



FIRST western

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

Third Quarter 2018 Financial Results

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Overview of 3Q18

Successful IPO

- Net proceeds before expenses of \$34.1 million supports future growth of franchise

Improved Capital Structure

- Redemption of preferred stock and subordinated notes reduces funding costs
- Simplified capital structure

Strong Earnings Growth

- Net income available to common shareholders of \$1.4 million, or \$0.19 per diluted share, an increase of 138% from prior quarter
- Net income available to common shareholders increased \$0.9 million from prior quarter (including \$0.3 million in preferred stock dividends)

Growing Business Development Momentum

- Gross loans increased at 7.0% annualized rate
- Deposits increased at 16.5% annualized rate
- Assets under management increased at a 15.5% annualized rate

Improved Efficiencies

- Reduced cost structure from expense management actions in 1H18
- Efficiency ratio⁽¹⁾ improved to 83.0% from 88.8% in prior quarter

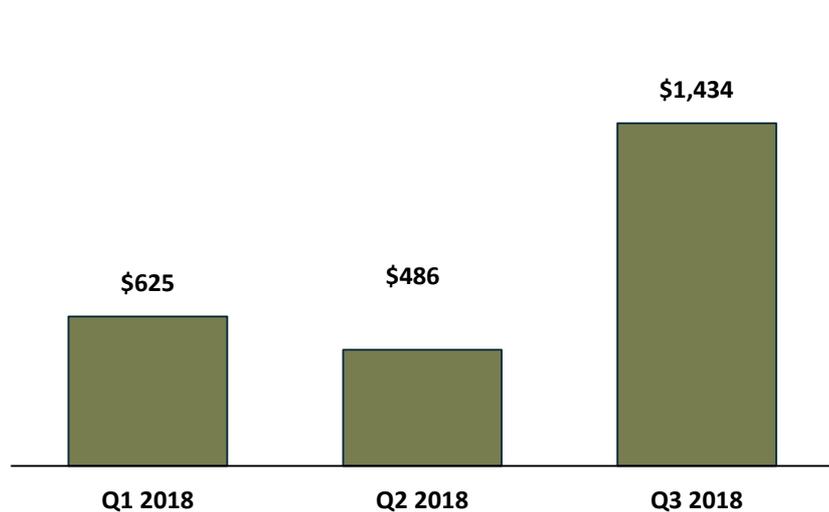
(1) See Non-GAAP reconciliation

Net Income Available to Common Shareholders and Earnings per Share

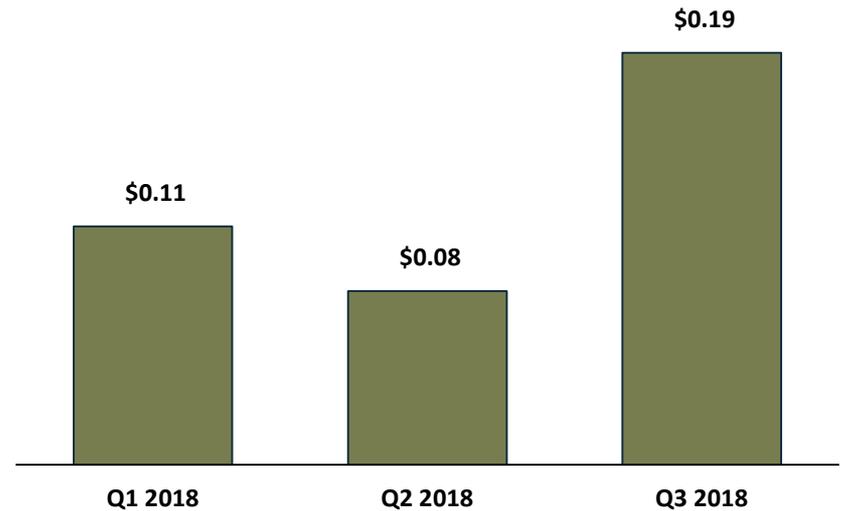
- Execution on embedded growth drivers produced strong improvement in profitability
- Net income available to common shareholders increased 195% from prior quarter
- Earnings per share increased 138% from prior quarter

Net Income Available to Common Shareholders

(in thousands)



Earnings per Share





Loan Portfolio

- Annualized growth of 7.0% from Q2 2018
- Strongest growth in residential mortgage portfolio
- Late quarter payoffs impacted end of period loan balances

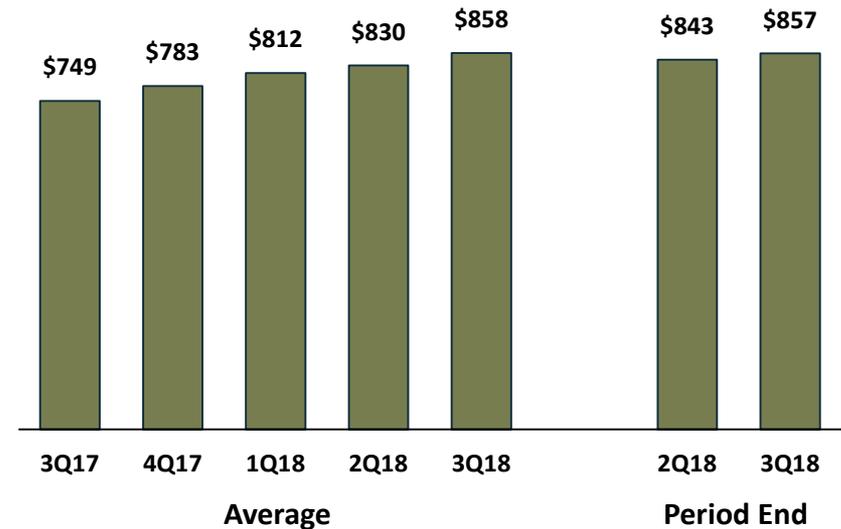
Loan Portfolio Composition⁽¹⁾

(in thousands, as of quarter-end)

	3Q 2018	2Q 2018	3Q 2017
Cash, Securities and Other	\$132,920	\$135,393	\$130,253
Construction and Development	37,423	35,760	34,471
1 - 4 Family Residential	327,674	307,794	264,058
Non-Owner Occupied CRE	165,670	164,438	177,962
Owner Occupied CRE	94,698	98,393	92,429
Commercial and Industrial	97,772	99,711	89,814
Total Loans	\$ 856,157	\$ 841,489	788,987

Total Loans

(in millions)



(1) Excludes deferred costs, net and loans held for sale

Total Deposits

- Total deposits increased \$34.9 million from Q2 2018, annualized growth of 16.5%
- Strongest growth in money market deposit accounts
- Inflows of trust deposits driving growth

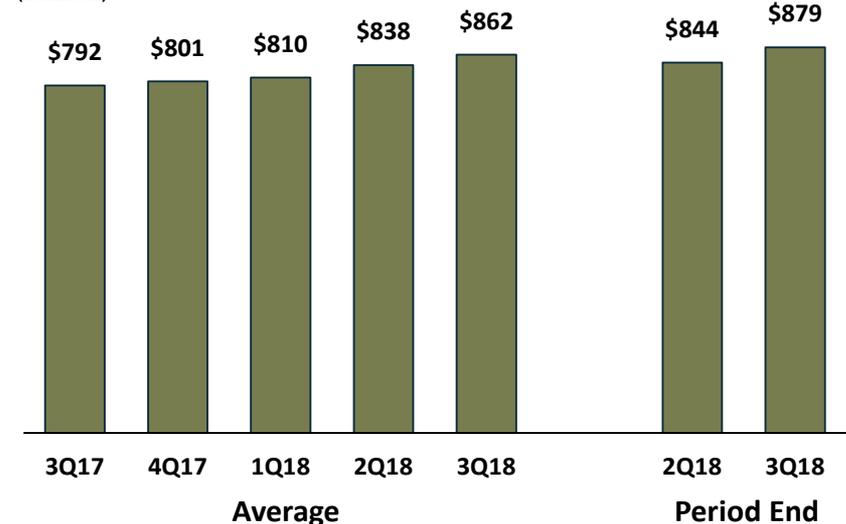
Deposit Portfolio Composition

(in thousands, as of quarter-end)

	3Q 2018	2Q 2018	3Q 2017
Money market deposit accounts	\$ 444,580	\$394,759	\$285,418
Time deposits	148,425	166,670	224,224
NOW	64,777	68,742	83,654
Savings accounts	1,457	1,346	1,647
Noninterest-bearing Accounts	219,400	212,225	218,102
Total Deposits	\$ 878,639	\$ 843,742	\$ 813,045

Total Deposits

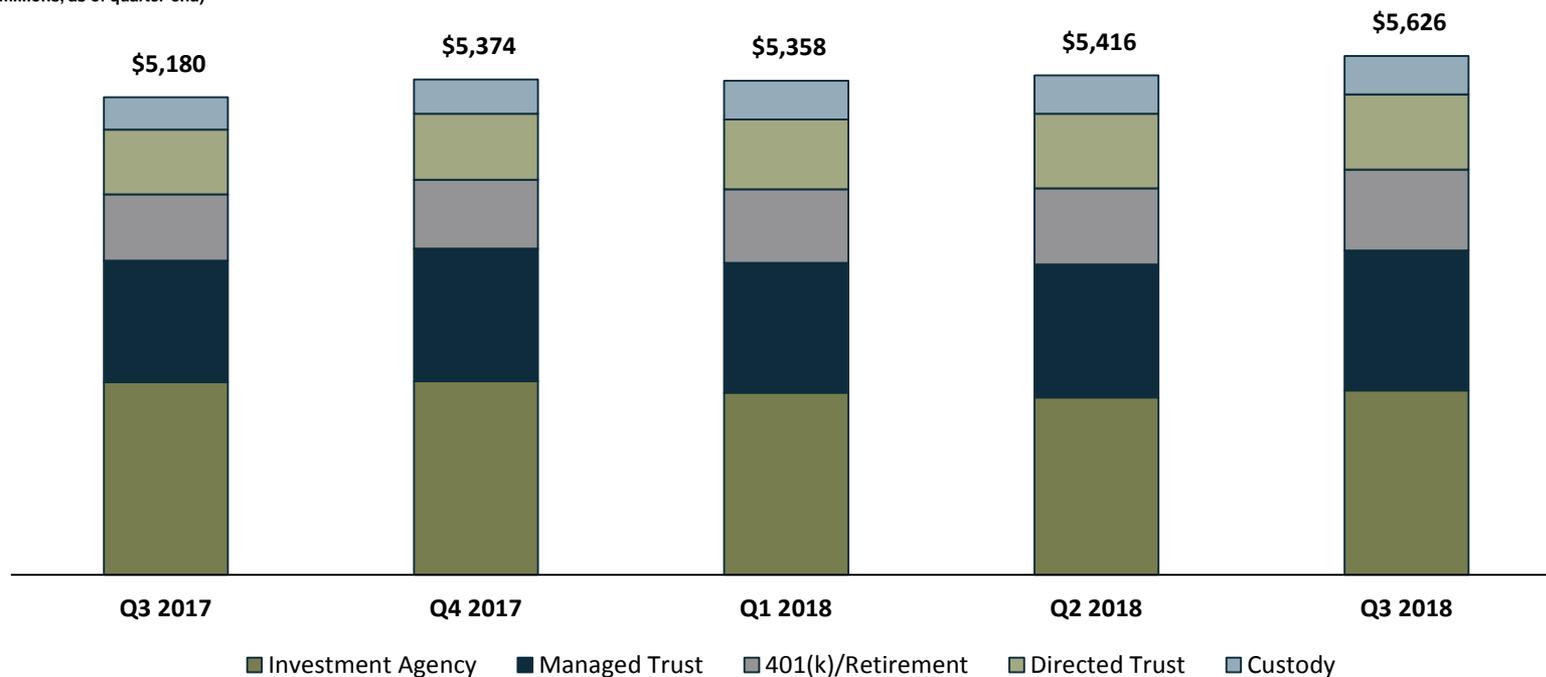
(in millions)



Trust and Investment Management

- Total assets under management increased \$210.2 million from Q2 2018
- Strong quarter for new client acquisitions
- Growth offset by client departures to former wealth management associate
- Strong relative investment performance

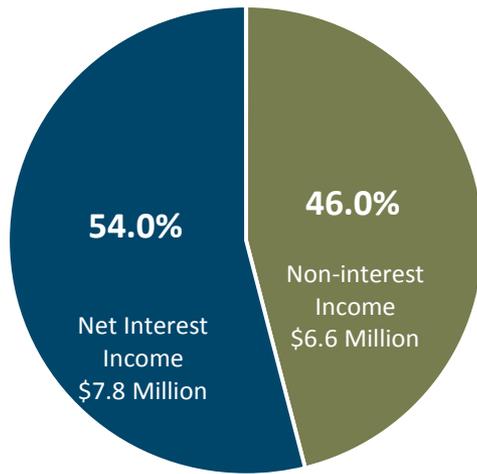
(in millions, as of quarter-end)



Total Revenue

- Total revenue stable with prior quarter
- Increase in total loans drove a 2.8% increase in net interest income
- Total revenue impacted by decline in residential mortgage production

Q3 2018 Gross Revenue⁽¹⁾



Gross Revenue⁽¹⁾ (\$millions)



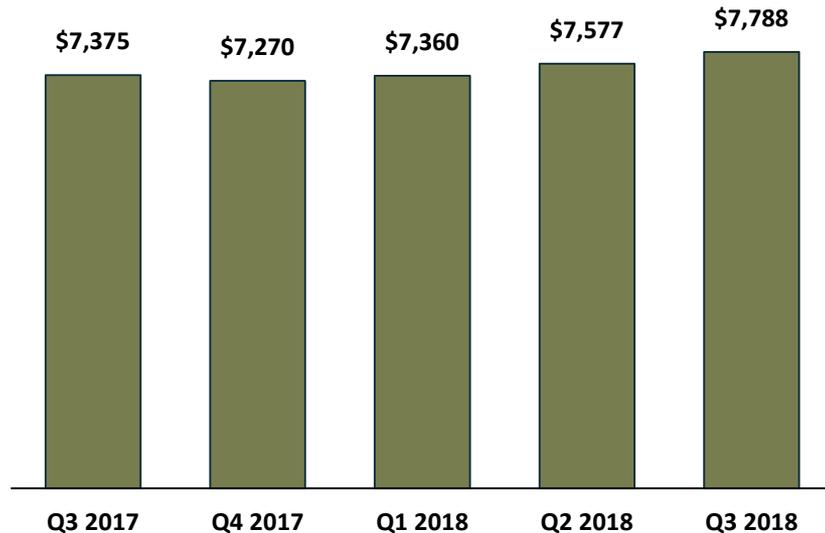
(1) See Non-GAAP reconciliation

Net Interest Income & Net Interest Margin

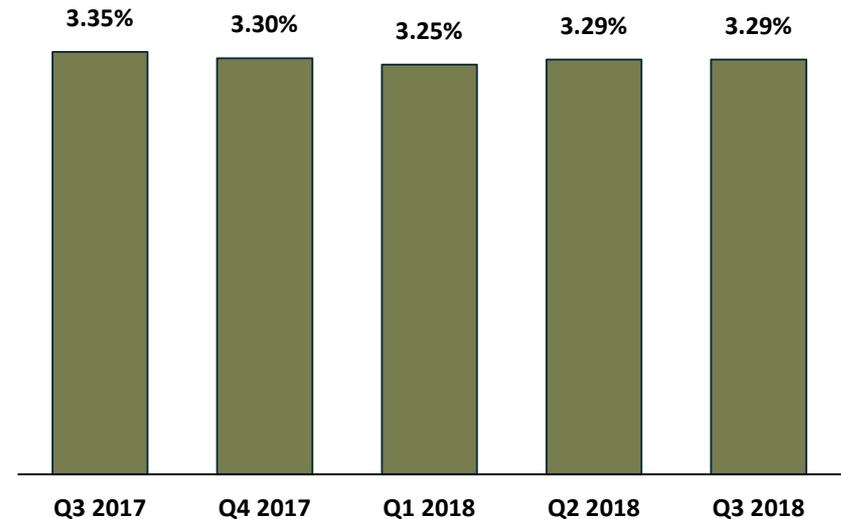
- Net interest income increased 2.8%, primarily due to higher average loan balances
- Net interest margin remains stable at 3.29%
- Increase in loan yields largely offsetting increase in deposit costs
- Increases in deposit rates for largest clients resulted in higher deposit beta

Net Interest Income

(in thousands)



Net Interest Margin

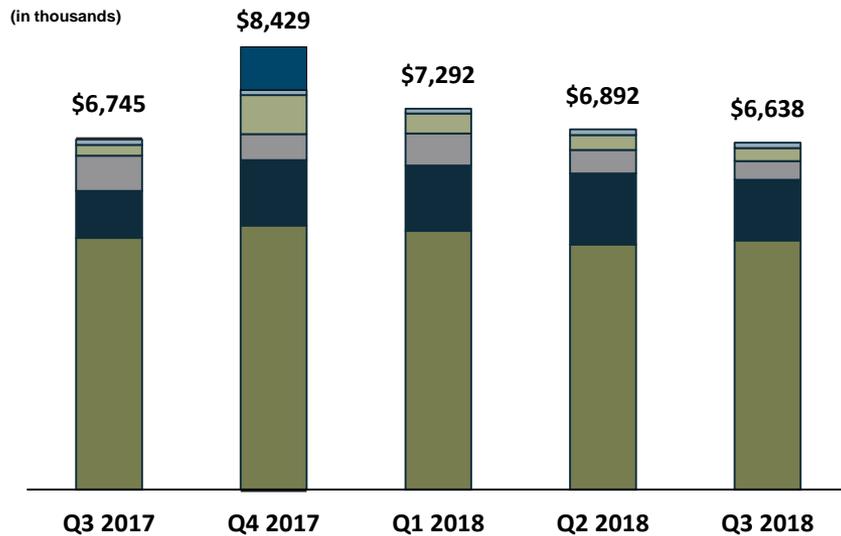




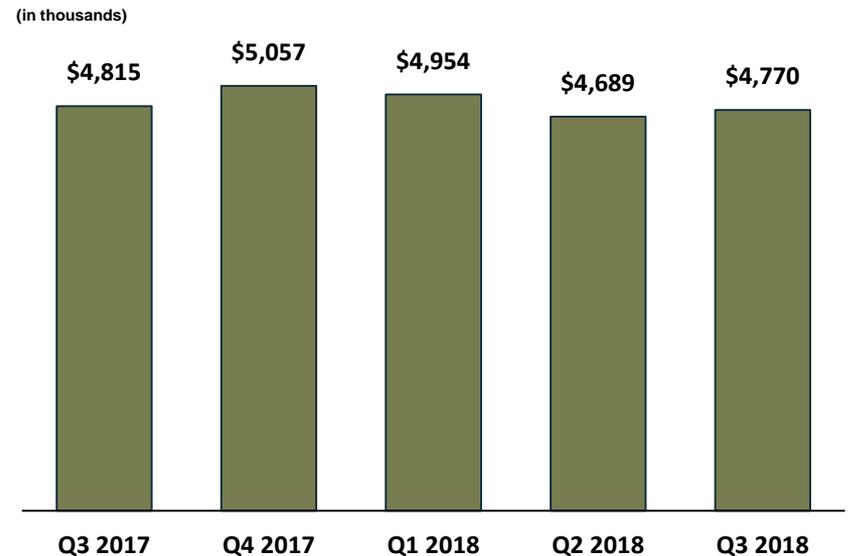
Non-Interest Income

- Total non-interest income declined 3.7%, primarily due to lower gains on mortgage loans sold
- Trust and investment management fees increased 1.7% due to growth in AUM

Total Non-Interest Income



Trust & Investment Management Fees



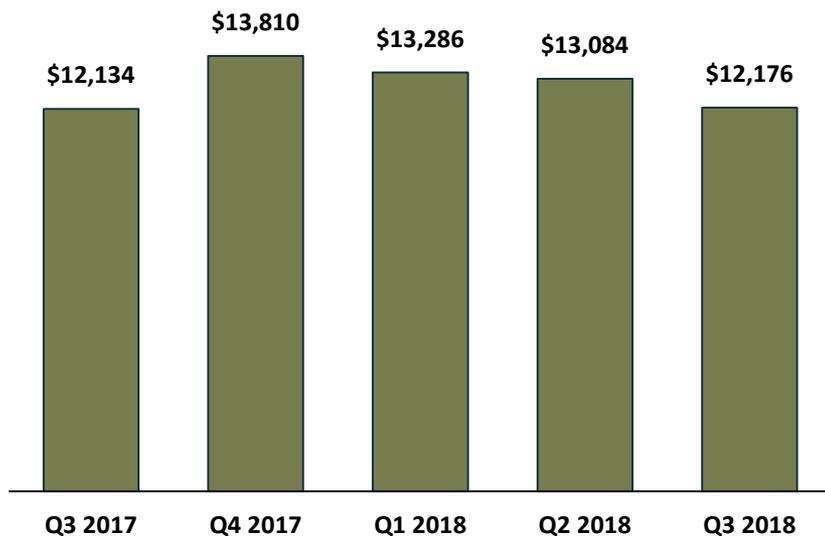
- Trust and Investment Management Fees
- Bank Fees
- Income on Company-Owned Life Insurance
- Other
- Net Gain on Mortgage Loans Sold
- Risk Management and Insurance Fees
- Net Gain on Sale of Securities

Non-Interest Expense and Efficiency Ratio

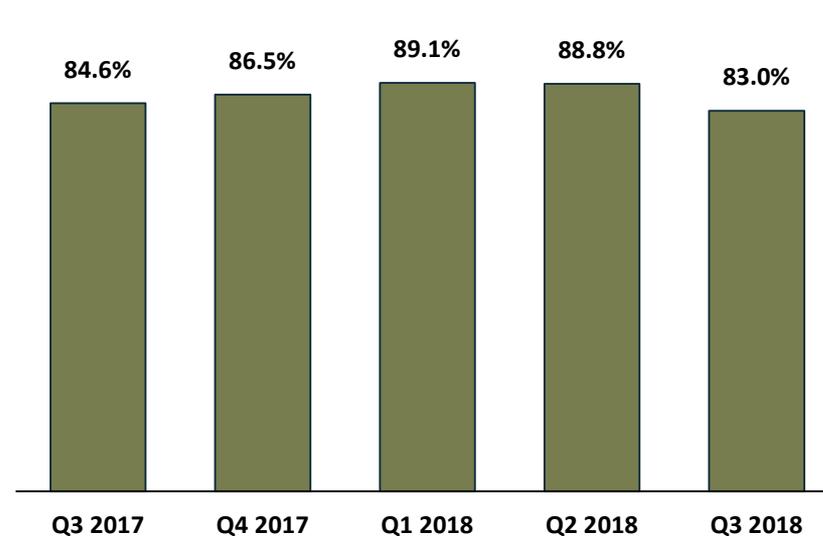
- Total non-interest expensed declined 6.9%, primarily due to expense reductions in capital management business, as previously expected
- Salaries and employee benefits declined 5.7%, primarily due to staff reductions and lower bonus accruals due to reduced loan production
- Efficiency ratio⁽¹⁾ improved to 83.0% from 88.8%

Total Non-Interest Expense

(in thousands)



Operating Efficiency Ratio⁽¹⁾

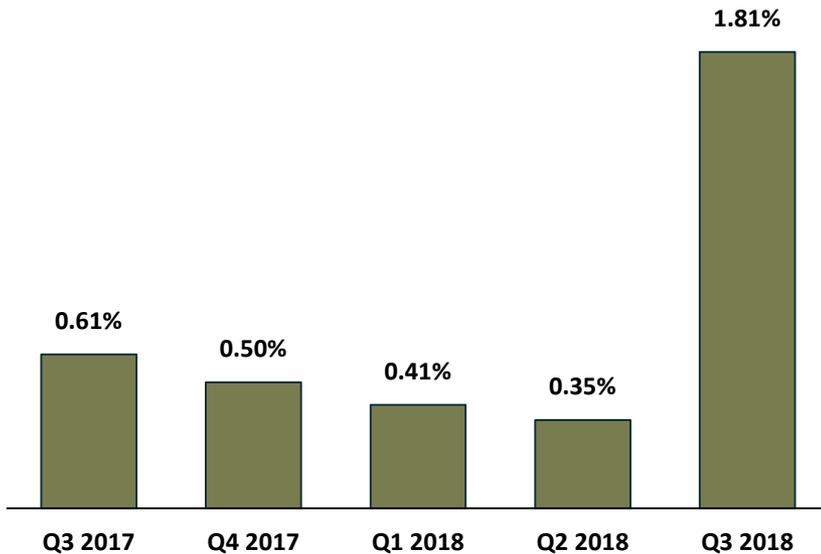


(1) See Non-GAAP reconciliation

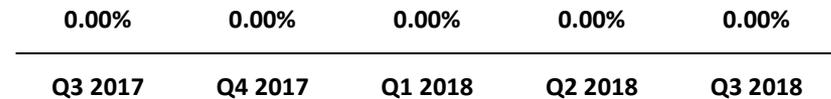
- NPAs increased \$15.3 million from prior quarter
 - \$11.3 million related to a Cash, Securities and Other loan (currently in workout process with no specific reserve required)
 - Remaining increase related to administrative delays in renewing two credits that matured during the quarter

- Seventh consecutive quarter of no net charge-offs

Non-Performing Assets/Total Assets



Net Charge-Offs/Average Loans



Progress Report on Earnings Drivers

Earnings Driver	3Q18 Update
Lower capital costs	<ul style="list-style-type: none"> • Redeemed preferred stock of \$25.4 million and sub debt of \$6.9 million • \$2.7 million annual savings
Increased loan growth	<ul style="list-style-type: none"> • IPO removed existing capital constraints • Average loans in 3Q18 up 14.6% year-over-year
Higher fee income	<ul style="list-style-type: none"> • Growth in AUM driving higher Trust and Investment Management fees
Improved operating leverage	<ul style="list-style-type: none"> • 2018 expense reductions eliminated redundancies • Lower expense driving improved efficiency ratio
Profit centers gaining scale	<p>YTD total revenue increases</p> <ul style="list-style-type: none"> • Aspen: +40.2% • Jackson Hole: +20.7% • Cherry Creek: +26.6% • Scottsdale: +29.6% • Denver: +29.5% • Remaining: -2.1%

Strong Foundation for Long-Term Growth

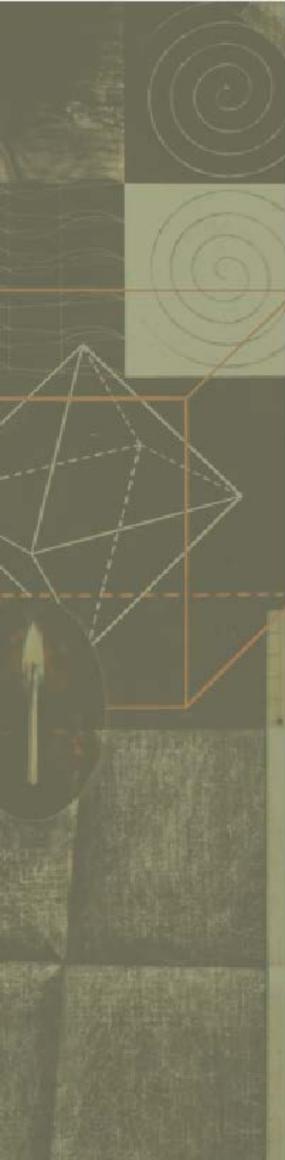
Investments in Revenue Generation Made in 2017 - 2018

- Experienced executive leadership added:
 - Colorado/Wyoming Profit Center President
 - Chief Credit Officer
 - Chief Investment Officer
 - Senior Trust Officer
- Business Development Officers added in every full service office (4 in 2017, 10 in 2018)
- Mortgage Loan Originators added and working with offices in 2018
 - \$54.4 million in portfolio loans produced in 2018
- “Local” marketing campaign launched in 4Q18

First Western is well positioned to capitalize on dislocation in Colorado banking market



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Appendix



Non-GAAP Reconciliation

<i>Consolidated Efficiency Ratio</i>		For the Three Months Ended,				
<i>(Dollars in thousands)</i>	September 30, 2017	December 31, 2017 ⁽¹⁾	March 31, 2018	June 30, 2018	September 30, 2018	
Non-interest expense	\$ 12,134	\$ 13,810	\$ 13,286	\$ 13,084	\$ 12,176	
Less: Amortization	185	230	230	230	208	
Adjusted non-interest expense	\$ 11,949	\$ 13,580	\$ 13,056	\$ 12,854	\$ 11,968	
Net interest income	\$ 7,375	\$ 7,270	\$ 7,360	\$ 7,577	\$ 7,788	
Non-interest income	6,745	8,429	7,292	6,892	6,638	
Total Income	\$ 14,120	\$ 15,699	\$ 14,652	\$ 14,469	\$ 14,426	
Efficiency ratio	84.6%	86.5%	89.1%	88.8%	83.0%	

<i>Consolidated Gross Revenue</i>		For the Three Months Ended,				
<i>(Dollars in thousands)</i>	September 30, 2017	December 31, 2017 ⁽¹⁾	March 31, 2018	June 30, 2018	September 30, 2018	
Total income before non-interest expense	\$ 13,814	\$ 15,703	\$ 14,839	\$ 14,469	\$ 14,408	
Less: Net gain on sale of securities	43	(44)	-	-	-	
Plus: Provision (release) of credit loss	306	(4)	(187)	-	18	
Gross Revenue	\$ 14,077	\$ 15,743	\$ 14,652	\$ 14,469	\$ 14,426	