



FIRSTwestern  
TRUST

Second Quarter 2023  
Conference Call

# Safe Harbor

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# Overview of 2Q23

## 2Q23 Earnings

- Net income available to common shareholders of \$1.5 million, or \$0.16 per diluted share
- Second quarter 2023 included net of tax impacts of \$1.5 million related to an allowance recorded on individually analyzed loans, \$0.9 million of impairment to carrying value of contingent consideration assets, and \$0.8 million of losses on loans accounted for under the fair value option, with diluted EPS impacts, net of tax, of \$0.15, \$0.09, and \$0.08, respectively
- Pre-tax, pre-provision net income of \$3.9 million<sup>(1)</sup>

## Stable Balance Sheet

- Total deposits relatively unchanged from end of prior quarter
- Noninterest-bearing deposits increased during the month of June
- 4% annualized loan growth while maintaining conservative underwriting criteria and disciplined pricing

## Prudent Risk Management

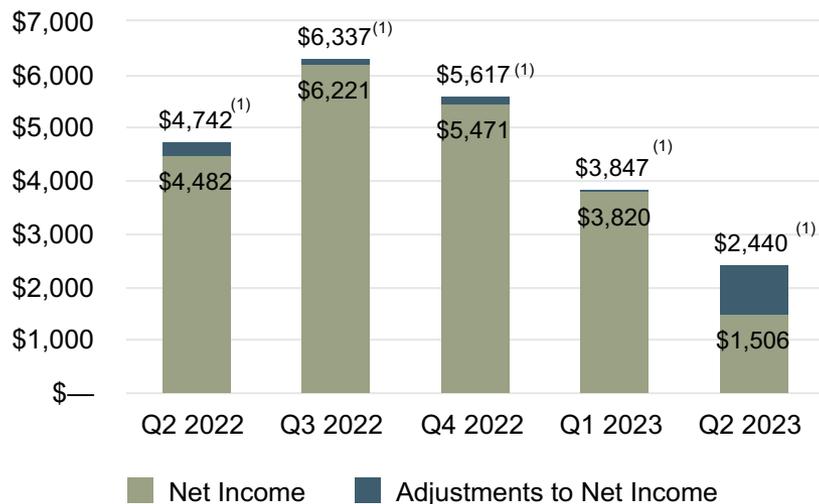
- Strong relationship deposits and declining level of uninsured deposits to 30.8% from 37.3% in 1Q23
- Continued to maintain higher than normal level of cash balances
- NPAs/Total Assets declined 6 bps to 0.36%
- Immaterial level of charge-offs

(1) See Non-GAAP reconciliation

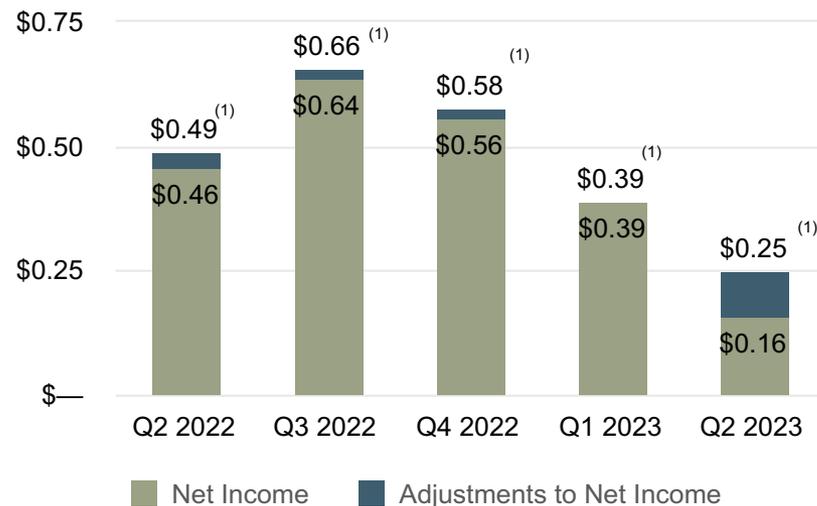
# Net Income Available to Common Shareholders and Earnings per Share

- Net income of \$1.5 million, or \$0.16 diluted earnings per share, in 2Q23
- Including the impact of impairment to contingent consideration assets, adjusted net income<sup>(1)</sup> of \$2.4 million in 2Q23
- Profitability and prudent balance sheet management resulted in book value and tangible book value per share<sup>(1)</sup> increasing by 5.5% and 6.7%, respectively, from 2Q22

## Net Income Available to Common Shareholders



## Diluted Earnings per Share



(1) See Non-GAAP reconciliation

# Loan Portfolio

## Loan Portfolio Details

- Total loans held for investment increased \$26.8 million from prior quarter
- Growth driven by CRE loans and draws on existing construction lines
- Average rate on new loan production increased 23 bps to 7.41% compared to prior quarter, and was 7.79% in June

## Loan Portfolio Composition<sup>(1)</sup>

(\$ in thousands, as of quarter end)

	2Q 2022	1Q 2023	2Q 2023
Cash, Securities and Other	\$ 180,738	\$ 157,308	\$ 150,679
Consumer and Other	26,706	22,183	21,866
Construction and Development	162,426	283,999	313,227
1-4 Family Residential	732,725	889,782	878,670
Non-Owner Occupied CRE	489,111	536,679	561,880
Owner Occupied CRE	224,597	223,449	218,651
Commercial and Industrial	312,696	340,632	338,679
<b>Total</b>	<b>\$ 2,128,999</b>	<b>\$ 2,454,032</b>	<b>\$ 2,483,652</b>
Loans accounted for at fair value <sup>(2)</sup>	21,149	21,052	18,274
<b>Total Loans HFI</b>	<b>\$ 2,150,148</b>	<b>\$ 2,475,084</b>	<b>\$ 2,501,926</b>
Loans held-for-sale (HFS)	26,202	9,873	19,746
<b>Total Loans</b>	<b>\$ 2,176,350</b>	<b>\$ 2,484,957</b>	<b>\$ 2,521,672</b>

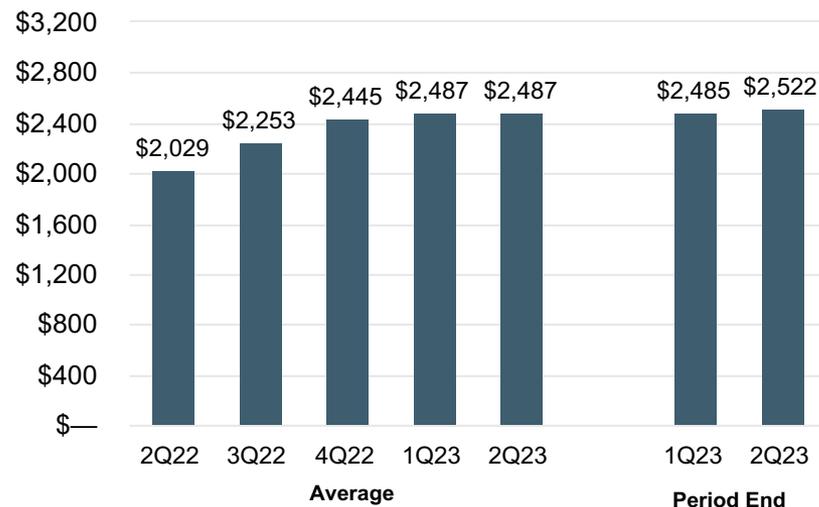
(1) Represents unpaid principal balance. Excludes deferred (fees) costs, and amortized premium/(unaccreted discount).

(2) Excludes fair value adjustments on loans accounted for under the fair value option.

## Loan Production & Loan Payoffs



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



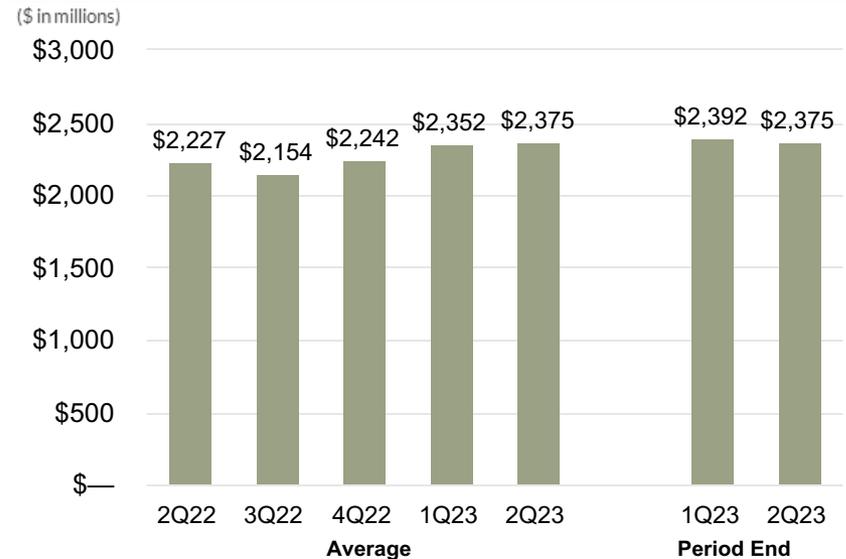
# Total Deposits

- Noninterest-bearing deposits increased during the month of June
- Success in new business development, with \$37.4 million in new deposit relationships added in 2Q23, lessened the typical seasonal impact of outflows from tax payments
- Continued but slower migration of noninterest-bearing deposits into interest-bearing categories as clients seek higher rates for their excess liquidity

## Deposit Portfolio Composition

	2Q 2022	1Q 2023	2Q 2023
Money market deposit accounts	\$ 1,033,739	\$ 1,277,988	\$ 1,297,732
Time deposits	147,623	354,545	376,147
NOW	287,195	192,011	168,537
Savings accounts	33,099	22,319	18,737
Noninterest-bearing accounts	668,342	545,064	514,241
<b>Total Deposits</b>	<b>\$ 2,169,998</b>	<b>\$ 2,391,927</b>	<b>\$ 2,375,394</b>

## Total Deposits

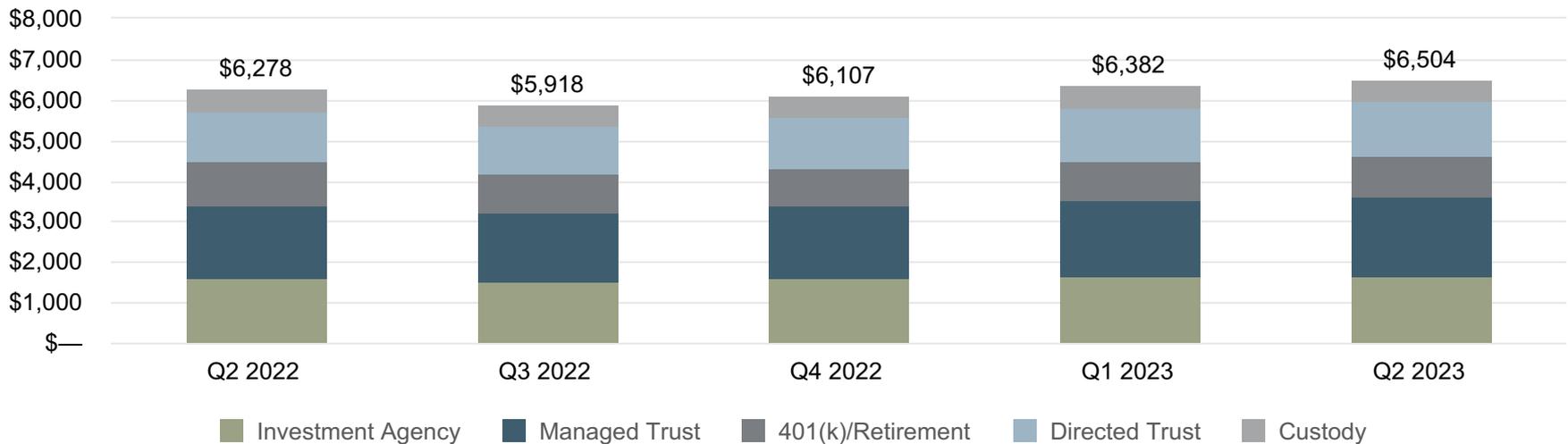


# Trust and Investment Management

- Total assets under management increased \$121.9 million from March 31, 2023 to \$6.50 billion as of June 30, 2023
- Client accounts benefited from improved market conditions in the second quarter
- Excluding custody, all product categories increased quarter-over-quarter

## Total Assets Under Management

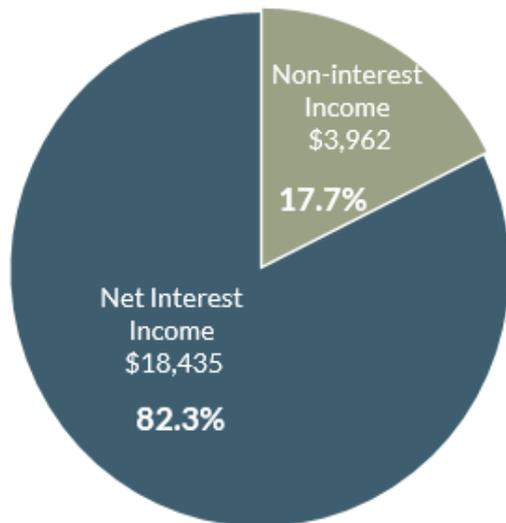
(in millions, as of quarter end)



# Gross Revenue

- Gross revenue<sup>(1)</sup> declined 5.0% from prior quarter
- Decrease primarily driven by a decrease in net interest income as a result of higher interest expense driven by higher deposit costs, offset partially by higher interest income
- Net interest income decline due to NIM pressure

2Q23 Gross Revenue<sup>(1)</sup>



Gross Revenue<sup>(1)</sup>



(1) See Non-GAAP reconciliation

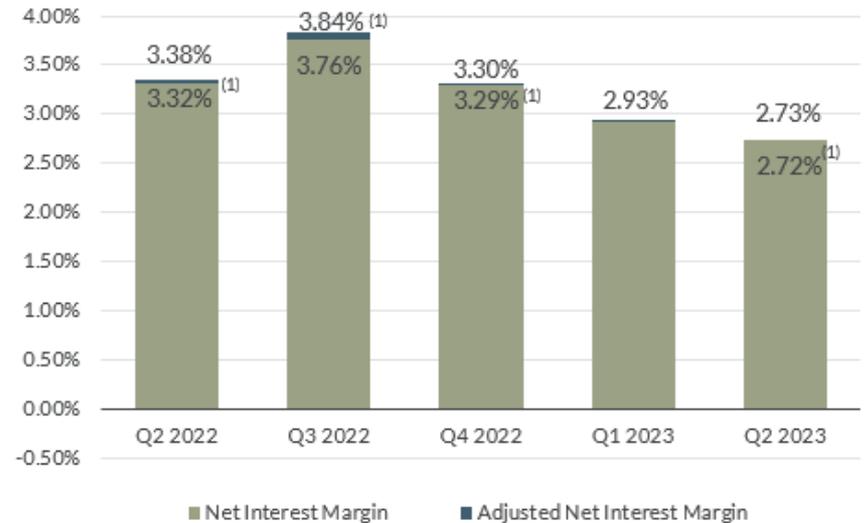
# Net Interest Income and Net Interest Margin

- Net interest income decreased to \$18.4 million, or 5.8%, from \$19.6 million in 1Q23
- Net interest income decreased from 1Q23 due to higher interest expense resulting from increase in average cost of deposits
- Net interest margin decreased 20 bps to 2.73%, driven by the increase in interest bearing deposit costs offset partially by the increase in yields on average earning assets
- Average loan yields increased 15 bps in June while average deposit costs were flat

## Net Interest Income



## Net Interest Margin



(1) See Non-GAAP reconciliation

# Non-Interest Income

- Non-interest income decreased to \$4.0 million, or 31.9%, from \$5.8 million in 1Q23, primarily due to a \$1.2 million impairment to carrying value of contingent consideration assets related to the sale of First Western Capital Management in 2020. The decrease to Non-interest income was further driven by losses of \$1.1 million on loans accounted for under carrying value option
- Trust and Investment Management fees were consistent with prior quarter
- Net gain on mortgage loans decreased to \$0.8 million, or 24.0%, from \$1.0 million in 1Q23, as higher rates continue to impact loan demand

## Total Non-Interest Income



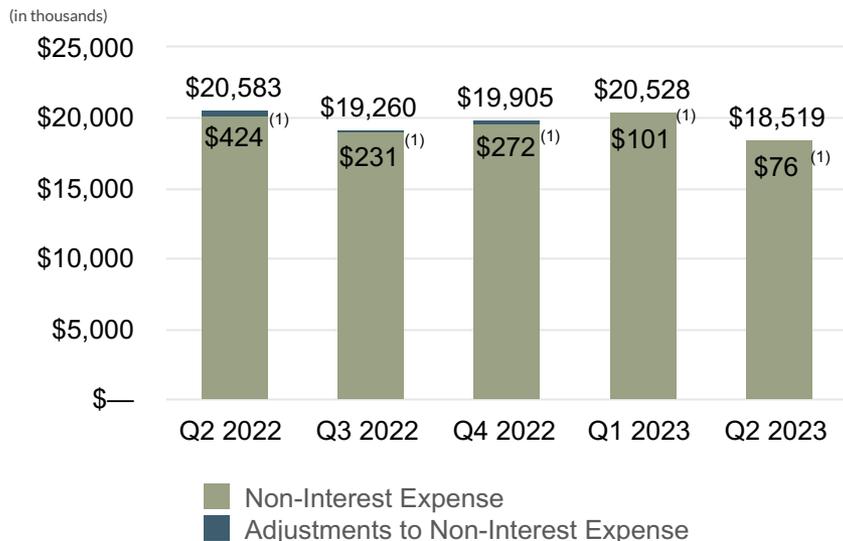
## Trust and Investment Management Fees



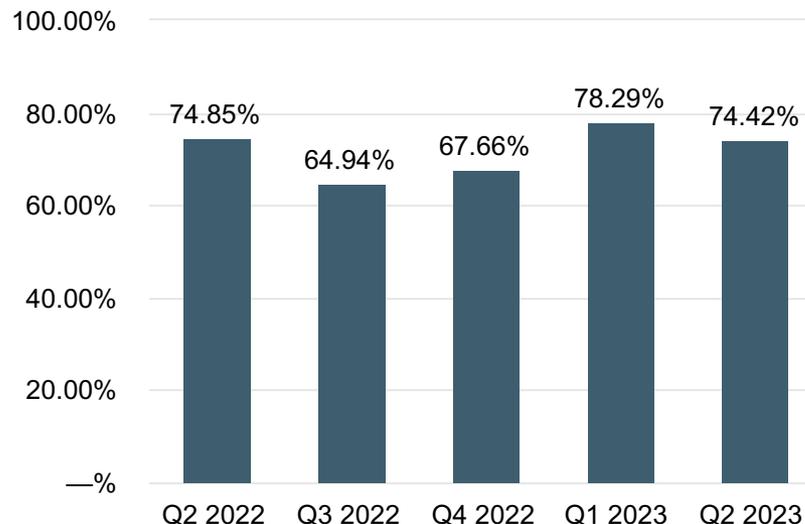
# Non-Interest Expense and Efficiency Ratio

- Non-interest expense decreased 9.8% from 1Q23
- Decrease in expense levels resulted from intentional delays in new initiatives and staffing reductions implemented in the first quarter and in April to better align with current revenue
- Disciplined expense management resulted in non-interest expense coming in below targeted range
- Organizational-wide review of expense levels resulted in additional cost savings that are expected to reduce non-interest expenses within the range of \$18 million to \$19 million for the remainder of 2023

## Total Non-Interest Expense



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

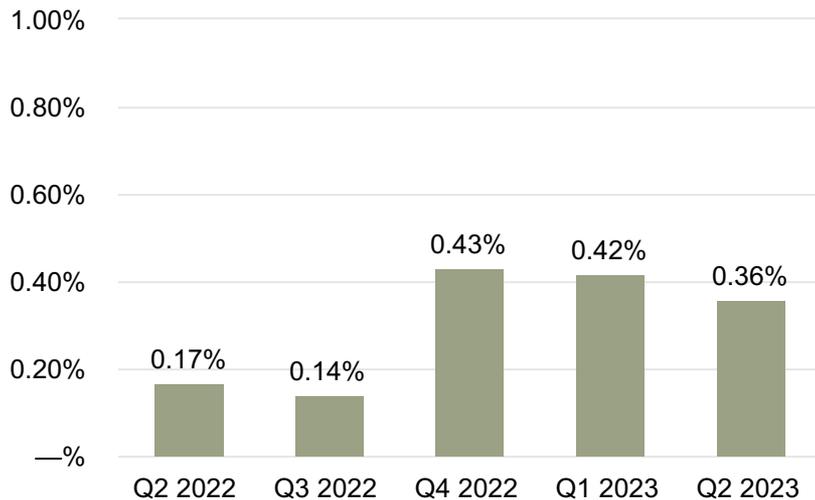


(1) See Non-GAAP reconciliation

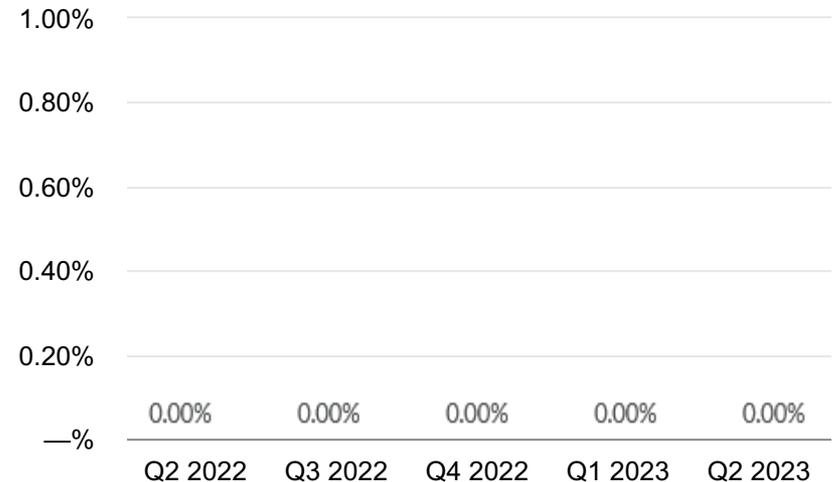
# Asset Quality

- NPAs declined 18% from prior quarter due to full payoffs on two non-performing loans
- \$1.8 million provision for credit losses driven primarily by an allowance recorded on individually analyzed loan previously identified as non-performing loan
- ACL/Adjusted Total Loans<sup>(1)</sup> increased to 0.89% in 2Q23 from 0.81% in 1Q23
- Continue to experience immaterial amount of credit losses

Non-Performing Assets/Total Assets



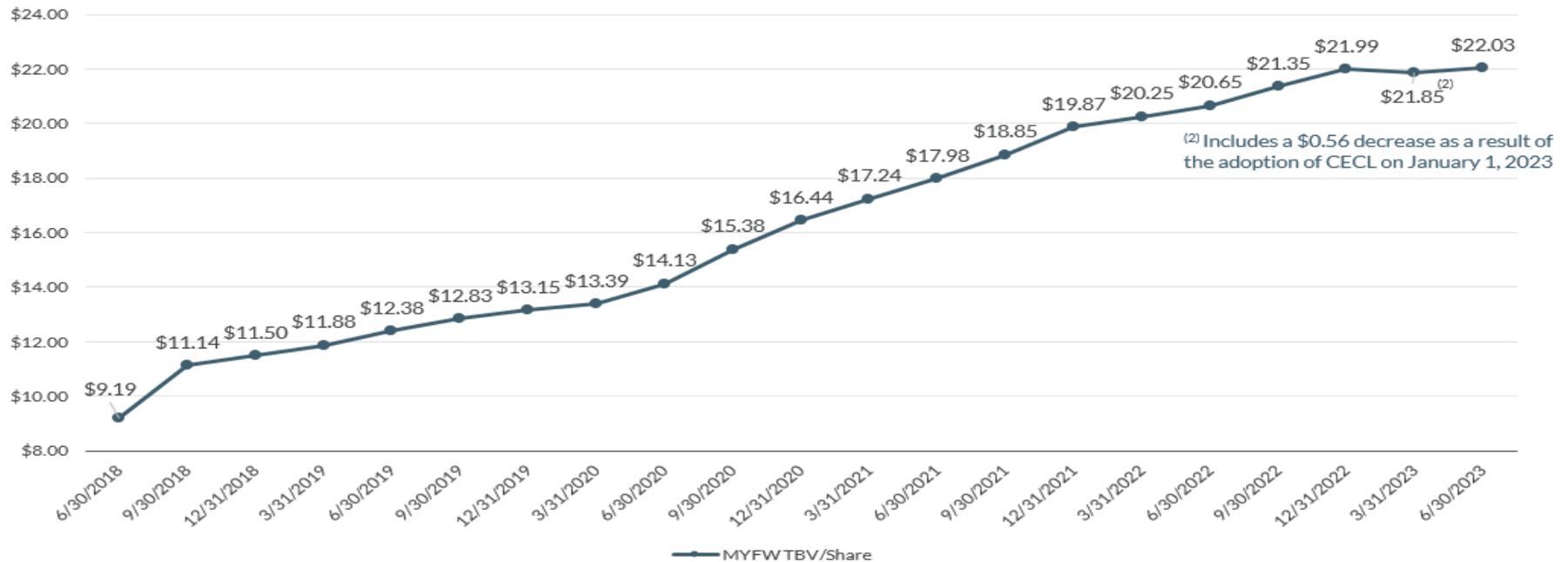
Net Charge-Offs/Average Loans



(1) Adjusted Total Loans – Total Loans minus PPP loans and loans accounted for under fair value option; see non-GAAP reconciliation

# Consistent Value Creation

TBV/Share<sup>(1)</sup> Up 140% Since July 2018 IPO



Consistent increases in tangible book value per share driven by:

- Organic growth that has increased operating leverage
- Accretive acquisitions that have been well priced and smoothly integrated to realize all projected cost savings
- Conservative underwriting criteria that has resulted in extremely low level of losses in the portfolio throughout the history of the company
- Prudent asset/liability management including not investing excess liquidity accumulated during the pandemic in low-yielding bonds

(1) See Non-GAAP reconciliation

(2) Includes a \$0.56 decrease as a result of the adoption of CECL on January 1, 2023

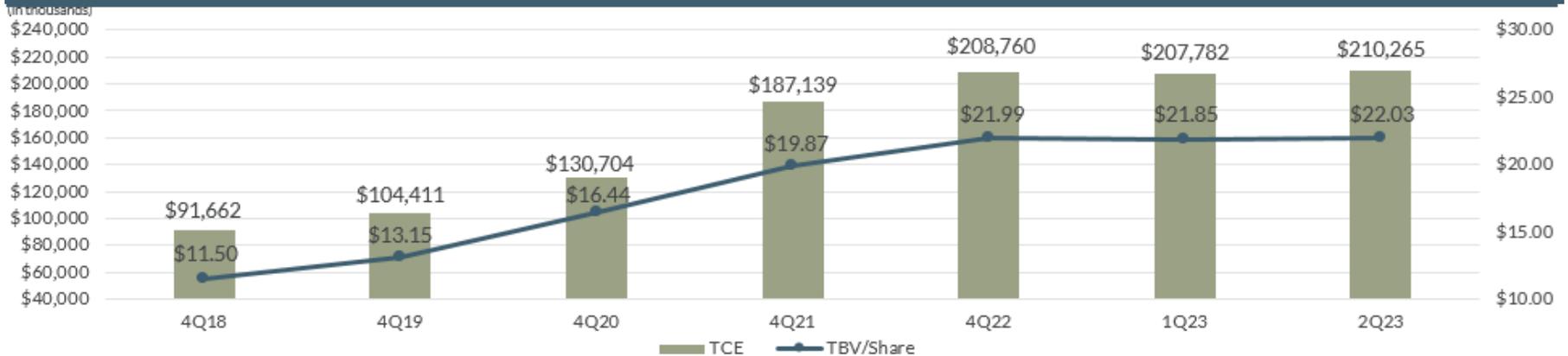
# Near-Term Outlook

- Prudent risk management will remain top priority while economic uncertainty remains, which will impact level of profitability in short term
- Loan growth expected to remain at lower level in near future, although unfunded commitments provides potential catalyst for higher level of loan growth as borrowers increase utilization of credit lines
- Deposit gathering continues to be emphasized throughout the organization including capitalizing on current environment to continue adding new clients looking for a stronger financial institution
- Continued evaluation of opportunities for capital utilization that can create additional value for shareholders

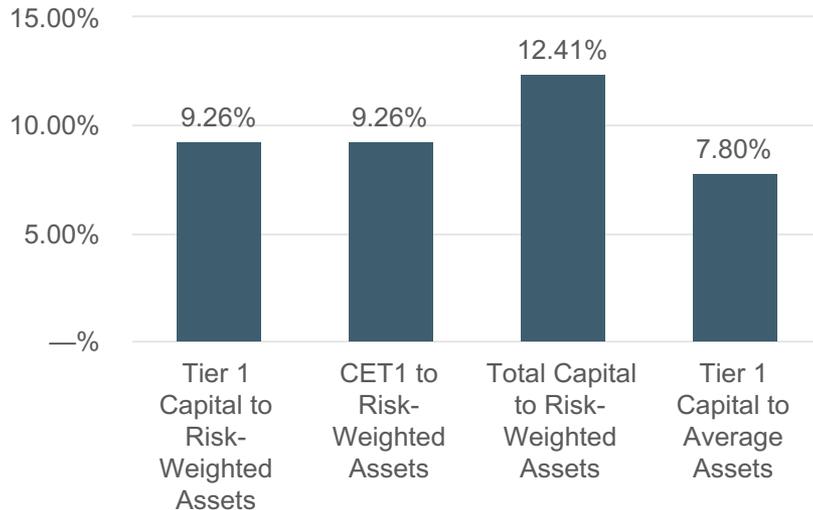
# Appendix

# Capital and Liquidity Overview

## Tangible Common Equity / TBV per Share<sup>(1)</sup>



## Consolidated Capital Ratios (as of 6/30/23)



## Liquidity Funding Sources (as of 6/30/23)

(in thousands)

### Liquidity Reserves:

Total Available Cash	\$295,909
Unpledged Investment Securities	21,149

### Borrowed Funds:

#### Secured:

FHLB Available	646,823
FRB Available	16,605

#### Other:

Brokered Remaining Capacity	172,818 <sup>(2)</sup>
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#### Unsecured:

Credit Lines	29,000
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### Total Liquidity Funding Sources

**\$1,182,304**

### Loan to Deposit Ratio

**105.1 %**

(1) See Non-GAAP reconciliation  
 (2) Based on internal policy guidelines

# Non-GAAP Reconciliation

Consolidated Efficiency Ratio (Dollars in thousands)	For the Three Months Ended,						
	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023		
Non-interest expense	\$20,583	\$19,260	\$19,905	\$20,528	\$18,519		
Less: amortization	77	77	77	64	62		
Less: acquisition related expenses	347	154	195	37	14		
Adjusted non-interest expense	\$20,159	\$19,029	\$19,633	\$20,427	\$18,443		
Net interest income	\$20,380	\$22,906	\$21,842	\$19,560	\$18,435		
Non-interest income	6,698	6,345	6,561	5,819	3,962		
Less: unrealized gains/(losses) recognized on equity securities	299	75	-	10	(11)		
Less: impairment of contingent consideration assets	-	-	-	-	(1,249)		
Less: net gain/(loss) on loans accounted for under the fair value option	(155)	(134)	(602)	(543)	(1,124)		
Less: net gain on equity interests	-	6	-	-	-		
Less: net (loss)/gain on loans held for sale at fair value	-	-	(12)	(178)	-		
Adjusted non-interest income	6,554	6,398	7,175	6,530	6,346		
Total income	\$26,934	\$29,304	\$29,017	\$26,090	\$24,781		
<b>Efficiency ratio</b>	<b>74.85%</b>	<b>64.94%</b>	<b>67.66%</b>	<b>78.29%</b>	<b>74.42%</b>		
Consolidated Tangible Common Book Value Per Share (Dollars in thousands)	As of,						
	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2021	June 30, 2022	Dec. 31, 2022	June 30, 2023
Total shareholders' equity	\$116,875	\$127,678	\$154,962	\$219,041	\$228,024	\$240,864	\$242,242
Less:							
Goodwill and other intangibles, net	25,213	19,714	24,258	31,902	32,258	32,104	31,977
Intangibles held for sale <sup>(1)</sup>	-	3,553	-	-	-	-	-
<b>Tangible common equity</b>	<b>91,662</b>	<b>104,411</b>	<b>\$130,704</b>	<b>187,139</b>	<b>195,766</b>	<b>208,760</b>	<b>210,265</b>
Common shares outstanding, end of period	7,968,420	7,940,168	7,951,773	9,419,271	9,478,710	9,495,440	9,545,071
<b>Tangible common book value per share</b>	<b>\$11.50</b>	<b>\$13.15</b>	<b>\$16.44</b>	<b>\$19.87</b>	<b>\$20.65</b>	<b>\$21.99</b>	<b>\$22.03</b>
						<b>Net income available to common shareholders</b>	<b>\$1,506</b>
						<b>Return on tangible common equity (annualized)</b>	<b>2.86%</b>

(1) Represents the intangible portion of assets held for sale

# Non-GAAP Reconciliation

Wealth Management Gross Revenue (Dollars in thousands)	For the Three Months Ended,				
	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023
Total income before non-interest expense	\$25,281	\$26,555	\$26,623	\$24,543	\$19,529
Less: unrealized gains/(losses) recognized on equity securities	299	75	-	10	(11)
Less: impairment of contingent consideration assets	-	-	-	-	(1,249)
Less: net gain/(loss) on loans accounted for under the fair value option	(155)	(134)	(602)	(543)	(1,124)
Less: net gain on equity interests	-	6	-	-	-
Less: net (loss)/gain on loans held for sale at fair value	-	-	(12)	(178)	-
Plus: provision for credit loss	519	1,756	1,197	(310)	1,843
<b>Gross revenue</b>	<b>\$25,656</b>	<b>\$28,364</b>	<b>\$28,434</b>	<b>\$24,944</b>	<b>\$23,756</b>

Mortgage Gross Revenue (Dollars in thousands)	For the Three Months Ended,				
	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023
Total income before non-interest expense	\$1,278	\$940	\$583	\$1,146	\$1,025
Plus: provision for credit loss	-	-	-	-	-
<b>Gross revenue</b>	<b>\$1,278</b>	<b>\$940</b>	<b>\$583</b>	<b>\$1,146</b>	<b>\$1,025</b>

Consolidated Gross Revenue (Dollars in thousands)	For the Three Months Ended,				
	June 30, 2022	September 30, 2022	December 31, 2022	March 30, 2023	June 30, 2023
Total income before non-interest expense	\$26,559	\$27,495	\$27,206	\$25,689	\$20,554
Less: unrealized gains/(losses) recognized on equity securities	299	75	-	10	(11)
Less: impairment of contingent consideration assets	-	-	-	-	(1,249)
Less: net gain/(loss) on loans accounted for under the fair value option	(155)	(134)	(602)	(543)	(1,124)
Less: net gain on equity interests	-	6	-	-	-
Less: net (loss)/gain on loans held for sale at fair value	-	-	(12)	(178)	-
Plus: provision for credit loss	519	1,756	1,197	(310)	1,843
<b>Gross revenue</b>	<b>\$26,934</b>	<b>\$29,304</b>	<b>\$29,017</b>	<b>\$26,090</b>	<b>\$24,781</b>

Gross Revenue excluding net gain on mortgage loans (Dollars in thousands)	For the Three Months Ended,		
	December 31, 2021	December 31, 2022	June 30, 2023
Gross revenue	\$23,440	\$29,017	\$24,781
Less: net gain on mortgage loans	2,470	775	774
<b>Gross revenue excluding net gain on mortgage loans</b>	<b>\$20,970</b>	<b>\$28,242</b>	<b>\$24,007</b>

# Non-GAAP Reconciliation

Adjusted net income available to common shareholders	For the Three Months Ended,				
	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023
(Dollars in thousands, except per share data)					
Net income available to common shareholders	\$4,482	\$6,221	\$5,471	\$3,820	\$1,506
Plus: impairment of contingent consideration assets including tax impact	-	-	-	-	924
Plus: acquisition related expense including tax impact	260	116	146	27	10
<b>Adjusted net income to common shareholders</b>	<b>\$4,742</b>	<b>\$6,337</b>	<b>\$5,617</b>	<b>\$3,847</b>	<b>\$2,440</b>
Adjusted diluted earnings per share	For the Three Months Ended,				
	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023
(Dollars in thousands, except per share data)					
Diluted earnings per share	\$0.46	\$0.64	\$0.56	\$0.39	\$0.16
Plus: impairment of contingent consideration assets including tax impact	-	-	-	-	0.09
Plus: acquisition related expenses including tax impact	0.03	0.02	0.02	-	-
<b>Adjusted diluted earnings per share</b>	<b>\$0.49</b>	<b>\$0.66</b>	<b>\$0.58</b>	<b>\$0.39</b>	<b>\$0.25</b>
Pre-tax, pre-provision net income	For the Three Months Ended,				
	December 31, 2022	March 31, 2023	June 30, 2023		
(Dollars in thousands)					
Income before income taxes	\$7,301	\$5,161	\$2,035		
Plus: provision for credit losses	1,197	(310)	1,843		
<b>Pre-tax, pre-provision net income</b>	<b>\$8,498</b>	<b>\$4,851</b>	<b>\$3,878</b>		
Allowance for credit losses to Bank originated loans excluding PPP	As of				
	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023
(Dollars in thousands)					
Total loans held for investment	\$2,150,148	\$2,354,898	\$2,476,135	\$2,475,084	\$2,501,926
Less: Acquired loans	287,623	248,573	234,717	— <sup>(2)</sup>	— <sup>(2)</sup>
Less: PPP loans	9,053	6,905	6,378	6,100	5,558
Less: Purchased loans accounted for under fair value ("FVO")	21,149	22,648	23,415	21,052	18,274
Adjusted Loans excluding acquired, PPP and FVO	\$1,832,323	\$2,076,772	\$2,211,625	\$2,447,932	\$2,478,094
Allowance for credit losses	14,357	16,081	17,183	19,843	22,044
<b>Allowance for credit losses to adjusted loans</b>	<b>0.78%</b>	<b>0.77%</b>	<b>0.78%</b>	<b>0.81%</b>	<b>0.89%</b>

(1) Subsequent to the adoption of CECL on January 1, 2023, acquired loans are included in the Allowance for Credit Losses and therefore are no longer excluded from the total adjusted loan calculation.

# Non-GAAP Reconciliation

Adjusted net interest margin (Dollars in thousands)	For the Three Months Ended June 30, 2022			For the Three Months Ended September 30, 2022			For the Three Months Ended December 31, 2022			For the Three Months Ended March 31, 2023			For the Three Months Ended June 30, 2023		
	Average Balance	Interest Earned/ Paid	Average Yield/ Rate	Average Balance	Interest Earned/ Paid	Average Yield/ Rate	Average Balance	Interest Earned/ Paid	Average Yield/ Rate	Average Balance	Interest Earned/ Paid	Average Yield/ Rate	Average Balance	Interest Earned/ Paid	Average Yield/ Rate
Interest-bearing deposits in other financial institutions	\$321,673	\$549		\$101,824	\$533		\$103,190	\$931		\$127,608	\$1,403		\$135,757	\$1,669	
PPP adjustment	4,493	9		2,798	16		1,736	16		1,502	17		1,376	17	
Investment securities	69,320	418		87,340	653		84,017	645		82,106	629		80,106	626	
Correspondent bank stock	1,555	13		4,924	109		11,880	237		9,592	173		8,844	145	
Loans	2,010,024	20,663		2,241,343	25,345		2,436,252	30,691		2,469,129	32,239		2,471,588	33,704	
Loans HFS	19,389	229		11,531	157		9,065	146		18,036	268		15,841	230	
PPP adjustment	(13,385)	(148)		(9,026)	(73)		(7,350)	(32)		(6,470)	(37)		(5,811)	(27)	
Purchase Accretion adjustment	-	(288)		-	114		-	(87)		-	(64)		-	(80)	
Adjusted total Interest-earning assets	2,413,069	21,445		2,443,734	26,854		2,638,790	32,547		2,701,503	34,628		2,707,701	36,284	
Interest-bearing deposits		1,103			2,706			8,260			13,092			15,864	
PPP adjustment		-			-			-			-			-	
Federal Home Loan Bank Topeka and Federal Reserve borrowings		28			666			1,916			1,374			1,361	
PPP adjustment		(8)			(3)			(6)			(5)			(4)	
Subordinated notes		361			362			486			674			712	
Adjusted total interest-bearing liabilities		1,484			3,731			10,656			15,135			17,933	
Net interest income		19,961			23,123			21,891			19,493			18,351	
<b>Adjusted net interest margin</b>			<b>3.32%</b>			<b>3.84%</b>			<b>3.29%</b>			<b>2.93 %</b>			<b>2.72 %</b>