



FIRSTwestern

2021 Annual Meeting of Shareholders  
June 9, 2021

# Safe Harbor

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# Overview of 2020

## *Record Performance Despite COVID-19 Pandemic*

### Significant Increase in Profitability

- Net income available to common shareholders of \$24.5 million, or \$3.08 diluted EPS, in FY 2020, up from \$8.0 million, or \$1.01 diluted EPS, in FY 2019
- Return on average assets of 1.48% in FY 2020, up from 0.68% in FY 2019
- Return on average shareholders' equity of 17.29% in FY 2020, up from 6.51% in FY 2019

### Exceptional Balance Sheet Growth

- Total assets increased 58% in FY 2020
- Total loans increased 54% in FY 2020
- Total deposits increased 49% in FY 2020

### Growing Sources of Fee Income

- Non-interest income increased 57% in FY 2020
- Investments in mortgage business over past few years positioned MYFW to capitalize on increase in demand in 2020
- Higher volume of mortgage production resulted in significant increase in mortgage profit margins

### Asset Quality Remained Exceptional

- Minimal exposure to industries most impacted by the pandemic
- Substantially all COVID-19 loan modifications returned to performing status by the end of 2020
- Net charge-offs/average loans of 0.00% in FY 2020

# Recent Strategic, Operational, and Financial Highlights

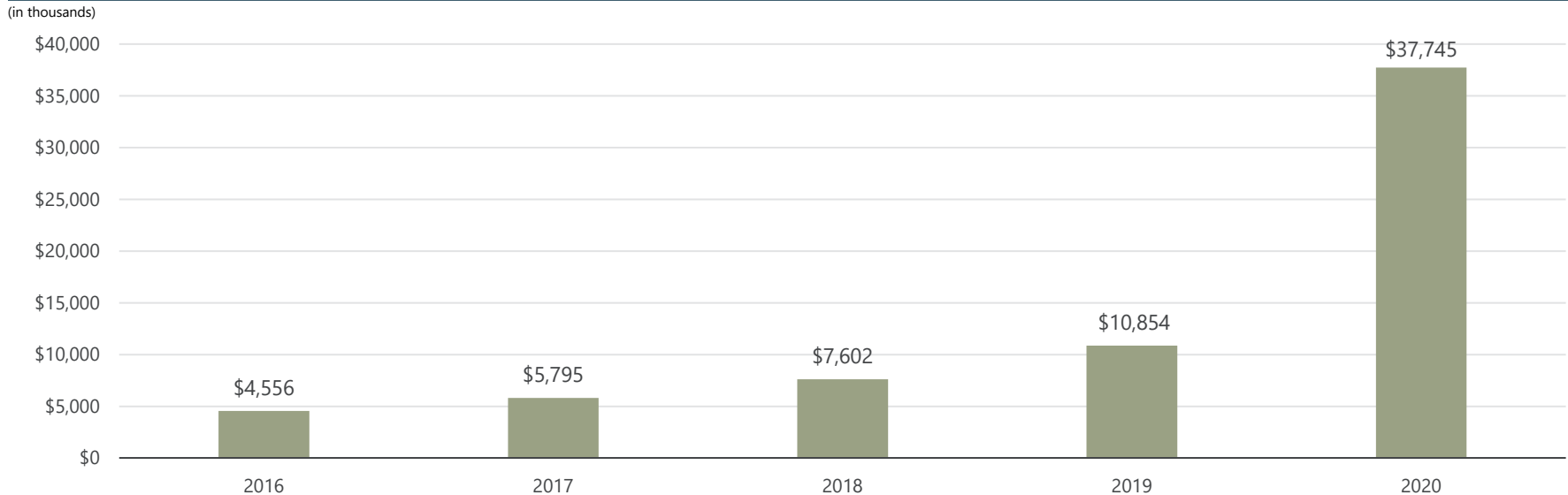
- Assisted clients in accessing 677 loans totaling \$220.3 million in PPP funding, resulting in significant growth in our commercial client roster
- Expanded our presence in the Denver market and strengthened our commercial banking platform with branch acquisition
- Continued growing our presence in newer markets with attractive demographics (Vail Valley, Lone Tree, and Broomfield, CO)
- Further diversified our loan portfolio away from residential mortgage loans (down to 29.7% of total loans at end of 2020 from 40.2% at end of 2019)
- Improved our deposit base with increase in lower-cost commercial deposits
- Increased processing capacity of mortgage business to handle higher volumes and continue making a significant contribution to revenue and earnings
- Optimized business mix and recognized positive impact on tangible common equity with the sale of the Los Angeles Fixed Income Team (no impact on earnings)
- Increased tangible common equity by more than \$26 million in 2020, which will support continued organic and acquired growth
- Enhanced our Board of Directors with the addition of Scott Mitchell and Julie Courkamp

# Strong Operational and Financial Momentum

## Drivers of Improved Performance

- Robust balance sheet growth
- Higher fee income driven by strengthened mortgage team
- Consistent new client acquisition activity driving growth in assets under management
- Highly leverageable operating platform driving improved efficiencies
- Outstanding asset quality and low credit costs

## 2016-2020 Pre-Tax, Pre-Provision Income<sup>(1)</sup>



(1) See Non-GAAP reconciliation

# Highly Accretive Branch Purchase and Assumption Expanded Denver Presence

## Transaction Overview

- Acquisition of all of the Denver locations of Simmons Bank (three branches and one loan production office)
  - Three of the locations were consolidated into an existing First Western branch
- Assumed \$65.2 million in deposits and \$123.8 million in loans related to the acquired locations
- Added scale, an attractive client base, and banking talent including new President of Commercial Banking and construction lending expertise
- Closed on May 18, 2020

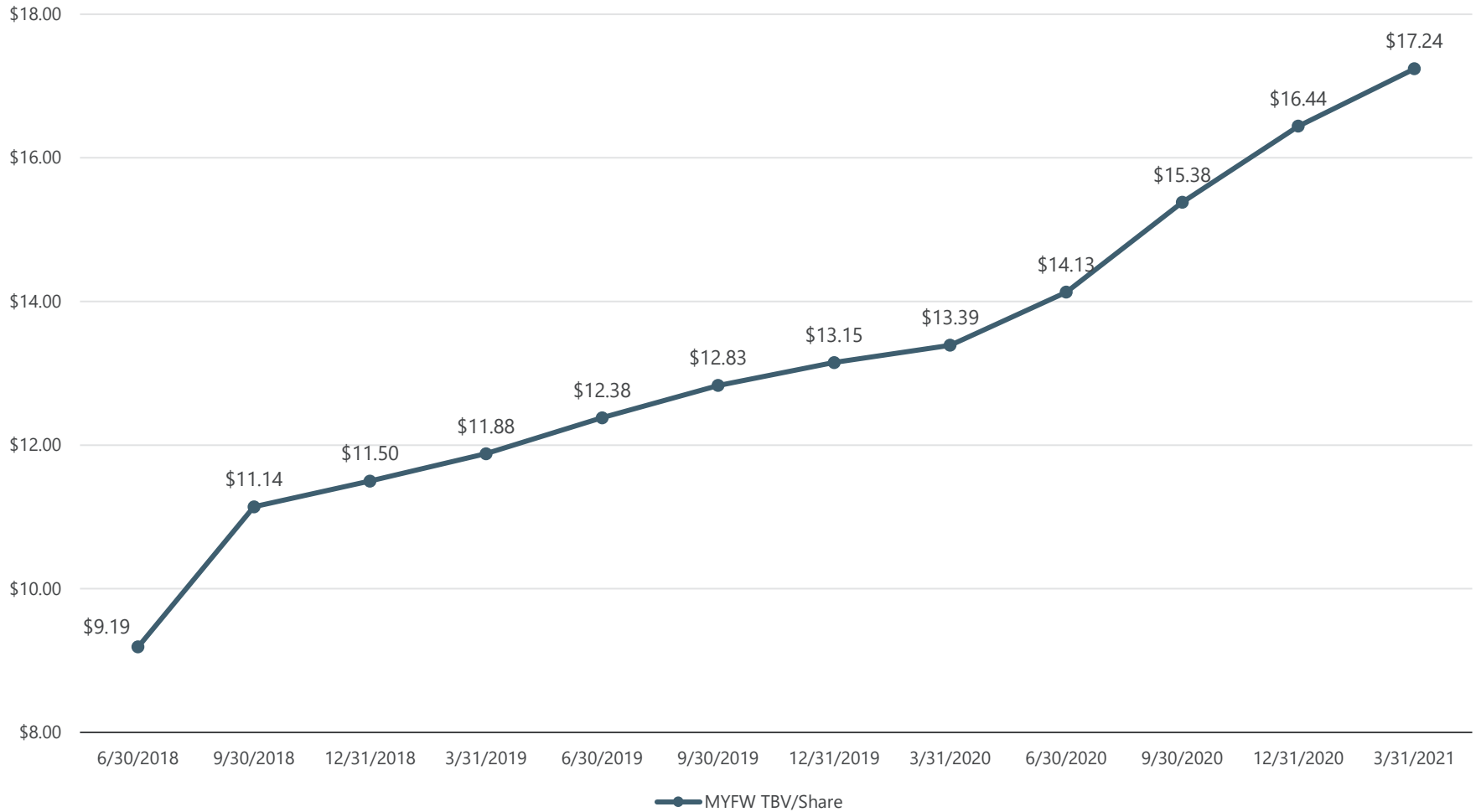
## Financial Impact

- Highly accretive to earnings
  - 7-8% accretive in 2020, excluding pre-tax transaction charges<sup>(1)</sup>
  - 15-16% accretive in 2021<sup>(1)</sup>

(1) Accretive estimates based on December 31, 2019 data

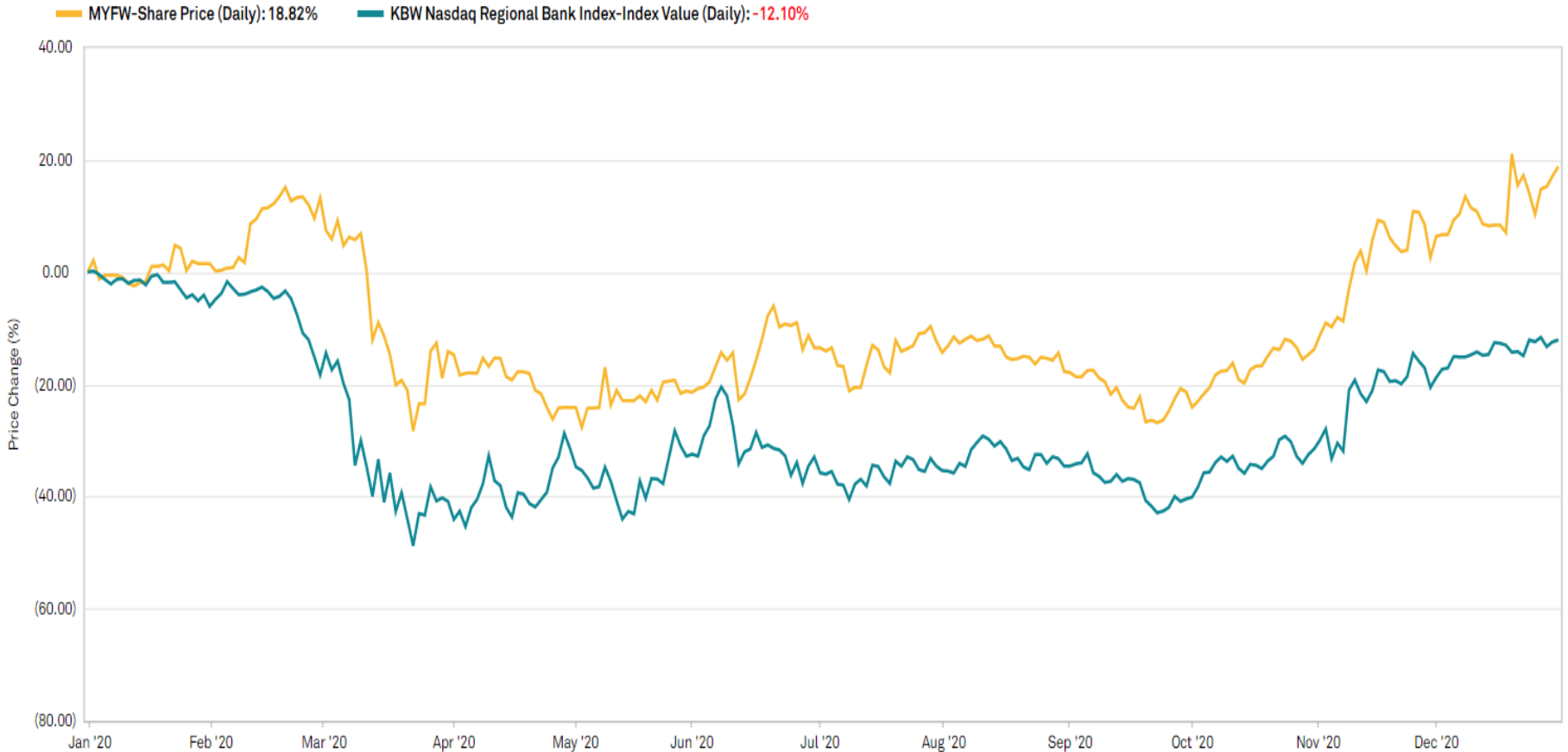
# Strong Performance Creating Shareholder Value

TBV/Share<sup>(1)</sup> Up 88% Since July 2018 IPO



(1) See Non-GAAP reconciliation

# Improving Earnings and Strong Asset Quality Drove Outperformance in 2020



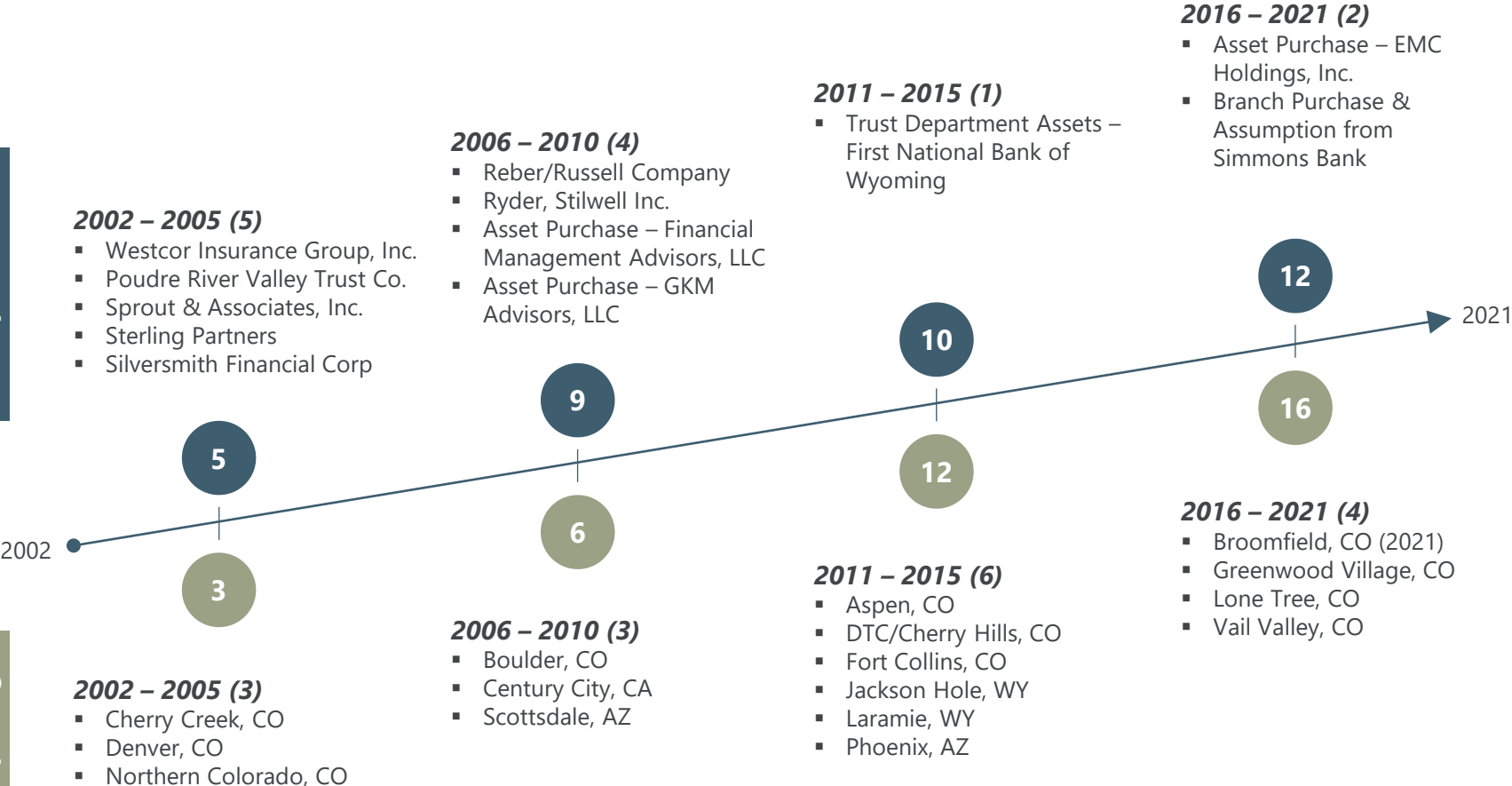


# Driving Profitable Growth

# Success in Expansion and Acquisition Growth

Acquisitions

Office Openings



**2002 – 2005 (5)**

- Westcor Insurance Group, Inc.
- Poudre River Valley Trust Co.
- Sprout & Associates, Inc.
- Sterling Partners
- Silversmith Financial Corp

**2006 – 2010 (4)**

- Reber/Russell Company
- Ryder, Stilwell Inc.
- Asset Purchase – Financial Management Advisors, LLC
- Asset Purchase – GKM Advisors, LLC

**2011 – 2015 (1)**

- Trust Department Assets – First National Bank of Wyoming

**2016 – 2021 (2)**

- Asset Purchase – EMC Holdings, Inc.
- Branch Purchase & Assumption from Simmons Bank

**2002 – 2005 (3)**

- Cherry Creek, CO
- Denver, CO
- Northern Colorado, CO

**2006 – 2010 (3)**

- Boulder, CO
- Century City, CA
- Scottsdale, AZ

**2011 – 2015 (6)**

- Aspen, CO
- DTC/Cherry Hills, CO
- Fort Collins, CO
- Jackson Hole, WY
- Laramie, WY
- Phoenix, AZ

**2016 – 2021 (4)**

- Broomfield, CO (2021)
- Greenwood Village, CO
- Lone Tree, CO
- Vail Valley, CO

# Total Acquisitions

# Total Offices

# Revenue Growth Strategies

## Expand commercial loan production platform

- Building expertise in specific vertical markets, e.g. medical and dental practices
- Capitalize on growing reputation to attract additional experience commercial banking talent

## Expand into new markets with attractive demographics

- Vail Valley office opened in 2019
- Lone Tree office opened in 2020
- Built team and revenue base to open office in Broomfield, CO in 2Q21

## Continue growing Mortgage business

- MLO count increased 24% in 2019-2020
- Added mortgage operations depth, capital markets capabilities in 2020
- Continuing to attract proven MLOs to increase market share

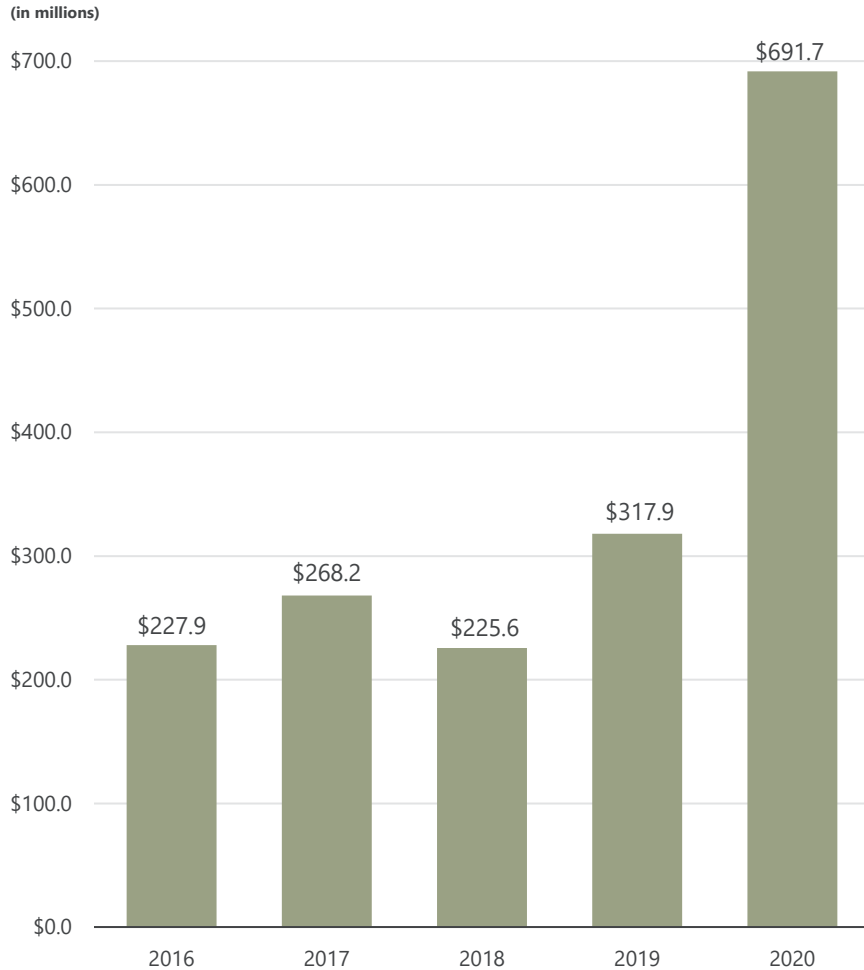
## Execute on low-risk strategic transactions that add value to the MYFW franchise

- Execute on non-dilutive acquisitions (no net growth in total shares outstanding since IPO)
- Leverage infrastructure through branch acquisition transactions
- Proactive expansion, acquisition team

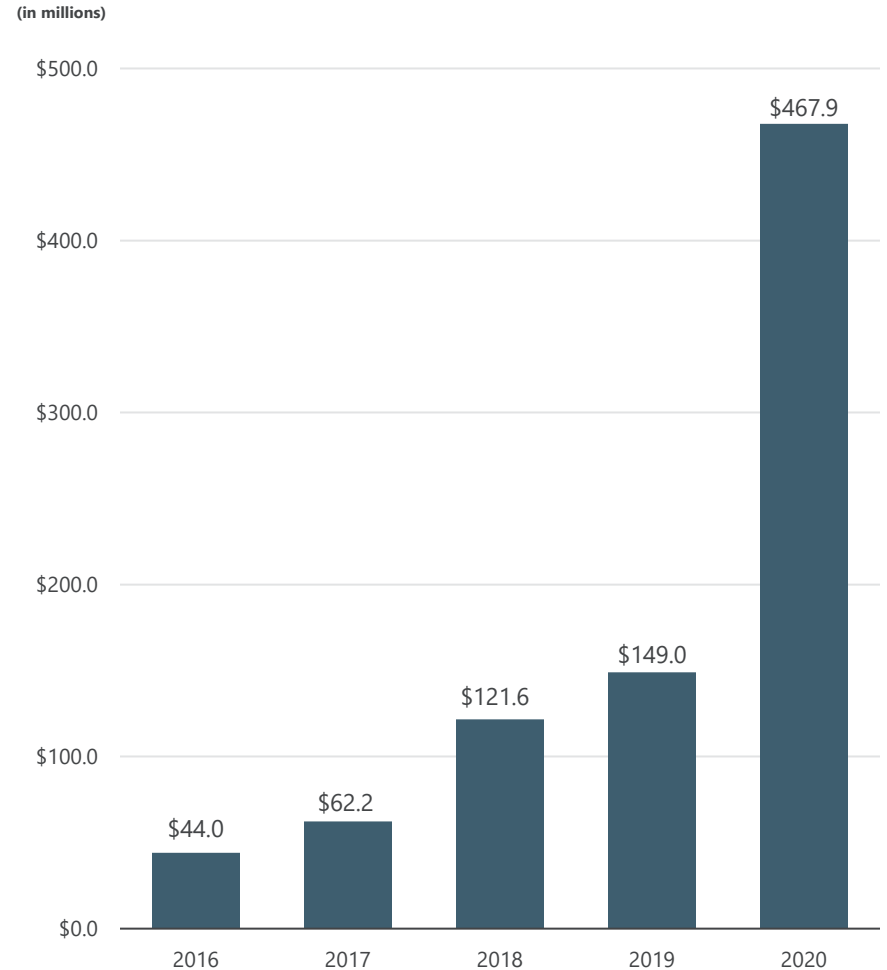
# Accelerating Business Development Trends

Capital raised in July 2018 IPO has allowed for increased business development activities

## New Loan Production<sup>(1)</sup>



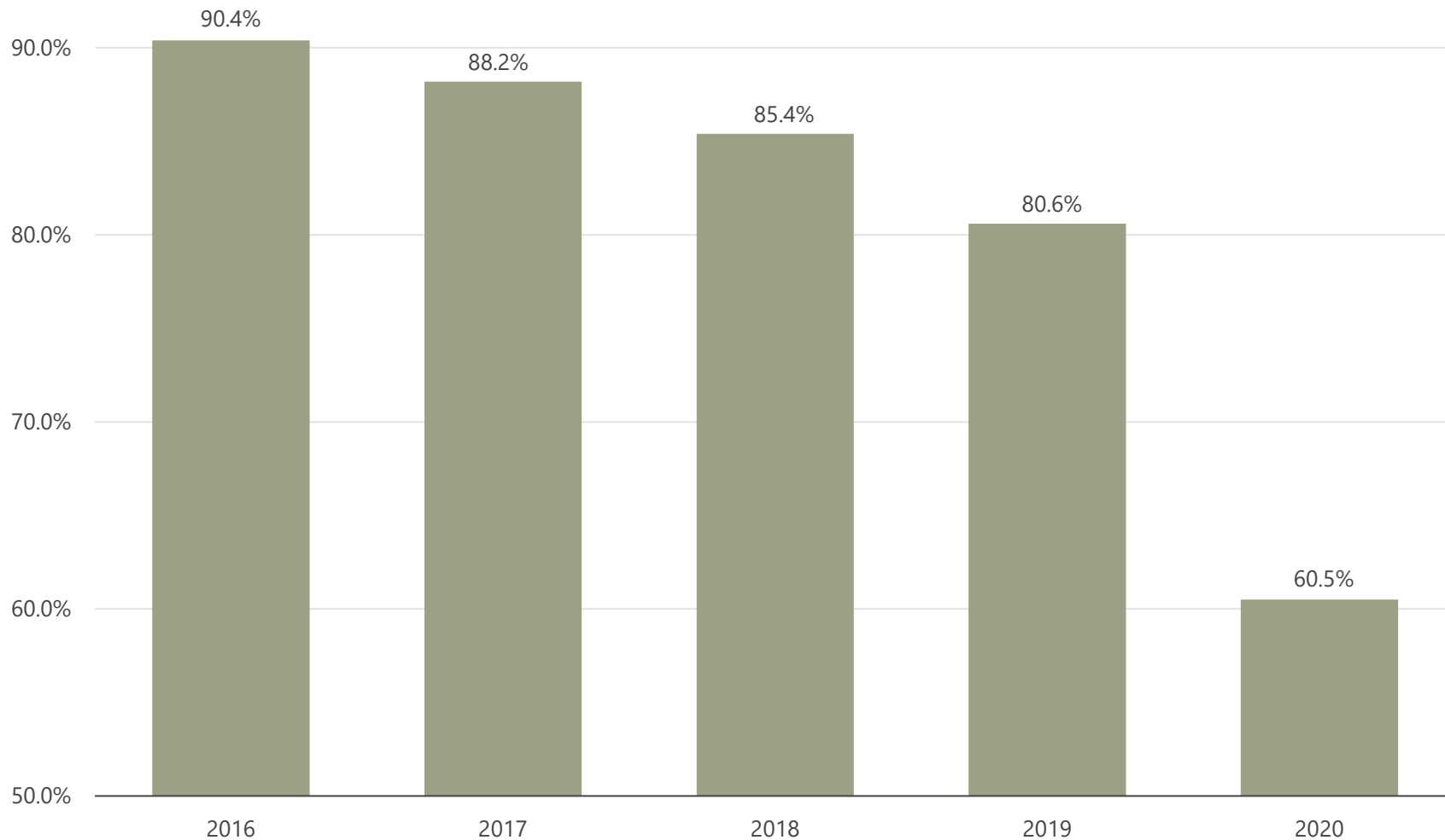
## Net Deposit Growth<sup>(2)</sup>



(1) Excluding PPP loans  
(2) Excluding acquired deposits

# Increased Scale and Back-Office Streamlining Driving Improved Efficiencies

Efficiency Ratio<sup>(1)</sup>



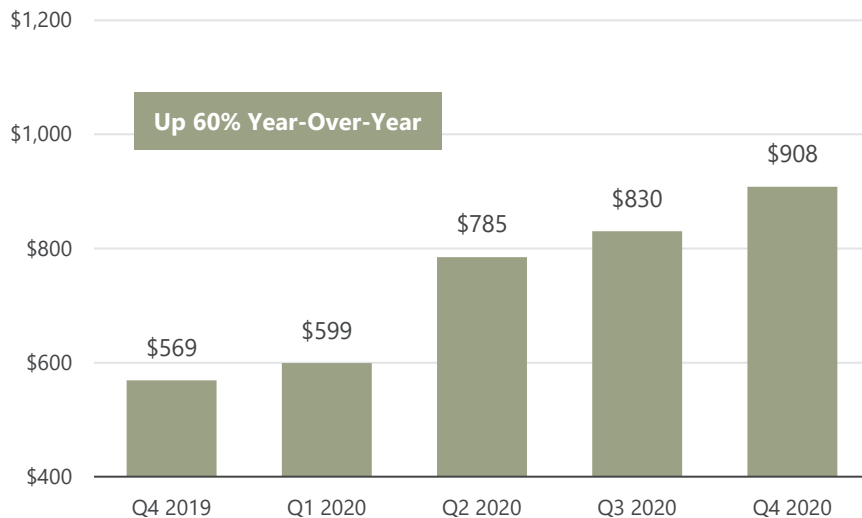
(1) See Non-GAAP reconciliation

# Commercial Banking Driving Growth

- During 2020, expanded commercial banking team and added construction lending expertise
- Increase in commercial banking clients contributing to growth in total loans and low-cost deposits while improving overall diversification
- Stronger commercial banking platform complements private banking and expanded mortgage capabilities to create a more valuable franchise with additional catalysts for future growth

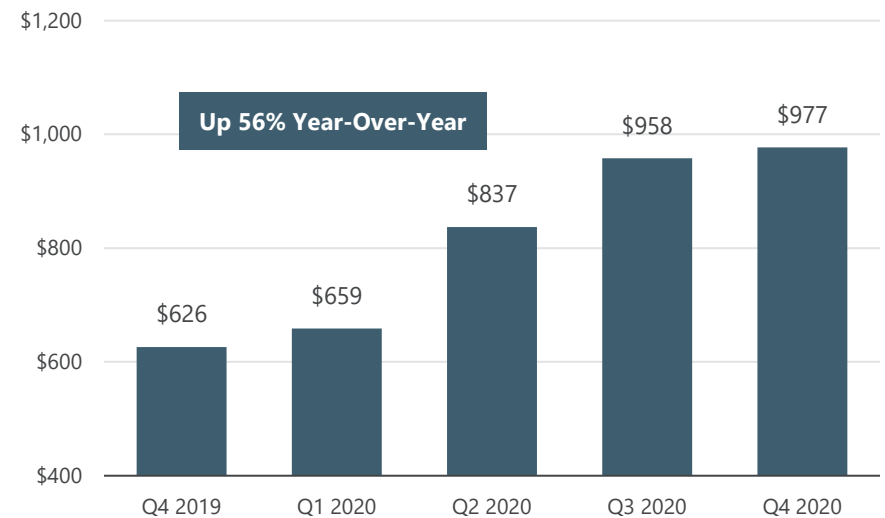
## Total Commercial Loans<sup>(1)</sup>

(in millions)



## Total Commercial Deposits

(in millions)

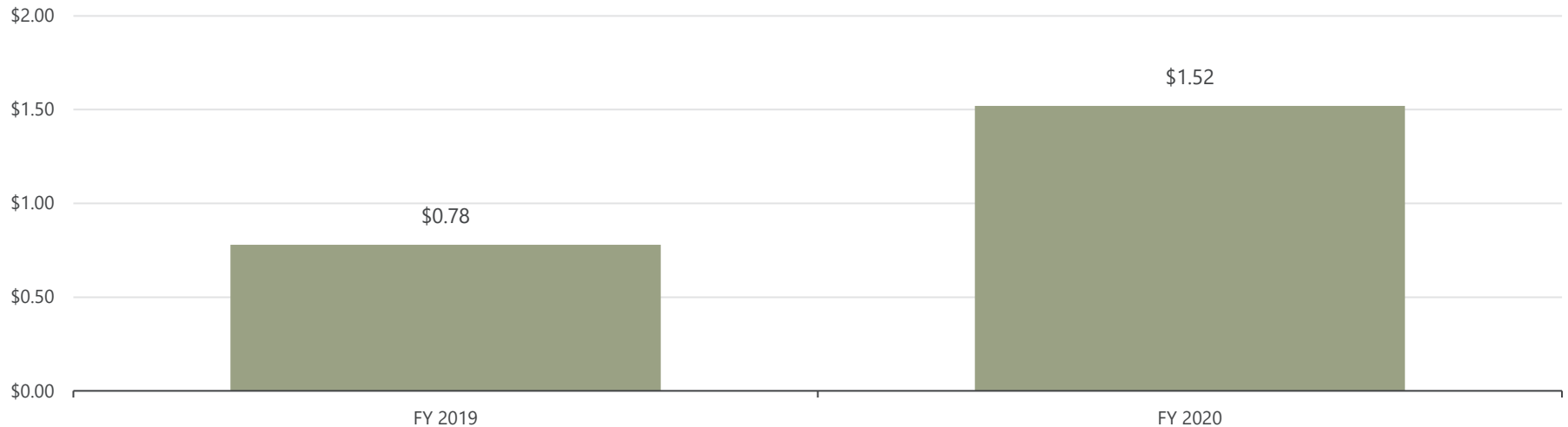


(1) Reflects loans to commercial borrowers across all loan categories excludes SBA PPP loan balances due to their short-term nature.

# Non-Mortgage Segment Earnings Growth

- Strong balance sheet growth and improving operating leverage creating sustainable path to higher earnings and profitability over long-term
- Non-mortgage segment earnings reflects contribution of private banking, commercial banking, and trust and investment management business lines

## Non-Mortgage Segment Diluted Pre-Tax Earnings Per Share<sup>(1)</sup>



(1) See Non-GAAP reconciliation

# Creating Additional Shareholder Value



# 2021 Outlook and Priorities

- Strong capital generation in 2020 provides support for continued organic and acquisition-related growth
- Progress made in strengthening commercial banking capabilities in 2020 creates strong foundation for 2021 growth
- Continue expanding commercial banking platform
  - Capitalize on growing reputation as a differentiated commercial bank to attract additional talent
  - Use 2nd PPP program to develop new commercial relationships
- Add MLOs and operations staff to mortgage business to support continued higher production levels
- Continue growing newer offices to move them closer to target profitability
- Manage expenses while investing in technology to improve efficiencies, productivity, and client experience
- Evaluating additional acquisition opportunities that can add value and accelerate growth
- Continue making progress in building First Western into a high performing institution

# Long-Term Goals to Drive Shareholder Value

**Our mission is to be the BPBFWWMC – Best Private Bank for the Western Wealth Management Client**

We believe First Western can be a unique, niche focused regional powerhouse with high fee income and consistent strong earnings from our scalable wealth management platform

- **Drive to \$5 billion in total assets, \$25 billion TIM assets through both organic growth and acquisitions**
  - ~50 offices
  - \$7-8 million in revenue per office
  - 60% contribution margin per office
- **Build footprint, scale and operating leverage with M&A**
  - Capital and earnings accretive
- **Create, roll out virtual private bank**
  - Robo advisor tied to bank
  - “Buy up” into expert advice
- **Upgrade wealth management platform**
  - Fully integrated front end
- **Sell wholesale TIM services to other banks**

# Non-GAAP Reconciliations



# Non-GAAP Reconciliation

<i>Consolidated Pre-tax, Pre-provision Income</i>		<i>For the Twelve Months Ended December 31,</i>				
<i>(Dollars in thousands)</i>	2016	2017	2018	2019	2020	
Net Income, as reported	\$2,302	\$2,023	\$5,647	\$8,009	\$24,534	
Provision for loan losses	985	788	180	662	4,682	
Income tax (benefit) expense	1,269	2,984	1,775	2,183	8,529	
<b>Pre-tax, Pre-provision Income</b>	<b>\$4,556</b>	<b>\$5,795</b>	<b>\$7,602</b>	<b>\$10,854</b>	<b>\$37,745</b>	

<i>Consolidated Efficiency Ratio</i>		<i>For the Years Ended,</i>				
<i>(Dollars in thousands)</i>	2016	2017	2018	2019	2020	
Non-interest expense	\$49,823	\$49,494	\$50,195	\$53,784	\$59,537	
Less: Amortization	747	784	831	374	14	
Less: Goodwill impairment	-	-	-	1,572	-	
Less: Provision on other real estate owned	-	-	-	-	176	
Less: Loss on assets held for sale	-	-	-	-	553	
Plus: Gain on sale of LA fixed income team	-	-	-	-	(62)	
Adjusted non-interest expense	\$49,076	\$48,710	\$49,364	\$51,838	\$58,856	
Net interest income	\$24,457	\$27,576	\$30,624	\$32,061	\$46,102	
Non-interest income	29,922	27,713	27,173	32,577	51,180	
Less: Net gain on securities	114	81	-	119	-	
Less: Net gain on sale of assets	-	-	-	183	-	
Total income	\$54,265	\$55,208	\$57,797	\$64,336	\$97,282	
<b>Efficiency ratio</b>	<b>90.4%</b>	<b>88.2%</b>	<b>85.4%</b>	<b>80.6%</b>	<b>60.5%</b>	

# Non-GAAP Reconciliation

Non-Mortgage Segment Diluted Pre-Tax Earnings Per Share <i>(Dollars in thousands)</i>	For The Years Ended December 31,	
	2019	2020
Non-Mortgage income before income tax	\$6,152	\$12,086
Mortgage income before income tax	4,040	20,977
Less: Income tax expense	2,183	8,529
Less: Preferred stock dividends	-	-
Net income available to common shareholders	\$8,009	\$24,534
Diluted weighted average shares	7,914,961	7,961,904
<b>Non-Mortgage Segment Diluted Pre-Tax Earnings Per Share</b>	<b>\$0.78</b>	<b>\$1.52</b>