

**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 24, 2019

FIRST WESTERN FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

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

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

| | | |
|----------------------------|-----------------------|--|
| Title of each class | Trading Symbol | Name of each exchange on which registered |
| Common Stock, no par value | MYFW | The Nasdaq Stock Market LLC |

Item 2.02 Results of Operations and Financial Condition.

On October 24, 2019, First Western Financial, Inc. (the “Company”) issued a press release announcing its financial results for the third quarter ended September 30, 2019. 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, 2019 on Friday, October 25, 2019, 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, 2019 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.

| <u>Exhibit Number</u> | <u>Description</u> |
|---------------------------|---|
| 99.1 | <u>Press Release issued by First Western Financial, Inc. dated October 24, 2019</u> |
| 99.2 | <u>First Western Financial, Inc. Earnings Presentation</u> |

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 24, 2019

By: /s/ Scott C. Wylie

Scott C. Wylie

Chairman, Chief Executive Officer and President



First Western Reports Third Quarter 2019 Financial Results

Third Quarter 2019 Summary

- Net income available to common shareholders of \$2.4 million in Q3 2019, compared to net income available to common shareholders of \$1.4 million in Q2 2019 and \$1.4 million in Q3 2018
- Diluted EPS of \$0.30 in Q3 2019, compared to \$0.18 in Q2 2019 and \$0.19 in Q3 2018
- Total assets of \$1.27 billion at September 30, 2019, representing annualized growth of 27.4%, compared to \$1.19 billion at June 30, 2019 and an annualized growth of 16.0%
- Total assets under management surpassed \$6.1 billion at September 30, 2019, an increase of 8.7% from September 30, 2018
- Average deposits increased \$75.1 million from Q2 2019 to Q3 2019
- Total deposits of \$1.1 billion, a 41.3% annualized increase from Q2 2019 and a 26.2% increase from Q3 2018
- Loan production of \$55.4 million in Q3 2019 offset by elevated payoffs of \$71.3 million, compared to loan production of \$52.6 million and payoffs of \$44.7 million in Q2 2019
- Non-interest income increased 2.4% from Q2 2019 and 32.4% from Q3 2018
- Sale of Los Angeles-based fixed income team now expected to close during Q4 2019

Denver, Colo., October 24, 2019 – First Western Financial, Inc., (“First Western” or the “Company”) (NASDAQ: MYFW), today reported financial results for the third quarter ended September 30, 2019.

Net income available to common shareholders was \$2.4 million, or \$0.30 per diluted share, for the third quarter of 2019. This compares to \$1.4 million, or \$0.18 per diluted share, for the second quarter of 2019, and \$1.4 million, or \$0.19 per diluted share, for the third quarter of 2018, which included \$0.3 million of preferred stock dividends. The preferred stock was redeemed in the third quarter of 2018.

“We had another good quarter of business development and client acquisitions, resulting in significant growth in total deposits and assets under management, as well as another quarter of strong contribution from our residential mortgage business,” said Scott C. Wylie, CEO of First Western. “We continue to generate strong loan production, although we saw a significant increase in payoffs in the third quarter, which negatively impacted our total loan growth and net interest income. Our loan pipeline remains healthy, which should result in continued strong loan production. However, we anticipate that elevated payoffs will continue to be a headwind to our total loan growth in the near-term. Over the longer-term, we are optimistic about our

opportunities to drive additional profitable growth as we put our rapid increase in liquid assets to work, continue to attract new clients, gain scale, and realize additional operating leverage.”

| | For the Three Months Ended | | |
|---|----------------------------|------------------|-----------------------|
| | September 30, 2019 | June 30, 2019 | September 30, 2018 |
| <i>(Dollars in thousands, except per share data)</i> | | | |
| Earnings Summary | | | |
| Net interest income | \$ 7,940 | \$ 7,960 | \$ 7,788 |
| Less: provision for (recovery of) credit losses | 100 | (78) | 18 |
| Total non-interest income | 8,788 | 8,586 | 6,638 |
| Total non-interest expense ⁽¹⁾ | 13,442 | 14,659 | 12,176 |
| Income before income taxes | 3,186 | 1,965 | 2,232 |
| Income tax expense | 780 | 561 | 543 |
| Net income | 2,406 | 1,404 | 1,689 |
| Preferred stock dividends | — | — | (255) |
| Net income available to common shareholders | 2,406 | 1,404 | 1,434 |
| Adjusted net income available to common shareholders ⁽²⁾ | 2,406 | 2,586 | 1,434 |
| Basic and diluted earnings per common share | 0.30 | 0.18 | 0.19 |
| Adjusted basic and diluted earnings per common share ⁽²⁾ | \$ 0.30 | \$ 0.33 | \$ 0.19 |
| Return on average assets (annualized) | 0.80 % | 0.50 % | 0.65 % |
| Adjusted return on average assets (annualized) ⁽²⁾ | 0.80 | 0.91 | 0.65 |
| Return on average shareholders' equity (annualized) | 7.74 | 4.61 | 6.01 |
| Adjusted return on average shareholders' equity (annualized) ⁽²⁾ | 7.74 | 8.50 | 6.01 |
| Return on tangible common equity (annualized) ⁽²⁾ | 9.39 | 5.68 | 6.46 |
| Adjusted return on tangible common equity (annualized) ⁽²⁾ | 9.39 | 10.51 | 6.46 |
| Net interest margin | 2.95 | 3.10 | 3.29 |
| Efficiency ratio ⁽²⁾ | 80.62 % | 78.24 % | 82.96 % |

(1) Includes non-operating goodwill impairment charge of \$1.6 million for the three months ended June 30, 2019.

(2) 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.

Operating Results for the Third Quarter 2019

Revenue

Gross revenue (total income before non-interest expense, less net gains on sale of securities and plus provision for credit losses) was \$16.6 million for the third quarter of 2019, compared to \$16.5 million for the second quarter of 2019. The increase in revenue was primarily driven by a \$0.1 million increase in trust and investment management fees.

Relative to the third quarter of 2018, gross revenue increased \$2.2 million from \$14.4 million. The increase was due to growth in all major categories of gross revenues including net interest income, trust and investment management fees, and net gain on mortgage loans sold resulting from increased mortgage activity and improvement in operational efficiencies within the Mortgage segment.

Net Interest Income

Net interest income for the third quarter of 2019 was \$7.9 million, materially unchanged from the second quarter of 2019, as interest-bearing deposit growth increased on-balance sheet liquidity and outpaced loan growth. On a quarter-over-quarter basis, net interest income was impacted by an \$84.5 million increase in average interest-bearing deposits, partially offset by average loan growth of \$2.2 million. The cost of

interest-bearing deposits increased 2 basis points to 1.63%, while average loan yields increased 2 basis points to 4.55%.

Relative to the third quarter of 2018, net interest income increased 2.0% from \$7.8 million. The year-over-year increase in net interest income was due primarily to growth in average loans, partially offset by increases in average interest-bearing liabilities and funding costs.

Net Interest Margin

Net interest margin for the third quarter of 2019 decreased to 2.95% from 3.10% in the second quarter of 2019. The decrease was primarily driven by the on-boarding deposits from new high net worth clients. This drove an increase in MMDA balances and corresponding interest expense, and an unfavorable shift in the mix of earning assets.

Relative to the third quarter of 2018, the net interest margin decreased from 3.29%, primarily due to a 40 basis point increase in the average cost of funds, which was partially offset by a 6 basis point increase in the average yield on interest earning assets.

Non-interest Income

Non-interest income for the third quarter of 2019 was \$8.8 million, an increase of 2.4% from \$8.6 million in the second quarter of 2019. The increase was primarily due to higher trust and investment management fees and a gain on the sale of securities.

Relative to the third quarter of 2018, non-interest income increased 32.4% from \$6.6 million. The increase was primarily attributable to higher net gains on mortgage loans sold as a result of a higher volume of mortgages sold in 2019.

Non-interest Expense

Non-interest expense for the third quarter of 2019 was \$13.4 million, a decrease of 8.3% from \$14.7 million for the second quarter of 2019. Non-interest expense for the second quarter of 2019 included a \$1.6 million goodwill impairment charge related to the July 2019 agreement to sell the Company's Los Angeles-based fixed income team. Excluding the goodwill impairment charge, non-interest expense increased 2.7%. Non-interest expense also increased 10.4% from \$12.2 million in the third quarter of 2018. Relative to both prior periods, the higher non-interest expense in the third quarter of 2019 was primarily attributable to an increase in salaries and employee benefits.

The increase in salary and employee benefits was primarily driven by \$0.5 million increase in non-operating equity compensation expenses for performance related earnout payouts as a result of the September 2017 acquisition of EMC Holdings, LLC ("EMC") along with \$0.4 million of higher incentive compensation accruals.

As part of the EMC acquisition agreement, the effective date of the performance related payout is August 31 of each year. If mortgage volume and income remain flat compared to the September 30, 2019 results and using the August 31, 2019 MYFW stock price, the Company expects to recognize the remaining equity compensation expense allowable under this agreement, approximately \$0.4 million of additional expense, by the end of the first quarter 2020.

Non-interest expense for the third quarter of 2019 also included approximately \$0.14 million in non-recurring professional services fees related to the pending sale of the Company's Los Angeles-based fixed income team.

The Company's efficiency ratio was 80.6% in the third quarter of 2019, compared with 78.2% in the second quarter of 2019 and 83.0% in the third quarter of 2018. The efficiency ratio was negatively impacted during the third quarter 2019 by various acquisition and disposition related expenses. The impact of the above noted items on the third quarter 2019 net income available to shareholders and on earnings per share are as follows:

| As of and for the Three Months Ended (Dollars in thousands, except share and per share data) | September 30, 2019 |
|--|-----------------------|
| Impact of Acquisition/Disposition Related Expenses on Net Income Available To Common Shareholders⁽¹⁾ | |
| Net income available to common shareholders | \$ 2,406 |
| Plus acquisition/disposition related expenses net of income tax impact: | |
| EMC performance related earnout payouts | 350 |
| Expenses related to sale of L.A. fixed income team | 99 |
| Net income available to shareholders adjusted for impact of acquisition/disposition expenses⁽¹⁾ | \$ 2,855 |
| Impact of Acquisition/Disposition Related Expenses on Earnings Per Share⁽¹⁾ | |
| Earnings per share | \$ 0.30 |
| Plus acquisition/disposition related expenses net of income tax impact: | |
| EMC performance related earnout payments | 0.04 |
| Expenses related to sale of L.A. fixed income team | 0.01 |
| Earnings per share adjusted for impact of acquisition/disposition expenses⁽¹⁾ | \$ 0.35 |

(1) This table contains certain non-GAAP financial measures that are intended to provide meaningful supplemental information regarding the Company's operational performance and to enhance investors' overall understanding of the Company's core financial performance.

Income Taxes

The Company recorded income tax expense of \$0.8 million for the third quarter of 2019, representing an effective tax rate of 24.5%, compared to 28.5% for the second quarter of 2019. The second quarter expense was higher primarily due to the vesting of Restricted Stock Units which occurred during the three months ended June 30, 2019.

Loan Portfolio

Total gross loans including mortgage loans held for sale were \$995.8 million at September 30, 2019, an increase of \$20.2 million from the end of the prior quarter, representing an annualized growth of 8.3% and an increase of \$119.3 million from September 30, 2018, or 13.6% growth.

Gross loans, excluding mortgage loans held for sale, totaled \$926.6 million at September 30, 2019, compared to \$939.4 million at June 30, 2019 and \$857.3 million at September 30, 2018. The decrease in gross loans from June 30, 2019 was primarily attributable to elevated payoffs and paydowns experienced in the 1-4 family residential and non-owner occupied commercial real estate portfolios. Net loan payoffs in the loan portfolio totaled \$71.3 million in the third quarter of 2019, an increase from \$44.7 million in the second quarter of 2019.

Deposits

Total deposits were \$1.1 billion at September 30, 2019, compared to \$1.0 billion at June 30, 2019, and \$878.6 million at September 30, 2018, which represents a 41.3% annualized increase from the second quarter 2019 and a 26.2% increase from the third quarter 2018. The increase in total deposits from June 30, 2019 was due primarily to an increase in money market accounts related to the addition of new high net worth clients.

Average total deposits for the third quarter of 2019 increased \$75.1 million, or 31.0% annualized, from the second quarter of 2019 and increased \$180.3 million, or 20.9%, from the third quarter of 2018.

Assets Under Management

Total assets under management increased by \$148.2 million during the third quarter to \$6.12 billion at September 30, 2019, compared to \$5.97 billion at June 30, 2019, and \$5.63 billion at September 30, 2018. The increase was primarily attributable to market gains.

Credit Quality

Non-performing assets totaled \$14.6 million, or 1.15% of total assets, at September 30, 2019, up from \$13.5 million, or 1.13% of total assets, at June 30, 2019 due to an increase in TDR balances.

Consistent with the prior eleven quarters, the Company did not record any charge-offs in the third quarter of 2019.

The Company recorded a provision for loan losses of \$0.1 million in the third quarter of 2019, primarily due to an increase in substandard loans.

Capital

At September 30, 2019, First Western (“Consolidated”) and First Western Trust Bank (“Bank”) exceeded the minimum capital levels required by their respective regulators. At September 30, 2019, the Bank was classified as “well capitalized,” as summarized in the following table:

| | <u>September 30,</u> <u>2019</u> |
|--|-------------------------------------|
| Consolidated Capital | |
| Common Equity Tier 1(CET1) to risk-weighted assets | 11.73 % |
| Tier 1 capital to risk-weighted assets | 11.73 |
| Total capital to risk-weighted assets | 13.36 |
| Tier 1 capital to average assets | 8.76 |
| Bank Capital | |
| Common Equity Tier 1(CET1) to risk-weighted assets | 10.98 |
| Tier 1 capital to risk-weighted assets | 10.98 |
| Total capital to risk-weighted assets | 11.87 |
| Tier 1 capital to average assets | 8.19 % |

Tangible book value per common share increased 3.6% to \$12.83 at September 30, 2019, from \$12.38 at June 30, 2019.

During the third quarter of 2019, the Company repurchased 582 shares of its common stock at an average price of \$14.00 under its stock repurchase program, which authorized the repurchase of up to 300,000 shares of its common stock. As of September 30, 2019, the Company had up to 299,418 shares remaining under the current stock repurchase authorization.

Sale of Los Angeles-based Fixed Income Team

On July 19, 2019, the Company announced that it had entered into an agreement to sell its Los Angeles-based fixed income portfolio management team (“LA fixed income team”) and certain advisory and sub-advisory arrangements to Lido Advisors, LLC and Oakhurst Advisors, LLC. The sale of the LA fixed income team is now expected to close during the fourth quarter of 2019. As a result of the pending sale, \$3.6 million in assets and \$0.1 in liabilities were moved to held for sale during the period.

The Company continues to expect the sale to result in an estimated positive impact to tangible common equity of approximately \$3.3 million to \$3.9 million to be recognized at closing.

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 25, 2019. The call can be accessed via telephone at 877-405-1628; passcode 7935958. A recorded replay will be accessible through November 1, 2019 by dialing 855-859-2056; passcode 7935958.

A slide presentation relating to the third quarter 2019 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.

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,” “Adjusted Net Income Available to Common Shareholders,” “Adjusted 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,” “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 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 21, 2019 (“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)

| | For the Three Months Ended | | |
|--|----------------------------|------------------|-----------------------|
| | September 30, 2019 | June 30, 2019 | September 30, 2018 |
| <i>(Dollars in thousands, except per share data)</i> | | | |
| Interest and dividend income: | | | |
| Loans, including fees | \$ 10,672 | \$ 10,600 | \$ 9,468 |
| Investment securities | 312 | 331 | 266 |
| Federal funds sold and other | 489 | 243 | 206 |
| Total interest and dividend income | 11,473 | 11,174 | 9,940 |
| Interest expense: | | | |
| Deposits | 3,363 | 2,995 | 1,761 |
| Other borrowed funds | 170 | 219 | 391 |
| Total interest expense | 3,533 | 3,214 | 2,152 |
| Net interest income | 7,940 | 7,960 | 7,788 |
| Less: provision for (recovery of) credit losses | 100 | (78) | 18 |
| Net interest income, after provision for (recovery of) credit losses | 7,840 | 8,038 | 7,770 |
| Non-interest income: | | | |
| Trust and investment management fees | 4,824 | 4,693 | 4,770 |
| Net gain on mortgage loans sold | 3,291 | 3,262 | 1,159 |
| Bank fees | 283 | 341 | 361 |
| Risk management and insurance fees | 176 | 194 | 249 |
| Net gain on securities | 119 | — | — |
| Income on company-owned life insurance | 95 | 96 | 99 |
| Total non-interest income | 8,788 | 8,586 | 6,638 |
| Total income before non-interest expense | 16,628 | 16,624 | 14,408 |
| Non-interest expense: | | | |
| Salaries and employee benefits | 8,504 | 7,699 | 7,221 |
| Occupancy and equipment | 1,388 | 1,398 | 1,427 |
| Professional services | 745 | 1,036 | 805 |
| Technology and information systems | 961 | 1,016 | 965 |
| Data processing | 854 | 742 | 697 |
| Marketing | 272 | 441 | 274 |
| Amortization of other intangible assets | 52 | 142 | 208 |
| Goodwill impairment | — | 1,572 | — |
| Other | 666 | 613 | 579 |
| Total non-interest expense | 13,442 | 14,659 | 12,176 |
| Income before income taxes | 3,186 | 1,965 | 2,232 |
| Income tax expense | 780 | 561 | 543 |
| Net income | 2,406 | 1,404 | 1,689 |
| Preferred stock dividends | — | — | (255) |
| Net income available to common shareholders | \$ 2,406 | \$ 1,404 | \$ 1,434 |
| Earnings per common share: | | | |
| Basic and diluted | \$ 0.30 | \$ 0.18 | \$ 0.19 |

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

| | <u>September 30,</u> <u>2019</u> | <u>June 30,</u> <u>2019</u> | <u>September 30,</u> <u>2018</u> |
|---|-------------------------------------|--------------------------------|-------------------------------------|
| <i>(Dollars in thousands)</i> | | | |
| ASSETS | | | |
| Cash and cash equivalents: | | | |
| Cash and due from banks | \$ 3,828 | \$ 1,974 | \$ 1,232 |
| Interest-bearing deposits in other financial institutions | 142,348 | 90,795 | 69,186 |
| Total cash and cash equivalents | 146,176 | 92,769 | 70,418 |
| Available-for-sale securities | 61,491 | 51,698 | 45,492 |
| Correspondent bank stock, at cost | 582 | 1,649 | 2,392 |
| Mortgage loans held for sale | 69,231 | 36,269 | 19,238 |
| Loans, net of allowance of \$7,675, \$7,575 and \$7,118 | 918,911 | 931,820 | 850,199 |
| Premises and equipment, net | 5,483 | 5,683 | 6,263 |
| Accrued interest receivable | 2,968 | 3,184 | 2,854 |
| Accounts receivable | 4,978 | 4,718 | 4,736 |
| Other receivables | 865 | 872 | 1,841 |
| Other real estate owned, net | 658 | 658 | 658 |
| Goodwill | 19,686 | 23,239 | 24,811 |
| Other intangible assets, net | 36 | 88 | 565 |
| Deferred tax assets, net | 4,765 | 4,607 | 4,626 |
| Company-owned life insurance | 14,993 | 14,898 | 14,614 |
| Other assets | 17,549 | 18,313 | 2,820 |
| Assets held for sale | 3,553 | — | — |
| Total assets | <u>\$ 1,271,925</u> | <u>\$ 1,190,465</u> | <u>\$ 1,051,527</u> |
| LIABILITIES | | | |
| Deposits: | | | |
| Noninterest-bearing | \$ 231,535 | \$ 229,266 | \$ 219,400 |
| Interest-bearing | 877,369 | 775,911 | 659,239 |
| Total deposits | 1,108,904 | 1,005,177 | 878,639 |
| Borrowings: | | | |
| Federal Home Loan Bank Topeka borrowings | 10,000 | 36,060 | 44,598 |
| Subordinated Notes | 6,560 | 6,560 | 6,560 |
| Accrued interest payable | 356 | 274 | 211 |
| Other liabilities | 20,262 | 20,237 | 7,355 |
| Liabilities held for sale | 111 | — | — |
| Total liabilities | 1,146,193 | 1,068,308 | 937,363 |
| SHAREHOLDERS' EQUITY | | | |
| Total shareholders' equity | 125,732 | 122,157 | 114,164 |
| Total liabilities and shareholders' equity | <u>\$ 1,271,925</u> | <u>\$ 1,190,465</u> | <u>\$ 1,051,527</u> |

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

| | As of | | |
|---|-----------------------|------------------|-----------------------|
| | September 30, 2019 | June 30, 2019 | September 30, 2018 |
| <i>(Dollars in thousands)</i> | | | |
| Loan Portfolio | | | |
| Cash, Securities and Other | \$ 146,622 | \$ 149,503 | \$ 132,920 |
| Construction and Development | 42,059 | 40,826 | 37,423 |
| 1 - 4 Family Residential | 366,238 | 373,836 | 327,674 |
| Non-Owner Occupied CRE | 138,753 | 152,664 | 165,670 |
| Owner Occupied CRE | 119,497 | 112,660 | 94,698 |
| Commercial and Industrial | 111,187 | 108,516 | 97,772 |
| Total loans held for investment | \$ 924,356 | \$ 938,005 | \$ 856,157 |
| Deferred costs, net | 2,230 | 1,390 | 1,160 |
| Gross loans | \$ 926,586 | \$ 939,395 | \$ 857,317 |
| Mortgage loans held for sale | \$ 69,231 | \$ 36,269 | \$ 19,238 |
| Deposit Portfolio | | | |
| Money market deposit accounts | \$ 620,434 | \$ 508,263 | \$ 444,580 |
| Time deposits | 170,457 | 176,128 | 148,425 |
| Negotiable order of withdrawal accounts | 83,022 | 88,687 | 64,777 |
| Savings accounts | 3,456 | 2,833 | 1,457 |
| Total interest-bearing deposits | \$ 877,369 | \$ 775,911 | \$ 659,239 |
| Noninterest-bearing accounts | \$ 231,535 | \$ 229,266 | \$ 219,400 |
| Total deposits | \$ 1,108,904 | \$ 1,005,177 | \$ 878,639 |

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

| | For the Three Months Ended | | |
|--|----------------------------|---------------------|-----------------------|
| | September 30, 2019 | June 30, 2019 | September 30, 2018 |
| <i>(Dollars in thousands)</i> | | | |
| Average Balance Sheets | | | |
| Average Assets | | | |
| Interest-earnings assets: | | | |
| Interest-bearing deposits in other financial institutions | \$ 88,782 | \$ 40,755 | \$ 41,538 |
| Available-for-sale securities | 51,368 | 52,852 | 48,438 |
| Loans | 937,260 | 935,025 | 857,676 |
| Interest earning-assets | 1,077,410 | 1,028,632 | 947,652 |
| Mortgage loans held for sale | 52,546 | 31,454 | 22,294 |
| Total interest earning-assets, plus mortgage loans held for sale | 1,129,956 | 1,060,086 | 969,946 |
| Allowance for loan losses | (7,584) | (7,648) | (7,141) |
| Noninterest-earnings assets | 81,171 | 79,735 | 72,922 |
| Total assets | <u>\$ 1,203,543</u> | <u>\$ 1,132,173</u> | <u>\$ 1,035,727</u> |
| Average Liabilities and Shareholders' Equity | | | |
| Interest-bearing liabilities: | | | |
| Interest-bearing deposits | \$ 826,490 | \$ 742,002 | \$ 640,507 |
| Federal Home Loan Bank Topeka borrowings | 10,567 | 17,922 | 44,804 |
| Subordinated notes | 6,560 | 6,560 | 8,489 |
| Total interest-bearing liabilities | <u>\$ 843,617</u> | <u>\$ 766,484</u> | <u>\$ 693,800</u> |
| Noninterest-bearing liabilities: | | | |
| Noninterest-bearing deposits | 215,721 | 225,153 | 221,411 |
| Other liabilities | 19,881 | 18,830 | 8,132 |
| Total noninterest-bearing liabilities | <u>\$ 235,602</u> | <u>\$ 243,983</u> | <u>\$ 229,543</u> |
| Shareholders' equity | <u>\$ 124,324</u> | <u>\$ 121,706</u> | <u>\$ 112,384</u> |
| Total liabilities and shareholders' equity | <u>\$ 1,203,543</u> | <u>\$ 1,132,173</u> | <u>\$ 1,035,727</u> |
| Yields (annualized) | | | |
| Interest-bearing deposits in other financial institutions | 2.20 % | 2.38 % | 1.98 % |
| Available-for-sale securities | 2.43 | 2.51 | 2.20 |
| Loans | 4.55 | 4.53 | 4.42 |
| Interest earning-assets | 4.26 | 4.35 | 4.20 |
| Mortgage loans held for sale | 3.46 | 3.73 | 4.36 |
| Total interest earning-assets, plus loans held for sale | 4.22 | 4.33 | 4.20 |
| Interest-bearing deposits | 1.63 | 1.61 | 1.10 |
| Federal Home Loan Bank Topeka borrowings | 1.93 | 2.23 | 2.05 |
| Subordinated notes | 7.26 | 7.26 | 7.59 |
| Total interest-bearing liabilities | 1.68 | 1.68 | 1.24 |
| Net interest margin | 2.95 | 3.10 | 3.29 |
| Interest rate spread | 2.58 % | 2.67 % | 2.96 % |

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

| | As of and for the Three Months Ended | | |
|--|--------------------------------------|------------------|-----------------------|
| | September 30, 2019 | June 30, 2019 | September 30, 2018 |
| <i>(Dollars in thousands, except per share data)</i> | | | |
| Asset Quality | | | |
| Nonperforming loans | \$ 13,980 | \$ 12,803 | \$ 18,388 |
| Nonperforming assets | 14,638 | 13,461 | 19,046 |
| Net recoveries | — | (8) | — |
| Nonperforming loans to total loans | 1.51 % | 1.36 % | 2.14 % |
| Nonperforming assets to total assets | 1.15 | 1.13 | 1.81 |
| Allowance for loan losses to nonperforming loans | 54.90 | 59.17 | 38.71 |
| Allowance for loan losses to total loans | 0.83 | 0.81 | 0.83 |
| Net charge-offs to average loans | — % | — % | — % |
| Assets under management | \$ 6,116,510 | \$ 5,968,318 | \$ 5,626,163 |
| Market Data | | | |
| Book value per share at period end | \$ 15.75 | \$ 15.30 | \$ 14.33 |
| Tangible book value per common share ⁽¹⁾ | \$ 12.83 | \$ 12.38 | \$ 11.14 |
| Weighted average outstanding shares, basic | 7,890,959 | 7,881,999 | 7,373,770 |
| Weighted average outstanding shares, diluted | 7,914,959 | 7,897,092 | 7,388,845 |
| Shares outstanding at period end | 7,983,866 | 7,983,866 | 7,968,420 |
| Consolidated Capital | | | |
| Common Equity Tier 1(CET1) to risk-weighted assets | 11.73 % | 11.41 % | 11.22 % |
| Tier 1 capital to risk-weighted assets | 11.73 | 11.41 | 11.22 |
| Total capital to risk-weighted assets | 13.36 | 13.04 | 12.90 |
| Tier 1 capital to average assets | 8.76 | 9.01 | 9.09 |
| Bank Capital | | | |
| Common Equity Tier 1(CET1) to risk-weighted assets | 10.98 | 10.65 | 10.42 |
| Tier 1 capital to risk-weighted assets | 10.98 | 10.65 | 10.42 |
| Total capital to risk-weighted assets | 11.87 | 11.53 | 11.31 |
| Tier 1 capital to average assets | 8.19 % | 8.42 % | 8.45 % |

(1) 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.

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, 2019 | June 30, 2019 | September 30, 2018 |
| <i>(Dollars in thousands, except share and per share data)</i> | | | |
| Tangible common | | | |
| Total shareholders' equity | \$ 125,732 | \$ 122,157 | \$ 114,164 |
| Less: | | | |
| Goodwill | 19,686 | 23,239 | 24,811 |
| Assets held for sale ⁽¹⁾ | 3,553 | — | — |
| Other intangibles, net | 36 | 88 | 565 |
| Tangible common equity | \$ 102,457 | \$ 98,830 | \$ 88,788 |
| Common shares outstanding, end of period | 7,983,866 | 7,983,866 | 7,968,420 |
| Tangible common book value per share | \$ 12.83 | \$ 12.38 | \$ 11.14 |
| Net income, as reported | \$ 2,406 | \$ 1,404 | \$ 1,689 |
| Less: Preferred stock dividends | — | — | 255 |
| Income available to common shareholders | \$ 2,406 | \$ 1,404 | \$ 1,434 |
| Return on tangible common equity (annualized) | 9.39 % | 5.68 % | 6.46 % |
| Efficiency | | | |
| Non-interest expense | \$ 13,442 | \$ 14,659 | \$ 12,176 |
| Less: Amortization | 52 | 142 | 208 |
| Less: Goodwill impairment | — | 1,572 | — |
| Adjusted non-interest expense | \$ 13,390 | \$ 12,945 | \$ 11,968 |
| Net interest income | \$ 7,940 | \$ 7,960 | \$ 7,788 |
| Non-interest income | 8,788 | 8,586 | 6,638 |
| Less: Net gain on sale of securities | 119 | — | — |
| Total income | \$ 16,609 | \$ 16,546 | \$ 14,426 |
| Efficiency ratio | 80.62 % | 78.24 % | 82.96 % |
| Total income before non-interest expense | \$ 16,628 | \$ 16,624 | \$ 14,408 |
| Less: Net gain on sale of securities | 119 | — | — |
| Plus: provision for (recovery of) credit losses | 100 | (78) | 18 |
| Gross revenue | \$ 16,609 | \$ 16,546 | \$ 14,426 |

(1) Goodwill held for sale related to the sale of the Los Angeles-based Fixed Income Team

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, 2019 | June 30, 2019 | September 30, 2018 |
| <i>(Dollars in thousands, except share and per share data)</i> | | | |
| Adjusted Net Income Available To Common Shareholders | | | |
| Net income available to common shareholders | \$ 2,406 | \$ 1,404 | \$ 1,434 |
| Plus: Goodwill impairment including income tax impact | — | 1,182 | — |
| Adjusted net income available to shareholders | \$ 2,406 | \$ 2,586 | \$ 1,434 |
| Adjusted Earnings Per Share | | | |
| Earnings per share | \$ 0.30 | \$ 0.18 | \$ 0.19 |
| Plus: Goodwill impairment including income tax impact | — | 0.15 | — |
| Adjusted earnings per share | \$ 0.30 | \$ 0.33 | \$ 0.19 |
| Adjusted Return on Average Assets (annualized) | | | |
| Return on average assets | 0.80 % | 0.50 % | 0.65 % |
| Plus: Goodwill impairment including income tax impact | — | 0.41 | — |
| Adjusted return on average assets | 0.80 % | 0.91 % | 0.65 % |
| Adjusted Return on Average Shareholders' Equity (annualized) | | | |
| Return on average shareholders' equity | 7.74 % | 4.61 % | 6.01 % |
| Plus: Goodwill impairment including income tax impact | — | 3.89 | — |
| Adjusted return on average shareholders' equity | 7.74 % | 8.50 % | 6.01 % |
| Adjusted Return on Tangible Common Equity (annualized) | | | |
| Return on tangible common equity | 9.39 % | 5.68 % | 6.46 % |
| Plus: Goodwill impairment including income tax impact | — | 4.83 | — |
| Adjusted return on tangible common equity | 9.39 % | 10.51 % | 6.46 % |



First Western Financial, Inc.

The First, Western-Based Private Trust Bank

Third Quarter 2019 Financial Results

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. 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.

Strong Operating Earnings

- Net income available to common shareholders of \$2.4 million, or \$0.30 EPS
- Net income increased 67.8% and EPS increased 57.9% over 3Q18
- Tangible book value per share⁽¹⁾ increased 3.6% to \$12.83 at Sep. 30, 2019

Continued Momentum in Business Development

- Average deposits increased \$75.1 million from 2Q19 to 3Q19
- Total deposits increased 41.3% annualized and 26.2% year-over-year
- AUM surpassed \$6.1 billion at September 30, 2019, a 8.7% increase over 3Q18

Loan Trends

- Strong loan production offset by elevated payoffs
- Net loan payoffs increased 60.0% from 2Q19
- Continued strength in residential mortgage activity and profitability

Sale of LA Fixed Income Team

- Now expected to close during 4Q19
- Sale process resulted in \$0.14 million of non-recurring professional fees in 3Q19
- Upon closing, sale is expected to have positive impact to tangible common equity of \$3.3 million to \$3.9 million

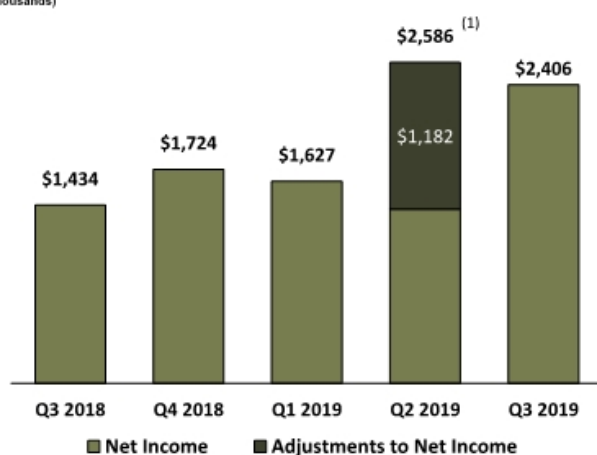
(1) See Non-GAAP reconciliation

Net Income Available to Common Shareholders and Earnings per Share

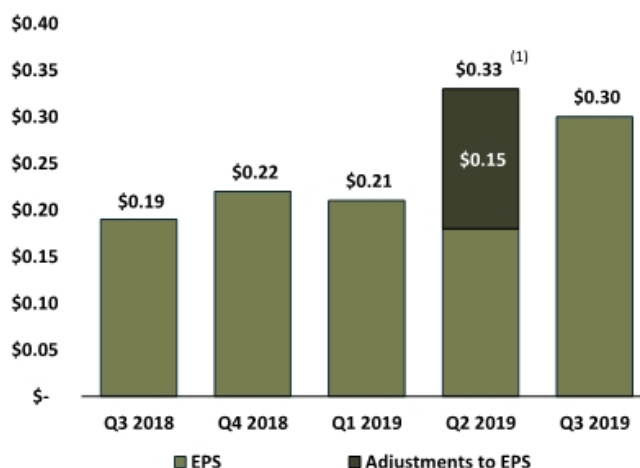
- Higher revenue and well controlled expenses driving earnings improvement
- Net income increased 67.8% over 3Q18
- Earnings per share increased 57.9% over 3Q18

Net Income Available to Common Shareholders

(in thousands)



Earnings per Share



(1) See Non-GAAP reconciliation

- Average loans up 12.5% year-over-year
- Total new held-for-investment (HFI) loan production of \$55.4 million in 3Q19 vs \$52.6 million in 2Q19 and \$32.3 million in 3Q18
- Payoffs/paydowns, net of draws, increased to \$71.3 million in 3Q19 vs \$44.7 million in 2Q19
- Payoffs/paydowns primarily experienced in 1-4 family and Non-Owner Occupied CRE portfolios

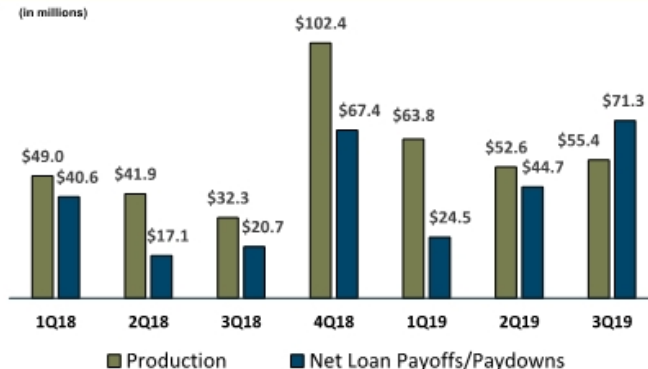
Loan Portfolio Composition⁽¹⁾

(In thousands, as of quarter-end)

| | 3Q 2018 | 2Q 2019 | 3Q 2019 |
|------------------------------|------------------|------------------|------------------|
| Cash, Securities and Other | \$132,920 | \$149,503 | \$146,622 |
| Construction and Development | 37,423 | 40,826 | 42,059 |
| 1 - 4 Family Residential | 327,674 | 373,836 | 366,238 |
| Non-Owner Occupied CRE | 165,670 | 152,664 | 138,753 |
| Owner Occupied CRE | 94,698 | 112,660 | 119,497 |
| Commercial and Industrial | 97,772 | 108,516 | 111,187 |
| Total Loans HFI | \$856,157 | \$938,005 | \$924,356 |
| Mortgage loans held for sale | 19,238 | 36,289 | 69,231 |
| Total Loans | \$875,395 | \$974,294 | \$993,587 |

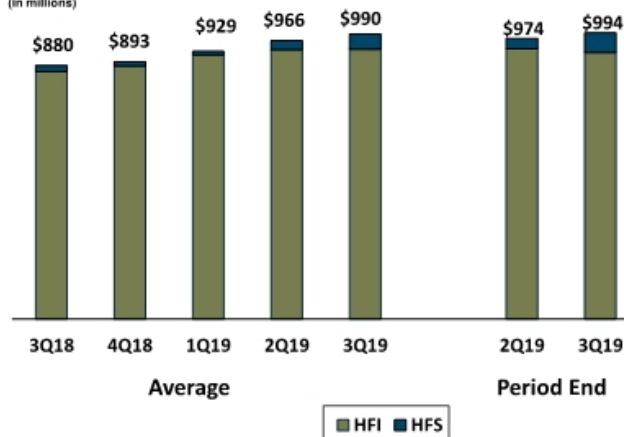
Loan Production & Net Loan Payoffs/Paydowns

(In millions)



Total Loans⁽¹⁾

(In millions)



(1) Excludes deferred costs, net

Total Deposits

- Total deposits increased \$103.7 million from 2Q19, annualized growth of 41.3% and increased 26.2% from 3Q18
- Strongest growth in money market deposit accounts driven by addition of new high net worth (HNW) clients
- A portion of deposit inflow from new HNW clients is expected to move into investment management accounts in 4Q19

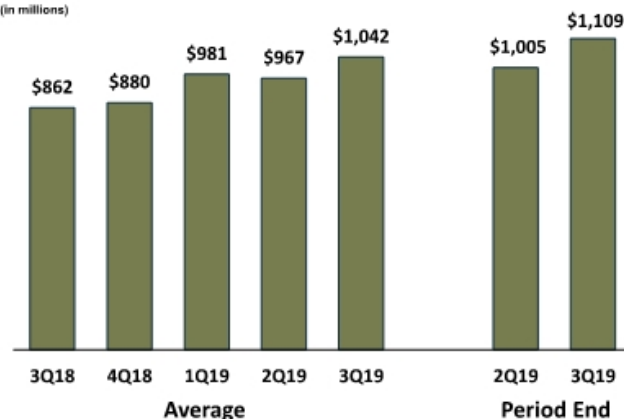
Deposit Portfolio Composition

(In thousands, as of quarter-end)

| | 3Q 2018 | 2Q 2019 | 3Q 2019 |
|-------------------------------|------------------|--------------------|--------------------|
| Money market deposit accounts | \$444,580 | \$508,263 | \$620,434 |
| Time deposits | 148,425 | 176,128 | 170,457 |
| NOW | 64,777 | 88,687 | 83,022 |
| Savings accounts | 1,457 | 2,833 | 3,456 |
| Noninterest-bearing accounts | 219,400 | 229,266 | 231,535 |
| Total Deposits | \$878,639 | \$1,005,177 | \$1,108,904 |

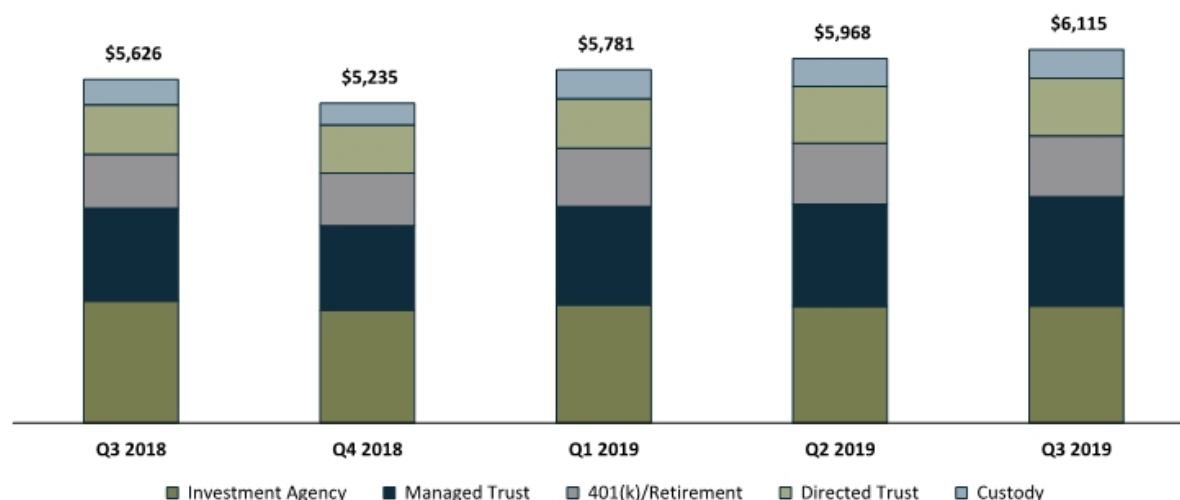
Total Deposits

(In millions)



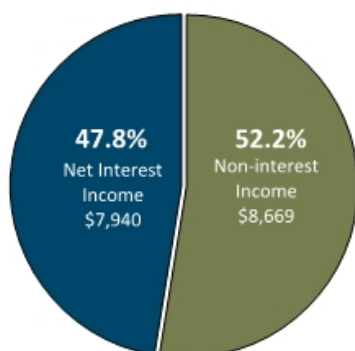
- Total assets under management increased \$148.2 million to \$6.12 billion at September 30, 2019
- Increase was primarily attributable to market gains, additionally \$20.3 million in new assets and \$45.9 million in contributions were added in Q3 2019

(in millions, as of quarter-end)



- Gross revenue remained relatively flat from prior quarter and increased 15.1% from 3Q18
- Consistent mortgage activity, higher trust and investment management fees, and gain on sales of securities drove increase in non-interest income from prior quarter

Q3 2019 Gross Revenue⁽¹⁾



Gross Revenue⁽¹⁾ (\$millions)



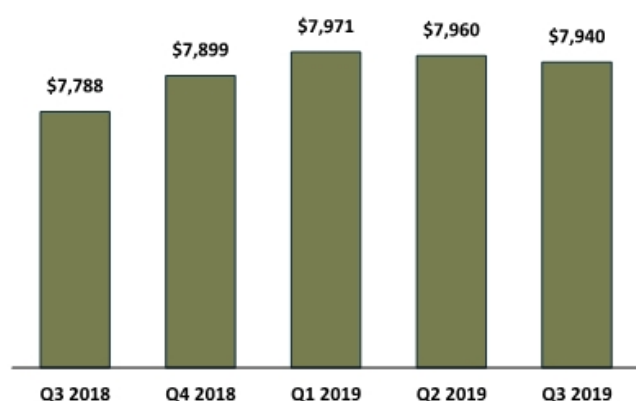
(1) See Non-GAAP reconciliation

Net Interest Income & Net Interest Margin

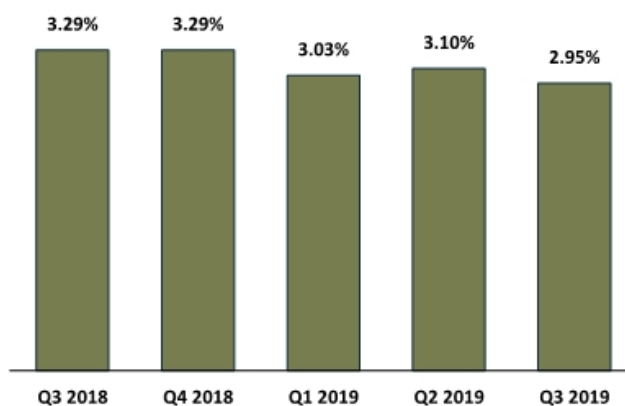
- Net interest income consistent with prior quarter, up 2.0% from 3Q18
- Net interest margin decreased to 2.95% primarily due to excess liquidity created from strong deposit inflows which will be redeployed in 4Q19
- Earning asset yields declined primarily due to unfavorable shift in mix of earning assets

Net Interest Income

(in thousands)



Net Interest Margin

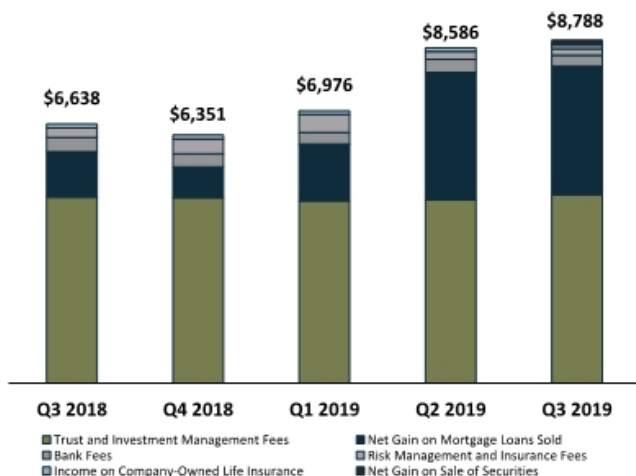


Non-Interest Income

- Total non-interest income increased by 2.4% due to higher trust and investment management fees and gain on sale of securities
- \$181.7 million in mortgage loans sold in 3Q19 compared to \$138.3 million sold in 2Q19

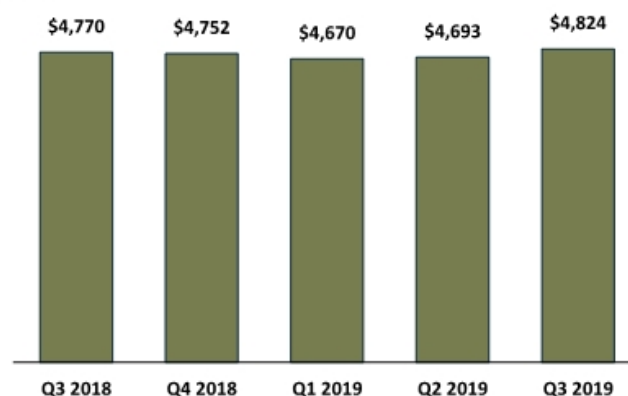
Total Non-Interest Income

(In thousands)



Trust & Investment Management Fees

(In thousands)

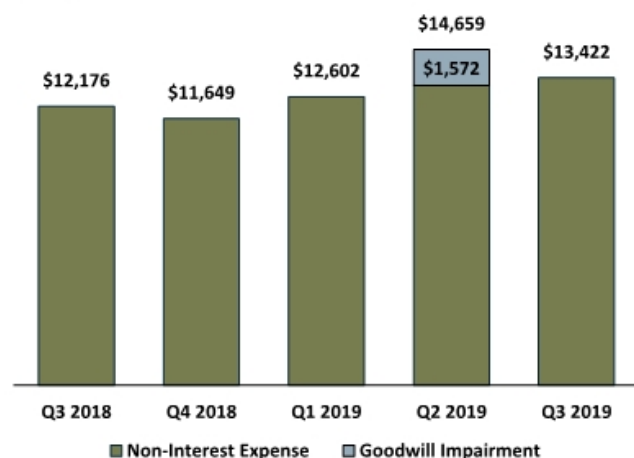


Non-Interest Expense and Efficiency Ratio

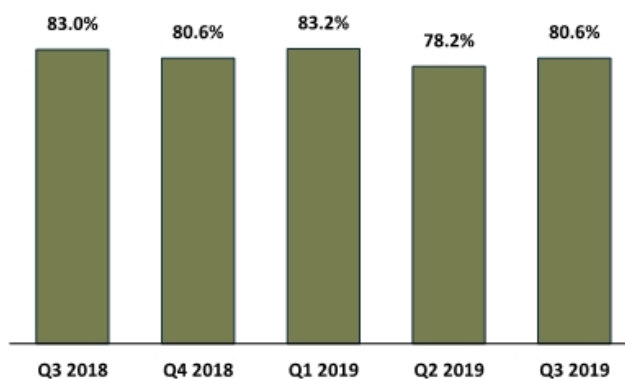
- Excluding goodwill impairment charge in 2Q19, non-interest expense increased 2.7%
- Increase was primarily driven by \$0.5 million in equity compensation earnout related to residential mortgage business
- \$0.14 million of non-recurring professional services fees incurred in 3Q19 related to sale of LA fixed income team

Total Non-Interest Expense

(In thousands)



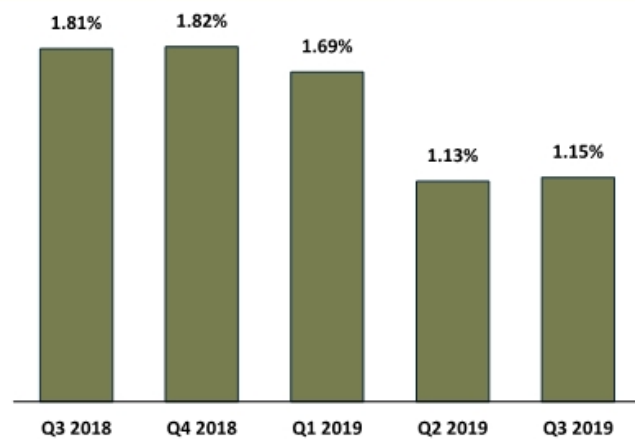
Operating Efficiency Ratio⁽¹⁾



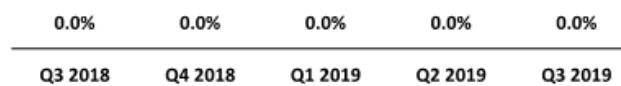
(1) See Non-GAAP reconciliation

- Generally stable trends in the portfolio with slight increases in non-performing and substandard loans
- Loss experience continues to be extremely low

Non-Performing Assets/Total Assets



Net Charge-Offs/Average Loans



- Business development platform has been effectively generating deposit and AUM growth; we now intend to increase our focus on asset generation
- Loan production expected to be strong in 4Q19, although we expect payoffs will continue to present a near-term headwind for loan growth
- Mortgage activity expected to remain strong with additions to production team expected to help offset seasonality
- Vail Valley market team is gaining momentum, funding first loans in 3Q19 and showing strong pipelines and business development activities
- We believe continued revenue growth will drive further operating leverage
- Sale of LA Fixed Income team and third party administration product line anticipated in 4Q19 expected to increase operating efficiency and allow for increased focus on core business activities

Appendix

Non-GAAP Reconciliation

| Consolidated Efficiency Ratio | For the Three Months Ended, | | | | |
|-------------------------------|-----------------------------|-------------------|----------------|---------------|--------------------|
| (Dollars in thousands) | September 30, 2018 | December 31, 2018 | March 31, 2019 | June 30, 2019 | September 30, 2019 |
| Non-interest expense | \$12,176 | \$11,649 | \$12,602 | \$14,659 | \$13,442 |
| Less: Amortization | 208 | 163 | 173 | 142 | 52 |
| Less: Goodwill impairment | - | - | - | 1,572 | - |
| Adjusted non-interest expense | \$11,968 | \$11,486 | \$12,429 | \$12,945 | \$13,390 |
| Net interest income | \$7,788 | \$7,899 | \$7,971 | \$7,960 | \$7,940 |
| Non-interest income | 6,638 | 6,351 | 6,976 | 8,586 | 8,788 |
| Less: Net gain on securities | - | - | - | - | 119 |
| Total income | \$14,426 | \$14,250 | \$14,947 | \$16,546 | \$16,609 |
| Efficiency ratio | 83.0% | 80.6% | 83.2% | 78.2% | 80.6% |

| Consolidated Tangible common book value per share | For the Three Months Ended, | | | | |
|---|-----------------------------|-------------------|----------------|----------------|--------------------|
| (Dollars in thousands) | September 30, 2018 | December 31, 2018 | March 31, 2019 | June 30, 2019 | September 30, 2019 |
| Total shareholders' equity | \$114,164 | \$116,875 | \$119,668 | \$122,157 | \$125,732 |
| Less: | | | | | |
| Goodwill | 24,811 | 24,811 | 24,811 | 23,239 | 19,686 |
| Assets held for sale | - | - | - | - | 3,553 |
| Other intangibles, net | 565 | 402 | 229 | 88 | 36 |
| Tangible common equity | 88,788 | 91,662 | 94,628 | 98,830 | 102,457 |
| Common shares outstanding, end of period | 7,968,420 | 7,968,420 | 7,968,420 | 7,983,866 | 7,983,866 |
| Tangible common book value per share | \$11.14 | \$11.50 | \$11.88 | \$12.38 | \$12.83 |

Non-GAAP Reconciliation

| Wealth Management Gross Revenue | For the Three Months Ended, | | | | |
|---|-----------------------------|-------------------|-----------------|-----------------|--------------------|
| (Dollars in thousands) | September 30, 2018 | December 31, 2018 | March 31, 2019 | June 30, 2019 | September 30, 2019 |
| Total income before non-interest expense | \$12,383 | \$12,289 | \$12,509 | \$12,550 | \$12,554 |
| Less: Net gain (loss) on sale of securities | - | - | - | - | 119 |
| Plus: Provision for (recovery of) credit loss | 18 | 349 | 194 | (78) | 100 |
| Gross revenue | \$12,401 | \$12,638 | \$12,703 | \$12,472 | \$12,535 |

| Capital Management Gross Revenue | For the Three Months Ended, | | | | |
|---|-----------------------------|-------------------|----------------|---------------|--------------------|
| (Dollars in thousands) | September 30, 2018 | December 31, 2018 | March 31, 2019 | June 30, 2019 | September 30, 2019 |
| Total income before non-interest expense | \$850 | \$794 | \$765 | \$798 | \$776 |
| Less: Net gain (loss) on sale of securities | - | - | - | - | - |
| Plus: Provision for (recovery of) credit loss | - | - | - | - | - |
| Gross revenue | \$850 | \$794 | \$765 | \$798 | \$776 |

| Mortgage Gross Revenue | For the Three Months Ended, | | | | |
|---|-----------------------------|-------------------|----------------|----------------|--------------------|
| (Dollars in thousands) | September 30, 2018 | December 31, 2018 | March 31, 2019 | June 30, 2019 | September 30, 2019 |
| Total income before non-interest expense | \$1,175 | \$818 | \$1,479 | \$3,276 | \$3,298 |
| Less: Net gain (loss) on sale of securities | - | - | - | - | - |
| Plus: Provision for (recovery of) credit loss | - | - | - | - | - |
| Gross revenue | \$1,175 | \$818 | \$1,479 | \$3,276 | \$3,298 |

| Consolidated Gross Revenue | For the Three Months Ended, | | | | |
|---|-----------------------------|-------------------|-----------------|-----------------|--------------------|
| (Dollars in thousands) | September 30, 2018 | December 31, 2018 | March 31, 2019 | June 30, 2019 | September 30, 2019 |
| Total income before non-interest expense | \$14,408 | \$13,901 | \$14,753 | \$16,624 | \$16,628 |
| Less: Net gain (loss) on sale of securities | - | - | - | - | 119 |
| Plus: Provision for (recovery of) credit loss | 18 | 349 | 194 | (78) | 100 |
| Gross revenue | \$14,426 | \$14,250 | \$14,947 | \$16,546 | \$16,609 |

Non-GAAP Reconciliation

| Impact of Goodwill impairment – Net income available to common shareholder (Dollars in thousands, except per share data) | For the Three Months Ended, | |
|---|-----------------------------|--------------------|
| | June 30, 2019 | September 30, 2019 |
| Net income available to common shareholders | \$1,404 | \$2,406 |
| Plus: Goodwill impairment including tax Impact | 1,182 | - |
| Adjusted net income to common shareholders | \$2,586 | \$2,406 |

| Impact of Goodwill impairment – Earnings Per Share (Dollars in thousands, except per share data) | For the Three Months Ended, | |
|---|-----------------------------|--------------------|
| | June 30, 2019 | September 30, 2019 |
| Earnings per share | \$0.18 | \$0.30 |
| Plus: Goodwill impairment including tax impact | 0.15 | - |
| Adjusted earnings per share | \$0.33 | \$0.30 |