



FIRSTwestern

Second Quarter 2022
Conference Call

Safe Harbor

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Overview of 2Q22

2Q22 Earnings

- Net income available to common shareholders of \$4.5 million, or \$0.46 per diluted share
- Excluding acquisition-related expenses, adjusted net income of \$4.7 million, or \$0.49 per diluted share⁽¹⁾
- Strong growth in net interest income offset by lower non-interest income

Record Loan Production and Growth

- Total loans held for investment increased at annualized rate of 45%, driven by record loan production
- Increases across most major loan categories
- Productivity of commercial banking platform continues to increase, resulting in 32% growth in C&I loan portfolio from end of prior quarter

Significant NIM Expansion

- Net interest margin increased 37 bps to 3.35%
- Favorable shift in mix of earning assets and higher average yield on loans
- Deposit costs remain well controlled

Asset Quality Remains Exceptional

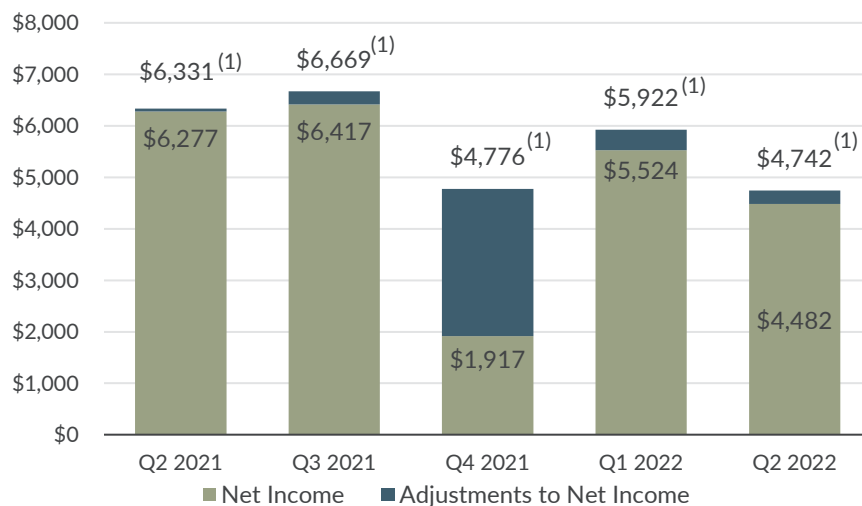
- Non-performing assets remained consistent at 0.17% of total assets
- History of exceptionally low charge-offs continues
- Allowance as a percentage of bank originated loans returns to pre-pandemic levels

(1) See Non-GAAP reconciliation

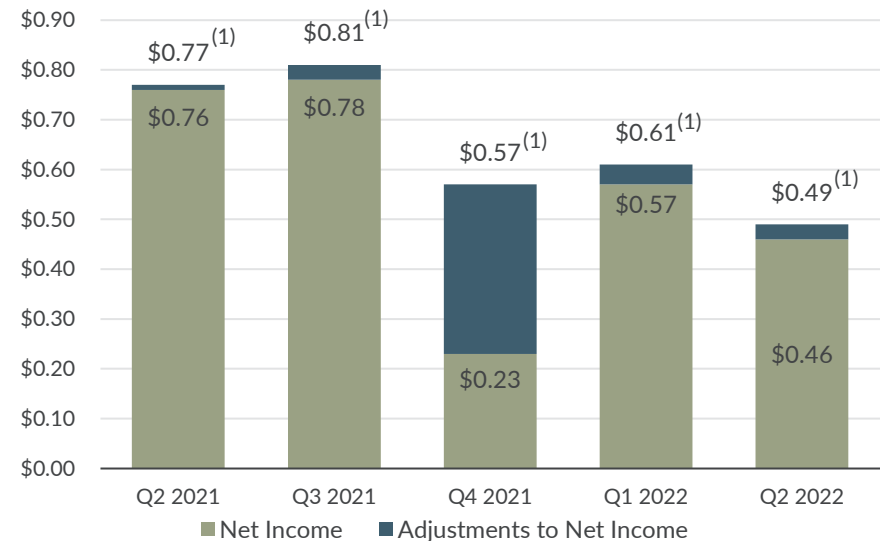
Net Income Available to Common Shareholders and Earnings per Share

- Net income of \$4.5 million, or \$0.46 diluted earnings per share, in 2Q22
- Excluding acquisition-related expenses, adjusted diluted earnings per share⁽¹⁾ of \$0.49 in 2Q22
- Strong profitability resulted in 1.6% and 2.0% increase in book value per share and tangible book value per share⁽¹⁾, respectively, from 1Q22
- Strategic decision to retain liquidity in cash during 2021, rather than redeploying funds into investment securities, has preserved book value as interest rates have increased in 2022

Net Income Available to Common Shareholders



Diluted Earnings per Share

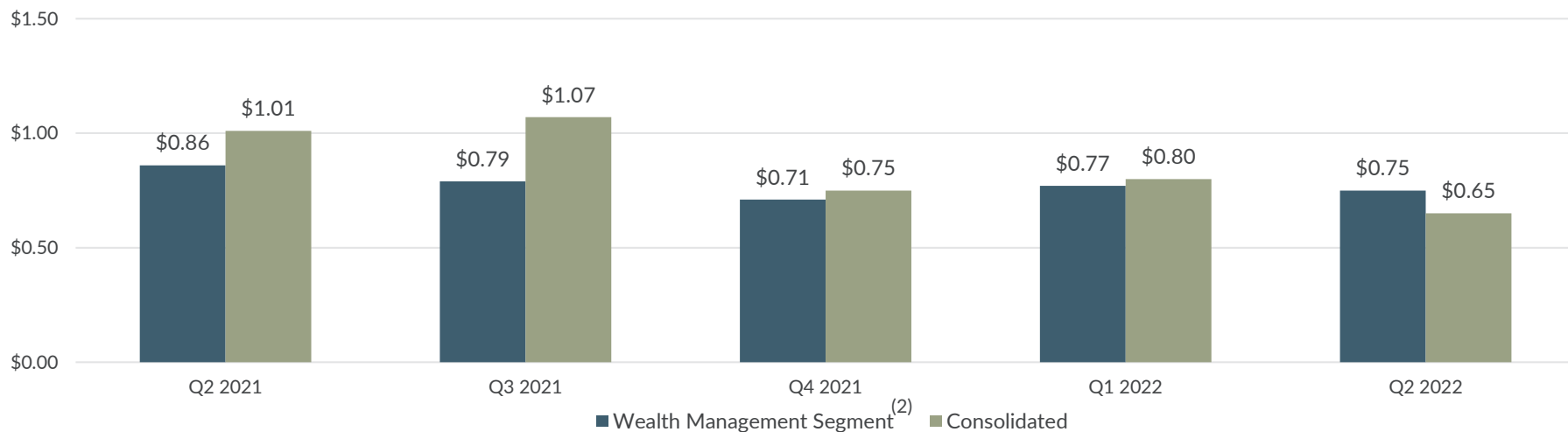


(1) See Non-GAAP reconciliation

Wealth Management Segment Earnings

- Growth in private banking, commercial banking, and trust and investment management (TIM) businesses replacing earnings generated by mortgage segment during refinancing boom and creating sustainable path to higher profitability over long-term
- Quarter-over-quarter decline in wealth management segment earnings primarily due to decline in TIM revenues due to declining market and increased commission expense due to increased mortgage loan production

Wealth Management Segment Diluted Pre-Tax Earnings Per Share⁽¹⁾



(1) See Non-GAAP reconciliation

(2) Wealth Management segment earnings reflects contribution of private banking, commercial banking, and trust and investment management business lines

Loan Portfolio

Loan Portfolio Details

- Total loans HFI increased \$219.0 million from prior quarter
- Record loan production more than offset continued high level of payoffs
- Growth in most major loan categories with largest increases in C&I and 1-4 family residential
- Mortgage loan officers generating more jumbo ARMs for portfolio that provide high quality assets at attractive yields

Loan Portfolio Composition⁽¹⁾

(\$ in thousands, as of quarter end)

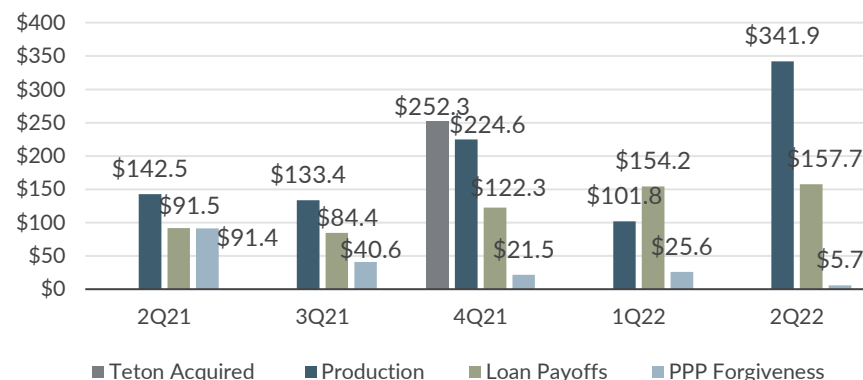
	2Q 2021	1Q 2022	2Q 2022
Cash, Securities and Other	\$268,904	\$235,221	\$180,738
Consumer and Other ⁽²⁾	22,003	36,578	47,855
Construction and Development	127,141	151,651	162,426
1-4 Family Residential	496,101	602,412	732,725
Non-Owner Occupied CRE	324,493	455,715	489,111
Owner Occupied CRE	178,847	212,401	224,597
Commercial and Industrial	155,526	237,144	312,696
Total Loans HFI	\$1,573,015	\$1,931,122	2,150,148
Mortgage loans held-for-sale (HFS)	48,563	33,663	26,202
Total Loans	\$1,621,578	\$1,964,785	\$2,176,350

(1) Represents unpaid principal balance. Excludes deferred (fees) costs, and amortized premium/ (unaccreted discount) and fair value adjustments on loans accounted for under the fair value option.

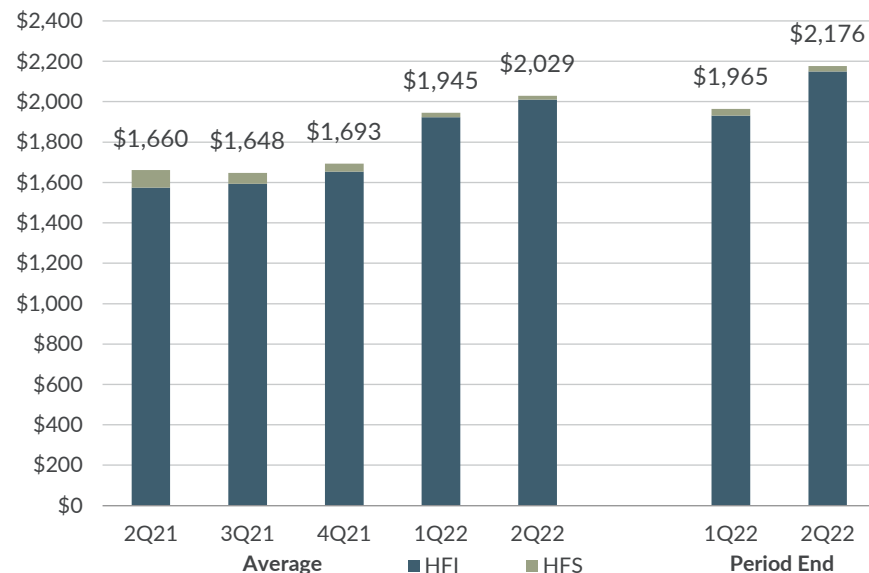
(2) Includes loans held for investment accounted for under fair value option of \$21.1 million and \$6.4 million as of June 30, 2022 and March 31, 2022, respectively.

Loan Production & Loan Payoffs

(in millions)



Total Loans⁽¹⁾



Total Deposits

- Total deposits decreased \$102.1 million from end of prior quarter
- Decrease primarily driven by fluctuations in commercial operating accounts, seasonal tax payments made by clients, and clients moving deposits into investment opportunities
- New client acquisition activity resulted in \$84.9 million in new deposit accounts in 2Q22

Deposit Portfolio Composition

	2Q 2021	1Q 2022	2Q 2022
Money market deposit accounts	\$840,073	\$1,108,315	\$1,033,739
Time deposits	137,499	156,678	147,623
NOW	141,076	319,648	287,195
Savings accounts	5,299	33,070	33,099
Noninterest-bearing accounts	555,106	654,401	668,342
Total Deposits	\$1,679,053	\$2,272,112	\$2,169,998

Total Deposits

(\$ in millions)

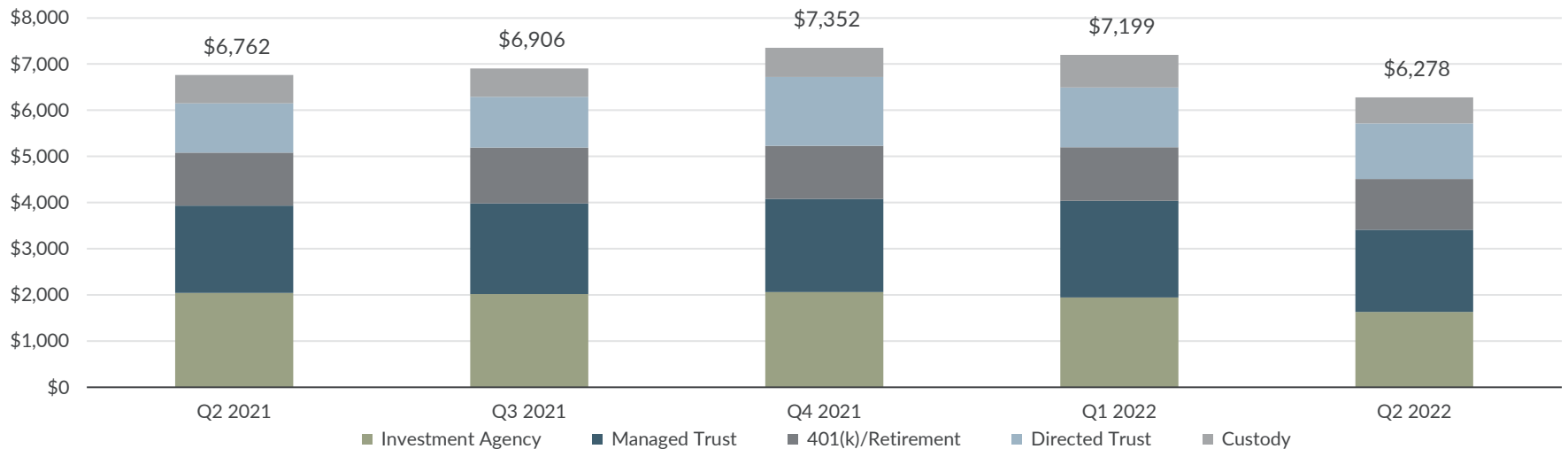


Trust and Investment Management

- Total assets under management decreased \$921.7 million from March 31, 2022 to \$6.28 billion as of June 30, 2022
- The decrease in asset balances was primarily attributable to unfavorable market conditions resulting in a decrease in the value of assets under management balances
- All portfolios outperformed benchmarks and helped moderate impact of extreme market pullback

Total Assets Under Management

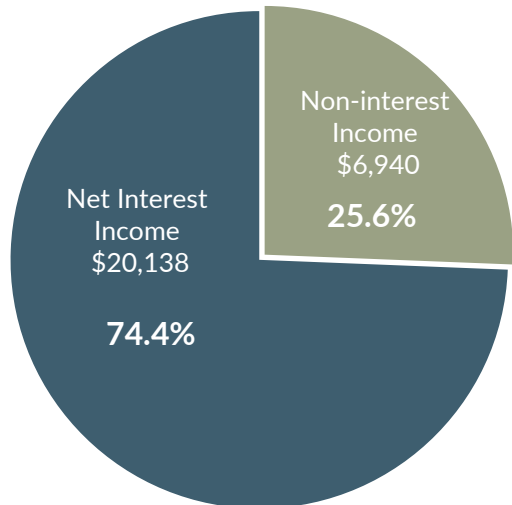
(in millions, as of quarter end)



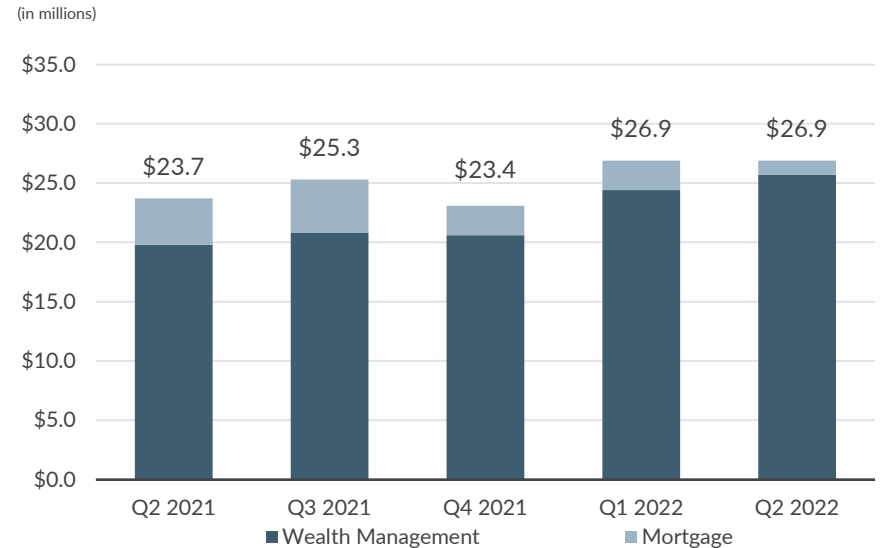
Gross Revenue

- Gross revenue⁽¹⁾ unchanged from 1Q22
- Higher net interest income offset by decline in non-interest income
- Net interest income increased to \$20.1 million, or 10.1%, from \$18.3 million as of March 31, 2022 and 41.6% from \$14.2 million as of June 30, 2021

2Q22 Gross Revenue⁽¹⁾



Gross Revenue⁽¹⁾



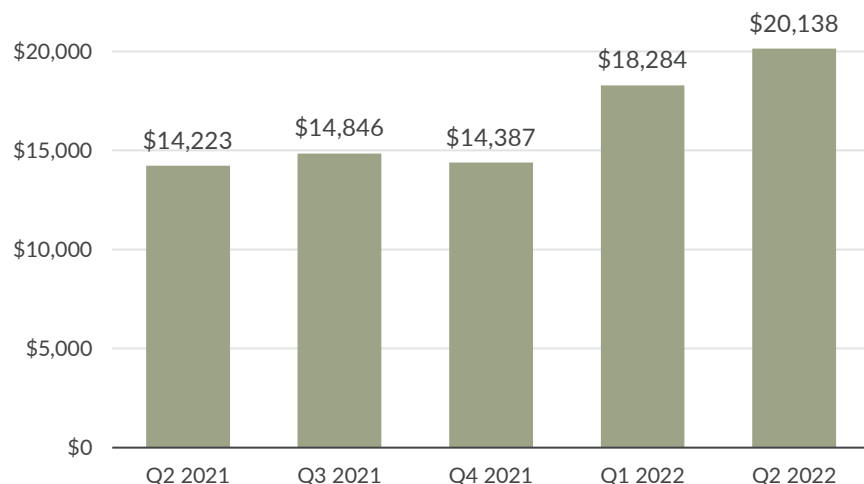
(1) See Non-GAAP reconciliation

Net Interest Income and Net Interest Margin

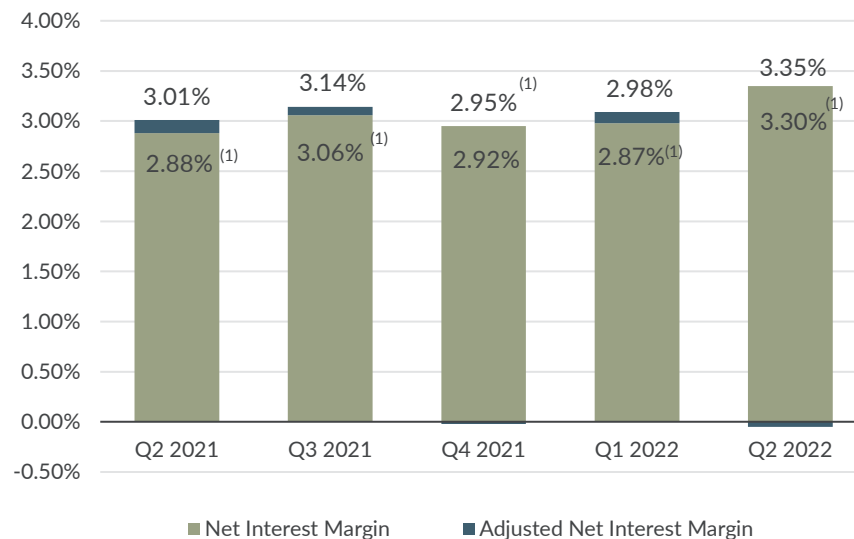
- Net interest income increased 10.1% from 1Q22, primarily due to higher average loan balances and increase in net interest margin
- Growth in investment portfolio resulted in modest increase in interest income from securities
- Net interest margin, including PPP and purchase accretion, increased 37 bps to 3.35%
- Net interest margin, excluding PPP and purchase accretion⁽¹⁾, increased 43 bps to 3.30%, primarily due to favorable shift in mix of earning assets and higher yields on earning assets
- Net interest margin should continue to expand as asset sensitive balance sheet benefits from additional increases in interest rates

Net Interest Income

(in thousands)



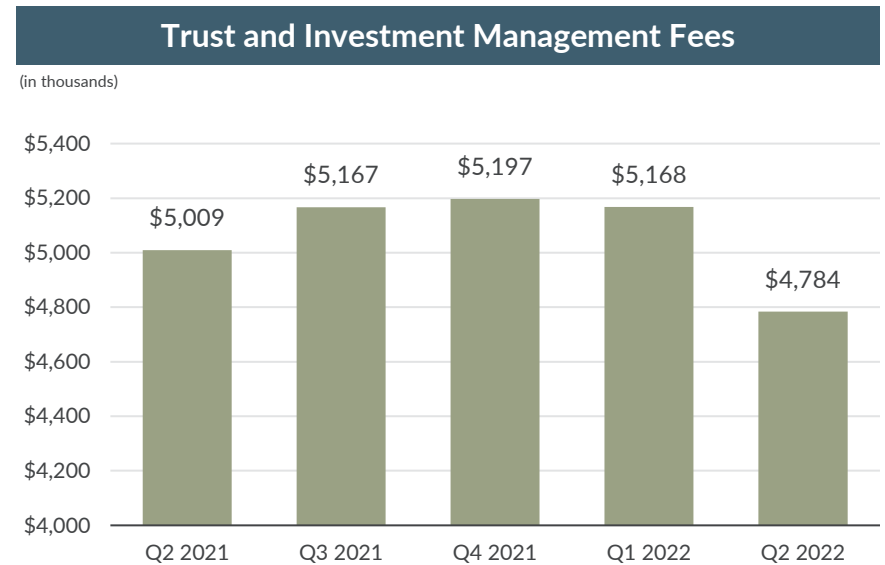
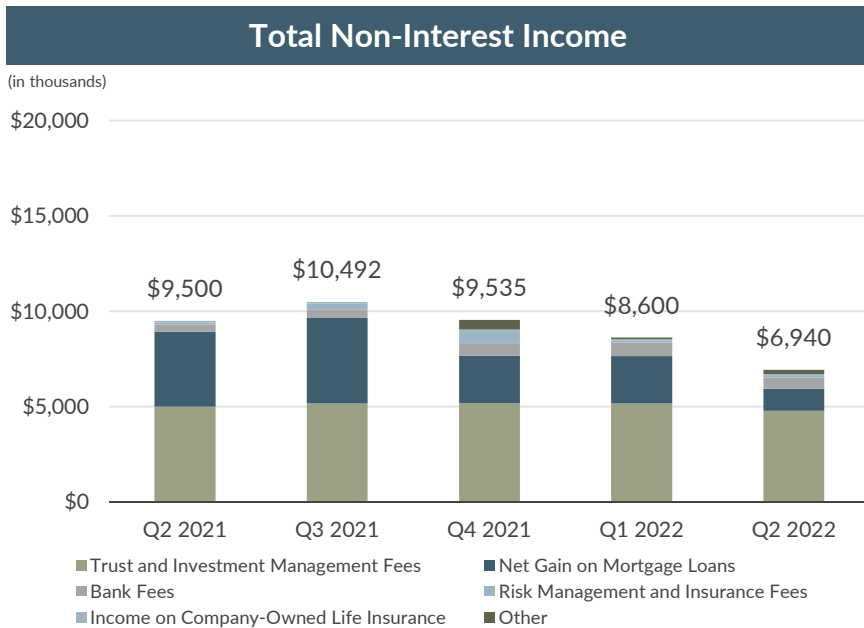
Net Interest Margin



(1) See Non-GAAP reconciliation

Non-Interest Income

- Non-interest income decreased 19.3% from 1Q22
- Declines due primarily to
 - Decrease in net gain on mortgage due to reduction in amount of mortgage loans originated for sale as production was more heavily weighted to portfolio loans held for investment
 - Lower TIM fees primarily attributable to unfavorable market conditions resulting in a decrease in the value of assets under management balances

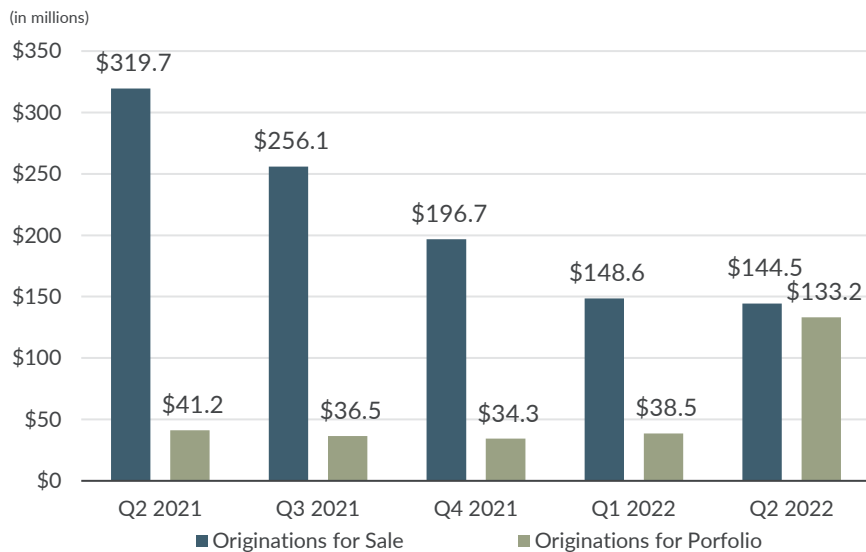


Mortgage Operations

Mortgage Details

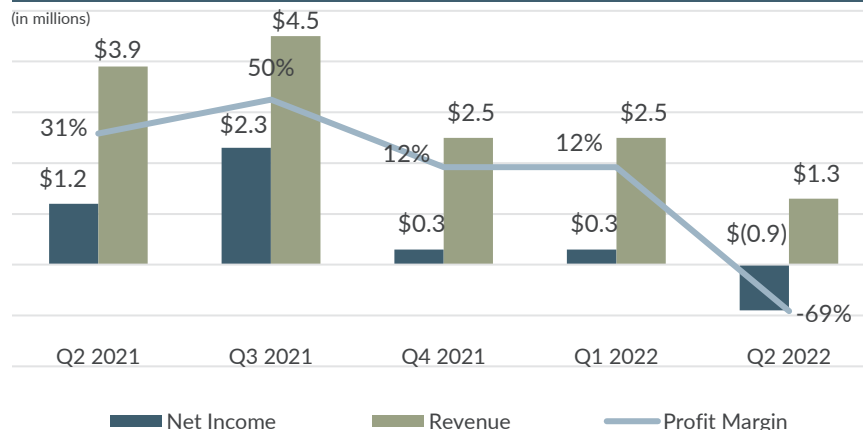
- Total mortgage originations (HFS and portfolio) increased 48% from prior quarter
- Refi/Purchase mix of 25% / 75% in Q2 compared to 41% / 59% in 1Q22 and 41% / 59% in 4Q21
- Profit margin declined in Q2 due to lower lock volume for HFS loans*
- Non-interest expense flat quarter over quarter

Mortgage Originations HFS and Portfolio

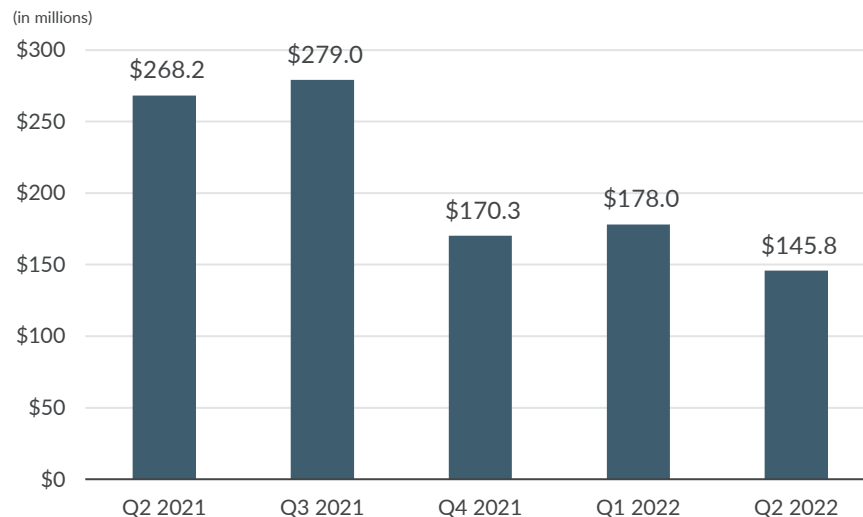


*Income reported in this segment excludes interest income from portfolio originations

Net Income, Revenue and Profit Margin*



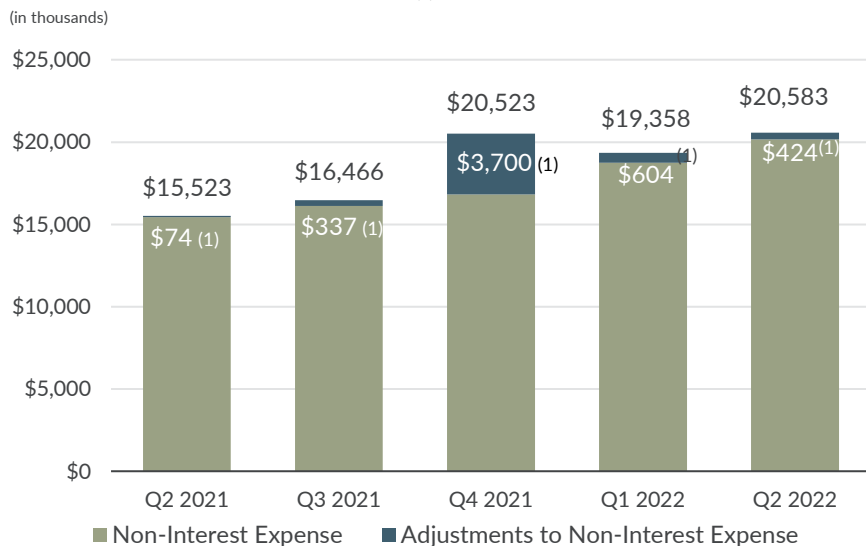
Mortgage Loan Locks HFS



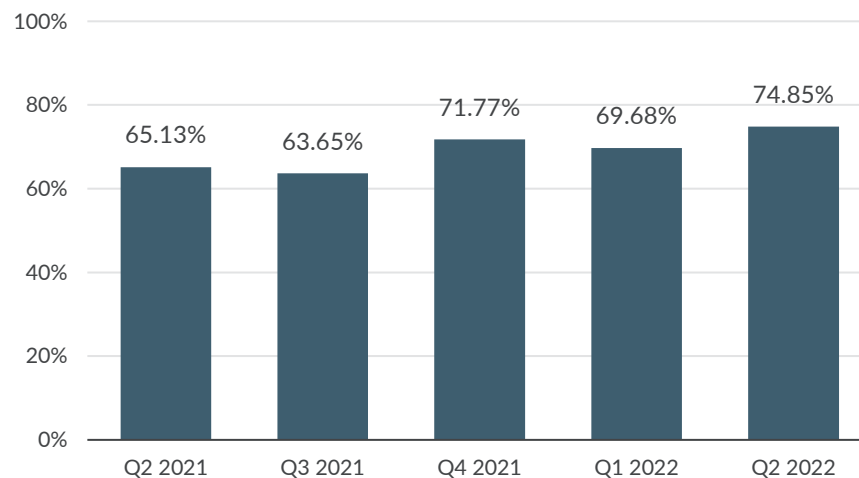
Non-Interest Expense and Efficiency Ratio

- Non-interest expense increased 6.3% from 1Q22
- Increase due primarily to higher salaries and benefits expense resulting from higher commission payments on portfolio mortgage production, investment in additional banking talent to support continued growth
- Increase in operating efficiency ratio⁽¹⁾ reflects the impact of lower non-interest income and temporary investment phase while new banking teams build pipelines

Total Non-Interest Expense



Operating Efficiency Ratio⁽¹⁾

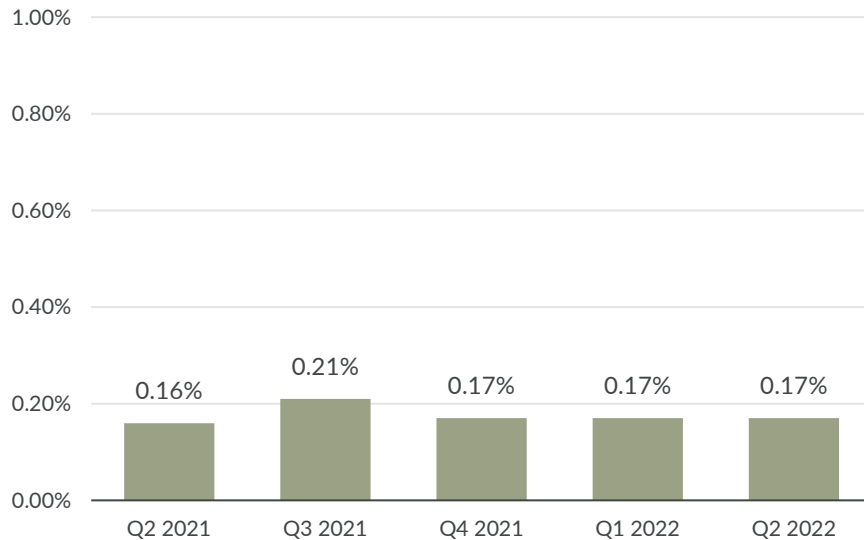


(1) See Non-GAAP reconciliation

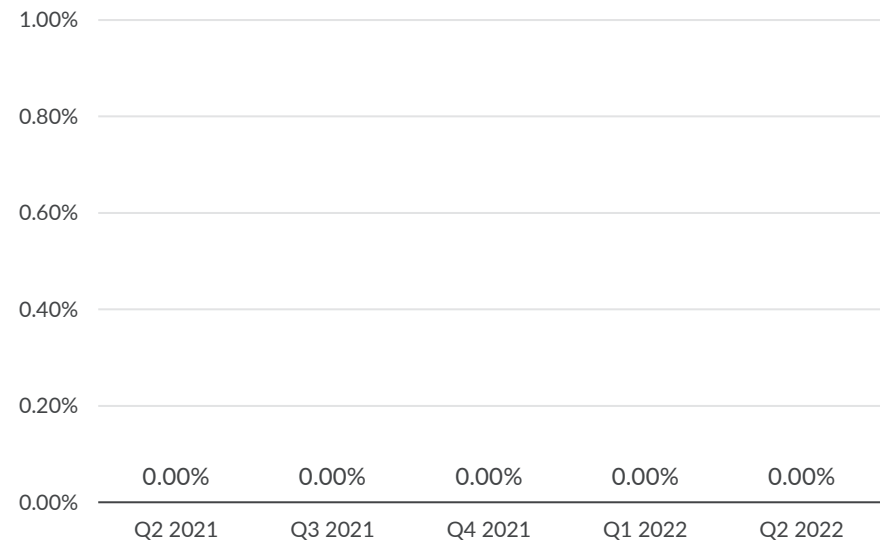
Asset Quality

- Stable asset quality across the portfolio with NPAs remaining consistent at 0.17% of total assets
- Immaterial net charge-offs again in the quarter
- Improved collateral valuation of largest problem loan resulted in partial release of specific reserve
- \$0.5 million provision for loan losses as release of the specific reserve offset some of the provision related to growth in total loans
- ALLL/Adjusted Total Loans⁽¹⁾ decreased to 0.78% in 2Q22 from 0.87% in 1Q22, consistent with strong asset quality, consistent methodology, and immaterial losses

Non-Performing Assets/Total Assets



Net Charge-Offs/Average Loans



(1) Adjusted Total Loans – Total Loans minus PPP loans, acquired loans, and loans accounted for under fair value option; see non-GAAP reconciliation

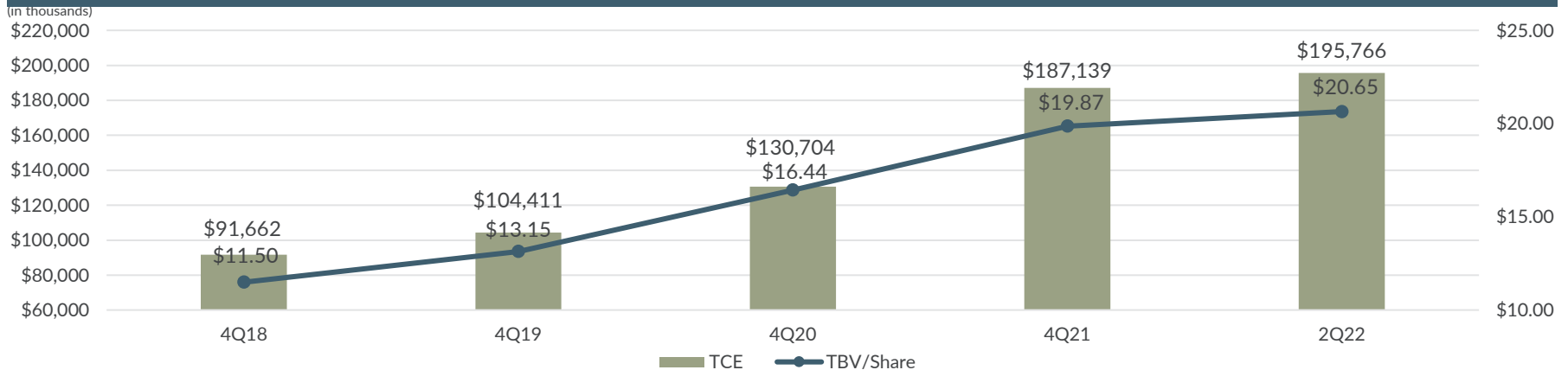
Near-Term Outlook

- Expect continuation of positive trends in second half of 2022 driven by further organic balance sheet growth
- Loan pipeline remains very strong, consistent with the end of the first quarter, and should result in continued strong loan growth
 - Well diversified loan production platform should offset lower demand for CRE loans as rates increase
 - Unfunded commitments increased 14% in 2Q22 to \$802 million, providing another potential catalyst for loan growth
- Continued loan growth and NIM expansion expected to generate further increase in net interest income
- Relatively stable expense levels as a portion of the cost savings from Teton acquisition are reinvested in new banking talent to support expansion efforts in Colorado, Montana and Arizona
- Strength of client base and conservative underwriting should help First Western maintain strong asset quality in a recessionary environment, as it has through prior economic downturns

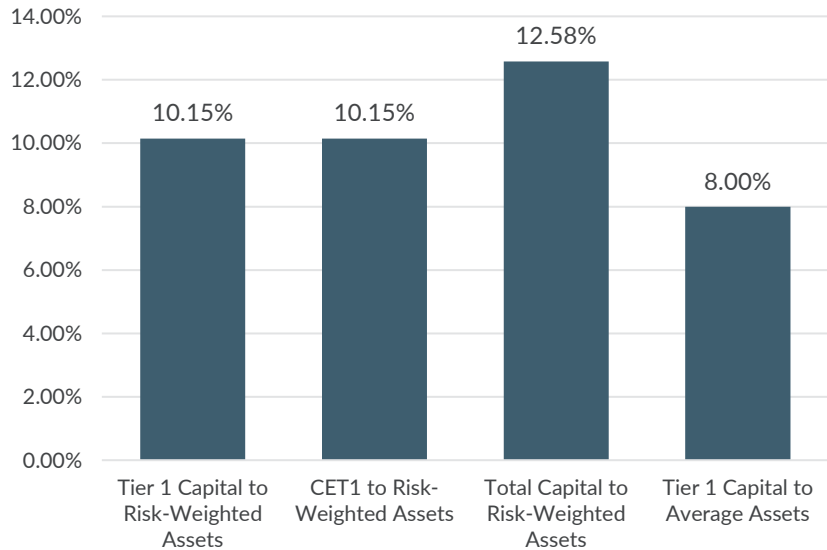
Appendix

Capital and Liquidity Overview

Tangible Common Equity / TBV per Share⁽¹⁾



Consolidated Capital Ratios (as of 6/30/22)



Liquidity Funding Sources (as of 6/30/22)

(in thousands)

Liquidity Reserves:

Total Available Cash	\$ 169,372
Unpledged Investment Securities	69,932

Borrowed Funds:

Unsecured:

Credit Lines	54,000
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Secured:

FHLB Available	517,018
Brokered Remaining Capacity	479,964

Total Liquidity Funding Sources

\$ 1,291,066

Loan to Deposit Ratio

98.9%

(1) See Non-GAAP reconciliation

Non-GAAP Reconciliation

Consolidated Efficiency Ratio	For the Three Months Ended,				
	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022
(Dollars in thousands)					
Non-interest expense	\$15,523	\$16,466	\$20,523	\$19,358	\$20,583
Less: amortization	4	5	4	77	77
Less: acquisition related expenses	70	332	3,696	527	347
Adjusted non-interest expense	\$15,449	\$16,129	\$16,823	\$18,754	\$20,159
Net interest income	\$14,223	\$14,846	\$14,387	\$18,284	\$20,138
Non-interest income	9,500	10,492	9,535	8,600	6,940
Less: unrealized gains/(losses) recognized on equity securities	2	(3)	(7)	(32)	299
Less: net gain/(loss) on loans accounted for under the fair value option	-	-	-	-	(155)
Less: Net gain on equity interests	-	-	489	1	-
Adjusted non-interest income	9,498	10,495	9,053	8,631	6,796
Total income	\$23,721	\$25,341	\$23,440	\$26,915	\$26,934
Efficiency ratio	65.13%	63.65%	71.77%	69.68%	74.85%

Consolidated Tangible Common Book Value Per Share	As of the Three Months Ended,					
	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2021	Mar. 31, 2022	June 30, 2022
(Dollars in thousands)						
Total shareholders' equity	\$116,875	\$127,678	\$154,962	\$219,041	223,266	\$228,024
Less:						
Goodwill and other intangibles, net	25,213	19,714	24,258	31,902	32,335	32,258
Intangibles held for sale ⁽¹⁾	-	3,553	-	-	-	-
Tangible common equity	91,662	104,411	\$130,704	187,139	190,931	195,766
Common shares outstanding, end of period	7,968,420	7,940,168	7,951,773	9,419,271	9,430,007	9,478,710
Tangible common book value per share	\$11.50	\$13.15	\$16.44	\$19.87	\$20.25	\$20.65

Net income available to common shareholders	\$4,482
Return on tangible common equity (annualized)	9.16%

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

Non-GAAP Reconciliation

Wealth Management Gross Revenue (Dollars in thousands)	For the Three Months Ended,				
	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022
Total income before non-interest expense	\$19,784	\$20,435	\$20,612	\$24,156	\$25,282
Less: unrealized gains/(losses) recognized on equity securities	2	(3)	(7)	(32)	299
Less: net gain/(loss) on loans accounted for under the fair value option	-	-	-	-	(155)
Less: Net gain on equity interests	-	-	489	1	-
Plus: Provision for loan loss	12	406	812	210	519
Gross revenue	\$19,794	\$20,844	\$20,942	\$24,397	\$25,657

Mortgage Gross Revenue (Dollars in thousands)	For the Three Months Ended,				
	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022
Total income before non-interest expense	\$3,927	\$4,497	\$2,498	\$2,518	\$1,277
Plus: Provision for loan loss	-	-	-	-	-
Gross revenue	\$3,927	\$4,497	\$2,498	\$2,518	\$1,277

Consolidated Gross Revenue (Dollars in thousands)	For the Three Months Ended,				
	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022
Total income before non-interest expense	\$23,711	\$24,932	\$23,110	\$26,674	\$26,559
Less: unrealized gains/(losses) recognized on equity securities	2	(3)	(7)	(32)	299
Less: net gain/(loss) on loans accounted for under the fair value option	-	-	-	-	(155)
Less: Net gain on equity interests	-	-	489	1	-
Plus: Provision for loan loss	12	406	812	210	519
Gross revenue	\$23,721	\$25,341	\$23,440	\$26,915	\$26,934

Diluted Pre-Tax Earnings Per Share (Dollars in thousands)	For The Three Months Ended				
	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022
Non-Mortgage income before income tax	\$6,983	\$6,199	\$2,279	\$7,011	\$6,926
Plus: Acquisition-related expenses	70	332	3,696	527	347
Plus: Mortgage income before income tax	1,205	2,267	308	305	(950)
Less: Income tax expense including acquisition tax effect	1,927	2,129	1,507	1,921	1,581
Net income available to common shareholders	\$6,331	\$6,669	\$4,776	\$5,922	\$4,742
Diluted weighted average shares	8,213,900	8,246,353	8,370,998	9,762,602	9,717,667
Non-Mortgage Segment Diluted Pre-Tax Earnings Per Share	\$0.86	\$0.79	\$0.71	\$0.77	\$0.75
Consolidated Diluted Pre-Tax Earnings Per Share	\$1.01	\$1.07	\$0.75	\$0.80	\$0.65

Non-GAAP Reconciliation

Adjusted net income available to common shareholders	For the Three Months Ended,				
	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022
(Dollars in thousands, except per share data)					
Net income available to common shareholders	\$6,277	\$6,417	\$1,917	\$5,524	\$4,482
Plus: acquisition related expense including tax impact	54	252	2,859	398	260
Adjusted net income to common shareholders	\$6,331	\$6,669	\$4,776	\$5,922	\$4,742
Adjusted diluted earnings per share	For the Three Months Ended,				
	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022
(Dollars in thousands, except per share data)					
Diluted earnings per share	\$0.76	\$0.78	\$0.23	\$0.57	\$0.46
Plus: acquisition related expenses including tax impact	0.01	0.03	0.34	0.04	0.03
Adjusted diluted earnings per share	\$0.77	\$0.81	\$0.57	\$0.61	\$0.49
Allowance for loan losses to Bank originated loans excluding PPP	As of				
	December 31, 2021	March 31, 2022	June 30, 2022		
(Dollars in thousands)					
Total loans held for investment	\$1,954,168	\$1,931,122	\$2,150,148		
Less: Branch acquisition	360,661	323,563	287,623		
Less: PPP loans	40,062	13,109	9,053		
Less: Purchased loans accounted for under fair value	-	6,368	21,149		
Loans excluding acquired and PPP	1,553,445	1,588,082	1,832,323		
Allowance for loan losses	13,732	13,885	14,357		
Allowance for loan losses to Bank originated loans excluding PPP	0.88%	0.87%	0.78%		

Non-GAAP Reconciliation

Adjusted net interest margin	For the Three Months Ended June 30, 2021			For the Three Months Ended September 30, 2021			For the Three Months Ended December 31, 2021			For the Three Months Ended March 31, 2022			For the Three Months Ended June 30, 2022		
	Average Balance	Interest Earned/Paid	Average Yield/Rate	Average Balance	Interest Earned/Paid	Average Yield/Rate	Average Balance	Interest Earned/Paid	Average Yield/Rate	Average Balance	Interest Earned/Paid	Average Yield/Rate	Average Balance	Interest Earned/Paid	Average Yield/Rate
(Dollars in thousands)															
Interest-bearing deposits in other financial institutions	292,615	92		266,614	105		279,406	109		475,942	232		321,673	549	
PPP adjustment	17,115	4		1,636	-		9,556	3		12,378	6		4,493	9	
Investment securities	26,474	169		29,130	180		36,001	226		55,739	337		69,320	418	
PPP adjustment	-	-		-	-		-	-		-	-		-	-	
Loans	1,573,553	15,287		1,592,800	15,861		1,653,920	15,398		1,922,770	19,096		2,010,024	20,663	
PPP adjustment	(176,396)	(1,583)		(81,476)	(1,081)		(51,825)	(622)		(30,481)	(491)		(13,385)	(148)	
Purchase Accretion adjustment	-	(260)		-	35		-	398		-	(328)		-	(288)	
Adjusted total interest-earning assets	1,773,361	13,709		1,808,704	15,100		1,927,058	15,512		2,436,348	18,852		2,392,125	21,203	
Interest-bearing deposits		866			829			813			943			1,103	
PPP adjustment		-			-			-			-			-	
Federal Home Loan Bank Topeka and Federal Reserve borrowings		117			82			55			39			28	
PPP adjustment		(93)			(59)			(31)			(16)			(8)	
Subordinated notes		<u>342</u>			<u>389</u>			<u>477</u>			<u>400</u>			<u>361</u>	
Adjusted total interest-bearing liabilities		1,232			1,241			1,314			1,366			1,484	
Net interest income		12,477			13,859			14,198			17,486			19,719	
Adjusted net interest margin			2.88%			3.06%			2.95%			2.87%			3.30%