



FIRST western

First Western Financial, Inc.

The First, Western-Based Private Trust Bank

Fourth Quarter 2018 Financial Results

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Overview of Q418

Continued Ramp Up in Earnings

- Earned net income available to common shareholders of \$1.7 million, or \$0.22 per diluted share
- Increased EPS 15.8% from prior quarter

Strong Balance Sheet Growth

- Increased gross loans at a 17.1% annualized rate from prior quarter
- Increased deposits at a 26.9% annualized rate from prior quarter

Further Improvement in Efficiencies

- Reduced non-interest expense 4.3% from prior quarter
- Improved efficiency ratio⁽¹⁾ to 80.6% from 83.0% in prior quarter

Key Operating Trends

- Produced stable net interest margin
- Continued strong credit quality

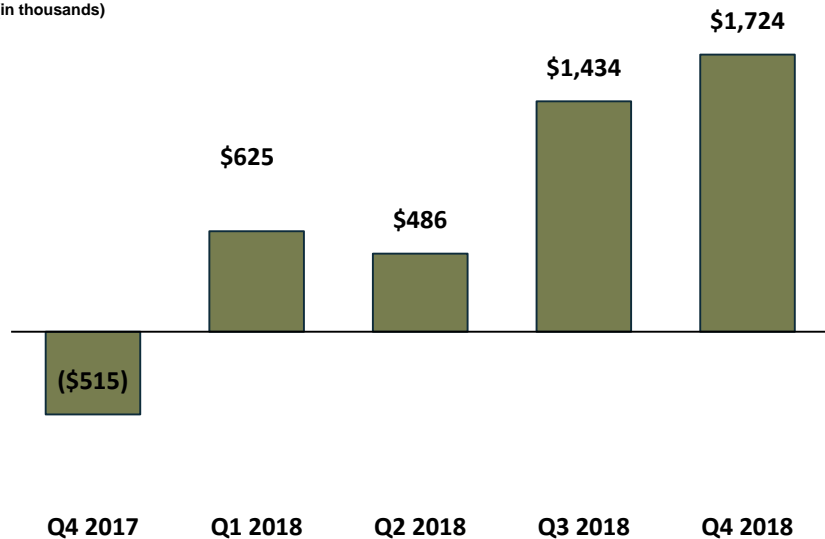
(1) See Non-GAAP reconciliation

Net Income Available to Common Shareholders and Earnings per Share

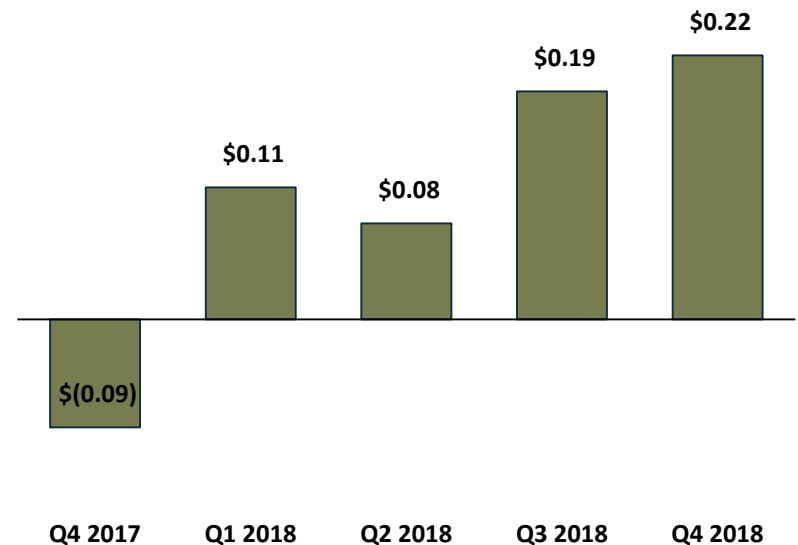
- Continued execution on embedded growth drivers produced strong improvement in profitability
- Net income available to common shareholders increased 20.2% from prior quarter
- Earnings per share increased 15.8% from prior quarter

Net Income (loss) Available to Common Shareholders

(in thousands)



Earnings (loss) per Share



- Annualized growth of 17.1% in gross loans from Q3 2018
- Total new loan production of \$102 million vs \$32 million in Q3 2018
- Well diversified growth with increases in residential mortgage, C&I and CRE portfolios
- Elevated payoffs continue to present headwind

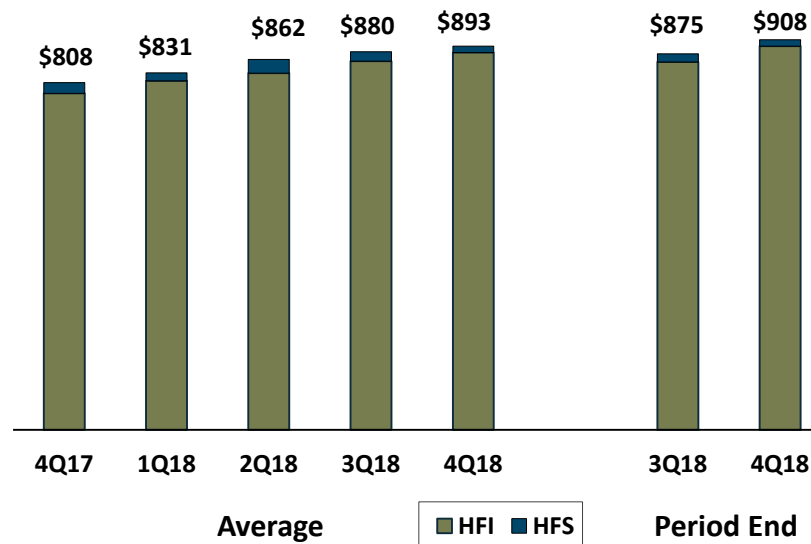
Loan Portfolio Composition⁽¹⁾

(in thousands, as of quarter-end)

	4Q 2017	3Q 2018	4Q 2018
Cash, Securities and Other	\$131,756	\$132,920	\$114,165
Construction and Development	24,914	37,423	31,897
1 - 4 Family Residential	282,014	327,674	350,852
Non-Owner Occupied CRE	176,987	165,670	173,741
Owner Occupied CRE	92,742	94,698	108,480
Commercial and Industrial	104,284	97,772	113,660
Gross Loans	\$812,697	\$856,157	\$892,795
Mortgage loans held for sale	22,940	19,238	14,832
Total Loans	\$835,637	\$875,395	\$907,627

Total Loans

(in millions)



(1) Excludes deferred costs, net

Total Deposits

- Total deposits increased \$59.1 million from Q3 2018, annualized growth of 26.9%
- Strongest growth in money market deposit accounts
- Inflows of trust deposits driving growth

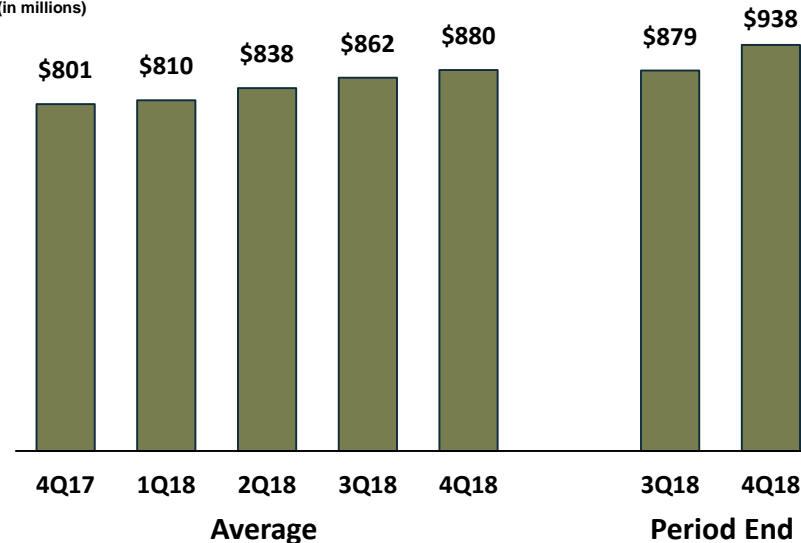
Deposit Portfolio Composition

(in thousands, as of quarter-end)

	4Q 2017	3Q 2018	4Q 2018
Money market deposit accounts	\$331,039	\$444,580	\$489,506
Time deposits	210,292	148,425	178,743
NOW	74,300	64,777	64,853
Savings accounts	1,801	1,457	1,800
Noninterest-bearing Accounts	198,685	219,400	202,856
Total Deposits	\$816,117	\$878,639	\$937,758

Total Deposits

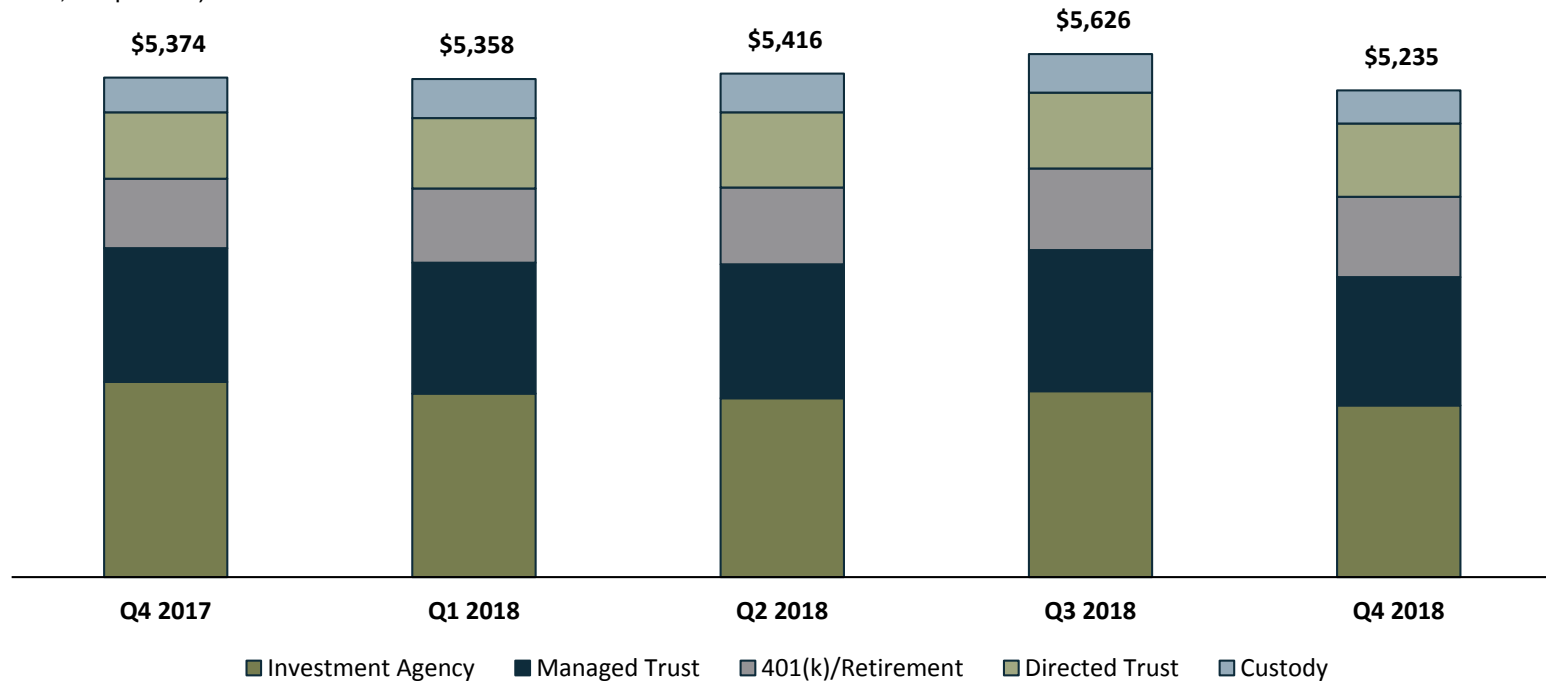
(in millions)



Trust and Investment Management

- Total assets under management decreased \$391.0 million from Q3 2018
- Decrease largely related to decline in equity market (S&P down 16.7% in Q4 2018)
- First Western Fixed Income Fund receives 5-star Morningstar rating
- Net client inflows of \$12.8 million during the quarter
- New accounts contributed \$158.0 million in new assets in Q4 2018

(in millions, as of quarter-end)

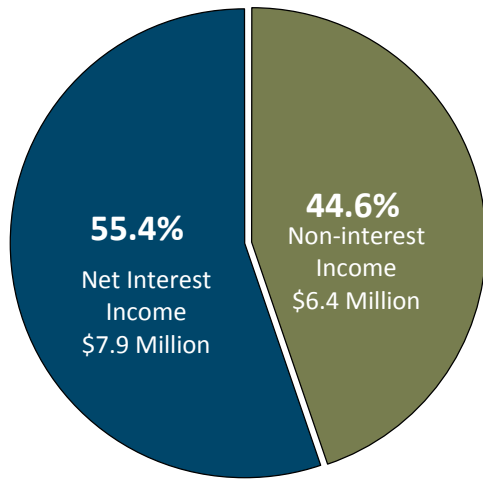




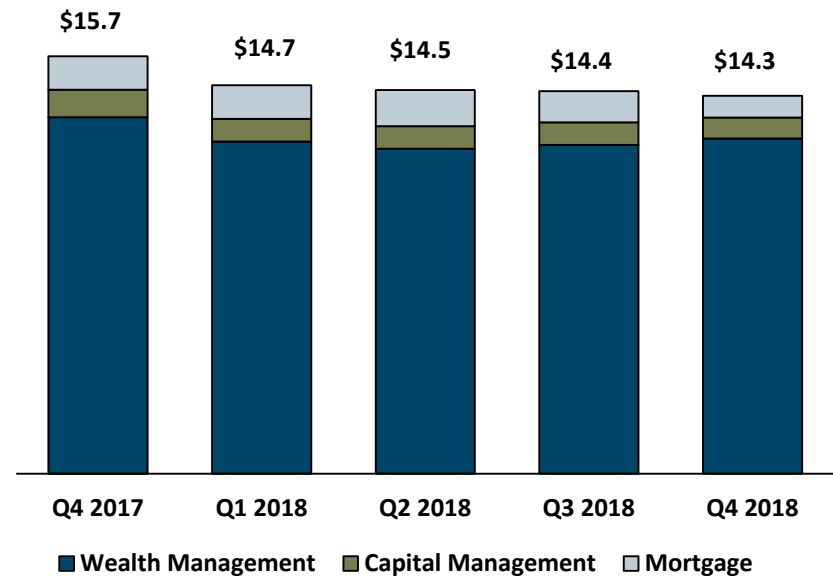
Gross Revenue

- Gross revenue stable with prior quarter
- Balance sheet growth drove an 8.7% NII improvement year over year
- Growth in wealth management segment offset by other segment declines
- Gross revenue impacted by decline in residential mortgage production

Q4 2018 Gross Revenue⁽¹⁾



Gross Revenue⁽¹⁾ (\$millions)



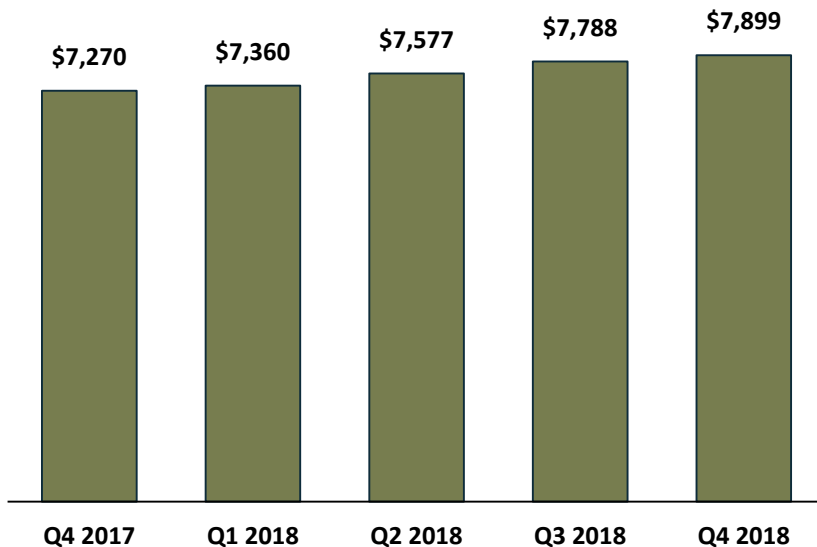
(1) See Non-GAAP reconciliation

Net Interest Income & Net Interest Margin

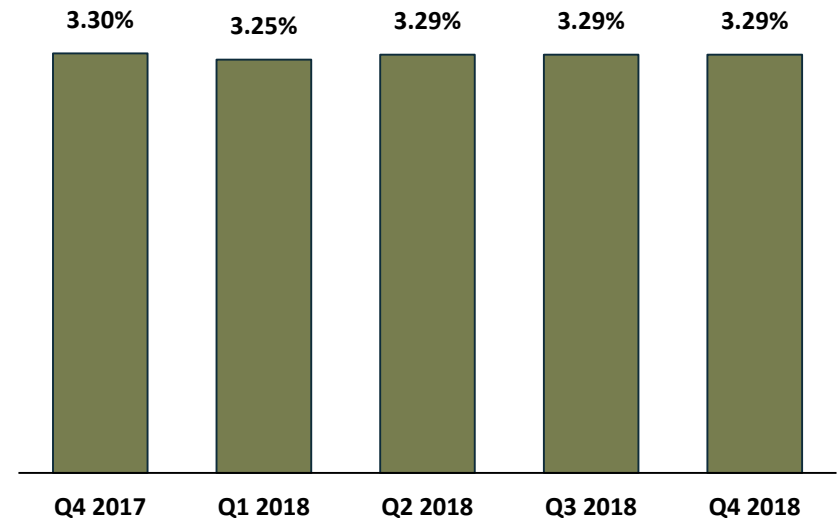
- Net interest income increased 1.4%, primarily due to higher average loan balances
- Net interest margin remains stable at 3.29%
- Increase in loan yields largely offsetting increase in deposit costs
- Inflows of high beta trust deposits impacting deposit costs

Net Interest Income

(in thousands)



Net Interest Margin

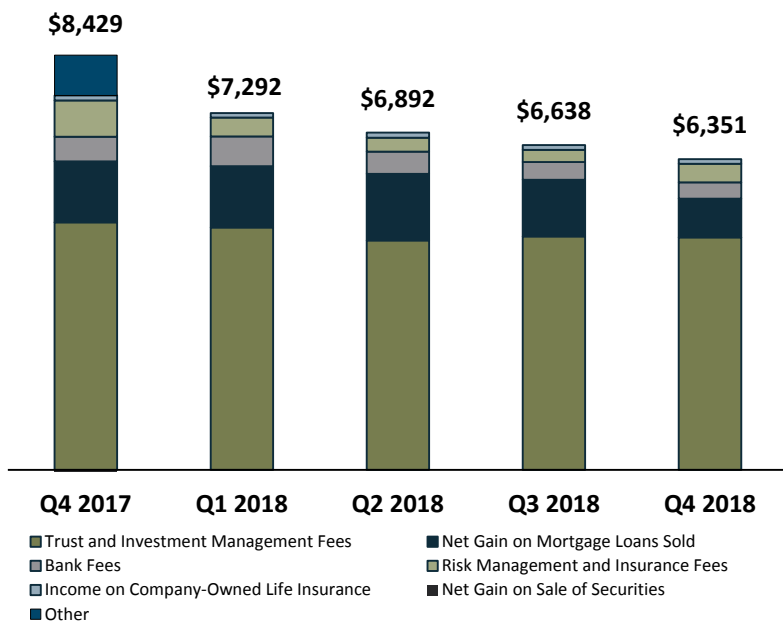


Non-Interest Income

- Total non-interest income decreased by 4.3% due to lower gains on mortgage loans sold
- Trust and investment management fees were flat in spite of market headwinds

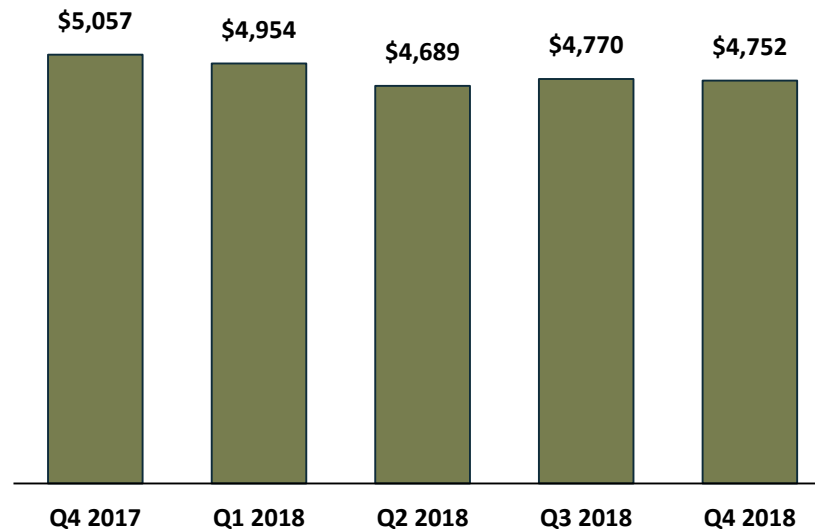
Total Non-Interest Income

(in thousands)



Trust & Investment Management Fees

(in thousands)

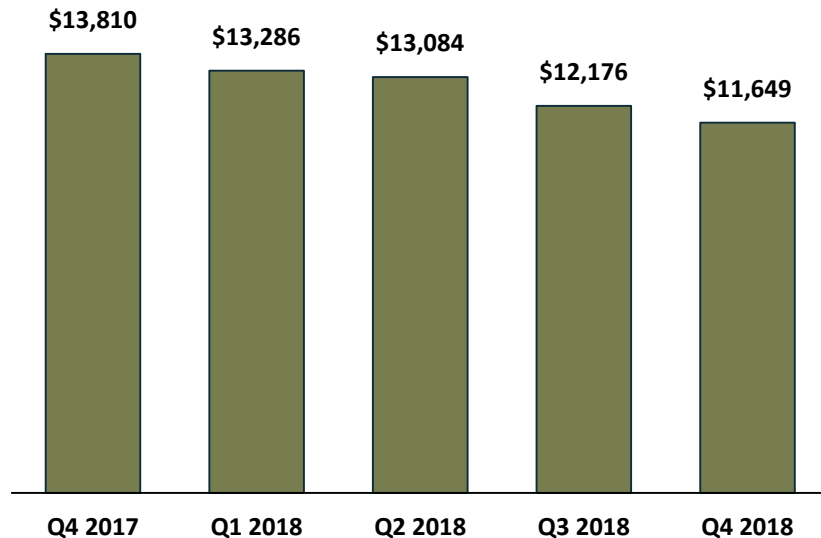


Non-Interest Expense and Efficiency Ratio

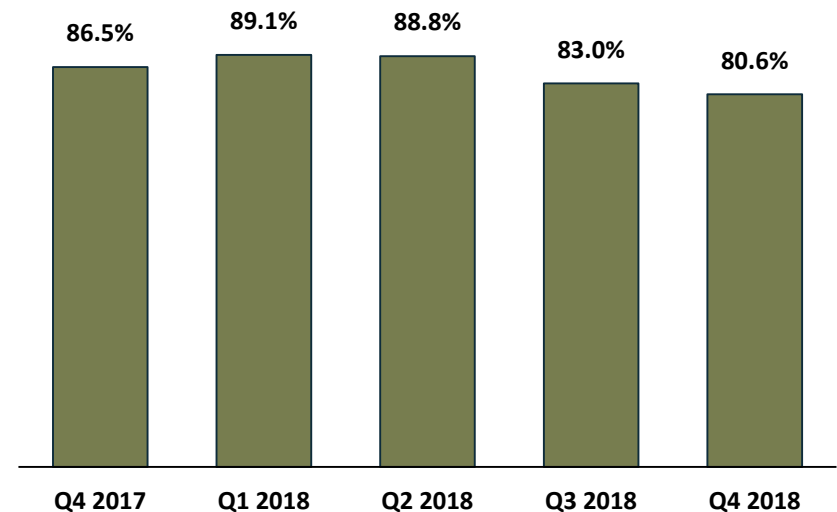
- Total non-interest expense declined 4.3%, primarily due to a decrease in accrued incentive compensation
- Efficiency ratio⁽¹⁾ of 80.6%, an improvement from 83.0% in Q3 2018, and 86.5% in Q4 2017

Total Non-Interest Expense

(in thousands)



Operating Efficiency Ratio⁽¹⁾



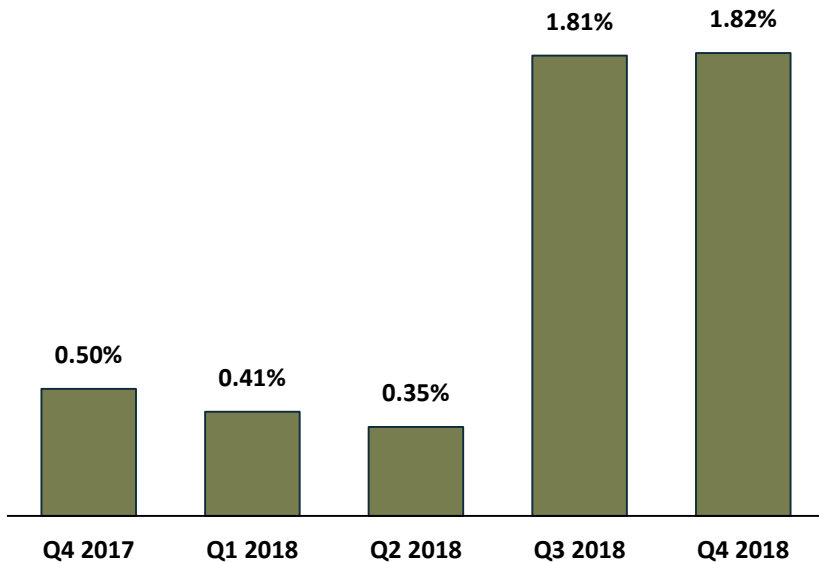
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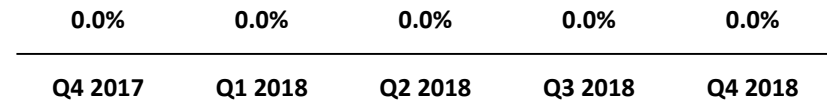
Asset Quality

- Total NPAs stable quarter over quarter
- Our loss experience continues to be extremely low
- Q4 earnings includes a growth related provision of \$0.3 million

Non-Performing Assets/Total Assets



Net Charge-Offs/Average Loans



Progress Report on Earnings Drivers

Earnings Driver	4Q18 Update
Lower capital costs	<ul style="list-style-type: none"> • First quarter with no preferred stock dividend payment
Increased loan growth	<ul style="list-style-type: none"> • Total gross loans up 17.1% annualized in 4Q18
Higher fee income	<ul style="list-style-type: none"> • Slowdown in mortgage market driving lower gain on loan sales
Improved operating leverage	<ul style="list-style-type: none"> • 2018 expense reductions eliminated redundancies • Lower expense driving improved efficiency ratio
Some profit centers gaining scale	<p>FY 2018 total revenue increases for some profit centers</p> <ul style="list-style-type: none"> • Aspen: +53% • Denver: +42% • Scottsdale: +41% • Cherry Creek: +24% • Jackson Hole: +20%



Outlook

- Revenue growth driven by continued traction from investments in business development platform
 - Full executive team in place for 2019
 - Business Development Officers becoming more seasoned and productive
 - Mortgage Loan Originators moving into existing offices
- Expansion of our mortgage team in the Arizona market
- Continued improvement in operating efficiencies
- Adding new client relationships and expanding existing with ConnectView®
- Opportunities to add clients and experienced talent resulting from consolidation in Colorado banking market



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Appendix





Non-GAAP Reconciliation

Consolidated Efficiency Ratio (Dollars in thousands)	For the Three Months Ended,				
	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Non-interest expense	\$13,810	\$13,286	\$13,084	\$12,176	\$11,649
Less: Amortization	230	230	230	208	163
Adjusted non-interest expense	\$13,580	\$13,056	\$12,854	\$11,968	\$11,486
Net interest income	\$7,270	\$7,360	\$7,577	\$7,788	\$7,899
Non-interest income	8,429	7,292	6,892	6,638	6,351
Total Income	\$15,699	\$14,652	\$14,469	\$14,426	\$14,250
Efficiency ratio	86.5%	89.1%	88.8%	83.0%	80.6%



Non-GAAP Reconciliation

Wealth Management Gross Revenue	For the Three Months Ended,				
(Dollars in thousands)	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Total income before non-interest expense	\$13,402	\$12,711	\$12,257	\$12,383	\$12,289
Less: Net gain (loss) on sale of securities	(45)	-	-	-	-
Plus: Provision (Recovery of) for credit loss	(4)	(187)	-	18	349
Gross Revenue	\$13,443	\$12,524	\$12,257	\$12,401	\$12,638

Capital Management Gross Revenue	For the Three Months Ended,				
(Dollars in thousands)	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Total income before non-interest expense	\$1,035	\$861	\$845	\$850	\$794
Less: Net gain (loss) on sale of securities	-	-	-	-	-
Plus: Provision (Recovery of) for credit loss	-	-	-	-	-
Gross Revenue	\$1,035	\$861	\$845	\$850	\$794

Mortgage Gross Revenue	For the Three Months Ended,				
(Dollars in thousands)	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Total income before non-interest expense	\$1,266	\$1,267	\$1,367	\$1,175	\$818
Less: Net gain (loss) on sale of securities	-	-	-	-	-
Plus: Provision (Recovery of) for credit loss	-	-	-	-	-
Gross Revenue	\$1,266	\$1,267	\$1,367	\$1,175	\$818

Consolidated Gross Revenue	For the Three Months Ended,				
(Dollars in thousands)	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Total income before non-interest expense	\$15,703	\$14,839	\$14,469	\$14,408	\$13,901
Less: Net gain (loss) on sale of securities	(45)	-	-	-	-
Plus: Provision (Recovery of) for credit loss	(4)	(187)	-	18	349
Gross Revenue	\$15,744	\$14,652	\$14,469	\$14,426	\$14,250