



Western Alliance  
Bancorporation

# Earnings Call 3rd Quarter 2017

October 20, 2017

# Financial Highlights

## Q3 2017 Highlights

- Net income of \$82.9 million (\$0.79 per share), compared to \$80.0 million (\$0.76 per share) for Q2 2017, and \$67.1 million (\$0.64 per share) for Q3 2016, inclusive of \$0.02 in acquisition / restructure expense
- Net interest margin of 4.65%, compared to 4.61% in Q2 2017, and 4.55% in Q3 2016
- Operating efficiency ratio of 40.0%, compared to 41.2% in Q2 2017, and 43.0% in Q3 2016
- Total loans of \$14.52 billion, up \$532 million from prior quarter, and up \$1.49 billion from Q3 2016
- Total deposits of \$16.90 billion, up \$874 million from prior quarter, and up \$2.46 billion from Q3 2016
- Nonperforming assets to total assets of 0.42%, compared to 0.32% at June 30, 2017, and 0.53% at September 30, 2016
- Net charge-offs (recoveries) to average loans outstanding of 0.01%, compared to (0.03)% in Q2 2017, and 0.04% in Q3 2016
- Tangible common equity ratio of 9.4% and tangible book value per share, net of tax, of \$17.53, compared to 9.5% and \$16.71, respectively, at June 30, 2017

# Quarterly Consolidated Financial Results

\$ in millions, except EPS

|  | Q3-17           | Q2-17           | Q3-16           |
|--|-----------------|-----------------|-----------------|
| Net Interest Income                        | \$ 201.6        | \$ 192.7        | \$ 172.5        |
| Operating Non-Interest Income              | 9.9             | 10.5            | 10.7            |
| <b>Net Operating Revenue</b>               | <b>\$ 211.5</b> | <b>\$ 203.2</b> | <b>\$ 183.2</b> |
| Operating Non-Interest Expense             | (88.8)          | (88.0)          | (82.4)          |
| <b>Operating Pre-Provision Net Revenue</b> | <b>\$ 122.7</b> | <b>\$ 115.2</b> | <b>\$ 100.8</b> |
| Provision for Credit Losses                | (5.0)           | (3.0)           | (2.0)           |
| (Losses) Gains on OREO and Other Assets    | (0.3)           | (0.2)           | 0.1             |
| Acquisition / Restructure Expense          | —               | —               | (2.7)           |
| Other                                      | 0.4             | (0.1)           | —               |
| <b>Pre-tax Income</b>                      | <b>\$ 117.8</b> | <b>\$ 111.9</b> | <b>\$ 96.2</b>  |
| Income Tax                                 | (34.9)          | (32.0)          | (29.2)          |
| <b>Net Income</b>                          | <b>\$ 82.9</b>  | <b>\$ 80.0</b>  | <b>\$ 67.1</b>  |
| <b>Average Diluted Shares Outstanding</b>  | <b>104.9</b>    | <b>105.0</b>    | <b>104.6</b>    |
| <b>Earnings Per Share</b>                  | <b>\$ 0.79</b>  | <b>\$ 0.76</b>  | <b>\$ 0.64</b>  |

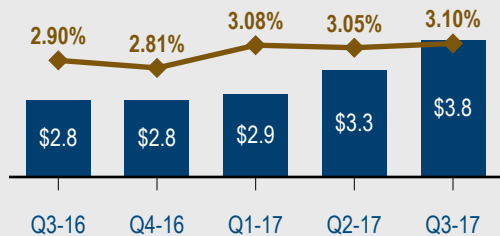
## Q3 2017 Highlights

- 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 relatively flat from Q2 2017
- Provision for Credit Losses commensurate with loan growth and net charge-offs during the quarter
- Income Tax increased primarily as a result of increased income in the quarter

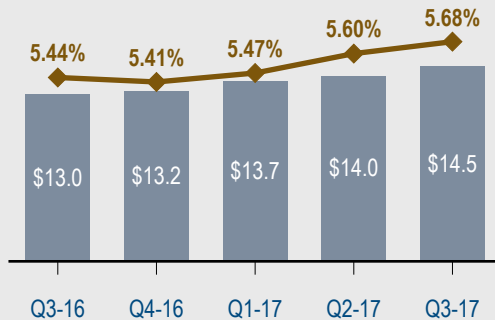
# Net Interest Drivers

\$ in billions, unless otherwise indicated

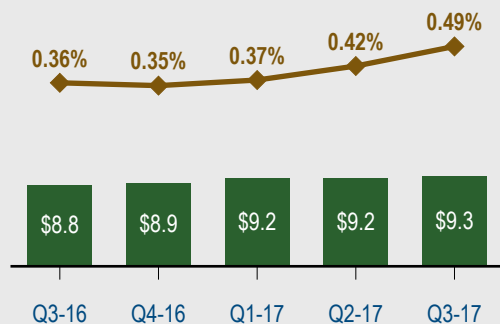
### Total Investments and Yield



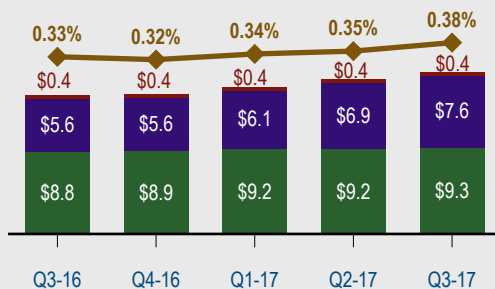
### Loans and Yield



### Interest Bearing Deposits and Cost of Funds



### Deposits, Borrowings, and Cost of Liability Funding



## Q3 2017 Highlights

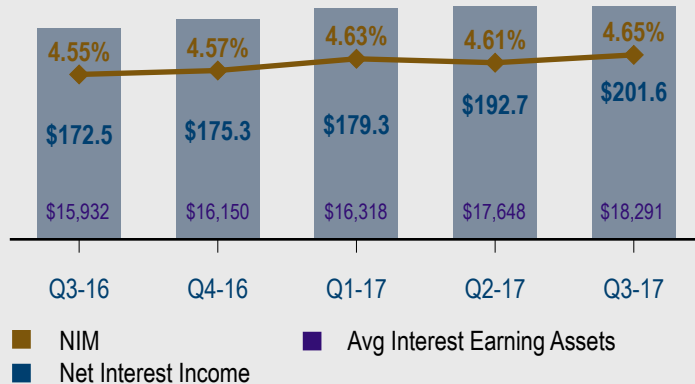
- Loan yields increased, reflecting rising interest rates
- Cost of funds increased 7 basis points due to volume and rate mix across all interest-bearing deposit categories
- Cost of funds for total deposits and borrowings increased 3 basis points to 0.38%

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

# Net Interest Income and Accretion

\$ in millions

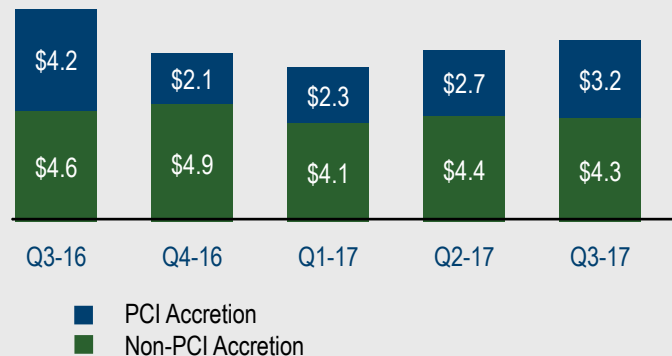
## Net Interest Income, NIM, and Average Interest-Earning Assets



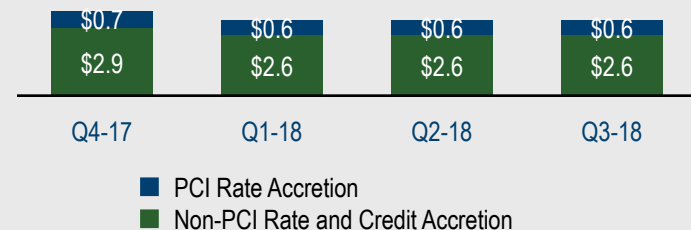
## Q3 2017 Highlights

- NIM increased 4 basis points to 4.65% quarter-over-quarter as a result of an increase in yields from loans and investment securities, as well as an increase in acquired loan accretion

## Acquired Loan Accretion



## Scheduled Acquisition Loan Accretion \*



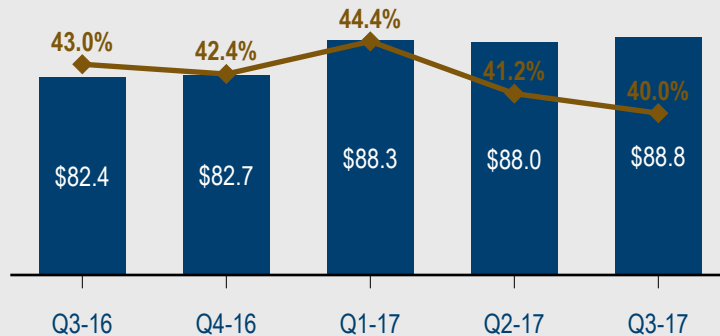
Ending rate and credit marks on all acquired loans at 9/30/2017 is \$50 million

\* Amounts do not include early loan payoffs

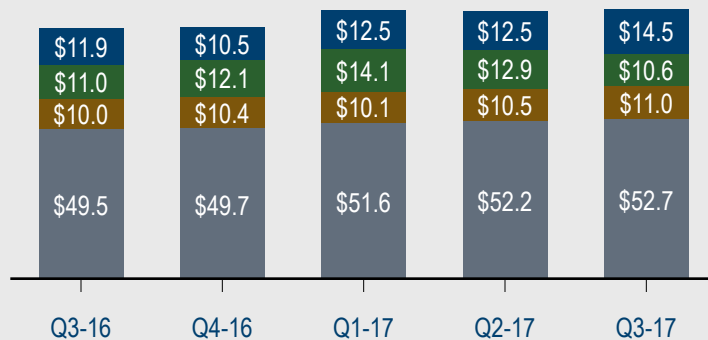
# Operating Expenses and Efficiency

\$ in millions

Operating Expenses and Efficiency Ratio



Breakdown of Operating Expenses



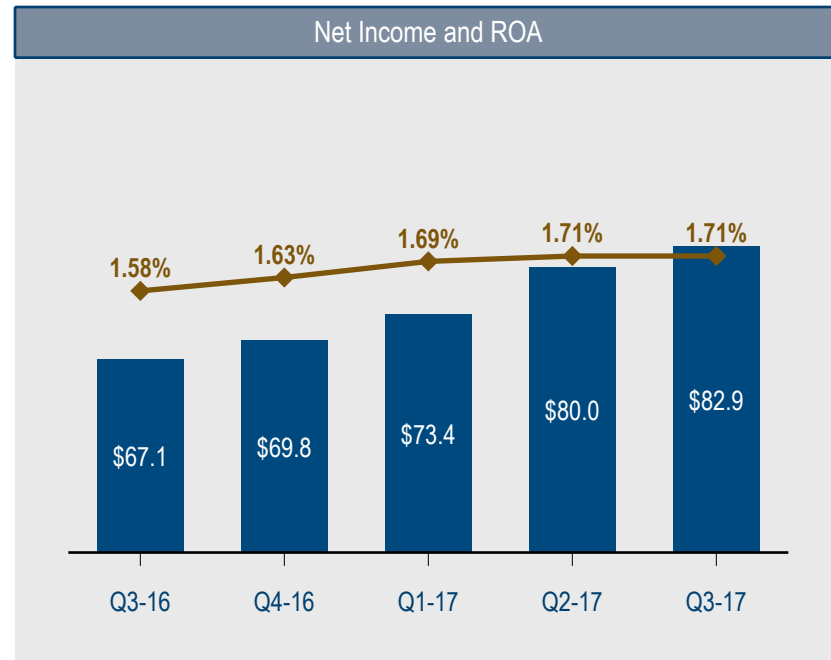
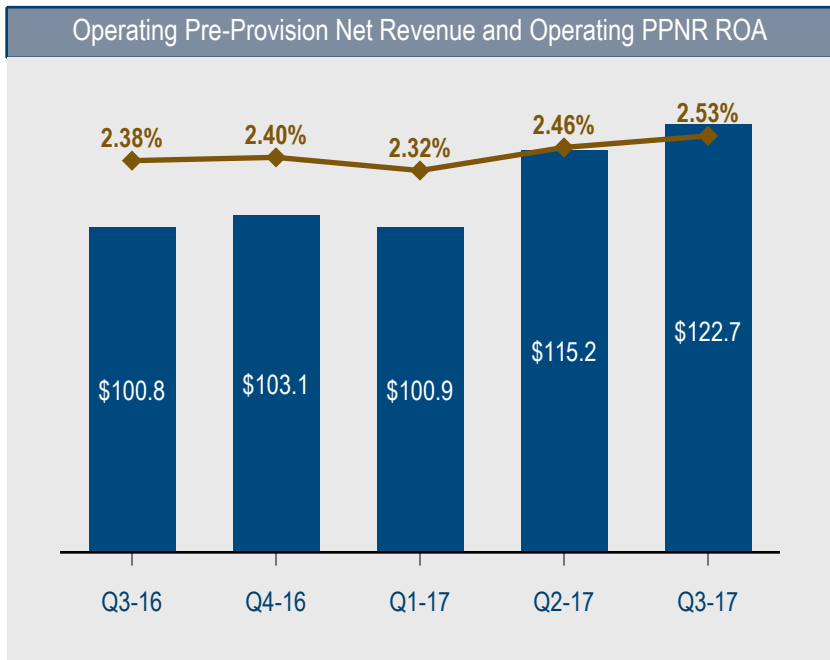
## Q3 2017 Highlights

- The operating efficiency ratio decreased from 41.2% in Q2 2017 to 40.0%, as revenue increased 4% while expenses increased modestly
- Professional Fees decreased due to vesting of Board of Director restricted stock awards at the end of Q2 2017
- Other Expense increased due to an increase in charitable contributions and deposit expenses

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

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

*\$ in millions*



# Consolidated Balance Sheet

\$ in millions

|                                      | Q3-17            | Q2-17            | Q3-16            |
|--------------------------------------|------------------|------------------|------------------|
| Investments & Cash                   | \$ 4,424         | \$ 3,890         | \$ 3,134         |
| Loans                                | 14,522           | 13,990           | 13,034           |
| Allowance for Credit Losses          | (136)            | (132)            | (123)            |
| Other Assets                         | 1,112            | 1,097            | 998              |
| <b>Total Assets</b>                  | <b>\$ 19,922</b> | <b>\$ 18,845</b> | <b>\$ 17,043</b> |
| Deposits                             | \$ 16,905        | \$ 16,031        | \$ 14,443        |
| Borrowings                           | 399              | 408              | 427              |
| Other Liabilities                    | 472              | 347              | 316              |
| <b>Total Liabilities</b>             | <b>\$ 17,776</b> | <b>\$ 16,786</b> | <b>\$ 15,186</b> |
| Shareholders' Equity                 | 2,146            | 2,059            | 1,857            |
| <b>Total Liabilities and Equity</b>  | <b>\$ 19,922</b> | <b>\$ 18,845</b> | <b>\$ 17,043</b> |
| <b>Tangible Book Value Per Share</b> | <b>\$ 17.53</b>  | <b>\$ 16.71</b>  | <b>\$ 14.84</b>  |

## Q3 2017 Highlights

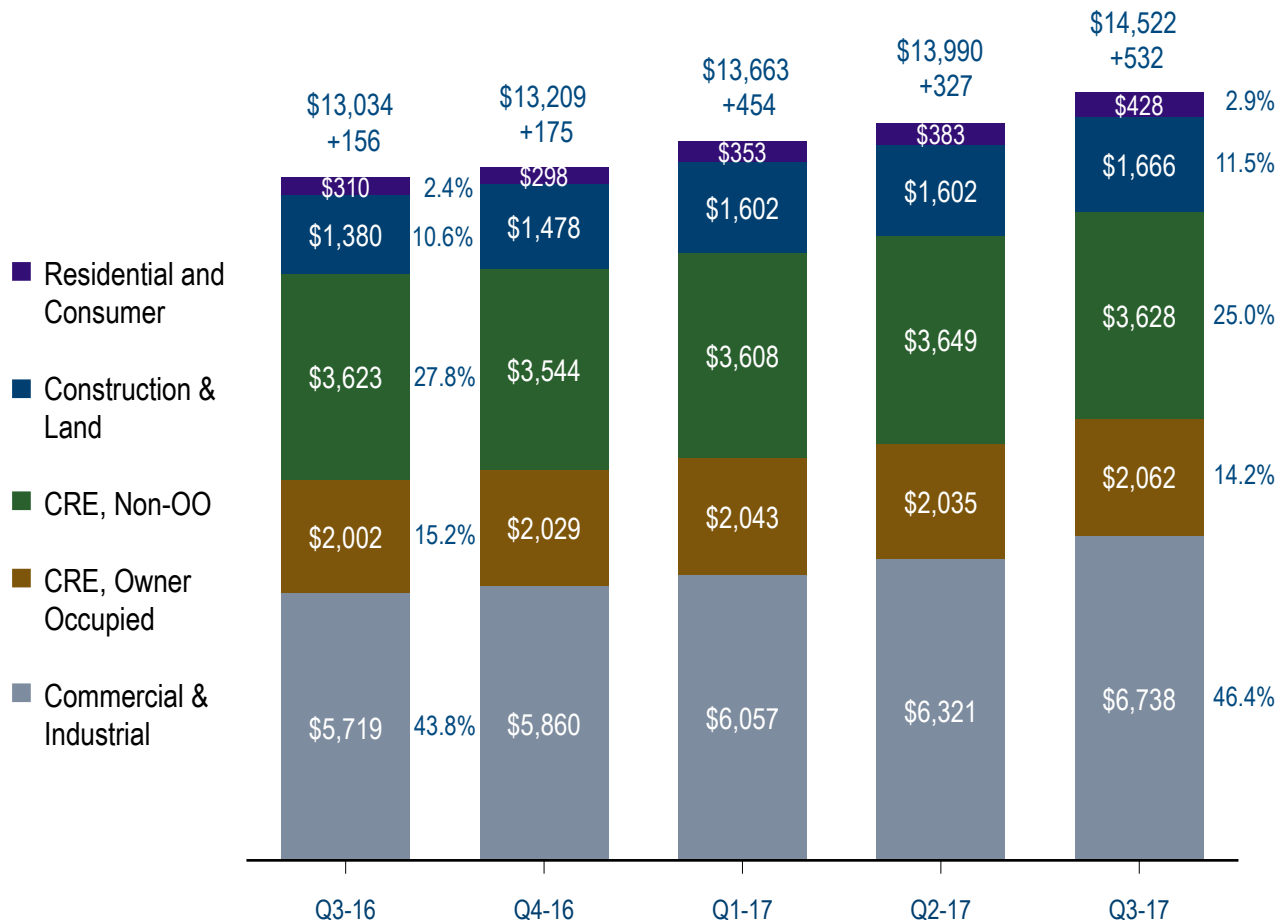
- Loans increased 3.8% over prior quarter and 11.4% over prior year
- Deposits increased 5.5% over prior quarter and 17.0% over prior year
- Loan to Deposit Ratio of 85.9%, compared to 87.3% in prior quarter and 90.2% in prior year
- Shareholders' Equity increased primarily as a function of Net Income
- Tangible Book Value/Share increased 4.9% over prior quarter and 18.1% over prior year



# Loan Growth and Portfolio Composition

\$ in millions

## \$1.49 Billion Year Over Year Growth



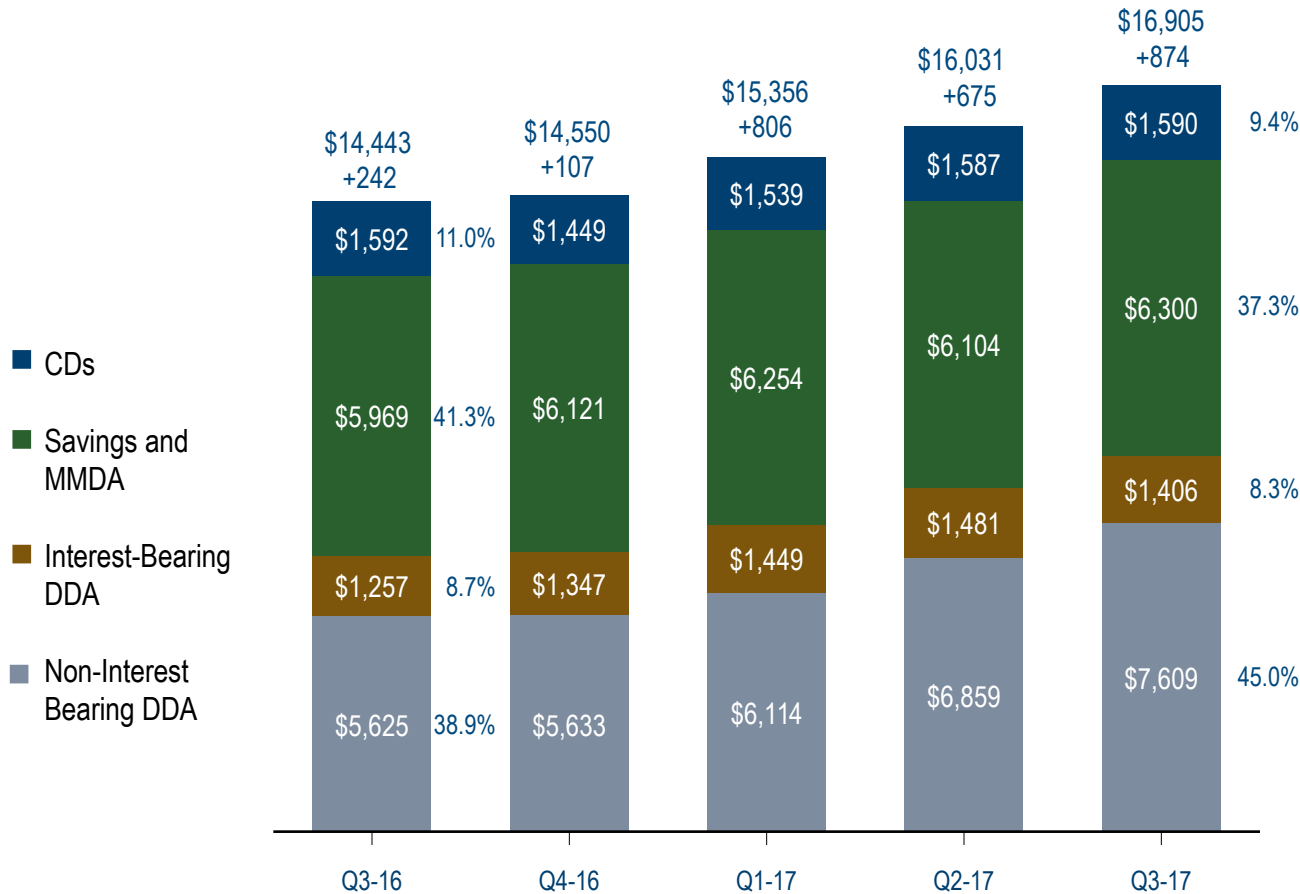
### Q3 2017 Highlights

- Quarter-over-quarter loan growth driven by:
  - C&I \$417 million
  - Construction & Land \$64 million
  - Residential \$45 million
  
- Year-over-year loan growth driven by:
  - C&I \$1.02 billion
  - Construction & Land \$286 million
  - Residential \$118 million

# Deposit Growth and Composition

\$ in millions

## \$2.46 Billion Year Over Year Growth

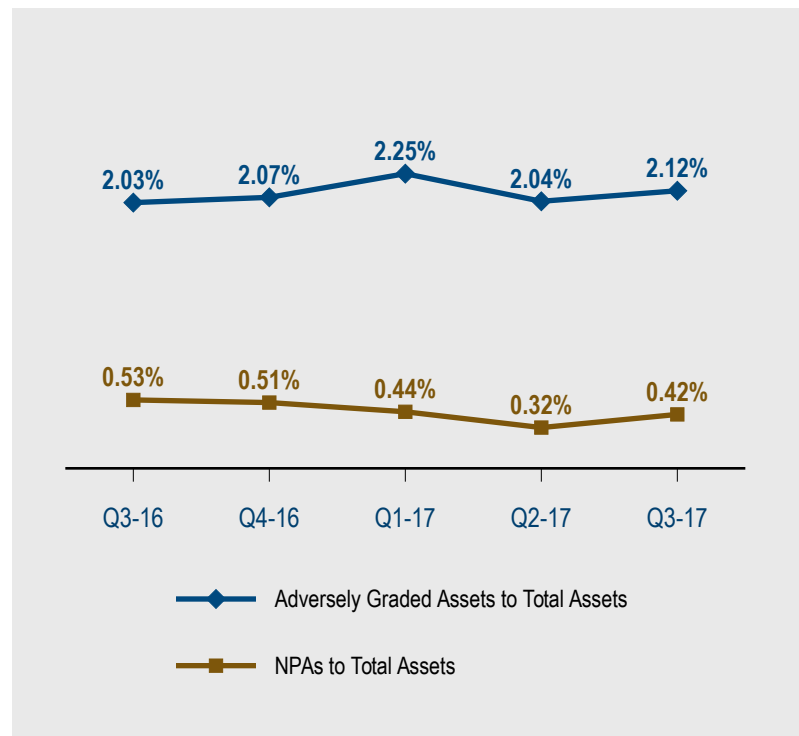
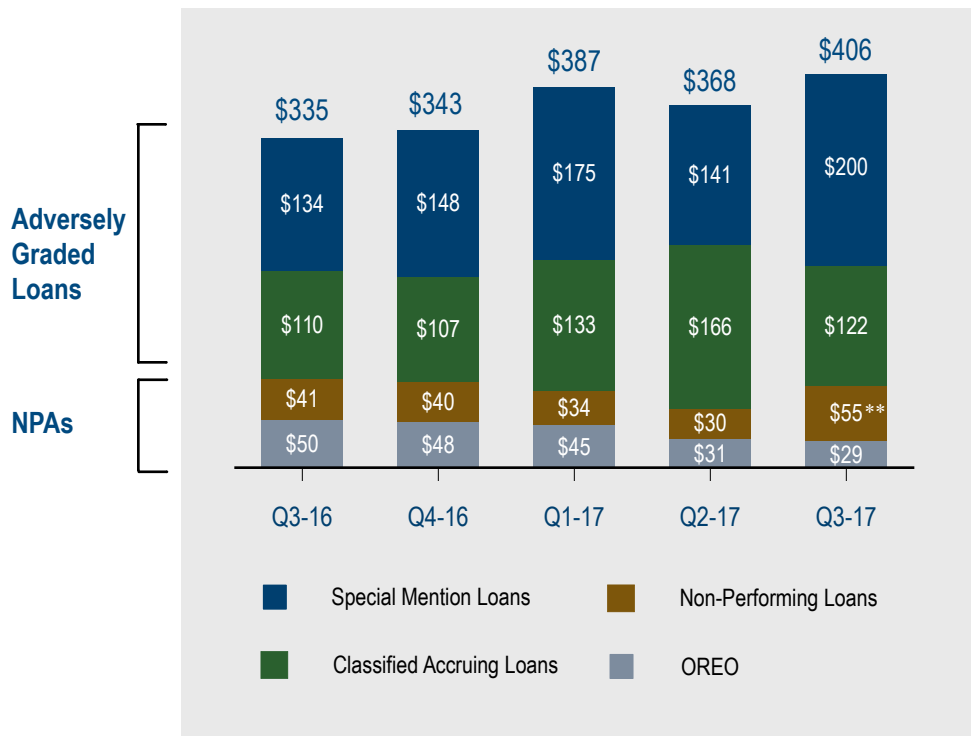


### Q3 2017 Highlights

- Quarter-over-quarter deposit growth driven by:
  - Non-Interest bearing DDA of \$750 million
  - Savings and MMDA of \$196 million
  - Offset by decrease in Interest Bearing DDA of \$75 million
- Year-over-year deposit growth driven by:
  - Non-Interest bearing DDA growth of \$1.98 billion
  - Savings and MMDA of \$331 million
  - Interest Bearing DDA of \$149 million

# Adversely Graded Loans and Non-Performing Assets \*

\$ in millions



Accruing TDRs total \$41 million as of 9/30/2017

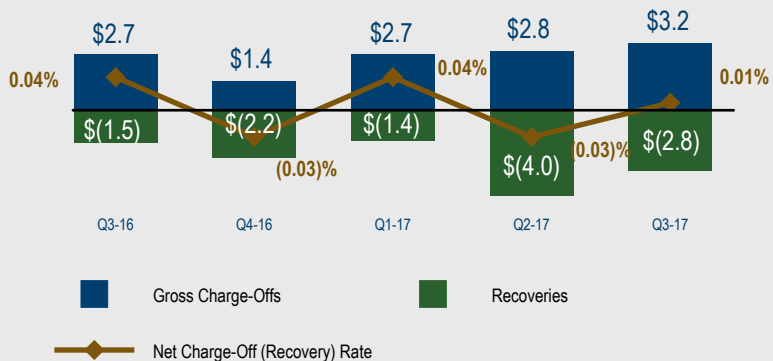
\* Amounts are net of total PCI credit and interest rate discounts of \$19 million as of 9/30/2017

\*\* Non-Performing loans as of Q3-17 includes a \$23 million loan that was sold subsequent to quarter-end, for which the Company took a charge-off of \$1.4 million during Q3-17

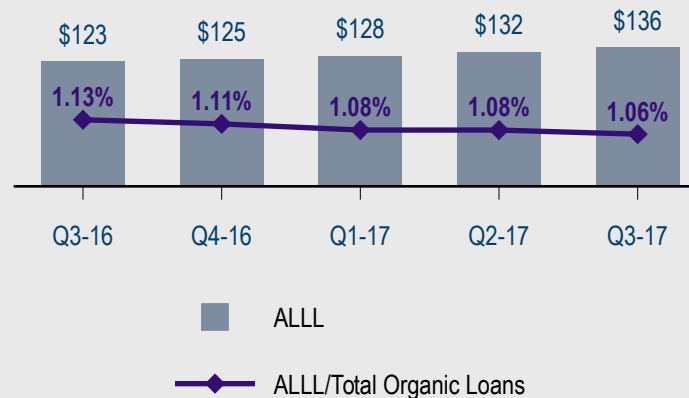
# Charge-Offs, Recoveries, ALLL, and Provision

*\$ in millions*

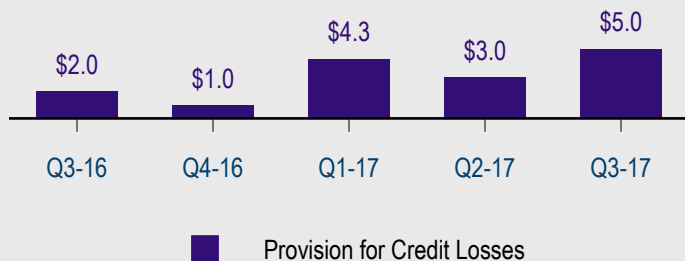
### Gross Charge-Offs, Recoveries and Rate



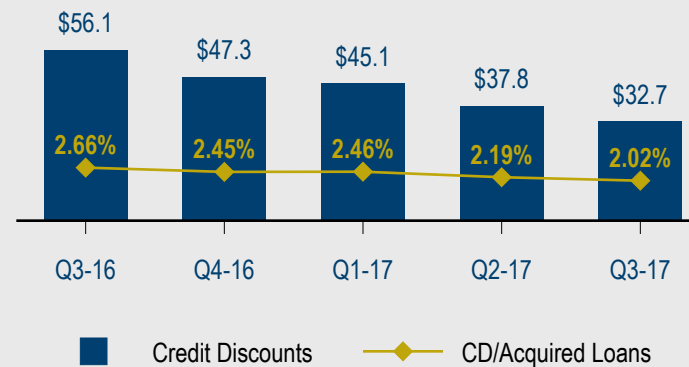
### ALLL and ALLL to Organic Loans Ratio



### Provision for Credit Losses

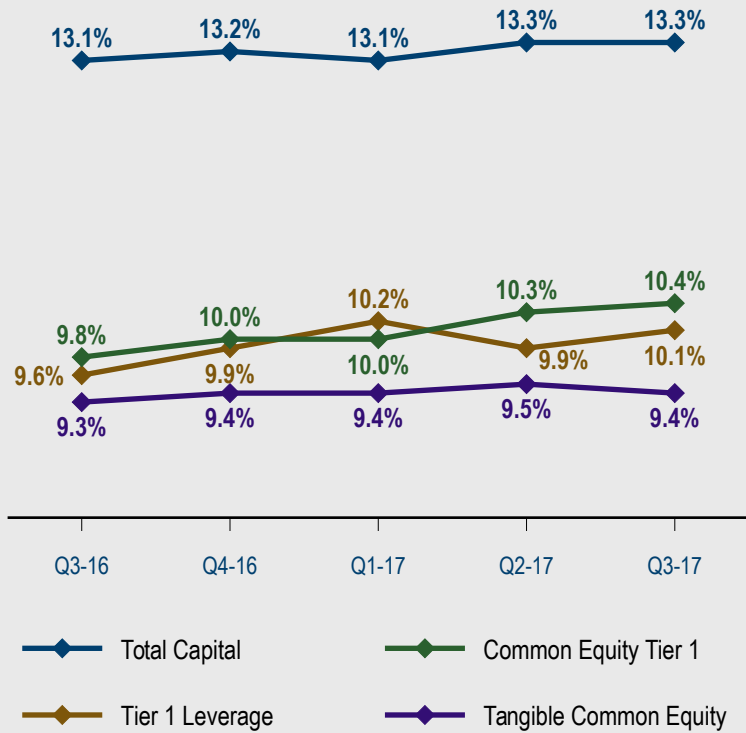


### Credit Discounts (CD) and CD to Acquired Loans Ratio

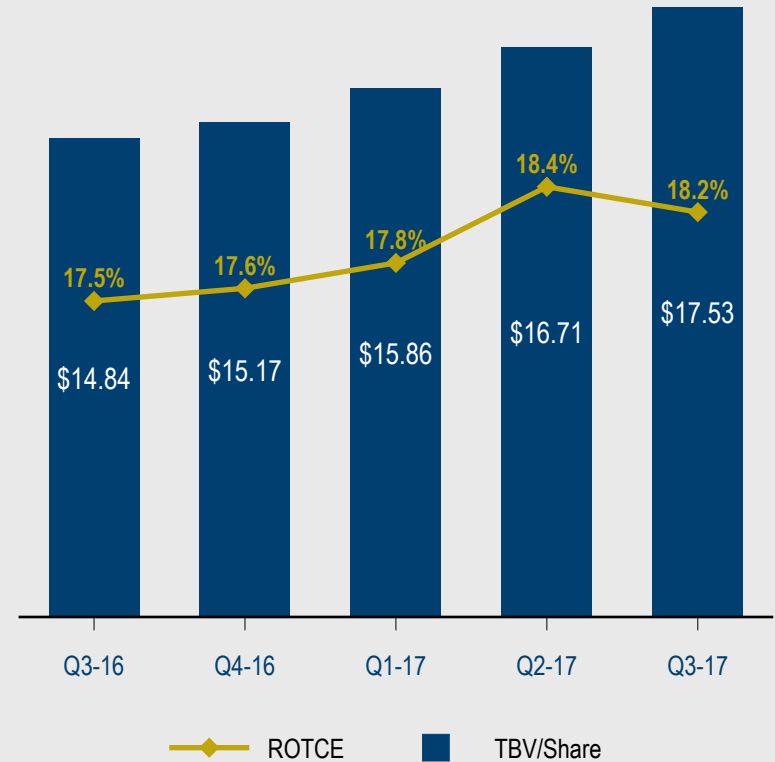


# Capital

## Capital Ratios



## ROTCE and TBV/Share



# Management Outlook

- Financial Position
- Revenue
- Expenses
- Asset Quality



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# Questions & Answers

# Forward-Looking Statements

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