



FIRST western

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

First Quarter 2020 Conference Call

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Certain of the information contained herein may be derived from information provided by industry sources. The Company believes that such information is accurate and the sources from which it has been obtained are reliable; however, the Company cannot guaranty the accuracy of such information and has not independently verified such information.

This presentation contains certain non-GAAP financial measures intended to supplement, not substitute for, comparable GAAP measures. Reconciliations of non-GAAP financial measures to GAAP financial measures are provided at the end of this presentation. Numbers in the presentation may not sum due to rounding.



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# COVID-19 Impact Overview

# Operational Response

- Business Continuity Plan activated in early February
- Daily meeting of Pandemic Response Team
- All offices open and functioning; client service by appointment only
- 90% of associates working from home routinely, 100% enabled
- All client and support operations fully functional
- Associate support programs
  - Additional PTO and leave options provided for associates with COVID-19 impact personally or among family members
  - Medical plan changed to cover no cost COVID-19 testing, treatment
  - Behavioral and telemedicine services provided at no cost to associates
- Honoring sponsorship commitments on cancelled non-profit events
- Made COVID-19 targeted donations in support of philanthropic pillars

# Client Engagement and Support Overview

## Trust and Investment Management

- Tactical shift over last twelve months has resulted in outperformance during 1Q20
  - Clients moved to lower end of targeted equity weightings
  - Shift from international equities into cash
  - Active tax loss harvesting

## Banking

- Active client calling program to assess impact of COVID-19
- All credits placed into risk categories based on data gathered
- Loan modification program, including payment deferrals, extensions and financial covenant waivers put in place
- Robust digital and online banking platforms efficiently serving client needs
- Participation in Paycheck Protection Program serving both existing and new clients

**\$55.8 million in loan payment extensions/deferrals (as of 4/24/2020)**

**\$162.8 million in PPP loans approved (as of 4/24/2020)**

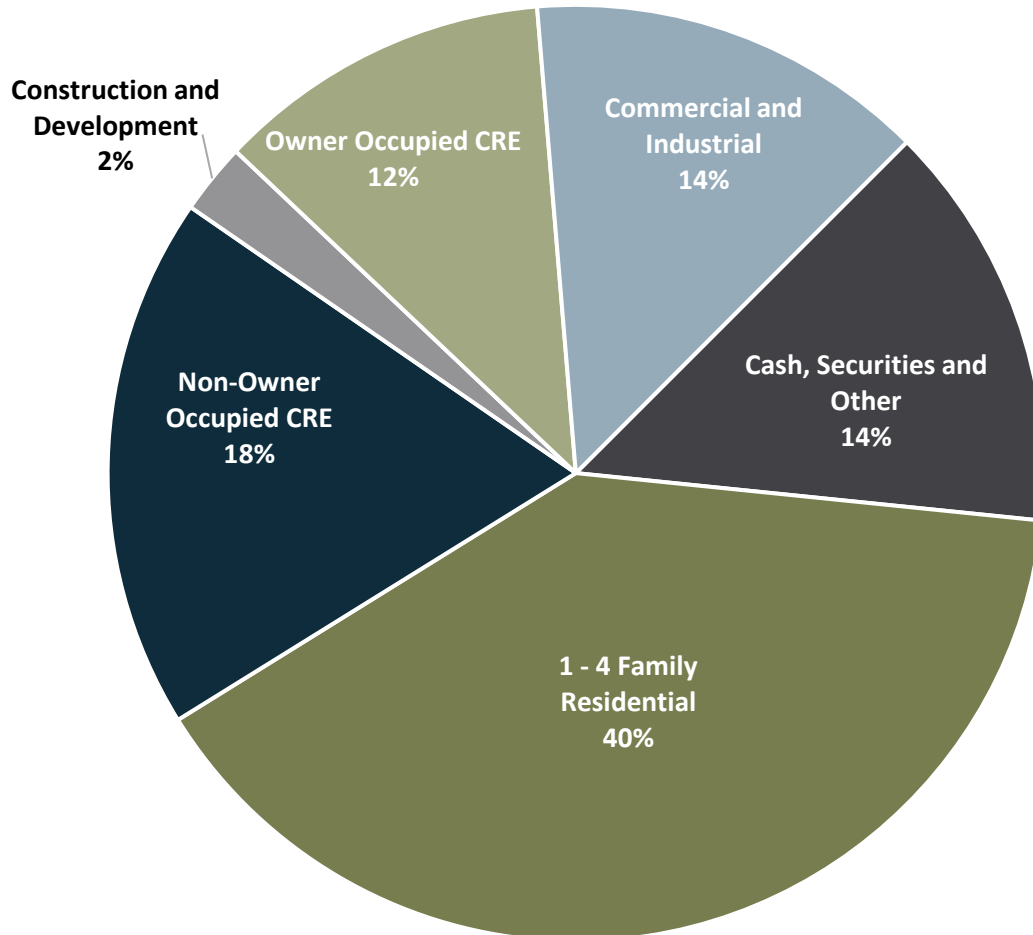


# Notable Trends and Data Points

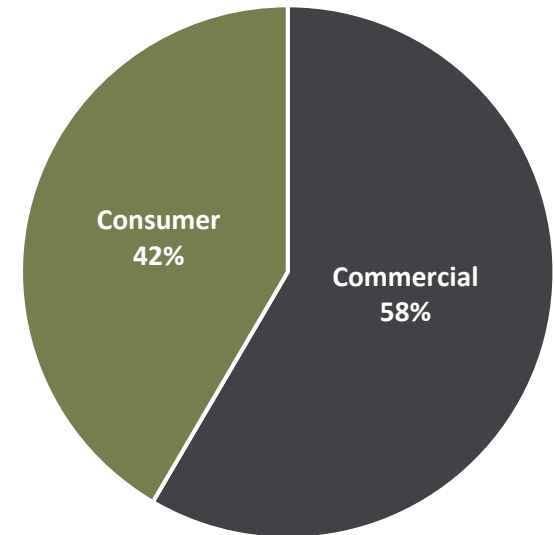
- Positive business development trends in January and February
  - Strong loan and deposit growth
  - Steady expansion in net interest margin
- No meaningful change in credit line utilization rate since crisis started
- Loan pipeline slightly down from pre-crisis levels, but still relatively healthy
- Mortgage production remains consistent, largely driven by refinancings
- Mortgage market disruption in March caused unrealized loss in mortgages
- Strong deposit inflow in March from both existing and new clients

# Loan Portfolio Composition

**\$1.0 Billion**  
(as of 3/31/20)



**Commercial vs. Consumer**

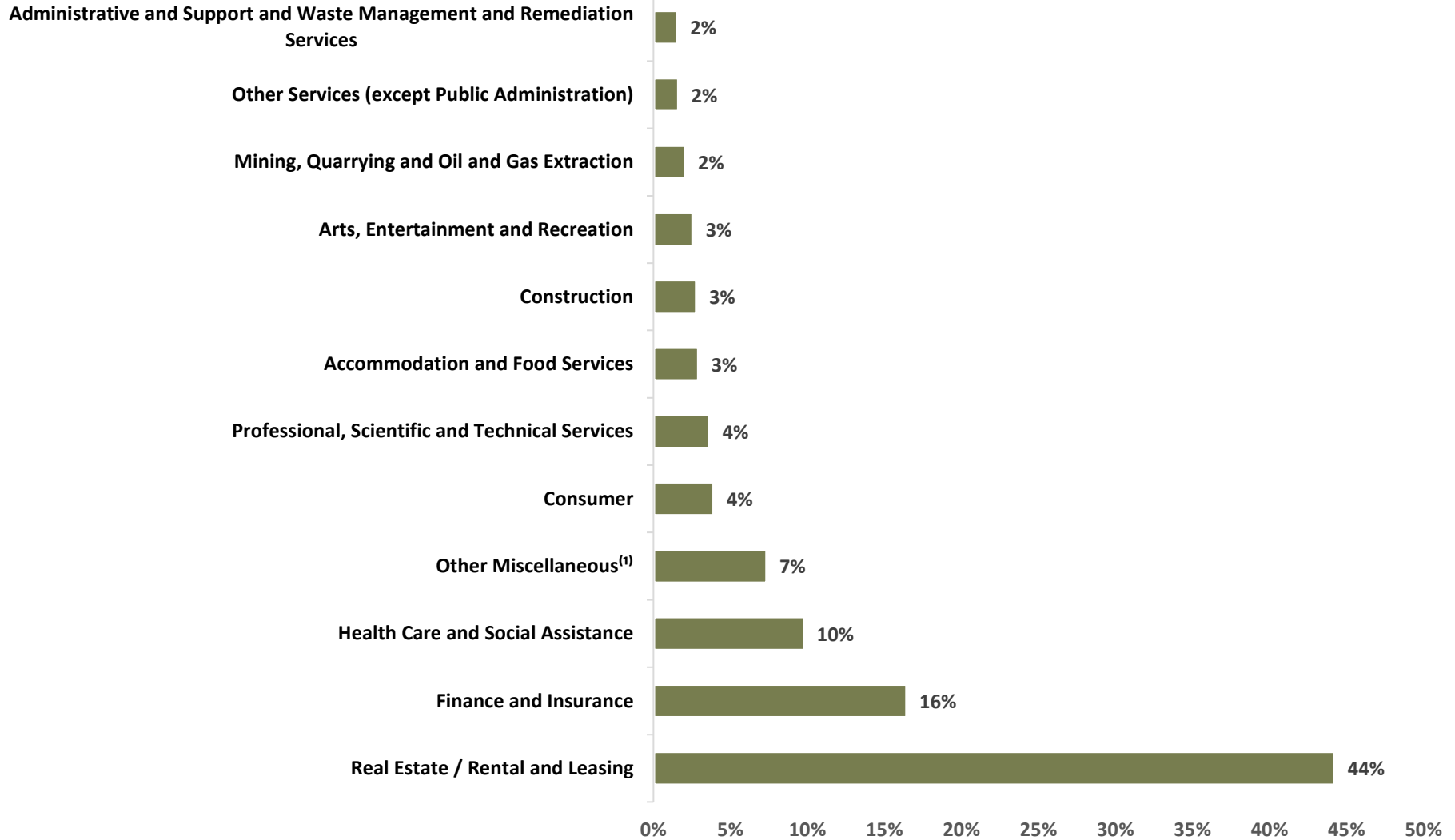




# Commercial Loans by Industry

**\$609.2 Million**  
(as of 3/31/20)

**Industry as a Percentage of Commercial Loans**  
(as of 3/31/20)



(1) Represents the aggregate of individual industries; no one industry is more than 2% of Commercial loans



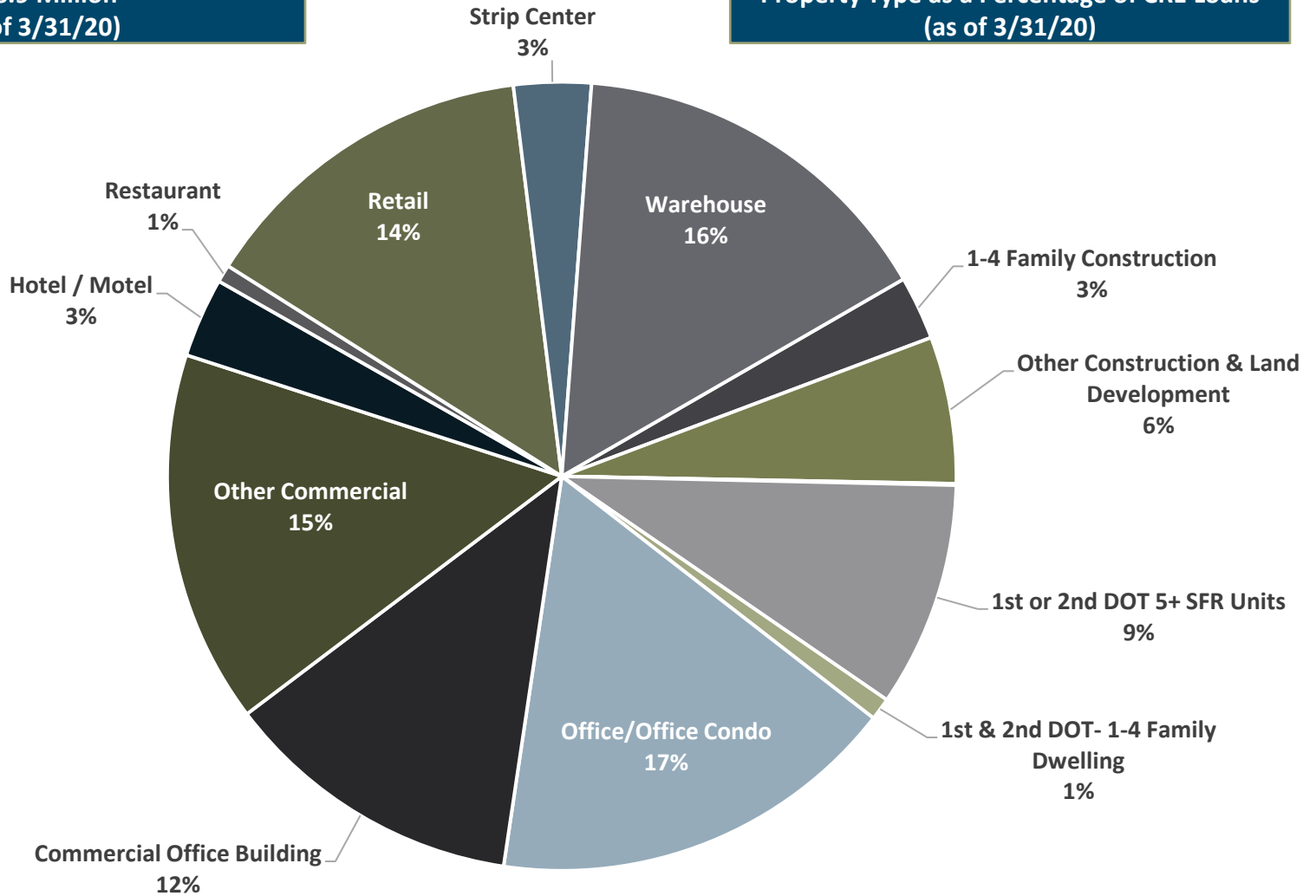


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# CRE<sup>(1)</sup> Loans By Property Type

\$338.9 Million  
(as of 3/31/20)

Property Type as a Percentage of CRE Loans  
(as of 3/31/20)



(1) Commercial Real Estate including Owner Occupied, Non-Owner Occupied, and Construction and Development

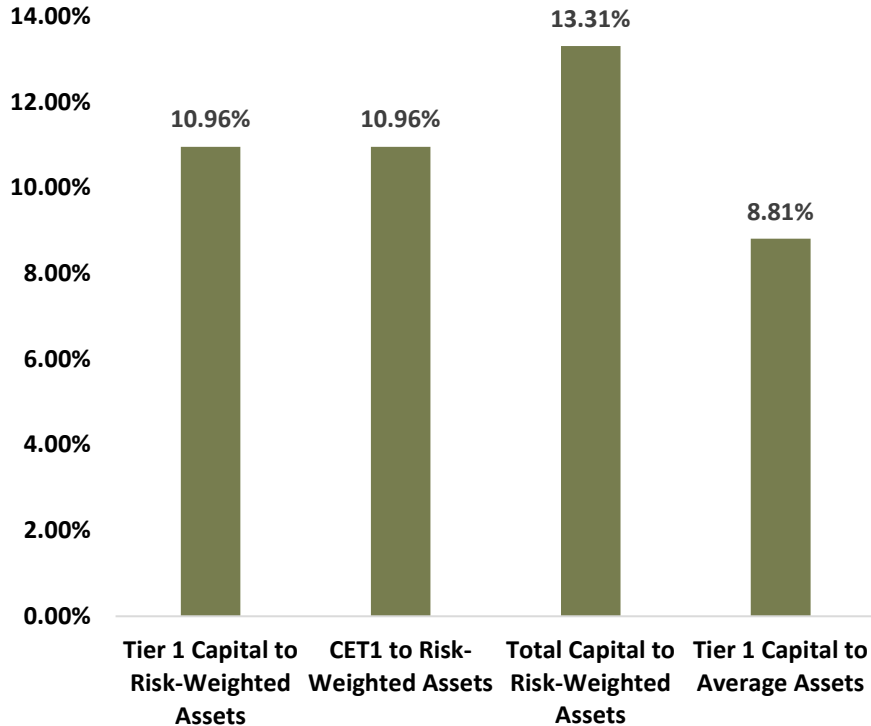
# Exposure to Stressed Industries (as of 3/31/20)

Industry	Outstanding Balances (\$ in millions)	% of Total Loans	Unused Commitments (\$ in Millions)	Portfolio Characteristics
Energy Related	\$18.3	1.8%	\$17.2	<ul style="list-style-type: none"> <li>▪ Indirect business or personal exposure to energy industry</li> <li>▪ Collateral type: 49% business assets, 27% 1<sup>st</sup> DOT, 17% IM accounts, 7% other assets</li> </ul>
Hotels	\$11.0	1.1%	\$0.0	<ul style="list-style-type: none"> <li>▪ Portfolio consists of three loans</li> <li>▪ Largest loan is in prominent geographic region with multiple sources of repayment and personal guarantee</li> </ul>
Restaurants	\$6.0	0.6%	\$0.1	<ul style="list-style-type: none"> <li>▪ Portfolio consists of six borrowers</li> <li>▪ Average loan balance of approximately \$661,000</li> </ul>



# Capital and Liquidity Overview

## Consolidated Capital Ratios (as of 3/31/20)



## Liquidity Funding Sources (as of 3/31/20)

### Liquidity Reserves:

Total Available Cash	\$117,811,270
Unpledged Investment Securities	\$ 47,365,999

### Borrowed Funds:

#### Unsecured:

Credit Lines	\$ 54,000,000
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#### Secured:

FHLB Available	\$378,745,864
FRB Available	\$ 1,203,604
Brokered Remaining Capacity	\$155,134,002

### Total Liquidity Funding Sources

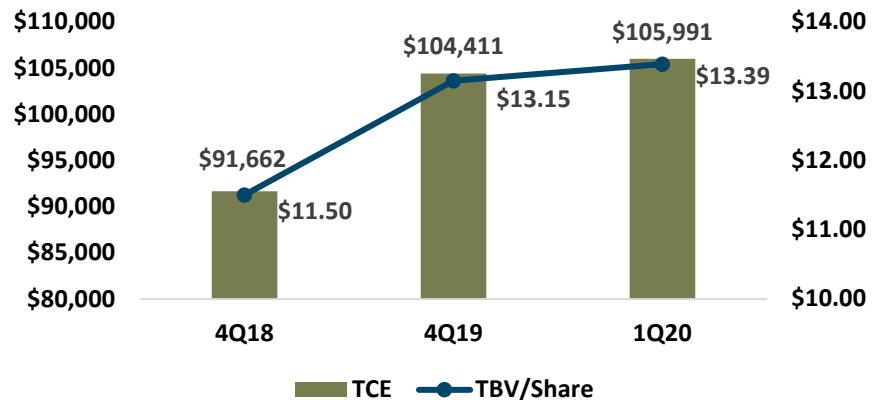
**\$754,260,739**

### Loan to Deposit Ratio

**88.6%**

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

(in thousands)



(1) See Non-GAAP reconciliation



## Near-Term Outlook and Expectations

- Excluding impact of PPP loans, NIM should continue to expand, while fee income should normalize
- Decrease in non-recurring expenses for Q2 - expect core NIE of \$14-14.5M
- Share repurchase activity on hold during duration of crisis as capital can be better used supporting clients and communities
- PPP expected to produce fee income from first round of funding of approximately \$4.0 million
- Branch purchase and assumption agreement with Simmons Bank on track for planned closing in second quarter, allowing deposit premium price reduction
  - Expands presence in Denver market
  - Adds scale, banking talent and attractive client base



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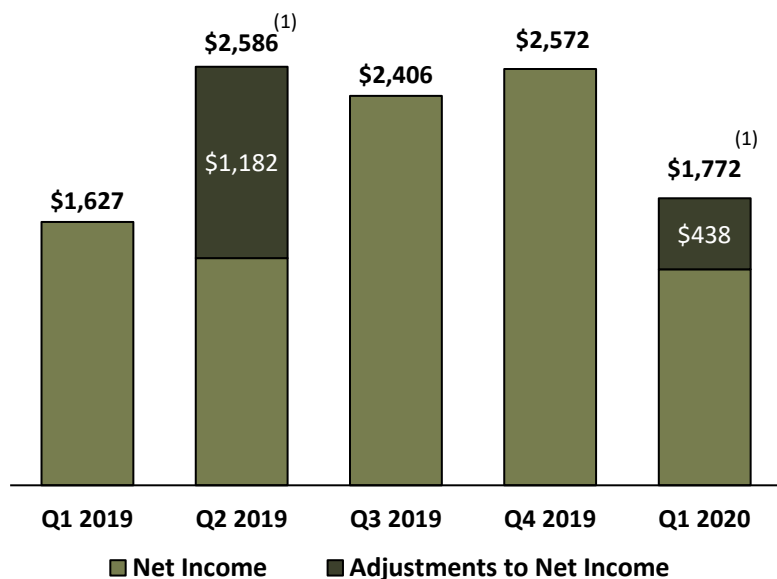
# First Quarter 2020 Financial Review

# Net Income Available to Common Shareholders and Earnings per Share

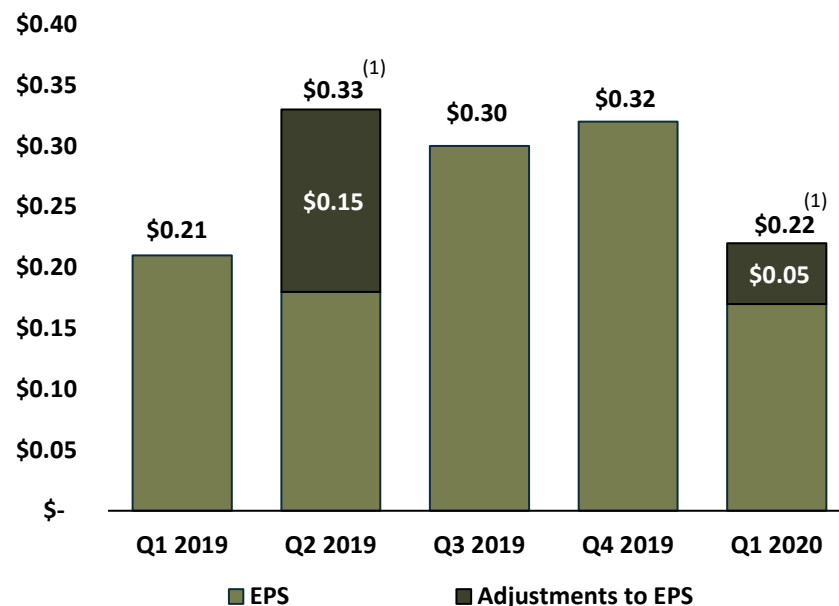
- Strong operational and financial performance in light of COVID-19 pandemic
- Financial results impacted by \$0.6 million (or \$0.05 per diluted share) loss on held for sale intangible assets related to Capital Management segment
- Net income of \$1.3 million, or \$0.17 diluted earnings per share, in 1Q20
- Adjusted net income<sup>(1)</sup> increased 8.9% and adjusted EPS<sup>(1)</sup> increased 4.8% from 1Q19
- Book value and tangible book value<sup>(1)</sup> per common share increased 8.3% and 12.7%, respectively, over 1Q19

## Net Income Available to Common Shareholders

(in thousands)



## Earnings per Share



(1) See Non-GAAP reconciliation

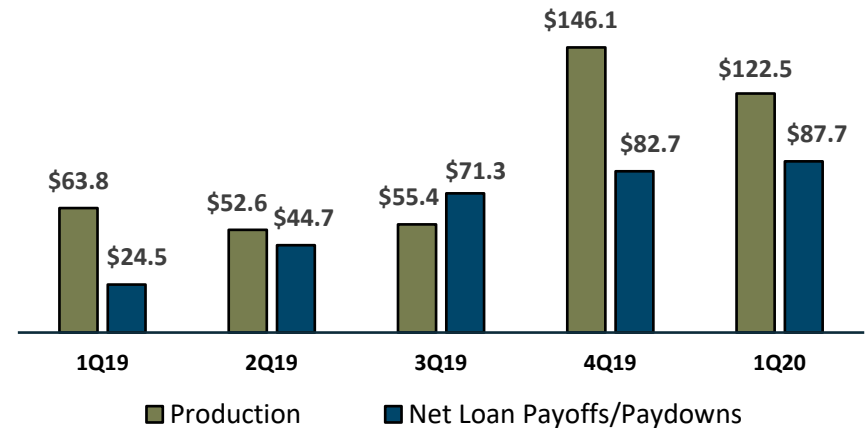


# Loan Portfolio

- Gross loans held-for-investment (HFI) increased 18.4% annualized
- Total new HFI loan production of \$122.5 million in 1Q20 vs \$146.1 million in 4Q19 and \$63.8 million in 1Q19
- Payoffs/paydowns, net of draws, increased to \$87.7 million in 1Q20 vs \$82.7 million in 4Q19
- Balanced growth across C&I, CRE and 1-4 family residential portfolios

## Loan Production & Net Loan Payoffs/Paydowns

(in millions)



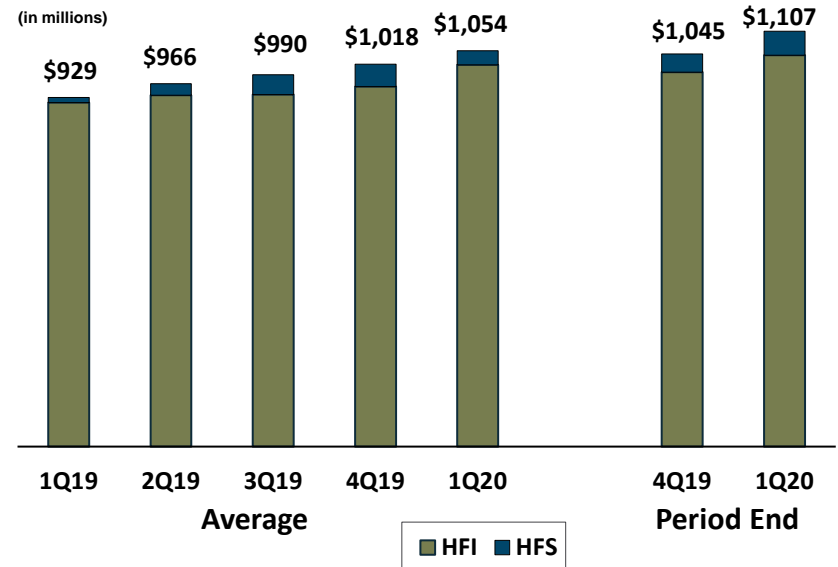
## Loan Portfolio Composition<sup>(1)</sup>

(in thousands, as of quarter-end)

	1Q 2019	4Q 2019	1Q 2020
Cash, Securities and Other	\$130,641	\$146,701	\$147,157
Construction and Development	37,128	28,120	25,461
1 - 4 Family Residential	360,607	400,134	412,306
Non-Owner Occupied CRE	172,014	165,179	192,350
Owner Occupied CRE	108,873	127,968	121,138
Commercial and Industrial	120,602	128,457	144,066
<b>Total Loans HFI</b>	<b>\$929,865</b>	<b>\$996,559</b>	<b>\$1,042,478</b>
Mortgage loans held for sale	19,778	48,312	64,120
<b>Total Loans</b>	<b>\$949,643</b>	<b>\$1,044,871</b>	<b>\$1,106,598</b>

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

(in millions)



(1) Excludes deferred costs, net

# Total Deposits

- Total deposits increased \$91.7 million from end of prior quarter
- Strong growth in noninterest-bearing and money market accounts
- Continued improvement in deposit mix
- Cost of funds declined 20 bps from Q4 2019

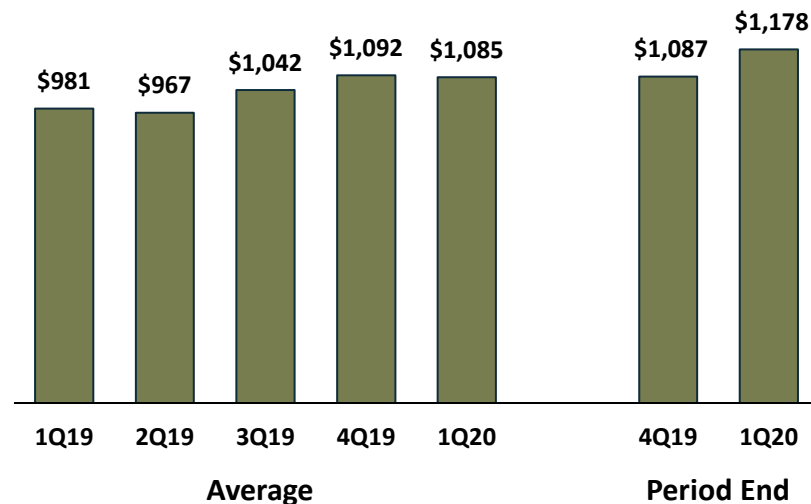
## Deposit Portfolio Composition

(in thousands, as of quarter-end)

	1Q 2019	4Q 2019	1Q 2020
Money market deposit accounts	\$513,328	\$615,575	\$671,641
Time deposits	176,312	134,913	150,190
NOW	59,464	91,921	82,092
Savings accounts	2,513	4,307	3,923
Noninterest-bearing accounts	226,484	240,068	270,604
<b>Total Deposits</b>	<b>\$978,101</b>	<b>\$1,086,784</b>	<b>\$1,178,450</b>

## Total Deposits

(in millions)

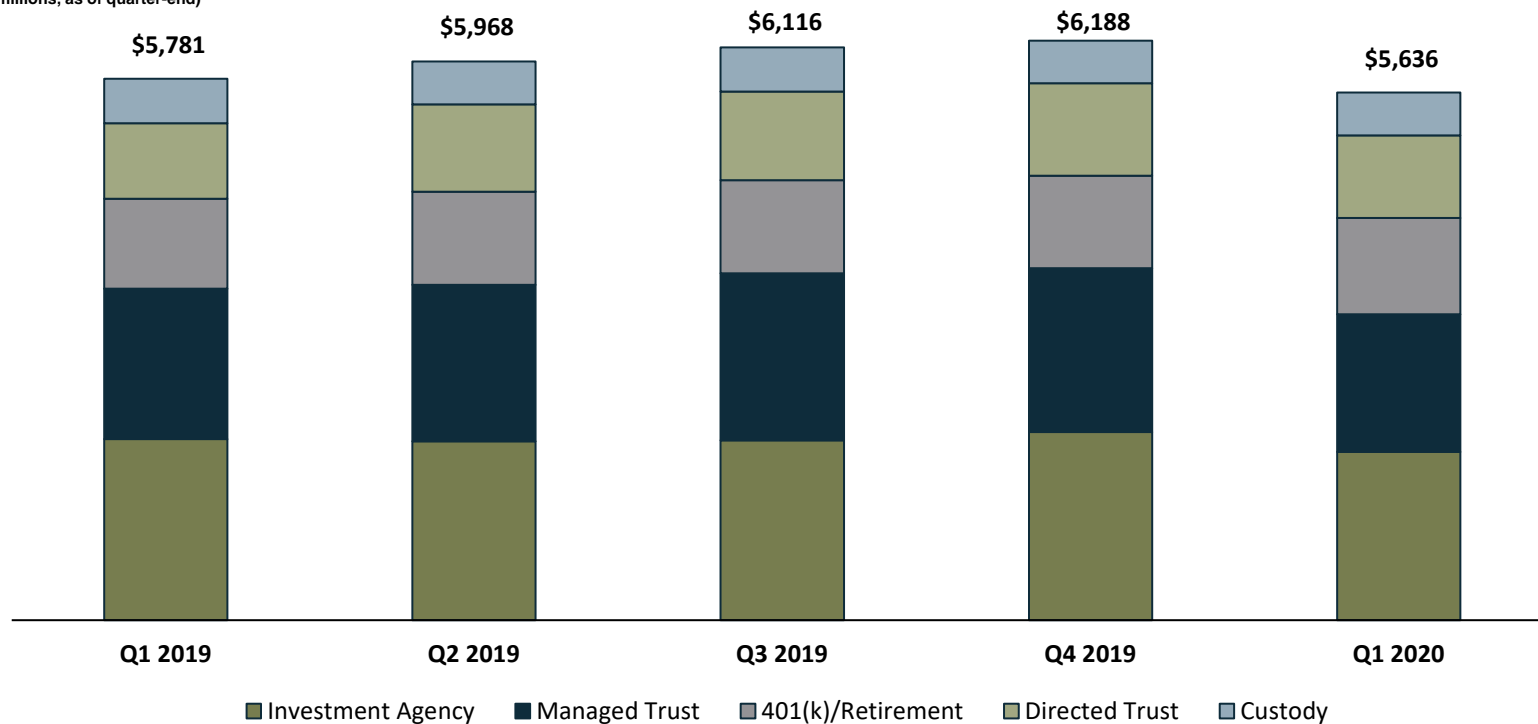




# Trust and Investment Management

- Total assets under management decreased \$551.2 million from December 31, 2019 to \$5.64 billion at March 31, 2020
- Decrease was primarily attributable to volatility in markets resulting from COVID-19 pandemic

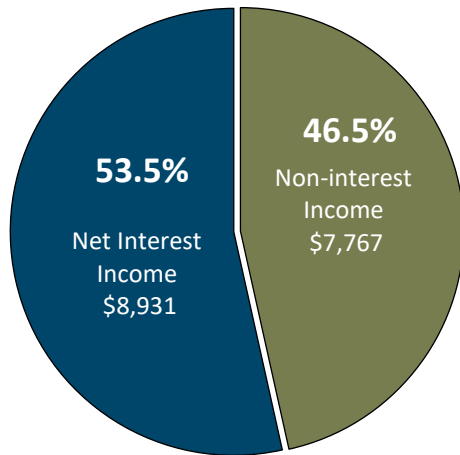
(in millions, as of quarter-end)



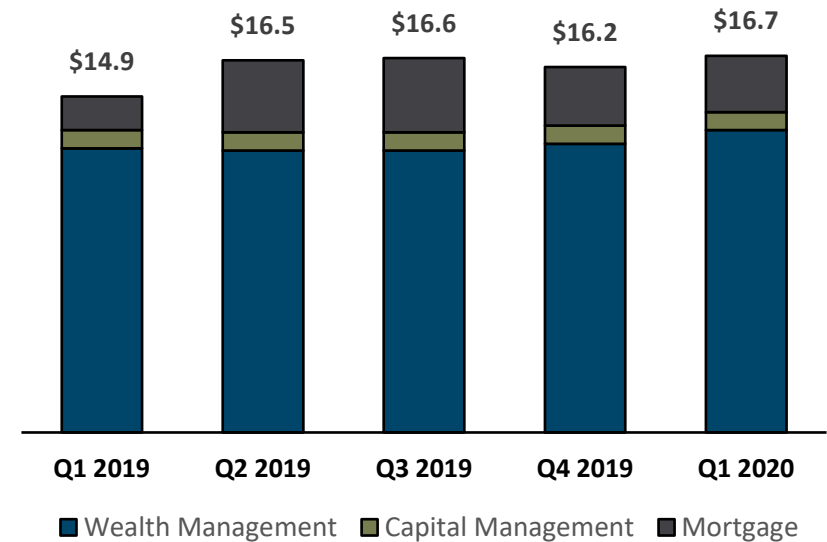
# Gross Revenue

- Gross revenue<sup>(1)</sup> increased 11.7% from 1Q19
- Strong year-over-year growth in both net interest income and non-interest income

1Q20 Gross Revenue<sup>(1)</sup>



Gross Revenue<sup>(1)</sup> (\$millions)



(1) See Non-GAAP reconciliation

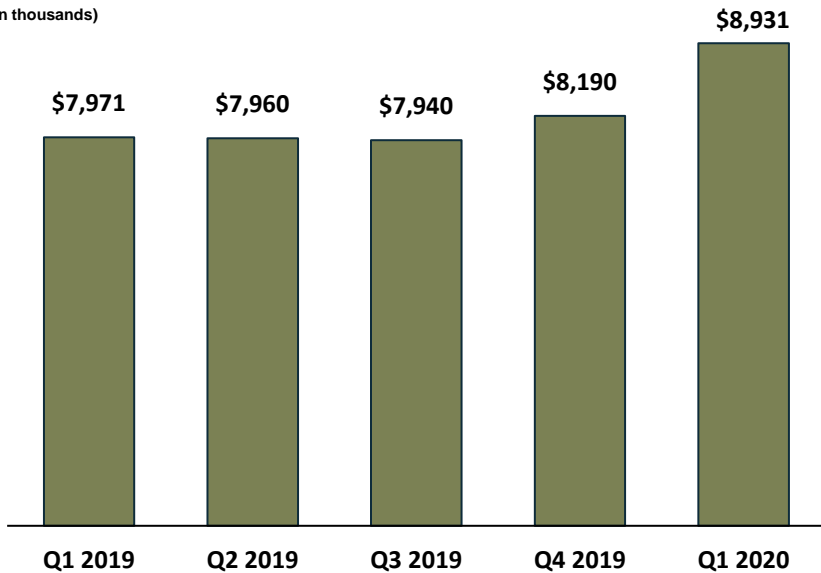


# Net Interest Income & Net Interest Margin

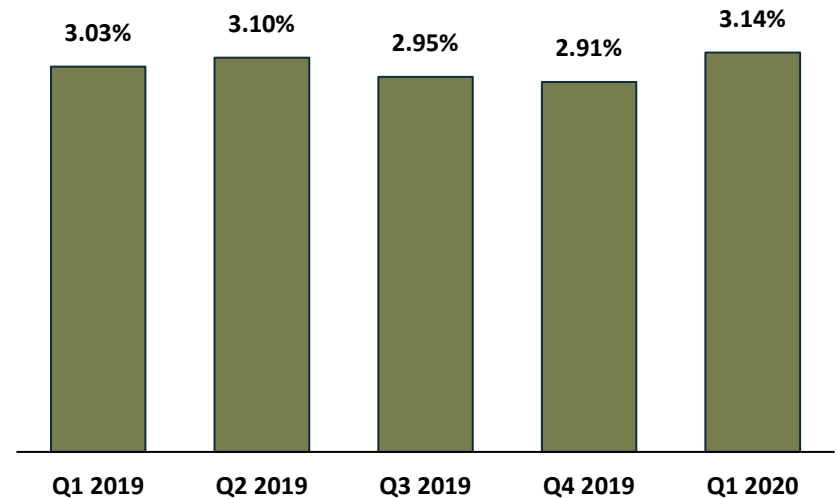
- Net interest income increased 9.0% from 4Q19, due to an increase in average loans and a higher net interest margin
- Net interest margin increased to 3.14%, primarily due to a 20 basis point decline in the cost of funds

Net Interest Income

(in thousands)



Net Interest Margin



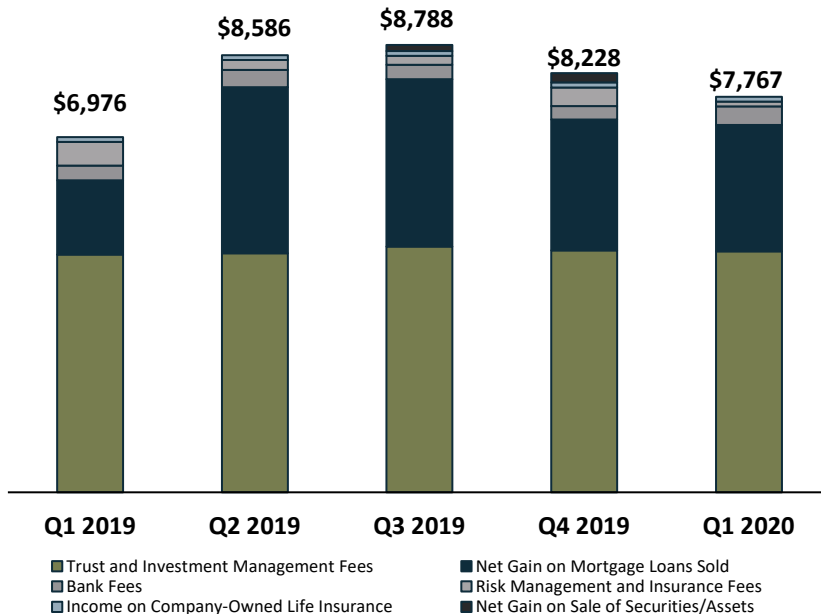


# Non-Interest Income

- Non-interest income declined from 4Q19 primarily due to a decrease in insurance fees
- The uncertainty of COVID-19’s impact on the economy caused major disruptions in the mortgage market.
- Sharp rate reductions, as well as capacity, liquidity and delinquency concerns caused the market value of loans and loan servicing to decline significantly relative to mortgage hedges, resulting in approximately \$4 million of lost value during the month of March

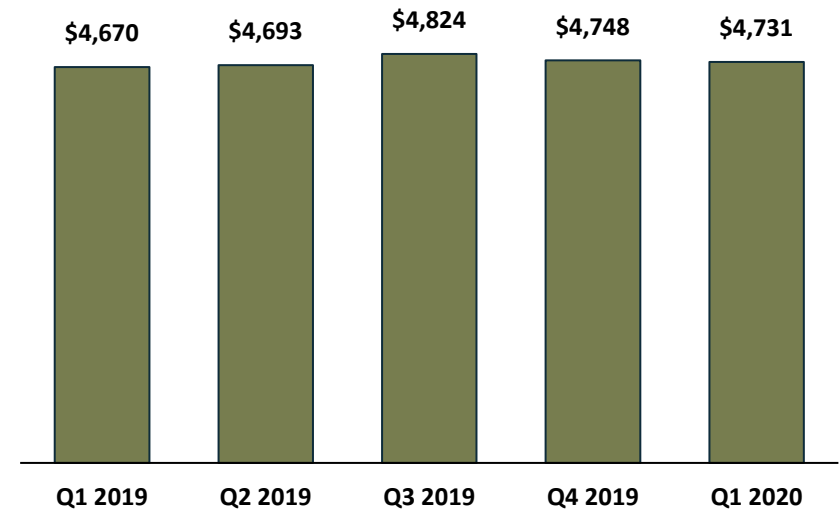
## Total Non-Interest Income

(in thousands)



## Trust & Investment Management Fees

(in thousands)



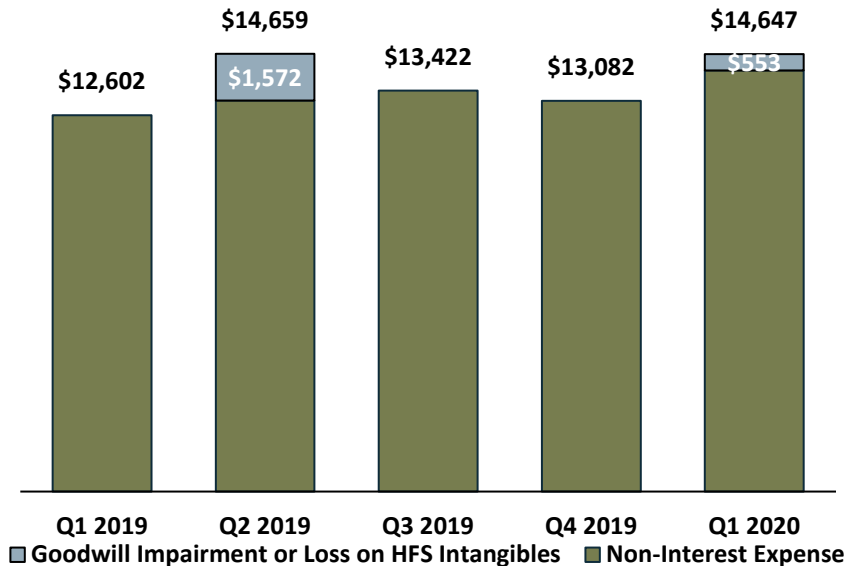


# Non-Interest Expense and Efficiency Ratio

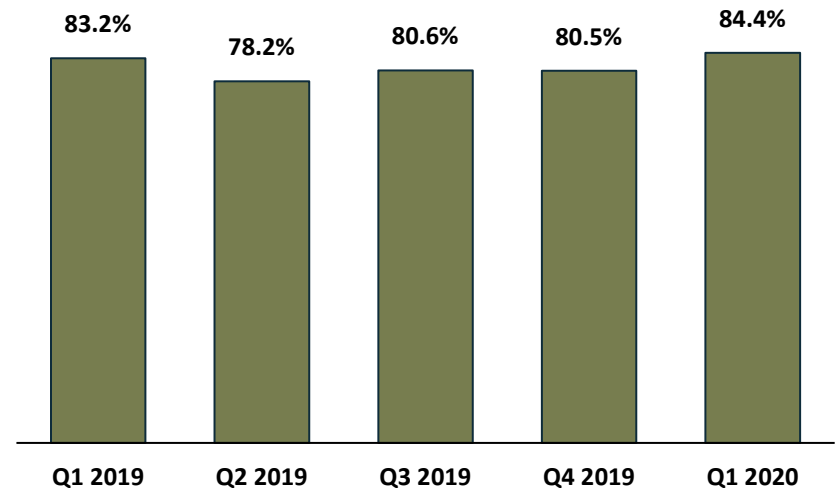
- Non-interest expense in 1Q20 included \$0.6 million net loss on intangibles held for sale related to the Capital Management segment
- Excluding the loss, non-interest expense increased 7.7% from 4Q19
- Increase was primarily driven by higher professional costs and payroll taxes

### Total Non-Interest Expense<sup>(1)</sup>

(in thousands)



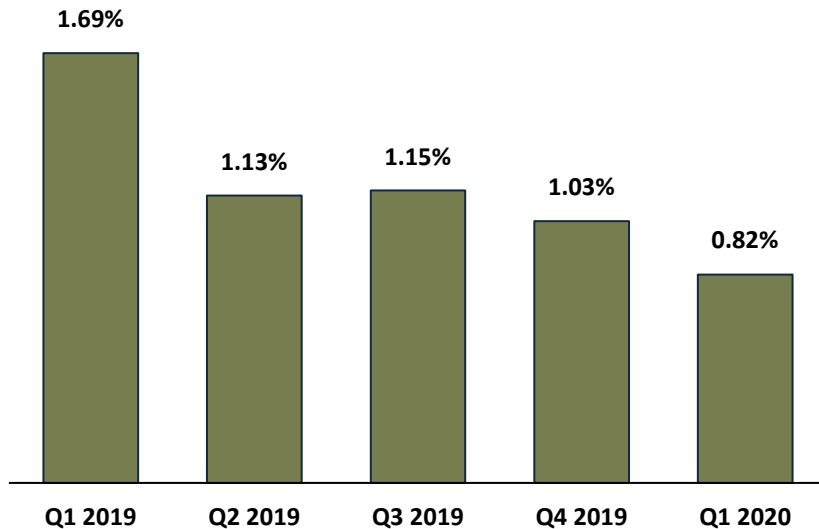
### Operating Efficiency Ratio<sup>(1)</sup>



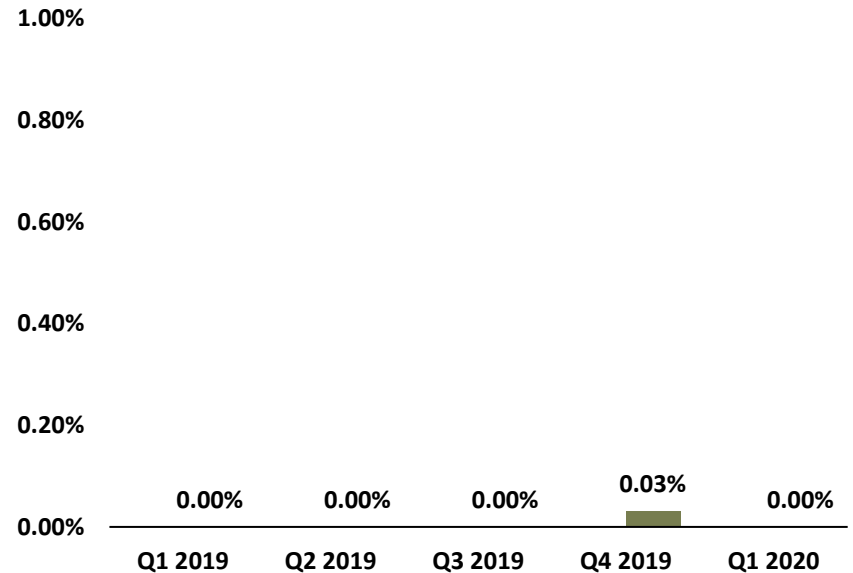
(1) See Non-GAAP reconciliation

- Non-performing assets declined due to paydowns on non-performing loans
- No charge-offs in the quarter
- \$0.4 million provision expense primarily reflects strong growth in total loans and a downgrade in the economic forecast due to the impact of the COVID-19 pandemic

Non-Performing Assets/Total Assets



Net Charge-Offs/Average Loans





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# Appendix





# Non-GAAP Reconciliation

Consolidated Efficiency Ratio	For the Three Months Ended,				
(Dollars in thousands)	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020
Non-interest expense	\$12,602	\$14,659	\$13,442	\$13,082	\$14,647
Less: Amortization	173	142	52	7	2
Less: Goodwill impairment	-	1,572	-	-	-
Less: loss on intangibles held for sale	-	-	-	-	553
Adjusted non-interest expense	\$12,429	\$12,945	\$13,390	\$13,075	\$14,092
Net interest income	\$7,971	\$7,960	\$7,940	\$8,190	\$8,931
Non-interest income	6,976	8,586	8,788	8,228	7,767
Less: Net gain on sale of securities	-	-	119	-	-
Less: Net gain on sale of assets	-	-	-	183	-
Total income	\$14,947	\$16,546	\$16,609	\$16,235	\$16,698
<b>Efficiency ratio</b>	<b>83.2%</b>	<b>78.2%</b>	<b>80.6%</b>	<b>80.5%</b>	<b>84.4%</b>
Consolidated Tangible Common Book Value Per Share	As of the Three Months Ended,				
(Dollars in thousands)	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020
Total shareholders' equity	\$119,668	\$122,157	\$125,732	\$127,678	\$128,703
Less:					
Goodwill	24,811	23,239	19,686	\$19,686	\$19,686
Assets held for sale	—	—	3,553	3,553	3,000
Other intangibles, net	229	88	36	28	26
<b>Tangible common equity</b>	<b>94,628</b>	<b>98,830</b>	<b>102,457</b>	<b>104,411</b>	<b>105,991</b>
Common shares outstanding, end of period	7,968,420	7,983,866	7,983,284	7,940,168	7,917,489
<b>Tangible common book value per share</b>	<b>\$11.88</b>	<b>\$12.38</b>	<b>\$12.83</b>	<b>\$13.15</b>	<b>\$13.39</b>





# Non-GAAP Reconciliation

Wealth Management Gross Revenue	For the Three Months Ended,				
(Dollars in thousands)	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020
Total income before non-interest expense	\$12,509	\$12,550	\$12,554	\$12,534	\$13,023
Less: Net gain on sale of securities	-	-	119	-	-
Less: Net gain on sale of assets	-	-	-	183	-
Plus: Provision for (recovery of) credit loss	194	(78)	100	447	367
<b>Gross revenue</b>	<b>\$12,703</b>	<b>\$12,472</b>	<b>\$12,535</b>	<b>\$12,798</b>	<b>\$13,390</b>

Capital Management Gross Revenue	For the Three Months Ended,				
(Dollars in thousands)	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020
Total income before non-interest expense	\$765	\$798	\$776	\$815	\$804
Less: Net gain on sale of securities	-	-	-	-	-
Less: Net gain on sale of assets	-	-	-	-	-
Plus: Provision for (recovery of) credit loss	-	-	-	-	-
<b>Gross revenue</b>	<b>\$765</b>	<b>\$798</b>	<b>\$776</b>	<b>\$815</b>	<b>\$804</b>

Mortgage Gross Revenue	For the Three Months Ended,				
(Dollars in thousands)	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020
Total income before non-interest expense	\$1,479	\$3,276	\$3,298	\$2,622	\$2,504
Less: Net gain on sale of securities	-	-	-	-	-
Less: Net gain on sale of assets	-	-	-	-	-
Plus: Provision for (recovery of) credit loss	-	-	-	-	-
<b>Gross revenue</b>	<b>\$1,479</b>	<b>\$3,276</b>	<b>\$3,298</b>	<b>\$2,622</b>	<b>\$2,504</b>

Consolidated Gross Revenue	For the Three Months Ended,				
(Dollars in thousands)	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020
Total income before non-interest expense	\$14,753	\$16,624	\$16,628	\$15,971	\$16,331
Less: Net gain on sale of securities	-	-	119	-	-
Less: Net gain on sale of assets	-	-	-	183	-
Plus: Provision for (recovery of) credit loss	194	(78)	100	447	367
<b>Gross revenue</b>	<b>\$14,947</b>	<b>\$16,546</b>	<b>\$16,609</b>	<b>\$16,235</b>	<b>\$16,698</b>



# Non-GAAP Reconciliation

Impact of Goodwill impairment – Net income available to common shareholder	For the Three Months Ended,			
(Dollars in thousands, except per share data)	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020
Net income available to common shareholders	\$1,404	\$2,406	\$2,572	\$1,334
Plus: Goodwill impairment including tax Impact	1.182	-	-	-
Plus: loss on intangibles held for sale including tax Impact	-	-	-	438
<b>Adjusted net income to common shareholders</b>	<b>\$2,586</b>	<b>\$2,406</b>	<b>\$2,572</b>	<b>\$1,772</b>

Impact of Goodwill impairment – Earnings Per Share	For the Three Months Ended,			
(Dollars in thousands, except per share data)	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020
Earnings per share	\$0.18	\$0.30	\$0.32	\$0.17
Plus: Goodwill impairment including tax impact	0.15	-	-	-
Plus: loss on intangibles held for sale including tax impact	-	-	-	0.05
<b>Adjusted earnings per share</b>	<b>\$0.33</b>	<b>\$0.30</b>	<b>\$0.32</b>	<b>\$0.22</b>