



Western Alliance  
Bancorporation

# Earnings Call 2nd Quarter 2017

July 21, 2017

# Financial Highlights

## Q2 2017 Highlights

- Net income of \$80.0 million and earnings per share of \$0.76, compared to \$73.4 million and \$0.70 per share for Q1 2017, and \$61.6 million and \$0.60 per share, inclusive of \$0.02 in acquisition / restructure expense for Q2 2016
- Net interest margin of 4.61%, compared to 4.63% in Q1 2017, and 4.63% in Q2 2016
- Operating efficiency ratio of 41.2%, compared to 44.4% in Q1 2017, and 43.0% in Q2 2016
- Total loans of \$13.99 billion, up \$327 million from prior quarter and total deposits of \$16.03 billion, up \$675 million from prior quarter
- Nonperforming assets (nonaccrual loans and repossessed assets) decreased to 0.32% of total assets, from 0.44% at March 31, 2017
- Net loan (recoveries) charge-offs to average loans outstanding of (0.03)%, compared to 0.04% in Q1 2017, and (0.01)% in Q2 2016
- Tangible common equity ratio of 9.5% and tangible book value per share, net of tax, of \$16.71, compared to 9.4% and \$15.86, respectively, at March 31, 2017

# Quarterly Consolidated Financial Results

\$ in millions, except EPS

	Q2-17	Q1-17	Q2-16
Net Interest Income	\$ 192.7	\$ 179.3	\$ 163.7
Operating Non-Interest Income	10.5	9.9	8.6
<b>Net Operating Revenue</b>	<b>\$ 203.2</b>	<b>\$ 189.2</b>	<b>\$ 172.3</b>
Operating Non-Interest Expense	(88.0)	(88.3)	(77.8)
<b>Operating Pre-Provision Net Revenue</b>	<b>\$ 115.2</b>	<b>\$ 100.9</b>	<b>\$ 94.5</b>
Provision for Credit Losses	(3.0)	(4.3)	(2.5)
(Losses) Gains on OREO and Other Assets	(0.2)	0.5	(0.4)
Acquisition / Restructure Expense	—	—	(3.7)
Other	(0.1)	0.7	—
<b>Pre-tax Income</b>	<b>\$ 111.9</b>	<b>\$ 97.8</b>	<b>\$ 87.9</b>
Income Tax	(32.0)	(24.5)	(26.3)
<b>Net Income Available to Common</b>	<b>\$ 80.0</b>	<b>\$ 73.4</b>	<b>\$ 61.6</b>
<b>Average Diluted Shares Outstanding</b>	<b>105.0</b>	<b>104.8</b>	<b>103.5</b>
<b>Earnings Per Share</b>	<b>\$ 0.76</b>	<b>\$ 0.70</b>	<b>\$ 0.60</b>

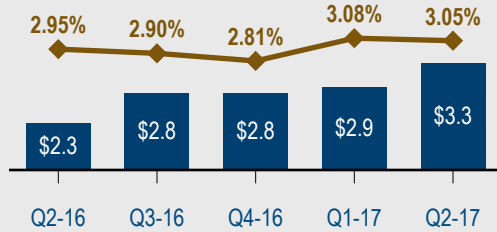
## Q2 2017 Highlights

- Net Interest Income increased primarily as a result of higher yields on loans from rising interest rates and continued loan growth
- Operating Non-Interest Expense was flat from Q1 2017
- Provision for Credit Losses commensurate with loan growth, offset by recoveries during the quarter
- Income Tax increased primarily as a result of cyclical excess tax benefits on share-based payment awards recognized in Q1 2017, not repeating in the current quarter

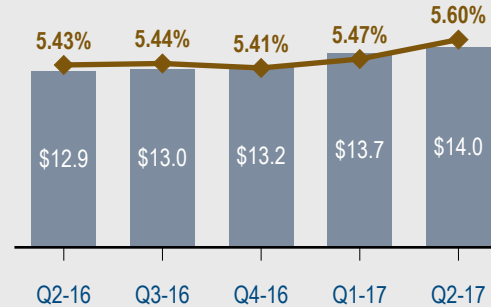
# Net Interest Drivers

\$ in billions, unless otherwise indicated

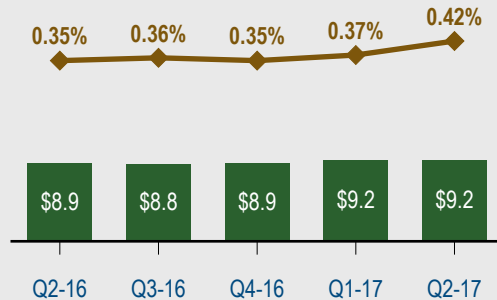
Total Investments and Yield



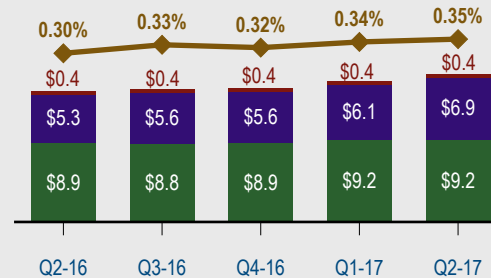
Loans and Yield



Interest Bearing Deposits and Cost of Funds



Deposits, Borrowings, and Cost of Liability Funding



## Q2 2017 Highlights

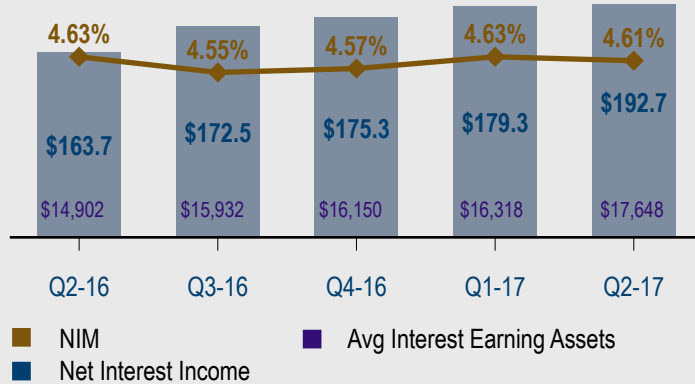
- Loan yield increased due to higher yields on C&I, CRE, and Construction loans, reflecting rising interest rates
- Cost of funds increased 5 basis points due to volume and rate mix across all interest-bearing deposit categories
- Cost of funds for total deposits and borrowings increased 1 basis point to 0.35%

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

# Net Interest Income and Accretion

\$ in millions

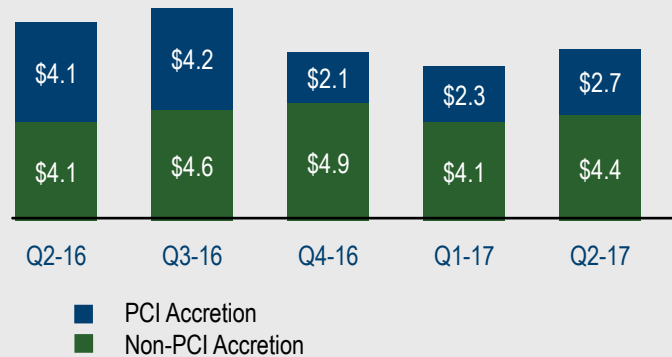
## Net Interest Income, NIM, and Average Interest-Earning Assets



## Q2 2017 Highlights

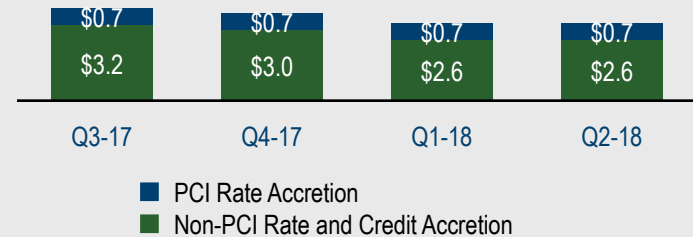
- NIM decreased 2 basis points to 4.61% quarter-over-quarter as a result of an increase in the average cash balance and a decrease in the loan-to-deposit ratio

## Acquired Loan Accretion



Ending rate and credit marks on all acquired loans at 6/30/2017 is \$58 million

## Scheduled Acquisition Loan Accretion \*

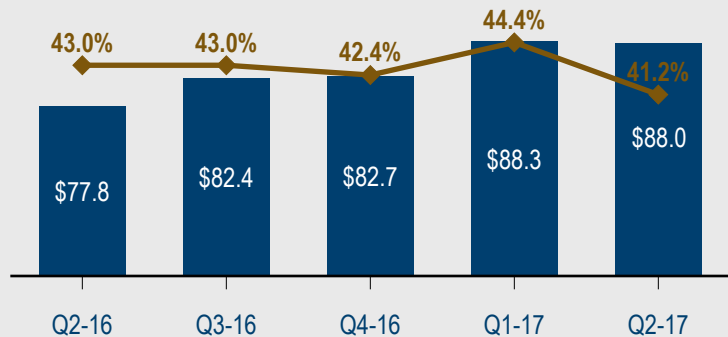


\* Amounts do not include early loan payoffs

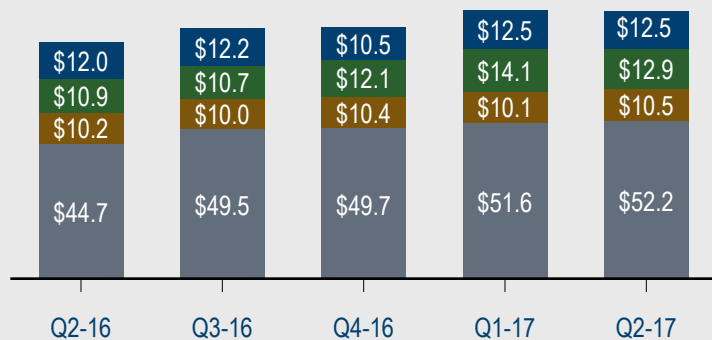
# Operating Expenses and Efficiency

\$ in millions

Operating Expenses and Efficiency Ratio



Breakdown of Operating Expenses



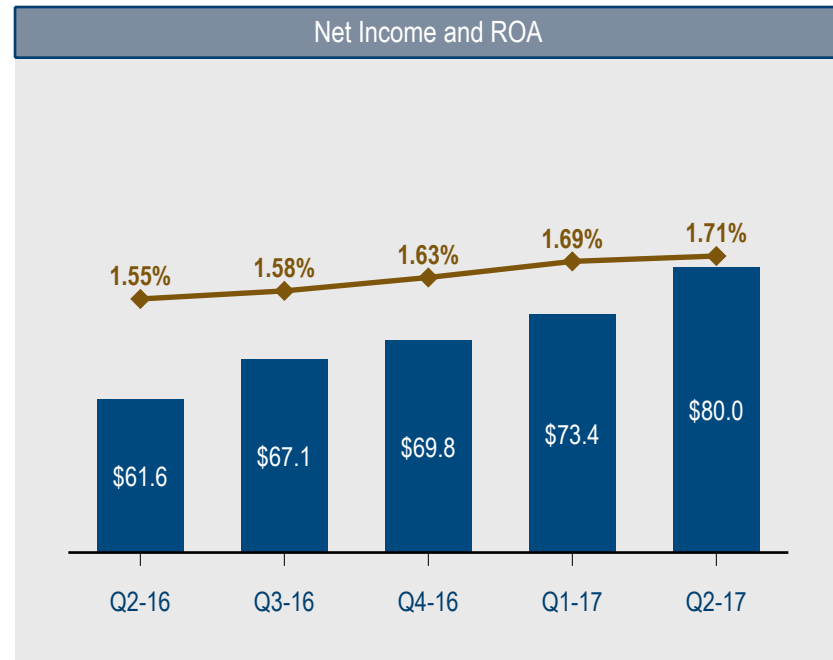
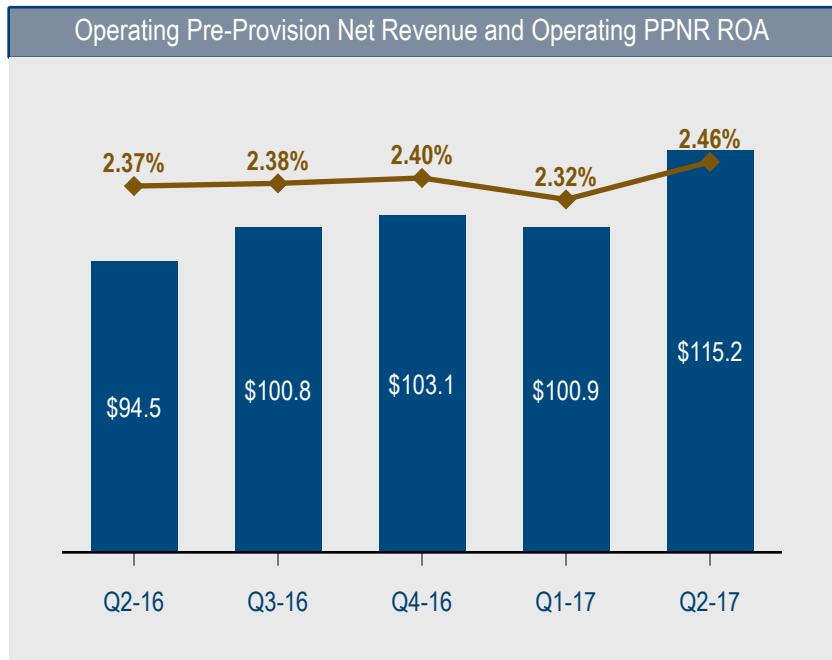
## Q2 2017 Highlights

- The operating efficiency ratio decreased from 44.4% in Q1 2017 to 41.2% as revenue increased 7% while expenses remained flat

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

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

*\$ in millions*



# Consolidated Balance Sheet

\$ in millions

	Q2-17	Q1-17	Q2-16
Investments & Cash	\$ 3,890	\$ 3,516	\$ 2,959
Loans	13,990	13,663	12,878
Allowance for Credit Losses	(132)	(128)	(122)
Other Assets	1,097	1,072	1,014
<b>Total Assets</b>	<b>\$ 18,845</b>	<b>\$ 18,123</b>	<b>\$ 16,729</b>
Deposits	\$ 16,031	\$ 15,356	\$ 14,201
Borrowings	408	403	421
Other Liabilities	347	395	311
<b>Total Liabilities</b>	<b>\$ 16,786</b>	<b>\$ 16,154</b>	<b>\$ 14,933</b>
Shareholders' Equity	2,059	1,969	1,796
<b>Total Liabilities and Equity</b>	<b>\$ 18,845</b>	<b>\$ 18,123</b>	<b>\$ 16,729</b>
<b>Tangible Book Value Per Share</b>	<b>\$ 16.71</b>	<b>\$ 15.86</b>	<b>\$ 14.25</b>

## Q2 2017 Highlights

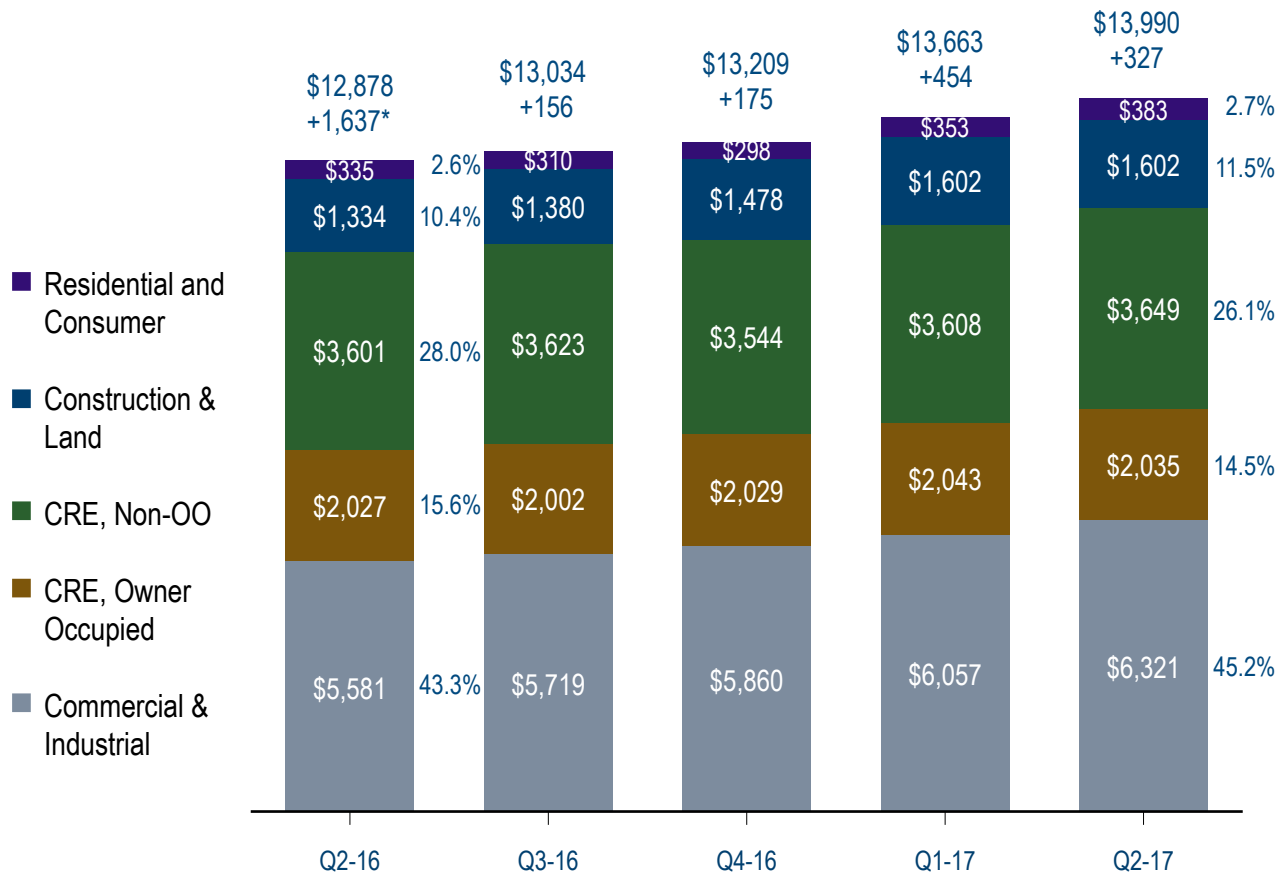
- Loans increased 2.4% over prior quarter and 8.7% over prior year
- Deposits increased 4.4% over prior quarter and 12.9% over prior year
- Loan to Deposit Ratio of 87.3%, compared to 89.0% in prior quarter and 90.7% in prior year
- Shareholders' Equity increased primarily as a function of Net Income
- Tangible Book Value/Share increased 5.4% over prior quarter and 17.3% over prior year



# Loan Growth and Portfolio Composition

\$ in millions

## \$1.11 Billion Year Over Year Growth



### Q2 2017 Highlights

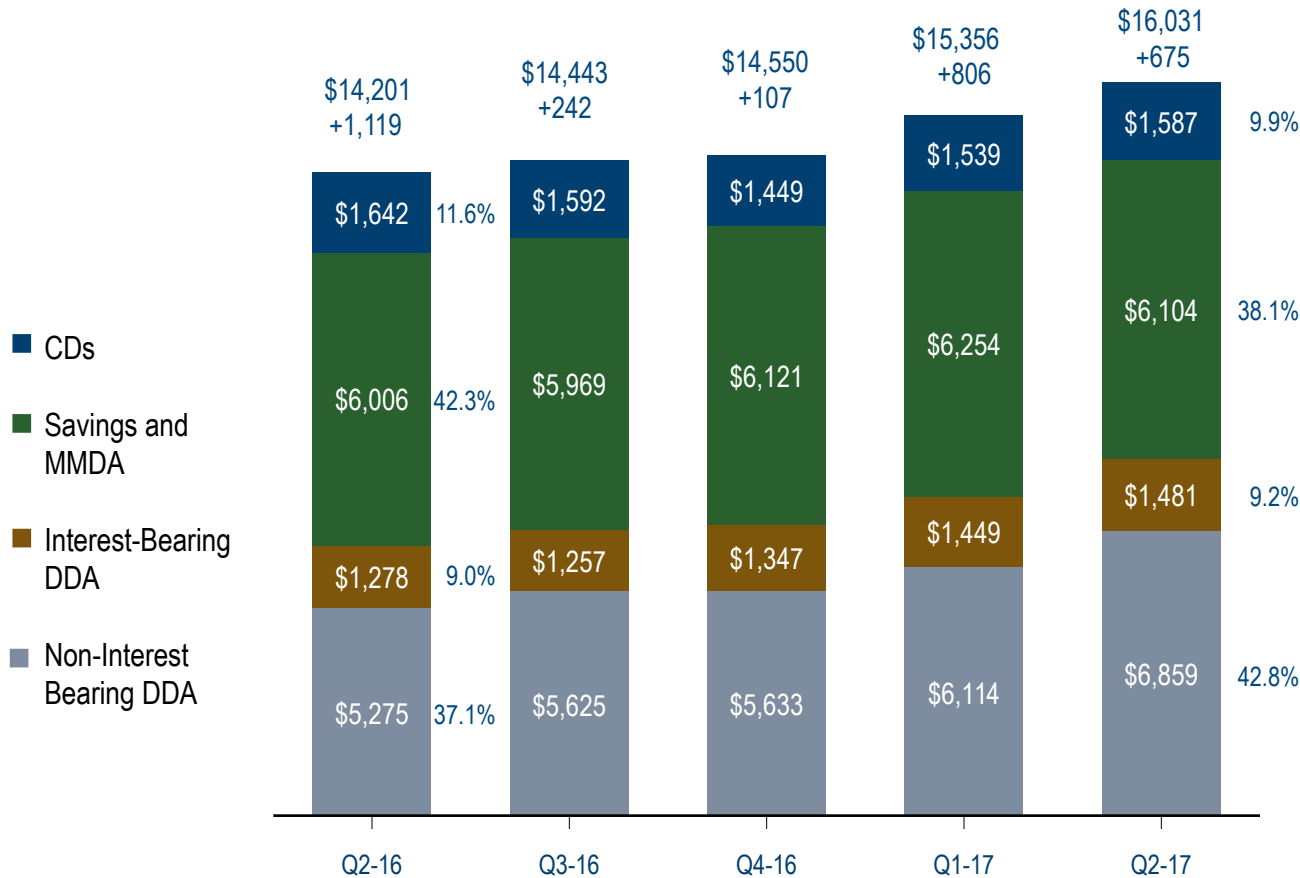
- Quarter-over-quarter loan growth driven by:
  - C&I \$264 million
  - CRE, Non-OO \$41 million
  - Residential \$30 million
  
- Year-over-year loan growth driven by:
  - C&I \$740 million
  - Construction & Land \$268 million

\* Increase in loans includes \$1.28 billion from the acquisition of GE's hotel franchise finance loan portfolio on April 20, 2016.

# Deposit Growth and Composition

\$ in millions

## \$1.83 Billion Year Over Year Growth

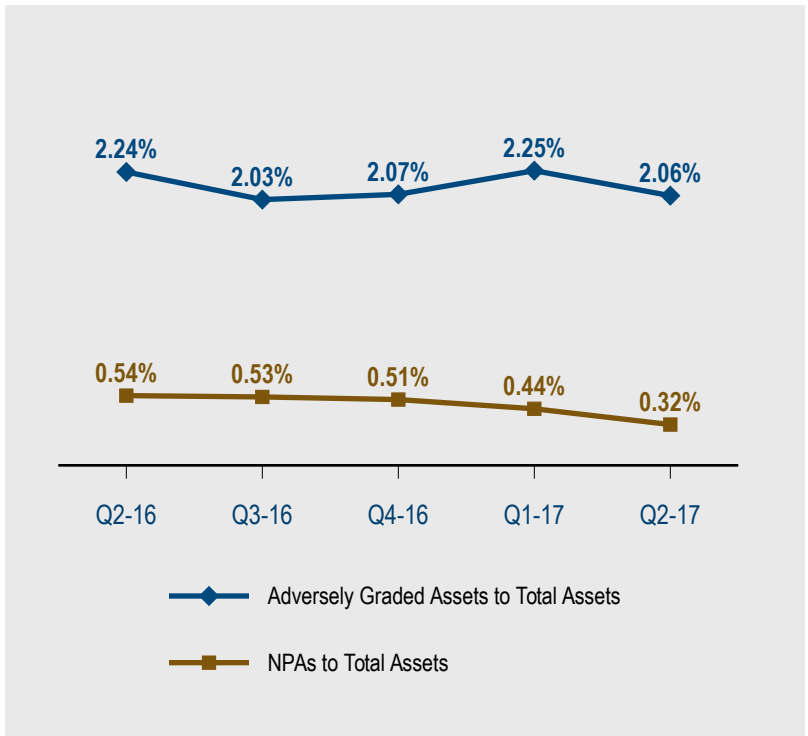
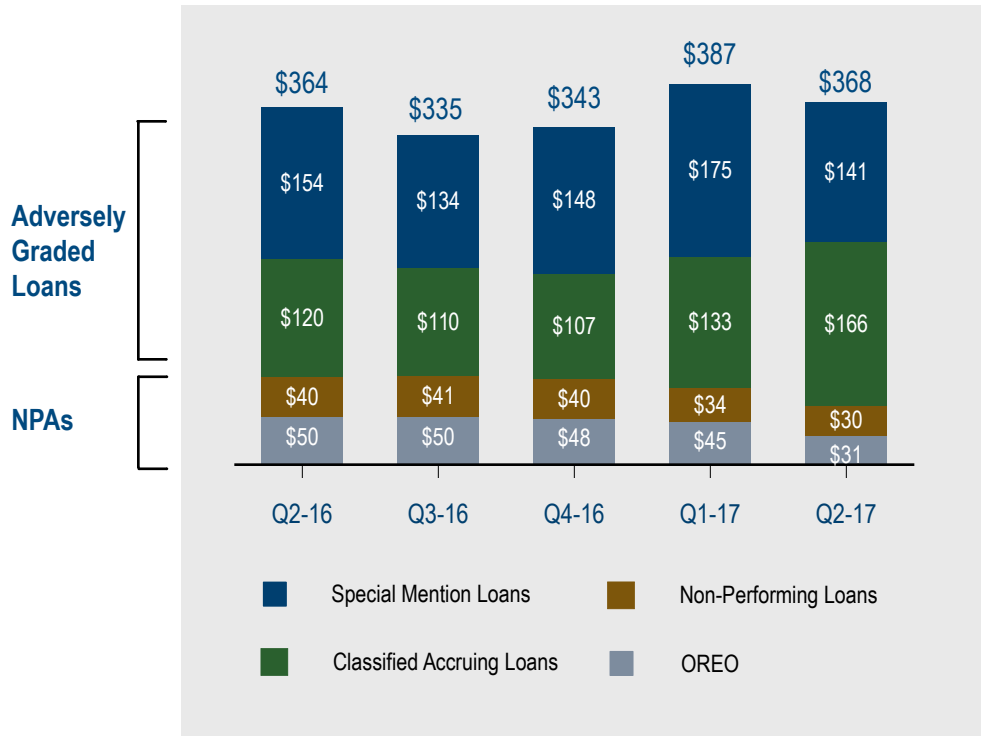


### Q2 2017 Highlights

- Quarter-over-quarter deposit growth driven by:
  - Non-Interest bearing DDA of \$745 million
  - CDs of \$48 million
  - Interest Bearing DDA of \$32 million
  - Offset by Savings and MMDA decrease of \$150 million
  
- Year-over-year deposit growth driven by:
  - Non-Interest bearing DDA growth of \$1.58 billion
  - Interest Bearing DDA of \$203 million
  - Savings and MMDA of \$98 million
  - Offset by CDs decrease of \$55 million

# Adversely Graded Loans and Non-Performing Assets \*

\$ in millions



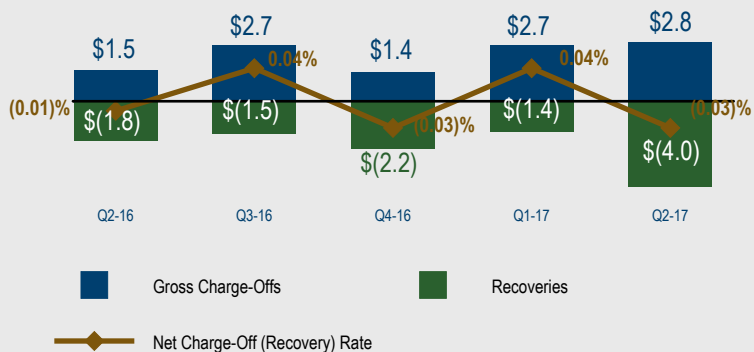
Accruing TDRs total \$48 million as of 6/30/2017

\* Amounts are net of total PCI credit and interest rate discounts of \$24 million as of 6/30/2017

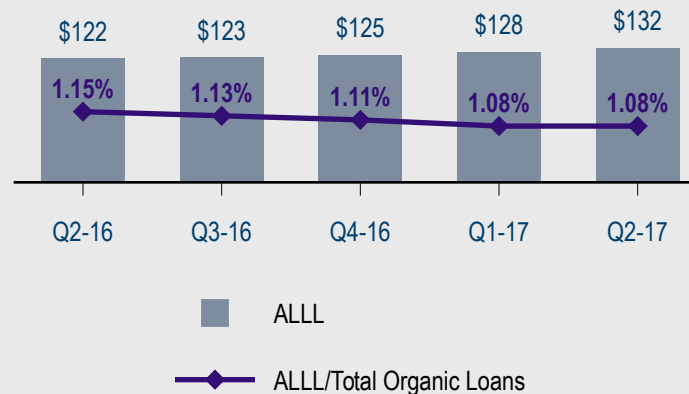
# Charge-Offs, Recoveries, ALLL, and Provision

\$ in millions

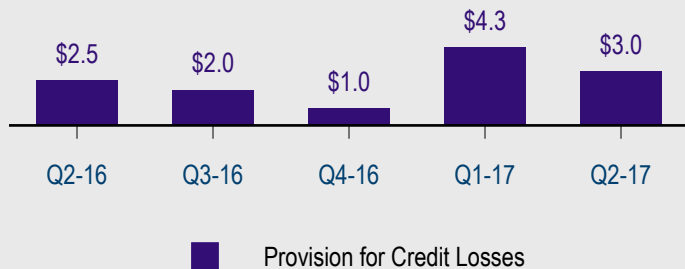
### Gross Charge-Offs, Recoveries and Rate



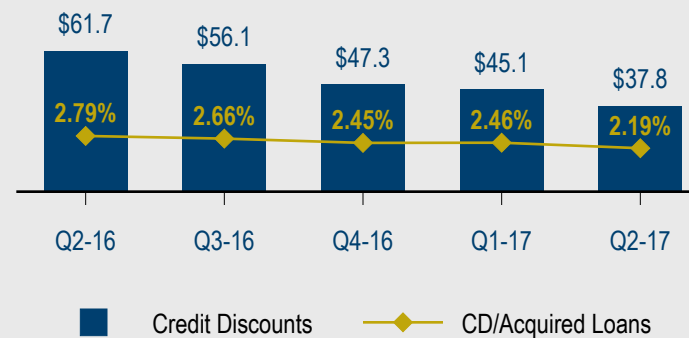
### ALLL and ALLL to Organic Loans Ratio



### Provision for Credit Losses

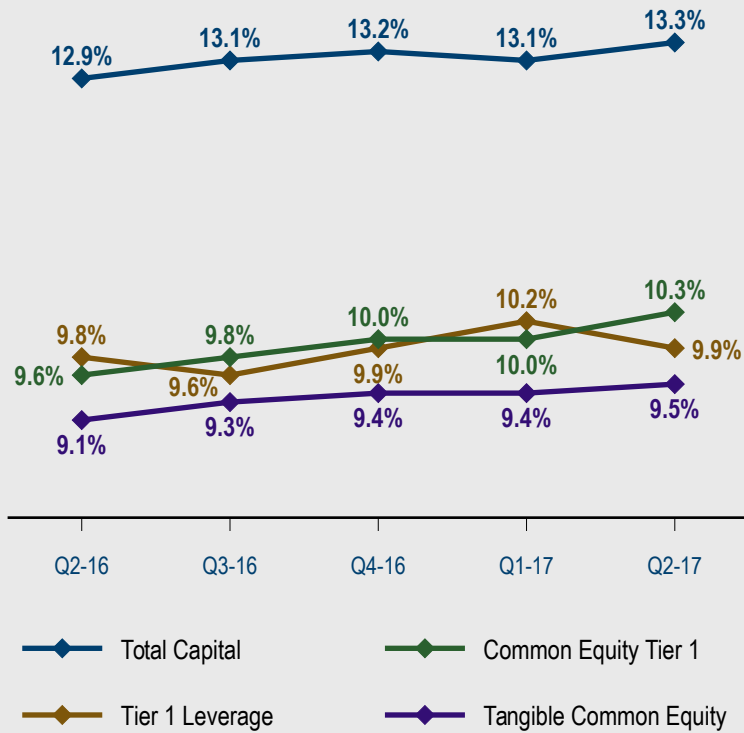


### Credit Discounts (CD) and CD to Acquired Loans Ratio

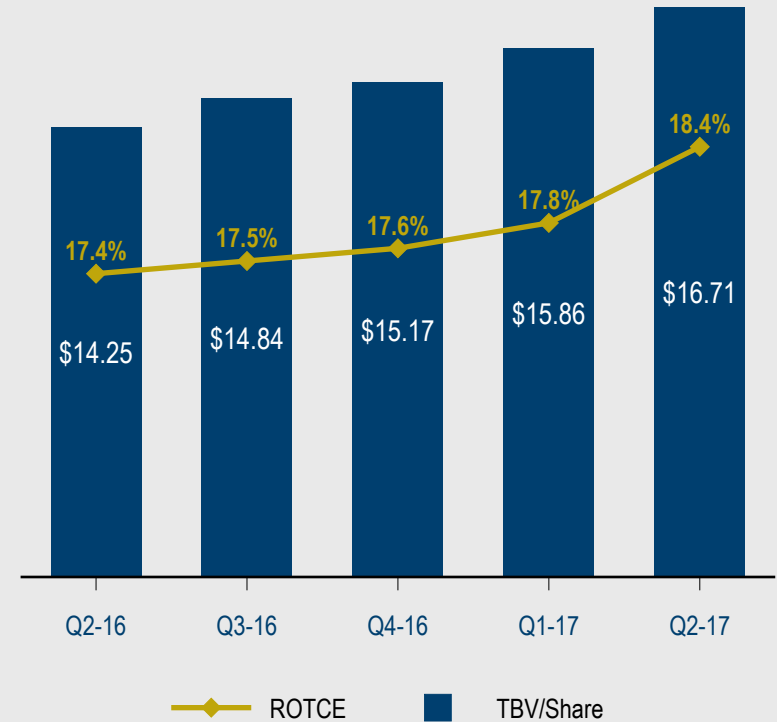


# Capital

## Capital Ratios



## ROTCE and TBV/Share



# Management Outlook

- Financial Position
- Revenue
- Expense
- Asset Quality



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# Questions & Answers

# Forward-Looking Statements

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