



FIRSTwestern

Third Quarter 2022
Conference Call

Safe Harbor

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Overview of 3Q22

3Q22 Earnings

- Net income available to common shareholders of \$6.2 million, or \$0.64 per diluted share, up from \$4.5 million, or \$0.46 per diluted share, in 2Q22
- Excluding acquisition-related expenses, adjusted net income of \$6.3 million, or \$0.66 per diluted share⁽¹⁾
- Strong growth in net interest income and fully realized cost savings from the Teton acquisition more than offset the unfavorable environment for the fee generating businesses

Increasing Profitability and Value Creation

- ROAA, ROAE, and ROATCE all significantly higher than prior quarter
- Strong financial performance and effective management of investment portfolio driving growth in both book value and tangible book value per share
- Pre-tax, pre-provision net income⁽¹⁾ of \$10.0 million in 3Q22, compared to \$6.5 million in 2Q22 and \$8.9 million in 3Q21

Strong, Well Balanced Loan Growth

- Total loans held for investment increased at an annualized rate of 38%
- Increases across most major loan categories
- Effectively moving up market and working with larger clients is positively impacting loan production and loan growth

Asset Quality Remains Exceptional

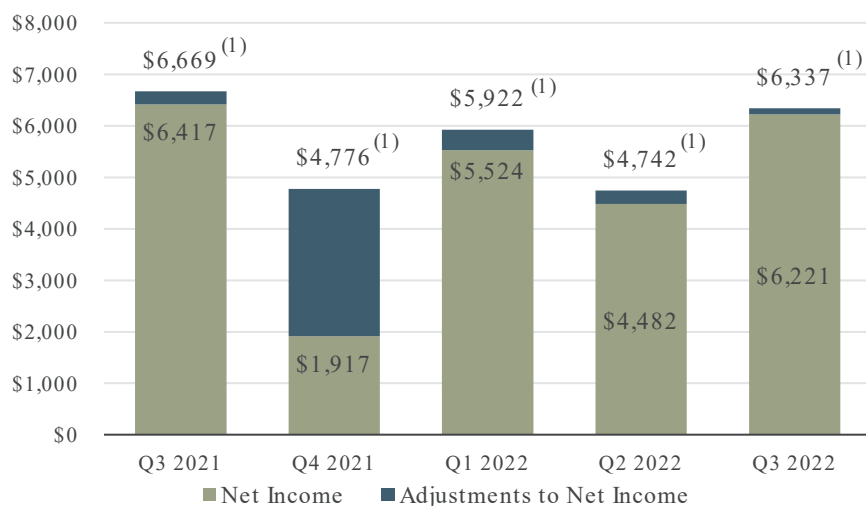
- Non-performing assets at 0.14% of total assets
- History of exceptionally low charge-offs continues

(1) See Non-GAAP reconciliation

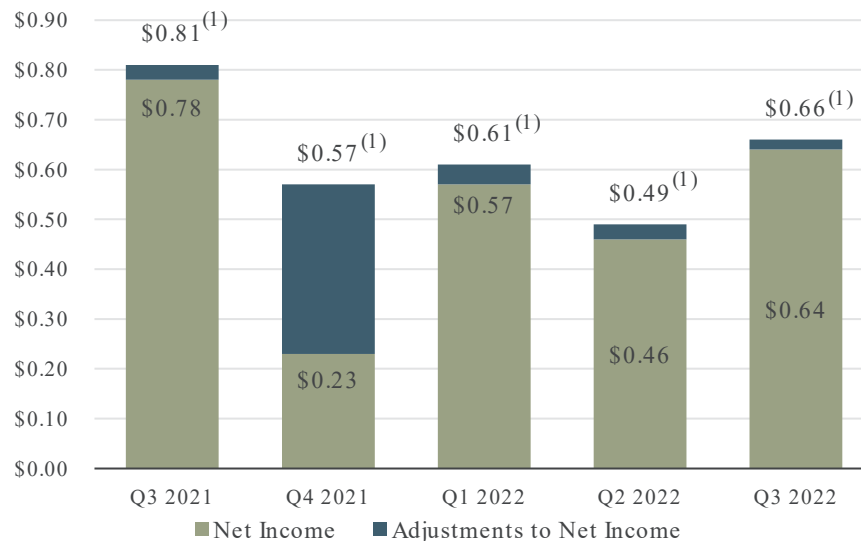
Net Income Available to Common Shareholders and Earnings per Share

- Net income of \$6.2 million, or \$0.64 diluted earnings per share, in 3Q22
- Excluding acquisition-related expenses, adjusted diluted earnings per share⁽¹⁾ of \$0.66 in 3Q22
- Strong profitability resulted in 2.8% and 3.4% increase in book value per share and tangible book value per share⁽¹⁾, respectively, from 2Q22
- Consistent value creation has led to book value and tangible book value per share⁽¹⁾ both increasing by more than 13% over the past year

Net Income Available to Common Shareholders



Diluted Earnings per Share



(1) See Non-GAAP reconciliation

Loan Portfolio

Loan Portfolio Details

- Total loans held for investment increased \$204.8 million from prior quarter
- Continued strong loan production and a moderation in payoffs results in another quarter of significant loan growth
- Average rate on new loan production increased by more than 100 bps from prior quarter
- Growth in most major loan categories with C&I, CRE, construction and 1-4 family residential portfolios all increasing between \$30 and \$100 million from prior quarter

Loan Portfolio Composition⁽¹⁾

(\$ in thousands, as of quarter end)

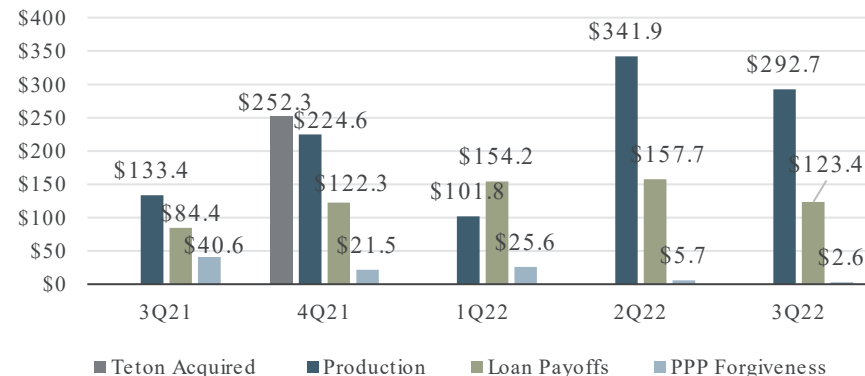
	3Q 2021	2Q 2022	3Q 2022
Cash, Securities and Other	\$257,594	\$180,738	\$154,748
Consumer and Other ⁽²⁾	36,243	47,855	50,429
Construction and Development	132,141	162,426	228,060
1-4 Family Residential	502,439	732,725	822,796
Non-Owner Occupied CRE	358,369	489,111	527,836
Owner Occupied CRE	167,638	224,597	220,075
Commercial and Industrial	148,959	312,696	350,954
Total Loans HFI	\$1,603,383	2,150,148	2,354,898
Mortgage loans held-for-sale (HFS)	51,309	26,202	12,743
Total Loans	\$1,654,692	\$2,176,350	\$2,367,641

(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.

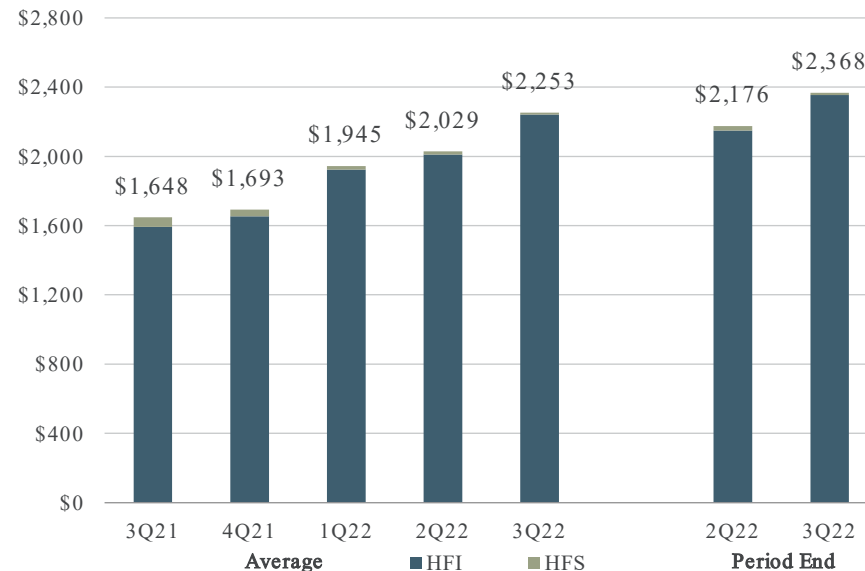
(2) Includes loans held for investment accounted for under fair value option of \$22.6 million and \$21.1 million as of September 30, 2022 and June 30, 2022, respectively.

Loan Production & Loan Payoffs

(in millions)



Total Loans⁽¹⁾



Total Deposits

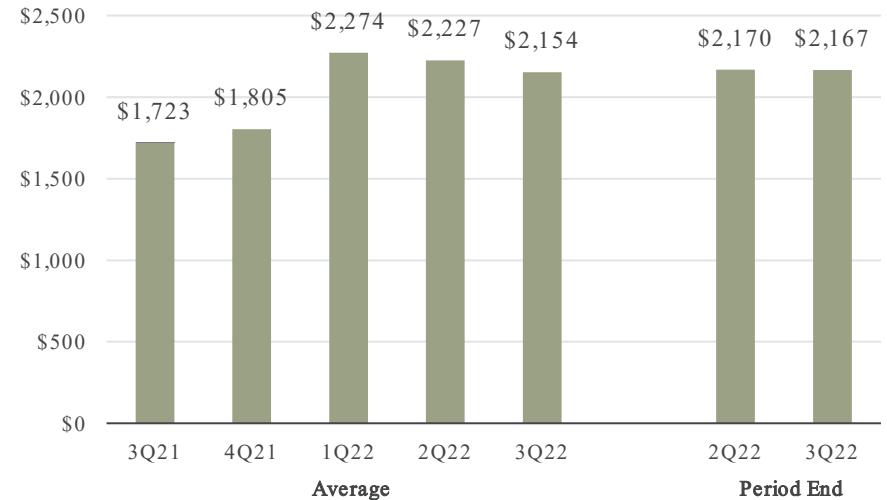
- Total deposits essentially unchanged from end of prior quarter
- Minor fluctuations in each deposit category
- Interest bearing deposit costs increased 44 bps due to the higher interest rate environment and increased competition for deposits

Deposit Portfolio Composition

	3Q 2021	2Q 2022	3Q 2022
Money market deposit accounts	\$905,196	\$1,033,739	\$1,010,846
Time deposits	137,015	147,623	186,680
NOW	137,833	287,195	277,225
Savings accounts	5,620	33,099	30,641
Noninterest-bearing accounts	596,635	668,342	662,055
Total Deposits	\$1,782,299	\$2,169,998	\$2,167,447

Total Deposits

(\$ in millions)

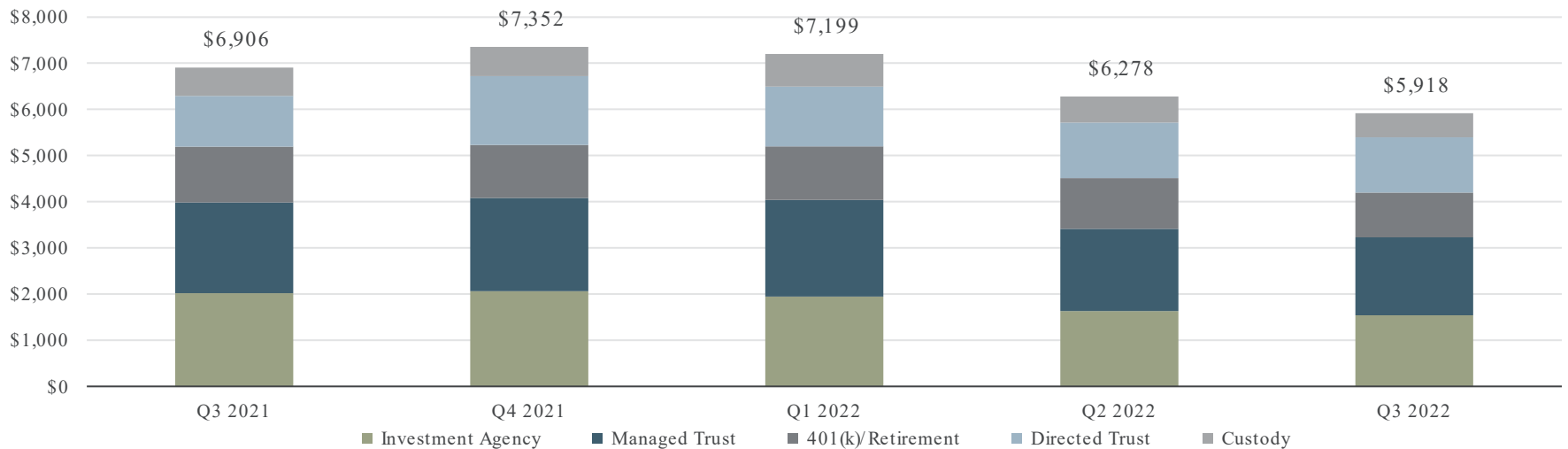


Trust and Investment Management

- Total assets under management decreased \$359.2 million from June 30, 2022 to \$5.92 billion as of September 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 model portfolios continue to outperform their respective benchmark helping moderate the impact of this year's market pullback

Total Assets Under Management

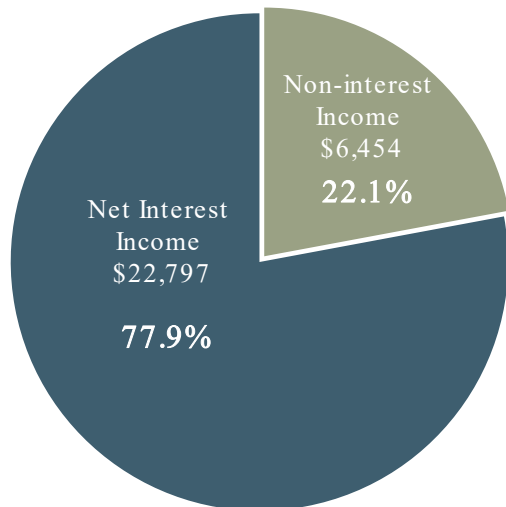
(in millions, as of quarter end)



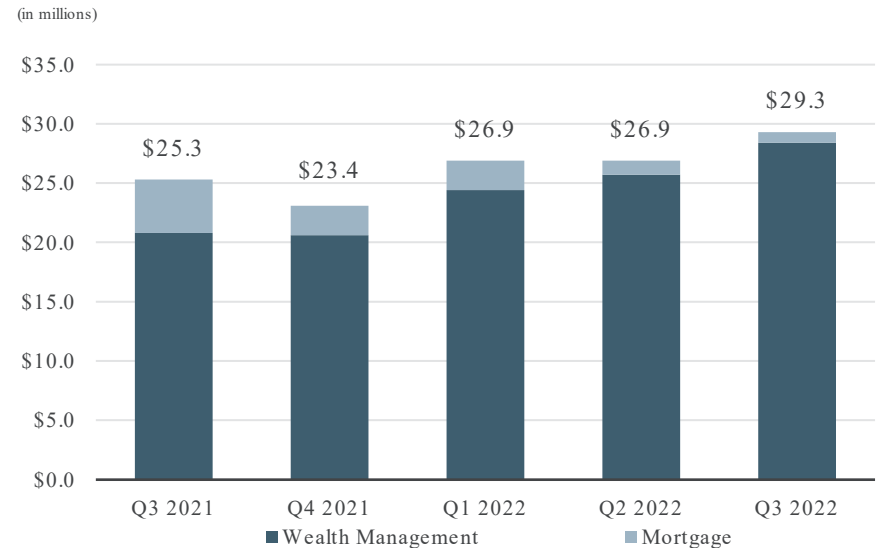
Gross Revenue

- Gross revenue⁽¹⁾ increased 8.8% from 2Q22
- Higher net interest income more than offset decline in non-interest income
- Accelerating growth, gross revenue excluding net gain on mortgage loans⁽¹⁾ up 41% annualized from 2Q22 and 36% from 3Q21

3Q22 Gross Revenue⁽¹⁾



Gross Revenue⁽¹⁾



(1) See Non-GAAP reconciliation

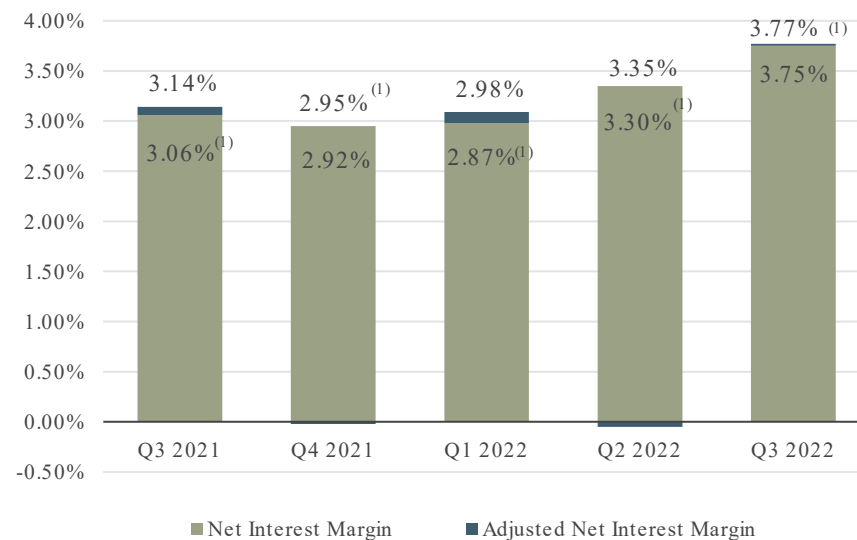
Net Interest Income and Net Interest Margin

- Net interest income increased to \$22.8 million, or 13.2%, from \$20.1 million in 2Q22 and 53.6% from \$14.8 million in 3Q21
- Net interest margin, excluding PPP and purchase accretion⁽¹⁾, increased 47 bps to 3.77%, primarily due to favorable shift in mix of earning assets and higher yields on earning assets
- Net interest margin expected to decrease in near future as increase in funding costs expected to offset higher yields on earning assets

Net Interest Income



Net Interest Margin

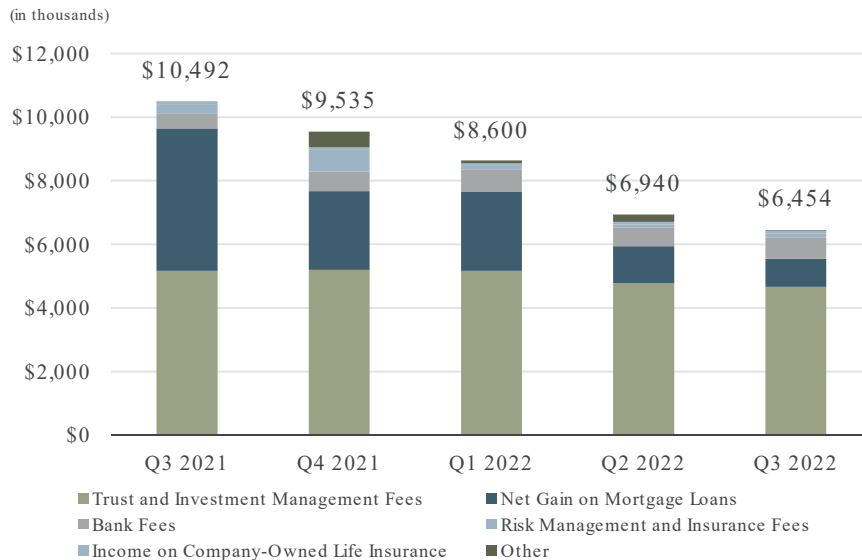


(1) See Non-GAAP reconciliation

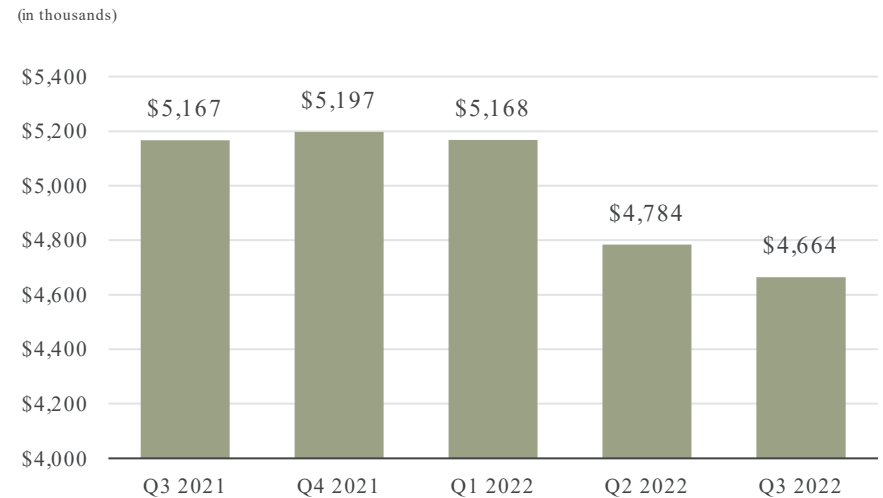
Non-Interest Income

- Non-interest income decreased 7.0% from 2Q22, primarily due to lower net gain on mortgage sales and slight decline in Trust and Investment Management fees due to decline in AUM resulting from market performance
- Volume of locks on mortgage loans originated for sale declined 25% from the prior quarter, with 94% of the originations being purchase loans
- Small increases in bank fees and risk management and insurance fees

Total Non-Interest Income

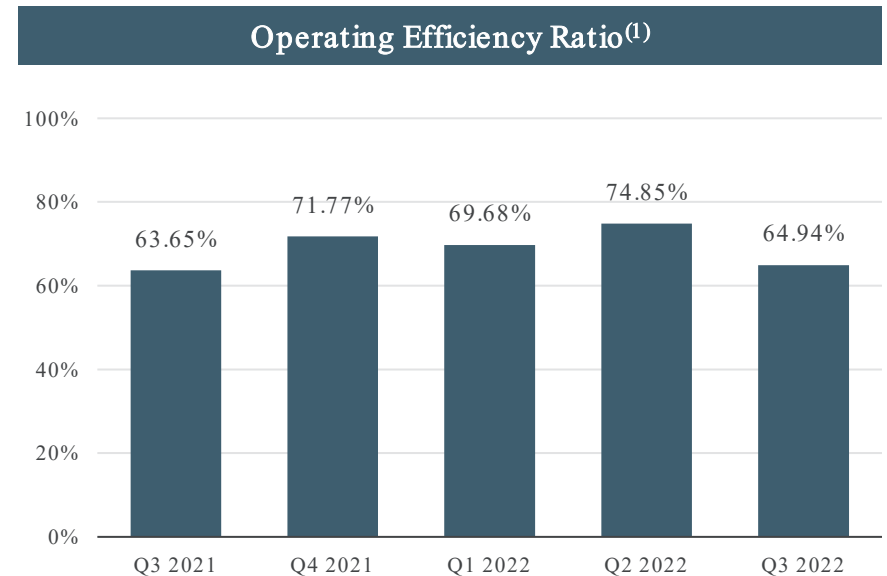
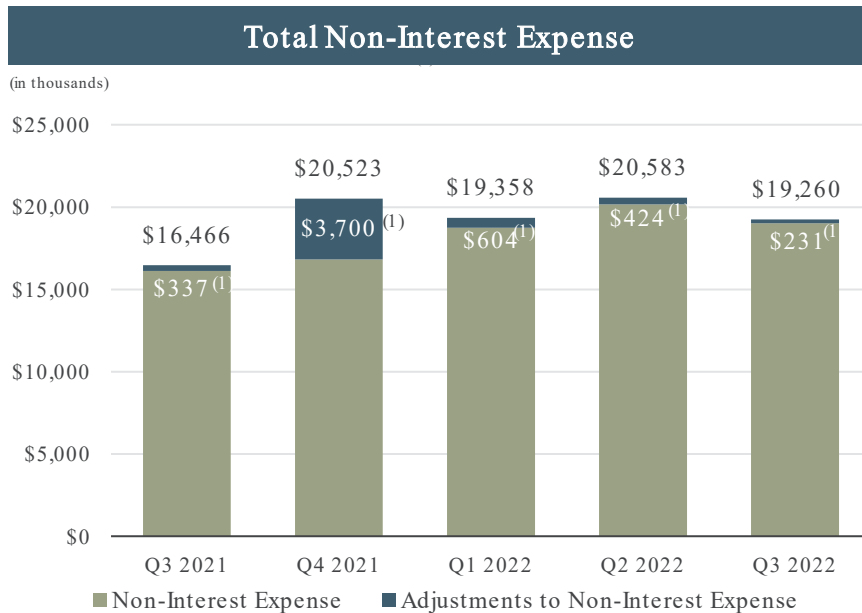


Trust and Investment Management Fees



Non-Interest Expense and Efficiency Ratio

- Non-interest expense decreased 6.4% from 2Q22
- Efficiency ratio trending down below 65%
- Cost savings from Teton acquisition have been fully realized and 3Q22 benefited from full quarter impact of system conversion and branch consolidation that occurred in mid-May
- Decrease in non-interest expense primarily due to decline in salaries and employment benefits driven by higher deferred loan costs, lower incentive compensation, and a decline in health insurance and payroll taxes

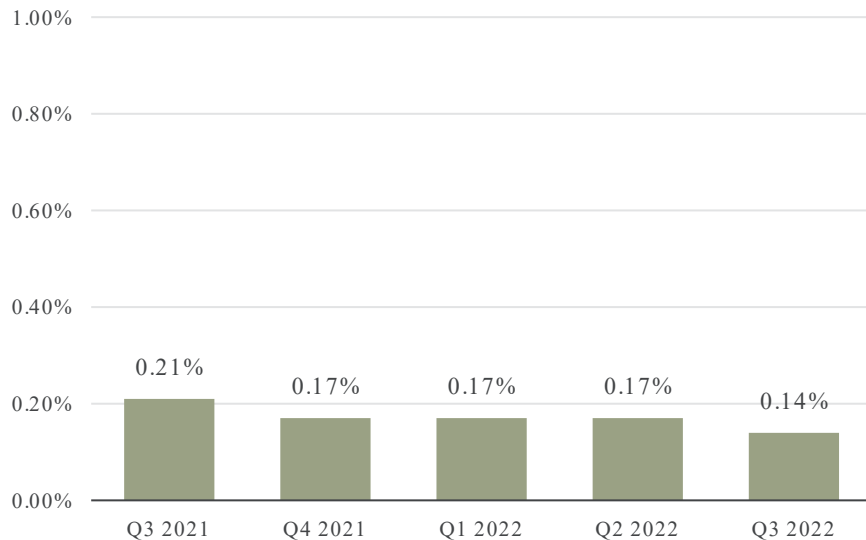


(1) See Non-GAAP reconciliation

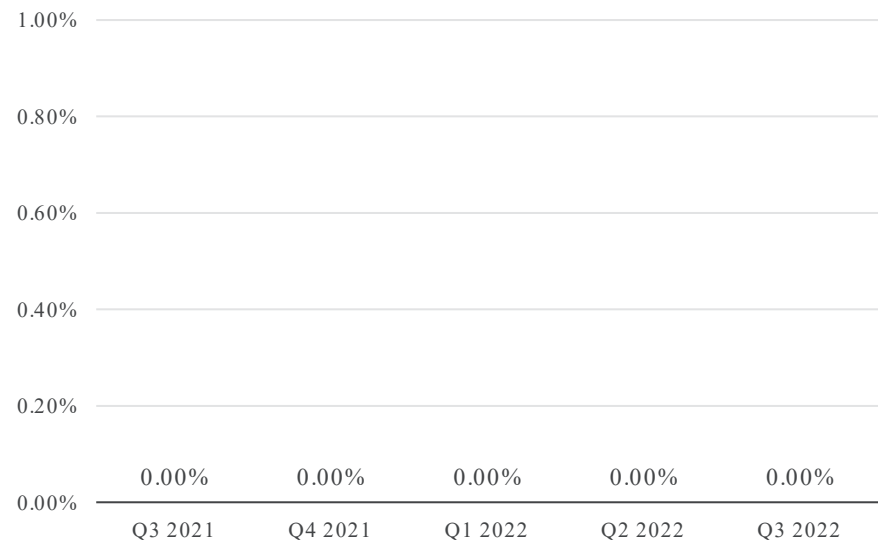
Asset Quality

- Stable asset quality across the portfolio with NPAs down slightly from 2Q22
- Immaterial net charge-offs again in the quarter
- \$1.8 million provision for loan losses related to growth in total loans, excluding PPP loans, and changes in portfolio mix
- ALLL/ Adjusted Total Loans⁽¹⁾ decreased to 0.77% in 3Q22 from 0.78% in 2Q22, 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

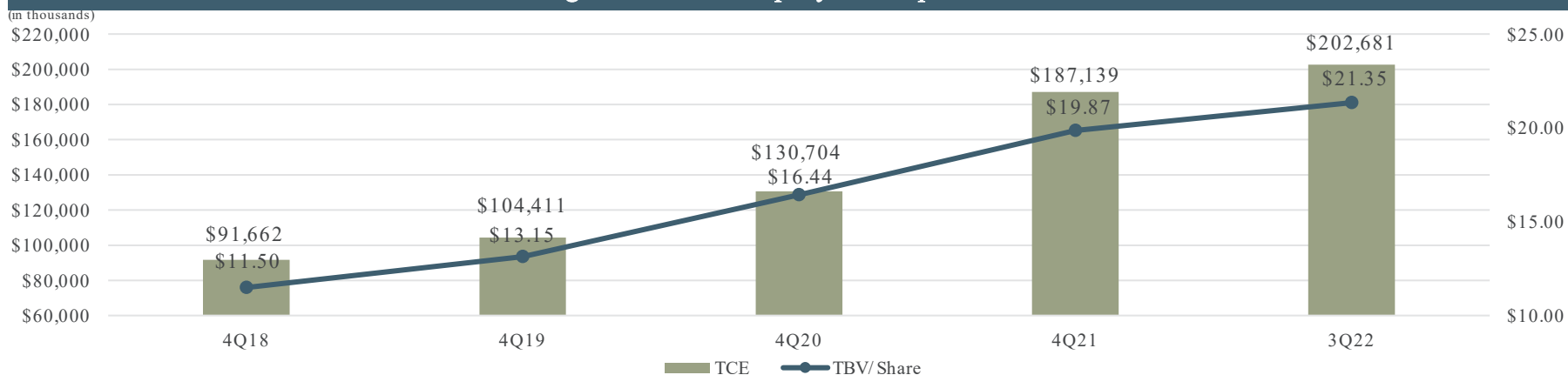
Near-Term Outlook

- Adjustments in underwriting and loan pricing to reflect more cautious approach in light of potential economic slowdown will likely lead to a moderation in loan growth
- Diverse loan production platform and increasing contributions from new banking talent added in Colorado, Montana and Arizona expected to continue generating significant loan growth even with more conservative underwriting and pricing
- Increasing focus on core deposit gathering to fund strong loan production
- Relatively stable expense levels with near-term market expansion efforts largely completed
- Continued loan growth and improved efficiencies expected to result in continued strong financial performance
- Strong asset quality, conservative underwriting, and high levels of capital position First Western well to manage through any economic slowdown

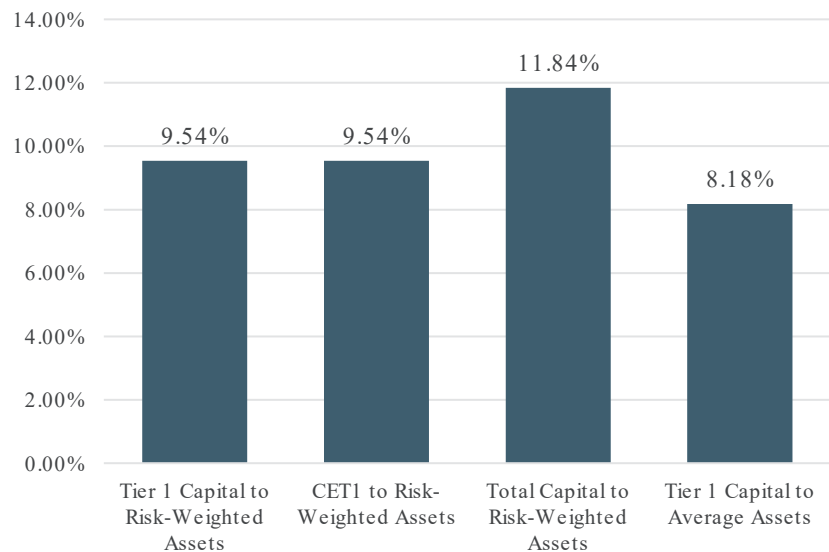
Appendix

Capital and Liquidity Overview

Tangible Common Equity / TBV per Share⁽¹⁾



Consolidated Capital Ratios (as of 9/30/22)



Liquidity Funding Sources (as of 9/30/22)

(in thousands)

Liquidity Reserves:

Total Available Cash	\$ 163,419
Unpledged Investment Securities	68,433

Borrowed Funds:

Unsecured:

Credit Lines	54,000
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Secured:

FHLB Available	532,376
Brokered Remaining Capacity	383,277

Total Liquidity Funding Sources **\$ 1,201,862**

Loan to Deposit Ratio **108.5%**

(1) See Non-GAAP reconciliation

Non-GAAP Reconciliation

Consolidated Efficiency Ratio (Dollars in thousands)	For the Three Months Ended,				
	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022
Non-interest expense	\$16,466	\$20,523	\$19,358	\$20,583	\$19,260
Less: amortization	5	4	77	77	77
Less: acquisition related expenses	332	3,696	527	347	154
Adjusted non-interest expense	\$16,129	\$16,823	\$18,754	\$20,159	\$19,029
Net interest income	\$14,846	\$14,387	\$18,284	\$20,138	\$22,797
Non-interest income	10,492	9,535	8,600	6,940	6,454
Less: unrealized gains/(losses) recognized on equity securities	(3)	(7)	(32)	299	75
Less: net gain/(loss) on loans accounted for under the fair value option	-	-	-	(155)	(134)
Less: Net gain on equity interests	-	489	1	-	6
Adjusted non-interest income	10,495	9,053	8,631	6,796	6,507
Total income	\$25,341	\$23,440	\$26,915	\$26,934	\$29,304
Efficiency ratio	63.65%	71.77%	69.68%	74.85%	64.94%

Consolidated Tangible Common Book Value Per Share (Dollars in thousands)	As of,					
	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2021	June 30, 2022	September 30, 2022
Total shareholders' equity	\$116,875	\$127,678	\$154,962	\$219,041	\$228,024	\$234,862
Less:						
Goodwill and other intangibles, net	25,213	19,714	24,258	31,902	32,258	32,181
Intangibles held for sale ⁽¹⁾	-	3,553	-	-	-	-
Tangible common equity	91,662	104,411	\$130,704	187,139	195,766	202,681
Common shares outstanding, end of period	7,968,420	7,940,168	7,951,773	9,419,271	9,478,710	9,492,006
Tangible common book value per share	\$11.50	\$13.15	\$16.44	\$19.87	\$20.65	\$21.35

Net income available to common shareholders	\$6,221
Return on tangible common equity (annualized)	12.28%

(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, 2021	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022
Total income before non-interest expense	\$20,435	\$20,612	\$24,156	\$25,282	\$26,555
Less: unrealized gains/(losses) recognized on equity securities	(3)	(7)	(32)	299	75
Less: net gain/(loss) on loans accounted for under the fair value option	-	-	-	(155)	(134)
Less: net gain on equity interests	-	489	1	-	6
Plus: provision for loan loss	406	812	210	519	1,756
Gross revenue	\$20,844	\$20,942	\$24,397	\$25,657	\$28,364

Mortgage Gross Revenue	For the Three Months Ended,				
(Dollars in thousands)	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022
Total income before non-interest expense	\$4,497	\$2,498	\$2,518	\$1,277	\$940
Plus: provision for loan loss	-	-	-	-	-
Gross revenue	\$4,497	\$2,498	\$2,518	\$1,277	\$940

Consolidated Gross Revenue	For the Three Months Ended,				
(Dollars in thousands)	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022
Total income before non-interest expense	\$24,932	\$23,110	\$26,674	\$26,559	\$27,495
Less: unrealized gains/(losses) recognized on equity securities	(3)	(7)	(32)	299	75
Less: net gain/(loss) on loans accounted for under the fair value option	-	-	-	(155)	(134)
Less: net gain on equity interests	-	489	1	-	6
Plus: provision for loan loss	406	812	210	519	1,756
Gross revenue	\$25,341	\$23,440	\$26,915	\$26,934	\$29,304

Gross Revenue excluding net gain on mortgage loans	For the Three Months Ended,		
(Dollars in thousands)	September 30, 2021	June 30, 2022	September 30, 2022
Gross revenue	\$25,341	\$26,934	\$29,304
Less: net gain on mortgage loans	4,480	1,152	885
Gross revenue excluding net gain on mortgage loans	\$20,861	\$25,782	\$28,419

Non-GAAP Reconciliation

Adjusted net income available to common shareholders (Dollars in thousands, except per share data)	For the Three Months Ended,				
	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022
Net income available to common shareholders	\$6,417	\$1,917	\$5,524	\$4,482	\$6,221
Plus: acquisition related expense including tax impact	252	2,859	398	260	116
Adjusted net income to common shareholders	\$6,669	\$4,776	\$5,922	\$4,742	\$6,337
Adjusted diluted earnings per share (Dollars in thousands, except per share data)	For the Three Months Ended,				
	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022
Diluted earnings per share	\$0.78	\$0.23	\$0.57	\$0.46	\$0.64
Plus: acquisition related expenses including tax impact	0.03	0.34	0.04	0.03	0.02
Adjusted diluted earnings per share	\$0.81	\$0.57	\$0.61	\$0.49	\$0.66
Pre-tax, pre-provision net income (Dollars in thousands)	For the Three Months Ended,				
	September 30, 2021	June 30, 2022	September 30, 2022		
Income before income taxes	\$8,235	\$5,976	\$8,466		
Plus: provision for loan losses	1,756	519	406		
Pre-tax, pre-provision net income	\$9,991	\$6,495	\$8,872		
Allowance for loan losses to Bank originated loans excluding PPP (Dollars in thousands)	As of				
	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022	
Total loans held for investment	\$1,954,168	\$1,931,122	\$2,150,148	\$2,354,898	
Less: Branch acquisition	360,661	323,563	287,623	248,573	
Less: PPP loans	40,062	13,109	9,053	6,905	
Less: Purchased loans accounted for under fair value	-	6,368	21,149	22,648	
Loans excluding acquired and PPP	1,553,445	1,588,082	1,832,323	2,076,772	
Allowance for loan losses	13,732	13,885	14,357	16,081	
Allowance for loan losses to Bank originated loans excluding PPP	0.88%	0.87%	0.78%	0.77%	

Non-GAAP Reconciliation

Adjusted net interest margin	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			For the Three Months Ended September 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	266,614	105		279,406	109		475,942	232		321,673	549		101,824	533	
PPP adjustment	1,636	-		9,556	3		12,378	6		4,493	9		2,798	16	
Investment securities	29,130	180		36,001	226		55,739	337		69,320	418		87,340	653	
PPP adjustment	-	-		-	-		-	-		-	-		-	-	
Loans	1,592,800	15,861		1,653,920	15,398		1,922,770	19,096		2,010,024	20,663		2,241,343	25,345	
PPP adjustment	(81,476)	(1,081)		(51,825)	(622)		(30,481)	(491)		(13,385)	(148)		(9,026)	(73)	
Purchase Accretion adjustment	-	35		-	398		-	(328)		-	(288)		-	114	
Adjusted total interest-earning assets	1,808,704	15,100		1,927,058	15,512		2,436,348	18,852		2,392,125	21,203		2,424,279	26,588	
Interest-bearing deposits		829			813			943			1,103			2,706	
PPP adjustment		-			-			-			-			-	
Federal Home Loan Bank Topeka and Federal Reserve borrowings		82			55			39			28			656	
PPP adjustment		(59)			(31)			(16)			(8)			(3)	
Subordinated notes		<u>389</u>			<u>477</u>			<u>400</u>			<u>361</u>			<u>362</u>	
Adjusted total interest-bearing liabilities		1,241			1,314			1,366			1,484			3,721	
Net interest income		13,859			14,198			17,486			19,719			22,867	
Adjusted net interest margin			3.06%			2.95%			2.87%			3.30%			3.77%