



FIRST western

First Western Financial, Inc.
The First, Western-Based Private Trust Bank

Third Quarter 2019 Financial Results

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Overview of 3Q19

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

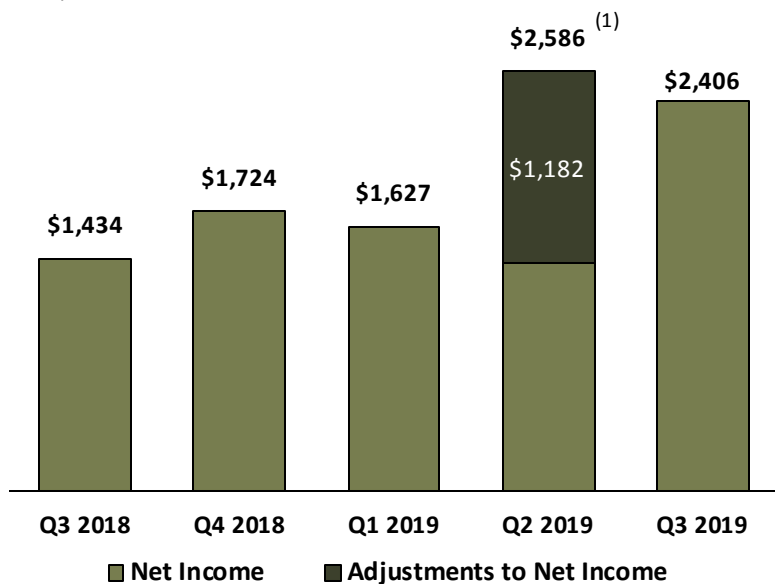
- Now expected to close during 4Q19
- Sale process resulted in \$0.14 million of non-recurring professional fees in 3Q19
- Upon closing, sale is expected to have positive impact to tangible common equity of \$3.3 million to \$3.9 million

Net Income Available to Common Shareholders and Earnings per Share

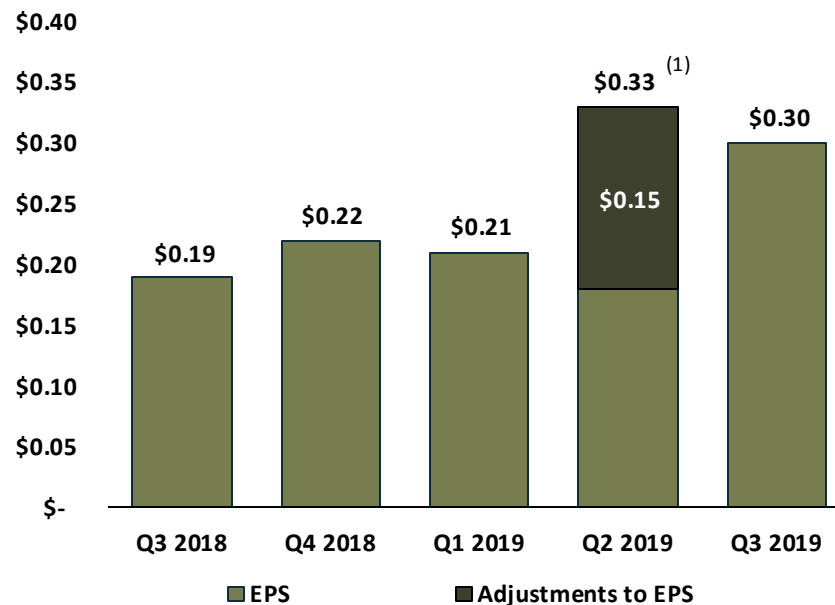
- Higher revenue and well controlled expenses driving earnings improvement
- Net income increased 67.8% over 3Q18
- Earnings per share increased 57.9% over 3Q18

Net Income Available to Common Shareholders

(in thousands)



Earnings per Share



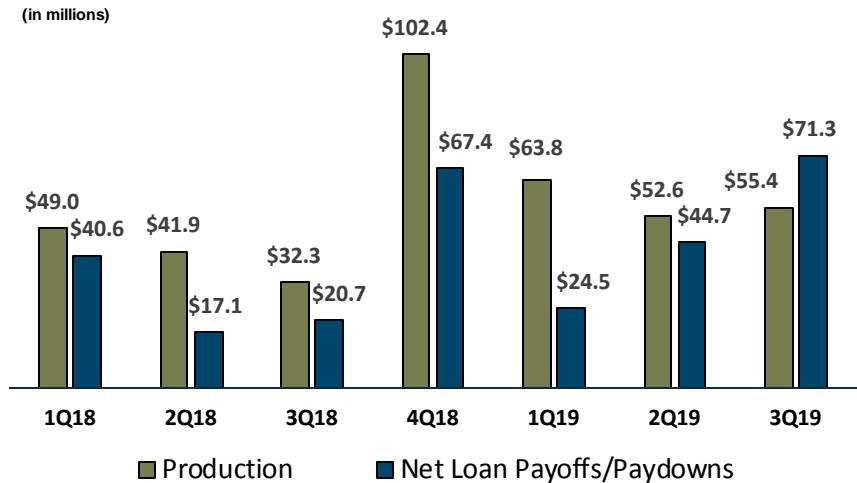
(1) See Non-GAAP reconciliation



Loan Portfolio

- 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 Production & Net Loan Payoffs/Paydowns

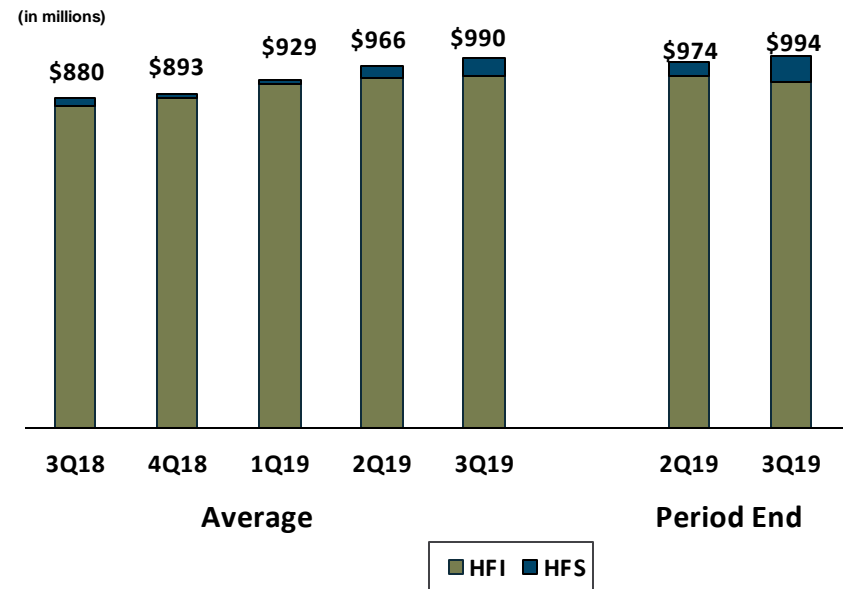


Loan Portfolio Composition⁽¹⁾

(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

Total Loans⁽¹⁾



(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

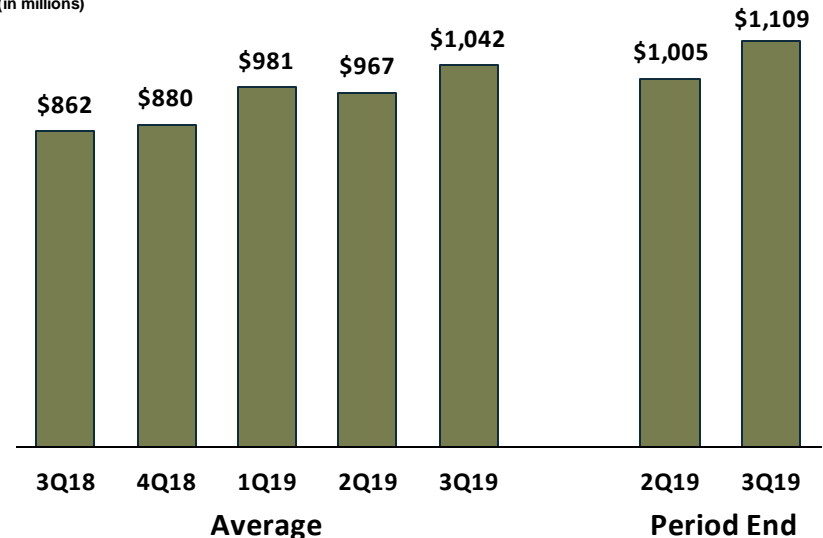
Deposit Portfolio Composition

(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

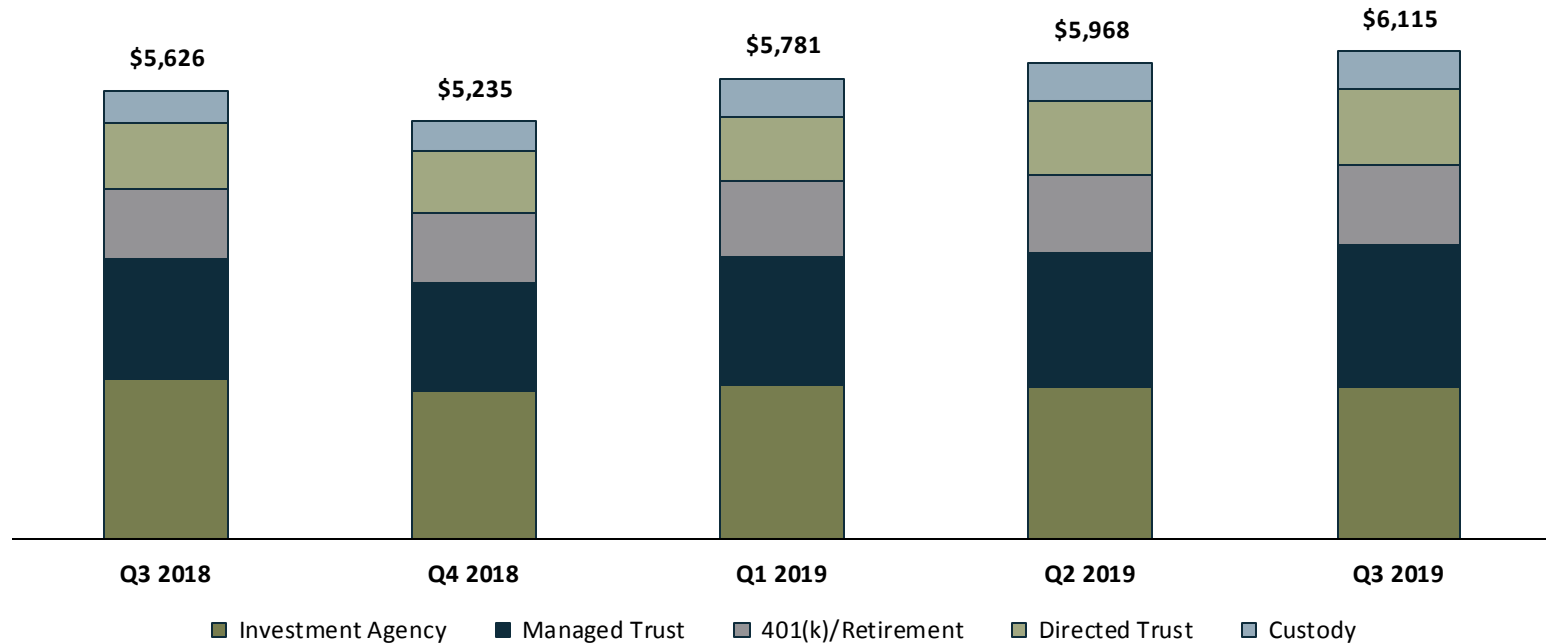
(in millions)



Trust and Investment Management

- 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

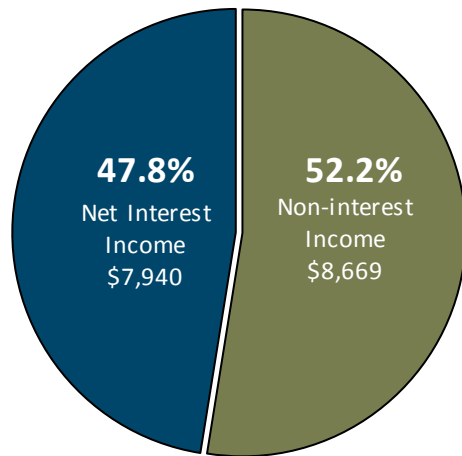
(in millions, as of quarter-end)



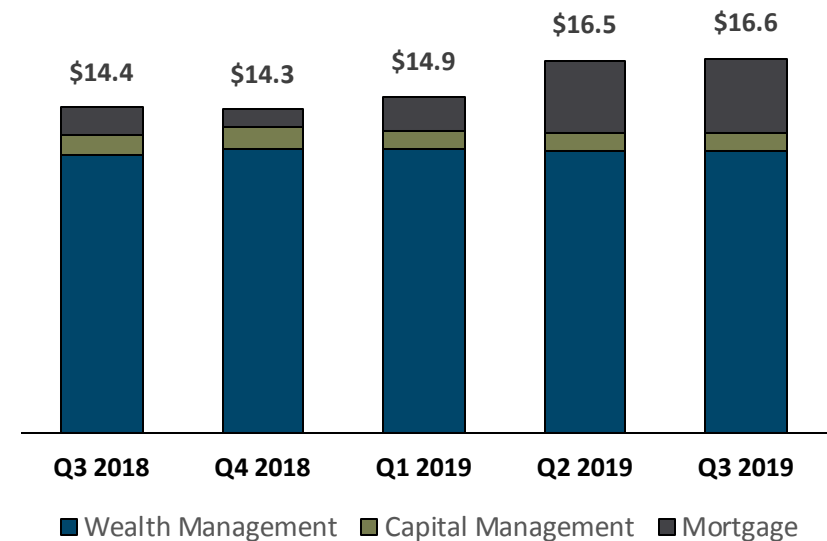
Gross Revenue

- 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)



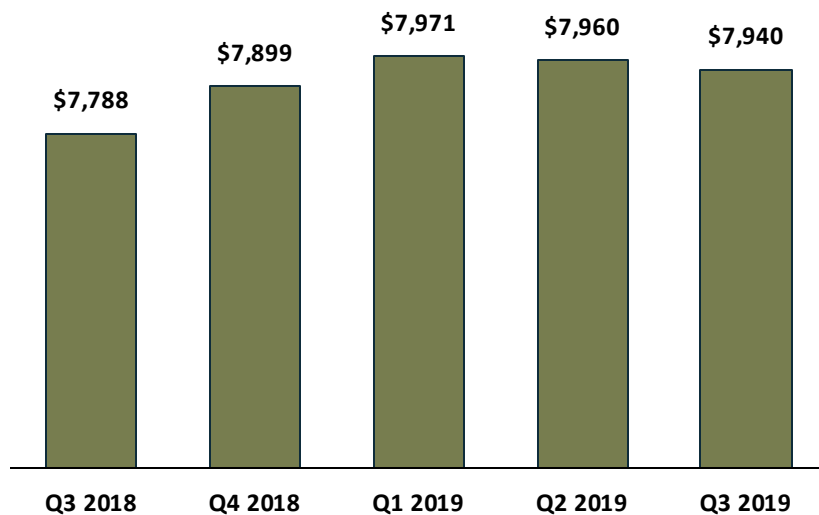
(1) See Non-GAAP reconciliation

Net Interest Income & Net Interest Margin

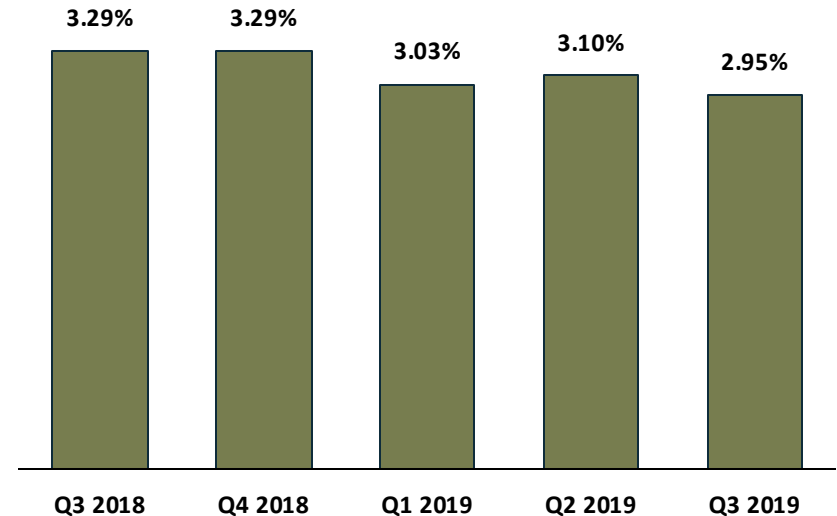
- Net interest income consistent with prior quarter, up 2.0% from 3Q18
- Net interest margin decreased to 2.95% primarily due to excess liquidity created from strong deposit inflows which will be redeployed in 4Q19
- Earning asset yields declined primarily due to unfavorable shift in mix of earning assets

Net Interest Income

(in thousands)



Net Interest Margin



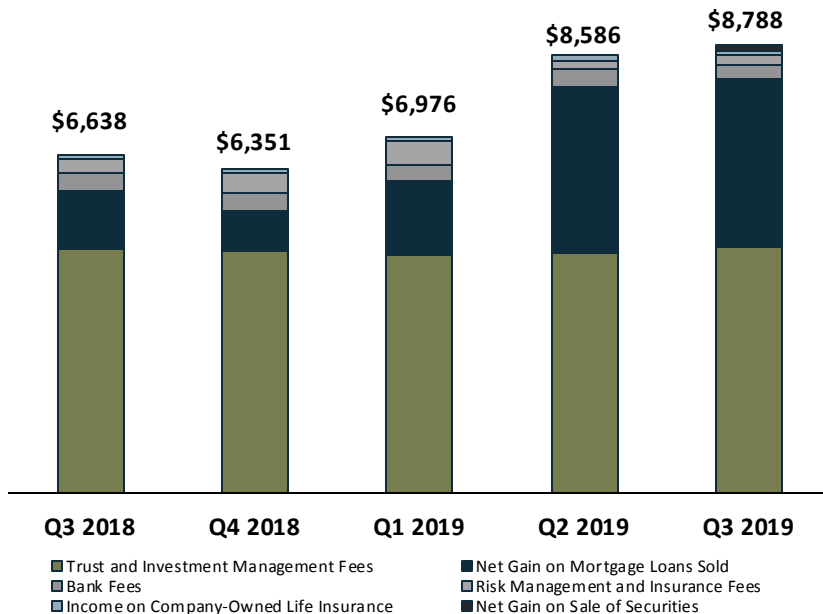


Non-Interest Income

- 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

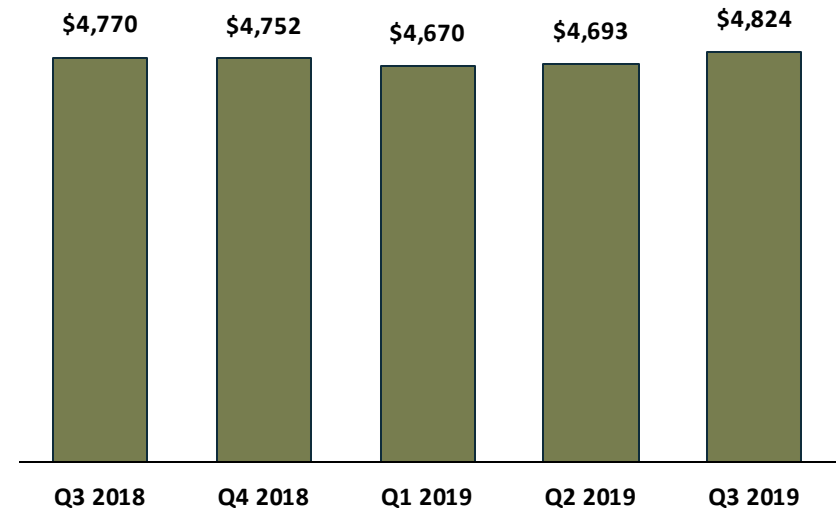
Total Non-Interest Income

(in thousands)



Trust & Investment Management Fees

(in thousands)



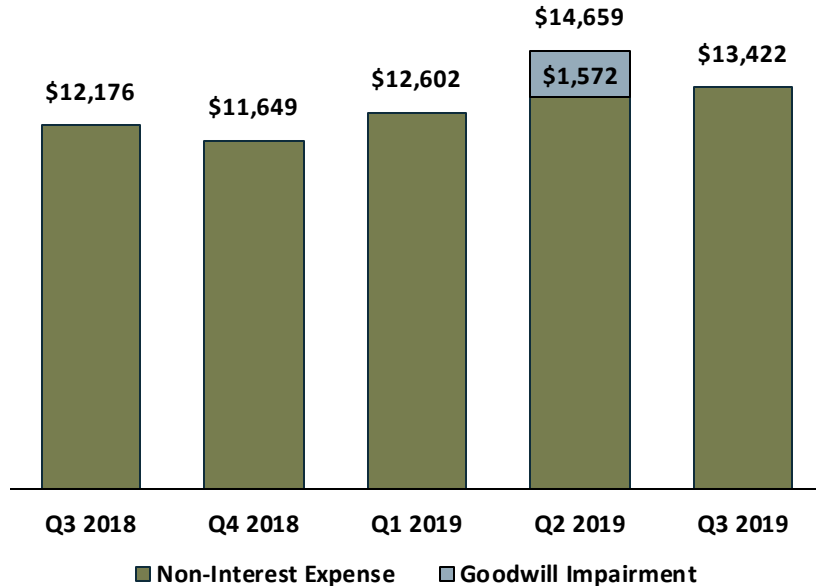


Non-Interest Expense and Efficiency Ratio

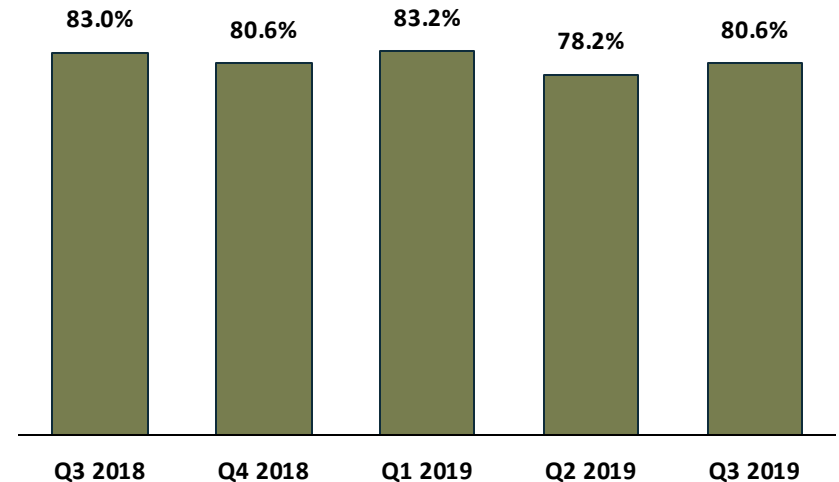
- Excluding goodwill impairment charge in 2Q19, non-interest expense increased 2.7%
- Increase was primarily driven by \$0.5 million in equity compensation earnout related to residential mortgage business
- \$0.14 million of non-recurring professional services fees incurred in 3Q19 related to sale of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

Total Non-Interest Expense

(in thousands)



Operating Efficiency Ratio⁽¹⁾



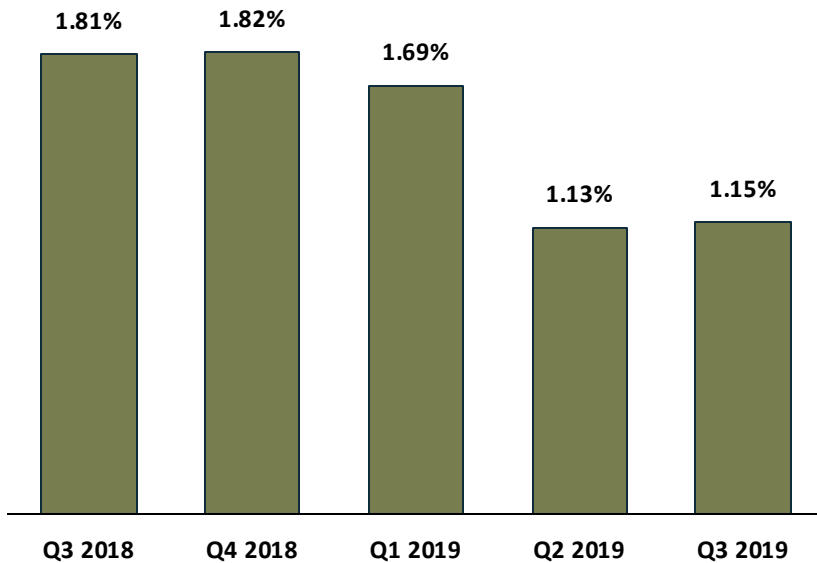
■ Non-Interest Expense ■ Goodwill Impairment

(1) See Non-GAAP reconciliation

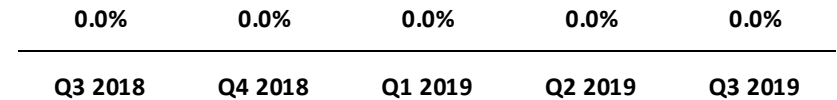
Asset Quality

- 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





Outlook

- 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



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Appendix





Non-GAAP Reconciliation

Consolidated Efficiency Ratio (Dollars in thousands)	For the Three Months Ended,				
	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 (Dollars in thousands)	For the Three Months Ended,				
	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