



FIRST western

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

Fourth Quarter 2019 Financial Results

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Overview of 4Q19

Strong Financial Performance

- Net income available to common shareholders of \$2.6 million, or \$0.32 EPS at December 31, 2019
- Net income increased 49.2% and EPS increased 45.5% over 4Q18
- Book value and tangible book value per share⁽¹⁾ increased 2.1% and 2.5%, respectively, over 3Q19

Record Quarter of Loan Production

- Total loan production of \$146.1 million, with 4Q19 average total gross loan balance over \$1.0 billion
- Gross loans increased 30.8% annualized
- Significant contributions from all major lending areas

Positive Trends in Core Deposits and AUM

- Average deposits increased \$50.2 million from 3Q19 to 4Q19
- Deposit growth coming in lower cost categories
- AUM increased 18.2% over 4Q18

Year-over-Year Achievements

- Book value and tangible book value per common share increased 9.6% and 14.3%, respectively, over 4Q18
- Average total loans increased 14.0% from December 31, 2018
- Average deposits increased 24.2% over 4Q18
- Nonperforming loans decreased \$6.8 million, or 35.6%, from December 31, 2018

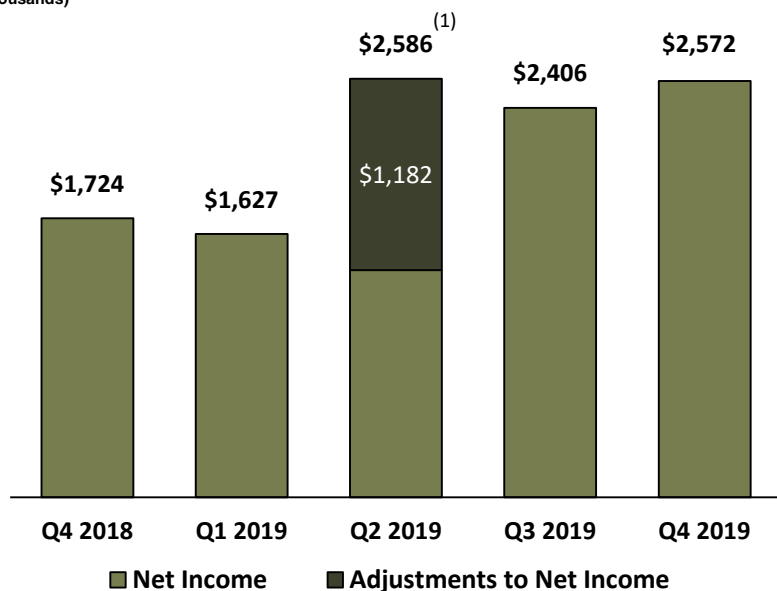
(1) See Non-GAAP reconciliation

Net Income Available to Common Shareholders and Earnings per Share

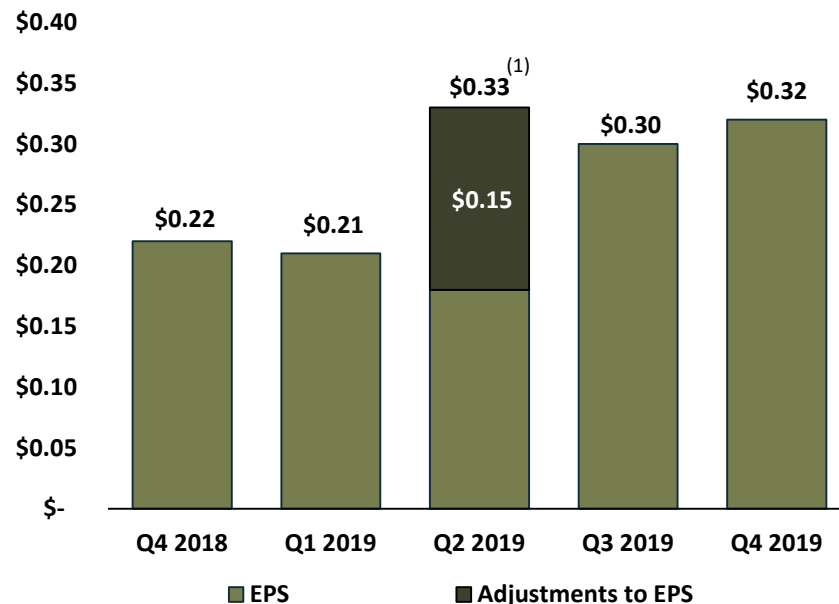
- Strong execution delivering consistent earnings
- Net income increased 49.2% over 4Q18
- Earnings per share increased 45.5% over 4Q18

Net Income Available to Common Shareholders

(in thousands)



Earnings per Share



(1) See Non-GAAP reconciliation



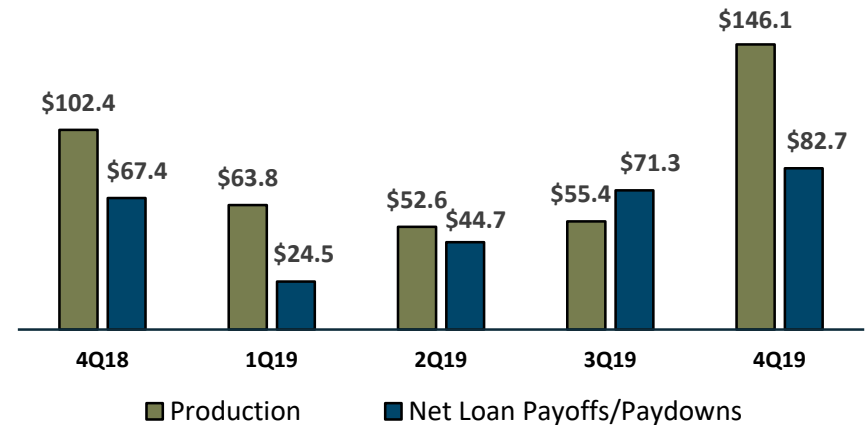
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Loan Portfolio

- Gross loans held-for-investment (HFI) increased 30.8% annualized
- Total new HFI loan production of \$146.1 million in 4Q19 vs \$55.4 million in 3Q19 and \$102.4 million in 4Q18
- Payoffs/paydowns, net of draws, increased to \$82.7 million in 4Q19 vs \$71.3 million in 3Q19
- Balanced growth across most major portfolios

Loan Production & Net Loan Payoffs/Paydowns

(in millions)



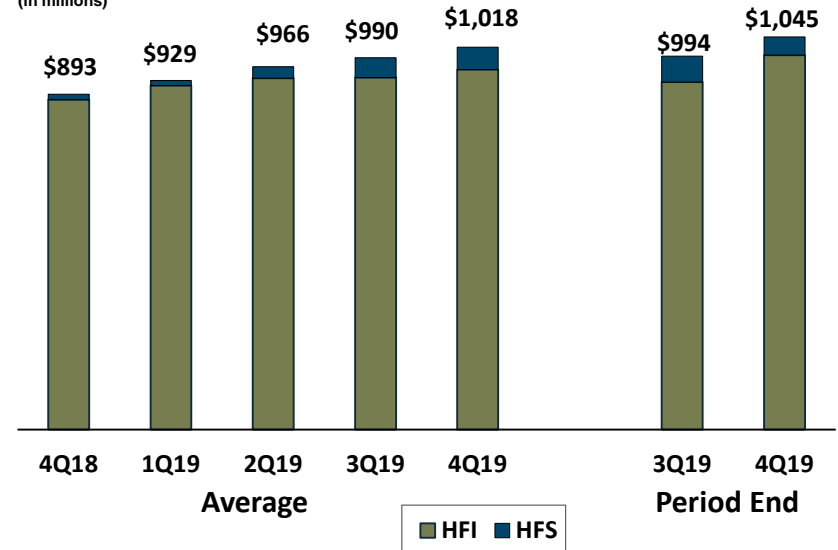
Loan Portfolio Composition⁽¹⁾

(in thousands, as of quarter-end)

	4Q 2018	3Q 2019	4Q 2019
Cash, Securities and Other	\$114,165	\$146,622	\$146,701
Construction and Development	31,897	42,059	28,120
1 - 4 Family Residential	350,852	366,238	400,134
Non-Owner Occupied CRE	173,741	138,753	165,179
Owner Occupied CRE	108,480	119,497	127,968
Commercial and Industrial	113,660	111,187	128,457
Total Loans HFI	\$892,795	\$924,356	\$996,559
Mortgage loans held for sale	14,832	69,231	48,312
Total Loans	\$907,627	\$993,587	\$1,044,871

Total Loans⁽¹⁾

(in millions)



(1) Excludes deferred costs, net

Total Deposits

- Average deposits increased \$50.2 million from 3Q19 and \$212.7 million from 4Q18
- Continued growth in noninterest-bearing and NOW accounts
- Total deposits declined due to intentional run-off of higher-cost time deposits
- Strong inflows of core deposits earlier in 2019 allowed for repositioning of deposit portfolio to improve overall mix and reduce funding costs

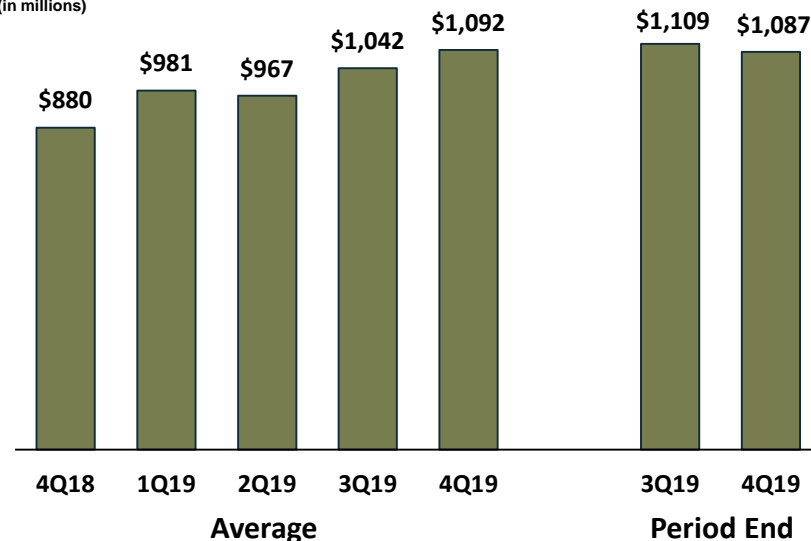
Deposit Portfolio Composition

(in thousands, as of quarter-end)

	4Q 2018	3Q 2019	4Q 2019
Money market deposit accounts	\$489,506	\$620,434	\$615,575
Time deposits	178,743	170,457	134,913
NOW	64,853	83,022	91,921
Savings accounts	1,800	3,456	4,307
Noninterest-bearing accounts	202,856	231,535	240,068
Total Deposits	\$937,758	\$1,108,904	\$1,086,784

Total Deposits

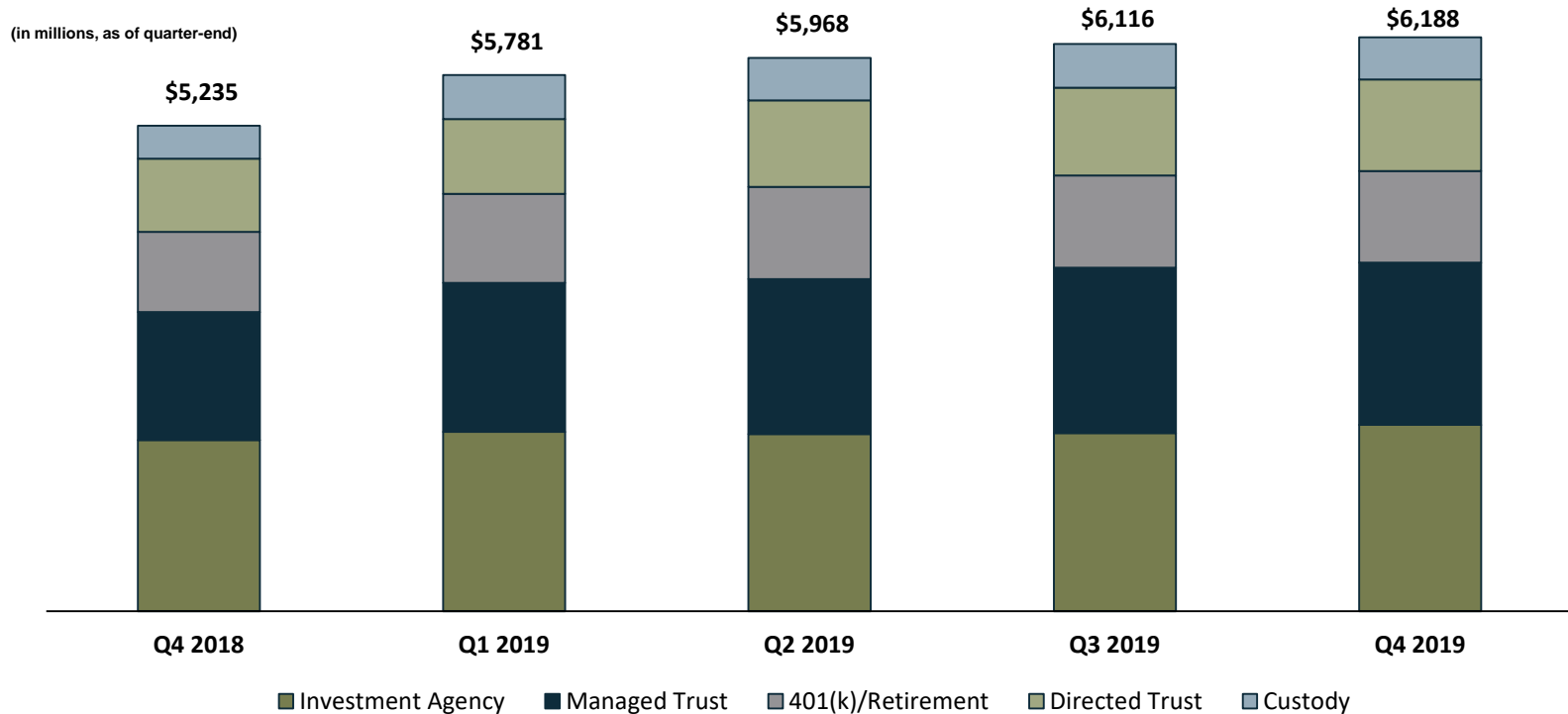
(in millions)





Trust and Investment Management

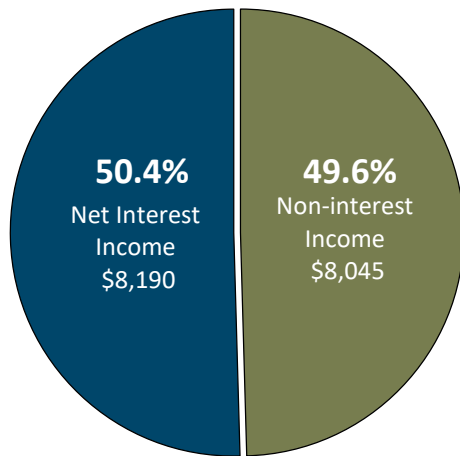
- Total assets under management increased \$952.5 million, or 18.2%, from December 31, 2018
- Total assets under management increased \$71.2 million from September 30, 2019 to \$6.19 billion at December 31, 2019
- Increase was primarily attributable to market gains, additionally \$79.8 million in new assets and \$87.3 million in contributions were added in 4Q19



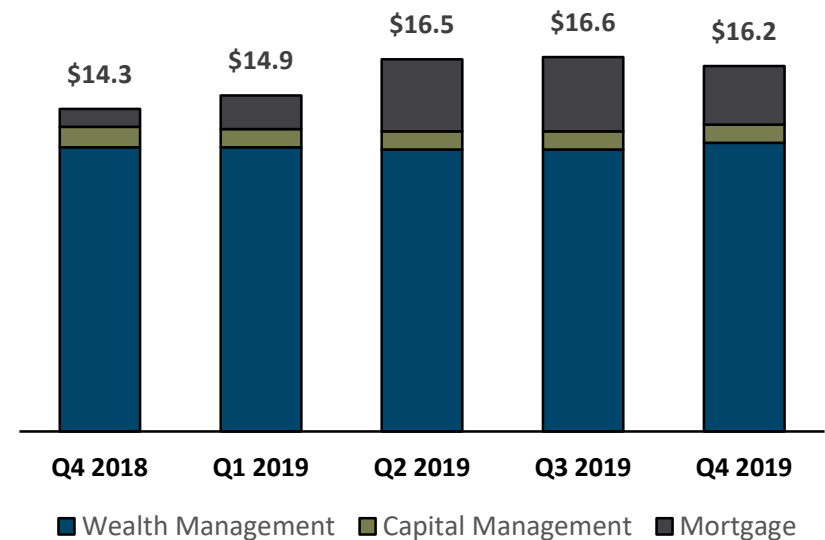
Gross Revenue

- Gross revenue increased 13.9% from 4Q18
- Higher net interest income helped to offset by higher provision and seasonal slow down of mortgage loans
- Late quarter loan growth provides tailwind entering 2020

4Q19 Gross Revenue⁽¹⁾



Gross Revenue⁽¹⁾ (\$millions)



(1) See Non-GAAP reconciliation

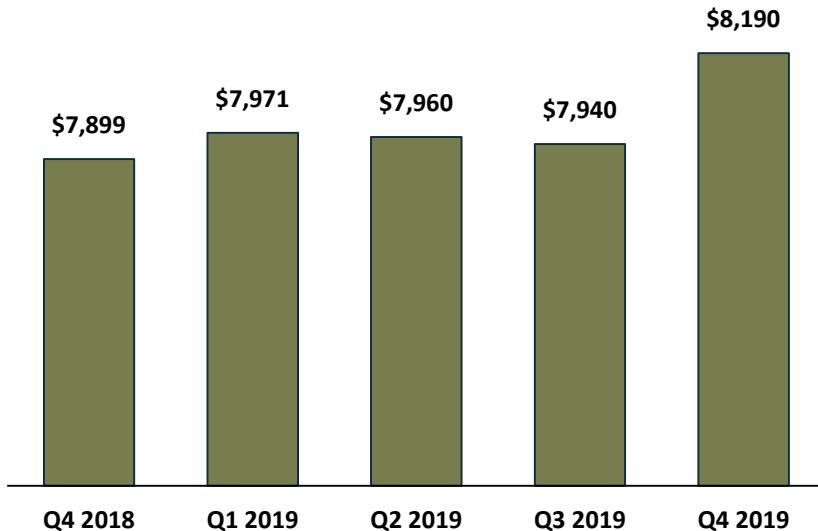


Net Interest Income & Net Interest Margin

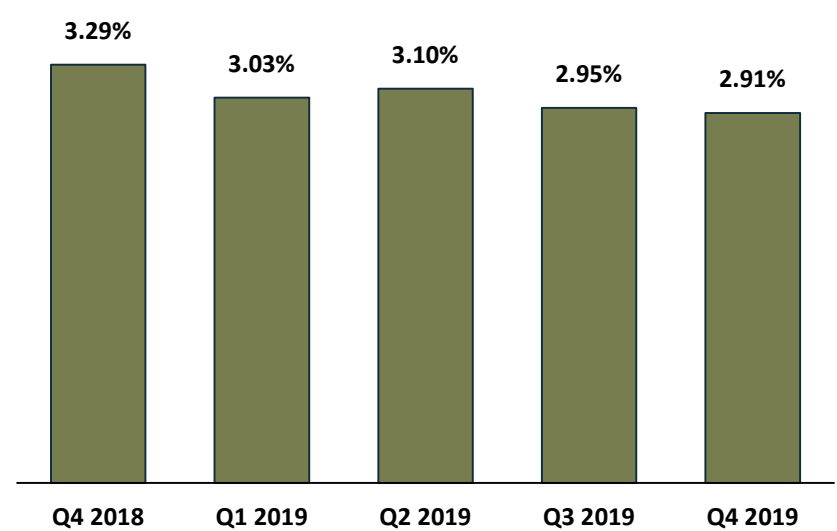
- Net interest income increased 3.1% from 3Q19, primarily due to a reduction in interest expense
- Net interest margin decreased to 2.91%, primarily due to a decline in the yield on earning assets
- Earning asset yields declined due to lower yields on securities, repricing in the loan portfolio and a higher mix of residential mortgage loans
- NIM expected to show more stability as repricing in loan portfolio is substantially complete

Net Interest Income

(in thousands)



Net Interest Margin



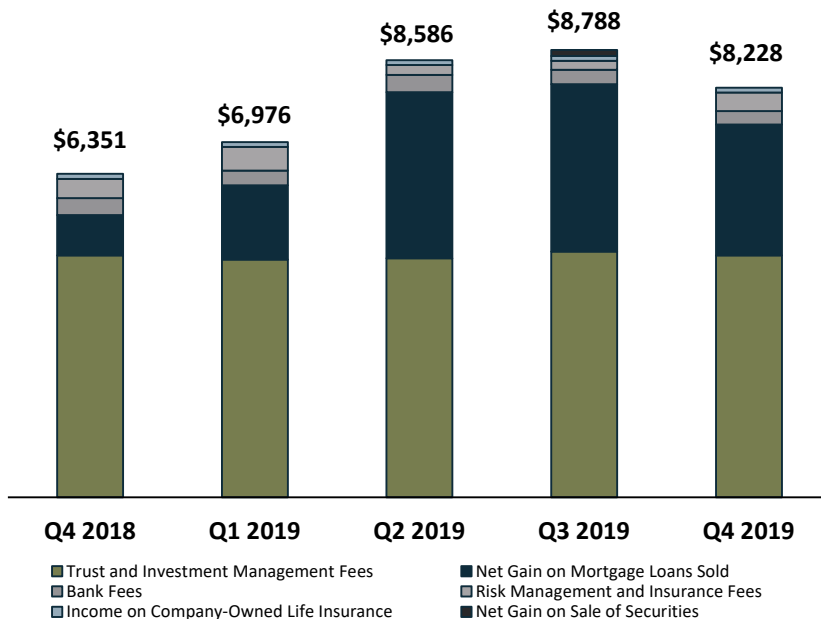


Non-Interest Income

- Total non-interest income decreased by 6.4%, primarily due to seasonally slower mortgage activity in the fourth quarter
- \$200.4 million in mortgage loans funded in 4Q19 compared to \$226.5 million in 3Q19

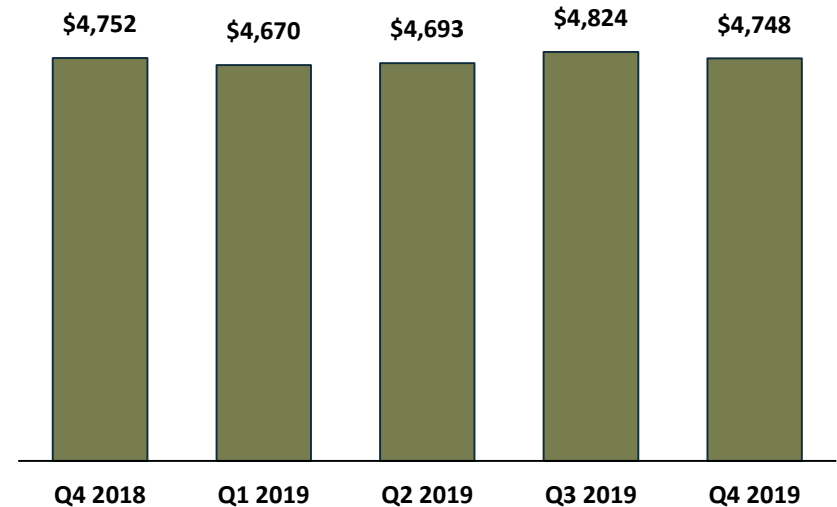
Total Non-Interest Income

(in thousands)



Trust & Investment Management Fees

(in thousands)



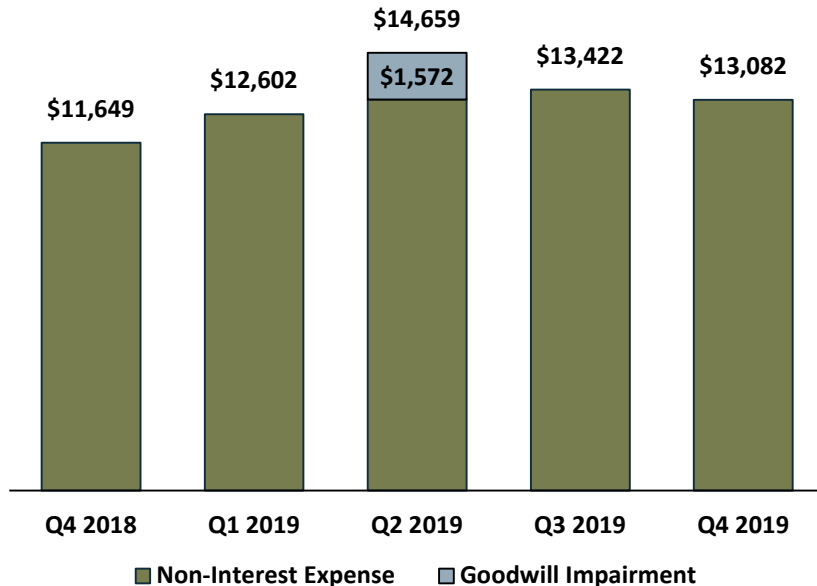


Non-Interest Expense and Efficiency Ratio

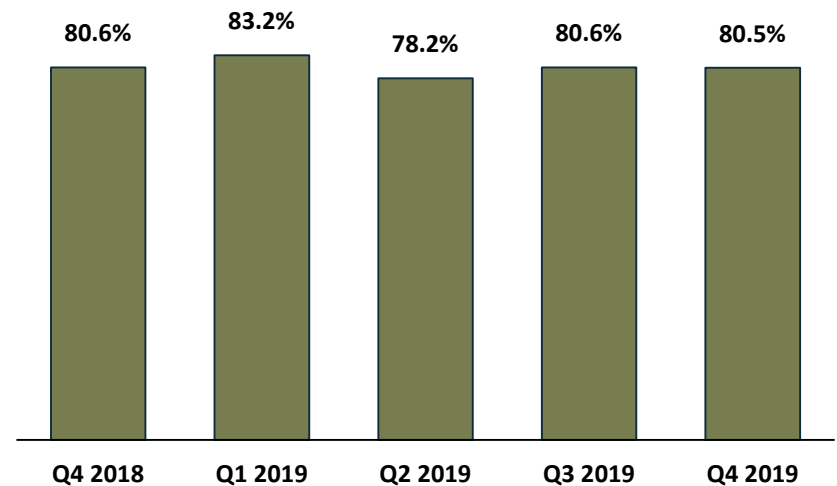
- Non-interest expense decreased 2.7% from 3Q19
- Decrease was primarily driven by lower equity compensation earnout related to residential mortgage business

Total Non-Interest Expense⁽¹⁾

(in thousands)



Operating Efficiency Ratio⁽¹⁾

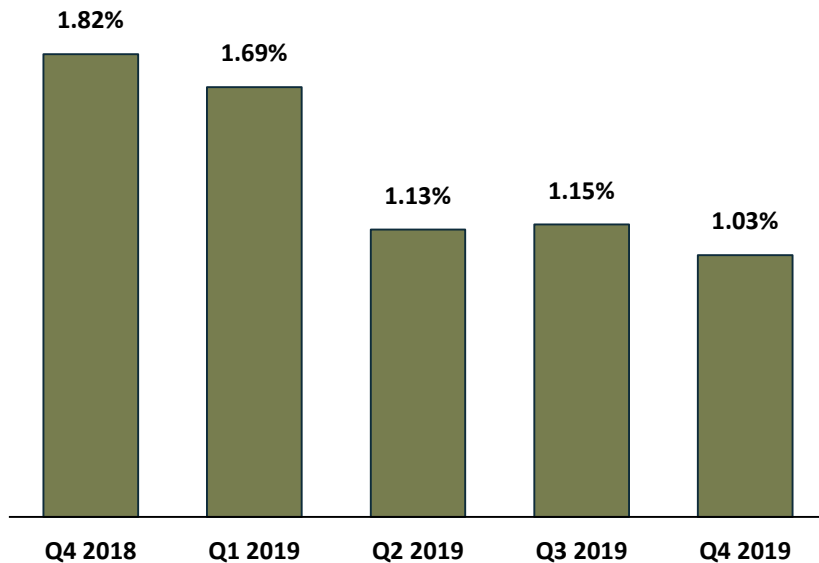


■ Non-Interest Expense ■ Goodwill Impairment

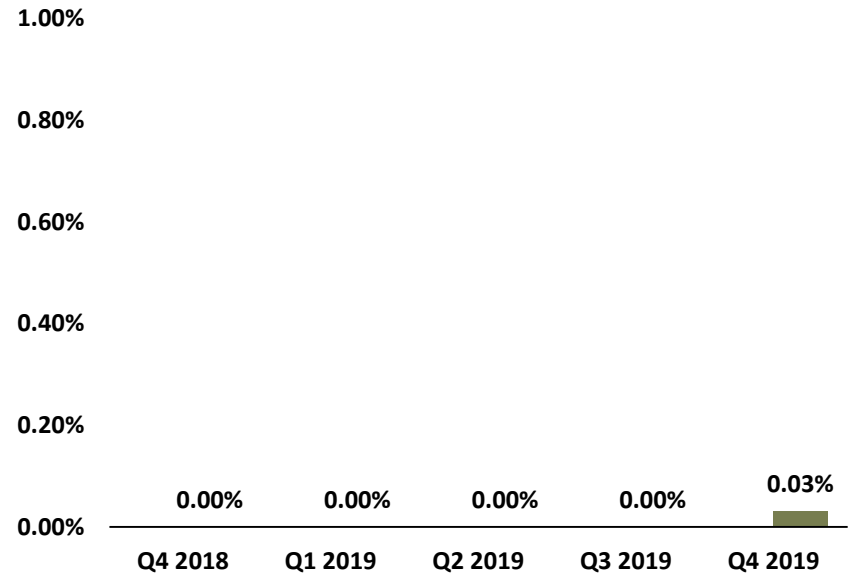
(1) See Non-GAAP reconciliation

- Generally stable trends in the portfolio with decreases in non-performing loans and non-performing assets
- Loss experience continues to be extremely low
- \$0.4 million provision expense primarily reflects strong growth in total loans

Non-Performing Assets/Total Assets



Net Charge-Offs/Average Loans





Outlook

- Increased focus on asset generation expected to complement success in growing total deposits and AUM
- Commercial banking initiative focused on building expertise in specific vertical markets
 - 1Q20 launch of first vertical market: medical and dental practices
- Continued growth in newer markets such as Vail Valley and Broomfield
- Mortgage activity expected to be consistent with 2019
- Continued revenue growth is expected to drive further operating leverage
- 2020 expected to be another year of strong earnings growth and improved profitability



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Appendix





Non-GAAP Reconciliation

Consolidated Efficiency Ratio	For the Three Months Ended,				
	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
(Dollars in thousands)					
Non-interest expense	\$11,649	\$12,602	\$14,659	\$13,442	\$13,082
Less: Amortization	163	173	142	52	7
Less: Goodwill impairment	-	-	1,572	-	-
Adjusted non-interest expense	\$11,486	\$12,429	\$12,945	\$13,390	\$13,075
Net interest income	\$7,899	\$7,971	\$7,960	\$7,940	\$8,190
Non-interest income	6,351	6,976	8,586	8,788	8,228
Less: Net gain on sale of securities	-	-	-	119	-
Less: Net gain on sale of assets	-	-	-	-	183
Total income	\$14,250	\$14,947	\$16,546	\$16,609	\$16,235
Efficiency ratio	80.6%	83.2%	78.2%	80.6%	80.5%

Consolidated Tangible Common Book Value Per Share	As of the Three Months Ended,				
	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
(Dollars in thousands)					
Total shareholders' equity	\$116,875	\$119,668	\$122,157	\$125,732	\$127,678
Less:					
Goodwill	24,811	24,811	23,239	19,686	\$19,686
Assets held for sale	—	—	—	3,553	3,553
Other intangibles, net	402	229	88	36	28
Tangible common equity	91,662	94,628	98,830	102,457	104,411
Common shares outstanding, end of period	7,968,420	7,968,420	7,983,866	7,983,284	7,940,168
Tangible common book value per share	\$11.50	\$11.88	\$12.38	\$12.83	\$13.15



Non-GAAP Reconciliation

Wealth Management Gross Revenue	For the Three Months Ended,				
(Dollars in thousands)	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
Total income before non-interest expense	\$12,289	\$12,509	\$12,550	\$12,554	\$12,534
Less: Net gain on sale of securities	-	-	-	119	-
Less: Net gain on sale of assets	-	-	-	-	183
Plus: Provision for (recovery of) credit loss	349	194	(78)	100	447
Gross revenue	\$12,638	\$12,703	\$12,472	\$12,535	\$12,798

Capital Management Gross Revenue	For the Three Months Ended,				
(Dollars in thousands)	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
Total income before non-interest expense	\$794	\$765	\$798	\$776	\$815
Less: Net gain on sale of securities	-	-	-	-	-
Less: Net gain on sale of assets	-	-	-	-	-
Plus: Provision for (recovery of) credit loss	-	-	-	-	-
Gross revenue	\$794	\$765	\$798	\$776	\$815

Mortgage Gross Revenue	For the Three Months Ended,				
(Dollars in thousands)	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
Total income before non-interest expense	\$818	\$1,479	\$3,276	\$3,298	\$2,622
Less: Net gain on sale of securities	-	-	-	-	-
Less: Net gain on sale of assets	-	-	-	-	-
Plus: Provision for (recovery of) credit loss	-	-	-	-	-
Gross revenue	\$818	\$1,479	\$3,276	\$3,298	\$2,622

Consolidated Gross Revenue	For the Three Months Ended,				
(Dollars in thousands)	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
Total income before non-interest expense	\$13,901	\$14,753	\$16,624	\$16,628	\$15,971
Less: Net gain on sale of securities	-	-	-	119	-
Less: Net gain on sale of assets	-	-	-	-	183
Plus: Provision for (recovery of) credit loss	349	194	(78)	100	447
Gross revenue	\$14,250	\$14,947	\$16,546	\$16,609	\$16,235

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	December 31, 2019
Net income available to common shareholders	\$1,404	\$2,406	\$2,572
Plus: Goodwill impairment including tax impact	1,182	-	-
Adjusted net income to common shareholders	\$2,586	\$2,406	\$2,572

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	December 31, 2019
Earnings per share	\$0.18	\$0.30	0.32
Plus: Goodwill impairment including tax impact	0.15	-	-
Adjusted earnings per share	\$0.33	\$0.30	\$0.32