoming and California. First Western and its subsidiaries provide a fully integrated suite of wealth management services on a private trust bank platform, which includes a comprehensive selection of deposit, loan, trust, wealth planning and investment management products and services. First Western’s common stock is traded on the Nasdaq Global Select Market under the symbol “MYFW.” For more information, please visit [www.myfw.com](http://www.myfw.com).

## Non-GAAP Financial Measures

Some of the financial measures included in this press release are not measures of financial performance recognized in accordance with generally accepted accounting principles in the United States ("GAAP"). These non-GAAP financial measures include "Tangible Common Equity," "Tangible Common Book Value per Share," "Return on Tangible Common Equity," "Efficiency Ratio," "Gross Revenue," "Allowance to Bank Originated Loans Excluding PPP," "Adjusted Net Income Available to Common Shareholders," "Adjusted Basic Earnings Per Share," "Adjusted Diluted Earnings Per Share," "Adjusted Return on Average Assets," "Adjusted Return on Average Shareholders' Equity," and "Adjusted Return on Tangible Common Equity". The Company believes these non-GAAP financial measures provide both management and investors a more complete understanding of the Company's financial position and performance. These non-GAAP financial measures are supplemental and are not a substitute for any analysis based on GAAP financial measures. Not all companies use the same calculation of these measures; therefore, this presentation may not be comparable to other similarly titled measures as presented by other companies. Reconciliation of non-GAAP financial measures, to GAAP financial measures are provided at the end of this press release.

## Forward-Looking Statements

Statements in this news release regarding our expectations and beliefs about our future financial performance and financial condition, as well as trends in our business and markets are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements often include words such as "believe," "expect," "anticipate," "intend," "plan," "estimate," "project," "outlook," or words of similar meaning, or future or conditional verbs such as "will," "would," "should," "opportunity," "could," or "may." The forward-looking statements in this news release are based on current information and on assumptions that we make about future events and circumstances that are subject to a number of risks and uncertainties that are often difficult to predict and beyond our control. As a result of those risks and uncertainties, our actual financial results in the future could differ, possibly materially, from those expressed in or implied by the forward-looking statements contained in this news release and could cause us to make changes to our future plans. Those risks and uncertainties include, without limitation, the COVID-19 pandemic and its effects; integration risks in connection with acquisitions; the risk of geographic concentration in Colorado, Arizona, Wyoming and California; the risk of changes in the economy affecting real estate values and liquidity; the risk in our ability to continue to originate residential real estate loans and sell such loans; risks specific to commercial loans and borrowers; the risk of claims and litigation pertaining to our fiduciary responsibilities; the risk of competition for investment managers and professionals; the risk of fluctuation in the value of our investment securities; the risk of changes in interest rates; and the risk of the adequacy of our allowance for loan losses and the risk in our ability to maintain a strong core deposit base or other low-cost funding sources. Additional information regarding these and other risks and uncertainties to which our business and future financial performance are subject is contained in our Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") on March 12, 2020 ("Form 10-K"), and other documents we file with the SEC from time to time. We urge readers of this news release to review the "Risk Factors" section our Form 10-K and any updates to those risk factors set forth in our subsequent Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and our other filings with the SEC. Also, our actual financial results in the future may differ from those currently expected due to additional risks and uncertainties of which we are not currently aware or which we do not currently view as, but in the future may become, material to our business or operating results. Due to these and other possible uncertainties and risks, readers are cautioned not to place undue reliance on the forward-looking statements contained in this news release, which speak only as of today's date, or to make predictions based solely on historical financial performance. Any forward-looking statement speaks only as of the date on which it is made, and we do not

undertake any obligation to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

**Contacts:**

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**First Western Financial, Inc.**  
**Consolidated Financial Summary (unaudited)**

	Three Months Ended		
	September 30, 2020	June 30, 2020	September 30, 2019
<i>(Dollars in thousands, except per share amounts)</i>			
Interest and dividend income:			
Loans, including fees	\$ 14,138	\$ 12,202	\$ 10,672
Investment securities	173	224	312
Federal funds sold and other	99	44	489
Total interest and dividend income	14,410	12,470	11,473
Interest expense:			
Deposits	1,067	1,319	3,363
Other borrowed funds	425	355	170
Total interest expense	1,492	1,674	3,533
Net interest income	12,918	10,796	7,940
Less: provision for loan losses	1,496	2,124	100
Net interest income, after provision for loan losses	11,422	8,672	7,840
Non-interest income:			
Trust and investment management fees	4,814	4,609	4,824
Net gain on mortgage loans	12,304	10,173	3,291
Bank fees	340	221	283
Risk management and insurance fees	483	333	176
Net gain on sale of securities	—	—	119
Income on company-owned life insurance	91	91	95
Total non-interest income	18,032	15,427	8,788
Total income before non-interest expense	29,454	24,099	16,628
Non-interest expense:			
Salaries and employee benefits	10,212	6,690	8,504
Occupancy and equipment	1,619	1,515	1,388
Professional services	1,288	1,231	745
Technology and information systems	1,032	993	961
Data processing	1,038	1,037	854
Marketing	395	253	272
Amortization of other intangible assets	4	38	52
Provision on other real estate owned	100	—	—
Other	944	887	666
Total non-interest expense	16,632	12,644	13,442
Income before income taxes	12,822	11,455	3,186
Income tax expense	3,192	2,759	780
Net income available to common shareholders	\$ 9,630	\$ 8,696	\$ 2,406
Earnings per common share:			
Basic	\$ 1.22	\$ 1.10	\$ 0.30
Diluted	\$ 1.20	\$ 1.10	\$ 0.30

**First Western Financial, Inc.**  
**Consolidated Financial Summary (unaudited) (continued)**

	<u>September 30,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>	<u>September 30,</u> <u>2019</u>
<i>(Dollars in thousands)</i>			
<b>ASSETS</b>			
Cash and cash equivalents:			
Cash and due from banks	\$ 2,867	\$ 4,404	\$ 3,828
Interest-bearing deposits in other financial institutions	247,491	187,272	142,348
Total cash and cash equivalents	250,358	191,676	146,176
Available-for-sale securities, at fair value	40,654	47,018	61,491
Correspondent bank stock, at cost	1,295	1,295	582
Mortgage loans held for sale	89,872	69,604	69,231
Loans, net of allowance of \$11,845, \$10,354 and \$7,675	1,494,231	1,412,086	918,911
Premises and equipment, net	5,116	5,201	5,483
Accrued interest receivable	6,730	5,108	2,968
Accounts receivable	4,821	4,616	4,978
Other receivables	1,497	1,543	865
Other real estate owned, net	558	658	658
Goodwill	24,191	24,191	19,686
Other intangible assets, net	72	76	36
Deferred tax assets, net	6,405	6,035	4,765
Company-owned life insurance	15,359	15,268	14,993
Other assets	28,738	23,141	17,549
Assets held for sale	3,000	3,010	3,553
Total assets	<u>\$ 1,972,897</u>	<u>\$ 1,810,526</u>	<u>\$ 1,271,925</u>
<b>LIABILITIES</b>			
Deposits:			
Noninterest-bearing	\$ 472,963	\$ 398,063	\$ 231,535
Interest-bearing	1,090,709	1,008,869	877,369
Total deposits	1,563,672	1,406,932	1,108,904
Borrowings:			
Federal Home Loan Bank Topeka and Federal Reserve borrowings	222,075	222,313	10,000
Subordinated notes	14,447	14,444	6,560
Accrued interest payable	347	205	356
Other liabilities	22,639	27,080	20,262
Liabilities held for sale	141	135	111
Total liabilities	1,823,321	1,671,109	1,146,193
<b>SHAREHOLDERS' EQUITY</b>			
Total shareholders' equity	149,576	139,417	125,732
Total liabilities and shareholders' equity	<u>\$ 1,972,897</u>	<u>\$ 1,810,526</u>	<u>\$ 1,271,925</u>

**First Western Financial, Inc.**  
**Consolidated Financial Summary (unaudited) (continued)**

<i>(Dollars in thousands)</i>	<u>September 30,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>	<u>September 30,</u> <u>2019</u>
<b>Loan Portfolio</b>			
Cash, Securities and Other	\$ 371,481	\$ 371,111	\$ 146,622
Construction and Development	105,717	74,793	42,059
1-4 Family Residential	446,959	418,409	366,238
Non-Owner Occupied CRE	243,564	229,150	138,753
Owner Occupied CRE	154,138	117,426	119,497
Commercial and Industrial	185,625	213,271	111,187
Total loans held for investment	<u>1,507,484</u>	<u>1,424,160</u>	<u>924,356</u>
Deferred (fees) costs and unamortized premiums/(unaccreted discounts), net	(1,408)	(1,720)	2,230
Gross loans	<u>\$ 1,506,076</u>	<u>\$ 1,422,440</u>	<u>\$ 926,586</u>
Total mortgage loans held for sale	<u>\$ 89,872</u>	<u>\$ 69,604</u>	<u>\$ 69,231</u>
<b>Deposit Portfolio</b>			
Money market deposit accounts	\$ 805,634	\$ 759,997	\$ 620,434
Time deposits	177,391	152,897	170,457
Negotiable order of withdrawal accounts	101,708	88,560	83,022
Savings accounts	5,976	7,415	3,456
Total interest-bearing deposits	<u>1,090,709</u>	<u>1,008,869</u>	<u>877,369</u>
Noninterest-bearing accounts	472,963	398,063	231,535
Total deposits	<u>\$ 1,563,672</u>	<u>\$ 1,406,932</u>	<u>\$ 1,108,904</u>

**First Western Financial, Inc.**  
**Consolidated Financial Summary (unaudited) (continued)**

	As of and for the Three Months Ended		
	September 30, 2020	June 30, 2020	September 30, 2019
<i>(Dollars in thousands)</i>			
<b>Average Balance Sheets</b>			
<b>Assets</b>			
Interest-earning assets:			
Interest-bearing deposits in other financial institutions	\$ 178,756	\$ 76,463	\$ 88,782
Available-for-sale securities	40,528	48,614	51,368
Loans	1,462,872	1,268,797	937,260
Interest-earning assets	1,682,156	1,393,874	1,077,410
Mortgage loans held for sale	94,714	68,212	52,546
Total interest-earning assets, plus mortgage loans held for sale	1,776,870	1,462,086	1,129,956
Allowance for loan losses	(10,965)	(8,694)	(7,584)
Noninterest-earning assets	101,874	89,817	81,171
Total assets	<u>\$ 1,867,779</u>	<u>\$ 1,543,209</u>	<u>\$ 1,203,543</u>
<b>Liabilities and Shareholders' Equity</b>			
Interest-bearing liabilities:			
Interest-bearing deposits	\$ 1,045,321	\$ 929,805	\$ 826,490
Federal Home Loan Bank Topeka and Federal Reserve borrowings	222,225	64,067	10,567
Subordinated notes	14,445	14,445	6,560
Total interest-bearing liabilities	1,281,991	1,008,317	843,617
Noninterest-bearing liabilities:			
Noninterest-bearing deposits	417,502	379,374	215,721
Other liabilities	22,564	18,815	19,881
Total noninterest-bearing liabilities	440,066	398,189	235,602
Total shareholders' equity	145,722	136,703	124,324
Total liabilities and shareholders' equity	<u>\$ 1,867,779</u>	<u>\$ 1,543,209</u>	<u>\$ 1,203,543</u>
<b>Yields (annualized)</b>			
Interest-bearing deposits in other financial institutions	0.22 %	0.23 %	2.20 %
Available-for-sale securities	1.71	1.84	2.43
Loans	3.87	3.85	4.55
Interest-earning assets	3.43	3.58	4.26
Mortgage loans held for sale	2.72	3.23	3.46
Total interest-earning assets, plus mortgage loans held for sale	3.39	3.56	4.22
Interest-bearing deposits	0.41	0.57	1.63
Federal Home Loan Bank Topeka and Federal Reserve borrowings	0.37	0.81	1.93
Subordinated notes	6.12	6.26	7.26
Total interest-bearing liabilities	0.47	0.66	1.68
Net interest margin	3.07	3.10	2.95
Net interest rate spread	2.96 %	2.92 %	2.58 %

**First Western Financial, Inc.**  
**Consolidated Financial Summary (unaudited) (continued)**

	As of and for the Three Months Ended		
	September 30, 2020	June 30, 2020	September 30, 2019
<i>(Dollars in thousands, except share and per share amounts)</i>			
<b>Asset Quality</b>			
Non-performing loans	\$ 9,881	\$ 11,454	\$ 13,980
Non-performing assets	10,439	12,112	14,638
Net charge-offs	\$ 5	\$ 12	\$ —
Non-performing loans to total loans	0.66 %	0.81 %	1.51 %
Non-performing assets to total assets	0.53	0.67	1.15
Allowance for loan losses to non-performing loans	119.88	90.40	54.90
Allowance for loan losses to total loans	0.79	0.73	0.83
Allowance for loan losses to bank originated loans excluding PPP <sup>(1)</sup>	1.00	0.93	0.83
Net charge-offs to average loans	— %(2)	— %(2)	— %
<b>Assets Under Management</b>	\$ 6,131,179	\$ 5,752,353	\$ 6,116,510
<b>Market Data</b>			
Book value per share at period end	\$ 18.81	\$ 17.56	\$ 15.75
Tangible book value per common share <sup>(1)</sup>	\$ 15.38	\$ 14.13	\$ 12.83
Weighted average outstanding shares, basic	7,911,871	7,890,337	7,890,959
Weighted average outstanding shares, diluted	8,019,007	7,928,518	7,914,959
Shares outstanding at period end	7,951,749	7,939,024	7,983,866
<b>Consolidated Capital</b>			
Tier 1 capital to risk-weighted assets	9.88 %	9.67 %	11.73 %
Common Equity Tier 1 (CET1) to risk-weighted assets	9.88	9.67	11.73
Total capital to risk-weighted assets	12.03	11.84	13.36
Tier 1 capital to average assets	7.52	8.30	8.76
<b>Bank Capital</b>			
Tier 1 capital to risk-weighted assets	10.28	10.12	10.98
Common Equity Tier 1 (CET1) to risk-weighted assets	10.28	10.12	10.98
Total capital to risk-weighted assets	11.26	11.05	11.87
Tier 1 capital to average assets	7.81 %	8.63 %	8.19 %

<sup>(1)</sup> Represents a Non-GAAP financial measure. See “Reconciliation of Non-GAAP Measures” for a reconciliation of our Non-GAAP measures to the most directly comparable GAAP financial measure.

<sup>(2)</sup> Calculation results in an immaterial amount.



**First Western Financial, Inc.**  
**Consolidated Financial Summary (unaudited) (continued)**

**Reconciliations of Non-GAAP Financial Measures**

	As of and for the Three Months Ended		
	September 30, 2020	June 30, 2020	September 30, 2019
<i>(Dollars in thousands, except share and per share amounts)</i>			
<b>Tangible Common</b>			
Total shareholders' equity	\$ 149,576	\$ 139,417	\$ 125,732
Less: goodwill	24,191	24,191	19,686
Less: intangibles held for sale	3,000	3,000 <sup>(1)</sup>	3,553
Less: other intangibles, net	72	76	36
<b>Tangible common equity</b>	<b>\$ 122,313</b>	<b>\$ 112,150</b>	<b>\$ 102,457</b>
Common shares outstanding, end of period	7,951,749	7,939,024	7,983,866
<b>Tangible common book value per share</b>	<b>\$ 15.38</b>	<b>\$ 14.13</b>	<b>\$ 12.83</b>
Net income available to common shareholders	\$ 9,630	\$ 8,696	\$ 2,406
<b>Return on tangible common equity (annualized)</b>	<b>31.49 %</b>	<b>31.02 %</b>	<b>9.39 %</b>
<b>Efficiency</b>			
Non-interest expense	\$ 16,632	\$ 12,644	\$ 13,442
Less: amortization	4	38	52
Less: provision on other real estate owned	100	—	—
Adjusted non-interest expense	\$ 16,528	\$ 12,606	\$ 13,390
Net interest income	\$ 12,918	\$ 10,796	\$ 7,940
Non-interest income	18,032	15,427	8,788
Less: net gain on sale of securities	—	—	119
Total income	\$ 30,950	\$ 26,223	\$ 16,609
<b>Efficiency ratio</b>	<b>53.40 %</b>	<b>48.07 %</b>	<b>80.62 %</b>
<b>Gross Revenue</b>			
Total income before non-interest expense	\$ 29,454	\$ 24,099	\$ 16,628
Less: net gain on sale of securities	—	—	119
Plus: provision for loan losses	1,496	2,124	100
<b>Gross revenue</b>	<b>\$ 30,950</b>	<b>\$ 26,223</b>	<b>\$ 16,609</b>
<b>Allowance to Bank Originated Loans Excluding PPP</b>			
Total loans	\$ 1,507,484	\$ 1,424,160	\$ 924,356
Less: loans acquired	124,689	123,786	—
Less: bank originated PPP loans	193,213	191,676	—
Bank originated loans excluding PPP	\$ 1,189,582	\$ 1,108,698	\$ 924,356
Allowance for loan losses	\$ 11,845	\$ 10,354	\$ 7,675
<b>Allowance for loan losses to bank originated loans excluding PPP</b>	<b>1.00 %</b>	<b>0.93 %</b>	<b>0.83 %</b>

<sup>(1)</sup> Represents only the intangible portion of assets held for sale

**First Western Financial, Inc.**  
**Consolidated Financial Summary (unaudited) (continued)**

	As of and for the Three Months Ended		
	September 30, 2020	June 30, 2020	September 30, 2019
<i>(Dollars in thousands, except share and per share data)</i>			
<b>Adjusted Net Income Available to Common Shareholders</b>			
Net income available to common shareholders	\$ 9,630	\$ 8,696	\$ 2,406
Plus: expenses related to branch purchase and assumption agreement	—	323	—
Plus: EMC performance related earn-out payouts	—	—	466
Plus: expenses related to sale of L.A. fixed income team	—	—	140
Less: income tax impact	—	78	157
<b>Adjusted net income available to shareholders</b>	<b>\$ 9,630</b>	<b>\$ 8,941</b>	<b>\$ 2,855</b>
<b>Adjusted Basic Earnings Per Share</b>			
Basic earnings per share	\$ 1.22	\$ 1.10	\$ 0.30
Plus: expenses related to branch purchase and assumption agreement	—	0.03	—
Plus: EMC performance related earn-out payouts	—	—	0.04
Plus: expenses related to sale of L.A. fixed income team	—	—	0.01
<b>Adjusted basic earnings per share</b>	<b>\$ 1.22</b>	<b>\$ 1.13</b>	<b>\$ 0.35</b>
<b>Adjusted Diluted Earnings Per Share</b>			
Diluted earnings per share	\$ 1.20	\$ 1.10	\$ 0.30
Plus: expenses related to branch purchase and assumption agreement	—	0.03	—
Plus: EMC performance related earn-out payouts	—	—	0.04
Plus: expenses related to sale of L.A. fixed income team	—	—	0.01
<b>Adjusted diluted earnings per share</b>	<b>\$ 1.20</b>	<b>\$ 1.13</b>	<b>\$ 0.35</b>
<b>Adjusted Return on Average Assets (annualized)</b>			
Return on average assets	2.06 %	2.25 %	0.80 %
Plus: expenses related to branch purchase and assumption agreement	—	0.07	—
Plus: EMC performance related earn-out payouts	—	—	0.12
Plus: expenses related to sale of L.A. fixed income team	—	—	0.03
<b>Adjusted return on average assets</b>	<b>2.06 %</b>	<b>2.32 %</b>	<b>0.95 %</b>
<b>Adjusted Return on Average Shareholders' Equity (annualized)</b>			
Return on average shareholders' equity	26.43 %	25.44 %	7.74 %
Plus: expenses related to branch purchase and assumption agreement	—	0.72	—
Plus: EMC performance related earn-out payouts	—	—	1.13
Plus: expenses related to sale of L.A. fixed income team	—	—	0.32
<b>Adjusted return on average shareholders' equity</b>	<b>26.43 %</b>	<b>26.16 %</b>	<b>9.19 %</b>
<b>Adjusted Return on Tangible Common Equity (annualized)</b>			
Return on tangible common equity	31.49 %	31.02 %	9.39 %
Plus: expenses related to branch purchase and assumption agreement	—	0.87	—
Plus: EMC performance related earn-out payouts	—	—	1.37
Plus: expenses related to sale of L.A. fixed income team	—	—	0.39
<b>Adjusted return on tangible common equity</b>	<b>31.49 %</b>	<b>31.89 %</b>	<b>11.15 %</b>



# First Western Financial, Inc.

*The First, Western-Based Private Trust Bank*

## Third Quarter 2020 Conference Call

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This presentation contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements reflect the current views of First Western Financial, Inc.’s (“First Western”) management with respect to, among other things, future events and First Western’s financial performance. These statements are often, but not always, made through the use of words or phrases such as “may,” “should,” “could,” “predict,” “potential,” “believe,” “will likely result,” “expect,” “continue,” “will,” “anticipate,” “seek,” “estimate,” “intend,” “plan,” “project,” “future,” “forecast,” “goal,” “target,” “would” and “outlook,” or the negative variations of those words or other comparable words of a future or forward-looking nature. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about First Western’s industry, management’s beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond First Western’s control. Accordingly, First Western cautions you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions and uncertainties that are difficult to predict. Although First Western believes that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements. Those following risks and uncertainties, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements: the COVID-19 pandemic and its effects; integration risks in connection with acquisitions; the risk of geographic concentration in Colorado, Arizona, Wyoming and California; the risk of changes in the economy affecting real estate values and liquidity; the risk in our ability to continue to originate residential real estate loans and sell such loans; risks specific to commercial loans and borrowers; the risk of claims and litigation pertaining to our fiduciary responsibilities; the risk of competition for investment managers and professionals; the risk of fluctuation in the value of our investment securities; the risk of changes in interest rates; and the risk of the adequacy of our allowance for credit losses and the risk in our ability to maintain a strong core deposit base or other low-cost funding sources. Additional information regarding these and other risks and uncertainties to which our business and future financial performance are subject is contained in our Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (“SEC”) on March 12, 2020 and other documents we file with the SEC from time to time. All subsequent written and oral forward-looking statements attributable to First Western or persons acting on First Western’s behalf are expressly qualified in their entirety by this paragraph. Forward-looking statements speak only as of the date of this presentation. First Western undertakes no obligation to publicly update or otherwise revise any forward-looking statements, whether as a result of new information, future events or otherwise (except as required by law).

Certain of the information contained herein may be derived from information provided by industry sources. The Company believes that such information is accurate and the sources from which it has been obtained are reliable; however, the Company cannot guaranty the accuracy of such information and has not independently verified such information.

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.

## Record Financial Performance

- Net income available to common shareholders of \$9.6 million, or \$1.20 EPS
- Gross revenue<sup>(1)</sup> of \$31.0 million, up 18.0% from 2Q20
- Book value per share and tangible book value<sup>(1)</sup> per share increased 7.1% and 8.8%, respectively, from 2Q20

## Investments in Talent and Platform Driving Expected Growth

- Strong organic balance sheet growth as established offices continue to achieve scale and new offices increase their contributions
  - Gross loans increased 5.9% from 2Q20
  - Total deposits increased 11.1% from 2Q20
- Commercial banking initiative resulting in strong growth in commercial relationships, loans and deposits

## Record Quarter of Mortgage Production

- Total residential mortgage originations for sale of \$376.3 million
- Net gain on mortgage loans of \$12.3 million

## Positive Trends in Asset Quality

- COVID-19 loan modifications declined by 62.3% from June 30, 2020
- COVID-19 loan modifications represented just 4.4% of total loans at September 30, 2020
- Non-performing assets declined by 13.8% from end of prior quarter
- History of exceptionally low credit losses continues

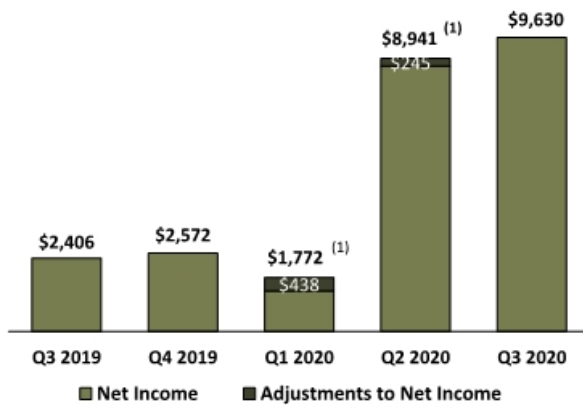
(1) See Non-GAAP reconciliation

# Net Income Available to Common Shareholders and Earnings per Share

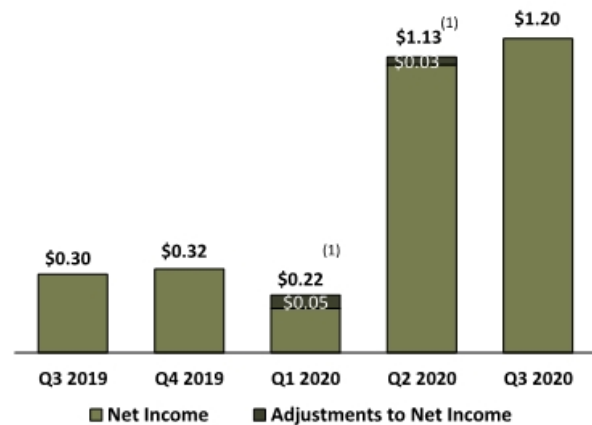
- Record financial performance despite ongoing impact of COVID-19 pandemic
- Net income of \$9.6 million, or \$1.20 diluted earnings per share, in 3Q20
- Mortgage activity providing significant contribution to current earnings, while balance sheet growth and improving leverage demonstrating sustainable progress to improving profitability and returns

## Net Income Available to Common Shareholders

(in thousands)



## Earnings per Share



(1) See Non-GAAP reconciliation

- Total loans held-for-investment (HFI) increased \$83.3 million, or 23.6% from prior quarter
- Balanced growth across most areas of the portfolio
- Commercial banking initiative shifting loan portfolio more towards business-related loans

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

(in thousands, as of quarter-end)

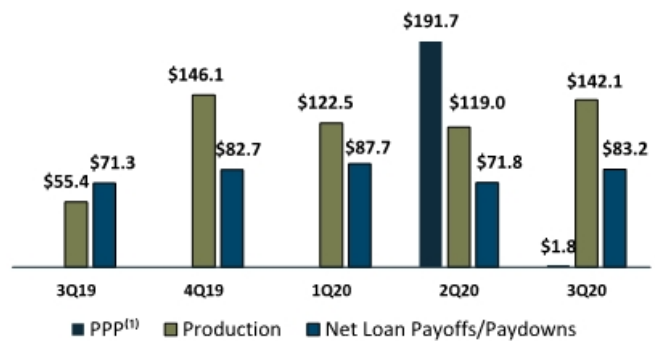
	3Q 2019	2Q 2020	3Q 2020
Cash, Securities and Other	\$146,622	\$371,111	\$371,481
Construction and Development	42,059	74,793	105,717
1 - 4 Family Residential	366,238	418,409	446,959
Non-Owner Occupied CRE	138,753	229,150	243,564
Owner Occupied CRE	119,497	117,426	154,138
Commercial and Industrial	111,187	213,271	185,625
<b>Total Loans HFI</b>	<b>\$924,356</b>	<b>\$1,424,160</b>	<b>\$1,507,484</b>
Mortgage loans held-for-sale (HFS)	69,231	69,604	89,872
<b>Total Loans</b>	<b>\$993,587</b>	<b>\$1,493,764</b>	<b>\$1,597,356</b>

(1) Bank originated

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

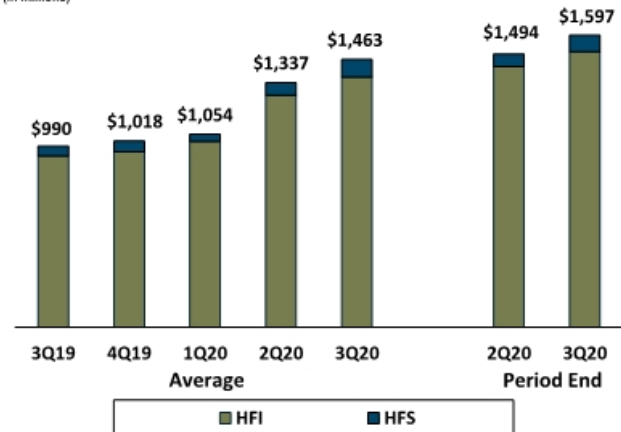
## Loan Production & Net Loan Payoffs/Paydowns

(in millions)



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

(in millions)





# Total Deposits

- Total deposits increased \$156.7 million, or 11.1%, from end of prior quarter
- PPP-related deposits accounted for \$29.0 million of quarter end total deposits
- Growth almost entirely attributable to increases in commercial DDA relationships
- Noninterest-bearing deposits increased to 30.2% of total deposits at 3Q20 from 20.9% at 3Q19

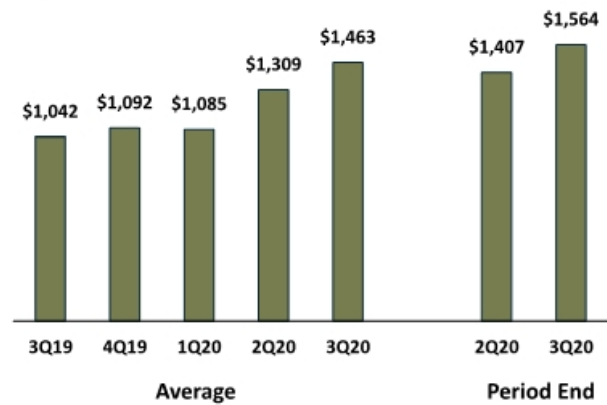
## Deposit Portfolio Composition

(in thousands, as of quarter-end)

	3Q 2019	2Q 2020 <sup>(1)</sup>	3Q 2020 <sup>(1)</sup>
Money market deposit accounts	\$620,434	\$759,997	\$805,634
Time deposits	170,457	152,897	177,391
NOW	83,022	88,560	101,708
Savings accounts	3,456	7,415	5,976
Noninterest-bearing accounts	231,535	398,063	472,963
<b>Total Deposits</b>	<b>\$1,108,904</b>	<b>\$1,406,932</b>	<b>\$1,563,672</b>

## Total Deposits

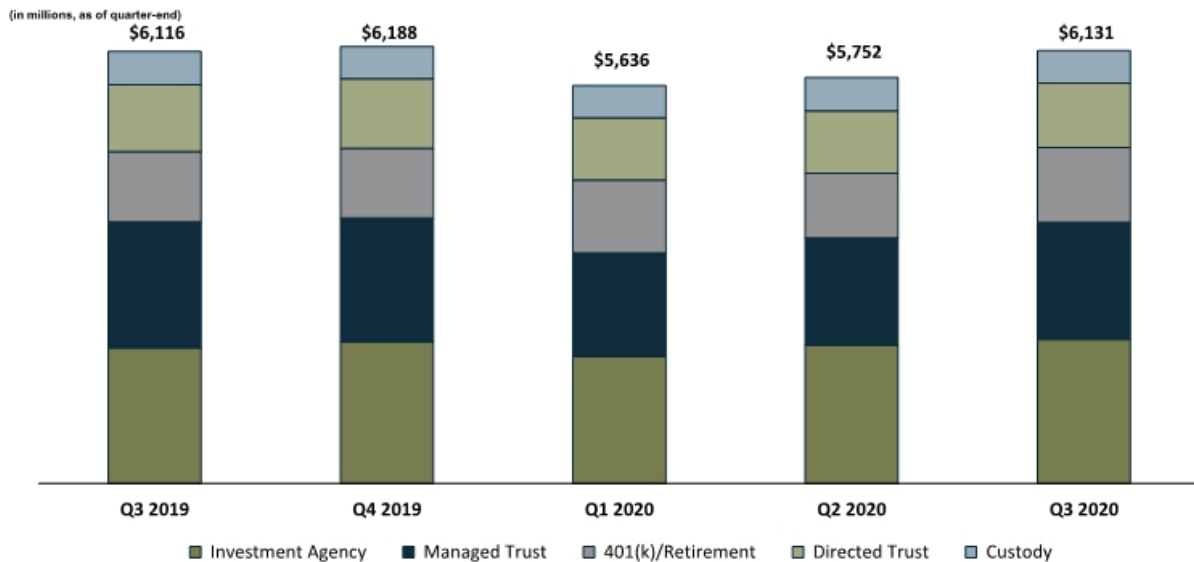
(in millions)



(1) PPP related deposits accounted for \$29.0 million and \$62.4 million of total deposit balances at 9/30/20 and 6/30/20, respectively



- Total assets under management increased \$378.8 million from June 30, 2020 to \$6.13 billion at September 30, 2020
- Increase was primarily attributable to client contributions to existing accounts and improving market conditions



# Paycheck Protection Program Overview

Impact on 3Q20 Financials <sup>(1)</sup>	
(\$ in Millions)	
<b>Net Interest Income</b>	
Amortization of SBA Fee Income and deferred loan origination expense <sup>(2)</sup>	\$0.4
Interest Income from PPP loans, less PPPLF funding cost	\$0.3
<b>Net Interest Income</b>	<b>\$0.7</b>
<b>Expense: Salaries &amp; Employee Benefits</b>	
Deferred Loan Origination Expense	(\$0.1)
<b>Net Impact of PPP</b>	<b>\$0.8</b>

(\$ in Millions)	At or for the three months ended 9/30/20
<b>Total Loans</b>	\$206.1
<b>Average Loan Size</b>	\$0.3
<b>Total Deposits</b>	\$29.0
<b>PPPLF Advances</b>	\$204.1
<b>Net Interest Margin Impact</b>	<b>-31 bps</b>
<b>Remaining Fees to be Recognized Pre-Tax<sup>(3)</sup></b>	\$2.1

PPP Loan Forgiveness (\$ in Millions)	As of 10/16/20
<b>Loans Submitted to SBA</b>	\$85.2
<b>Number of Loans Forgiven by SBA</b>	46
<b>Amount of Loans Forgiven by SBA</b>	\$2.1
<b>Loans under \$50K not yet forgiven</b>	\$5.5

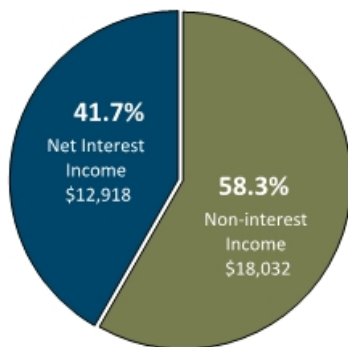
(1) All numbers represented do not include the impact of taxes

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

(3) Includes \$4.4 million in SBA fee income less \$2.3 million of deferred loan origination expense

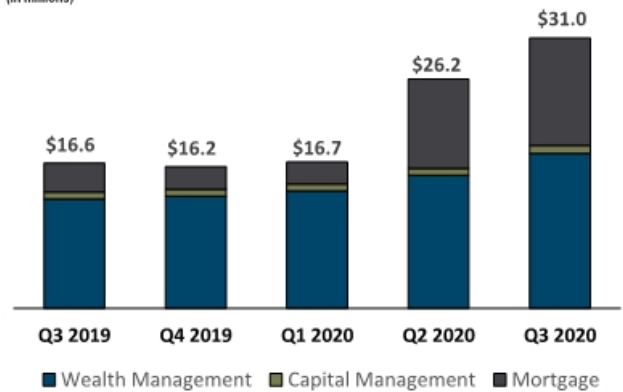
- Gross revenue<sup>(1)</sup> increased 18.0% from 2Q20
- Strong year-over-year growth in both net interest income and non-interest income
  - Relative to 2Q20, net interest income growth exceeded non-interest income growth

3Q20 Gross Revenue<sup>(1)</sup>



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

(in millions)



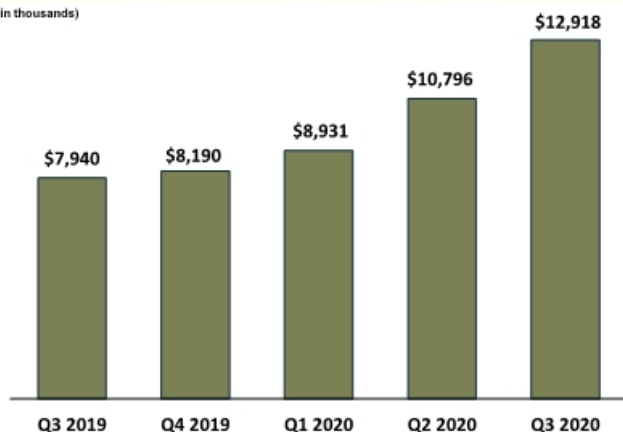
(1) See Non-GAAP reconciliation

# Net Interest Income & Net Interest Margin

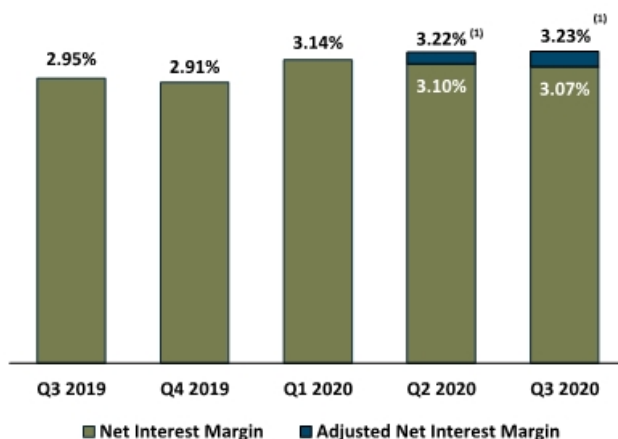
- Net interest income increased 19.7% from 2Q20, primarily due to an increase in average loan balances
- Net interest margin, including impact of PPP loans, remained relatively stable at 3.07%
- Net interest margin, excluding impact of PPP and purchase accretion<sup>(1)</sup>, increased to 3.23% in 3Q20
- Cost of deposits decreased 11 bps to 0.29% in 3Q20 from 0.40% in 2Q20
- Redeployment of excess liquidity and additional opportunities to reduce deposit costs should result in higher NIM going forward

## Net Interest Income

(in thousands)



## Net Interest Margin

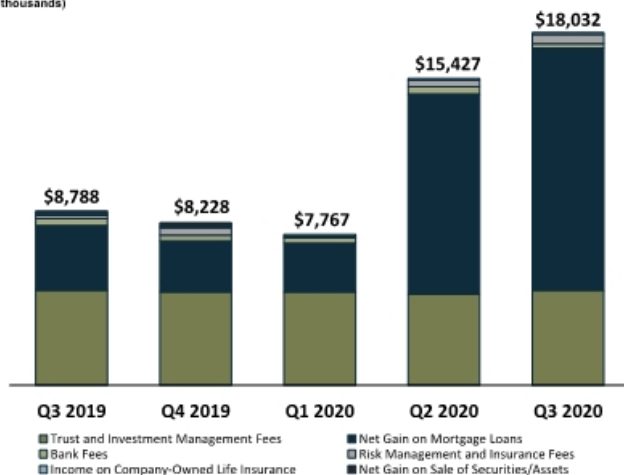


(1) See Non-GAAP reconciliation

- Non-interest income increased 16.9% from 2Q20
- Increase primarily due to record quarter of net gain on mortgage loans
- Increasing economic activity and clients added through branch acquisition contributing to increase in fee income

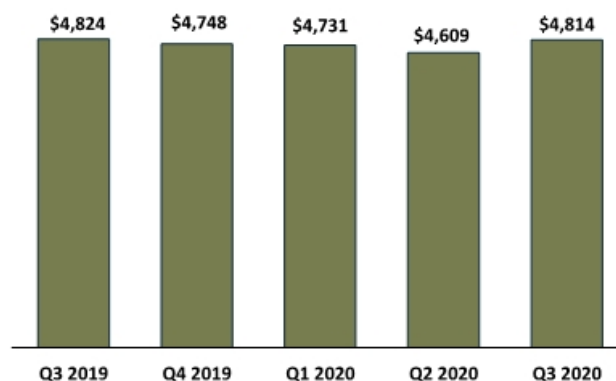
**Total Non-Interest Income**

(in thousands)

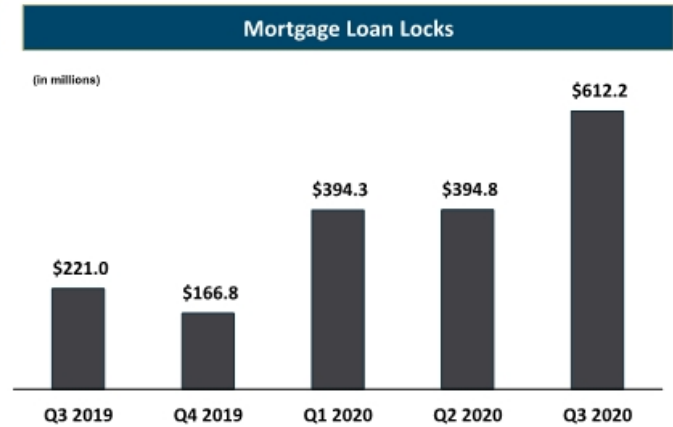
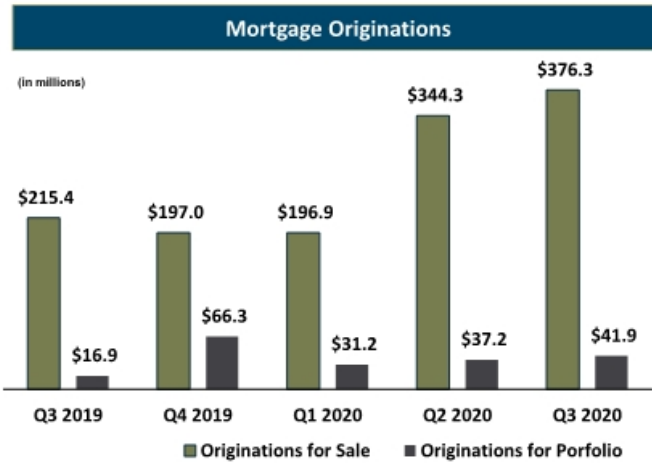
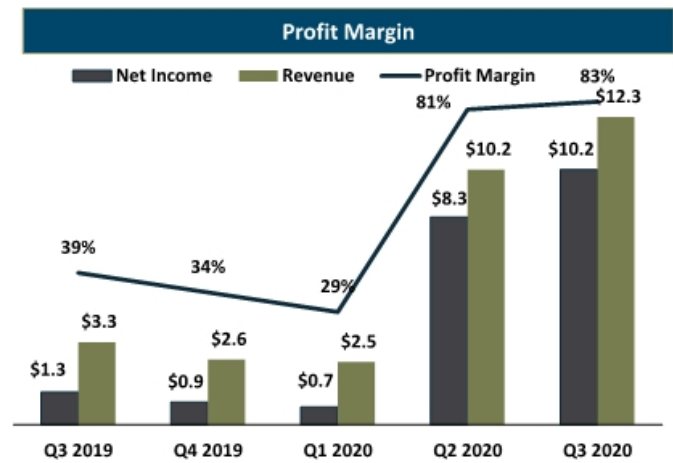


**Trust & Investment Management Fees**

(in thousands)



- Record mortgage originations in 3Q20
- Refi/Purchase mix of 59%/41% in 3Q20, compared to 73%/27% in 2Q20 and 54%/46% in 3Q19
- Mortgage profit margins have increased from 39% in 3Q19 to 83% in 3Q20

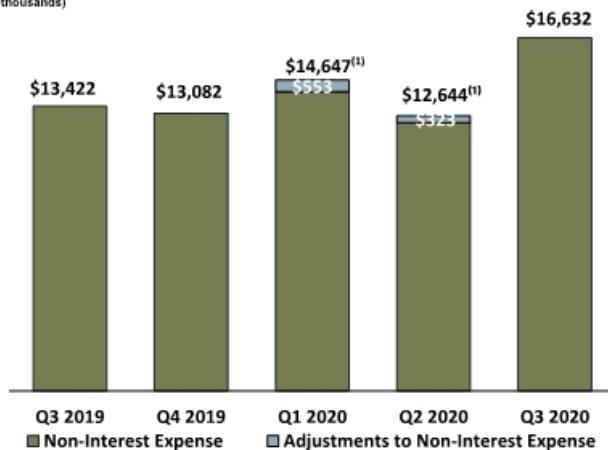


# Non-Interest Expense and Efficiency Ratio

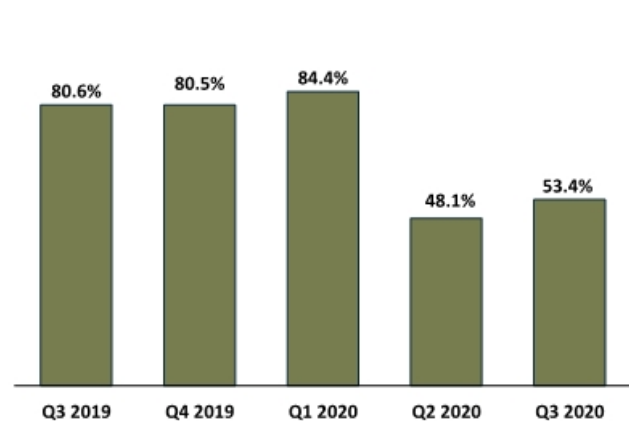
- Non-interest expense increased 31.5% from 2Q20
- Increase in non-interest expense primarily due to deferred loan origination expense related to PPP loans that reduced expense levels in 2Q20
- Full quarter impact of personnel and offices added through branch acquisition also contributed to increase in non-interest expense
- Balance sheet growth and mortgage activity continue to drive significant improvement in efficiency ratio

**Total Non-Interest Expense**

(in thousands)



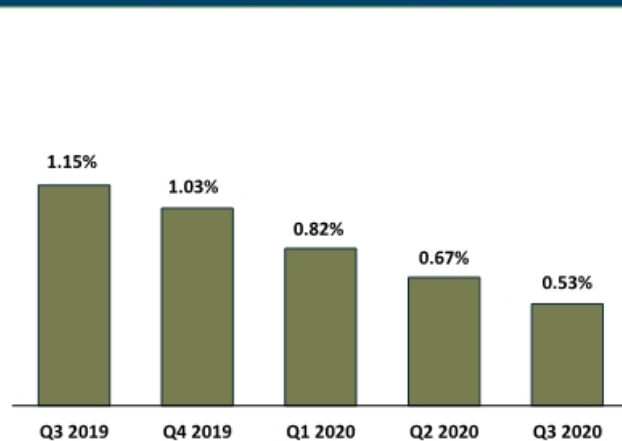
**Operating Efficiency Ratio<sup>(1)</sup>**



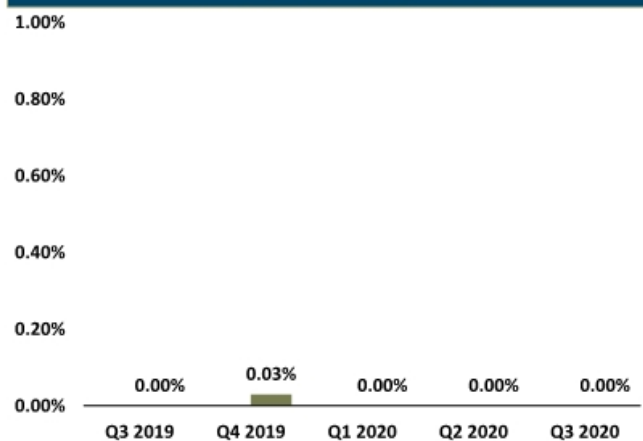
(1) See Non-GAAP reconciliation

- Generally stable to improving trends across the portfolio
- Non-performing assets decreased by \$1.7 million, and declined as a percentage of total assets to 0.53% from 0.67% in 2Q20
- Minimal charge-offs again in the quarter

Non-Performing Assets/Total Assets



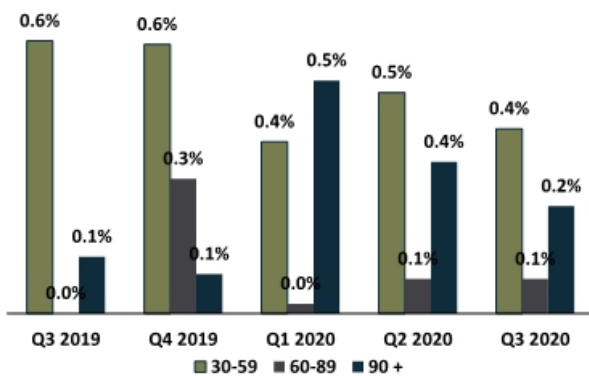
Net Charge-Offs/Average Loans



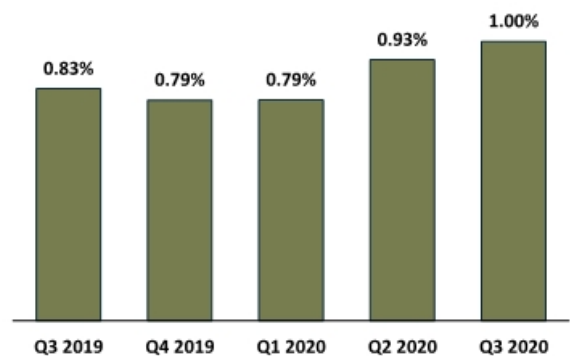


- \$1.5 million provision expense reflects the growth in the loan portfolio, as well as continued economic uncertainty
- Increased loan level reviews and portfolio monitoring continue through the duration of the pandemic
- Past due loans as a percentage of total loans declined from Q2 2020

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; see non-GAAP reconciliation

# Loan Modification Overview

- **Modified loan balances declined by 62.3% during 3Q20**
- **New loan modification requests have slowed considerably, offering on exception basis only as of June 30**
  - **One new loan modification made in July and one in September**
- **Most initial modifications were for 180 days or less**
- **Only one modified loan has been granted a second 90-day modification (\$750,000)**

	As reported June 30, 2020			As of September 30, 2020		
	Modified Loan Balances	Loan Count	% of Loans (ex. PPP)	Modified Loan Balances	Loan Count	% of Loans (ex. PPP)
Commercial Real Estate	\$83.0 million	40	6.8%	\$55.8 million	32	4.3%
Commercial & Industrial	\$42.5 million	18	3.5%	\$5.0 million	5	0.4%
1-4 Family	\$41.7 million	31	3.4%	\$4.4 million	6	0.3%
All Other	\$9.7 million	9	0.8%	\$1.5 million	1	0.1%
<b>Total</b>	<b>\$176.9 million</b>	<b>98</b>	<b>14.5%</b>	<b>\$66.7 million</b>	<b>44</b>	<b>5.1%</b>

## Portfolio Loan Level Reviews

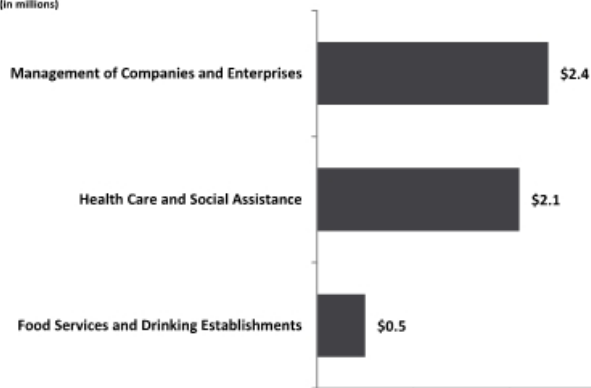
- Borrowers providing current financials and cash flow forecasts
- Increased monitoring and oversight
- Identify emerging issues early

## Modified Loan Characteristics (as of September 30, 2020)

Commercial / Consumer Mix	97% / 3%
Total Modified Loans	\$66.7 million
Number of Loans	44
Average Loan Size	\$1.5 million
Loan-to-Value (Avg)	46%
Seasoning (Avg)	3.6 years

## Modified C&I Loans by Industry Exposure

(In millions)



## Modified CRE Loans by Collateral Type

(In millions)



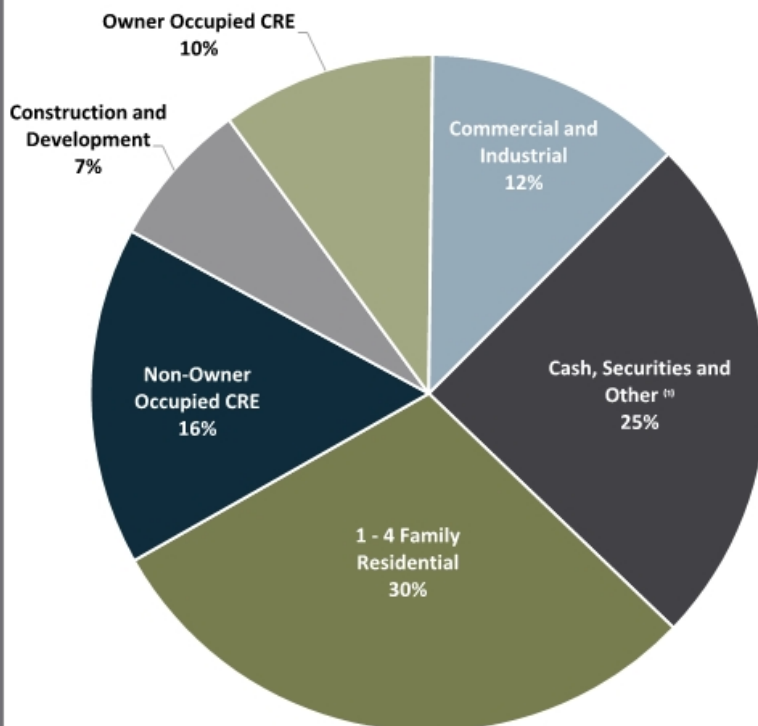
- Significant growth in tangible book value expected to continue
  - Core earnings and operating leverage improvement expected to continue
  - PPP fee recognition and pending sale of LA Fixed Income Team
- Asset quality showing strength despite continuation of pandemic
- Initial synergies being realized from branch acquisition
- Net interest margin expected to expand as excess liquidity is redeployed and deposit costs continue to decline
- Strong mortgage originations continuing in 4Q20
- Healthy loan pipeline should continue to drive organic loan growth
- Commercial banking initiative accelerating following the addition of talent from branch acquisition in May
  - Adding expertise to target niche industries
  - Building SBA lending capability
  - Actively participating in Main Street Lending Program



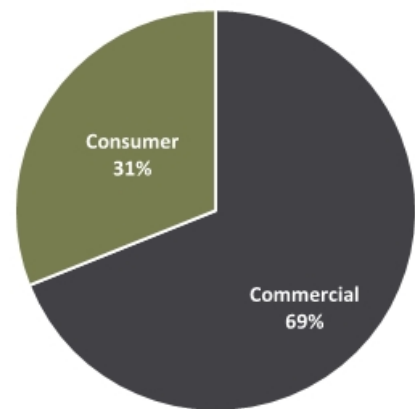
## Appendix

# Loan Portfolio Composition

**\$1.5 Billion**  
(as of 9/30/20)



## Commercial vs. Consumer

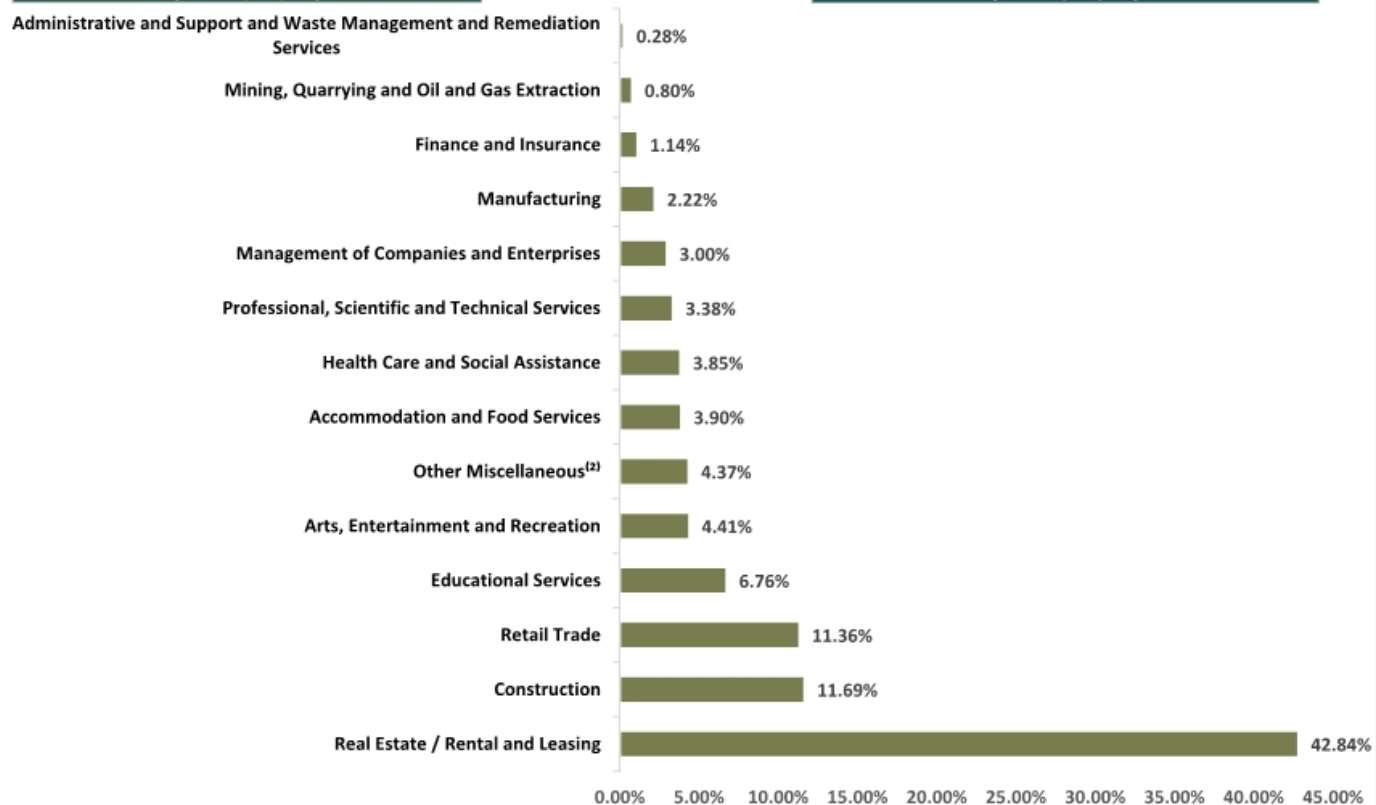


<sup>(1)</sup> PPP loans accounted for \$206.1 million of total loans at 9/30/20

# Commercial Loans by Industry<sup>(1)</sup>

**\$830.1 Million**  
(as of 9/30/20)

**Industry as a Percentage of Commercial Loans**  
(as of 9/30/20)



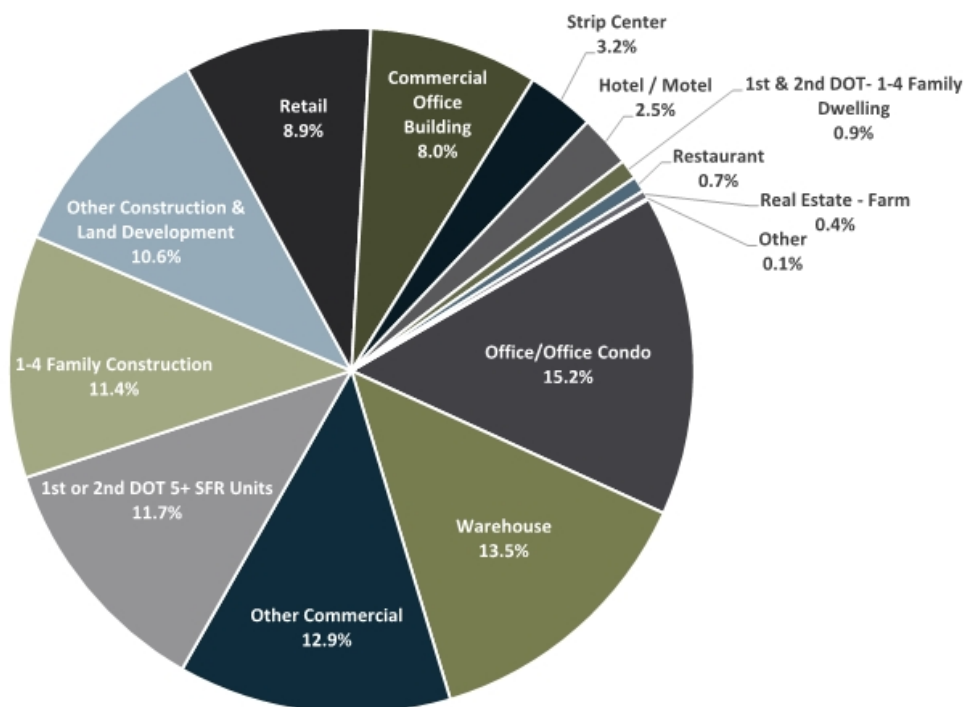
(1) Excludes PPP loans

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

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

**\$503.4 Million**  
(as of 9/30/20)

**Property Type as a Percentage of CRE Loans**  
(as of 9/30/20)



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



Portfolio Characteristics - CRE	
Loan Balances Outstanding (9/30/20)	\$503.4 million
Number of Loans	270
Average Loan Size	\$1.9 million
Loan-to-Value (Avg)	47.7%
Seasoning (Avg)	2.3 years
Net Charge-offs in 2019 & 2020	0.00%

## Underwriting Criteria

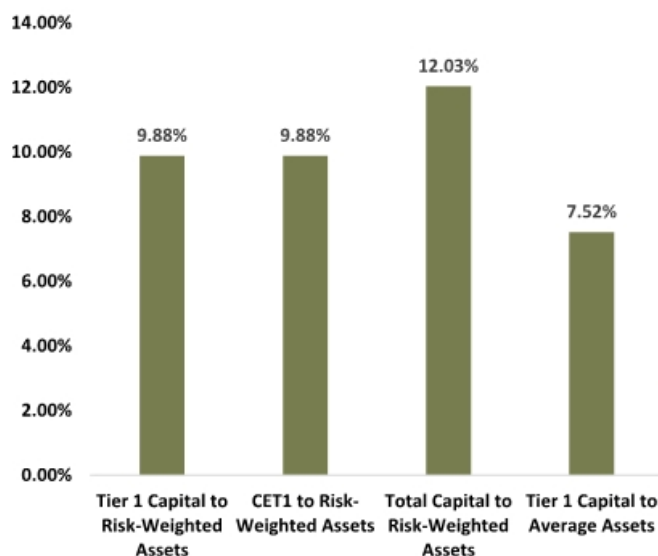
- We require our CRE loans to be secured by seasoned and well-managed properties with adequate margins
- We generally obtain a guaranty from experienced owners and managers with outside cash flows and/or other assets
- Loan amounts generally do not exceed 80% or 75% of the property's appraised value 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 9/30/20)

Industry Exposure	Outstanding Balances (\$ in millions)	% of Total Loans	Unused Commitments (\$ in Millions)	Portfolio Characteristics
Energy Related	\$6.7	0.4%	\$16.8	<ul style="list-style-type: none"> <li>Indirect business or personal exposure to energy industry</li> <li>Collateral type: 47% life insurance, 39% IM accounts, 14% other assets</li> </ul>
Accommodations	\$20.1	1.3%	\$5.7	<ul style="list-style-type: none"> <li>Portfolio consists of nine loans</li> <li>Largest loan is in prominent geographic region with multiple sources of repayment and personal guarantee</li> </ul>
Food Service, Drinking Establishments	\$12.3	0.8%	\$2.8	<ul style="list-style-type: none"> <li>Portfolio consists of nineteen borrowers</li> <li>Average loan balance of approximately \$648,000</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 9/30/20)



## Liquidity Funding Sources (as of 9/30/20)

### Liquidity Reserves:

Total Available Cash	\$249,542,451
Unpledged Investment Securities	\$ 34,412,685

### Borrowed Funds:

#### Unsecured:

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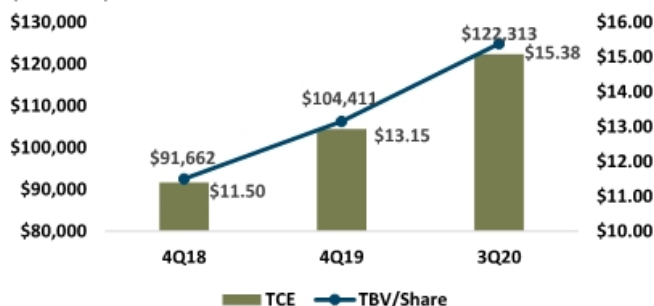
#### Secured:

FHLB Available	\$401,870,448
FRB Available	\$ 1,035,353
Brokered Remaining Capacity	\$204,724,959

<b>Total Liquidity Funding Sources</b>	<b>\$945,585,896</b>
<b>Loan to Deposit Ratio</b>	<b>96.3%</b>

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

(in thousands)



(1) See Non-GAAP reconciliation

# Non-GAAP Reconciliation

Consolidated Efficiency Ratio (Dollars in thousands)	For the Three Months Ended,				
	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020
Non-interest expense	\$13,442	\$13,082	\$14,647	\$12,644	\$16,632
Less: amortization	52	7	2	38	4
Less: provision on other real estate owned	-	-	-	-	100
Less: loss on assets held for sale	-	-	553	-	-
Adjusted non-interest expense	\$13,390	\$13,075	\$14,092	\$12,606	\$16,528
Net interest income	\$7,940	\$8,190	\$8,931	\$10,796	\$12,918
Non-interest income	8,788	8,228	7,767	15,427	18,032
Less: Net gain on sale of securities	119	-	-	-	-
Less: Net gain on sale of assets	-	183	-	-	-
Total income	\$16,609	\$16,235	\$16,698	\$26,223	\$30,950
<b>Efficiency ratio</b>	<b>80.6%</b>	<b>80.5%</b>	<b>84.4%</b>	<b>48.1%</b>	<b>53.4%</b>
Consolidated Tangible Common Book Value Per Share (Dollars in thousands)	As of the Three Months Ended,				
	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020
Total shareholders' equity	\$125,732	\$127,678	\$128,703	\$139,417	\$149,576
Less:					
Goodwill	19,686	\$19,686	\$19,686	\$24,191	\$24,191
Intangibles held for sale <sup>(1)</sup>	3,553	3,553	3,000	3,000	3,000
Other intangibles, net	36	28	26	76	72
<b>Tangible common equity</b>	<b>102,457</b>	<b>104,411</b>	<b>105,991</b>	<b>112,150</b>	<b>122,313</b>
Common shares outstanding, end of period	7,983,284	7,940,168	7,917,489	7,939,024	7,951,749
<b>Tangible common book value per share</b>	<b>\$12.83</b>	<b>\$13.15</b>	<b>\$13.39</b>	<b>\$14.13</b>	<b>\$15.38</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)	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020
Total income before non-interest expense	\$12,554	\$12,534	\$13,023	\$13,114	\$16,232
Less: Net gain on sale of securities	119	-	-	-	-
Less: Net gain on sale of assets	-	183	-	-	-
Plus: Provision for credit loss	100	447	367	2,124	1,496
<b>Gross revenue</b>	<b>\$12,535</b>	<b>\$12,798</b>	<b>\$13,390</b>	<b>\$15,238</b>	<b>\$17,728</b>

Capital Management Gross Revenue	For the Three Months Ended,				
(Dollars in thousands)	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020
Total income before non-interest expense	\$776	\$815	\$804	\$788	\$899
Less: Net gain on sale of securities	-	-	-	-	-
Less: Net gain on sale of assets	-	-	-	-	-
Plus: Provision for credit loss	-	-	-	-	-
<b>Gross revenue</b>	<b>\$776</b>	<b>\$815</b>	<b>\$804</b>	<b>\$788</b>	<b>\$899</b>

Mortgage Gross Revenue	For the Three Months Ended,				
(Dollars in thousands)	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020
Total income before non-interest expense	\$3,298	\$2,622	\$2,504	\$10,197	\$12,323
Less: Net gain on sale of securities	-	-	-	-	-
Less: Net gain on sale of assets	-	-	-	-	-
Plus: Provision for credit loss	-	-	-	-	-
<b>Gross revenue</b>	<b>\$3,298</b>	<b>\$2,622</b>	<b>\$2,504</b>	<b>\$10,197</b>	<b>\$12,323</b>

Consolidated Gross Revenue	For the Three Months Ended,				
(Dollars in thousands)	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020
Total income before non-interest expense	\$16,628	\$15,971	\$16,331	\$24,099	\$29,454
Less: Net gain on sale of securities	119	-	-	-	-
Less: Net gain on sale of assets	-	183	-	-	-
Plus: Provision for credit loss	100	447	367	2,124	1,496
<b>Gross revenue</b>	<b>\$16,609</b>	<b>\$16,235</b>	<b>\$16,698</b>	<b>\$26,223</b>	<b>\$30,950</b>

# Non-GAAP Reconciliation

Adjusted net income available to common shareholders (Dollars in thousands, except per share data)	For the Three Months Ended,				
	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020
Net income available to common shareholders	\$2,406	\$2,572	\$1,334	\$8,696	\$9,630
Plus: acquisition related expense including tax impact	-	-	-	245	-
Plus: goodwill impairment including tax impact	-	-	-	-	-
Plus: loss on intangibles held for sale including tax impact	-	-	438	-	-
<b>Adjusted net income to common shareholders</b>	<b>\$2,406</b>	<b>\$2,572</b>	<b>\$1,772</b>	<b>\$8,941</b>	<b>\$9,630</b>
Adjusted earnings per share (Dollars in thousands, except per share data)	For the Three Months Ended,				
	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020
Earnings per share	\$0.30	\$0.32	\$0.17	\$1.10	\$1.20
Plus: acquisition related expenses including tax impact	-	-	-	0.03	-
Plus: goodwill impairment including tax impact	-	-	-	-	-
Plus: loss on intangibles held for sale including tax impact	-	-	0.05	-	-
<b>Adjusted earnings per share</b>	<b>\$0.30</b>	<b>\$0.32</b>	<b>\$0.22</b>	<b>\$1.13</b>	<b>\$1.20</b>
Total Non-Interest Expense adjusted for Non-Operating items (Dollars in thousands)	For the Three Months Ended,				
	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020
Net income available to common shareholders	\$13,422	\$13,082	\$14,647	\$12,644	\$16,632
Less: acquisition related expense	-	-	-	323	-
Less: goodwill impairment	-	-	-	-	-
Less: loss on intangibles held for sale	-	-	553	-	-
<b>Total Non-Interest Expense adjusted for Non-Operating items</b>	<b>\$13,422</b>	<b>\$13,082</b>	<b>\$14,094</b>	<b>\$12,321</b>	<b>\$16,632</b>
Allowance for loan losses to Bank originated loans excluding PPP (Dollars in thousands)	As of				
	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020
Gross loans	924,356	996,559	1,042,478	1,424,160	1,507,484
Less: Branch acquisition	-	-	-	123,786	124,689
Less: PPP loans	-	-	-	191,676	193,213
<b>Loans excluding acquired and PPP</b>	<b>924,356</b>	<b>996,559</b>	<b>1,042,478</b>	<b>1,108,698</b>	<b>1,189,582</b>
Allowance for loan losses	7,675	7,875	8,242	10,354	11,845
<b>Allowance for loan losses to Bank originated loans excluding PPP</b>	<b>0.83%</b>	<b>0.79%</b>	<b>0.79%</b>	<b>0.93%</b>	<b>1.00%</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	
Adjusted net interest margin			3.22%

Adjusted net interest margin (Dollars in thousands)	For the Three Months Ended September 30,		
	Average Balance	Interest Earned/Paid	Average Yield/Rate
Interest-bearing deposits in other financial institutions	178,756	99	
PPP adjustment	(38,618)	(45)	
Available-for-sale securities	40,528	173	
PPP adjustment	-	-	
Loans	1,462,872	14,138	
PPP adjustment	(201,208)	(870)	
Purchase accretion adjustment	-	(534)	
Adjusted total Interest-earning assets	1,442,330	12,961	
Interest-bearing deposits		1,067	
PPP adjustment		-	
Federal Home Loan Bank Topeka and Federal Reserve borrowings		204	
PPP adjustment		(180)	
Subordinated notes		221	
Adjusted total interest-bearing liabilities		1,312	
Net interest income		11,649	
Adjusted net interest margin			3.23%