



FIRST western

First Western Financial, Inc.
The First, Western-Based Private Trust Bank
Second Quarter 2019 Financial Results

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Overview of 2Q19

Record Operating Earnings

- Net income available to common shareholders of \$1.4 million, or \$0.18 EPS
- Adjusted net income available to common shareholders⁽¹⁾ of \$2.6 million
- Adjusted EPS⁽¹⁾ of \$0.33, increased 312.5% from 2Q18 and 57.1% from 1Q19

Continued Balance Sheet Growth

- Strong loan production partially offset by elevated payoffs
- Average loans up 16.0% annualized from 1Q19
- Gross loans increased at 3.5% annualized rate in 2Q19 and 11.5% year-over-year
- Deposits increased at 11.1% annualized rate in 2Q19 and 19.1% year-over-year

Key Operating Trends

- Efficiency ratio improved from 83.2% in 1Q19 to 78.2% in 2Q19
- Net interest margin increases as new deposit inflows are redeployed
- Significant reduction in substandard assets

Enhancing Shareholder Value

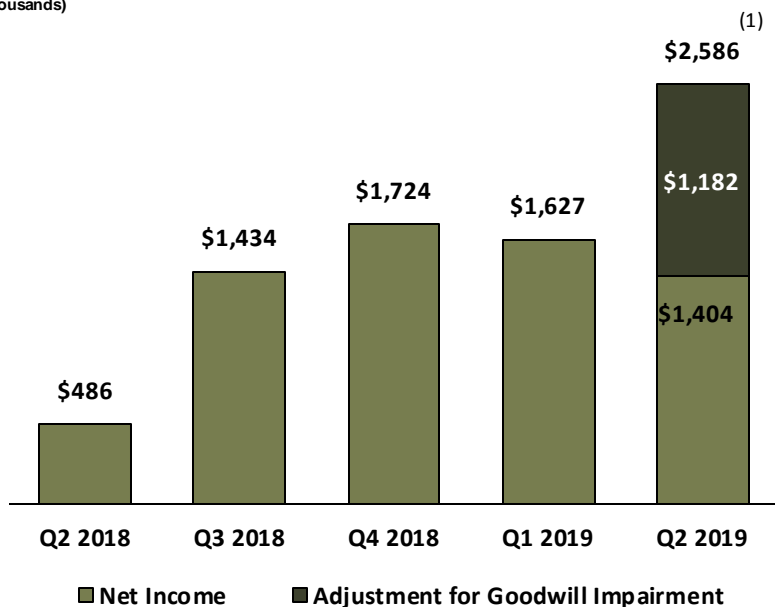
- Record quarter of mortgage activity and profitability
- Announced agreement for sale of LA-based fixed income team, expansion into Vail
- Authorization of share repurchase program

Net Income Available to Common Shareholders and Earnings per Share

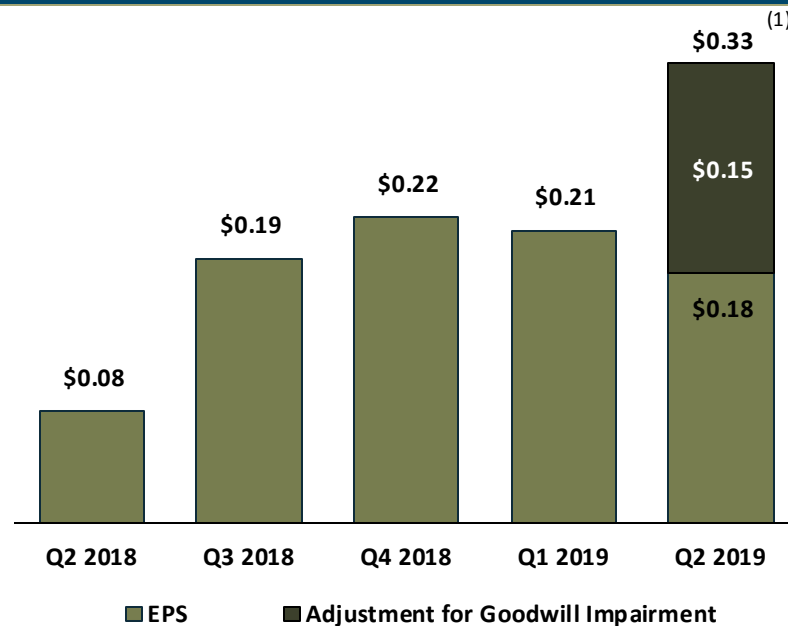
- Higher revenue, well controlled expenses driving earnings improvement
- Continued improvement in operating leverage and efficiency ratio
- Adjusted⁽¹⁾ earnings per share increased 57.1% from 1Q19
- Adjusted⁽¹⁾ earnings per share increased 312.5% from 2Q18

Net Income Available to Common Shareholders

(in thousands)



Earnings per Share



(1) See Non-GAAP reconciliation

- Average loans up 16.0% annualized from 1Q19, gross loans up 11.5% year-over-year
- Reduced substandard loans by \$13.5 million in quarter
- Total new HFI loan production of \$52.6 million in 2Q19 vs \$63.8 million in 1Q19 and \$41.9 million in 2Q18
- Payoffs/paydowns, net of draws, increased to \$44.7 million in 2Q19 vs \$24.5 million in 1Q19

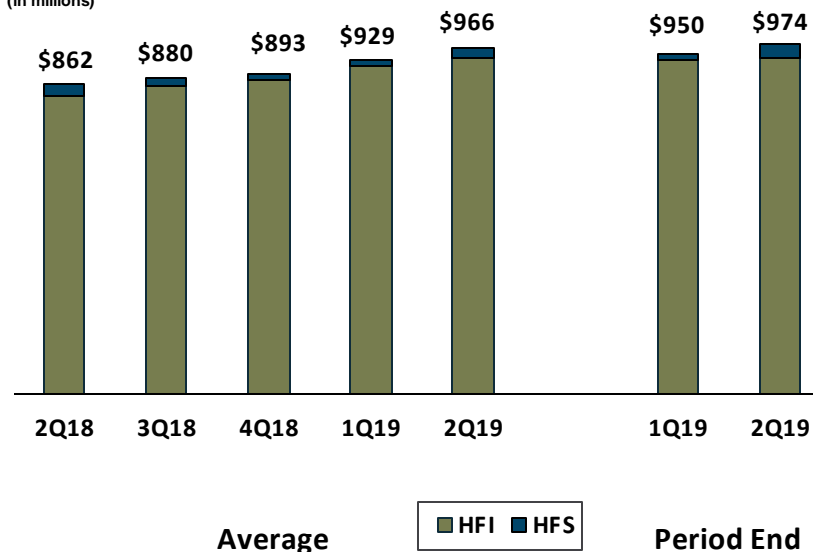
Loan Portfolio Composition⁽¹⁾

(in thousands, as of quarter-end)

	2Q 2018	1Q 2019	2Q 2019
Cash, Securities and Other	\$135,393	\$130,641	\$149,503
Construction and Development	35,760	37,128	40,826
1 - 4 Family Residential	307,794	360,607	373,836
Non-Owner Occupied CRE	164,438	172,014	152,664
Owner Occupied CRE	98,393	108,873	112,660
Commercial and Industrial	99,711	120,602	108,516
Gross Loans	\$841,489	\$929,865	\$938,005
Mortgage loans held for sale	35,064	19,778	36,289
Total Loans	\$876,553	\$949,643	\$974,294

Total Loans⁽¹⁾

(in millions)



(1) Excludes deferred costs, net



Total Deposits

- Total deposits increased \$27.1 million from 1Q19, annualized growth of 11.1% and 19.1% year-over-year
- Strongest growth in negotiable order of withdrawal (NOW) deposit accounts driven by addition of new HNW clients
- Average deposits down slightly due to seasonal factors

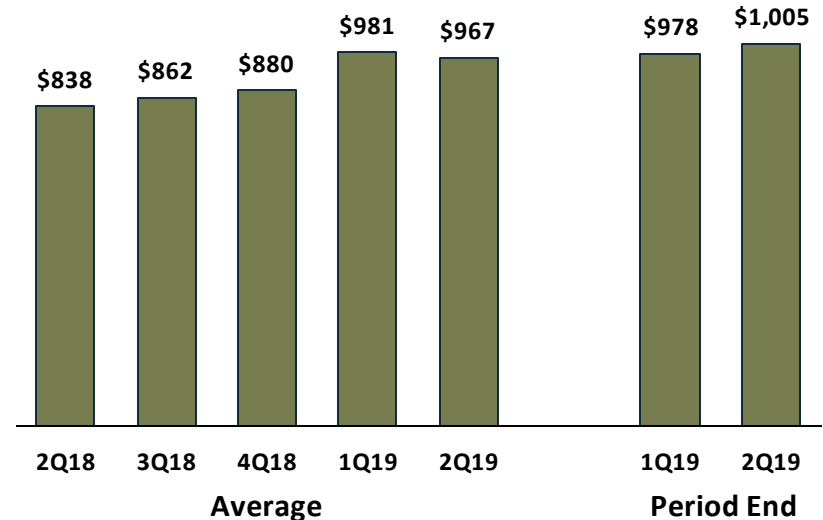
Deposit Portfolio Composition

(in thousands, as of quarter-end)

	2Q 2018	1Q 2019	2Q 2019
Money market deposit accounts	\$394,759	\$513,328	\$508,263
Time deposits	166,670	176,312	176,128
NOW	68,742	59,464	88,687
Savings accounts	1,346	2,513	2,833
Noninterest-bearing accounts	212,225	226,484	229,266
Total Deposits	\$843,742	\$978,101	\$1,005,177

Total Deposits

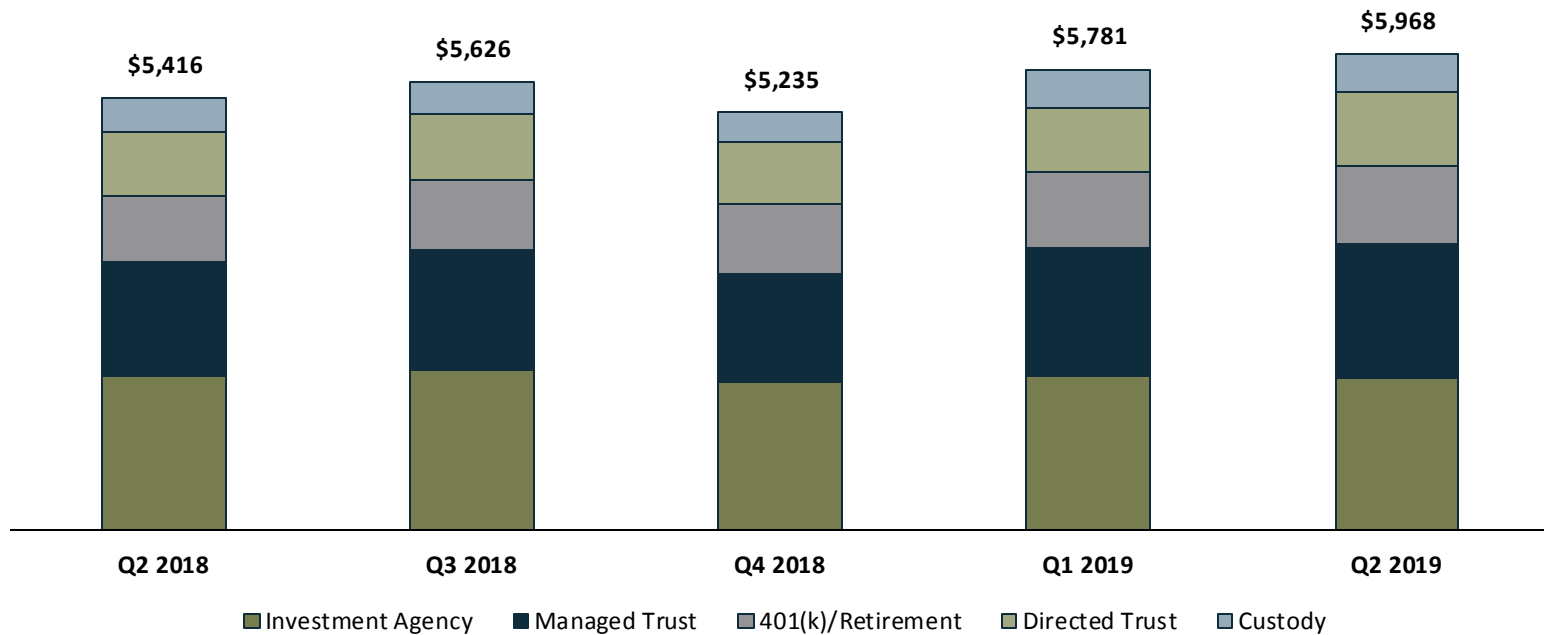
(in millions)



Trust and Investment Management

- Total assets under management increased \$188 million from 1Q19
- New accounts provided \$161.5 million in new assets and contributions added \$95.7 million in Q2 2019

(in millions, as of quarter-end)

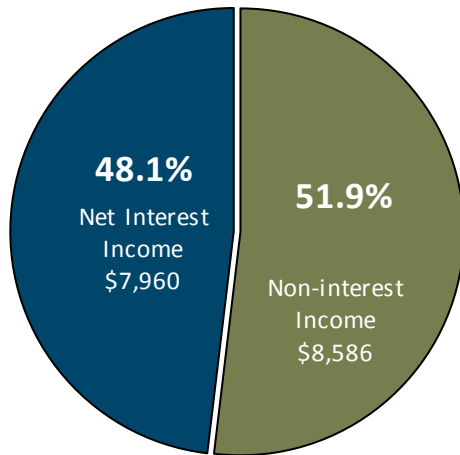




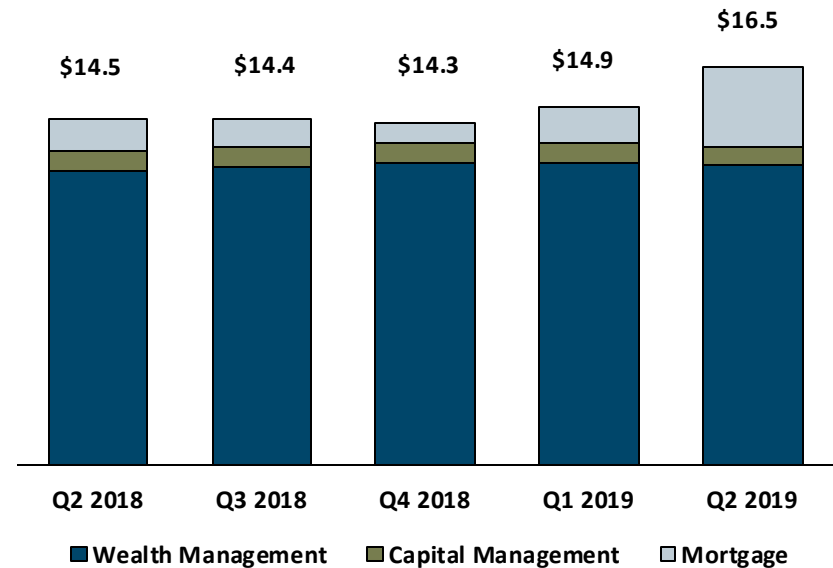
Gross Revenue

- Gross revenue increased 10.7% from prior quarter and 14.4% from 2Q18
- Strong recovery in mortgage activity drove increase in non-interest income from prior quarter

Q2 2019 Gross Revenue⁽¹⁾



Gross Revenue⁽¹⁾ (\$millions)



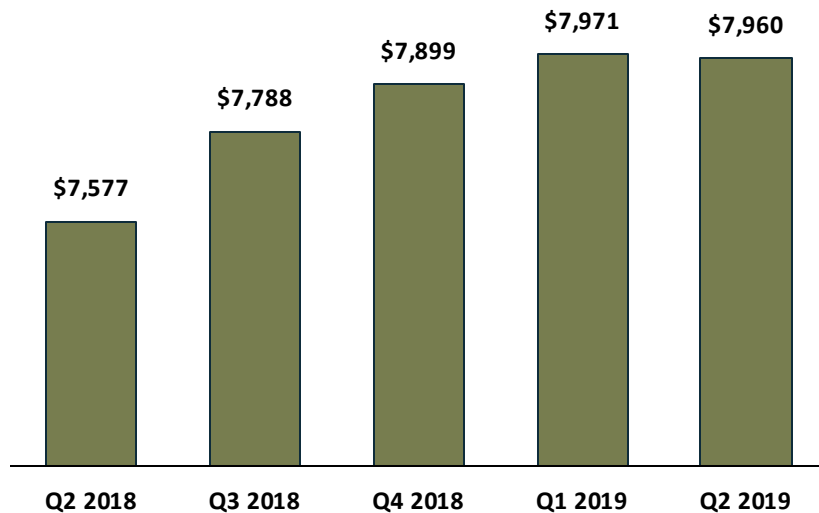
(1) See Non-GAAP reconciliation

Net Interest Income & Net Interest Margin

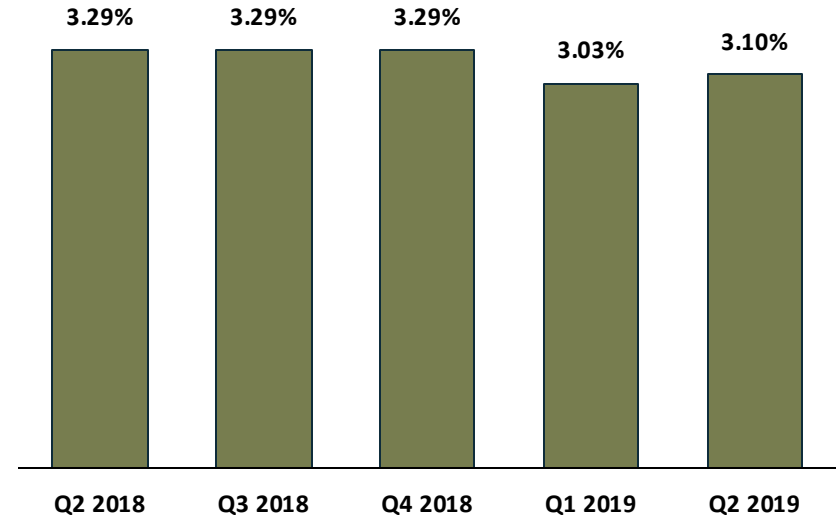
- Net interest income consistent with prior quarter, up 5.1% from 2Q18
- Net interest margin increased to 3.10%
- Liquidity resulting from strong inflows of deposits in past few quarters being redeployed into higher yielding assets

Net Interest Income

(in thousands)



Net Interest Margin

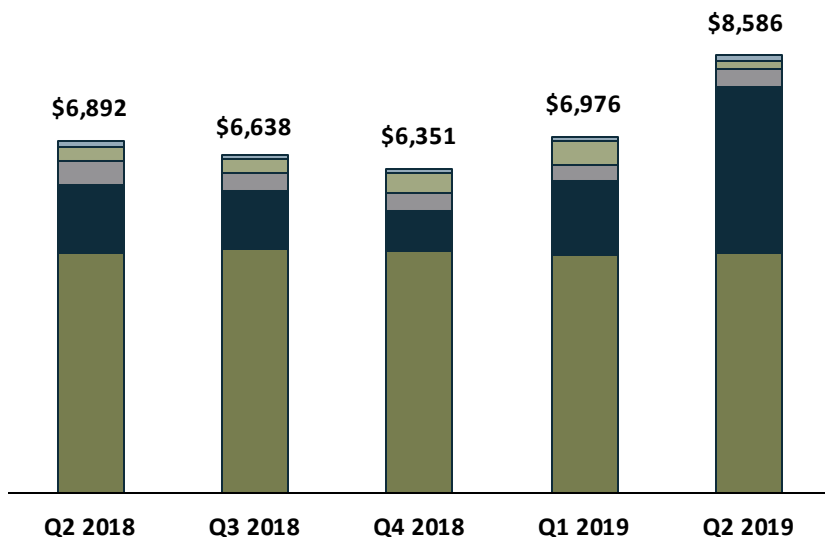


Non-Interest Income

- Total non-interest income increased by 23.1% due to higher gains on mortgage loans sold
- \$138.3 million in mortgage loans sold in 2Q19 compared to \$67.1 million sold in 1Q19
- Trust and investment management fees consistent with prior quarter

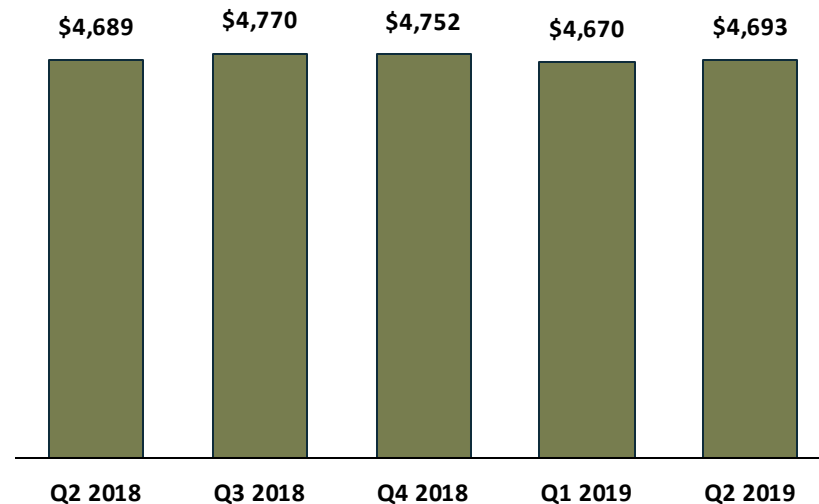
Total Non-Interest Income

(in thousands)



Trust & Investment Management Fees

(in thousands)



■ Trust and Investment Management Fees ■ Net Gain on Mortgage Loans Sold
■ Bank Fees ■ Risk Management and Insurance Fees
■ Income on Company-Owned Life Insurance

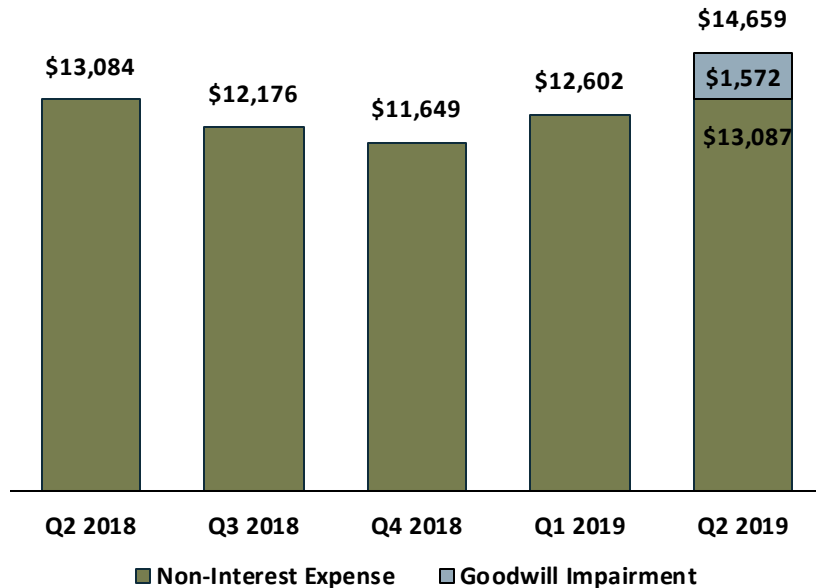


Non-Interest Expense and Efficiency Ratio

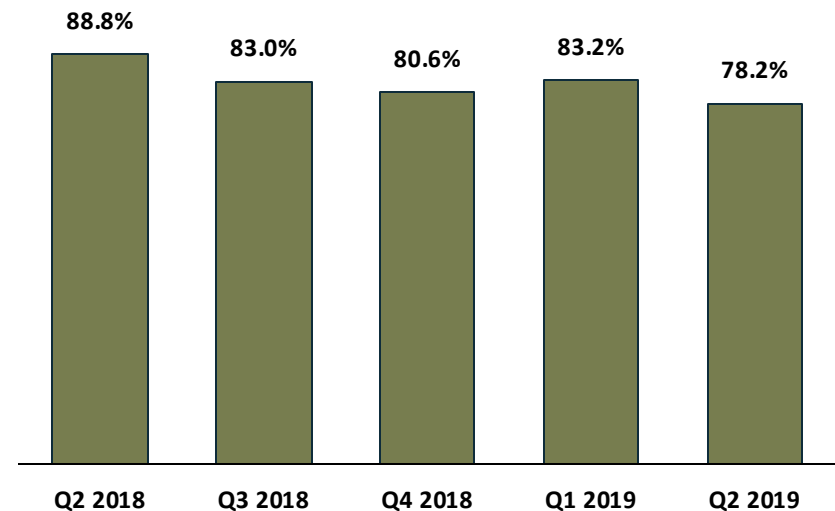
- Efficiency ratio⁽¹⁾ improved to 78.2%
- Total non-interest expense increased 16.3% from 1Q19, primarily due to a \$1.6 million charge related to revaluation of the Capital Management segment goodwill triggered by pending asset sale
- Excluding goodwill charge, non-interest expense slightly increased due to higher legal and other professional fees partially related to the pending sale of the LA-based fixed income team

Total Non-Interest Expense

(in thousands)



Operating Efficiency Ratio⁽¹⁾



■ Non-Interest Expense ■ Goodwill Impairment

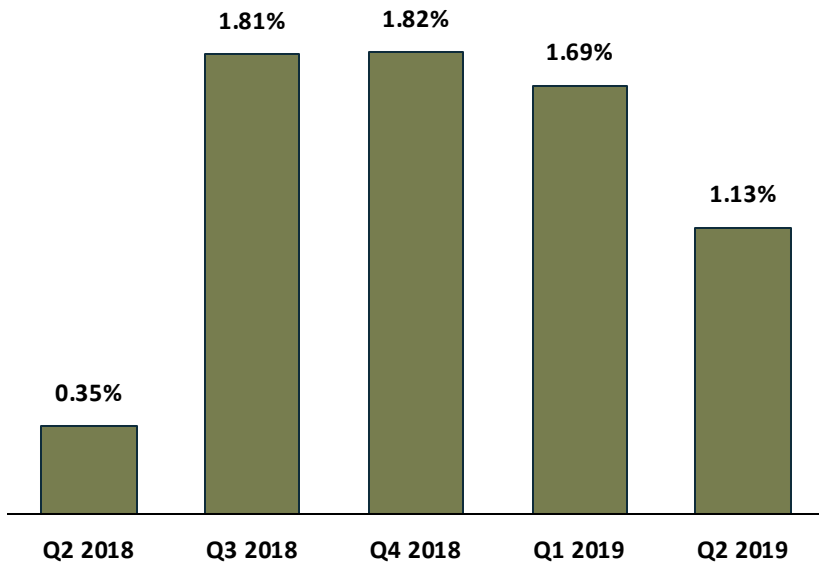
(1) See Non-GAAP reconciliation



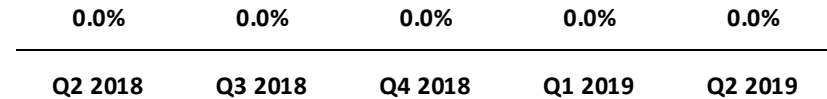
Asset Quality

- Total NPAs declined from prior quarter due to paydowns
- Loss experience continues to be extremely low
- Small provision reversal for Q2 2019 primarily driven by improvement in credit quality

Non-Performing Assets/Total Assets



Net Charge-Offs/Average Loans



Agreement to Sell LA-Based Fixed Income Team

- Announced agreement for sale of LA-based fixed income team, a component of the Capital Management segment
 - Expected to close in 3Q19
 - Consistent with strategic refocus on Wealth Management segment
 - Related goodwill impairment charge of \$1.6M recorded in 2Q19
 - Forecasted increase in tangible book value at closing
 - Approximately \$300M reduction in AUM upon close of the transaction
 - Neutral to positive ongoing earnings impact expected



Outlook

- Business development platform expected to continue to gain traction and drive further increases in gross revenue
- Operating improvements expected to be as strong as the first half of 2019
- Mortgage activity expected to remain strong
- Continued improvement in operating efficiencies despite further investment in revenue generating positions
- Expansion into Vail Valley market enhances new business development opportunities
- Share repurchase program supports attractive investment opportunity



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Appendix





Non-GAAP Reconciliation

Consolidated Efficiency Ratio (Dollars in thousands)	For the Three Months Ended,				
	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019
Non-interest expense	\$13,084	\$12,176	\$11,649	\$12,602	\$14,659
Less: Amortization	230	208	163	173	142
Less: Goodwill impairment	-	-	-	-	1,572
Adjusted non-interest expense	\$12,854	\$11,968	\$11,486	\$12,429	\$12,945
Net interest income	\$7,577	\$7,788	\$7,899	\$7,971	\$7,960
Non-interest income	6,892	6,638	6,351	6,976	8,586
Total income ⁽¹⁾	\$14,469	\$14,426	\$14,250	\$14,947	\$16,546
Efficiency ratio	88.8%	83.0%	80.6%	83.2%	78.2%

(1) Total income equals gross revenue as no net gain (loss) on sale of securities occurred during the periods presented.



Non-GAAP Reconciliation

Wealth Management Gross Revenue	For the Three Months Ended,				
(Dollars in thousands)	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019
Total income before non-interest expense	\$12,257	\$12,383	\$12,289	\$12,509	\$12,550
Less: Net gain (loss) on sale of securities	-	-	-	-	-
Plus: Provision for (recovery of) credit loss	-	18	349	194	(78)
Gross revenue	\$12,257	\$12,401	\$12,638	\$12,703	\$12,472

Capital Management Gross Revenue	For the Three Months Ended,				
(Dollars in thousands)	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019
Total income before non-interest expense	\$845	\$850	\$794	\$765	\$798
Less: Net gain (loss) on sale of securities	-	-	-	-	-
Plus: Provision for (recovery of) credit loss	-	-	-	-	-
Gross revenue	\$845	\$850	\$794	\$765	\$798

Mortgage Gross Revenue	For the Three Months Ended,				
(Dollars in thousands)	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019
Total income before non-interest expense	\$1,367	\$1,175	\$818	\$1,479	\$3,276
Less: Net gain (loss) on sale of securities	-	-	-	-	-
Plus: Provision for (recovery of) credit loss	-	-	-	-	-
Gross revenue	\$1,367	\$1,175	\$818	\$1,479	\$3,276

Consolidated Gross Revenue	For the Three Months Ended,				
(Dollars in thousands)	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019
Total income before non-interest expense	\$14,469	\$14,408	\$13,901	\$14,753	\$16,624
Less: Net gain (loss) on sale of securities	-	-	-	-	-
Plus: Provision for (recovery of) credit loss	-	18	349	194	(78)
Gross revenue	\$14,469	\$14,426	\$14,250	\$14,947	\$16,546

Non-GAAP Reconciliation

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

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