



FIRSTwestern

Fourth Quarter 2022
Conference Call

Safe Harbor

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Overview of 4Q22

4Q22 Earnings

- Net income available to common shareholders of \$5.5 million, or \$0.56 per diluted share
- Excluding acquisition-related expenses, adjusted net income of \$5.6 million, or \$0.58 per diluted share⁽¹⁾

Well Balanced Loan Growth

- Despite tighter underwriting and pricing criteria, total loans held for investment increased at 21% annualized rate
- Increasing contributions from newer markets in Arizona, Wyoming and Montana
- Growth in most major loan categories

Strong Deposit Growth

- Increased focus on deposit gathering resulted in 44% annualized growth in total deposits
- Newer markets making larger contributions to deposit growth

Increase in Liquidity and Capital

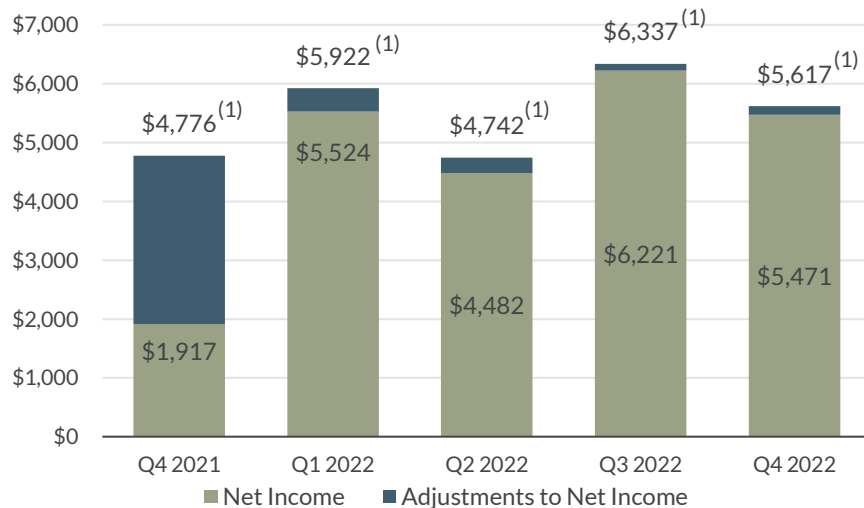
- Strong deposit growth significantly reduced loan-to-deposit ratio
- Total Capital Ratio increased 53 bps from end of prior quarter to 12.37%

(1) See Non-GAAP reconciliation

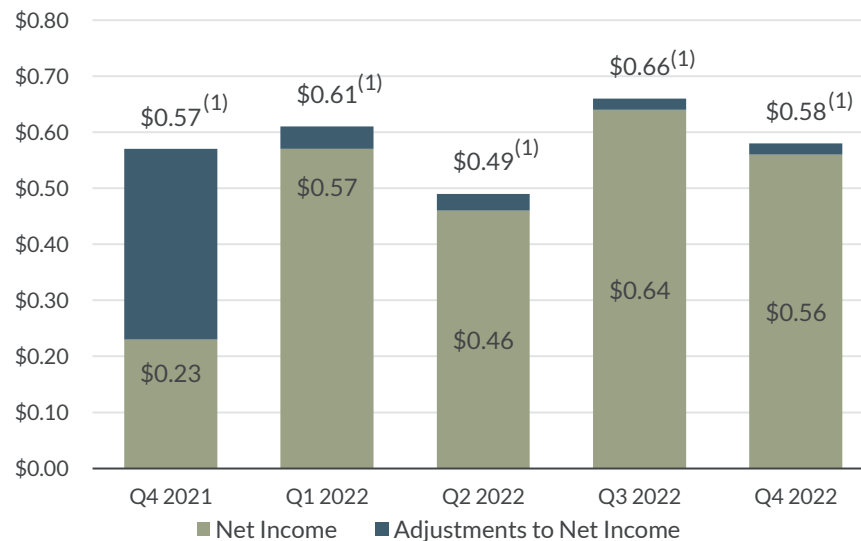
Net Income Available to Common Shareholders and Earnings per Share

- Net income of \$5.5 million, or \$0.56 diluted earnings per share, in 4Q22
- Excluding acquisition-related expenses, adjusted diluted earnings per share⁽¹⁾ of \$0.58 in 4Q22
- Strong profitability resulted in 2.5% and 3.0% increase in book value per share and tangible book value per share⁽¹⁾, respectively, from 3Q22
- Consistent value creation resulted in both book value and tangible book value per share⁽¹⁾ increasing by more than 9% during 2022

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 \$121.2 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 primarily driven by commercial, residential mortgage, and construction lending

Loan Portfolio Composition⁽¹⁾

(\$ in thousands, as of quarter end)

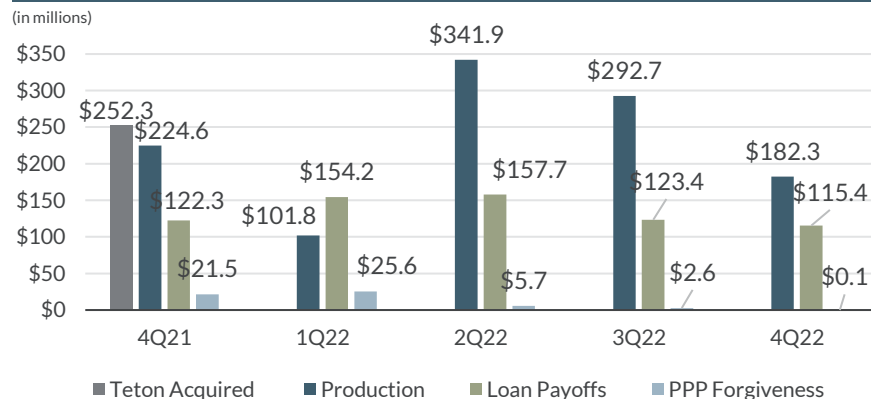
	4Q 2021	3Q 2022	4Q 2022
Cash, Securities and Other	\$261,190	\$154,748	\$165,670
Consumer and Other ⁽²⁾	34,758	50,429	49,954
Construction and Development	178,716	228,060	288,497
1-4 Family Residential	580,872	822,796	898,154
Non-Owner Occupied CRE	482,622	527,836	496,776
Owner Occupied CRE	212,426	220,075	216,056
Commercial and Industrial	203,584	350,954	361,028
Total Loans HFI	\$1,954,168	2,354,898	2,476,135
Loans held-for-sale (HFS) ⁽³⁾	30,620	12,743	10,804
Total Loans	\$1,984,788	\$2,367,641	\$2,486,939

(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.

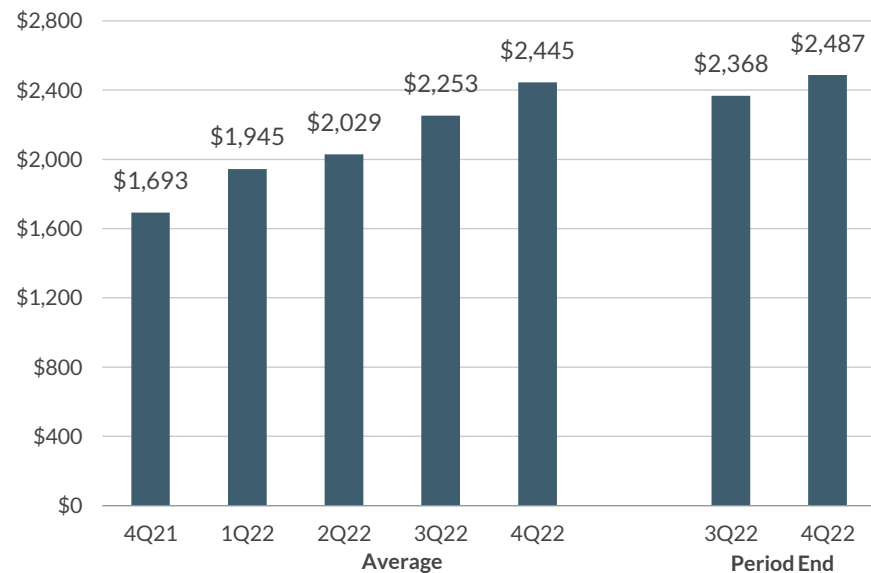
(2) Includes loans held for investment accounted for under fair value option of \$23.4 million and \$22.6 million as of December 31, 2022 and September 30, 2022, respectively.

(3) Includes \$2.0 million loans held for sale that are not Mortgage loans held for sale as of December 31, 2022.

Loan Production & Loan Payoffs



Total Loans⁽¹⁾



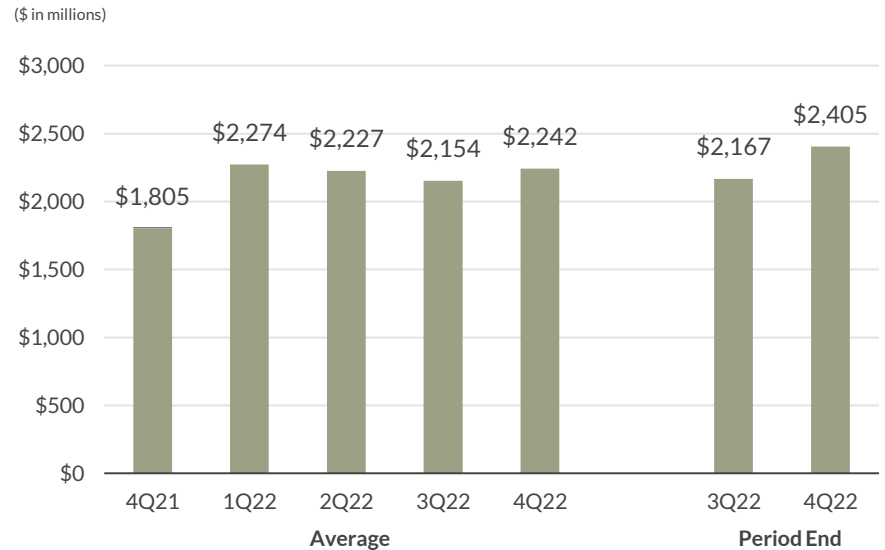
Total Deposits

- Total deposits increased at 44% annualized rate in 4Q22
- Some migration of noninterest-bearing deposits into interest-bearing categories as clients seek higher rates for their excess liquidity
- Time deposits added to lock-in longer-term fixed rate funding and help improve ability to manage funding costs going forward

Deposit Portfolio Composition

	4Q 2021	3Q 2022	4Q 2022
Money market deposit accounts	\$1,056,669	\$1,010,846	\$1,336,092
Time deposits	170,491	186,680	224,090
NOW	309,940	277,225	234,778
Savings accounts	32,299	30,641	27,177
Noninterest-bearing accounts	636,304	662,055	583,092
Total Deposits	\$2,205,703	\$2,167,447	\$2,405,229

Total Deposits

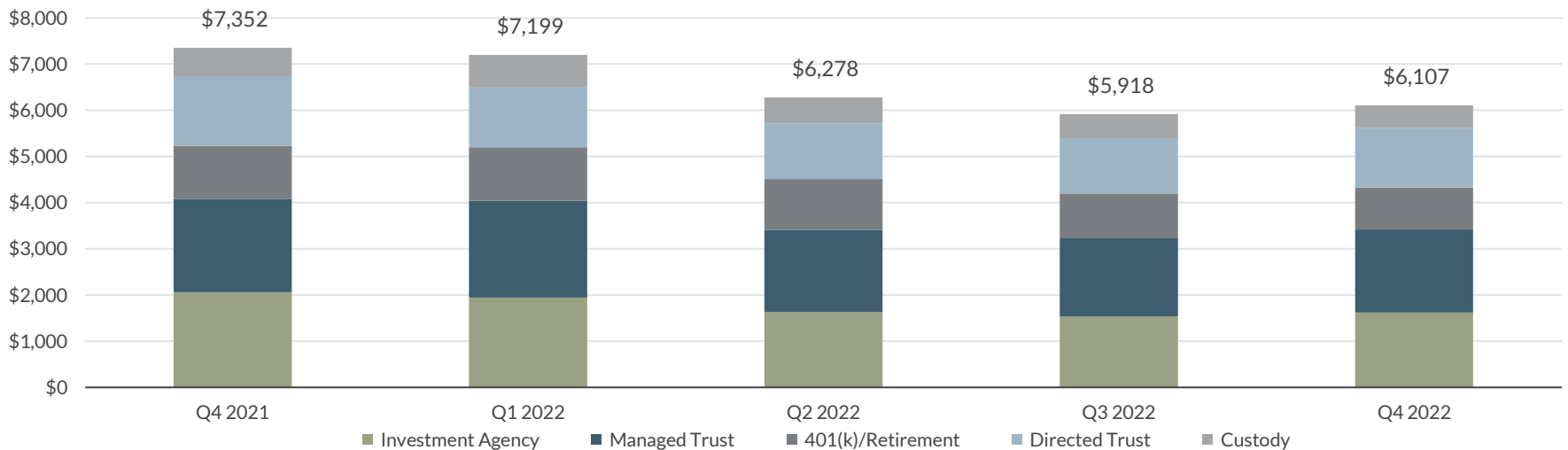


Trust and Investment Management

- Total assets under management increased \$188.6 million from September 30, 2022 to \$6.11 billion as of December 31, 2022
- All model portfolios continue to outperform their respective benchmark helping moderate the impact of this year's market pullback

Total Assets Under Management

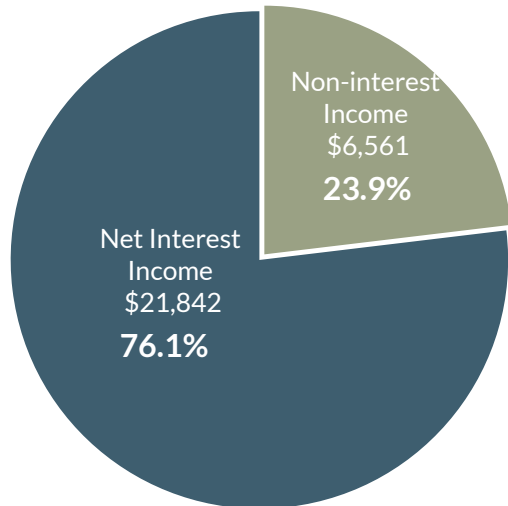
(in millions, as of quarter end)



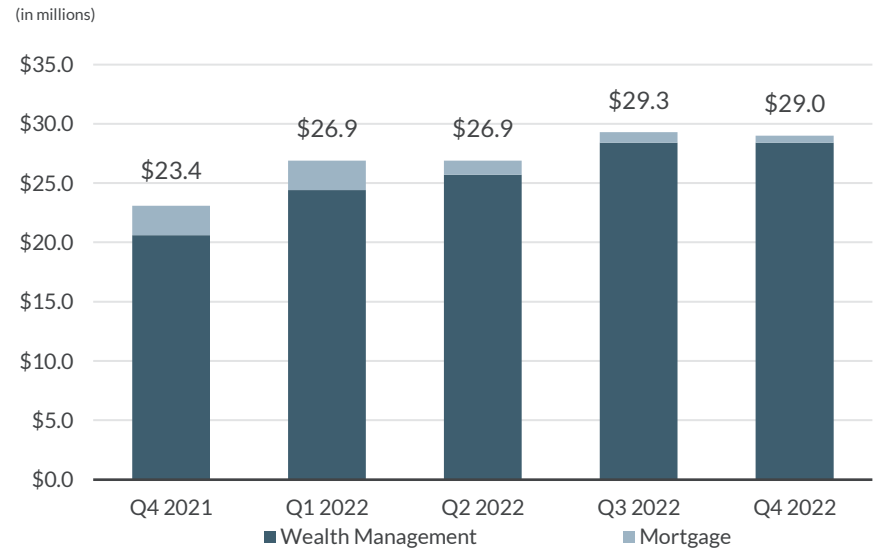
Gross Revenue

- Gross revenue⁽¹⁾ relatively consistent with prior quarter
- Higher non-interest income partially offset decline in net interest income
- Consistent growth in balance sheet and client base resulted in 4Q22 gross revenue⁽¹⁾ increasing 23.8% from same quarter in 2021, despite mortgage revenues declining

4Q22 Gross Revenue⁽¹⁾



Gross Revenue⁽¹⁾



(1) See Non-GAAP reconciliation

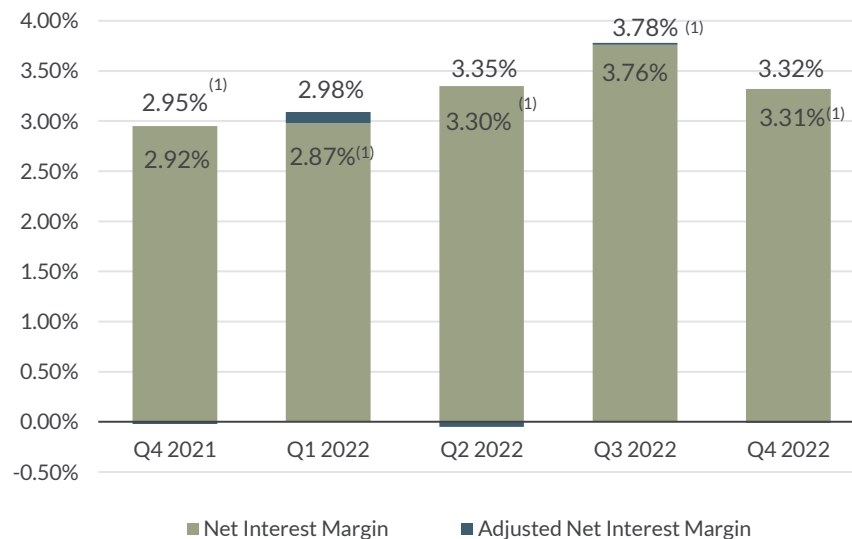
Net Interest Income and Net Interest Margin

- Net interest income decreased to \$21.8 million, or 4.6%, from \$22.9 million in 3Q22, but increased 51.6% from \$14.4 million in 4Q21
- Net interest income decreased from 3Q22 due to higher interest expense resulting from strong deposit growth and increase in average cost of deposits
- Net interest margin, excluding PPP and purchase accretion ⁽¹⁾, decreased 47 bps to 3.31%, due to increase in average cost of funds
- Net interest margin expected to decrease in 1Q23

Net Interest Income



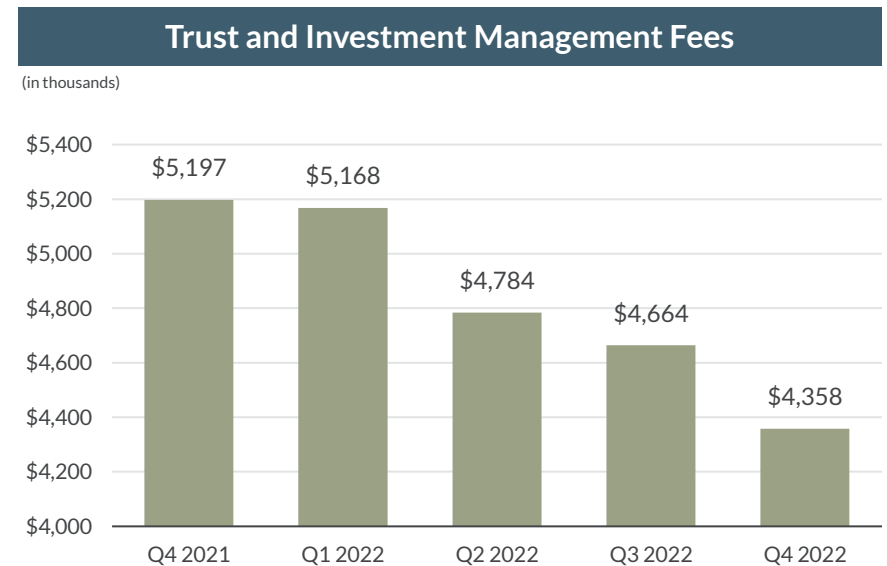
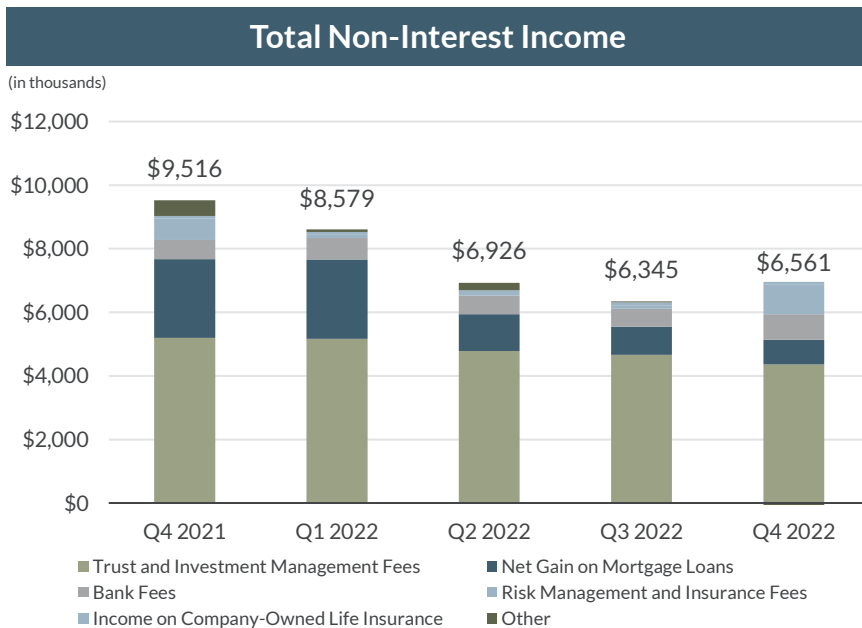
Net Interest Margin



(1) See Non-GAAP reconciliation

Non-Interest Income

- Non-interest income increased 3.4% from 3Q22, primarily due to increases in bank fees and risk management and insurance fees
- Increase in risk management and insurance fees reflect typical seasonal increase in fourth quarter, while increase in bank fees partially driven by higher loan prepayment penalty fees
- Trust and Investment Management fees and net gain on mortgage loans beginning to stabilize
- Volume of locks on mortgage loans originated for sale declined 32% from the prior quarter, with 95% of the originations being purchase loans

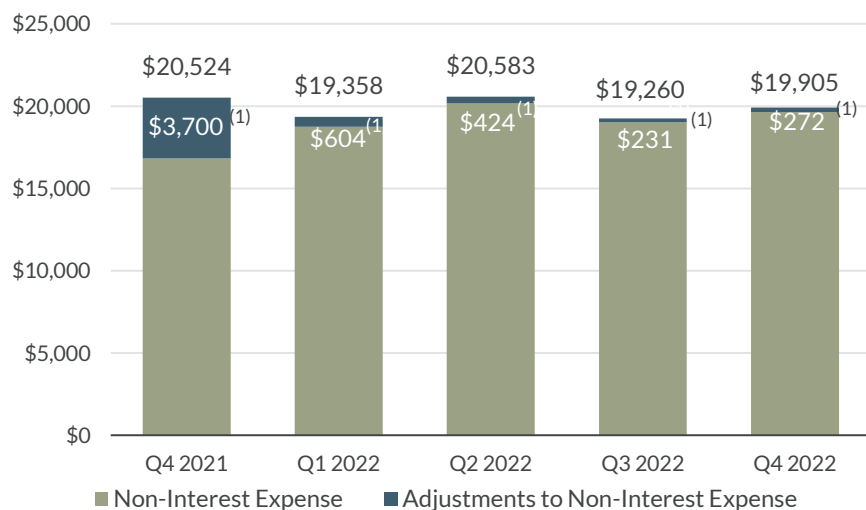


Non-Interest Expense and Efficiency Ratio

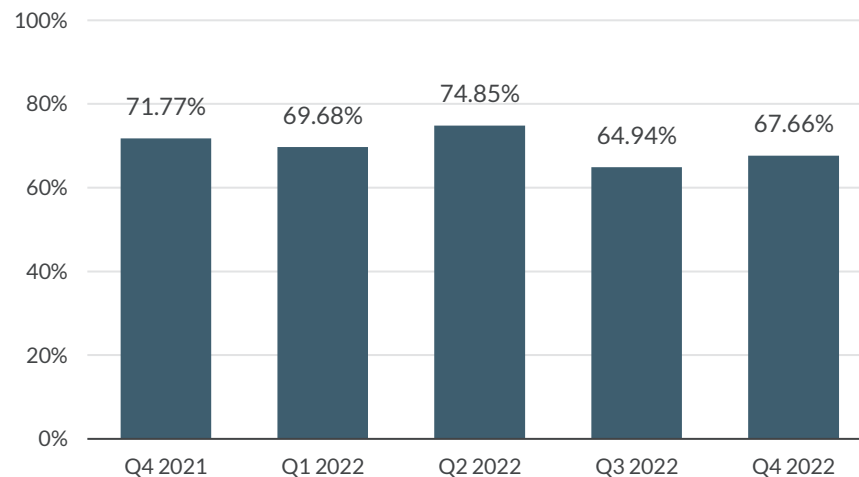
- Non-interest expense increased 3.3% from 3Q22
- Increase primarily attributable to higher data processing fees and other operational costs related to enhancements to Trust and Investment Management platform
- Following investments in talent and technology in 2022, growth in non-interest expense expected to moderate in 2023
- Non-interest expense for 1Q23 expected to range from \$20-\$21 million

Total Non-Interest Expense

(in thousands)



Operating Efficiency Ratio⁽¹⁾

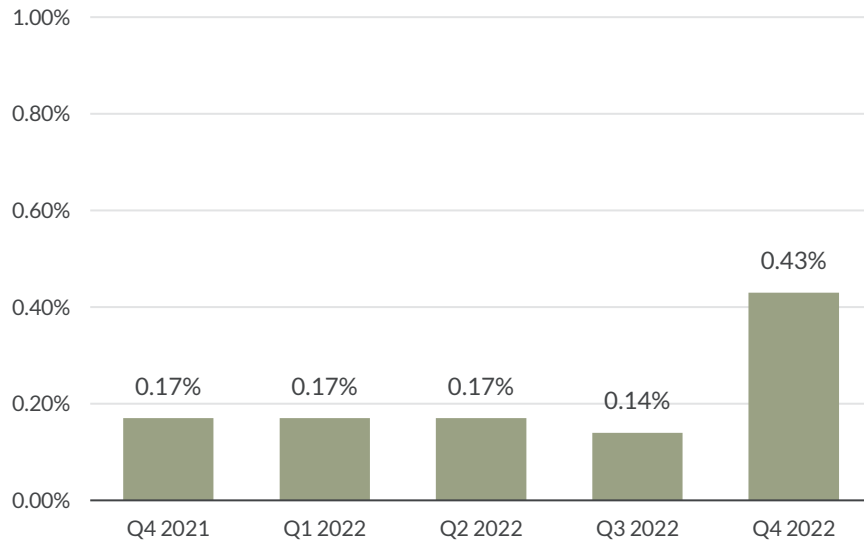


(1) See Non-GAAP reconciliation

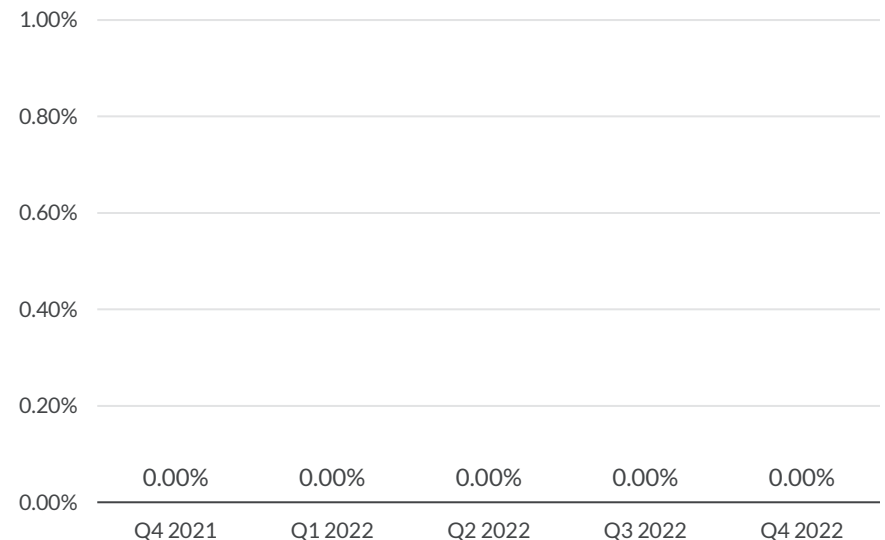
Asset Quality

- Increase in NPAs primarily attributable to one commercial loan with multiple sources of repayment
- \$1.2 million provision for loan losses related to growth in total loans and changes in portfolio mix
- ALLL/Adjusted Total Loans⁽¹⁾ increased to 0.78% in 4Q22 from 0.77% in 3Q22
- CECL adopted on January 1, 2023 with preliminary estimate of ACL/Total Loans of 75-90 bps and 30-45 bps coverage on off-balance sheet commitments

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

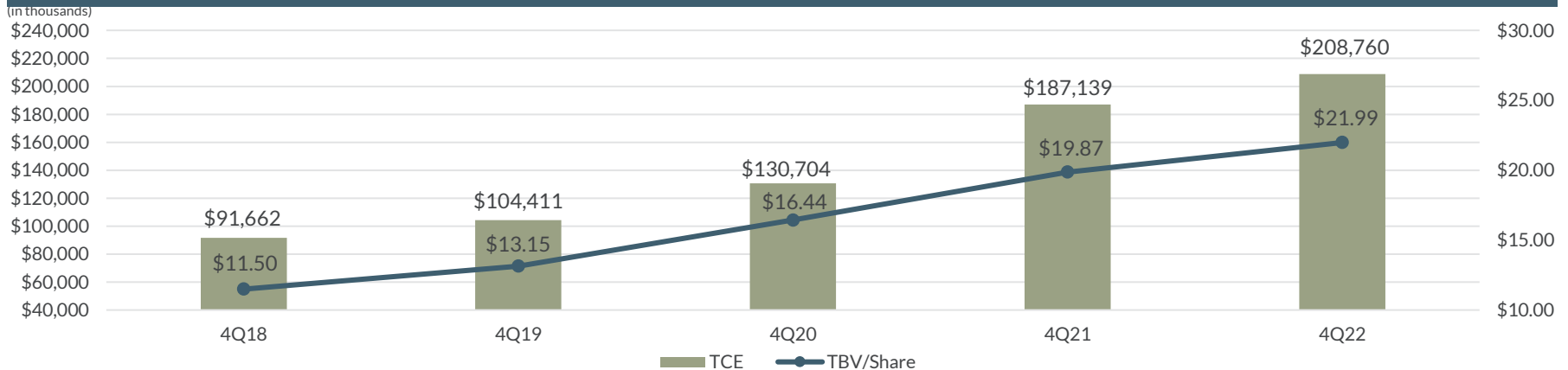
2023 Outlook and Priorities

- Well positioned to protect shareholder value during economic downturn and generate profitable growth as economic conditions improve
- Increased focus on core deposit gathering to fund loan production
- Strong business development capabilities and increasing contributions from newer markets in Arizona, Wyoming and Montana expected to continue resulting in solid loan growth
- Additional resources allocated to business development in Trust and Investment Management business
- Disciplined expense control should result in revenue growth rate exceeding expense growth rate
- Increased operating leverage focus should result in further earnings growth

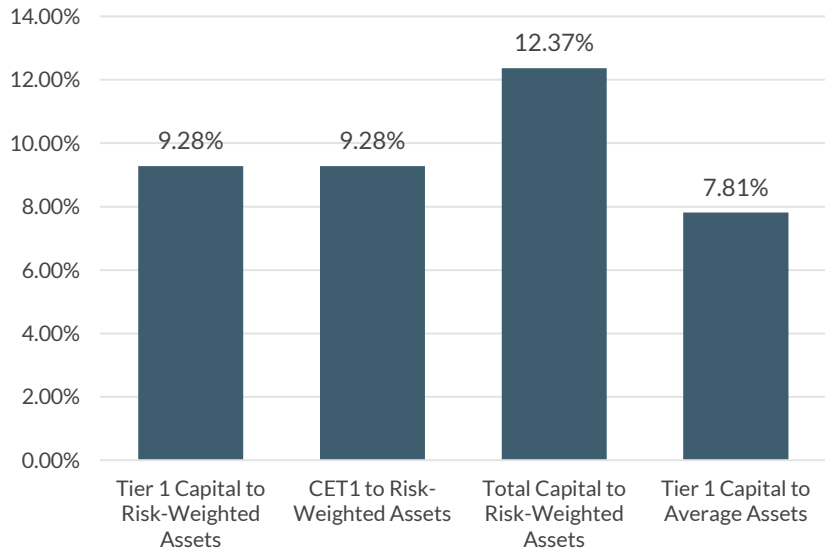
Appendix

Capital and Liquidity Overview

Tangible Common Equity / TBV per Share⁽¹⁾



Consolidated Capital Ratios (as of 12/31/22)



Liquidity Funding Sources (as of 12/31/22)

(in thousands)

Liquidity Reserves:

Total Available Cash	\$ 194,871
Unpledged Investment Securities	58,498

Borrowed Funds:

Unsecured:

Credit Lines	29,000
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Secured:

FHLB Available	751,224
Brokered Remaining Capacity	445,175

Total Liquidity Funding Sources

\$ 1,479,112

Loan to Deposit Ratio

102.7%

(1) See Non-GAAP reconciliation

Non-GAAP Reconciliation

Consolidated Efficiency Ratio	For the Three Months Ended,				
	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022
(Dollars in thousands)					
Non-interest expense	\$20,524	\$19,358	\$20,583	\$19,260	\$19,905
Less: amortization	4	77	77	77	77
Less: acquisition related expenses	3,696	527	347	154	195
Adjusted non-interest expense	\$16,824	\$18,754	\$20,159	\$19,029	\$19,633
Net interest income	\$14,407	\$18,305	\$20,152	\$22,906	\$21,842
Non-interest income	9,516	8,579	6,926	6,345	6,561
Less: unrealized gains/(losses) recognized on equity securities	(7)	(32)	299	75	-
Less: net gain/(loss) on loans accounted for under the fair value option	-	-	(155)	(134)	(602)
Less: Net gain on equity interests	489	1	-	6	-
Less: Net (loss)/gain on loans held for sale at fair value	-	-	-	-	(12)
Adjusted non-interest income	9,034	8,610	6,782	6,398	7,175
Total income	\$23,440	\$26,915	\$26,934	\$29,304	\$29,017
Efficiency ratio	71.77%	69.68%	74.85%	64.94%	67.66%

Consolidated Tangible Common Book Value Per Share	As of,					
	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2021	September 30, 2022	Dec. 31, 2022
(Dollars in thousands)						
Total shareholders' equity	\$116,875	\$127,678	\$154,962	\$219,041	\$234,862	\$240,864
Less:						
Goodwill and other intangibles, net	25,213	19,714	24,258	31,902	32,181	32,104
Intangibles held for sale ⁽¹⁾	-	3,553	-	-	-	-
Tangible common equity	91,662	104,411	\$130,704	187,139	202,681	208,760
Common shares outstanding, end of period	7,968,420	7,940,168	7,951,773	9,419,271	9,492,006	9,495,440
Tangible common book value per share	\$11.50	\$13.15	\$16.44	\$19.87	\$21.35	\$21.99

Net income available to common shareholders	\$5,471
Return on tangible common equity (annualized)	10.48%

(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,				
	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022
Total income before non-interest expense	\$20,612	\$24,156	\$25,282	\$26,555	\$26,623
Less: unrealized gains/(losses) recognized on equity securities	(7)	(32)	299	75	-
Less: net gain/(loss) on loans accounted for under the fair value option	-	-	(155)	(134)	(602)
Less: net gain on equity interests	489	1	-	6	-
Less: net (loss)/gain on loans held for sale at fair value	-	-	-	-	(12)
Plus: provision for loan loss	812	210	519	1,756	1,197
Gross revenue	\$20,942	\$24,397	\$25,657	\$28,364	\$28,434

Mortgage Gross Revenue (Dollars in thousands)	For the Three Months Ended,				
	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022
Total income before non-interest expense	\$2,498	\$2,518	\$1,277	\$940	\$583
Plus: provision for loan loss	-	-	-	-	-
Gross revenue	\$2,498	\$2,518	\$1,277	\$940	\$583

Consolidated Gross Revenue (Dollars in thousands)	For the Three Months Ended,				
	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022
Total income before non-interest expense	\$23,110	\$26,674	\$26,559	\$27,495	\$27,206
Less: unrealized gains/(losses) recognized on equity securities	(7)	(32)	299	75	-
Less: net gain/(loss) on loans accounted for under the fair value option	-	-	(155)	(134)	(602)
Less: net gain on equity interests	489	1	-	6	-
Less: net (loss)/gain on loans held for sale at fair value	-	-	-	-	(12)
Plus: provision for loan loss	812	210	519	1,756	1,197
Gross revenue	\$23,440	\$26,915	\$26,934	\$29,304	\$29,017

Gross Revenue excluding net gain on mortgage loans (Dollars in thousands)	For the Three Months Ended,		
	December 31, 2021	September 30, 2022	December 31, 2022
Gross revenue	\$23,440	\$29,304	\$29,017
Less: net gain on mortgage loans	2,470	885	775
Gross revenue excluding net gain on mortgage loans	\$20,970	\$28,419	\$28,242

Non-GAAP Reconciliation

Adjusted net income available to common shareholders (Dollars in thousands, except per share data)	For the Three Months Ended,				
	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022
Net income available to common shareholders	\$1,917	\$5,524	\$4,482	\$6,221	\$5,471
Plus: acquisition related expense including tax impact	2,859	398	260	116	146
Adjusted net income to common shareholders	\$4,776	\$5,922	\$4,742	\$6,337	\$5,617
Adjusted diluted earnings per share (Dollars in thousands, except per share data)	For the Three Months Ended,				
	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022
Diluted earnings per share	\$0.23	\$0.57	\$0.46	\$0.64	\$0.56
Plus: acquisition related expenses including tax impact	0.34	0.04	0.03	0.02	0.02
Adjusted diluted earnings per share	\$0.57	\$0.61	\$0.49	\$0.66	\$0.58
Pre-tax, pre-provision net income (Dollars in thousands)	For the Three Months Ended,				
	December 31, 2021	September 30, 2022	December 31, 2022		
Income before income taxes	\$2,587	\$8,235	\$7,301		
Plus: provision for loan losses	812	1,756	1,197		
Pre-tax, pre-provision net income	\$3,399	\$9,991	\$8,498		
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	December 31, 2022
Total loans held for investment	\$1,954,168	\$1,931,122	\$2,150,148	\$2,354,898	\$2,476,135
Less: Acquired loans	360,661	323,563	287,623	248,573	234,717
Less: PPP loans	40,062	13,109	9,053	6,905	6,378
Less: Purchased loans accounted for under fair value	-	6,368	21,149	22,648	23,415
Loans excluding acquired and PPP	1,553,445	1,588,082	1,832,323	2,076,772	2,211,625
Allowance for loan losses	13,732	13,885	14,357	16,081	17,183
Allowance for loan losses to Bank originated loans excluding PPP	0.88%	0.87%	0.78%	0.77%	0.78%

Non-GAAP Reconciliation

Adjusted net interest margin	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			For the Three Months Ended December 31, 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	279,406	109		475,942	232		321,673	549		101,824	533		103,190	931	
PPP adjustment	9,556	3		12,378	6		4,493	9		2,798	16		1,736	16	
Investment securities	36,001	226		55,739	337		69,320	418		87,340	653		84,017	645	
Correspondent bank stock	1,744	20		1,663	21		1,555	13		4,924	109		11,880	237	
PPP adjustment	-	-		-	-		-	-		-	-		-	-	
Loans	1,653,920	15,398		1,922,770	19,096		2,010,024	20,663		2,241,343	25,345		2,436,273	30,691	
PPP adjustment	(51,825)	(622)		(30,481)	(491)		(13,385)	(148)		(9,026)	(73)		(7,350)	(32)	
Purchase Accretion adjustment	-	398		-	(328)		-	(288)		-	114		-	(87)	
Adjusted total interest-earning assets	1,928,802	15,532		2,438,011	18,873		2,393,680	21,216		2,429,203	26,697		2,629,746	32,401	
Interest-bearing deposits		813			943			1,103			2,706			8,260	
PPP adjustment		-			-			-			-			-	
Federal Home Loan Bank Topeka and Federal Reserve borrowings		55			39			28			666			1,916	
PPP adjustment		(31)			(16)			(8)			(3)			(6)	
Subordinated notes		477			400			361			362			486	
Adjusted total interest-bearing liabilities		1,314			1,366			1,484			3,731			10,656	
Net interest income		14,218			17,507			19,732			22,966			21,745	
Adjusted net interest margin			2.95%			2.87%			3.30%			3.78%			3.31%