



EARNINGS CALL

2nd QUARTER 2018

July 20, 2018



Alliance Bank
of ARIZONA



2nd Quarter 2018 | Financial Highlights

- Net income of \$104.7 million (\$0.99 per share), compared to \$100.9 million (\$0.96 per share) for Q1 2018, and \$80.0 million (\$0.76 per share) for Q2 2017
- Net interest margin of 4.70%, compared to 4.60% in Q1 2018, and 4.61% in Q2 2017
- Operating efficiency ratio of 42.1%, compared to 42.7% in Q1 2018, and 41.2% in Q2 2017
- Total loans of \$16.14 billion, up \$578 million from prior quarter and total deposits of \$18.09 billion, up \$733 million from prior quarter
- Nonperforming assets (nonaccrual loans and repossessed assets) to total assets of 0.29%, compared to 0.33% at March 31, 2018, and 0.32% at June 30, 2017
- Net loan charge-offs (recoveries) to average loans outstanding of 0.07%, compared to 0.04% in Q1 2018, and (0.03)% in Q2 2017
- Tangible common equity ratio of 9.9% and tangible book value per share, net of tax, of \$19.78, compared to 9.8% and \$18.86, respectively, at March 31, 2018

Quarterly Consolidated Financial Results

\$ in millions, except EPS

	Q2-18	Q1-18	Q2-17
Net Interest Income	\$ 224.1	\$ 214.2	\$ 192.7
Operating Non-Interest Income	14.1	12.7	10.6
Net Operating Revenue	\$ 238.2	\$ 226.9	\$ 203.4
Operating Non-Interest Expense	(102.7)	(99.4)	(88.2)
Operating Pre-Provision Net Revenue	\$ 135.5	\$ 127.6	\$ 115.2
Provision for Credit Losses	(5.0)	(6.0)	(3.0)
Gains (Losses) on OREO and Other Assets	0.2	1.2	(0.2)
Fair Market Value Adjustments	(0.7)	(1.1)	—
Pre-tax Income	\$ 130.0	\$ 121.7	\$ 112.0
Income Tax	(25.3)	(20.8)	(32.0)
Net Income	\$ 104.7	\$ 100.9	\$ 80.0
Average Diluted Shares Outstanding	105.4	105.3	105.0
Earnings Per Share	\$ 0.99	\$ 0.96	\$ 0.76

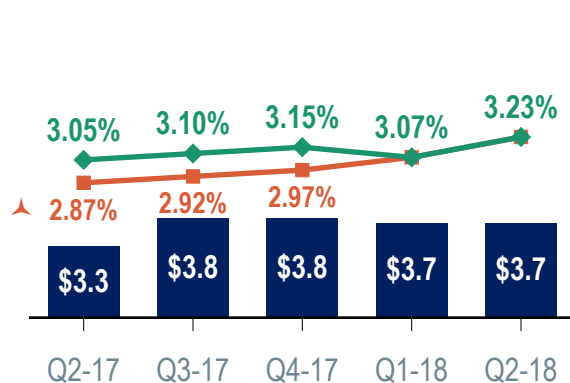
Q2 2018 Highlights

- Net Interest Income increased \$9.9 million as a result of loan growth, partially offset by higher rates on deposits and interest expense on borrowings
- Operating Non-Interest Expense increased \$3.3 million primarily from deposit growth and consulting fees
- Income tax expense increased due to the cyclical excess tax benefits on share-based payment awards in Q1

Net Interest Drivers

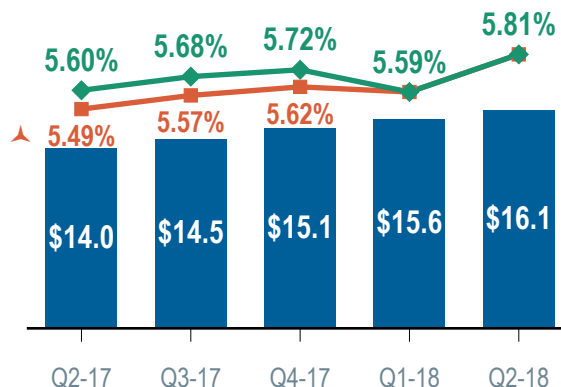
\$ in billions, unless otherwise indicated

Total Investments and Yield



▲ Adjusted yield includes the effects of the decrease in the tax equivalent adjustment ("TEA") from the Tax Cuts and Jobs Act ("TCJA")

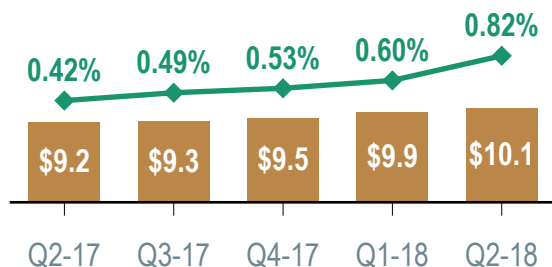
Loans and Yield



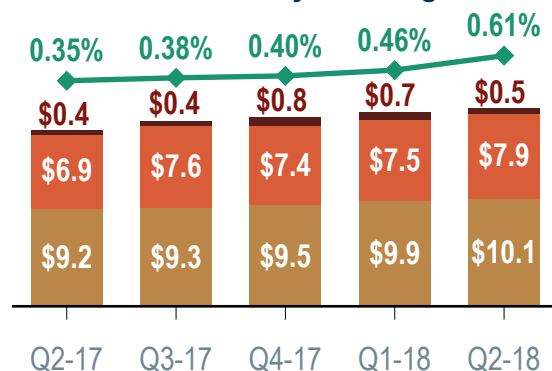
Q2 2018 Highlights

- Loan yield increased 22 basis points due to rising interest rates across all loan types
- Cost of interest-bearing deposits increased 22 basis points due to higher rates across all deposit accounts
- Cost of funds for total deposits and borrowings increased 15 basis points to 0.61%

Interest Bearing Deposits and Cost of Funds



Deposits, Borrowings, and Cost of Liability Funding

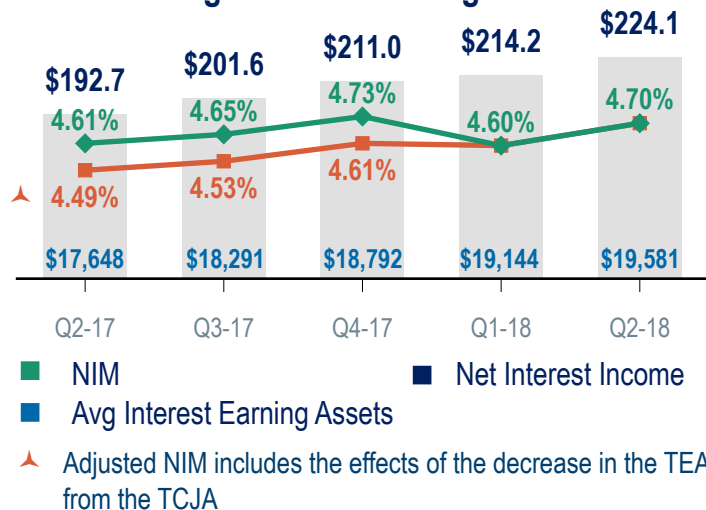


- Investments
- Loans
- Interest Bearing Deposits
- Non-Interest Bearing Deposits
- Total Borrowings

Net Interest Income and Accretion

\$ in millions

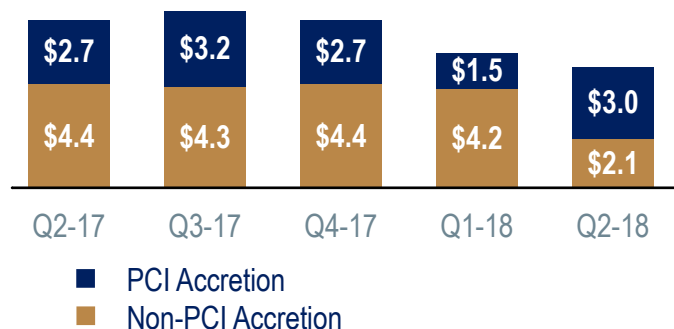
Net Interest Income, NIM, and Average Interest Earnings Assets



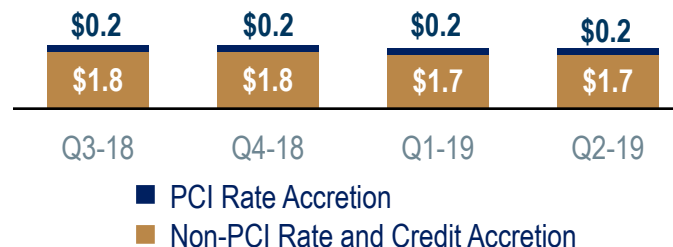
Q2 2018 Highlights

- NIM increased 10 basis points to 4.70% quarter-over-quarter due to favorable impacts of rising short-term interest rates for securities and loans, partially offset by higher rates on deposit accounts

Acquired Loan Accretion



Scheduled Acquisition Loan Accretion *



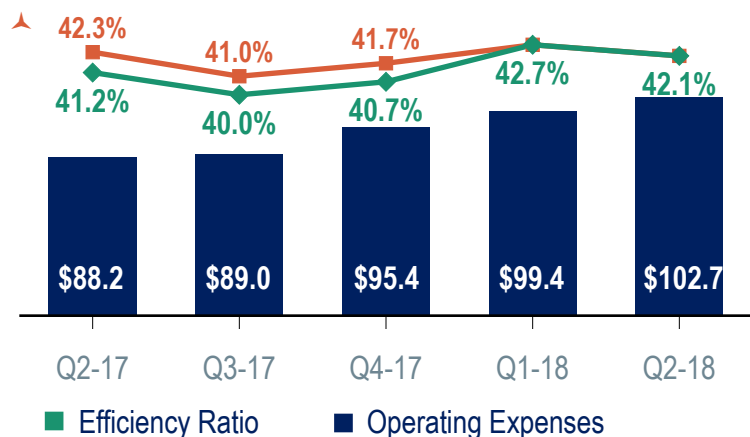
Ending rate and credit marks on all acquired loans at 6/30/2018 is \$29 million

* Amounts do not include early loan payoffs

Operating Expenses and Efficiency

\$ in millions

Operating Expenses and Efficiency Ratio

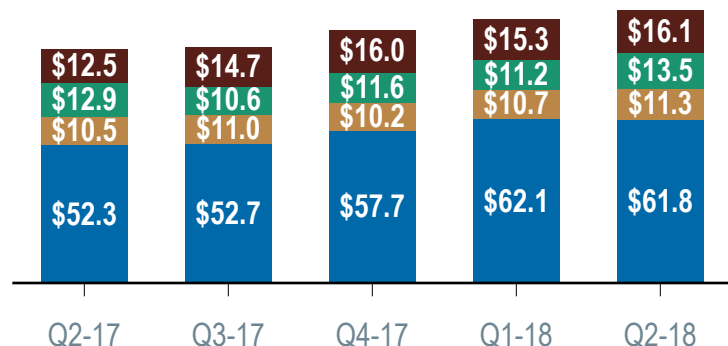


▲ Includes the effects of the decrease in the TEA from the TCJA

Q2 2018 Highlights

- The operating efficiency ratio decreased from 42.7% in Q1 2018 to 42.1% as revenue growth outpaced expense growth
- Operating expenses increased from the prior quarter primarily due to deposit growth and consulting fees

Breakdown of Operating Expenses

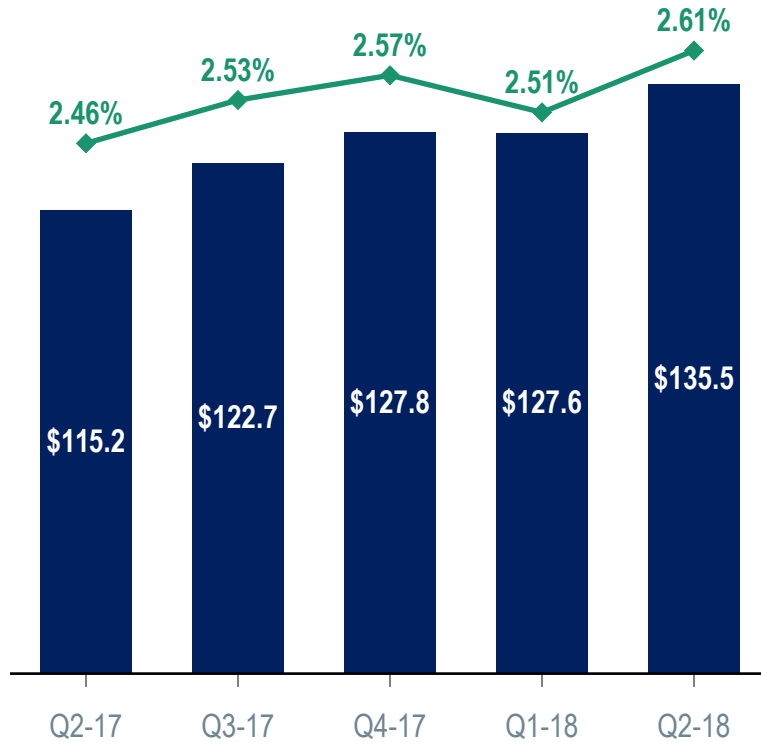


- Other
- Professional Fees + Data Processing
- Occupancy + Insurance
- Compensation

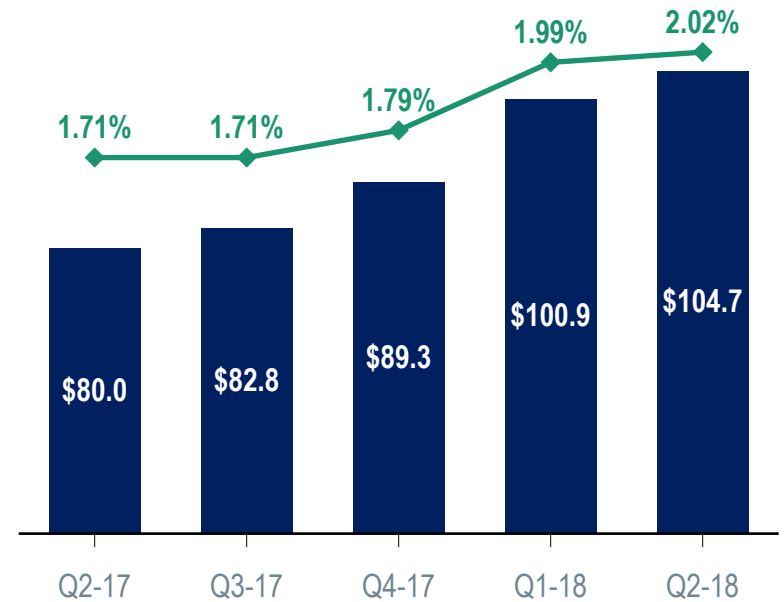
Operating Pre-Provision Net Revenue, Net Income, and ROA

\$ in millions

Operating Pre-Provision Net Revenue and Operating PPNR ROA



Net Income and ROA



Consolidated Balance Sheet

\$ in millions

	Q2-18	Q1-18	Q2-17
Investments & Cash	\$ 4,196	\$ 4,174	\$ 3,890
Loans	16,138	15,560	13,990
Allowance for Credit Losses	(147)	(145)	(132)
Other Assets	1,180	1,172	1,097
Total Assets	\$ 21,367	\$ 20,761	\$ 18,845
Deposits	\$ 18,088	\$ 17,355	\$ 16,031
Borrowings	454	685	407
Other Liabilities	434	427	347
Total Liabilities	\$ 18,976	\$ 18,467	\$ 16,785
Shareholders' Equity	2,391	2,294	2,059
Total Liabilities and Equity	\$ 21,367	\$ 20,761	\$ 18,845
Tangible Book Value Per Share	\$ 19.78	\$ 18.86	\$ 16.71

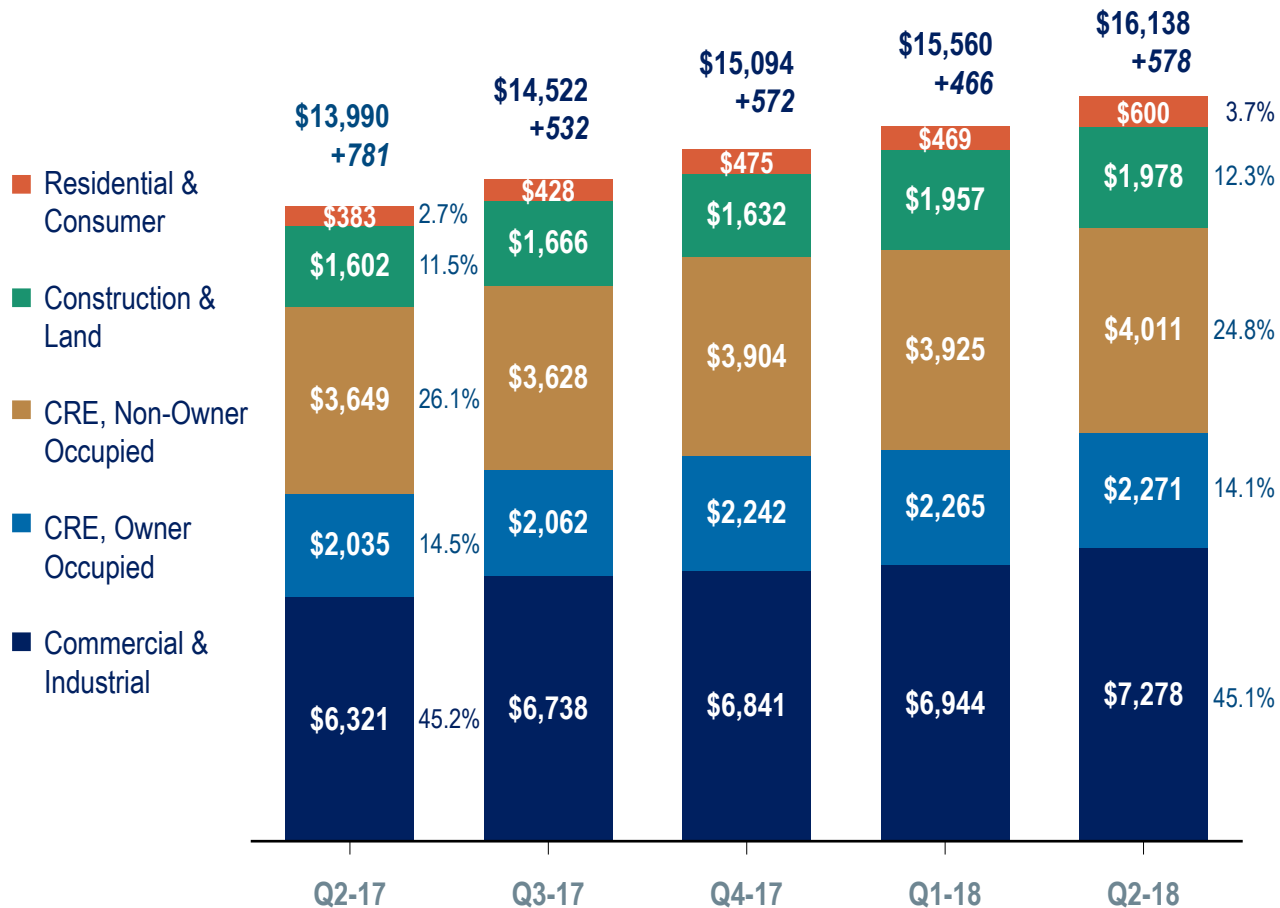
Q2 2018 Highlights

- Loans increased \$578 million (3.7%) over prior quarter and \$2.15 billion (15.4%) over prior year
- Deposits increased \$733 million (4.2%) over prior quarter and \$2.06 billion (12.7%) over prior year
- Shareholders' Equity increased \$98 million over prior quarter and \$333 million over prior year as a function of Net Income
- Tangible Book Value/Share increased \$0.92 over prior quarter and \$3.07 (18.4%) over prior year

5 Quarter Loan Growth and Portfolio Composition

\$ in millions

\$2.15 Billion Year Over Year Growth



Highlights

Quarter-over-quarter loan growth driven by:

○ C&I	\$ 334 million
○ Residential & Consumer	131 million

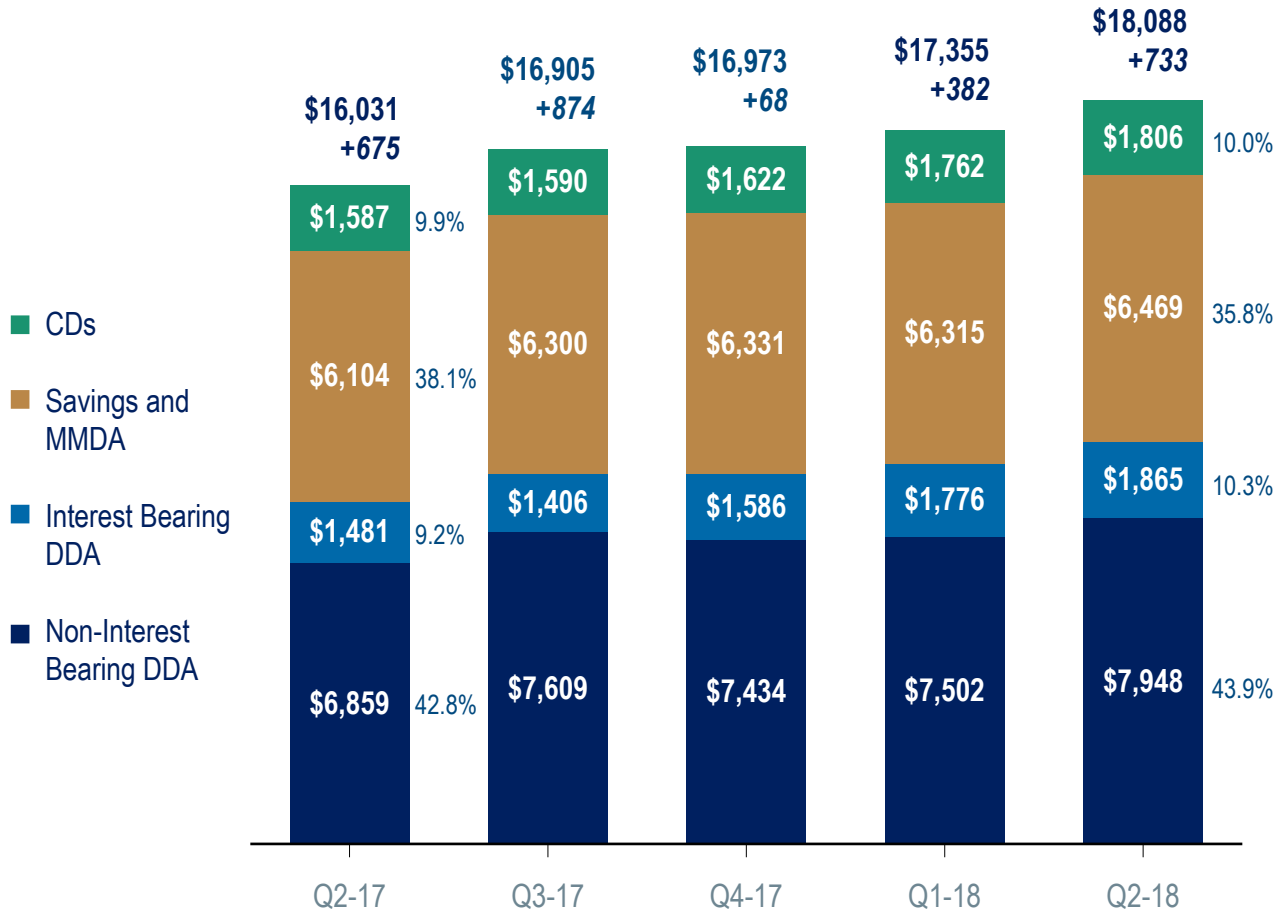
Year-over-year loan growth across all loan types:

○ C&I	\$ 957 million
○ Construction & Land	376 million
○ CRE, Non-OO	362 million
○ CRE, OO	236 million
○ Residential & Consumer	217 million

5 Quarter Deposit Growth and Composition

\$ in millions

\$2.06 Billion Year Over Year Growth



Highlights

Quarter-over-quarter deposit growth driven by:

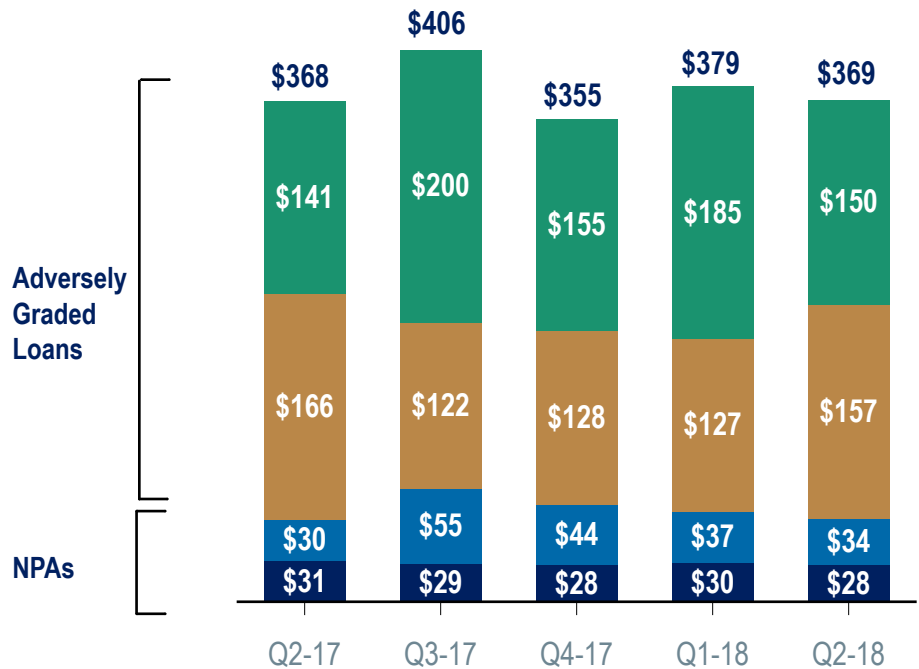
- Non-Interest Bearing DDA \$ 446 million
- Savings and MMDA 154 million

Year-over-year deposit growth across all deposit types:

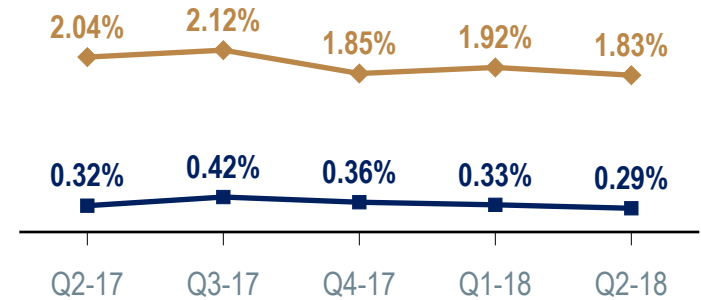
- Non-Interest Bearing DDA \$ 1.09 billion
- Interest-Bearing DDA 384 million
- Savings and MMDA 365 million
- CDs 219 million

Adversely Graded Loans and Non-Performing Assets *

\$ in millions



- Special Mention Loans
- Classified Accruing Loans
- Non-Performing Loans
- OREO



- ◆— Adversely Graded Assets to Total Assets
- NPAs to Total Assets

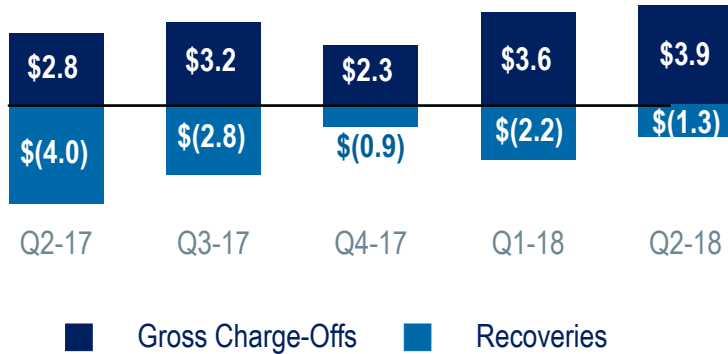
Accruing TDRs total \$42.4 million as of 6/30/2018

* Amounts are net of total PCI credit and interest rate discounts of \$9.3 million as of 6/30/2018

Charge-Offs, Recoveries, ALLL, and Provision

\$ in millions

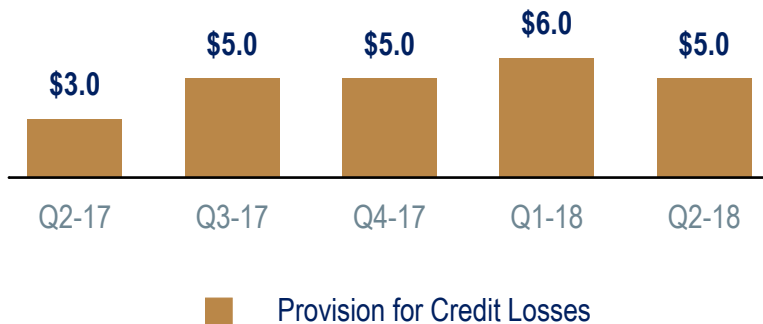
Gross Charge-Offs, Recoveries and Rate



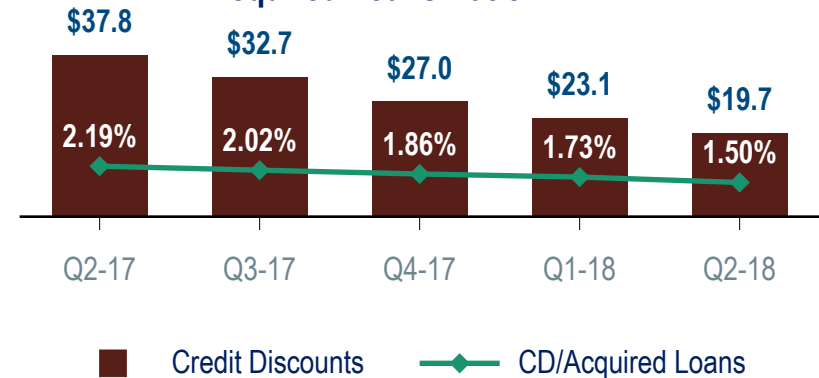
ALLL and ALLL to Organic Loans Ratio



Provision for Credit Losses

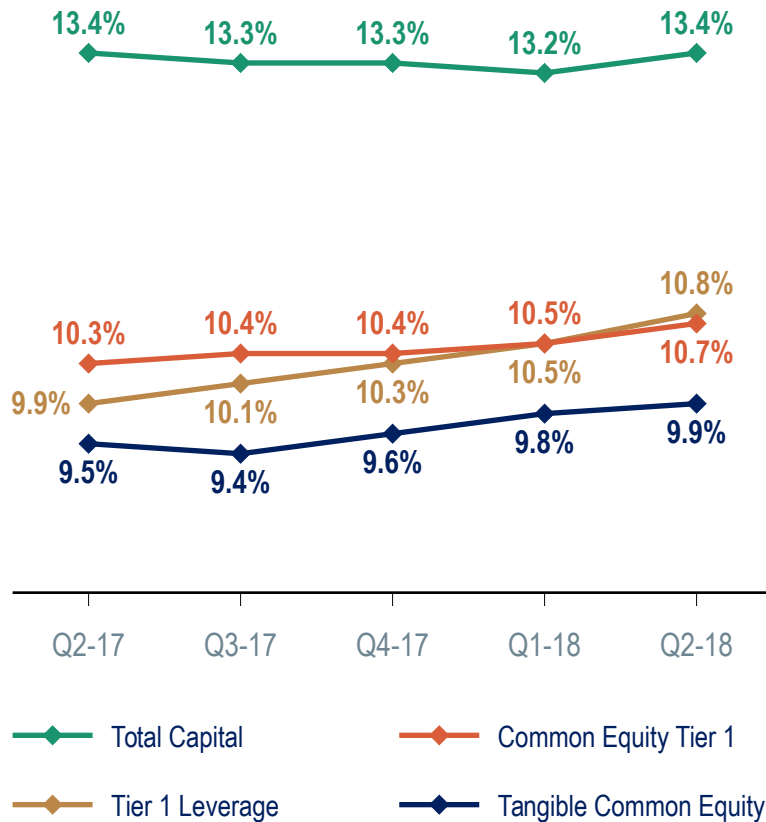


Credit Discounts and Credit Discounts to Acquired Loans Ratio

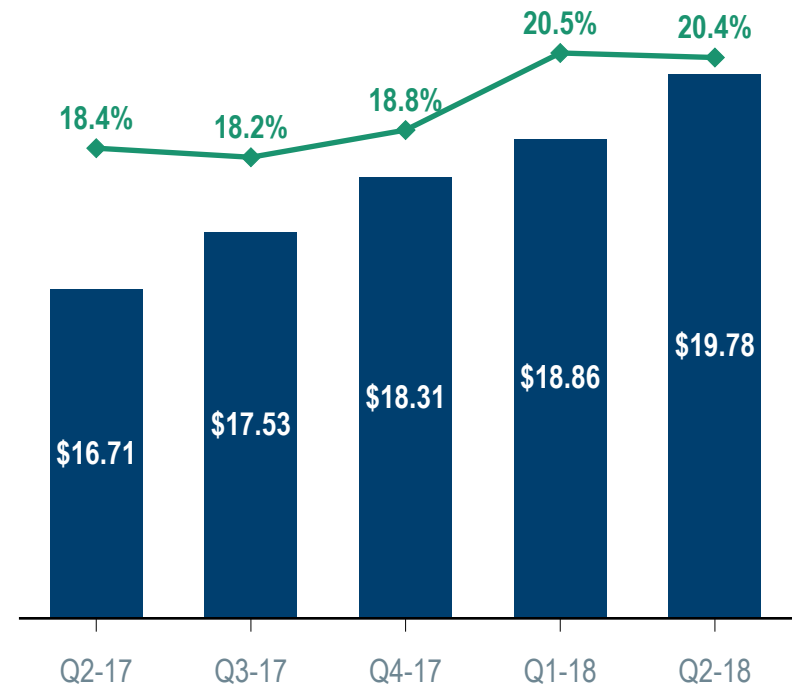


Capital

Capital Ratios



ROTCE and TBV/Share



Management Outlook

- Financial Position
- Margin
- Operating Leverage
- Asset Quality



Questions and Answers

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This presentation contains forward-looking statements that relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. Examples of forward-looking statements include, among others, statements we make regarding our expectations with regard to our business, financial and operating results, and future economic performance. The forward-looking statements contained herein reflect our current views about future events and financial performance and are subject to risks, uncertainties, assumptions, and changes in circumstances that may cause our actual results to differ significantly from historical results and those expressed in any forward-looking statement. Some factors that could cause actual results to differ materially from historical or expected results include, among others: the risk factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 as filed with the Securities and Exchange Commission; changes in general economic conditions, either nationally or locally in the areas in which we conduct or will conduct our business; inflation, interest rate, market and monetary fluctuations; increases in competitive pressures among financial institutions and businesses offering similar products and services; higher defaults on our loan portfolio than we expect; changes in management's estimate of the adequacy of the allowance for credit losses; legislative or regulatory changes or changes in accounting principles, policies, or guidelines; supervisory actions by regulatory agencies which may limit our ability to pursue certain growth opportunities, including expansion through acquisitions; additional regulatory requirements resulting from our continued growth; management's estimates and projections of interest rates and interest rate policy; the execution of our business plan; and other factors affecting the financial services industry generally or the banking industry in particular.

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