Western Alliance Bank®

20

Annual Report 2020

Everything our clients expect from Western Alliance – seamless decision-making, responsiveness, true expertise and a focus on their needs – was exactly what we continued to deliver.

Kenneth A. Vecchione
President and Chief Executive Officer

Kenneth A. Vecchione
President and Chief
Executive Officer

Excellence

In Turbulent Times

Dear Fellow Shareholders,

Our country and our company have come through an exceptionally difficult year. Now, in spring 2021, we're acting on an increasingly positive outlook as vaccine availability and adoption give all of us the footing to move forward in an economy poised for greater recovery.

COVID-19 led to a cascade of unexpected struggles for people, for communities and certainly for businesses. For Western Alliance Bank, this created a challenging and complex environment, but our remarkable people more than met the moment. With grit and a defining entrepreneurial spirit, our people at every level supported clients and each other to deliver extraordinary results.

Western Alliance successfully sustained results through our nimble national commercial bank strategy in which we allocate capital and liquidity to business units and markets with strong asset quality to deliver robust returns in various economic cycles. This strategy distinguishes us from our bank peers and uniquely positions us in the industry to pivot growth between regional commercial segments and our national business lines.

In 2020, Western Alliance Bank broke many of our own records for balance sheet growth, net interest income and earnings.

Because the core of our business model is a relationship with customers, our in-depth knowledge helped us help them – from round-the-clock efforts to secure Paycheck Protection Program (PPP) loans to working with clients to manage through a challenging business climate.

Our longstanding conservative credit approach, combined with our overarching strategy to align with strong borrowers nationwide, provided us the strength and flexibility we needed to navigate economic volatility and grow our balance sheet and income, while simultaneously managing asset quality.

All of this gave us an even greater ability to continue to expand and diversify our business through a meaningful acquisition in 2021: the $1 billion transaction to acquire AmeriHome Mortgage. This leading national business-to-business mortgage acquirer and servicer extends our national commercial bank strategy in support of our solid growth trajectory.

Record-Breaking Results in 2020

This past year represented our eleventh consecutive year of rising earnings. In 2020, we produced record net revenues of $1.2 billion, net income of $506.6 million, and earnings per share (EPS) of $5.04, hitting a mark that is 4% greater than 2019, even as we increased the provision expense from $19.3 million in 2019 to $123.6 million in 2020. Our focus continues to be on pre-provision net revenue (PPNR) growth, which rose approximately 20% to $746.1 million, as net interest income increased $126.5 million, or 12%. At the same time, total expenses increased a modest $9.6 million. To put this in perspective, revenue expanded more than 13 times expenses, despite the many economic roadblocks of 2020.

Tangible book value per share grew 16.4% year over year to $30.90. This measure has grown nearly three times that of peer institutions over the last five years. In other key metrics, return on average assets and return on average tangible common equity were 1.61% and 17.7%, respectively. Western Alliance Bank remains one of the most profitable banks in the industry.

Overall, outstanding loan and deposit growth lifted total assets to $36.5 billion, driven by broad-based growth throughout our business lines and geographies as clients began to look toward future opportunities. The bank's ability to profitably grow deposits is both a key differentiator and a core driver of our long-term value creation.

For the full year, loans increased $4.5 billion (excluding PPP loans) or 21%, and deposits grew a record-shattering $9.1 billion, which we believe creates a durable funding foundation for ongoing loan and earnings growth as the economy continues to heal from COVID shutdowns.

$1.2b Record net revenues of $1.2 billion

13x Revenue expanded more than 13 times expenses

3x Tangible book value has grown nearly three times that of peer institutions over the last five years

$4.5b Loans increased $4.5 billion (excluding PPP loans) or 21%

$9.1b Deposits grew a record-shattering $9.1 billion

150k 150,000 employees supported by PPP loans we generated

Notably, our asset quality has continued to improve. As a percentage of total assets, classified assets were 61 basis points at year-end, which is lower than the first quarter of 2020, before the pandemic took hold. Net charge-offs stood at only 6 basis points of average loans for the year. Visibly positive credit trends, a brightening consensus economic outlook and loan growth in low-risk asset classes drove a $34.2 million release in loan loss reserves in the fourth quarter.

A Culture of Performance

While no company could have fully prepared for the upending public health crisis that shaped 2020, Western Alliance Bank clearly was ready. Our people stepped into action in the first round of PPP to help secure loans totaling $1.8 billion for 4,800 organizations and loans of $600 million for 2,200 companies in the second round. The PPP loans we generated supported 150,000 employees at these organizations.

Early on, we began a process of credit mitigation that contributed to better outcomes for clients and for the bank. Much of this hard and important work was led by our people working remotely – efforts that relied on robust technology as well as the collective strength of our entire organization working in unison to protect our borrowers by providing counsel and funding, while offering to restructure credit or temporarily deferring payments. Throughout this experience, the bond with our clients grew tighter and credit quality remained steady.

Everything our clients expect from Western Alliance – seamless decision-making, responsiveness, true expertise and a focus on their needs – was exactly what we continued to deliver. We take pride in our client-first ethos that leads to peer-leading performance in good times, but above all during the most challenging moments. Today, this culture of performance powerfully positions us to continue to maximize opportunities in 2021.

Positioning for Continued Growth

With clients across the country, Western Alliance is actively growing our national commercial bank strategy. Our high-performance specialized banking groups serve as flexible levers that help us calibrate our efforts to optimize results, no matter the economic cycle. This expanding array of national business lines enables us to answer more needs for more of our banking clients.

Most recently, Western Alliance announced the acquisition of AmeriHome Mortgage, the nation's third-largest correspondent mortgage producer. This is a unique opportunity to further diversify our business and create ongoing EPS and return on equity accretion. Acquiring this successful company continues to enhance our scalability, flexibility and consistency of profitability. Importantly, this well-run organization has been a client of our Mortgage Warehouse Lending team for more than four years and we know them well. With leadership continuity in place, AmeriHome Mortgage is poised to be a strong cultural fit.

Capital Management

As always, we continue to be focused on thoughtfully returning capital to our shareholders through share buybacks and dividends. In 2020, we repurchased 2,066,479 shares at an average price of $34.65 per share. Then, in connection to our AmeriHome acquisition in early 2021, we raised capital by issuing approximately 41% fewer shares (2.3 million shares in total) than was originally announced at $91.00 per share.

Doing More for Our Communities in 2020

As much as our teams focused on supporting clients in 2020, we also amplified support for our communities, which faced widening need during this trying year. Our company donated $2.2 million to high-impact local organizations in response to COVID-19, targeting PPE for first responders, help for hungry families and more. In a metric that says a great deal about the people of Western Alliance, we volunteered more than 6,000 hours to support 83 community organizations – despite stay-at-home orders, heightened family demands and concerns about well-being.

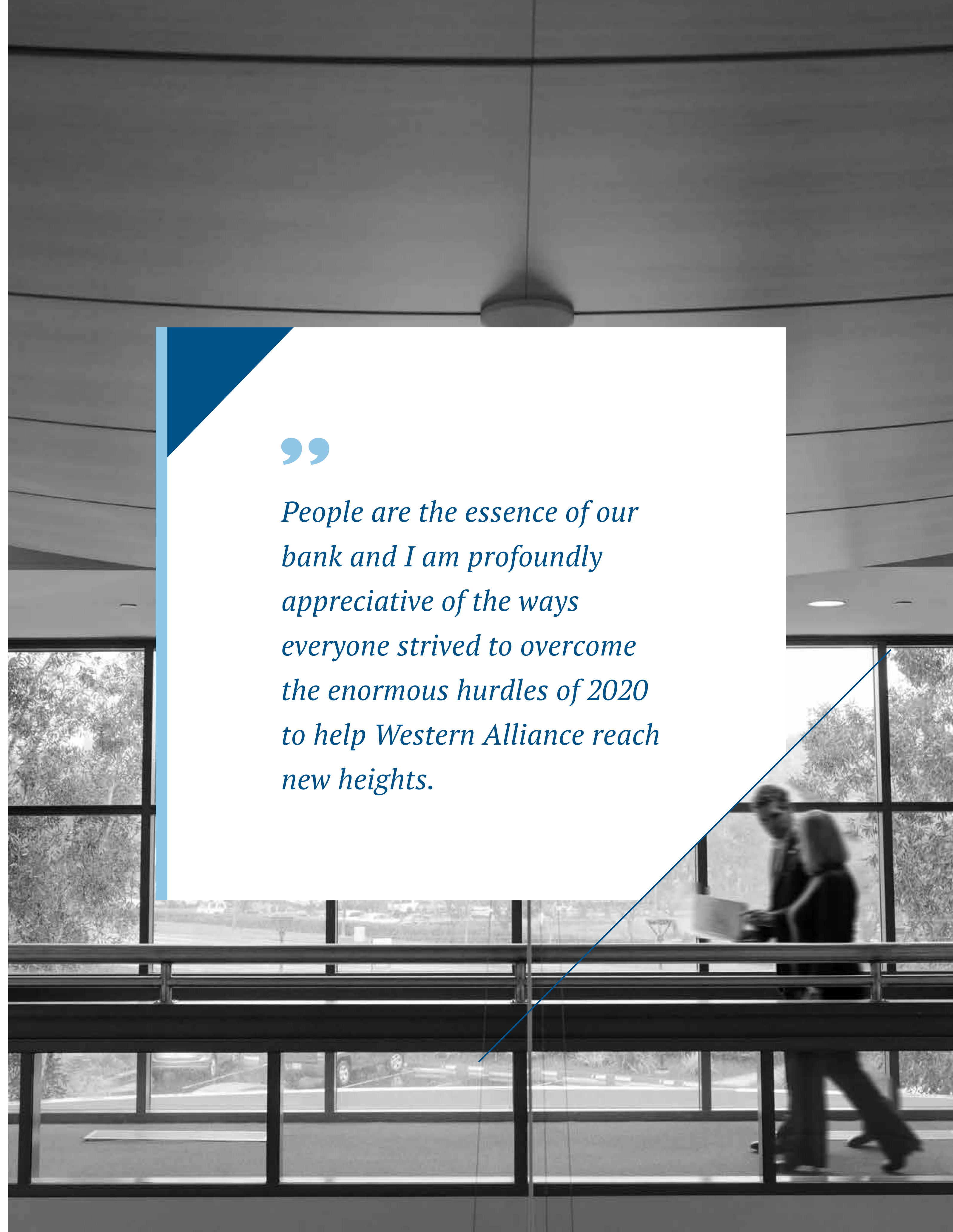
Looking Forward

As I write this letter, I'm pleased to see that our stock performance has begun to mirror our superior business performance and we now stand as a nearly $10 billion market cap company. As we look to 2021, I am optimistic about our loan and deposit growth and the continued momentum from 2020. Our expectation is that 2021 will exceed 2020 results as our company performance parallels the economic benefits of reopening from COVID-19.

Finally, our people are the essence of our bank and I am profoundly appreciative of the ways everyone strived to overcome the enormous hurdles of 2020 to help Western Alliance reach new heights. This year particularly, I am grateful for the insights and counsel of our board of directors. As always, thank you to our valued shareholders.

Kenneth A. Vecchione

Kenneth A. Vecchione
President and Chief Executive Officer



"People are the essence of our bank and I am profoundly appreciative of the ways everyone strived to overcome the enormous hurdles of 2020 to help Western Alliance reach new heights.

Caring for Our Communities in 2020

While people everywhere faced disruptions and challenges in 2020 stemming from the pandemic, low- and moderate-income communities and individuals often experienced more hardship. On behalf of our committed people across the country, Western Alliance Bank worked to respond in meaningful ways.

$2.2m

$2.2 million in donations directly to organizations in our markets that provide critical food, shelter and workforce development for low- and moderate-income individuals, as well as PPE supplies for essential workers

6,071

6,071 volunteer hours in support of 83 community organizations

Investing in key community assets that enhance quality of life for the long term, specifically:

$7.5m

$7.5 million in affordable housing in Phoenix and Tucson

$16m

$16 million for a Title I school in Northern California

$16.6m

$16.6 million in the Los Angeles Unified School District, in support of Title I schools

Robert G. Sarver
Executive Chairman

A Message

From Our Executive Chairman

Looking back over the year, I am pleased that the core strengths of Western Alliance Bank held firm in 2020. While the pandemic was something no one had seen before, our experience through other challenging economic cycles prepared us for the rigors demanded by new uncertainty.

We benefited from our long-term focus on quality clients and careful credit oversight, combined with our diversified business model and solid balance sheet metrics. Our bank also more than kept pace with the needs of our markets through deliberate lending, thoughtful growth and a commitment to our clients that doesn't waver even in the most difficult environments, including 2020.

From the time the health crisis emerged last spring, our board of directors worked to ensure stability and steer us through its impacts, with an eye toward preserving and increasing shareholder value during an unprecedented year. The board brought tempered perspectives and experiences to this moment in support of our management team, which relied on sound fundamentals to shape their strategies and achieve significant successes.

Our board of directors as a whole was able to deliver strong expertise on urgent matters ranging from health and safety decisions as COVID-19 demanded new protocols to evaluating timely acquisition opportunities, resulting in the purchase of AmeriHome Mortgage. The board also greenlit a timely stock buyback, subordinated debt issuance and an equity offering earlier this year that will continue to support growth and drive shareholder value.

Changes in board composition last year added valuable diversity and deepened skillsets. Our newest board members made immediate contributions to the board's discussions and decision-making. Bryan Segedi brought to the board his experience as vice chairman of Ernst & Young, where he led their assurance and advisory services. Juan Figuereo's extensive background as a public company CFO, along with his board experience and M&A expertise, was similarly valuable during the year.

This spring, it's an appropriate moment to recognize the many contributions of outgoing board member Todd Marshall. Highly knowledgeable about the business climate in Nevada, Todd over many years built the Marshall Retail Group into a premier casino and airport retail company.

The Marshall family has been important to Western Alliance since the company's early days – many of you will remember when Todd's father, Art Marshall, was chairman of BankWest of Nevada, the original business unit of Western Alliance Bancorporation. Todd, along with our Director Emeritus Bill Boyd and Directors Don Snyder and Marianne Boyd Johnson, launched our organization in 2002. In his role with us, Todd has been a tremendous advocate for the bank and senior management, and for our client-focused and entrepreneurial style of business banking.

This can-do spirit, matched with working knowledge of our markets and our customers, was integral to helping businesses make the most of a demanding year.

Grounded optimism animates our dedication to clients and the goals we help them achieve. This can-do spirit, matched with working knowledge of our markets and our customers, was integral to helping businesses make the most of a demanding year. Because of this, we also were able to realize record performance for Western Alliance Bank. As the economy continues to recover, we are ready to capitalize on new opportunities for our shareholders, customers and employees.

Robert G. Sarver
Executive Chairman

Forbes 2021
BEST BANKS IN AMERICA

One of Forbes'
Best Banks in America
Year After Year

#1 Best-Performing Among 50
Largest Public U.S. Banks

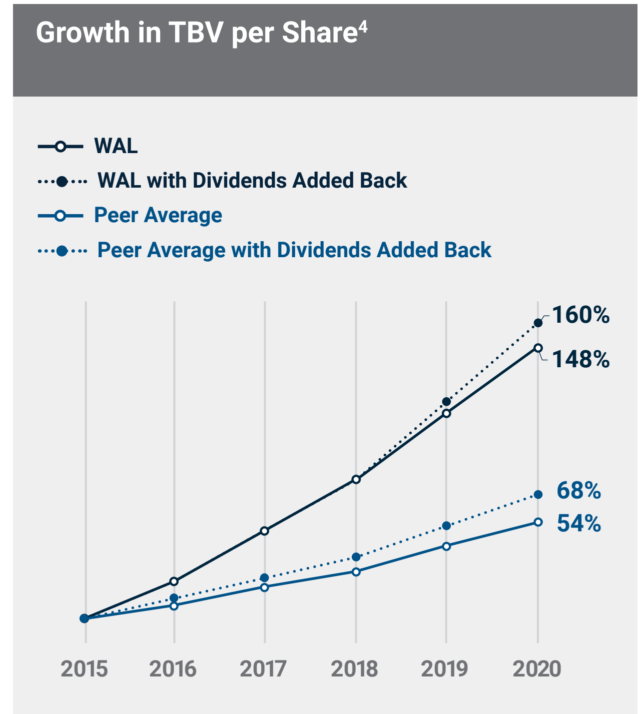
S&P GLOBAL MARKET INTELLIGENCE 2020

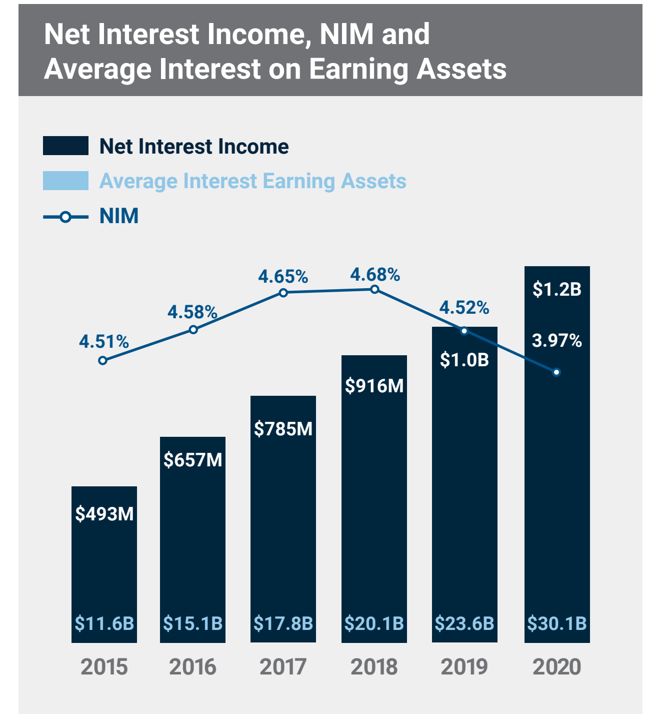
One of the "Most Honored
Companies in America"

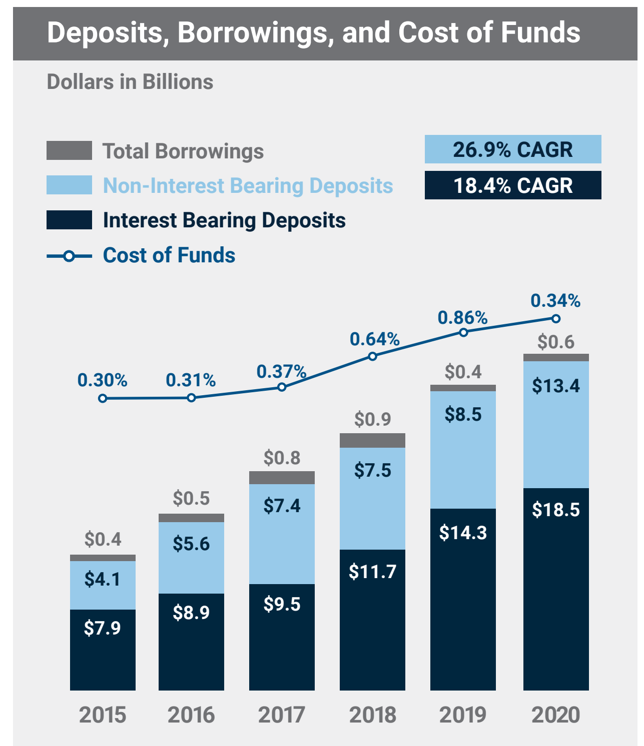
INSTITUTIONAL INVESTOR 2021

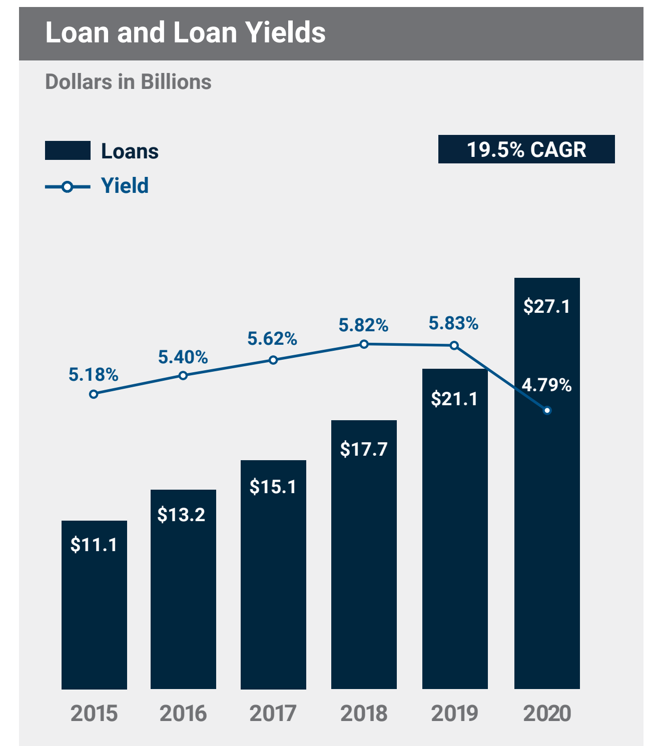
Financial Highlights

	2018	2019	2020
Balance Sheet ($ in millions)			
Total Assets	23,109	26,822	36,461
Total Loans, net of deferred fees	17,711	21,123	27,053
Total Deposits	19,177	22,796	31,930
Total Equity	2,614	3,017	3,413
Profitability			
PPNR[1] (in millions)	535.3	623.5	746.1
Net Interest Income ($000)	915.9	1,040.4	1,166.9
Net Income (in millions)	435.8	499.2	506.6
ROAA (%)	2.05	2.00	1.61
ROATCE[1] (%)	20.6	19.6	17.7
Net Interest Margin (%)	4.68	4.52	3.97
Efficiency Ratio[1] (%)	43.1	42.7	38.8
Tangible Common Equity / Tangible Assets[1] (%)	10.2	10.3	8.6
Asset Quality (%)			
Non-Performing Assets[2] / Total Assets	0.20	0.26	0.32
Loan Loss Reserves / Funded Loans	0.86	0.80	1.03
Tier 1 Common Capital (CET1) Ratio	10.7	10.6	9.9
Per Share Information ($)			
Common Dividends Declared per Share[3]	–	0.50	1.00
Earnings Per Share	4.14	4.84	5.04









1. Where non-GAAP financial measures are used, the comparable GAAP financial measure, as well as the reconciliation to the comparable GAAP financial measure, can be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 as filed with the Securities and Exchange Commission.
2. Non-performing assets include nonaccrual loans, excluding troubled debt restructured loans, plus other real estate owned.
3. Quarterly cash dividend initiated in 3Q 2019.
4. Peers consist of 61 major exchange traded banks with total assets between $15B and $150B as of December 31, 2020, excluding target banks of pending acquisitions; S&P Global Market Intelligence.

Western Alliance
Bank®

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2020

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission file number: 001-32550

WESTERN ALLIANCE BANCORPORATION

(Exact name of registrant as specified in its charter)

Delaware	88-0365922
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One E. Washington Street, Suite 1400 Phoenix Arizona	85004
(Address of principal executive offices)	(Zip Code)

(602) 389-3500
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.0001 Par Value	WAL	New York Stock Exchange
6.25% Subordinated Debentures due 2056	WALA	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. ☐

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the registrant's voting stock held by non-affiliates was approximately $3.54 billion based on the June 30, 2020 closing price of said stock on the New York Stock Exchange ($37.87 per share).

As of February 19, 2021, Western Alliance Bancorporation had 101,097,102 shares of common stock outstanding.

Portions of the registrant's definitive proxy statement for its 2021 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.

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PART I

Forward-Looking Statements

Certain statements contained in this Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (this “Form 10-K”) are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (the “Reform Act”). Statements that constitute forward-looking statements within the meaning of the Reform Act are generally identified through the inclusion of words such as “aim,” “anticipate,” “believe,” “drive,” “estimate,” “expect,” “expressed confidence,” “forecast,” “future,” “goals,” “guidance,” “intend,” “may,” “opportunity,” “plan,” “position,” “potential,” “project,” “ seek,” “should,” “strategy,” “target,” “will,” “would” or similar statements or variations of such words and other similar expressions. All statements other than historical fact are “forward-looking statements” within the meaning of the Reform Act, including statements that are related to or are dependent on estimates or assumptions relating to expectations, beliefs, projections, future plans and strategies, anticipated events (including statements regarding the anticipated acquisition of AmeriHome and any effects related thereto) or trends and similar expressions that are not historical facts. These forward-looking statements reflect the Company's current views about future events and financial performance and involve certain risks, uncertainties, assumptions, and changes in circumstances that may cause the Company's actual results to differ significantly from historical results and those expressed in any forward-looking statement. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, but are not limited to, those described in “Risk Factors” in Item 1A of this Form 10-K. Forward-looking statements speak only as of the date they are made and the Company undertakes no obligation to publicly update or revise any forward-looking statements included in this Form 10-K or to update the reasons why actual results could differ from those contained in such statements, whether as a result of new information, future events or otherwise, except to the extent required by federal securities laws. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Form 10-K might not occur, and you should not put undue reliance on any forward-looking statements.

GLOSSARY OF ENTITIES AND TERMS

The acronyms and abbreviations identified below are used in various sections of this Form 10-K, including "Management's Discussion and Analysis of Financial Condition and Results of Operations," in Item 7 and the Consolidated Financial Statements and the Notes to Consolidated Financial Statements in Item 8 of this Form 10-K:

ENTITIES / DIVISIONS:					
ABA	Alliance Bank of Arizona	**CSI**	CS Insurance Company	**WA PWI**	Western Alliance Public Welfare Investments, LLC
BON	Bank of Nevada	**FIB**	First Independent Bank	**WAB or Bank**	Western Alliance Bank
Bridge	Bridge Bank	**LVSP**	Las Vegas Sunset Properties	**WABT**	Western Alliance Business Trust
Company	Western Alliance Bancorporation and subsidiaries	**TPB**	Torrey Pines Bank	**WAL or Parent**	Western Alliance Bancorporation

TERMS:					
ACL	Allowance for Credit Losses	**DIF**	FDIC's Deposit Insurance Fund	**LIHTC**	Low-Income Housing Tax Credit
AFS	Available-for-Sale	**Dodd-Frank Act**	The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010	**MBS**	Mortgage-Backed Securities
ALCO	Asset and Liability Management Committee	**DTA**	Deferred Tax Asset	**MOU**	Memorandum of Understanding
AOCI	Accumulated Other Comprehensive Income	**EAD**	Exposure at Default	**MSA**	Metropolitan Statistical Area
APIC	Additional Paid in Capital	**EGRRCPA**	The Economic Growth, Regulatory Relief, and Consumer Protection Act	**NBL**	National Business Lines
ARRC	Alternative Reference Rate Committee	**EPS**	Earnings per Share	**NOL**	Net Operating Loss
ASC	Accounting Standards Codification	**EVE**	Economic Value of Equity	**NPV**	Net Present Value
ASU	Accounting Standards Update	**Exchange Act**	Securities Exchange Act of 1934, as Amended	**NYSE**	New York Stock Exchange
Basel Committee	Basel Committee on Banking Supervision	**FASB**	Financial Accounting Standards Board	**OCC**	Office of the Comptroller of the Currency
Basel III	Banking Supervision's December 2010 Final Capital Framework	**FCRA**	Fair Credit Reporting Act of 1971	**OCI**	Other Comprehensive Income
BHCA	Bank Holding Company Act of 1956	**FDIA**	Federal Deposit Insurance Act	**OFAC**	Office of Foreign Asset Control
BOD	Board of Directors	**FDIC**	Federal Deposit Insurance Corporation	**OREO**	Other Real Estate Owned
BOLI	Bank Owned Life Insurance	**FHLB**	Federal Home Loan Bank	**OTTI**	Other-than-Temporary Impairment
CAMELS	Capital Adequacy, Assets, Management Capability, Earnings, Liquidity, Sensitivity	**FHLMC**	Federal Home Loan Mortgage Corporation	**PCAOB**	Public Company Accounting Oversight Board
Capital Rules	The FRB, the OCC, and the FDIC 2013 Approved Final Rules	**FICO**	The Financing Corporation	**PCD**	Purchased Credit Deteriorated
CARES Act	Coronavirus Aid, Relief and Economic Security Act	**FNMA**	Federal National Mortgage Association	**PCI**	Purchased Credit Impaired
CBDP	Commercial Banking Development Program	**FOMC**	Federal Open Market Committee	**PD**	Probability of Default
CBOE	Chicago Board Options Exchange	**FRA**	Federal Reserve Act	**PPNR**	Pre-Provision Net Revenue
CCO	Chief Credit Officer	**FRB**	Federal Reserve Bank	**PPP**	Paycheck Protection Program
CDARS	Certificate Deposit Account Registry Service	**FVO**	Fair Value Option	**ROU**	Right of Use
CDC	Centers for Disease Control and Prevention	**GAAP**	U.S. Generally Accepted Accounting Principles	**SBA**	Small Business Administration
CDO	Collateralized Debt Obligation	**GLBA**	Gramm-Leach-Bliley Act	**SBIC**	Small Business Investment Company
CECL	Current Expected Credit Loss	**GNMA**	Government National Mortgage Association	**SEC**	Securities and Exchange Commission
CEO	Chief Executive Officer	**GSE**	Government-Sponsored Enterprise	**SERP**	Supplemental Executive Retirement Plan
CET1	Common Equity Tier 1	**HELOC**	Home Equity Line of Credit	**SLC**	Senior Loan Committee
CFO	Chief Financial Officer	**HFI**	Held for Investment	**SOFR**	Secured Overnight Funding Rate
CFPB	Consumer Financial Protection Bureau	**HFS**	Held for Sale	**SR**	Supervision and Regulation Letters
CLO	Collateralized Loan Obligation	**HTM**	Held-to-Maturity	**TDR**	Troubled Debt Restructuring
COSO	Committee of Sponsoring Organizations of the Treadway Commission	**ICS**	Insured Cash Sweep Service	**TEB**	Tax Equivalent Basis
COVID-19	Coronavirus Disease 2019	**IRC**	Internal Revenue Code	**TSR**	Total Shareholder Return
CRA	Community Reinvestment Act	**ISDA**	International Swaps and Derivatives Association	**VIE**	Variable Interest Entity
CRE	Commercial Real Estate	**LGD**	Loss Given Default	**XBRL**	eXtensible Business Reporting Language
D&I	Diversity and Inclusion	**LIBOR**	London Interbank Offered Rate		

Item 1. Business.

Organization Structure and Description of Services

WAL is a bank holding company headquartered in Phoenix, Arizona, incorporated under the laws of the state of Delaware. WAL provides a full spectrum of deposit, lending, treasury management, international banking, and online banking products and services through its wholly-owned banking subsidiary, WAB.

WAB operates the following full-service banking divisions: ABA, BON, Bridge, FIB, and TPB. The Company also provides an array of specialized financial services to business customers across the country. In addition, the Company has two non-bank subsidiaries: LVSP, which held and managed certain OREO properties, and CSI, a captive insurance company formed and licensed under the laws of the State of Arizona and established as part of the Company's overall enterprise risk management strategy.

WAL also has eight unconsolidated subsidiaries used as business trusts in connection with issuance of trust-preferred securities as described in "Note 9. Qualifying Debt" in Item 8 of this Form 10-K.

Bank Subsidiary

At December 31, 2020, WAL has the following bank subsidiary:

Bank Name	Headquarters	Location Cities	Total Assets	Net Loans	Deposits
				(in millions)	
Western Alliance Bank	Phoenix, Arizona	**Arizona:** Chandler, Flagstaff, Gilbert, Mesa, Phoenix, Scottsdale, and Tucson **Nevada:** Carson City, Fallon, Reno, Sparks, Henderson, Las Vegas, Mesquite, and North Las Vegas **California:** Beverly Hills, Carlsbad, Costa Mesa, La Mesa, Los Angeles, Menlo Park, Oakland, Pleasanton, San Diego, San Francisco, and San Jose **Other:** Atlanta, Georgia; Boston, Massachusetts; Chicago, Illinois; Denver, Colorado; Durham, North Carolina; Minneapolis, Minnesota; Tysons Corner, Virginia; and Seattle, Washington	**$ 36,574.8**	**$ 26,774.1**	**$ 32,189.9**

WAB also has the following significant wholly-owned subsidiaries:

- Western Alliance Business Trust holds certain investment securities, municipal and non-profit loans, and leases.
- WA PWI holds certain limited partnerships invested primarily in low income housing tax credits and small business investment corporations.
- BW Real Estate, Inc. operates as a real estate investment trust and holds certain real estate loans and related securities.
- Helios Prime, Inc. holds certain equity interests in renewable energy tax credit transactions.

Market Segments

The Company has made changes to its reportable segments, which have been reflected in the Company's operating segment results as of and for the year ended December 31, 2020. The Company's reportable segments are aggregated with a focus on products and services offered and consist of three reportable segments:

- Commercial segment: provides commercial banking and treasury management products and services to small and middle-market businesses, specialized banking services to sophisticated commercial institutions and investors within niche industries, as well as financial services to the real estate industry.
- Consumer Related segment: offers both commercial banking services to enterprises in consumer-related sectors and consumer banking services, such as residential mortgage banking.
- Corporate & Other segment: consists of the Company's investment portfolio, Corporate borrowings and other related items, income and expense items not allocated to our other reportable segments, and inter-segment eliminations.

Loan and deposit accounts are typically assigned directly to the segments where these products are originated and/or serviced. Equity capital is assigned to each segment based on the risk profile of their assets and liabilities. Any excess equity not allocated to segments based on risk is assigned to the Corporate & Other segment.

Net interest income, provision for credit losses, and non-interest expense amounts are recorded in their respective segments to the extent that the amounts are directly attributable to those segments. Net interest income of a reportable segment includes a funds transfer pricing process that matches assets and liabilities with similar interest rate sensitivity and maturity characteristics. Using this funds transfer pricing methodology, liquidity is transferred between users and providers. Net income amounts for each reportable segment are further derived by the use of expense allocations. Certain expenses not directly attributable to a specific segment are allocated across all segments based on key metrics, such as number of employees, number of transactions processed for loans and deposits, and average loan and deposit balances. Income taxes are applied to each segment based on the effective tax rate for the geographic location of the segment. Any difference in the corporate tax rate and the aggregate effective tax rates in the segments are adjusted in the Corporate & Other segment.

Lending Activities

General

Through WAB and its banking divisions and operating subsidiaries, the Company provides a variety of financial services to customers, including CRE loans, construction and land development loans, commercial loans, and consumer loans. The Company’s lending has focused primarily on meeting the needs of business customers.

Commercial and Industrial: Commercial and industrial loans are a significant portion of the Company's loan portfolio and include working capital lines of credit, inventory and accounts receivable lines, mortgage warehouse lines, equipment loans and leases, and other commercial loans. Loans to technology companies, tax-exempt municipalities, and not-for-profit organizations are also categorized as commercial and industrial loans.

CRE: Loans to fund the purchase or refinancing of CRE for investors (non-owner occupied) or owner occupants are a significant portion of the Company's loan portfolio. These CRE loans are secured by multi-family residential properties, professional offices, industrial facilities, retail centers, hotels, and other commercial properties. As of December 31, 2020 and 2019, 28% and 31% of the Company's CRE loans were owner occupied. Owner occupied CRE loans are loans secured by owner occupied non-farm nonresidential properties for which the primary source of repayment (more than 50%) is the cash flow from the ongoing operations and activities conducted by the borrower who owns the property. Non-owner occupied CRE loans are CRE loans for which the primary source of repayment is rental income generated from the collateral property.

Construction and Land Development: Construction and land development loans include single family and multi-family residential projects, industrial/warehouse properties, office buildings, retail centers, medical office facilities, and residential lot developments. These loans are primarily originated to experienced local developers with whom the Company has a satisfactory lending history. An analysis of each construction project is performed as part of the underwriting process to determine whether the type of property, location, construction costs, and contingency funds are appropriate and adequate. Loans to finance commercial raw land are primarily to borrowers who plan to initiate active development of the property within two years.

Residential: The Company has a residential mortgage acquisition program, in which it partners with strategic third parties to execute flow and bulk residential loan purchases that meet the Company's goals and underwriting criteria. These loan purchases consist of both conforming and non-conforming loans. Non-conforming loan purchases are considered to be high quality as the borrowers have high FICO scores and the loans generally have low loan-to-values.

Consumer: Limited types of consumer loans are offered to meet customer demand and to respond to community needs. Examples of these consumer loans include home equity loans and lines of credit, home improvement loans, personal lines of credit, and loans to individuals for investment purposes.

At December 31, 2020, the Company's loan portfolio totaled $27.1 billion, or approximately 74% of total assets. The following table sets forth the composition of the Company's HFI loan portfolio as of the periods presented:

	December 31,			
	2020		2019	
	Amount	**Percent**	Amount	Percent
	(dollars in millions)			
Commercial and industrial	**$ 14,324.4**	**52.9 %**	$ 9,382.0	44.5 %
Commercial real estate - non-owner occupied	**5,654.7**	**20.9**	5,245.6	24.8
Commercial real estate - owner occupied	**2,156.8**	**8.0**	2,316.9	11.0
Construction and land development	**2,431.3**	**9.0**	1,952.2	9.2
Residential real estate	**2,434.6**	**9.0**	2,147.7	10.2
Consumer	**51.2**	**0.2**	57.1	0.3
Loans, net of deferred loan fees and costs	**$ 27,053.0**	**100.0 %**	$ 21,101.5	100.0 %
Allowance for credit losses	**(278.9)**		(167.8)	
Total loans HFI	**$ 26,774.1**		$ 20,933.7	

For additional information concerning loans, see "Note 3. Loans, Leases and Allowance for Credit Losses" of the Consolidated Financial Statements contained herein or "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition – Loans" in Item 7 of this Form 10-K.

The Company adheres to a specific set of credit standards that are intended to ensure appropriate management of credit risk. Furthermore, the Bank's senior management team plays an active role in monitoring compliance with such standards.

Loan originations are subject to a process that includes the credit evaluation of borrowers, utilizing established lending limits, analysis of collateral, and procedures for continual monitoring and identification of credit deterioration. Loan officers actively monitor their individual credit relationships in order to report suspected risks and potential downgrades as early as possible. The BOD approves all material changes to loan policy, as well as lending limit authorities. The Bank's lending policies generally incorporate consistent underwriting standards across all geographic regions in which the Bank operates, customized as necessary to conform to state law and local market conditions. The Bank's credit culture emphasizes timely identification of troubled credits to allow management to take prompt corrective action, when necessary.

Loan Approval Procedures and Authority

The Company's loan approval procedures are executed through a tiered loan limit authorization process, which is structured as follows:

- *Individual Credit Authorities.* The credit approval levels for individual divisional and senior credit officers are set by policy and certain credit administration officers' approval authorities are established on a delegated basis.
- *Management Loan Committees.* Credits in excess of individual divisional or senior credit officer approval authority are submitted to the appropriate divisional or NBL loan committee. The divisional committees consist of members of the Bank's senior management team of each division and the NBL loan committees consist of the Bank's divisional or senior credit officers.
- *Credit Administration.* Credits in excess of the divisional or NBL loan committee approval authority require the additional approval of the Bank's CCO and any credits in excess of the CCO's individual approval authority are submitted to the WAB SLC. In addition, the SLC reviews all other loan approvals to any one new borrower in excess of established thresholds. The SLC is chaired by the WAB CCO and includes the Company's CEO.

Loans to One Borrower. In addition to the limits set forth above, subject to certain exceptions, state banking laws generally limit the amount of funds that a bank may lend to a single borrower. Under Arizona law, the obligations of one borrower to a bank generally may not exceed 20% of the bank's capital, plus an additional 10% of its capital if the additional amounts are fully secured by readily marketable collateral. Arizona law does not specifically require aggregation of loans to affiliated entities in determining compliance with the lending limit. As a matter of longstanding practice, the Arizona Department of Financial Institutions uses the same aggregation analysis as applied to national banks by the OCC.

Concentrations of Credit Risk. The Company's lending policies also establish customer and product concentration limits, which are based on commitment amounts, to control single customer and product exposures. The Company's lending policies have several different measures to limit concentration exposures. Set forth below are the primary segmentation limits and actual measures as of December 31, 2020:

	Percent of Total Capital	
	Policy Limit	**Actual**
CRE	325 %	202 %
Commercial and industrial	400	370
Construction and land development	85	63
Residential real estate	150	63
Consumer	5	1

Asset Quality

General

To measure asset quality, the Company has instituted a loan grading system consisting of nine different categories. The first five are considered satisfactory "pass" ratings. The other four "non-pass" grades range from a “Special mention” category to a “Loss” category and are consistent with the grading systems used by federal banking regulators. All loans are assigned a credit risk grade at the time they are made and formally reviewed on a quarterly basis as part of the Company's loan grade certification process to determine whether a change in the credit risk grade is warranted. In addition, the grading of the Company's loan portfolio is reviewed on a regular basis by its internal Loan Review Department.

Collection Procedure

If a borrower fails to make a scheduled payment on a loan, Bank personnel attempt to remedy the deficiency by contacting the borrower and seeking payment. Contacts generally are made within 15 business days after the payment becomes past due. The Bank maintains regional Special Assets Departments, which generally service and collect loans rated Substandard or worse. Each division is responsible for monitoring activity that may indicate an increased risk rating, including, but not limited to, past-dues, overdrafts, and loan agreement covenant defaults. Loans deemed uncollectible are charged-off.

Nonperforming Assets

Nonperforming assets include loans past due 90 days or more and still accruing interest, non-accrual loans, TDR loans, and repossessed assets, including OREO. In general, loans are placed on non-accrual status when the Company determines that ultimate collection of principal and interest is in doubt due to the borrower’s financial condition, collateral value, and collection efforts. A TDR loan is a loan for which the Company, for reasons related to a borrower’s financial difficulties, grants a concession to the borrower that the Company would not otherwise consider. Other repossessed assets result from loans where the Company has received title or physical possession of the borrower’s assets. The Company generally re-appraises OREO and collateral dependent impaired loans every 12 months. The total net realized and unrealized gains and losses of repossessed and other assets was not significant during each of the years ended December 31, 2020, 2019, and 2018. However, losses may be experienced in future periods.

Criticized Assets

Federal bank regulators require banks to classify its assets on a regular basis. In addition, in connection with their examinations of the Bank, examiners have authority to identify problem assets and, if appropriate, re-classify them. A loan grade of "Special Mention" from the Company's internal loan grading system is utilized to identify potential problem assets and loan grades of "Substandard," "Doubtful," and "Loss" are utilized to identify actual problem assets.

The following describes the potential and actual problem assets using the Company's internal loan grading system definitions:

- *"Special Mention" (Grade 6):* Generally these are assets that possess potential weaknesses that warrant management's close attention. These loans may involve borrowers with adverse financial trends, higher debt to equity ratios, or weaker liquidity positions, but not to the degree of being considered a “problem loan” where risk of loss may be apparent. Loans in this category are usually performing as agreed, although there may be non-compliance with financial covenants.

- *“Substandard” (Grade 7):* These assets are characterized by well-defined credit weaknesses and carry the distinct possibility that the Company will sustain some loss if such weakness or deficiency is not corrected. All loans 90 days or more past due and all loans on non-accrual status are considered at least "Substandard," unless extraordinary circumstances would suggest otherwise.

- *“Doubtful” (Grade 8):* These assets have all the weaknesses inherent in those classified as "Substandard" with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable, but because of certain known factors which may work to the advantage and strengthening of the asset (for example, capital injection, perfecting liens on additional collateral and refinancing plans), classification as an estimated loss is deferred until a more precise status may be determined.

- *“Loss” (Grade 9):* These assets are considered uncollectible and having such little recoverable value that it is not practical to defer writing off the asset. This classification does not mean that the loan has absolutely no recovery or salvage value, but rather that it is not practicable or desirable to defer writing off the asset, even though partial recovery may be achieved in the future.

Allowance for Credit Losses

The provision for credit losses in each period is reflected as a reduction in earnings for that period and, upon the adoption of CECL, includes amounts related to funded loans, unfunded loan commitments, and investment securities. The provision is equal to the amount required to maintain the allowance for credit losses at a level that is adequate to absorb estimated lifetime credit losses inherent in the loan and investment securities portfolios as well as off-balance sheet credit exposures. Subsequent recoveries, if any, are credited to the allowance. The allowance for credit losses on funded loans and investment securities are presented as a reduction to the respective asset balance on the Consolidated Balance Sheet. The allowance for credit losses on unfunded loan commitments is classified in other liabilities on the Consolidated Balance Sheet. For a detailed discussion of the Company’s methodology see “Management’s Discussion and Analysis and Financial Condition – Critical Accounting Policies – Allowance for Credit Losses” in Item 7 of this Form 10-K.

Investment Activities

The Company has an investment policy, which was approved by the BOD. This policy dictates that investment decisions be made based on the safety of the investment, liquidity requirements of the Bank and holding company, potential returns, cash flow targets, and consistency with the Company's interest rate risk management. The Bank’s ALCO is responsible for making securities portfolio decisions in accordance with established policies. The CFO and Treasurer have the authority to purchase and sell securities within specified guidelines. All investment transactions for the Bank and for the holding company were reviewed by the ALCO and BOD.

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The Company's investment policy limits new securities purchases to certain eligible investment types and, in the aggregate, are further subject to the following quantitative limits of the Bank:

Securities Category	Basis Limit	Percentage or Dollar Limit
Preferred stock	Common equity tier 1	10.0 %
Tax-exempt municipal securities	Total assets	5.0 %
Tax-exempt low income housing development bonds	Total capital	30.0 %
Investment grade corporate bond mutual funds	Tier 1 capital	5.0 %
Corporate debt holdings	Total assets	2.5 %
Commercial mortgage-backed securities	Aggregate purchases	$50.0 million
Collateralized loan obligations	Aggregate purchases	$500.0 million

The Company's policies also govern the use of derivatives, and provide that the Company prudently use derivatives in accordance with applicable regulations as a risk management tool to reduce the overall exposure to interest rate risk, and not for speculative purposes.

As of December 31, 2020, the Company's investment securities portfolio includes debt and equity securities. Debt securities are classified as AFS or HTM pursuant to ASC Topic 320, *Investments* and ASC Topic 825, *Financial Instruments*. Equity securities are reported at fair value in accordance with Topic 321, *Equity Securities*. For further discussion of significant accounting policies related to the Company's investment securities portfolio refer to "Note 1. Summary of Significant Accounting Policies" in Item 8 of this Form 10-K.

As of December 31, 2020, the Company's investment securities portfolio totals $5.4 billion, representing approximately 15% of the Company's total assets, with the majority of the portfolio invested in AAA/AA+ rated securities. The average duration of the Company's investment securities is 6.4 years as of December 31, 2020.

The following table summarizes the carrying value of investment securities as of December 31, 2020 and 2019:

	December 31,			
	2020		2019	
	Amount	Percent	Amount	Percent
	(dollars in millions)			
Available-for-sale debt securities				
CDO	$ 6.9	0.1 %	$ 10.1	0.3 %
CLO	146.9	2.7	—	—
Commercial MBS issued by GSEs	84.6	1.5	94.3	2.4
Corporate debt securities	270.2	5.0	99.9	2.5
Municipal (taxable) securities	22.5	0.4	7.8	0.2
Private label residential MBS	1,476.9	27.1	1,129.2	28.4
Residential MBS issued by GSEs	1,486.6	27.3	1,412.1	35.6
Tax-exempt	1,756.2	32.3	1,040.0	26.2
Trust preferred securities	26.5	0.5	27.0	0.7
U.S. government sponsored agency securities	—	—	10.0	0.2
U.S. treasury securities	—	—	1.0	0.0
Total debt securities	$ 5,277.3	96.9 %	$ 3,831.4	96.5 %
Equity securities				
CRA investments	$ 53.4	1.0 %	$ 52.5	1.3 %
Preferred stock	113.9	2.1	86.2	2.2
Total equity securities	$ 167.3	3.1 %	$ 138.7	3.5 %
Total investment securities	$ 5,444.6	100.0 %	$ 3,970.1	100.0 %

As of December 31, 2020 and 2019, the Company had investments in BOLI of $176.3 million and $174.0 million, respectively. BOLI is used to help offset employee benefit costs. For additional information concerning investments, see “Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition – Investments” in Item 7 of this Form 10-K.

Deposit Products

The Company offers a variety of deposit products, including checking accounts, savings accounts, money market accounts, and other types of deposit accounts, including fixed-rate, fixed maturity certificates of deposit. The Company has historically focused on growing its lower cost core customer deposits. As of December 31, 2020, the deposit portfolio was comprised of 42% non-interest-bearing deposits and 58% interest-bearing deposits.

The competition for deposits in the Company's markets is strong. The Company has historically been successful in attracting and retaining deposits due to several factors, including its:

- knowledgeable and empowered bankers committed to providing personalized and responsive service that translates into long lasting relationships;
- broad selection of cash management services offered; and
- incentives to employees for business development and retention.

Deposit balances are generally influenced by national and local economic conditions, changes in prevailing interest rates, competitiveness of the Company's offered rates, perceived stability of financial institutions, and competition. In order to attract and retain deposits, the Company relies on providing quality service and introducing new products and services that meet the needs of its customers.

The Bank's deposit rates are determined through an internal oversight process under the direction of its ALCO. The Bank considers a number of factors when determining deposit rates, including:

- current and projected national and local economic conditions and the outlook for interest rates;
- local competition;
- loan and deposit positions and forecasts, including any concentrations in either; and
- rates charged on FHLB advances and other funding sources.

The following table shows the Company's deposit composition:

	December 31,			
	2020		2019	
	Amount	Percent	Amount	Percent
	(in millions)			
Non-interest-bearing demand deposits	**$ 13,463.3**	**42.2 %**	$ 8,537.9	37.4 %
Interest-bearing transaction accounts	**4,396.4**	**13.8**	2,760.9	12.1
Savings and money market accounts	**12,413.4**	**38.9**	9,120.8	40.0
Time certificates of deposit ($250,000 or more)	**602.0**	**1.9**	1,426.1	6.3
Other time deposits	**1,055.4**	**3.2**	950.8	4.2
Total deposits	**$ 31,930.5**	**100.0 %**	$ 22,796.5	100.0 %

Although the Company does not pay interest to depositors of non-interest-bearing accounts, earnings credits are awarded to some account holders, which offset charges incurred by account holders for other services. Earnings credits earned in excess of charges incurred by account holders are recorded in deposit costs as part of non-interest expense and fluctuate as a result of deposit balances eligible for earnings credits, along with the earnings credit rates on these deposit balances.

In addition to the Company's deposit base, it has access to other sources of funding, including FHLB and FRB advances, Federal funds purchased, repurchase agreements, and unsecured lines of credit with other financial institutions. Previously, the Company has also accessed the capital markets through trust preferred, subordinated debt, and Senior Note offerings. For additional information concerning the Company's deposits, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Balance Sheet Analysis – Deposits” in Item 7 of this Form 10-K.

Other Financial Products and Services

In addition to traditional commercial banking activities, the Company offers other financial services to its customers, including internet banking, wire transfers, electronic bill payment and presentment, lock box services, courier, and cash management services.

Customer, Product, and Geographic Concentrations

Approximately 38% and 45% of the Company's loan portfolio at December 31, 2020 and 2019, respectively, was represented by CRE and construction and land development loans. The Company's business is concentrated primarily in the Phoenix, Las Vegas, Los Angeles, Reno, San Francisco, San Jose, San Diego and Tucson metropolitan areas. Consequently, the Company is dependent on the trends of these regional economies.

Although commercial and industrial loans make up approximately 53% and 44% of the Company's loan portfolio as of December 31, 2020 and 2019, respectively, the Company does not consider this to be a significant concentration risk as these loans are well diversified in terms of customers and product offerings.

The Company is not dependent upon any single or limited number of customers, the loss of which would have a material adverse effect on the Company. Neither the Company nor any of its reportable segments have customer relationships that individually account for 10% or more of consolidated or segment revenues. No material portion of the Company's business is seasonal.

Competition

The financial services industry is highly competitive. Many of the Company's competitors are much larger in total assets and capitalization, have greater access to capital markets, offer a broader range of financial services than the Company can offer, and may have lower cost structures.

This increasingly competitive environment is primarily a result of long-term changes in regulation that made mergers and geographic expansion easier, changes in technology and product delivery systems and web-based tools, and the accelerating pace of consolidation among financial services providers. The Company competes for loans, deposits, and customers with other banks, credit unions, brokerage companies, mortgage companies, insurance companies, finance companies, financial technology firms, and other non-bank financial services providers. This strong competition for deposit and loan products directly affects the interest rates on those products and the terms on which they are offered to customers.

Technological innovation continues to contribute to greater competition in domestic and international financial services markets.

Mergers between financial institutions have placed additional pressure on banks to consolidate their operations, reduce expenses, and increase revenues to remain competitive. The competitive environment is also significantly impacted by federal and state legislation that makes it easier for non-bank financial institutions to compete with the Company.

Human Capital Resources

The Company's culture is defined by its corporate values of integrity, creativity, teamwork, passion and excellence. People are the foundation of the Company and the Company invests in their success. Our people are committed to our clients' success and, by putting clients first, we create strong shareholder performance. This leads to tremendous possibilities to fuel client growth and support the Company's communities, and in turn provide expanding opportunities to attract and retain its people.

As of December 31, 2020, the Company employed 1,915 full-time equivalent employees in its branches and loan production offices across the United States, an increase of 4.4% from December 31, 2019 due to the Company's growth. The Company's employees are not represented by a union or covered by a collective bargaining agreement.

Diversity and Inclusion

The Company is committed to improving workforce diversity at all levels of the organization. In 2020, the Company made progress towards enhancing its ability to attract and retain a diverse population of employees. The Company began building relationships with community and educational institutions to strengthen its pipelines of talent in underrepresented communities. The Company has established an executive-led Diversity & Inclusion Opportunity Council, which guides and sponsors initiatives, sets goals designed to increase diversity of thought and access to leadership, evaluates organizational and best practice D&I strategies, and creates subcommittees to activate goals. One aspect of this work is the active support of Business Resource Groups. Among the groups' activities are opportunities to engage in programs, network with peers, and connect with Bank leadership. Overall, the Opportunity Council is focused on accelerating D&I activities and results.

The Company employs a diverse population that is a reflection of its communities, with 38% of its employees belonging to a minority group. Nearly 58% of its employees are women, with women filling 50% of roles that involve supervising and managing other employees. The Company is committed to increasing the share of women and minority groups in the ranks of its senior leadership.

Recruiting, Retention, and Talent Development

The Company recognizes that its success is highly dependent on its ability to attract, retain and develop employees. To foster this development, the Company has created two early talent identification programs, a college internship program and Commercial Banking Development Program, each of which enhance management's ability to hire outstanding people. Campus recruitment initiatives and partnerships also fuel the Company's pipeline of talent. Within the internship program, college students and recent graduates are paired with leaders across the Company to create a valuable, immersive experience, with an objective of retaining the most promising interns and eventually bringing this talent into the Bank through the CBDP or other appropriate positions. The CBDP is an 18-month, on-the-job development program to train successful credit analysts that offers progressive assignments, mentoring, opportunities to learn the business and various aspects of leadership, with the objective of growing these individuals into future leaders of the Company. Additionally, the Company is expanding its sales training and mentoring efforts to foster internal development within its commercial lending teams.

As a growing company, recruiting new talent to the organization is key to the Company's success and part of that objective includes building a diverse workforce that is representative of the communities that the Company serves. The Company has made a commitment to growing the share of its employee population from diverse communities and has experienced some success in recent years, although the Company believes there is still an opportunity for additional advancement in this area. For example, through focused recruiting efforts, the Company was able to increase the share of 2020 hires who are Black or African American to 7.6%, higher than the Company's current Black or African American employee population of 5.8%.

Retaining employees who have been key contributors to the Company's success story remains an important objective. The Company has achieved a multi-year decline in its turnover rate, falling to 12.5% for 2020, down 2.1% year-over-year, and down nearly 7% from 2017. An internal review of turnover rates of various employee categories, including ethnicity, gender, and age, reveals that turnover occurs at roughly the same rate as the group's total representation. For example, White employees represent 62% of the Company's employee population and account for 61% of the Company's turnover. Similarly, Millennials and women represent 31% and 57% of the Company's employee population, respectively, and account for 31% and 51% of the turnover, respectively. The Company's turnover rate is highest among employees from the Builders (born 1900 to 1945) and Baby Boomers (born 1946 to 1964) generations as they reach retirement age in greater numbers.

The Company also offers a variety of resources to help its employees grow in their current roles and build new skills, including online development programs and workshops, mentoring programs, and internal webinars that feature speakers from across the Company, sharing information about their business line, division, or functional area. The Company encourages its employees to take an active role in their career and through the annual performance management process, employees are able to identify individual development goals and create an action plan to achieve these goals.

With the understanding that bias is a larger societal issue, the Company offers training to create awareness and understanding of everyday biases and micro-behaviors, and helps individuals to implement solutions to create a more inclusive workplace. This training is required for all employees and additional, focused trainings are required for all managers, including one specifically promoting inclusion.

Compensation and Benefits

The Company's compensation and benefits programs are designed to attract, retain, motivate, and reward employees to deliver strong performance and excellence. In addition to salaries, these programs include annual bonuses, stock awards, a 401(k) Plan with an employer matching contribution, healthcare and life insurance benefits, health savings and flexible spending accounts, paid time off, various time off benefits for new parents, sick leave, company-paid short-term and long-term disability benefits, an employee assistance program, benefits concierge service, wellness program and premium credit opportunity, as well as company-sponsored voluntary benefit programs for ID theft protection, pet insurance, and supplemental income programs for accident, illness, and hospitalization. Throughout the organization, 99% of employees participate in the annual bonus plan and everyone, except for executive management, is eligible to receive business incentives.

Health and Wellness

The Company is committed to supporting the wellness of its people, to enable their personal and professional productivity, improve physical and mental well-being, and provide support for optimal health at work and at home. To support these efforts, the Company has established Wellness Committees to engage its people in well-being initiatives that provide opportunities for employees to develop healthier lifestyles by promoting habits and attitudes that support wellness.

Throughout the ongoing COVID-19 pandemic, the Company's focus has been on the well-being of its people. These health measures are discussed in Item 7 of this Form 10-K, under "Management's Discussion and Analysis of Financial Condition and Results of Operations - Recent Developments: COVID-19 and the CARES Act."

Supervision and Regulation

The Company and its subsidiaries are extensively regulated and supervised under both federal and state laws. A summary description of the laws and regulations that relate to the Company's operations are discussed in Item 7 of this Form 10-K.

Additional Available Information

The Company maintains an internet website at http://www.westernalliancebancorporation.com. The Company makes available its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Exchange Act and other information related to the Company free of charge, through this site, as soon as reasonably practicable after it electronically files those documents with, or otherwise furnishes them to the SEC. The SEC maintains an internet site at http://www.sec.gov, from which all forms filed electronically may be accessed. The Company's internet website and the information contained therein are not incorporated into this Form 10-K.

In addition, copies of the Company's annual report will be made available, free of charge, upon written request.

Item 1A. Risk Factors.

Investing in the Company's common stock involves various risks, many of which are specific to the Company's business. The discussion below addresses the material risks and uncertainties, of which the Company is currently aware, that could have a material adverse effect on the Company's business, results of operations, and financial condition. Other risks that the Company does not know about now, or that the Company does not currently believe are material, could negatively impact the Company's business or the trading price of the Company's securities. See additional discussions about credit, interest rate, market, and litigation risks in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Risks Relating to the Company's Proposed Acquisition of AmeriHome

The Company's proposed acquisition of AmeriHome is subject to regulatory approvals and other closing conditions and may be more difficult, costly or time-consuming to complete than the Company expects.

On February 16, 2021, WAB entered into an Agreement to acquire the parent company of AmeriHome Mortgage Company, LLC ("AmeriHome") in a merger with an indirect subsidiary of WAB for cash consideration (the "Merger"). If completed, the Merger will extend WAB's national commercial businesses with a complementary national mortgage franchise. However, the completion of the Merger is subject to customary closing conditions, including certain state regulatory and government-sponsored enterprise approvals and expiration or early termination of the applicable waiting period under federal antitrust law. While the Company anticipates that the Merger will be completed in the second quarter of 2021, there can be no assurance that the required regulatory and other approvals necessary to complete the Merger will be obtained, or whether all of the other conditions to the closing of the Merger will be satisfied or waived or that the Merger will be completed. Any delays, additional costs, or other unexpected developments with respect to satisfaction of the closing conditions could delay or prevent the completion of the Merger. As a result, the Company may not realize some or all of the benefits that it expects to achieve if the Merger is successfully completed within its expected time frame, which may adversely impact the Company's results of operations.

If the Merger is completed, the addition of AmeriHome's national mortgage franchise would present risks that could cause the Company to not realize the strategic and financial goals contemplated at the time it entered into the agreement to acquire AmeriHome or otherwise adversely affect the Company's results of operations.

Risks the Company may face if the Merger is completed include:

- Management's estimates regarding AmeriHome's future earnings potential may not be achievable, because AmeriHome's performance could be adversely impacted by a rising rate environment, changes in the mix of purchase versus refinancing volumes, or other factors not known or anticipated by the Company;
- The integration of AmeriHome into WAB may be more costly or time-consuming than expected despite the fact that AmeriHome will continue to operate under its existing brand and management team;
- The Company may not realize the benefits it expects to achieve from the Merger such as those anticipated from funding, cross-selling, and other integration synergies;
- The Company will become subject to increased compliance costs and risks with respect to aspects of AmeriHome's business that differ from or are larger in scope than WAB's current similar operations, including:
    - The need to maintain various state licenses and federal and government-sponsored agency approvals required to conduct AmeriHome's business, and the risk of adverse consequences resulting from periodic examinations by such state and federal agencies or from changes in laws or regulations that may be promulgated in the future;
    - Increased compliance risk and cost associated with federal, state and local laws, regulations and judicial and administrative decisions relating to mortgage loans and consumer protection, including those designed to discourage predatory lending, collections and servicing practices with respect to mortgage loans; and
    - Increased compliance risk and costs associated with federal, state and local laws related to data privacy and the handling of non-public personal financial information of AmeriHome's customers, including the California Consumer Protection Act and similar regulations that have been or may be enacted by other states;
- The Company may have difficulties retaining key personnel from AmeriHome or managing AmeriHome's technology platform;
- The Company's operating results may be adversely impacted by claims or liabilities related to AmeriHome's business including, among others, (i) claims from government agencies, current or former customers or employees, consumers, financing providers, vendors and other business partners or third parties; (ii) repurchase and indemnification obligations with respect to sold loans or any failure to be able to enforce repurchase and indemnification obligations of

counterparties with respect to purchased loans; and (iii) counterparty and interest rate risk with respect to derivative and hedging instruments;

- AmeriHome's business may be further affected by the continuation or worsening of the COVID-19 pandemic; and
- AmeriHome's business may be adversely impacted by changes in the competitive or regulatory landscape.

Risks Relating to the Company's Business

The COVID-19 pandemic and resulting adverse economic conditions have adversely impacted the Company's business and results and could have a more material adverse impact on our business, financial condition and results of operations.

The ongoing COVID-19 global and national health emergency has caused significant disruption in the United States and international economies and financial markets. Although the Company has continued operating, the COVID-19 pandemic has caused disruptions to its business and could cause material disruptions to the Company's business and operations in the future. Impacts to the Company's business have included the transition of a significant portion of its workforce to home locations, increases in costs due to additional health and safety precautions implemented at branches, and an increase in draws on unfunded loan commitments and requests for forbearance and loan modifications at the onset of the pandemic. To the extent that commercial and social restrictions remain in place or increase, the Company's expenses, delinquencies, foreclosures and credit losses may materially increase. In addition, the unprecedented nature of COVID-19 related disruptions heighten the inherent uncertainty of forecasting future economic conditions and their impact on the Company's loan portfolio, and therefore increases the risk that the assumptions, judgments and estimates used to determine the appropriate allowance for future credit losses may prove to be incorrect, resulting in actual credit losses that exceed the Company's recorded allowance.

The Company is continuing to monitor the COVID-19 pandemic, its economic impact and related risks, although the rapid development and fluidity of the situation precludes any specific prediction as to its ultimate impact. Among the factors outside the Company's control that are likely to affect the impact the COVID-19 pandemic will ultimately have on the Company's business are:

- the pandemic's course and severity, including the impact related to the distribution and effectiveness of the COVID-19 vaccines and the willingness of the public to be vaccinated;
- the direct and indirect results of the pandemic, such as recessionary economic trends, including with respect to employment, wages and benefits, commercial activity, consumer spending and real estate market values;
- political, legal and regulatory actions and policies in response to the pandemic, including the effects of restrictions on commerce and banking, such as moratoria and other suspensions of collections, foreclosures, and related obligations;
- the timing, magnitude and effect of public spending, directly or through subsidies, its direct and indirect effects on commercial activity and incentives of employers and individuals to resume or increase employment, wages and benefits and commercial activity;
- the timing and availability of direct and indirect governmental support for various financial assets, including mortgage loans;
- the potential long-term impact on the tourism and hospitality industries, which could affect the Company's hotel franchise finance business and portfolio;
- the long-term effect of the economic downturn on the Company's intangible assets such as its deferred tax asset and goodwill;
- potential longer-term effects of increased government spending on the interest rate environment and borrowing costs for non-governmental parties;
- the ability of the Company's employees and third-party vendors to work effectively during the course of the pandemic;
- potential longer-term shifts toward mobile banking, telecommuting and telecommerce; and
- geographic variation in the severity and duration of the COVID-19 pandemic, including in states in which the Company operates physically such as Arizona, California and Nevada.

If the COVID-19 pandemic results in a continuation or worsening of current economic conditions and commercial environments, our business, financial condition and results of operations could be materially adversely affected. Additional potential effects related to the COVID-19 pandemic are discussed in the other risk factors contained in this report.

The Company's financial performance may be adversely affected by conditions in the financial markets and economic conditions generally.

The Company's financial performance is highly dependent upon the business environment in the markets where the Company operates and in the U.S. as a whole. Unfavorable or uncertain economic and market conditions can be caused by declines in economic growth, business activity, or investor or business confidence, limitations on the availability or increases in the cost of credit and capital, increases in inflation or interest rates, government shutdowns, the imposition of tariffs on trade, natural disasters, the emergence of widespread health emergencies or pandemics, terrorist attacks, acts of war, or a combination of these or other factors. The ongoing COVID-19 pandemic has caused significant disruption in the U.S. economy and financial markets, including in Arizona, where we are headquartered, and California and Nevada, where we have significant operations.

The specific impact on the Company of unfavorable or uncertain economic or market conditions is difficult to predict, could be long or short term, and may be indirect, such as disruptions in our customers' supply chain or a reduction in the demand for their products or services. A worsening of business and economic conditions generally or specifically in the principal markets in which the Company conducts business could have adverse effects, including the following:

- a decrease in deposit balances or the demand for loans and other products and services the Company offers;
- an increase in the number of borrowers who become delinquent, file for protection under bankruptcy laws or default on their loans or other obligations to the Company, which could lead to higher levels of nonperforming assets, net charge-offs, and provisions for credit losses;
- a decrease in the value of loans and other assets or in the value of collateral;
- a decrease in net interest income from the Company's lending and deposit gathering activities;
- an impairment of certain intangible assets such as goodwill; and
- an increase in competition resulting from increasing consolidation within the financial services industry.

In the U.S. financial services industry, the commercial soundness of financial institutions is closely interrelated as a result of credit, trading, clearing or other relationships between the institutions. As a result, concerns about, or a default or threatened default by, one institution could lead to significant market-wide liquidity and credit problems, losses or defaults by other institutions. This is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms, and exchanges, with which the Company interacts on a daily basis, and therefore could adversely affect the Company.

It is possible that the business environment in the U.S. will continue to be challenging or experience additional volatility in the future. There can be no assurance that such conditions will improve in the near term or that conditions will not worsen. Such conditions could adversely affect the Company's business, results of operations, and financial condition.

The Company is a participating lender in the PPP and may be exposed to risks related to noncompliance with the program.

The Company is a participating lender in the PPP, a loan program administered through the SBA, that was created to help eligible businesses, organizations and self-employed persons fund their operational costs during the COVID-19 pandemic. Under this program, the SBA guarantees 100% of the amounts loaned under the PPP. Certain ambiguities in the laws, rules and guidance regarding the requirements and operation of the PPP may expose the Company to risks relating to noncompliance with the PPP. For instance, other financial institutions have experienced litigation related to their policies and procedures for accepting and processing applications for the PPP. Any financial liability, litigation costs or reputational damage caused by PPP related litigation could have a material adverse impact on our business, financial condition and results of operations. In addition, the Company may be exposed to credit risk on a PPP loan if a determination is made by the SBA that there is a deficiency in the manner in which the loan was originated, funded or serviced. In such a case, the SBA may deny its liability under the guaranty, reduce the amount of the guaranty, or, if it has already paid under the guaranty, seek recovery of any related loss from the Company.

The Company is highly dependent on real estate and events that negatively impact the real estate market will hurt the Company's business and earnings.

The Company is located in areas in which economic growth is largely dependent on the real estate market, and a majority of the Company's loan portfolio is secured by or otherwise dependent on real estate. The market for real estate is cyclical and the outlook for this sector is uncertain. A decline in real estate activity would likely cause a decline in asset and deposit growth and negatively impact the Company's earnings and financial condition.

The Company's loan portfolio consists primarily of commercial and industrial and CRE loans, which contain concentrations in certain business lines or product types that have unique risk characteristics and may expose the Company to increased lending risks.

The Company's loan portfolio consists primarily of commercial and industrial and CRE loans, which contain material concentrations in certain business lines or product types, such as mortgage warehouse, real estate, corporate finance, municipal and nonprofit loans, as well as in specific business sectors such as technology and innovation. These loan concentrations present unique risks and involve specialized underwriting and management as they often involve large loan balances to a single borrower or group of related borrowers. Consequently, an adverse development with respect to one commercial loan or one credit relationship may adversely affect the Company. In addition, based on the nature of lending to these specialty markets, repayment of loans may be dependent upon borrowers receiving additional equity financing or, in some cases, a successful sale to a third party, public offering, or other form of liquidity event. Unforeseen adverse events, changes in regulatory policy, or a general decline in the borrower's industry may have a material adverse effect on the Company's financial condition and results of operations.

Recent changes to the FASB accounting standards resulted in a significant change to the Company's recognition of credit losses and may continue to materially impact the Company's financial condition or results of operations.

The incurred loss model for recognizing credit losses was replaced with an expected loss model referred to as CECL, which became effective on January 1, 2020. Under the incurred loss model, the Company delayed recognition of losses until it was probable that a loss had been incurred. The CECL model represents a dramatic departure from the incurred loss model. The CECL model requires the Company to present certain financial assets carried at amortized cost, such as loans held for investment and held-to-maturity debt securities, at the net amount expected to be collected. Additionally, the measurement of expected credit losses takes place at the time the financial asset is first added to the balance sheet (with periodic updates thereafter) and will be based on current conditions, information about past events, including historical experience, and reasonable and supportable forecasts that impact the collectability of the reported amount. The CECL model also applies to off-balance sheet credit exposures, such as unfunded loan commitments and standby letters of credit, and requires that the estimate of credit losses consider both the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded. The CECL model materially impacted how the Company determines its ACL and the Company's ACL may experience more fluctuations under the CECL model, which may result in significant volatility in the provision for credit losses and, therefore, earnings.

The worsening of forecasted economic conditions from December 31, 2019 through much of 2020 attributable to the COVID-19 pandemic contributed to the $123.6 million provision for credit losses recognized during the year ended December 31, 2020, under the new CECL accounting standard. While the Company has not to date experienced significant writeoffs related to the COVID-19 pandemic, the continued uncertainty regarding the severity and duration of the pandemic and related economic effects will continue to affect the Company's estimate of its allowance for credit losses and resulting provision for credit losses. To the extent the impact of the pandemic is prolonged and economic conditions continue to worsen or persist longer than forecast, such estimates may be insufficient and may change significantly in the future.

Due to the inherent risk associated with accounting estimates, the Company's allowance for credit losses may be insufficient, which could require the Company to raise additional capital or otherwise adversely affect the Company's financial condition and results of operations.

Credit losses are inherent in the business of making loans. Management makes various assumptions and judgments about the collectability of the Company's consolidated loan portfolio and maintains an allowance for estimated credit losses based on a number of factors, including the size of the portfolio, asset classifications, economic trends, industry experience and trends, industry and geographic concentrations, estimated collateral values, management's assessment of the credit risk inherent in the portfolio, loan underwriting policies, historical loan loss experience, and reasonable and supportable forecasts. In addition, the Company individually evaluates all loans identified as problem loans and establishes an allowance based upon its estimation of the potential loss associated with those problem loans. Additions to the allowance for credit losses recorded through the Company's provision for credit losses decrease the Company's net income. If such assumptions and judgments are incorrect, the Company's actual credit losses may exceed the Company's allowance for credit losses.

At December 31, 2020, the Company's allowance for credit losses and loss contingency on unfunded loan commitments and letters of credit is $278.9 million and $37.0 million, respectively. Deterioration in the real estate market or general economic conditions could affect the ability of the Company’s loan customers to service their debt, which could result in additional loan provisions and increases in the Company’s allowance for credit losses. In addition, the Company may be required to record additional loan provisions or increase the Company’s allowance for credit losses based on new information regarding existing loans, input from regulators in connection with their review of the Company’s allowance, changes in regulatory guidance, regulations or accounting standards, identification of additional problem loans, changes in economic outlook, and other factors, both within and outside of the Company’s management’s control. Moreover, because future events are uncertain and because the Company may not successfully identify all deteriorating loans in a timely manner, there may be loans that deteriorate in an accelerated time frame.

Any increases in the provision or allowance for credit losses will result in a decrease in the Company’s net income and, potentially, capital, and may have a material adverse effect on the Company’s financial condition and results of operations. If actual credit losses materially exceed the Company’s allowance for credit losses, the Company may be required to raise additional capital, which may not be available to the Company on acceptable terms or at all. The Company’s inability to raise additional capital on acceptable terms when needed could materially and adversely affect the Company’s financial condition, results of operations, and capital.

The Company could be subject to tax audits, challenges to its tax positions, or adverse changes or interpretations of tax laws.

The Company is subject to federal and applicable state income tax laws and regulations. Income tax laws and regulations are often complex and require significant judgment in determining the Company’s effective tax rate and in evaluating its tax positions. Changes in tax laws, changes in interpretations, guidance or regulations that may be promulgated, or challenges to judgments or actions that the Company may take with respect to tax laws could negatively impact the Company's business. In addition, the Company’s determination of its tax liability is subject to review by applicable tax authorities. Any audits or challenges of such determinations may adversely affect the Company’s effective tax rate, tax payments or financial condition.

Because of the geographic concentration of the Company’s assets, changes in local economic conditions could adversely affect the Company’s business and results of operations.

The Company’s business is primarily concentrated in selected markets in Arizona, California, and Nevada. As a result of this geographic concentration, the Company’s financial condition and results of operations depend largely upon economic conditions in these market areas. Deterioration in economic conditions in these markets could result in one or more of the following: an increase in loan delinquencies and charge-offs; an increase in problem assets and foreclosures; a decrease in the demand for the Company’s products and services; or a decrease in the value of collateral for loans, especially real estate. Like the rest of the United States, economic conditions in these states have been adversely affected by the COVID-19 pandemic, and there can be no assurance as to if or when such conditions will improve or that such conditions will not worsen.

The Company’s future success depends on its ability to compete effectively in a highly competitive and rapidly evolving market.

The Company faces substantial competition in all phases of its operations from a variety of different competitors. The Company’s competitors, including large commercial banks, community banks, thrift institutions, mutual savings banks, credit unions, finance companies, insurance companies, securities dealers, brokers, mortgage bankers, investment advisors, money market mutual funds, and other financial institutions, compete with lending and deposit-gathering services offered by the Company. Increased competition in the Company’s markets may result in reduced loans and deposits or less favorable pricing.

There is competition for financial services in the markets in which the Company conduct its businesses, including from many local commercial banks, as well as numerous national and regionally based commercial banks. In particular, the Company has experienced intense price and terms competition in some of the lending lines of business and deposits in recent years. Many of these competing institutions have much greater financial and marketing resources than the Company has. Due to their size, larger competitors can achieve economies of scale and may offer a broader range of products and services or more attractive pricing than the Company. In addition, some of the financial services organizations with which the Company competes are not subject to the same degree of regulation as is imposed on bank holding companies and federally insured depository institutions. As a result, these non-bank competitors have certain advantages over the Company in accessing funding and in providing various services.

The banking business in the Company’s primary market areas is very competitive, and the level of competition facing the Company may increase further, which may limit its asset growth and financial results. In particular, the Company's predominate source of revenue is net interest income. Therefore, if the Company is unable to compete effectively, including sustaining loan and deposit growth at its historical levels, its business and results of operations may be adversely affected.

The financial services industry also is facing increasing competitive pressure from the introduction of disruptive new technologies, often by non-traditional competitors and financial technology companies. Among other things, technology and other changes are allowing customers to complete financial transactions that historically have involved banks at one or both ends of the transaction. The elimination of banks as intermediaries for certain transactions, as well as further disruption of traditional bank businesses and products by non-banks, could result in the loss of fee income and deposits and otherwise adversely affect our business and results.

If the Company loses a significant portion of its core deposits or a significant deposit relationship, or its cost of funding deposits increases significantly, the Company's liquidity and/or profitability would be adversely impacted.

The Company's success depends on its ability to maintain sufficient liquidity to fund its current obligations and support loan growth and, specifically, to attract and retain a stable base of relatively low-cost deposits. The competition for these deposits in the Company's markets is strong and customers may demand higher interest rates on their deposits or seek other investments offering higher rates of return. The Company offers reciprocal deposit products, through third party networks to customers seeking federal insurance for deposit amounts that exceed the applicable deposit insurance limit at a single institution. The Company also from time to time offers other credit enhancements to depositors, such as FHLB letters of credit and, for certain deposits of public monies, pledges of collateral in the form of readily marketable securities. Any event or circumstance that interferes with or limits the Company's ability to offer these products to customers that require greater security for their deposits, such as a significant regulatory enforcement action or a significant decline in capital levels at the Company's bank subsidiary, could negatively impact the Company's ability to attract and retain deposits. If the Company were to lose a significant deposit relationship or a significant portion of its low-cost deposits, the Company would be required to borrow from other sources at higher rates and the Company's liquidity and profitability would be adversely impacted.

From time to time, the Company has utilized borrowings from the FHLB and the FRB, and there can be no assurance these programs will be available as needed.

As of December 31, 2020, the Company has five borrowings from the FHLB of San Francisco or the FRB. However, in the past, the Company has utilized borrowings from the FHLB of San Francisco and the FRB to satisfy its short-term liquidity needs. The Company's borrowing capacity is generally dependent on the value of its collateral pledged to these entities. These lenders could reduce the Company's borrowing capacity or eliminate certain types of collateral and could otherwise modify or even terminate their loan programs. Any change or termination could have an adverse effect on the Company's liquidity and profitability.

The Company is exposed to risk of environmental liabilities with respect to properties to which the Company obtains title.

Approximately 47% of the Company's loan portfolio at December 31, 2020 was secured by real estate. In the course of the Company's business, the Company may foreclose on and take title to real estate, and could be subject to environmental liabilities with respect to these properties. The Company may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation, and clean-up costs incurred by these parties in connection with environmental contamination, or may be required to investigate or clean up hazardous or toxic substances, or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. In addition, if the Company is the owner or former owner of a contaminated site, the Company may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. These costs and claims could be substantial and adversely affect the Company's business and prospects.

Risks Related to the Company's Operations, Technology, and Personnel

The Company's business may be adversely affected by fraud.

As a financial institution, the Company is inherently exposed to a wide range of operational risks, including, but not limited to, theft and other fraudulent activity by employees, customers, and other third parties targeting the Company and/or the Company's customers or data. Such activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing, social engineering and other dishonest acts.

Although the Company devotes substantial resources to maintaining effective policies and internal controls to identify and prevent such incidents, given the persistence and increasing sophistication of possible perpetrators, the Company may experience financial losses or reputational harm as a result of fraud.

A failure in or breach of the Company's operational or security systems or infrastructure, or those of the Company's third-party vendors and other service providers, including as a result of cyber-attacks, could disrupt the Company's businesses, result in the disclosure or misuse of confidential or proprietary information, damage the Company's reputation, increase the Company's costs, and cause losses.

The Company's operations rely on the secure processing, storage, and transmission of confidential and other information. As a result of the COVID-19 pandemic, the number of our employees working remotely at least some of the time has increased substantially. Although the Company takes numerous protective measures to maintain the confidentiality, integrity, and availability of the Company's and its customers' information across all geographies and product lines, and endeavors to modify these protective measures as circumstances warrant, the nature of the threats continues to evolve. As a result, the Company's computer systems, software, and networks and those of the Company's customers and third-party vendors may be vulnerable to unauthorized payments and account access, loss or destruction of data (including confidential client information), account takeovers, unavailability of service, computer viruses or other malicious code, cyber-attacks, and other events that could have an adverse security impact and result in significant losses to the Company and/or its customers. These threats may originate externally from increasingly sophisticated third parties, including foreign governments, organized criminal groups, and other hackers, or from outsourced or infrastructure-support providers and application developers, or the threats may originate from within the Company's organization.

The Company also faces the risk of operational disruption, failure, termination, or capacity constraints of any of the third parties that facilitate the Company's business activities, including vendors, exchanges, clearing agents, clearing houses, or other financial intermediaries. Such parties could also be the source or cause of an attack on, or breach of, the Company's operational systems, data or infrastructure. In addition, the Company may be at risk of an operational failure with respect to its customers' systems. The Company's risk and exposure to these matters remains heightened because of, among other things, the ongoing COVID-19 pandemic, the evolving nature of these threats, the outsourcing of many of the Company's business operations, and the continued uncertain global economic environment. As cyber threats continue to evolve, the Company may be required to expend significant additional resources to continue to modify or enhance its protective measures or to investigate and remediate any information security vulnerabilities.

The Company maintains insurance policies that it believes provide reasonable coverage at a manageable expense for an institution of the Company's size and scope with similar technological systems. However, the Company cannot assure that these policies will afford coverage for all possible losses or would be sufficient to cover all financial losses, damages, or penalties, including lost revenues, should the Company experience any one or more of its or a third party's systems failing or experiencing an attack.

The Company relies on third parties to provide key components of its business infrastructure.

The Company relies on third parties to provide key components for its business operations, such as data processing and storage, recording and monitoring transactions, online banking interfaces and services, internet connections, and network access. While the Company selects these third-party vendors carefully, it does not control their actions. Any problems caused by these third parties, including those resulting from breakdowns or other disruptions in communication services provided by a vendor, failure of a vendor to handle current or higher volumes, cyber-attacks and security breaches at a vendor, failure of a vendor to provide services for any reason, poor performance by a vendor, or service issues caused by the effects of COVID-19 or a similar pandemic on a vendor could adversely affect the Company's ability to deliver products and services to its customers and otherwise conduct its business. Financial or operational difficulties of a third-party vendor could also hurt the Company's operations if those difficulties interfere with the vendor's ability to serve the Company. Replacing these third-party vendors also could create significant delays and expense. Any of these things could adversely affect the Company's business and financial performance.

A change in the Company's creditworthiness could increase the Company's cost of funding or adversely affect its liquidity.

Market participants regularly evaluate the Company's creditworthiness and the creditworthiness of the Company's long-term debt based on a number of factors, some of which are not entirely within the Company's control, including the Company's financial strength and conditions within the financial services industry generally. There can be no assurance that the Company's perceived creditworthiness will remain the same. Changes could adversely affect the cost and other terms upon which the Company is able to obtain funding and its access to the capital markets, and could increase the Company's cost of capital. Likewise, any loss of or decline in the credit rating assigned to WAB could impair its ability to attract deposits or to obtain other funding sources, or increase its cost of funding.

The Company's controls and processes, its reporting systems and procedures, and its operational infrastructure may not be able to keep pace with its growth, which could cause it to experience compliance and operational problems or lose customers, or incur additional expenditures beyond current projections, any one of which could adversely affect the Company's financial results.

The Company's future success will depend on the ability of officers and other key employees to effectively implement solutions designed to improve operational, credit, financial, management and other internal risk controls and processes, as well as improve reporting systems and procedures, while at the same time maintaining and growing existing businesses and client relationships. The Company may not successfully implement such changes or improvements in an efficient or timely manner, or it may discover deficiencies in its existing systems and controls that adversely affect the Company's ability to support and grow its existing businesses and client relationships, and could require the Company to incur additional expenditures to expand its administrative and operational infrastructure. If the Company is unable to maintain and implement improvements to its controls, processes, and reporting systems and procedures, the Company may lose customers, experience compliance and operational problems or incur additional expenditures beyond current projections, any one of which could adversely affect the Company's financial results.

The Company's expansion strategy may not prove to be successful and its market value and profitability may suffer.

The Company continually evaluates expansion through acquisitions of banks and other financial assets and businesses. Like previous acquisitions by the Company, any future acquisitions will be accompanied by risks commonly encountered in such transactions, including, among other things:

- time and expense incurred while identifying, evaluating and negotiating potential acquisitions and transactions;
- difficulty in accurately estimating the value of target companies or assets and in evaluating target companies' or assets' credit, operations, management, and market risks;
- potential payment of a premium over book and market values that may cause dilution of the Company's tangible book value or earnings per share;
- exposure to unknown or contingent liabilities of the target company;
- potential exposure to asset quality issues of the target company;
- difficulty of integrating the operations and personnel;
- potential disruption of the Company's ongoing business;
- failure to retain key personnel at the acquired business;
- inability of the Company's management to maximize its financial and strategic position by the successful implementation of uniform product offerings and the incorporation of uniform technology into the Company's product offerings and control systems; and
- failure to realize any expected revenue increases, cost savings, and other projected benefits from an acquisition.

The Company expects that competition for suitable acquisition candidates may be significant. The Company may compete with other banks or financial service companies with similar acquisition strategies, many of which are larger and have greater financial and other resources. The Company cannot assure that it will be able to successfully identify and acquire suitable acquisition targets on acceptable terms and conditions, or that it will be able to obtain the regulatory approvals needed to complete any such transactions.

The Company cannot provide any assurance that it will be successful in overcoming these risks or any other problems encountered in connection with acquisitions. Potential regulatory enforcement actions could also adversely affect the Company's ability to engage in certain acquisition activities. The Company's inability to overcome the risks inherent in the successful completion and integration of acquisitions could have an adverse effect on the achievement of the Company's business strategy.

There are substantial risks and uncertainties associated with the introduction or expansion of lines of business or new products and services within existing lines of business.

From time to time, the Company may implement new lines of business, offer new products and services within existing lines of business, or offer existing products or services to new industries or market segments. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed or industries are heavily regulated. In developing and marketing new lines of business and/or new products and services, the Company may invest significant time and resources. Initial timetables for the introduction and development of new lines of business and/or new products or services may not be achieved and price and profitability targets may not prove attainable. External factors, such as compliance with laws and regulations, competitive alternatives, and shifting market preferences or government policies, may also impact the successful implementation of a new line of business, product or service or the offering of existing products and services to an emerging industry. Furthermore, any new line of business and/or new product or service could have a significant impact on the effectiveness of the Company's system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on the Company's business, results of operations, and financial condition.

The Company's success is dependent upon its ability to recruit and retain qualified employees, including members of its divisional and business line leadership and management teams.

The Company's business plan includes and is dependent upon hiring and retaining highly qualified and motivated executives and employees at every level. In particular, the Company's relative success to date has been partly the result of its management's ability to identify and retain highly qualified employees in administrative support roles, as well as those with expertise in certain specialty areas or that have long-standing relationships in their communities or markets. These professionals bring with them valuable knowledge, specialized skills and expertise, and customer relationships and have been an integral part of the Company's ability to attract deposits and to expand its market share.

Additionally, as part of the Company's strategy, the Company depends on divisional and business line leadership and management teams in each of its significant geographic locations. In addition to their skills and experience as bankers, these persons provide the Company with extensive ties within markets upon which the Company's competitive strategy is based.

The Company's ability to retain these highly qualified and motivated persons may be hindered by the fact that it has not entered into employment agreements with most of them. The Company incentivizes employee retention through its equity incentive plans; however, the Company cannot guarantee the effectiveness of its equity incentive plans in retaining these key employees and executives. Were the Company to lose key employees, it may not be able to replace them with equally qualified persons who bring the same knowledge of and ties to the communities and markets within which the Company operates. If the Company is unable to hire or retain qualified employees, it may not be able to successfully execute its business strategy or may incur additional costs to achieve its objectives.

Further, as it relates to the pandemic, the Company has taken and is continuing to take actions to protect the safety and well-being of its employees and customers, however, no assurance can be given that the steps being taken will be adequate or appropriate. The continued or renewed spread of COVID-19 or a similar pandemic could negatively impact the availability of key personnel necessary to conduct the Company's business. A sizable percentage of the Company's workforce has returned to working in its office buildings, and it is possible that one or more members of senior management or other key employees contracts the virus and is unable to perform their essential duties.

The Company could be harmed if its succession planning is inadequate to mitigate the loss of key members of its senior management team.

The Company believes that its senior management team, including, but not limited to, Robert Sarver, its Executive Chairman and Kenneth Vecchione, its CEO, have contributed greatly to its performance. In addition, the Company from time to time experiences retirements and other changes to its senior management team. The Company's future performance depends on a smooth transition of its senior management, including finding and training highly qualified replacements who are properly equipped to lead the Company. The Company has adopted retention strategies, including equity awards, from which its senior management team benefits in order to achieve its goals. However, the Company cannot assure its succession planning and retention strategies will be effective and the loss of senior management could have an adverse effect on the Company's business.

The Company's risk management practices may prove to be inadequate or not fully effective.

The Company's risk management framework seeks to mitigate risk and appropriately balance risk and return. The Company has established policies and procedures intended to identify, monitor, and manage the types of risk to which it is subject, including, but not limited to, credit risk, market risk, liquidity risk, operational risk, legal and compliance risk, and reputational risk. A BOD level risk committee approves and reviews the Company's key risk management policies and oversees operation of the Company's risk management framework. Although the Company has devoted significant resources to developing its risk management policies and procedures and expects to continue to do so in the future, these policies and procedures, as well as the Company's risk management techniques, may not be fully effective. In addition, as regulations and the markets in which the Company operates continue to evolve, the Company's risk management framework may not always keep sufficient pace with those changes. If the Company's risk management framework does not effectively identify or mitigate its risks, the Company could suffer unexpected losses or other material adverse impact. Management of the Company's risks in some cases depends upon the use of analytical and/or forecasting models. If the models the Company uses to mitigate these risks are inadequate, or are subject to ineffective governance, the Company may incur increased losses. In addition, there may be risks that exist, or that develop in the future, that the Company has not appropriately anticipated, identified, or mitigated.

The Company's internal controls and procedures may fail or be circumvented and the accuracy of the Company's judgments and estimates about financial and accounting matters may impact operating results and financial condition.

The Company's management regularly reviews and updates its internal controls over financial reporting, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls and procedures, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of the Company's controls and procedures, or failure to comply with regulations related to controls and procedures, could result in materially inaccurate reported financial statements and/or have a material adverse effect on the Company's business, results of operations, and financial condition. Similarly, the Company's management makes certain estimates and judgments in preparing the Company's financial statements. The quality and accuracy of those estimates and judgments will impact the Company's operating results and financial condition.

If the Company is unable to understand and adapt to technological change, the Company’s business could be adversely affected.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology can increase efficiency and enable financial institutions to better serve customers and to reduce costs. However, some new technologies needed to compete effectively result in incremental operating costs. The Company’s future success depends, in part, upon its ability to address the needs of its customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in operations. Many of the Company’s competitors, because of their larger size and available capital, have substantially greater resources to invest in technological improvements. The Company may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to its customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on the Company’s business and, in turn, its financial condition and results of operations.

The markets in which the Company operates are subject to the risk of both natural and man-made disasters.

Many of the real and personal properties securing the Company's loans are located in California. Much of California experiences wildfires from time to time that cause significant damage throughout the state. While these wildfires did not significantly damage the Company's own properties, it is possible that its borrowers may experience losses as a result, which may materially impair their ability to meet the terms of their obligations. California is also prone to other natural disasters, including, but not limited to, drought, earthquakes, flooding, and mudslides. Additional significant natural or man-made disasters in the state of California or in the Company's other markets could lead to damage or injury to the Company's own properties and/or employees, and could increase the risk that many of its borrowers may experience losses or sustained job interruption, which may materially impair their ability to maintain deposits or meet the terms of their loan obligations. Therefore, additional natural disasters, a man-made disaster or a catastrophic event, or a combination of these or other factors, in any of the Company's markets could have a material adverse effect on the Company's business, financial condition, results of operations, and cash flows.

Risks Related to Banking, Markets, and Legal Matters

The Company operates in a highly regulated environment and the laws and regulations that govern the Company's operations, corporate governance, executive compensation, and accounting principles, or changes in them, or the Company's failure to comply with them, may adversely affect the Company.

The Company is subject to extensive regulation, supervision, and legislation that govern almost all aspects of its operations. Intended to protect customers, depositors, and the DIF, these laws and regulations, among other matters, prescribe minimum capital requirements, impose limitations on the business activities in which the Company can engage, require monitoring and reporting of suspicious activity and of customers who are perceived to present a heightened risk of money laundering or other illegal activity, limit the dividends or distributions that WAB can pay to the Company or that the Company can pay to its stockholders, restrict the ability of affiliates to guarantee the Company's debt, impose certain specific accounting requirements on the Company that may be more restrictive and may result in greater or earlier charges to earnings or reductions in the Company's capital than does GAAP, among other things. Compliance with laws and regulations can be difficult and costly, and changes to laws and regulations often impose significant additional compliance costs. To the extent the Company continues to grow larger and become more complex, regulatory oversight and risk and the cost of compliance will likely increase, which may adversely affect the Company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Supervision and Regulation" included in this Form 10-K for a more detailed summary of the regulations and supervision to which the Company are subject.

Changes to the legal and regulatory framework governing the Company's operations, including the passage and continued implementation of the Dodd-Frank Act and EGRRCPA, have drastically revised the laws and regulations under which the Company operates. In general, bank regulators have increased their focus on risk management and regulatory compliance, and the Company expects this focus to continue. Additional compliance requirements may be costly to implement, may require additional compliance personnel, and may limit the Company's ability to offer competitive products to its customers.

The Company is also subject to changes in federal and state law, as well as regulations and governmental policies, income tax laws, and accounting principles. Regulations affecting banks and other financial institutions are undergoing continuous review and frequently change, and the ultimate effect of such changes cannot be predicted. Regulations and laws may be modified at any time, and new legislation may be enacted that will affect the Company, WAB, and the Company's other subsidiaries. Any changes in federal and state law, as well as regulations and governmental policies, income tax laws, and accounting principles, could affect the Company in substantial and unpredictable ways, including ways that may adversely affect the Company's business, financial condition, or results of operations. Failure to appropriately comply with any such laws, regulations or principles or an alleged failure to comply, even if the Company acted in good faith or the alleged failure reflects a difference in interpretation, could result in sanctions by regulatory agencies, civil money penalties or damage to the Company's reputation, all of which could adversely affect the Company's business, financial condition, or results of operations.

State and federal banking agencies periodically conduct examinations of the Company's business, including compliance with laws and regulations, and the Company's failure to comply with any supervisory actions to which the Company is or becomes subject as a result of such examinations may adversely affect the Company.

State and federal banking agencies, including the FRB, FDIC, and CFPB, periodically conduct examinations of the Company's business, including for compliance with laws and regulations. If, as a result of an examination, an agency were to determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity, or other aspects of any of the Company's operations had become unsatisfactory, or that the Company or its management was in violation of any law or regulation, federal banking agencies may take a number of different remedial or enforcement actions it deems appropriate to remedy such a deficiency. These actions include the power to enjoin "unsafe or unsound" practices, to require affirmative actions to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in the Company's capital, to restrict the Company's growth, and to assess civil monetary penalties against the Company and/or officers or directors, and to remove officers and directors. If the FDIC concludes that such conditions cannot be corrected or there is an imminent risk of loss to depositors, it may terminate WAB's deposit insurance. Under Arizona law, the state banking supervisory authority has many of the same enforcement powers with respect to its state-chartered banks. Finally, the CFPB has the authority to examine the Company and has authority to take enforcement actions, including the issuance of cease-and-desist orders or civil monetary penalties against the Company if it finds that the Company offers consumer financial products and services in violation of federal consumer financial protection laws or in an unfair, deceptive, or abusive manner.

If the Company were unable to comply with regulatory directives in the future, or if the Company were unable to comply with the terms of any future supervisory requirements to which the Company may become subject, then it could become subject to a variety of supervisory actions and orders, including cease and desist orders, prompt corrective actions, MOUs, and/or other regulatory enforcement actions. If the Company's regulators were to take such supervisory actions, then the Company could, among other things, become subject to restrictions on its ability to enter into acquisitions and develop any new business, as well as restrictions on its existing business. The Company also could be required to raise additional capital, dispose of certain assets and liabilities within a prescribed period of time, or both. Failure to implement the measures in the time frames provided, or at all, could result in additional orders or penalties from federal and state regulators, which could result in one or more of the remedial actions described above. In the event the Company was ultimately unable to comply with the terms of a regulatory enforcement action, it could fail and be placed into receivership by the FDIC or the chartering agency. The terms of any such supervisory action and the consequences associated with any failure to comply therewith could have a material negative effect on the Company's business, operating flexibility, and financial condition.

The Company's financial instruments expose the Company to certain market risks and may increase the volatility of earnings and AOCI.

The Company holds certain financial instruments measured at fair value. For those financial instruments measured at fair value, the Company is required to recognize the changes in the fair value of such instruments in earnings or AOCI each quarter. Therefore, any increases or decreases in the fair value of these financial instruments have a corresponding impact on reported earnings or AOCI. Fair value can be affected by a variety of factors, many of which are beyond the Company's control, including the Company's credit position, interest rate volatility, capital markets volatility, and other economic factors. Accordingly, the Company is subject to mark-to-market risk and the application of fair value accounting may cause the Company's earnings and AOCI to be more volatile than would be suggested by the Company's underlying performance.

Uncertainty about the future of LIBOR, and its accepted alternatives, may adversely affect our business.

The United Kingdom Financial Conduct Authority, the agency that regulates LIBOR, has announced it intends to stop compelling banks to submit rates for the calculation of LIBOR. The publication cessation date of U.S. dollar LIBOR has been extended to June 30, 2023. The ARRC has proposed that the SOFR represents best practice as the alternative to LIBOR for use in derivatives and other financial contracts that are currently indexed to LIBOR. ARRC has proposed a paced market transition plan to SOFR from LIBOR and organizations are currently working on industry wide and company specific transition plans as it relates to derivatives and cash markets exposed to LIBOR. It is not possible at this time to predict what rate or rates may become accepted alternatives to LIBOR, or what the effect of any such changes in views or alternatives may be on the markets for LIBOR-indexed financial instruments. The market transition away from LIBOR to an alternative reference rate, such as the SOFR, is complex and could have a range of adverse effects on our loan and lease and investment portfolios, asset-liability management, business, financial condition and results of operations. LIBOR is the reference rate for many transactions in which the Company lends and borrows money, issues, purchases and sells securities and enters into derivative contracts to manage its or its customers' risk related to these transactions. Accordingly, management has established a LIBOR transition team to lead the Company in the execution of its project plan. Despite these efforts, the manner and impact of this transition and related developments, as well as the effect of these developments on the Company's funding costs, investment and trading securities portfolios, and business, is uncertain and could have a material adverse impact on the Company's profitability.

Changes in interest rates and increased rate competition could adversely affect the Company's profitability, business, and prospects.

Most of the Company's assets and liabilities are monetary in nature, which subjects the Company to significant risks from changes in interest rates and can impact the Company's net income, the valuation of its assets and liabilities, and the Company's ability to effectively manage its interest rate risk.

The Company derives substantially all of its revenue from net interest income and, therefore, its operating income and net income depend to a great extent on its net interest margin. Net interest margin is the difference between the interest yields the Company receives on loans, securities, and other earning assets and the interest rates the Company pays on interest-bearing deposits, borrowings, and other liabilities. These rates are highly sensitive to many factors beyond the Company's control, including competition, general economic conditions, and monetary and fiscal policies of various governmental and regulatory authorities, including the FRB. In a rising rate environment, the rate of interest the Company pays on its interest-bearing deposits, borrowings, and other liabilities may increase more quickly than the rate of interest the Company receives on loans, securities, and other earning assets, which could adversely impact the Company's net interest income and earnings. The Company's earnings also could be adversely affected in a declining rate environment if the rates on the Company's loans and other investments fall more quickly than those on its deposits and other liabilities. Because of the Company's relatively high reliance on net interest income, its revenue and earnings are more sensitive to changes in market rates than other financial institutions that have more diversified sources of revenue. The Company experiences substantial competition on the basis of interest rates for both loans and deposits.

In addition, loan volumes are affected by market interest rates on loans. Lower interest rates are usually associated with higher loan originations, although the unfavorable economic conditions brought on by the pandemic may make it more difficult for us to maintain our loan origination volume. In falling interest rate environments, loan repayment rates will increase and, in rising interest rate environments, loan repayment rates will decline and also generally result in a lower volume of loan originations. The Company cannot guarantee that it will be able to minimize interest rate risk. In addition, an increase in the general level of interest rates may adversely affect the ability of certain borrowers to pay the interest on and principal of their obligations.

Interest rates also affect how much money the Company can lend. When interest rates rise, the cost of borrowing increases. Accordingly, changes in market interest rates could materially and adversely affect the Company's net interest income, asset quality, loan origination volume, business, financial condition, results of operations, and cash flows.

In March 2020, the Federal Reserve lowered the target range for the federal funds rate to a range from 0 to 0.25 percent, in part as a result of the pandemic. A prolonged period of very low interest rates or an increase in interest rates that affects the Company's borrowers' ability to repay loans could reduce the Company's net interest income and have a material adverse impact on the Company's cash flows.

Risks Related to the Company's Common Stock

The price of the Company's common stock may fluctuate significantly in the future.

The price of the Company's common stock on the New York Stock Exchange constantly changes. The ongoing COVID-19 pandemic has resulted in severe volatility in the financial markets. Depending on the extent and duration of the COVID-19 pandemic, the price of the Company's common stock may continue to experience volatility or decline. There can be no assurances about the market price for the Company's common stock.

The Company's stock price may fluctuate as a result of a variety of factors many of which are beyond the Company's control. These factors include:

- actual or anticipated changes in the political climate or public policy, including international trade policy;
- sales of the Company's equity securities;
- the Company's financial condition, performance, creditworthiness, and prospects;
- quarterly variations in the Company's operating results or the quality of its assets;
- operating results that vary from the expectations of management, securities analysts, and investors;
- changes in expectations as to the Company's future financial performance;
- announcements of strategic developments, acquisitions, and other material events by the Company or its competitors;
- the operating and securities price performance of other companies that investors believe are comparable to the Company;
- the credit, mortgage, and housing markets, the markets for securities relating to mortgages or housing, and developments with respect to financial institutions generally;
- changes in interest rates and the slope of the yield curve;
- changes in national and global financial markets and economies and general market conditions, such as interest or foreign exchange rates, stock, commodity or real estate valuations or volatility and other geopolitical, regulatory or judicial events; and
- the Company's past and future dividend and share repurchase practices.

There may be future sales or other dilution of the Company's equity, which may adversely affect the market price of the Company's common stock.

The Company is not restricted from issuing additional common stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive, common stock. The Company also grants a significant number of shares of common stock to employees and directors under the Company's Incentive Plan each year. The issuance of any additional shares of the Company's common stock or preferred stock or securities convertible into, exchangeable for or that represent the right to receive common stock, or the exercise of such securities could be substantially dilutive to stockholders of the Company's common stock. Holders of the Company's common stock have no preemptive rights that entitle such holders to purchase their pro rata share of any offering of shares of any class or series. Because the Company's decision to issue securities in any future offering will depend on market conditions, its acquisition activity, and other factors, the Company cannot predict or estimate the amount, timing, or nature of its future offerings. Thus, the Company's stockholders bear the risk of the Company's future offerings reducing the market price of the Company's common stock and diluting their stock holdings in the Company.

There can be no assurance that the Company will continue to declare cash dividends or repurchase stock.

The Company has paid regular quarterly dividends on its common stock, subject to quarterly declarations by the BOD, since the third quarter of 2019. The Company has previously adopted common stock repurchase programs, pursuant to which the Company has repurchased shares of its outstanding common stock, the most recent of which expired in December 2020.

The Company's dividend payments and/or stock repurchases may change from time-to-time, and no assurance can be provided that it will continue to declare dividends and/or repurchase stock in any particular amounts or at all. Dividends and/or stock repurchases are subject to capital availability and the discretion of the Company's BOD, which must evaluate, among other things, whether cash dividends and/or stock repurchases are in the best interest of its stockholders and are in compliance with all applicable laws and any agreements containing provisions that limit the Company's ability to declare and pay cash dividends and/or repurchase stock. In addition, the amount the Company spends and the number of shares that it is able to repurchase under its stock repurchase program may be further affected by a number of other factors, including the stock price and blackout periods in which the Company is restricted from repurchasing shares. A reduction in or elimination of the Company's dividend payments, dividend program and/or stock repurchases could have a negative effect on the Company's stock price.

Offerings of debt, which would be senior to the Company's common stock upon liquidation, and/or preferred equity securities that may be senior to the Company's common stock for purposes of dividend distributions or upon liquidation, may adversely affect the market price of the Company's common stock.

The Company may from time to time issue debt securities, borrow money through other means, or issue preferred stock. From time to time the Company borrows money from the FRB, the FHLB, other financial institutions, and other lenders. At December 31, 2020, the Parent had outstanding $175.0 million of 6.25% subordinated debentures with a maturity date of July 1, 2056, and WAB had outstanding $300.0 million of subordinated debentures. WAB's subordinated debentures consist of two issuances, an issuance of $75.0 million aggregate principal amount of 5.00% Fixed-to-Floating Rate Subordinated Notes due July 15, 2025 and another issuance of $225.0 million aggregate principal amount of 5.25% Fixed-to-Floating Rate Subordinated Notes due June 1, 2030. All of these securities or borrowings have priority over the common stock in a liquidation, which could affect the market price of the Company's stock.

The Company's BOD is authorized to issue one or more classes or series of preferred stock from time to time without any action on the part of the stockholders. The Company's BOD also has the power, without stockholder approval, to set the terms of any such classes or series of preferred stock that may be issued, including voting rights, dividend rights, and preferences over the Company's common stock with respect to dividends or upon the Company's dissolution, winding-up, and liquidation and other terms. If the Company issues preferred stock in the future that has a preference over its common stock, with respect to the payment of dividends or upon the Company's liquidation, dissolution, or winding up, or if the Company issues preferred stock with voting rights that dilute the voting power of its common stock and/or the rights of holders of its common stock, the market price of its common stock could be adversely affected.

Anti-takeover provisions could negatively impact the Company's stockholders.

Provisions of Delaware law and provisions of the Company's Certificate of Incorporation, as amended, and its Amended and Restated Bylaws could make it more difficult for a third party to acquire control of the Company or have the effect of discouraging a third party from attempting to acquire control of the Company. Additionally, the Company's Certificate of Incorporation, as amended, authorizes the Company's BOD to issue additional series of preferred stock and such preferred stock could be issued as a defensive measure in response to a takeover proposal. These provisions could make it more difficult for a third party to acquire the Company even if an acquisition might be in the best interest of the Company's stockholders.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company and WAB are headquartered at One E. Washington Street in Phoenix, Arizona. WAB operates 38 domestic branch locations, which include six executive and administrative offices, of which 20 of these locations are owned and 18 are leased. The Company also has several loan production and other offices across the United States. In addition, WAB owns and occupies a 36,000 square foot operations facility in Las Vegas, Nevada. See "Item 1. Business" for location cities. For information regarding rental payments, see "Note 4. Premises and Equipment" of the Consolidated Financial Statements included in this Form 10-K.

Item 3. Legal Proceedings

There are no material pending legal proceedings to which the Company is a party or to which any of its properties are subject. There are no material proceedings known to the Company to be contemplated by any governmental authority. See the "Supervision and Regulation" section of "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K for additional information. From time to time, the Company is involved in a variety of litigation matters in the ordinary course of its business and anticipates that it will become involved in new litigation matters in the future.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

The Company's common stock began trading on the New York Stock Exchange under the symbol "WAL" on June 30, 2005. The Company has filed, without qualifications, its 2020 Domestic Company Section 303A CEO Certification regarding its compliance with the NYSE's corporate governance listing standards.

Holders

At December 31, 2020, there were approximately 1,578 stockholders of record. This number does not include stockholders who hold shares in the name of brokerage firms or other financial institutions. The Company is not provided the exact number of or identities of these stockholders. There are no other classes of common equity outstanding.

Dividends

During the fourth quarter of 2020, the Company's Board of Directors approved a cash dividend of $0.25 per share. The dividend payment to shareholders totaled $25.2 million and was paid on November 27, 2020.

Share Repurchases

The following table provides information about the Company's purchases of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act for the periods indicated:

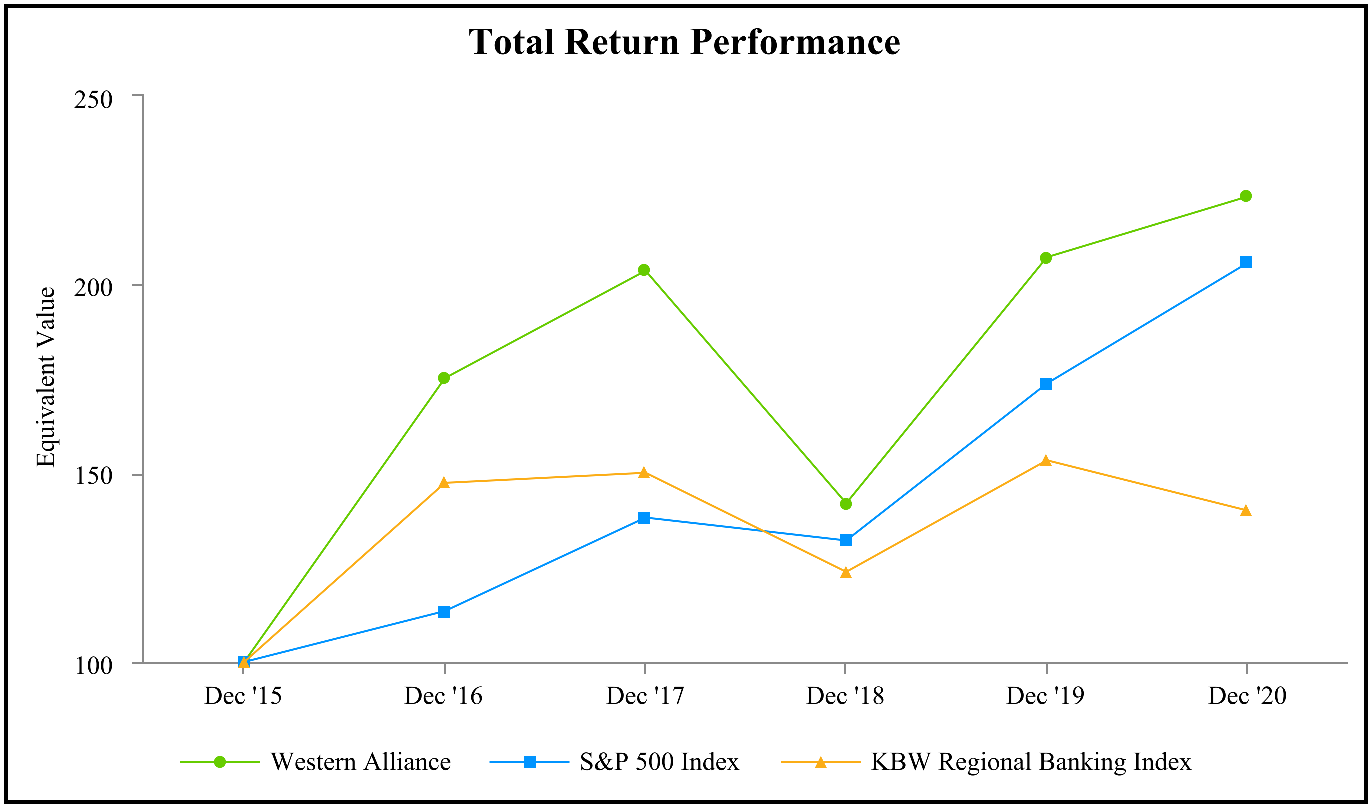
	Total Number of Shares Purchased (1)(2)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares That May Yet to be Purchased Under the Plans or Programs
October 2020	675	$ 41.40	—	$ 178,392,414
November 2020	—	—	—	178,392,414
December 2020	—	—	—	178,392,414
Total	675	$ 41.40	—	$ 178,392,414

(1) Shares purchased during the period outside of the publicly announced repurchase program were transferred to the Company from employees in satisfaction of minimum tax withholding obligations associated with the vesting of restricted stock awards during the period.

(2) The Company has previously adopted common stock repurchase programs, the most recent of which authorized the Company to repurchase up to $250.0 million of its common stock. The Company had $178.4 million in authorized common stock repurchase capacity that expired under the program as of December 31, 2020.

Performance Graph

The following graph summarizes a five year comparison of the cumulative total returns for the Company's common stock, the Standard & Poor's 500 stock index and the KBW Regional Banking Total Return Index, each of which assumes an initial value of $100.00 on December 31, 2015 and reinvestment of dividends.



Item 6. Selected Financial Data.

The following selected financial data have been derived from the Company's statements of consolidated financial condition and results of operations, as of and for the years ended December 31, 2020, 2019, 2018, 2017, and 2016, and should be read in conjunction with the Consolidated Financial Statements and the related notes included elsewhere in this report:

	Year Ended December 31,				
	2020	2019	2018	2017	2016
			(in millions)		
Results of Operations:					
Interest income	**$ 1,261.8**	$ 1,225.0	$ 1,033.5	$ 845.5	$ 700.5
Interest expense	**94.9**	184.6	117.6	60.8	43.3
Net interest income	**1,166.9**	1,040.4	915.9	784.7	657.2
Provision for credit losses	**123.6**	19.3	25.0	16.5	4.7
Net interest income after provision for credit losses	**1,043.3**	1,021.1	890.9	768.2	652.5
Non-interest income	**70.8**	65.1	43.1	45.3	42.9
Non-interest expense	**491.6**	482.0	423.7	361.7	334.2
Income before provision for income taxes	**622.5**	604.2	510.3	451.8	361.2
Income tax expense	**115.9**	105.0	74.5	126.3	101.4
Net income	**$ 506.6**	$ 499.2	$ 435.8	$ 325.5	$ 259.8

	As of and for the Year Ended December 31,				
	2020	2019	2018	2017	2016
	(dollars in millions, except per share data)				
Per Share Data:					
Earnings per share - basic	**$ 5.06**	$ 4.86	$ 4.16	$ 3.12	$ 2.52
Earnings per share - diluted	**5.04**	4.84	4.14	3.10	2.50
Dividends paid per share	**1.00**	0.50	—	—	—
Book value per common share	**33.85**	29.42	24.90	21.14	18.00
Tangible book value per share[1]	**30.90**	26.54	22.07	18.31	15.17
Shares outstanding at period end	**100.8**	102.5	104.9	105.5	105.1
Weighted average shares outstanding - basic	**100.2**	102.7	104.7	104.2	103.0
Weighted average shares outstanding - diluted	**100.5**	103.1	105.4	105.0	103.8
Selected Balance Sheet Data:					
Cash and cash equivalents	**$ 2,671.7**	$ 434.6	$ 498.6	$ 416.8	$ 284.5
Investment securities and money market investments, net	**5,504.8**	4,036.6	3,695.0	3,754.6	2,702.5
Loans, net of deferred loan fees and costs	**27,053.0**	21,123.3	17,710.6	15,093.9	13,208.4
Allowance for loan losses	**278.9**	167.8	152.7	140.1	124.7
Total assets	**36,461.0**	26,821.9	23,109.5	20,329.1	17,200.8
Total deposits	**31,930.5**	22,796.5	19,177.4	16,972.5	14,549.9
Other borrowings	**5.0**	—	491.0	390.0	80.0
Qualifying debt	**548.7**	393.6	360.5	376.9	367.9
Total stockholders' equity	**3,413.5**	3,016.7	2,613.7	2,229.7	1,891.5
Selected Other Balance Sheet Data:					
Average assets	**$ 31,373.4**	$ 24,914.1	$ 21,246.3	$ 18,869.6	$ 16,134.3
Average earning assets	**30,080.9**	23,586.5	20,064.5	17,770.9	15,117.4
Average stockholders' equity	**3,151.8**	2,845.4	2,411.7	2,079.3	1,770.9
Selected Financial and Liquidity Ratios:					
Return on average assets	**1.61 %**	2.00 %	2.05 %	1.72 %	1.61 %
Return on average tangible common equity[1]	**17.7**	19.6	20.6	18.3	17.7
Net interest margin	**3.97**	4.52	4.68	4.65	4.58
Loan to deposit ratio	**84.7**	92.7	92.4	88.9	90.8
Capital Ratios:					
Tier 1 leverage ratio	**9.2 %**	10.6 %	10.9 %	10.3 %	9.9 %
Tier 1 capital ratio	**10.2**	10.9	11.1	10.8	10.5
Total capital ratio	**12.5**	12.8	13.2	13.3	13.2
Selected Asset Quality Ratios:					
Net charge-offs to average loans outstanding	**0.06 %**	0.02 %	0.06 %	0.01 %	0.02 %
Non-accrual loans to funded loans	**0.43**	0.27	0.16	0.29	0.31
Non-accrual loans and repossessed assets to total assets	**0.32**	0.26	0.20	0.36	0.51
Loans past due 90 days or more and still accruing to funded loans	**—**	—	0.00	0.00	0.01
Allowance for loan losses to funded loans	**1.03**	0.80	0.86	0.93	0.95
Allowance for loan losses to non-accrual loans	**242**	300	550	319	310

[1] See Non-GAAP Financial Measures section beginning on page 40.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion is designed to provide insight on the financial condition and results of operations of Western Alliance Bancorporation and its subsidiaries and should be read in conjunction with "Item 8. Financial Statements and Supplementary Data." This discussion and analysis contains forward-looking statements that involve risk, uncertainties, and assumptions. Certain risks, uncertainties, and other factors, including, but not limited to, those set forth under "Forward-Looking Statements" at the beginning of Part I of this Form 10-K and those discussed in Part I, Item 1A of this Form 10-K under the heading "Risk Factors," may cause actual results to differ materially from those projected in the forward-looking statements.

For a comparison of the 2019 results to the 2018 results and other 2018 information not included herein, refer to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

Recent Developments: Pending Acquisition of AmeriHome

On February 16, 2021, the Company entered into a definitive agreement with Aris Mortgage Holding Company, LLC ("Aris"), the parent company of AmeriHome Mortgage Company, LLC ("AmeriHome"), and certain other parties, pursuant to which Aris will merge with an indirect subsidiary of the Bank. Following the merger, AmeriHome will continue to use its trade name, continuing to operate as AmeriHome, a Western Alliance Bank company. Pursuant to the agreement, WAB will pay cash consideration of $275 million plus the adjusted tangible book value of Aris at closing, for an estimated aggregate cash consideration of $1.0 billion (inclusive of certain transaction expenses and management bonus payments) based on December 31, 2020 financial statements of Aris. James Furash, Chief Executive Officer of AmeriHome, and other founding management team members of AmeriHome will continue in their roles following the merger. The merger, which remains subject to required regulatory approvals, is expected to close in the second quarter of 2021.

Recent Developments: COVID-19 and the CARES Act

The ongoing COVID-19 global and national health emergency has caused significant disruption in the United States and international economies and financial markets. The spread of COVID-19 in the United States has caused illness, quarantines, cancellation of events and travel, business and school shutdowns, reduction in commercial activity and financial transactions, supply chain interruptions, increased unemployment, and overall economic and financial market instability. Many states, including Arizona, where we are headquartered, and California and Nevada, in which we have significant operations, continue to be significantly impacted by the pandemic.

The CARES Act was enacted in March 2020 and provides for approximately $2.2 trillion in emergency economic relief measures including, among other things, loan programs for small and mid-sized businesses and other economic relief for impacted businesses and industries, including financial institutions. Separately, and also in response to COVID-19, the Federal Reserve's FOMC has set the federal funds target rate - i.e., the interest rate at which depository institutions such as the Bank lend reserve balances to other depository institutions overnight on an uncollateralized basis - to a historic low. In March 2020, the FOMC set the federal funds target rate at 0 to 0.25 percent.

The COVID-19 pandemic and certain provisions of the CARES Act and other recent legislative and regulatory relief efforts have had and are expected to continue to have a material impact on the Company's operations, as further discussed below.

Financial position and results of operations

The Company's financial position and results of operations as of and for the year ended December 31, 2020 have been significantly impacted by the COVID-19 pandemic. The current uncertainty in the overall economy attributable to the pandemic contributed to the $123.6 million provision for credit losses recognized during the year ended December 31, 2020, under the new CECL accounting standard adopted by the Company on January 1, 2020. While the Company has not to date experienced significant writeoffs related to the COVID-19 pandemic, the continued uncertainty regarding the severity and duration of the pandemic and related economic effects will continue to affect the Company's estimate of its allowance for credit losses and resulting provision for credit losses. To the extent the impact of the pandemic is prolonged and economic conditions continue to worsen or persist longer than forecast, such estimates may be insufficient and may change significantly in the future. The Company's interest income also may be negatively impacted in future periods as we continue to work with our affected borrowers to defer payments, interest and fees. Additionally, net interest margin may be reduced generally as a result of the low rate environment. These uncertainties and the economic environment will continue to affect earnings, slow growth, and may result in deterioration of asset quality in the Company's loan and investment portfolios.

The below table details the Company's exposure to borrowers in industries generally considered to be the most impacted by the COVID-19 pandemic:

	December 31, 2020	
	Loan Balance	Percent of Total Loan Portfolio
	(dollars in millions)	
Industry (1):		
Hotel	$ 2,163.9	8.0 %
Investor dependent	1,240.5	4.6
Retail (2)	659.8	2.4
Gaming	491.4	1.8
Total	$ 4,555.6	16.8 %

(1) Balances capture credit exposures in the business segments that manage the significant majority of industry relationships.
(2) Consists of real estate secured loan amounts that have significant retail dependency.

While the Company has not experienced disproportionate impacts among its business segments to date, borrowers in the industries detailed in the table above could have greater sensitivity to the economic downturn with potentially longer recovery periods than other business lines.

Lending operations and accommodations to borrowers

The Company assisted our customers with applications for resources through the PPP and approved over 4,700 applications under the original program. One of the notable features of the PPP is that borrowers are eligible for loan forgiveness if borrowers maintain their staff and payroll and if loan amounts are used to cover eligible expenses, such as payroll, mortgage interest, rents and utilities payments. These loans have a two-year term and will earn interest at a rate of 1%. As of December 31, 2020, the outstanding balance of loans originated under the original PPP totaled $1.5 billion.

The original PPP terminated on August 8, 2020, but was reopened in January 2021, with $284 billion in additional funding. As part of the resumption of program, significant clarifications and modifications were made related to the scope of businesses eligible, expansion of the scope of expenses eligible for forgiveness, and simplification of forgiveness mechanisms for loans of $150,000 or less. Eligible businesses may apply for and receive PPP loans through March 31, 2021 and certain small businesses that previously received a loan under the original program may be eligible to obtain an additional loan. These loans have a five-year term and will earn interest at a rate of 1%.

The CARES Act permits financial institutions to suspend requirements under GAAP for loan modifications to borrowers affected by COVID-19 and is intended to provide interpretive guidance as to conditions that would constitute a short-term modification that would not meet the definition of a TDR. This includes the following (i) the loan modification is made between March 1, 2020 and the earlier of December 31, 2020 or 60 days after the end of the coronavirus emergency declaration, and (ii) the applicable loan was not more than 30 days past due as of December 31, 2019. The Company is applying this guidance to qualifying loan modifications. The types of loan modifications granted to borrowers include extensions of loan maturity dates, covenant waivers, interest only payments for a specified period of time, and loan payment deferrals. As of December 31, 2020, the Company has outstanding modifications meeting these conditions on loans with a net balance of $538.3 million as of December 31, 2020, of which, modifications involving loan payment deferrals total $190.0 million. Further, residential mortgage loans in forbearance have a net balance of $77.1 million as of December 31, 2020. As of January 31, 2020, the balance of loans with an outstanding loan modification was reduced to $293.0 million, with only $10.7 million involving a loan payment deferral.

The MSLP supports lending to small and medium-sized businesses that were in sound financial condition before the onset of the COVID-19 pandemic. The MSLP operates through five facilities: the Main Street New Loan Facility, the Main Street Priority Loan Facility, the Main Street Expanded Loan Facility, the Nonprofit Organization New Loan Facility, and the Nonprofit Organization Expanded Loan Facility. As of December 31, 2020, the Company has not originated a significant amount of these loans.

Capital and liquidity

While the Company has sufficient capital and does not anticipate any need for additional liquidity in response to the uncertainty regarding the severity and duration of the COVID-19 pandemic, the Company has taken several actions to ensure the strength of its capital and liquidity position. These actions include issuance of $225 million in subordinated debt at our bank subsidiary in May 2020, establishing a Federal Reserve lending facility in connection with funding loans to small and medium-sized businesses, and temporarily suspending stock repurchases since mid-April. In addition, the Company is also in a position to pledge additional collateral to increase its borrowing capacity with the FRB, if necessary. Further, management has elected to take advantage of the capital relief option that delays the estimated impact on regulatory capital by up to two years, with a three-year transition period to phase out the cumulative benefit to regulatory capital provided during the two-year delay.

Asset valuation

Continued and sustained declines in the Company's stock price and/or other credit related impacts could give rise to triggering events in the future that could result in a write-down in the value of our goodwill, which could have a material adverse impact on our results of operations.

Our processes, controls and business continuity plan

The Company has focused first on ensuring the well-being of our people, customers, and communities. Preventive health measures were put in place, which included establishing social distancing precautions for all employees in the office and customers visiting branches, preventive cleaning at offices and branches, and elimination of business related travel. The Company has returned employees to the office in certain locations subject to applicable health and safety procedures in accordance with guidance from the CDC and local authorities, including regular symptom checks, requiring face cloth coverings, increasing physical space between employees, monitoring the number of employees in the workplace, and requiring employees with COVID-19 related symptoms or exposure to quarantine away from the office.

The Company has also concentrated on implementing additional business continuity measures that include establishing a cross-functional COVID-19 team, monitoring potential business interruptions, making improvements to its remote working technology, and conducting regular discussions with its technology vendors. The Company has not experienced significant disruption to its business as the Company has been able to facilitate remote work for its employees and has online tools in place for its customers. The Company believes that it is positioned to continue these business continuity measures for the foreseeable future; however, no assurances can be provided as these circumstances may change depending on the duration of the pandemic.

Financial Overview and Highlights

WAL is a bank holding company headquartered in Phoenix, Arizona, incorporated under the laws of the state of Delaware. WAL provides a full spectrum of deposit, lending, treasury management, international banking, and online banking products and services through its wholly-owned banking subsidiary, WAB.

WAB operates the following full-service banking divisions: ABA, BON and FIB, Bridge, and TPB. The Company also provides an array of specialized financial services to its business customers across the country.

Financial Results Highlights of 2020

- Net income of $506.6 million for 2020, compared to $499.2 million for 2019
- Diluted earnings per share of $5.04 for 2020, compared to $4.84 per share for 2019
- Net revenue of $1.2 billion, constituting year-over-year growth of 12.0%, or $132.2 million, compared to an increase in non-interest expenses of 2.0%, or $9.6 million
- PPNR[1] increased $122.6 million to $746.1 million, compared to $623.5 million in 2019
- Income tax expense increased $10.9 million to $115.9 million, compared to $105.0 million in 2019
- Total loans of $27.1 billion, up $5.9 billion from December 31, 2019
- Total deposits of $31.9 billion, up $9.1 billion from December 31, 2019
- Stockholders' equity of $3.4 billion, an increase of $396.8 million from December 31, 2019
- Nonperforming assets (nonaccrual loans and repossessed assets) increased to 0.32% of total assets, from 0.26% at December 31, 2019
- Net loan charge-offs to average loans outstanding of 0.06% for 2020, compared to 0.02% for 2019
- Net interest margin of 3.97% in 2020, compared to 4.52% in 2019
- Return on average assets of 1.61% for 2020, compared to 2.00% for 2019
- Tangible common equity ratio[1] of 8.6%, compared to 10.3% at December 31, 2019
- Tangible book value per share, net of tax[1], of $30.90, an increase of 16.4% from $26.54 at December 31, 2019
- Efficiency ratio[1] of 38.8% in 2020, compared to 42.7% in 2019

The impact to the Company from these items, and others of both a positive and negative nature, are discussed in more detail below as they pertain to the Company's overall comparative performance for the year ended December 31, 2020.

[1] See Non-GAAP Financial Measures section beginning on page 40.

As a bank holding company, management focuses on key ratios in evaluating the Company's financial condition and results of operations.

Results of Operations and Financial Condition

A summary of the Company's results of operations, financial condition, and selected metrics are included in the following tables:

	Year Ended December 31,		
	2020	2019	2018
	(dollars in millions, except per share amounts)		
Net income	**$ 506.6**	$ 499.2	$ 435.8
Earnings per share - basic	**5.06**	4.86	4.16
Earnings per share - diluted	**5.04**	4.84	4.14
Return on average assets	**1.61 %**	2.00 %	2.05 %
Return on average tangible common equity[1]	**17.7**	19.6	20.6
Net interest margin	**3.97**	4.52	4.68
Efficiency ratio[1]	**38.8**	42.7	43.1

	December 31,	
	2020	2019
	(in millions)	
Total assets	**$ 36,461.0**	$ 26,821.9
Total loans, net of deferred loan fees and costs	**27,053.0**	21,123.3
Securities and money market investments	**5,444.6**	3,970.1
Total deposits	**31,930.5**	22,796.5
Other borrowings	**5.0**	—
Qualifying debt	**548.7**	393.6
Stockholders' equity	**3,413.5**	3,016.7
Tangible common equity, net of tax[1]	**3,116.6**	2,721.0

[1] See Non-GAAP Financial Measures section beginning on page 40.

Asset Quality

For all banks and bank holding companies, asset quality plays a significant role in the overall financial condition of the institution and results of operations. The Company measures asset quality in terms of nonaccrual loans as a percentage of gross loans and net charge-offs as a percentage of average loans. Net charge-offs are calculated as the difference between charged-off loans and recovery payments received on previously charged-off loans. The following table summarizes the Company's key asset quality metrics:

	At or for the Year Ended December 31,		
	2020	2019	2018
	(dollars in millions)		
Nonaccrual loans	**$ 115.2**	$ 56.0	$ 27.7
Repossessed assets	**1.4**	13.9	17.9
Non-performing assets	**149.8**	98.2	82.7
Loans past due 90 days and still accruing	**—**	—	0.6
Nonaccrual loans to funded loans	**0.43 %**	0.27 %	0.16 %
Nonaccrual and repossessed assets to total assets	**0.32**	0.26	0.20
Loans past due 90 days and still accruing to funded loans	**—**	—	0.00
Allowance for loan losses to funded loans	**1.03**	0.80	0.86
Allowance for loan losses to nonaccrual loans	**242**	300	550
Net charge-offs to average loans outstanding	**0.06**	0.02	0.06

Asset and Liability Growth

The Company's assets and liabilities are comprised primarily of loans and deposits. Therefore, the ability to originate new loans and attract new deposits is fundamental to the Company's growth.

Total assets increased to $36.5 billion at December 31, 2020 from $26.8 billion at December 31, 2019. The increase in total assets of $9.6 billion, or 35.9%, relates primarily to loan growth. Total loans increased by $5.9 billion, or 28.1%, to $27.1 billion as of December 31, 2020, compared to $21.1 billion as of December 31, 2019. The increase in loans from December 31, 2019, which includes $1.5 billion in PPP loans, was driven by commercial and industrial loans of $4.9 billion, with smaller increases in construction and land development, CRE, non-owner occupied, and residential real estate loans of $479.2 million, $409.1 million, and $286.9 million, respectively. These increases were partially offset by a decrease in CRE, owner occupied loans of $160.1 million.

Total deposits increased $9.1 billion, or 40.1%, to $31.9 billion as of December 31, 2020 from $22.8 billion as of December 31, 2019. The increase in deposits from December 31, 2019 was driven by an increase of $4.9 billion in non-interest bearing demand deposits, $3.3 billion in savings and money market accounts, and interest bearing demand deposits of $1.6 billion. These increases were offset in part by a decrease in certificates of deposit of $719.5 million.

RESULTS OF OPERATIONS

The following table sets forth a summary financial overview for the comparable periods:

	Year Ended December 31,		Increase
	2020	2019	**(Decrease)**
	(in millions, except per share amounts)		
Consolidated Income Statement Data:			
Interest income	**$ 1,261.8**	$ 1,225.0	**$ 36.8**
Interest expense	**94.9**	184.6	**(89.7)**
Net interest income	**1,166.9**	1,040.4	**126.5**
Provision for credit losses	**123.6**	19.3	**104.3**
Net interest income after provision for credit losses	**1,043.3**	1,021.1	**22.2**
Non-interest income	**70.8**	65.1	**5.7**
Non-interest expense	**491.6**	482.0	**9.6**
Income before provision for income taxes	**622.5**	604.2	**18.3**
Income tax expense	**115.9**	105.0	**10.9**
Net income	**$ 506.6**	$ 499.2	**$ 7.4**
Earnings per share - basic	**$ 5.06**	$ 4.86	**$ 0.20**
Earnings per share - diluted	**$ 5.04**	$ 4.84	**$ 0.20**

Non-GAAP Financial Measures

The following discussion and analysis contains financial information determined by methods other than those prescribed by GAAP. The Company's management uses these non-GAAP financial measures in their analysis of the Company's performance. Management believes presentation of these non-GAAP financial measures provides useful supplemental information that is essential to a complete understanding of the operating results of the Company. Since the presentation of these non-GAAP performance measures and their impact differ between companies, these non-GAAP disclosures should not be viewed as a substitute for operating results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies.

Pre-Provision Net Revenue

PPNR is defined by the Federal Reserve in SR 14-3, which requires companies subject to the rule to project PPNR over the planning horizon for each of the economic scenarios defined annually by the regulators. Banking regulations define PPNR as net interest income plus non-interest income less non-interest expense. Management believes that this is an important metric as it illustrates the underlying performance of the Company, it enables investors and others to assess the Company's ability to generate capital to cover credit losses through the credit cycle, and provides consistent reporting with a key metric used by bank regulatory agencies.

The following table shows the components of PPNR for the years ended December 31, 2020, 2019, and 2018:

	Year Ended December 31,		
	2020	2019	2018
		(in millions)	
Net interest income	**$ 1,166.9**	$ 1,040.4	$ 915.9
Total non-interest income	**70.8**	65.1	43.1
Net revenue	**$ 1,237.7**	$ 1,105.5	$ 959.0
Total non-interest expense	**491.6**	482.0	423.7
Pre-provision net revenue	**$ 746.1**	$ 623.5	$ 535.3
Less:			
Provision for credit losses	**123.6**	19.3	25.0
Income tax expense	**115.9**	105.0	74.5
Net income	**$ 506.6**	$ 499.2	$ 435.8

Tangible Common Equity

The following table presents financial measures related to tangible common equity. Tangible common equity represents total stockholders' equity, less identifiable intangible assets and goodwill. Management believes that tangible common equity financial measures are useful in evaluating the Company's capital strength, financial condition, and ability to manage potential losses. In addition, management believes that these measures improve comparability to other institutions that have not engaged in acquisitions that resulted in recorded goodwill and other intangible assets.

	December 31	
	2020	2019
	(dollars and shares in millions)	
Total stockholders' equity	**$ 3,413.5**	$ 3,016.7
Less: goodwill and intangible assets	**298.5**	297.6
Total tangible stockholders' equity	**3,115.0**	2,719.1
Plus: deferred tax - attributed to intangible assets	**1.6**	1.9
Total tangible common equity, net of tax	**$ 3,116.6**	$ 2,721.0
Total assets	**$ 36,461.0**	$ 26,821.9
Less: goodwill and intangible assets, net	**298.5**	297.6
Tangible assets	**36,162.5**	26,524.3
Plus: deferred tax - attributed to intangible assets	**1.6**	1.9
Total tangible assets, net of tax	**$ 36,164.1**	$ 26,526.2
Tangible common equity ratio	**8.6 %**	10.3 %
Common shares outstanding	**100.8**	102.5
Book value per share	**$ 33.85**	$ 29.42
Tangible book value per share, net of tax	**30.90**	26.54

Efficiency Ratio

The following table shows the components used in the calculation of the efficiency ratio, which management uses as a metric for assessing cost efficiency:

	Year Ended December 31,		
	2020	2019	2018
		(dollars in millions)	
Total non-interest expense	**$ 491.6**	$ 482.0	$ 423.7
Divided by:			
Total net interest income	**1,166.9**	1,040.4	915.9
Plus:			
Tax equivalent interest adjustment	**28.4**	25.1	23.8
Total non-interest income	**70.8**	65.1	43.1
	$ 1,266.1	$ 1,130.6	$ 982.8
Efficiency ratio - tax equivalent basis	**38.8 %**	42.7 %	43.1 %

Regulatory Capital

The following table presents certain financial measures related to regulatory capital under Basel III, which includes common equity tier 1 and total capital. The FRB and other banking regulators use CET1 and total capital as a basis for assessing a bank's capital adequacy; therefore, management believes it is useful to assess financial condition and capital adequacy using this same basis. Specifically, the total capital ratio takes into consideration the risk levels of assets and off-balance sheet financial instruments. In addition, management believes that the classified assets to CET1 plus allowance measure is an important regulatory metric for assessing asset quality.

As permitted by the regulatory capital rules, the Company elected to delay the estimated impact of CECL on its regulatory capital over a five-year transition period ending December 31, 2024. As a result, capital ratios and amounts as of December 31, 2020 exclude the impact of the increased allowance for credit losses related to the adoption of ASC 326.

	December 31,	
	2020	2019
	(dollars in millions)	
Common equity tier 1:		
Common equity	**$ 3,465.9**	$ 3,016.7
Less:		
Non-qualifying goodwill and intangibles	**296.9**	295.6
Disallowed deferred tax asset	**—**	2.2
AOCI related adjustments	**91.8**	21.4
Unrealized gain on changes in fair value liabilities	**0.5**	3.6
Common equity tier 1	**$ 3,076.7**	$ 2,693.9
Divided by: Risk-weighted assets	**$ 31,015.4**	$ 25,390.1
Common equity tier 1 ratio	**9.9 %**	10.6 %
Common equity tier 1	**$ 3,076.7**	$ 2,693.9
Plus: Trust preferred securities	**81.5**	81.5
Less:		
Disallowed deferred tax asset	**—**	—
Unrealized gain on changes in fair value liabilities	**—**	—
Tier 1 capital	**$ 3,158.2**	$ 2,775.4
Divided by: Tangible average assets	**$ 34,349.3**	$ 26,110.3
Tier 1 leverage ratio	**9.2 %**	10.6 %
Total capital:		
Tier 1 capital	**$ 3,158.2**	$ 2,775.4
Plus:		
Subordinated debt	**454.8**	305.7
Adjusted allowances for credit losses	**259.0**	176.8
Less: Tier 2 qualifying capital deductions	**—**	—
Tier 2 capital	**$ 713.8**	$ 482.5
Total capital	**$ 3,872.0**	$ 3,257.9
Total capital ratio	**12.5 %**	12.8 %
Classified assets to tier 1 capital plus allowance:		
Classified assets	**$ 223.7**	$ 171.2
Divided by: Tier 1 capital	**3,158.2**	2,775.4
Plus: Adjusted allowances for credit losses	**259.0**	176.8
Total Tier 1 capital plus adjusted allowances for credit losses	**$ 3,417.2**	$ 2,952.2
Classified assets to tier 1 capital plus allowance	**6.5 %**	5.8 %

Net Interest Margin

The net interest margin is reported on a TEB. A tax equivalent adjustment is added to reflect interest earned on certain securities and loans that are exempt from federal and state income tax. The following tables set forth the average balances, interest income, interest expense, and average yield (on a fully TEB) for the periods indicated:

	Year Ended December 31,					
	2020			2019		
	Average Balance	**Interest**	**Average Yield / Cost**	Average Balance	Interest	Average Yield / Cost
			(dollars in millions)			
Interest earning assets						
Loans:						
Commercial and industrial	**$ 12,032.1**	**$ 549.6**	**4.67 %**	$ 8,200.5	$ 461.9	5.78 %
CRE - non-owner occupied	**5,370.1**	**262.9**	**4.91**	4,629.6	270.3	5.85
CRE - owner occupied	**2,244.6**	**109.8**	**5.00**	2,284.7	120.6	5.38
Construction and land development	**2,183.5**	**129.9**	**5.97**	2,176.6	155.5	7.16
Residential real estate	**2,318.6**	**89.4**	**3.85**	1,663.5	80.7	4.85
Consumer	**47.0**	**2.4**	**5.19**	64.3	3.7	5.77
Loans held for sale	**20.0**	**0.3**	**1.63**	5.6	0.3	6.29
Total loans (1), (2), (3)	**24,215.9**	**1,144.3**	**4.79**	19,024.8	1,093.0	5.83
Securities:						
Securities - taxable	**2,936.5**	**63.1**	**2.15**	2,904.6	79.1	2.72
Securities - tax-exempt	**1,476.4**	**49.3**	**4.20**	1,008.7	36.8	4.57
Total securities (1)	**4,412.9**	**112.4**	**2.84**	3,913.3	115.9	3.20
Other	**1,452.1**	**5.1**	**0.36**	648.4	16.1	2.48
Total interest earning assets	**30,080.9**	**1,261.8**	**4.29**	23,586.5	1,225.0	5.30
Non-interest earning assets						
Cash and due from banks	**171.2**			214.5		
Allowance for credit losses	**(277.7)**			(159.9)		
Bank owned life insurance	**177.9**			171.9		
Other assets	**1,221.1**			1,101.1		
Total assets	**$ 31,373.4**			$ 24,914.1		
Interest-bearing liabilities						
Interest-bearing deposits:						
Interest-bearing transaction accounts	**$ 3,488.3**	**$ 9.0**	**0.26 %**	$ 2,545.8	$ 21.0	0.82 %
Savings and money market accounts	**10,008.9**	**34.8**	**0.35**	8,125.8	95.5	1.18
Certificates of deposit	**1,997.6**	**26.6**	**1.33**	2,117.2	41.9	1.98
Total interest-bearing deposits	**15,494.8**	**70.4**	**0.45**	12,788.8	158.4	1.24
Short-term borrowings	**119.7**	**0.6**	**0.49**	134.6	2.8	2.11
Qualifying debt	**514.1**	**23.9**	**4.66**	379.7	23.4	6.16
Total interest-bearing liabilities	**16,128.6**	**94.9**	**0.59**	13,303.1	184.6	1.39
Interest cost of funding earning assets			**0.32 %**			0.78 %
Non-interest-bearing liabilities						
Non-interest-bearing demand deposits	**11,465.5**			8,246.2		
Other liabilities	**627.5**			519.4		
Stockholders' equity	**3,151.8**			2,845.4		
Total liabilities and stockholders' equity	**$ 31,373.4**			$ 24,914.1		
Net interest income and margin (4)		**$ 1,166.9**	**3.97 %**		$ 1,040.4	4.52 %

(1) Yields on loans and securities have been adjusted to a TEB. The taxable-equivalent adjustment was $28.4 million and $25.1 million for the year ended December 31, 2020 and 2019, respectively.
(2) Included in the yield computation are net loan fees of $94.9 million and $56.2 million for the year ended December 31, 2020 and 2019, respectively.
(3) Includes non-accrual loans.
(4) Net interest margin is computed by dividing net interest income by total average earning assets.

	Year Ended December 31, 2020 versus 2019		
	Increase (Decrease) Due to Changes in (1)		
	Volume	Rate	Total
	(in millions)		
Interest income:			
Loans:			
Commercial and industrial	$ 175.0	$ (87.3)	$ 87.7
CRE - non-owner occupied	36.3	(43.7)	(7.4)
CRE - owner occupied	(2.0)	(8.8)	(10.8)
Construction and land development	0.4	(26.0)	(25.6)
Residential real estate	25.3	(16.6)	8.7
Consumer	(0.9)	(0.4)	(1.3)
Loans held for sale	0.2	(0.2)	—
Total loans	234.3	(183.0)	51.3
Securities:			
Securities - taxable	0.7	(16.7)	(16.0)
Securities - tax-exempt	15.6	(3.1)	12.5
Total securities	16.3	(19.8)	(3.5)
Other	2.8	(13.8)	(11.0)
Total interest income	253.4	(216.6)	36.8
Interest expense:			
Interest-bearing transaction accounts	$ 2.4	$ (14.4)	$ (12.0)
Savings and money market	6.5	(67.2)	(60.7)
Time certificates of deposit	(1.6)	(13.7)	(15.3)
Short-term borrowings	(0.1)	(2.1)	(2.2)
Qualifying debt	6.3	(5.8)	0.5
Total interest expense	13.5	(103.2)	(89.7)
Net change	$ 239.9	$ (113.4)	$ 126.5

(1) Changes due to both volume and rate have been allocated to volume changes.

Comparison of interest income, interest expense and net interest margin

The Company's primary source of revenue is interest income. For the year ended December 31, 2020, interest income was $1.3 billion, an increase of $36.8 million, or 3.0%, compared to $1.2 billion for the year ended December 31, 2019. This increase was primarily the result of a $5.2 billion increase in the average loan balance that drove a $51.3 million increase in loan interest income for the year ended December 31, 2020. Interest income from investment securities decreased by $3.5 million for the comparable period primarily due to a decrease in interest rates from December 31, 2019, partially offset by an increase in the average investment balance of $499.6 million. Other interest income decreased $11.0 million from the comparable period due primarily to a decrease in interest rates from December 31, 2019, despite an increase in interest-bearing cash account balances of $803.7 million. Average yield on interest earning assets decreased to 4.29% for the year ended December 31, 2020, compared to 5.30% in 2019, which was primarily the result of a lower rate environment.

For the year ended December 31, 2020, interest expense was $94.9 million, compared to $184.6 million for the year ended December 31, 2019. Interest expense on deposits decreased $88.0 million for the same period while average interest-bearing deposits increased $2.7 billion, which due to the lower rate environment, reduced the average cost of interest-bearing deposits by 79 basis points. Interest expense on short-term borrowings decreased by $2.2 million as a result of a $14.9 million decrease in average short-term borrowings for the year ended December 31, 2020 compared to the same period in 2019.

For the year ended December 31, 2020, net interest income was $1.2 billion, compared to $1.0 billion for the year ended December 31, 2019. The increase in net interest income reflects a $6.5 billion increase in average interest earning assets, offset by a $2.8 billion increase in average interest-bearing liabilities. The decrease in net interest margin of 55 basis points compared to 2019 is the result of lower deposit and funding costs in a lower rate environment.

Provision for Credit Losses

The provision for credit losses in each period is reflected as a reduction in earnings for that period and, upon the adoption of CECL, includes amounts related to funded loans, unfunded loan commitments, and investment securities. The provision is equal to the amount required to maintain the allowance for credit losses at a level that is adequate to absorb estimated lifetime credit losses inherent in the loan and investment securities portfolios. For the year ended December 31, 2020, the provision for credit losses was $123.6 million, compared to $19.3 million for the year ended December 31, 2019. The significant increase in the provision for credit losses from the year ended December 31, 2019 is primarily related to the current economic environment and estimating expected credit losses under the new CECL accounting standard. This standard changes the methodology for estimating credit losses on financial instruments from an incurred loss model to an expected total loss model. This results in the recognition of expected losses over the life of loans and HTM investment securities at the time that the loan is originated or the security is purchased, rather than after a loss has been incurred, which results in an acceleration in the timing of loss recognition. Further, as the Company's CECL models incorporate historical experience, current conditions, and reasonable and supportable forecasts in measuring expected credit losses, the worsening of economic assumptions due to the ongoing pandemic has also contributed to an elevated provision for credit losses for the year ended December 31, 2020.

Non-interest Income

The following table presents a summary of non-interest income for the periods presented:

	Year Ended December 31,		
	2020	2019	**Increase (Decrease)**
		(in millions)	
Service charges and fees	**$ 23.3**	$ 23.3	**$ —**
Income from equity investments	**12.7**	8.3	**4.4**
Income from bank owned life insurance	**10.2**	3.9	**6.3**
Card income	**6.5**	7.0	**(0.5)**
Foreign currency income	**5.6**	5.0	**0.6**
Lending related income and gains (losses) on sale of loans, net	**1.0**	3.2	**(2.2)**
Gain (loss) on sales of investment securities, net	**0.2**	3.1	**(2.9)**
Fair value gain (loss) adjustments on assets measured at fair value, net	**3.8**	5.1	**(1.3)**
Other income	**7.5**	6.2	**1.3**
Total non-interest income	**$ 70.8**	$ 65.1	**$ 5.7**

Total non-interest income for the year ended December 31, 2020 compared to 2019, increased by $5.7 million, or 8.8%. The increase is due primarily to a one-time BOLI enhancement fee and an increase in income from equity investments from the prior year. A BOLI enhancement fee of $5.6 million was the predominant driver of the $6.3 million increase in income from BOLI from the prior year, and resulted from a surrender and replacement of certain policies, which was intended to offset an increase in tax expense related to the surrender. Income from equity investments was $12.7 million for the year ended December 31, 2020, compared to $8.3 million for the year ended December 31, 2019. The increase is attributable to an increase in SBIC and warrant income of $3.5 million and $1.7 million, respectively. These increases to non-interest income were partially offset by a decrease in investment security sales and lending related income. During the year ended December 31, 2019, the Company sold investment securities as part of a portfolio balancing initiative that resulted in a net gain on sale of $3.1 million that did not recur during the current year. The decrease in lending related income of $2.2 million is primarily due to loan sales during the year ended December 31, 2020 that resulted in a net loss of $1.7 million, compared to a net gain of $0.7 million in 2019.

Non-interest Expense

The following table presents a summary of non-interest expense for the periods presented:

	Year Ended December 31,		
	2020	2019	**Increase (Decrease)**
		(in millions)	
Salaries and employee benefits	**$ 303.6**	$ 279.3	**$ 24.3**
Legal, professional, and directors' fees	**42.2**	37.0	**5.2**
Data processing	**35.7**	30.6	**5.1**
Occupancy	**34.1**	32.6	**1.5**
Deposit costs	**18.5**	31.7	**(13.2)**
Insurance	**13.3**	11.9	**1.4**
Loan and repossessed asset expenses	**7.1**	7.6	**(0.5)**
Business development	**5.5**	7.0	**(1.5)**
Marketing	**4.1**	4.2	**(0.1)**
Card expense	**2.2**	2.2	—
Intangible amortization	**1.6**	1.6	—
Net (gain) loss on sales / valuations of repossessed and other assets	**(1.5)**	3.8	**(5.3)**
Other expense	**25.2**	32.5	**(7.3)**
Total non-interest expense	**$ 491.6**	$ 482.0	**$ 9.6**

Total non-interest expense for the year ended December 31, 2020 compared to 2019, increased $9.6 million, or 2.0%. This increase primarily relates to salaries and employee benefits, legal, professional, and director's fees, and data processing costs. Salaries and employee benefits have increased as the Company supports its continued growth through hiring efforts and performance incentives offered to employees. Full-time equivalent employees increased 4.4% to 1,915 from December 31, 2019. Legal, professional, and directors' fees and data processing expenses increased year-over-year by $5.2 million and $5.1 million, respectively, as the Company continues to build out its infrastructure through technology initiatives that position the Company for continued growth. These increases to non-interest expense were partially offset by a decrease in deposit costs, other non-interest expenses, and net losses on the sale of other assets. Deposit costs consist of earnings credits on select deposits and fees to the Promontory Interfinancial Network and others for reciprocal deposits. The decrease in deposit costs of $13.2 million for 2020 compared to 2019 relates primarily to a decline in deposit earnings credits paid to account holders due to a lower rate environment. The decrease in other non-interest expense of $7.3 million is primarily due to decreases in business related travel and entertainment expenses of $5.3 million as a result of COVID-19 restrictions. The change in net (gain) loss on sales/valuations of repossessed and other assets of $5.3 million primarily relates to gains recognized in the current year on the sale of OREO properties, compared to a net loss in the prior year from impairment charges on OREO.

Income Taxes

For the years ended December 31, 2020, 2019, and 2018 the Company's effective tax rate was 18.62%, 17.39% and 14.61%, respectively. The increase in the effective tax rate from 2019 to 2020 is due primarily to tax expense associated with the surrender of bank owned life insurance, no valuation allowance release in 2020 and return to provision adjustments. The increase in the effective tax rate from 2018 to 2019 is due primarily to management's decision during the third quarter of 2018 to carryback its 2017 federal NOLs.

Business Segment Results

The Company has made changes to its reportable segments, which have been reflected in the Company's operating segment results as of and for the year ended December 31, 2020. The Company's reportable segments are aggregated with a focus on products and services offered and consist of three reportable segments:

- Commercial segment: provides commercial banking and treasury management products and services to small and middle-market businesses, specialized banking services to sophisticated commercial institutions and investors within niche industries, as well as financial services to the real estate industry.
- Consumer Related segment: offers both commercial banking services to enterprises in consumer-related sectors and consumer banking services, such as residential mortgage banking.
- Corporate & Other segment: consists of the Company's investment portfolio, Corporate borrowings and other related items, income and expense items not allocated to our other reportable segments, and inter-segment eliminations.

The following tables present selected operating segment information for the periods presented:

	Consolidated Company	Commercial	Consumer Related	Corporate & Other
December 31, 2020		*(in millions)*		
Loans, net of deferred loan fees and costs	**$ 27,053.0**	**$ 20,245.8**	**$ 6,798.2**	**$ 9.0**
Deposits	**31,930.5**	**21,448.0**	**9,936.8**	**545.7**
December 31, 2019				
Loans, net of deferred loan fees and costs	$ 21,123.3	$ 16,767.3	$ 4,352.5	$ 3.5
Deposits	22,796.5	17,067.6	4,644.7	1,084.2
Year Ended December 31, 2020		*(in millions)*		
Income (loss) before income taxes	**$ 622.5**	**$ 612.7**	**$ 220.5**	**$ (210.7)**
Year Ended December 31, 2019				
Income (loss) before income taxes	$ 604.2	$ 555.9	$ 106.3	$ (58.0)

BALANCE SHEET ANALYSIS

Total assets increased $9.6 billion, or 35.9%, to $36.5 billion at December 31, 2020 compared to $26.8 billion at December 31, 2019. The increase in total assets relates primarily to organic loan growth and increases in cash and investment securities. Loans increased $5.9 billion, or 28.1%, to $27.1 billion at December 31, 2020, compared to $21.1 billion at December 31, 2019. The increase in loans from December 31, 2019 was driven by commercial and industrial loans of $4.9 billion, construction and land development loans of $479.2 million, CRE, non-owner occupied loans of $409.1 million, and residential real estate loans of $286.9 million.

Total liabilities increased $9.2 billion, or 38.8%, to $33.0 billion at December 31, 2020, compared to $23.8 billion at December 31, 2019. The increase in liabilities is due primarily to an increase in total deposits. Total deposits increased $9.1 billion, or 40.1%, to $31.9 billion at December 31, 2020. The increase in deposits from December 31, 2019 was driven by an increase in non-interest-bearing demand deposits of $4.9 billion, savings and money market deposits of $3.3 billion, and interest-bearing demand deposits of $1.6 billion, offset in part by a decrease in certificates of deposit of $719.5 million.

Total stockholders' equity increased by $396.8 million, or 13.2%, to $3.4 billion at December 31, 2020 compared to $3.0 billion at December 31, 2019. The increase in stockholders' equity relates primarily to net income for the year ended December 31, 2020 and an increase in the fair value of the Company's AFS portfolio, which is recognized as part of AOCI, partially offset by dividends paid to shareholders and share repurchases under its common stock repurchase plan.

Investment securities

Debt securities are classified at the time of acquisition as either HTM, AFS, or trading based upon various factors, including asset/liability management strategies, liquidity and profitability objectives, and regulatory requirements. HTM securities are carried at amortized cost, adjusted for amortization of premiums or accretion of discounts. AFS securities are securities that may be sold prior to maturity based upon asset/liability management decisions. Investment securities classified as AFS are carried at fair value. Unrealized gains or losses on AFS debt securities are recorded as part of AOCI in stockholders' equity, net of tax. Amortization of premiums or accretion of discounts on MBS is periodically adjusted for estimated prepayments. Trading securities are reported at fair value, with unrealized gains and losses included in current period earnings.

The Company's investment securities portfolio is utilized as collateral for borrowings, required collateral for public deposits and customer repurchase agreements, and to manage liquidity, capital, and interest rate risk.

The following table summarizes the carrying value of the investment securities portfolio for each of the periods below:

	At December 31,				
	2020	2019	2018	2017	2016
			(in millions)		
Debt securities					
CDO	**$ 6.9**	$ 10.1	$ 15.3	$ 21.9	$ 13.5
CLO	**146.9**	—	—	—	—
Commercial MBS issued by GSEs	**84.6**	94.3	100.1	109.1	117.8
Corporate debt securities	**270.2**	99.9	99.4	103.5	64.1
Municipal (taxable) securities	**22.5**	7.8	—	—	—
Private label residential MBS	**1,476.9**	1,129.2	924.6	868.5	433.7
Residential MBS issued by GSEs	**1,486.6**	1,412.1	1,530.1	1,689.3	1,356.3
Tax-exempt	**1,756.2**	1,040.0	841.5	765.9	500.3
Trust preferred securities	**26.5**	27.0	28.6	28.6	26.5
U.S. government sponsored agency securities	—	10.0	38.2	61.5	56.0
U.S. treasury securities	—	1.0	2.0	2.5	2.5
Total debt securities	**$ 5,277.3**	$ 3,831.4	$ 3,579.8	$ 3,650.8	$ 2,570.7
Equity securities					
CRA investments	**$ 53.4**	$ 52.5	$ 51.2	$ 50.6	$ 37.1
Preferred stock	**113.9**	86.2	63.9	53.2	94.7
Total equity securities	**$ 167.3**	$ 138.7	$ 115.1	$ 103.8	$ 131.8

Debt securities increased $1.4 billion from December 31, 2019. The increase is largely attributable to purchases of tax-exempt municipal securities during the year, an increase of $716.2 million from December 31, 2019. The Company increased its investments in these types of securities to take advantage of dislocations in the municipal market as credit spreads widened significantly during the onset of the COVID-19 pandemic. The majority of these purchases consisted of essential service revenue bonds, rated AA to A.

The Company also deployed excess liquidity during the year ended December 31, 2020, with purchases of private label residential MBS, corporate debt securities, and CLOs. Private label residential MBS increased $347.7 million from December 31, 2019 and consist of senior tranche bonds, rated AAA. The Company's corporate debt securities portfolio increased $170.3 million from December 31, 2019, resulting from purchases of subordinated debt of other financial institutions. The Company considered the financial condition of these financial institutions and the yield relative to other similarly rated securities in its decision to increase its corporate debt securities portfolio. The Company also began purchasing CLOs as these are floating rate investments that generate yields that are higher than those for MBS and will benefit from future increases in interest rates. The Company's CLO portfolio consists of second or third credit tranche bonds of structured transactions, rated AA to A.

Weighted average yield on investment securities is calculated by dividing income within each maturity range by the outstanding amount of the related investment and has not been tax-effected on tax-exempt obligations. For purposes of calculating the weighted average yield, AFS securities are carried at amortized cost in the table below. The maturity distribution and weighted average yield of the Company's investment security portfolios at December 31, 2020 are summarized in the table below:

	December 31, 2020									
	Due Under 1 Year		Due 1-5 Years		Due 5-10 Years		Due Over 10 Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(dollars in millions)									
Held-to-maturity										
Tax-exempt	$ 7.3	5.27 %	$ 17.1	4.25 %	$ —	— %	$ 544.4	4.16 %	$ 568.8	4.17 %
Available-for-sale										
CDO	$ —	— %	$ —	— %	$ —	— %	$ 0.1	— %	$ 0.1	— %
CLO	—	—	—	—	104.7	1.96	42.2	1.89	146.9	1.94
Commercial MBS issued by GSEs (1)	—	—	16.8	2.52	9.3	2.18	54.7	2.29	80.8	2.32
Corporate debt securities	—	—	9.0	4.66	257.1	2.72	5.0	3.70	271.1	2.80
Municipal (taxable) securities	—	—	—	—	—	—	22.0	4.10	22.0	4.10
Private label residential MBS (1)	—	—	0.1	5.50	6.1	2.75	1,455.5	2.56	1,461.7	2.56
Residential MBS issued by GSEs (1)	0.4	2.50	4.5	2.67	2.0	2.46	1,455.6	1.99	1,462.5	1.83
Tax-exempt	—	—	1.0	4.30	63.3	2.96	1,045.0	2.81	1,109.3	2.74
Trust preferred securities	—	—	—	—	—	—	32.0	2.39	32.0	2.39
Total AFS securities	$ 0.4	2.50 %	$ 31.4	3.22 %	$ 442.5	2.56 %	$ 4,112.1	2.42 %	$ 4,586.4	2.37 %
Equity										
CRA investments	$ 35.8	2.30 %	$ 11.3	3.93 %	$ 6.0	4.75 %	$ —	— %	$ 53.1	2.93 %
Preferred stock	—	—	—	—	—	—	107.0	5.55	107.0	5.55
Total equity securities	$ 35.8	2.30 %	$ 11.3	3.93 %	$ 6.0	4.75 %	$ 107.0	5.55 %	$ 160.1	4.68 %

(1) MBS are comprised of pools of loans with varying maturities, the majority of which are due after 10 years.

The Company does not hold any subprime MBS in its investment portfolio. Approximately half of its MBS are GSE issued. The MBS that are not GSE issued consist primarily of $1.4 billion rated AAA, $90.1 million rated AA, with only $0.9 million that are non-investment grade.

Gross unrealized losses at December 31, 2020 relate primarily to changes in interest rates and other market conditions that are not considered to be credit-related issues. The Company has reviewed its securities on which there is an unrealized loss in accordance with its allowance for credit losses policy described in "Note 1. Summary of Significant Accounting Policies" to the Consolidated Financial Statements contained herein. Based on the analysis performed, management determined that an allowance for credit losses on the Company's AFS securities was not necessary at December 31, 2020.

The credit loss model under ASC 326-20, applicable to HTM debt securities, requires recognition of lifetime expected credit losses through an allowance account at the time the security is purchased. For the year ended December 31, 2020, the provision for credit losses on HTM debt securities was $4.1 million resulting in a total allowance of $6.8 million as of December 31, 2020.

Loans

The Company's primary portfolio segments have changed to align with the methodology applied in estimating the allowance for credit losses under CECL. In addition, as the concept of impaired loans does not exist under CECL, disclosures that related solely to impaired loans have been removed.

The table below summarizes the distribution of the Company's held for investment loan portfolio at the end of each of the periods indicated:

	December 31, 2020
	(in millions)
Warehouse lending	**$ 4,340.2**
Municipal & nonprofit	**1,728.8**
Tech & Innovation	**2,548.3**
Other commercial and industrial	**5,911.2**
CRE - owner occupied	**1,909.3**
Hotel Franchise Finance	**1,983.9**
Other CRE - non-owned occupied	**3,640.2**
Residential	**2,378.5**
Construction and land development	**2,429.4**
Other	**183.2**
Total loans HFI	**27,053.0**
Allowance for credit losses	**(278.9)**
Total loans HFI, net of allowance	**$ 26,774.1**

	December 31,			
	2019	2018	2017	2016
	(in millions)			
Loans, held for investment				
Commercial and industrial	$ 9,391.8	$ 7,765.1	$ 6,841.2	$ 5,859.4
Commercial real estate - non-owner occupied	5,261.0	4,223.4	3,911.3	3,549.9
Commercial real estate - owner occupied	2,320.2	2,329.2	2,245.1	2,015.7
Construction and land development	1,971.6	2,155.6	1,647.7	1,489.5
Residential real estate	2,147.7	1,203.6	425.3	258.7
Consumer	56.9	70.0	48.6	38.6
Deferred loan fees and costs	(47.7)	(36.3)	(25.3)	(22.3)
Loans, net of deferred loan fees and costs	21,101.5	17,710.6	15,093.9	13,189.5
Allowance for credit losses	(167.8)	(152.7)	(140.0)	(124.7)
Total loans HFI	$ 20,933.7	$ 17,557.9	$ 14,953.9	$ 13,064.8

Loans that are held for investment are stated at the amount of unpaid principal, adjusted for net deferred fees and costs, premiums and discounts on acquired and purchased loans, and an allowance for credit losses. Net deferred loan fees of $75.4 million and $47.7 million reduced the carrying value of loans as of December 31, 2020 and December 31, 2019, respectively. Net unamortized purchase premiums on acquired and purchased loans of $26.0 million and $19.6 million increased the carrying value of loans as of December 31, 2020 and December 31, 2019, respectively.

As of December 31, 2019, the Company also had $21.8 million of HFS loans.

The following table sets forth the amount of loans outstanding by type of loan as of December 31, 2020 that were contractually due in one year or less, more than one year and less than five years, and more than five years based on remaining scheduled repayments of principal. Lines of credit or other loans having no stated final maturity and no stated schedule of repayments are reported as due in one year or less. The table also presents an analysis of the rate structure for loans within the same maturity time periods. Actual cash flows from these loans may differ materially from contractual maturities due to prepayment, refinancing, or other factors.

	Due in one year or less	Due after one year to five years	Due after five years	Total
		(in millions)		
Commercial and industrial				
Floating rate	$ 4,386.6	$ 4,703.6	$ 1,385.3	$ 10,475.5
Fixed rate	345.9	2,146.7	1,356.3	3,848.9
Commercial real estate — non-owner occupied				
Floating rate	777.7	2,430.3	474.2	3,682.2
Fixed rate	217.4	1,188.0	567.1	1,972.5
Commercial real estate — owner occupied				
Floating rate	50.6	241.7	774.9	1,067.2
Fixed rate	16.2	419.7	653.7	1,089.6
Construction and land development				
Floating rate	954.5	1,195.6	153.3	2,303.4
Fixed rate	15.0	87.4	25.5	127.9
Residential real estate				
Floating rate	16.1	31.1	630.9	678.1
Fixed rate	2.0	3.7	1,750.8	1,756.5
Consumer				
Floating rate	26.8	16.6	1.2	44.6
Fixed rate	0.9	5.4	0.3	6.6
Total	$ 6,809.7	$ 12,469.8	$ 7,773.5	$ 27,053.0

As of December 31, 2020, approximately $13.7 billion, or 75.3%, of total variable rate loans were subject to rate floors with a weighted average interest rate of 4.4%. At December 31, 2019, approximately $9.7 billion, or 67.6% of total variable rate loans were subject to rate floors with a weighted average interest rate of 4.8%. At December 31, 2020, total loans consisted of 67.5% with floating rates and 32.5% with fixed rates, compared to 68.2% with floating rates and 31.8% with fixed rates at December 31, 2019.

Concentrations of Lending Activities

The Company monitors concentrations within three broad categories: industry, product, and collateral. The Company’s loan portfolio includes significant credit exposure to the CRE market. At December 31, 2020 and 2019, CRE related loans accounted for approximately 38% and 45% of total loans, respectively. Substantially all of these loans are secured by first liens with an initial loan to value ratio of generally not more than 75%. Approximately 28% and 31% of these CRE loans, excluding construction and land loans, were owner-occupied at December 31, 2020 and 2019, respectively.

Non-performing Assets

Total non-performing loans increased by $64.1 million, or 76.0%, at December 31, 2020 to $148.4 million from $84.3 million at December 31, 2019.

	December, 31				
	2020	2019	2018	2017	2016
	(dollars in millions)				
Total nonaccrual loans (1)	**$ 115.2**	$ 56.0	$ 27.7	$ 43.9	$ 40.3
Loans past due 90 days or more on accrual status	**—**	—	0.6	0.1	1.1
Accruing troubled debt restructured loans	**33.2**	28.3	36.5	42.4	53.6
Total nonperforming loans	**148.4**	84.3	64.8	86.4	95.0
Other assets acquired through foreclosure, net	**$ 1.4**	$ 13.9	$ 17.9	$ 28.5	$ 47.8
Nonaccrual HFI and HFS loans to funded HFI loans	**0.43 %**	0.27 %	0.16 %	0.29 %	0.31 %
Nonaccrual HFI loans to funded HFI loans	**0.43**	0.27	0.16	0.29	0.31
Loans past due 90 days or more on accrual status to funded HFI loans	**—**	—	0.00	0.00	0.01

(1) Includes non-accrual TDR loans of $28.4 million and $10.6 million at December 31, 2020 and 2019, respectively.

The composition of nonaccrual HFI loans by loan type and by segment were as follows:

	December 31, 2020		
	Nonaccrual Balance	**Percent of Nonaccrual Balance**	**Percent of Total HFI Loans**
	(dollars in millions)		
Warehouse lending	**$ —**	**— %**	**— %**
Municipal & nonprofit	**1.9**	**1.7**	**0.01**
Tech & Innovation	**13.5**	**11.7**	**0.05**
Other commercial and industrial	**17.2**	**14.9**	**0.06**
CRE - owner occupied	**34.5**	**29.9**	**0.13**
Hotel Franchise Finance	**—**	**—**	**—**
Other CRE - non-owned occupied	**36.5**	**31.7**	**0.14**
Residential	**11.4**	**9.9**	**0.04**
Construction and land development	**—**	**—**	**—**
Other	**0.2**	**0.2**	**—**
Total non-accrual loans	**$ 115.2**	**100.0 %**	**0.43 %**

	December 31, 2019		
	Nonaccrual Balance	Percent of Nonaccrual Balance	Percent of Total HFI Loans
	(dollars in millions)		
Commercial and industrial	$ 24.5	43.8 %	0.12 %
Commercial real estate	23.7	42.4	0.11
Construction and land development	2.2	3.8	0.01
Residential real estate	5.6	10.0	0.03
Consumer	—	—	—
Total non-accrual loans	$ 56.0	100.0 %	0.27 %

Troubled Debt Restructured Loans

A TDR loan is a loan on which the Company, for reasons related to a borrower's financial difficulties, grants a concession to the borrower that the Company would not otherwise consider. The loan terms that have been modified or restructured due to a borrower's financial situation include, but are not limited to, a reduction in the stated interest rate, an extension of the maturity or renewal of the loan at an interest rate below current market, a reduction in the face amount of the debt, a reduction in the accrued interest, or deferral of interest payments. The majority of the Company's modifications are extensions in terms or deferral of payments which result in no lost principal or interest followed by reductions in interest rates or accrued interest. Consistent with regulatory guidance, a TDR loan that is subsequently modified in another restructuring agreement but has shown sustained performance and classification as a TDR, will be removed from TDR status provided that the modified terms were market-based at the time of modification.

The CARES Act, signed into law on March 27, 2020, permits financial institutions to suspend requirements under GAAP for loan modifications to borrowers affected by COVID-19 that would otherwise be characterized as TDRs and suspend any determination related thereto if (i) the loan modification is made between March 1, 2020 and the earlier of December 31, 2020 or 60 days after the end of the coronavirus emergency declaration and (ii) the applicable loan was not more than 30 days past due as of December 31, 2019. In addition, federal bank regulatory authorities have issued guidance to encourage financial institutions to make loan modifications for borrowers affected by COVID-19 and have assured financial institutions that they will neither receive supervisory criticism for such prudent loan modifications, nor be required by examiners to automatically categorize COVID-19-related loan modifications as TDRs. The Company is applying this guidance to qualifying loan modifications. The types of loan modifications granted to borrowers include extensions of loan maturity dates, covenant waivers, interest only payments for a specified period of time, and loan payment deferrals. As of December 31, 2020, the Company has outstanding modifications meeting these conditions on loans with a net balance of $538.3 million as of December 31, 2020, of which, modifications involving loan payment deferrals total $190.0 million. Further, residential mortgage loans in forbearance have a net balance of $77.1 million as of December 31, 2020.

As of December 31, 2020, the Company's TDR loans totaled $61.6 million. During the year ended December 31, 2020, the Company had 17 new TDR loans with a recorded investment of $37.3 million. The Company has a $2.7 million allowance allocated to these loans as of December 31, 2020 and has committed to lend additional amounts totaling $0.6 million.

The following table presents TDR loans for the periods presented:

	December 31, 2020	
	Number of Loans	**Recorded Investment**
	(dollars in millions)	
Tech & Innovation	**4**	**20.4**
Other commercial and industrial	**9**	**22.9**
CRE - owner occupied	**4**	**2.6**
Hotel Franchise Finance	**2**	**5.5**
Other CRE - non-owned occupied	**3**	**10.2**
Total	**22**	**61.6**

Allowance for Credit Losses

The following table summarizes the activity in the Company's allowance for credit losses for the period indicated:

	Year Ended December 31, 2020				
	Balance, January 1, 2020 (1)	Provision for (Reversal of) Credit Losses	Writeoffs	Recoveries	Balance, December 31, 2020 (1)
	(in millions)				
Warehouse lending	$ 0.2	$ 3.2	$ —	$ —	$ 3.4
Municipal & nonprofit	17.4	(1.5)	—	—	15.9
Tech & Innovation	22.4	24.0	11.1	—	35.3
Other commercial and industrial	95.8	1.8	6.4	(3.5)	94.7
CRE - owner occupied	10.4	8.3	0.2	(0.1)	18.6
Hotel Franchise Finance	14.1	29.2	—	—	43.3
Other CRE - non-owned occupied	10.5	29.8	2.1	(1.7)	39.9
Residential	3.8	(3.1)	0.3	(0.4)	0.8
Construction and land development	6.2	15.7	—	(0.1)	22.0
Other	6.1	(0.9)	0.3	(0.1)	5.0
Total	$ 186.9	$ 106.5	$ 20.4	$ (5.9)	$ 278.9
Net charge-offs to average loans outstanding					0.06 %

(1) Includes an estimate of future recoveries.

	Year Ended December 31,			
	2019	2018	2017	2016
Allowance for credit losses:				
Balance at beginning of period	$ 152.7	$ 140.0	$ 124.7	$ 119.1
Provision charged to operating expense:				
Commercial and industrial	3.0	13.2	14.3	10.6
Commercial real estate	11.7	2.2	5.3	(2.4)
Construction and land development	1.4	1.5	(2.8)	1.7
Residential real estate	2.6	5.8	0.3	(2.1)
Consumer	(0.3)	0.3	0.1	0.2
Total Provision	18.4	23.0	17.2	8.0
Recoveries of loans previously charged-off:				
Commercial and industrial	(4.3)	(2.4)	(3.1)	(4.0)
Commercial real estate	(0.9)	(1.3)	(2.9)	(5.7)
Construction and land development	(0.1)	(1.4)	(1.2)	(0.5)
Residential real estate	(0.4)	(1.0)	(1.8)	(0.9)
Consumer	—	—	(0.1)	(0.1)
Total recoveries	(5.7)	(6.1)	(9.1)	(11.2)
Loans charged-off:				
Commercial and industrial	8.1	15.0	8.2	12.5
Commercial real estate	0.1	0.2	2.3	0.7
Construction and land development	0.1	—	—	—
Residential real estate	0.6	1.1	0.4	0.2
Consumer	0.1	0.1	0.1	0.2
Total charged-off	9.0	16.4	11.0	13.6
Net charge-offs	3.3	10.3	1.9	2.4
Balance at end of period	$ 167.8	$ 152.7	$ 140.0	$ 124.7
Net charge-offs to average loans outstanding	0.02 %	0.06 %	0.01 %	0.02 %
Allowance for credit losses to funded HFI loans	0.81	0.86	0.93	0.95
Allowance for credit losses to gross organic loans	0.82	0.92	1.03	1.11

The following table summarizes the allocation of the allowance for credit losses by loan type.

	December 31, 2020		
	Allowance for credit losses	**Percent of total allowance for credit losses**	**Percent of loan type to total HFI loans**
		(dollars in millions)	
Warehouse lending	**$ 3.4**	**1.2 %**	**16.0 %**
Municipal & nonprofit	**15.9**	**5.7**	**6.4**
Tech & Innovation	**35.3**	**12.7**	**9.4**
Other commercial and industrial	**94.7**	**33.9**	**21.8**
CRE - owner occupied	**18.6**	**6.7**	**7.1**
Hotel Franchise Finance	**43.3**	**15.5**	**7.3**
Other CRE - non-owned occupied	**39.9**	**14.3**	**13.5**
Residential	**0.8**	**0.3**	**8.8**
Construction and land development	**22.0**	**7.9**	**9.0**
Other	**5.0**	**1.8**	**0.7**
Total	**$ 278.9**	**100.0 %**	**100.0 %**

	Commercial and Industrial	Commercial Real Estate	Construction and Land Development	Residential Real Estate	Consumer	Total
	(dollars in millions)					
December 31, 2019						
Allowance for credit losses	$ 82.3	$ 47.3	$ 23.9	$ 13.7	$ 0.6	$ 167.8
Percent of total allowance for credit losses	49.0 %	28.2 %	14.2 %	8.2 %	0.4 %	100.0 %
Percent of loan type to total HFI loans	44.5	35.8	9.2	10.2	0.3	100.0
December 31, 2018						
Allowance for credit losses	$ 83.1	$ 34.8	$ 22.5	$ 11.3	$ 1.0	$ 152.7
Percent of total allowance for credit losses	54.4 %	22.8 %	14.8 %	7.4 %	0.6 %	100.0 %
Percent of loan type to total HFI loans	43.8	36.9	12.1	6.8	0.4	100.0
December 31, 2017						
Allowance for credit losses	$ 82.5	$ 31.6	$ 19.6	$ 5.5	$ 0.8	$ 140.0
Percent of total allowance for credit losses	58.9 %	22.6 %	14.0 %	3.9 %	0.6 %	100.0 %
Percent of loan type to total HFI loans	45.2	40.8	10.9	2.8	0.3	100.0
December 31, 2016						
Allowance for Credit Losses	$ 73.3	$ 25.7	$ 21.2	$ 3.8	$ 0.7	$ 124.7
Percent of Total Allowance for Credit Losses	58.8 %	20.6 %	17.0 %	3.1 %	0.5 %	100.0 %
Percent of loan type to total HFI loans	44.3	42.1	11.3	2.0	0.3	100.0

Problem Loans

The Company classifies loans consistent with federal banking regulations using a nine category grading system. These loan grades are described in further detail in "Item 1. Business" of this Form 10-K. The following table presents information regarding potential and actual problem loans, consisting of loans graded Special Mention, Substandard, Doubtful, and Loss, but still performing:

	December 31, 2020			
	Number of Loans	**Loan Balance**	**Percent of Loan Balance**	**Percent of Total HFI Loans**
	(dollars in millions)			
Tech & Innovation	**4**	**$ 15.3**	**3.6 %**	**0.06 %**
Other commercial and industrial	**71**	**74.3**	**17.6**	**0.27**
CRE - owner occupied	**37**	**79.8**	**18.9**	**0.30**
Hotel Franchise Finance	**9**	**116.9**	**27.6**	**0.43**
Other CRE - non-owned occupied	**9**	**15.8**	**3.7**	**0.06**
Construction and land development	**7**	**47.3**	**11.2**	**0.17**
Other	**21**	**73.4**	**17.4**	**0.27**
Total	**158**	**$ 422.8**	**100.0 %**	**1.56 %**

	December 31, 2019			
	Number of Loans	Loan Balance	Percent of Loan Balance	Percent of Total HFI Loans
	(dollars in millions)			
Commercial and industrial	73	$ 96.5	43.1 %	0.46 %
Commercial real estate	37	107.8	48.1 %	0.51
Construction and land development	10	19.0	8.5 %	0.09
Residential real estate	3	0.7	0.3 %	0.00
Consumer	1	0.0	— %	0.00
Total	124	$ 224.0	100.0 %	1.06 %

Goodwill and Other Intangible Assets

Goodwill represents the excess consideration paid for net assets acquired in a business combination over their fair value. Goodwill and other intangible assets acquired in a business combination that are determined to have an indefinite useful life are not subject to amortization, but are subsequently evaluated for impairment at least annually. The Company has goodwill totaling $289.9 million as of December 31, 2020.

The Company performs its annual goodwill and intangibles impairment tests as of October 1 each year, or more often if events or circumstances indicate that the carrying value may not be recoverable. While the Company’s stock price has experienced volatility and periodic declines in value during the pandemic, management did not consider this decline to be a triggering event that would indicate that an interim goodwill impairment test was necessary during 2020. Based on the Company's annual goodwill and intangibles impairment tests as of October 1 during the years ended December 31, 2020, 2019, and 2018, it was determined that goodwill and intangible assets are not impaired.

The following is a summary of acquired intangible assets:

	December 31, 2020			December 31, 2019		
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Amount**	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
			(in millions)			
Subject to amortization						
Core deposit intangibles	**$ 14.6**	**$ 8.8**	**$ 5.8**	$ 14.6	$ 7.3	$ 7.3
Customer relationship intangibles	**2.5**	**0.1**	**2.4**	—	—	—
	$ 17.1	**$ 8.9**	**$ 8.2**	$ 14.6	$ 7.3	$ 7.3

	December 31, 2020			December 31, 2019		
	Gross Carrying Amount	**Impairment**	**Net Carrying Amount**	Gross Carrying Amount	Impairment	Net Carrying Amount
			(in millions)			
Not subject to amortization						
Trade name	**$ 0.4**	**$ —**	**$ 0.4**	$ 0.4	$ —	$ 0.4

Deferred Tax Assets

Net deferred tax assets increased $13.3 million to $31.3 million from December 31, 2019. This overall increase in net deferred tax assets was primarily the result of an increase in the allowance for credit losses under the new CECL accounting guidance and deferred insurance premiums deduction which were not fully offset by additional unrealized gains on AFS securities and increases to unearned insurance premiums.

As of December 31, 2020 and 2019, the Company has no deferred tax valuation allowance.

Deposits

Deposits are the primary source for funding the Company's asset growth. Total deposits increased to $31.9 billion at December 31, 2020, from $22.8 billion at December 31, 2019, an increase of $9.1 billion, or 40.1%. The increase in deposits is attributable to increases in non-interest-bearing demand deposits of $4.9 billion, savings and money market deposits of $3.3 billion, and interest-bearing demand deposits of $1.6 billion, partially offset by a decrease in certificates of deposit of $719.5 million from December 31, 2019.

WAB is a participant in the Promontory Interfinancial Network, a network that offers deposit placement services such as CDARS and ICS, which offer products that qualify large deposits for FDIC insurance. At December 31, 2020, the Company has $496.4 million of CDARS deposits and $1.3 billion of ICS deposits, compared to $407.7 million of CDARS deposits and $661.8 million of ICS deposits at December 31, 2019. At December 31, 2020 and 2019, the Company also has wholesale brokered deposits of $554.8 million and $1.1 billion, respectively.

In addition, deposits for which the Company provides account holders with earnings credits or referral fees totaled $5.9 billion and $3.1 billion at December 31, 2020 and 2019, respectively. The Company incurred $17.0 million and $30.5 million in deposit related costs on these deposits during the year ended December 31, 2020 and 2019, respectively. These costs are reported in deposit costs as part of non-interest expense. The decrease in these costs largely relates to a decrease in earnings credits paid in 2020 due to a lower rate environment.

The average balances and weighted average rates paid on deposits are presented below:

	Year Ended December 31,					
	2020		2019		2018	
	Average Balance	**Rate**	Average Balance	Rate	Average Balance	Rate
	(dollars in millions)					
Interest-bearing transaction accounts	**$ 3,488.3**	**0.26 %**	$ 2,545.8	0.82 %	$ 1,891.2	0.61 %
Savings and money market accounts	**10,008.9**	**0.35**	8,125.8	1.18	6,501.2	0.85
Certificates of deposit	**1,997.6**	**1.33**	2,117.2	1.98	1,748.7	1.37
Total interest-bearing deposits	**15,494.8**	**0.45**	12,788.8	1.24	10,141.1	0.89
Non-interest-bearing demand deposits	**11,465.5**	**—**	8,246.2	—	7,712.8	—
Total deposits	**$ 26,960.3**	**0.26 %**	$ 21,035.0	0.75 %	$ 17,853.9	0.51 %

Certificates of Deposit of $100,000 or More

The table below discloses the remaining maturity for certificates of deposit of $100,000 or more:

	December 31,	
	2020	2019
	(in millions)	
3 months or less	**$ 425.5**	$ 945.6
3 to 6 months	**403.1**	596.4
6 to 12 months	**494.4**	597.5
Over 12 months	**128.8**	101.6
Total	**$ 1,451.8**	$ 2,241.1

Other Borrowings

The Company from time to time utilizes short-term borrowed funds to support short-term liquidity needs generally created by increased loan demand. The majority of these short-term borrowed funds consist of advances from the FHLB and customer repurchase agreements. The Company's borrowing capacity with the FHLB is determined based on collateral pledged, generally consisting of securities and loans. In addition, the Company has borrowing capacity from other sources, collateralized by securities, including securities sold under agreements to repurchase, which are reflected at the amount of cash received in connection with the transaction, and may require additional collateral based on the fair value of the underlying securities. At December 31, 2020, total short-term borrowed funds consist of customer repurchase agreements of $16.0 million and short-term FHLB advances of $5.0 million. At December 31, 2019, total short-term borrowed funds consisted of customer repurchase agreements of $16.7 million.

Qualifying Debt

Qualifying debt consists of subordinated debt and junior subordinated debt, inclusive of issuance costs and fair market value adjustments. At December 31, 2020, the carrying value of qualifying debt was $469.8 million, compared to $319.2 million at December 31, 2019. The increase in qualifying debt from December 31, 2019 is due to issuance of $225.0 million of subordinated debt, recorded net of issuance costs, in May 2020, offset in part by a $75 million redemption of subordinated debt in October 2020.

The junior subordinated debt has contractual balances and maturity dates as follows:

		December 31,	
Name of Trust	**Maturity**	**2020**	2019
At fair value		*(in millions)*	
BankWest Nevada Capital Trust II	2033	**$ 15.5**	$ 15.5
Intermountain First Statutory Trust I	2034	**10.3**	10.3
First Independent Statutory Trust I	2035	**7.2**	7.2
WAL Trust No. 1	2036	**20.6**	20.6
WAL Statutory Trust No. 2	2037	**5.2**	5.2
WAL Statutory Trust No. 3	2037	**7.7**	7.7
Total contractual balance		**66.5**	66.5
FVO on junior subordinated debt		**(0.6)**	(4.8)
Junior subordinated debt, at fair value		**$ 65.9**	$ 61.7
At amortized cost			
Bridge Capital Holdings Trust I	2035	**$ 12.4**	$ 12.4
Bridge Capital Holdings Trust II	2036	**5.1**	5.1
Total contractual balance		**17.5**	17.5
Purchase accounting adjustment, net of accretion (1)		**(4.5)**	(4.8)
Junior subordinated debt, at amortized cost		**$ 13.0**	$ 12.7
Total junior subordinated debt		**$ 78.9**	$ 74.4

(1) The purchase accounting adjustment is being amortized over the remaining life of the trusts, pursuant to accounting guidance.

The weighted average interest rate of all junior subordinated debt as of December 31, 2020 was 2.58%, which is three-month LIBOR plus the contractual spread of 2.34%, compared to a weighted average interest rate of 4.25% at December 31, 2019.

Capital Resources

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements could trigger certain mandatory or discretionary actions that, if undertaken, could have a direct material effect on the Company's business and financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance sheet items (discussed in "Note 15. Commitments and Contingencies" to the Consolidated Financial Statements) as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

In March 2020, the federal bank regulatory authorities issued an interim final rule that delays the estimated impact on regulatory capital resulting from the adoption of CECL. The interim final rule provides banking organizations that implement CECL before the end of 2020 the option to delay for two years the estimated impact of CECL on regulatory capital relative to regulatory capital determined under the prior incurred loss methodology, followed by a three-year transition period to phase out the aggregate amount of capital benefit provided during the initial two-year delay. The Company has elected the five-year CECL transition option in connection with its adoption of CECL on January 1, 2020. As a result, capital ratios and amounts as of December 31, 2020 exclude the impact of the increased allowance for credit losses related to the adoption of ASC 326.

As of December 31, 2020 and 2019, the Company and the Bank exceeded the capital levels necessary to be classified as well-capitalized, as defined by the banking agencies. The actual capital amounts and ratios for the Company and the Bank are presented in the following tables as of the periods indicated:

	Total Capital	Tier 1 Capital	Risk-Weighted Assets	Tangible Average Assets	Total Capital Ratio	Tier 1 Capital Ratio	Tier 1 Leverage Ratio	Common Equity Tier 1
	(dollars in millions)							
December 31, 2020								
WAL	**$ 3,872.0**	**$ 3,158.2**	**$ 31,015.4**	**$ 34,349.3**	**12.5 %**	**10.2 %**	**9.2 %**	**9.9 %**
WAB	**3,619.4**	**3,078.2**	**31,140.6**	**34,367.0**	**11.6**	**9.9**	**9.0**	**9.9**
Well-capitalized ratios					**10.0**	**8.0**	**5.0**	**6.5**
Minimum capital ratios					**8.0**	**6.0**	**4.0**	**4.5**
December 31, 2019								
WAL	$ 3,257.9	$ 2,775.4	$ 25,390.1	$ 26,110.3	12.8 %	10.9 %	10.6 %	10.6 %
WAB	3,030.3	2,703.5	25,452.3	26,134.4	11.9	10.6	10.3	10.6
Well-capitalized ratios					10.0	8.0	5.0	6.5
Minimum capital ratios					8.0	6.0	4.0	4.5

Common Stock Repurchase Plan

The Company has previously adopted common stock repurchase programs, the most recent of which authorized the Company to repurchase up to $250.0 million of its common stock. The Company had $178.4 million in authorized common stock repurchase capacity that expired under the program as of December 31, 2020.

Contractual Obligations and Off-Balance Sheet Arrangements

The Company enters into contracts for services in the ordinary course of business that may require payment for services to be provided in the future and may contain penalty clauses for early termination of the contracts. To meet the financing needs of customers, the Company has financial instruments with off-balance sheet risk, including commitments to extend credit and standby letters of credit. The Company has also committed to irrevocably and unconditionally guarantee the payments or distributions with respect to the holders of preferred securities of the Company's eight statutory business trusts to the extent that the trusts have not made such payments or distributions, including: 1) accrued and unpaid distributions; 2) the redemption price; and 3) upon a dissolution or termination of the trust, the lesser of the liquidation amount and all accrued and unpaid distributions and the amount of assets of the trust remaining available for distribution. The Company does not believe that these off-balance sheet arrangements have or are reasonably likely to have a material effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources. However, there can be no assurance that such arrangements will not have a future effect.

The following table sets forth the Company's significant contractual obligations as of December 31, 2020:

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
			(in millions)		
Time deposit maturities	$ 1,657.4	$ 1,515.8	$ 138.3	$ 3.3	$ —
Qualifying debt	559.0	—	—	—	559.0
Other borrowings	5.0	5.0	—	—	—
Operating lease obligations	89.8	12.5	23.3	21.7	32.3
Purchase obligations	97.5	35.0	40.2	22.3	—
Total	**$ 2,408.7**	**$ 1,568.3**	**$ 201.8**	**$ 47.3**	**$ 591.3**

Purchase obligations primarily relate to contracts for software licensing, maintenance, and outsourced service providers.

Off-balance sheet commitments associated with outstanding letters of credit, commitments to extend credit, and credit card guarantees as of December 31, 2020 are summarized below. Since commitments associated with letters of credit and commitments to extend credit may expire unused, the amounts shown do not necessarily reflect the actual future cash funding requirements.

		Amount of Commitment Expiration per Period			
	Total Amounts Committed	Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
			(in millions)		
Commitments to extend credit	$ 9,425.2	$ 2,369.4	$ 4,070.1	$ 1,737.8	$ 1,247.9
Credit card commitments and financial guarantees	291.5	291.5	—	—	—
Letters of credit	186.9	145.3	32.9	8.7	—
Total	**$ 9,903.6**	**$ 2,806.2**	**$ 4,103.0**	**$ 1,746.5**	**$ 1,247.9**

The following table sets forth certain information regarding short-term borrowings as of December 31, 2020 and the respective prior year-end balances for customer repurchase agreements, FHLB advances, and Federal funds purchased:

	December 31,		
	2020	2019	2018
		(dollars in millions)	
Customer Repurchase Accounts:			
Maximum month-end balance	**$ 33.7**	$ 20.3	$ 30.6
Balance at end of year	**16.0**	16.7	22.4
Average balance	**23.3**	17.2	24.4
Federal Funds Purchased			
Maximum month-end balance	**690.0**	335.0	256.0
Balance at end of year	—	—	256.0
Average balance	**75.1**	67.9	20.5
FHLB Advances:			
Maximum month-end balance	**130.0**	380.0	625.0
Balance at end of year	**5.0**	—	235.0
Average balance	**21.3**	49.6	215.7
Total Short-Term Borrowed Funds	**$ 21.0**	$ 16.7	$ 513.4
Weighted average interest rate at end of year	**0.12 %**	0.15 %	2.46 %
Weighted average interest rate during year	**0.46**	1.99	1.73

Critical Accounting Policies

The Notes to the Consolidated Financial Statements contain a discussion of the Company's significant accounting policies, including information regarding recently issued accounting pronouncements, adoption of such policies, and the related impact of their adoption. The Company believes that certain of these policies, along with various estimates that it is required to make in recording its financial transactions, are important to have a complete understanding of the Company's financial position. In addition, these estimates require management to make complex and subjective judgments, many of which include matters with a high degree of uncertainty. The following is a summary of these critical accounting policies and significant estimates.

Allowance for credit losses

Effective January 1, 2020, the Company adopted the ASUs related to credit losses, which include ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments,* ASU 2019-05, *Financial Instruments - Credit Losses,* and ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*. The new standards significantly change the impairment model for most financial assets that are measured at amortized cost, including off-balance sheet credit exposures, from an incurred loss model to an expected loss model. The amendments in ASU 2016-13 require that an organization measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. In future periods, evaluations of the overall loan portfolio, in light of the factors and forecasts then prevailing, may result in significant changes in the allowance for credit losses and credit loss expense in those future periods. The allowance level is influenced by loan volumes, loan asset quality ratings, delinquency status, historical credit loss experience, loan performance characteristics, and other conditions influencing loss expectations, such as reasonable and supportable forecasts of economic conditions. Changes to the assumptions in the model in future periods could have a material impact on the Company's Consolidated Financial Statements. See "Note 1. Summary of Significant Accounting Policies" for a detailed discussion of the Company's methodologies for estimating expected credit losses.

Income taxes

The Company’s income tax expense, deferred tax assets and liabilities, and liabilities for unrecognized tax benefits reflect management’s best estimate of current and future taxes to be paid. The Company is subject to federal and state income taxes in the United States. Significant judgments and estimates are required in the determination of the consolidated income tax expense.

Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, which will result in taxable or deductible amounts in the future. In evaluating the Company's ability to recover its deferred tax assets in the jurisdictions from which they arise, all available positive and negative evidence is considered, including scheduled reversals of deferred tax liabilities, tax planning strategies, projected future taxable income, and recent operating results. The assumptions about future taxable income require the use of significant judgment and are consistent with the plans and estimates used to manage the underlying business.

Liquidity

Liquidity is the ongoing ability to accommodate liability maturities and deposit withdrawals, fund asset growth and business operations, and meet contractual obligations through unconstrained access to funding at reasonable market rates. Liquidity management involves forecasting funding requirements and maintaining sufficient capacity to meet the needs and accommodate fluctuations in asset and liability levels due to changes in the Company's business operations or unanticipated events, including the ongoing COVID-19 pandemic.

The ability to have readily available funds sufficient to repay fully maturing liabilities is of primary importance to depositors, creditors, and regulators. The Company's liquidity, represented by cash and amounts due from banks, federal funds sold, and non-pledged marketable securities, is a result of the Company's operating, investing, and financing activities and related cash flows. In order to ensure funds are available when necessary, on at least a quarterly basis, the Company projects the amount of funds that will be required over a twelve-month period and it also strives to maintain relationships with a diversified customer base. Liquidity requirements can also be met through short-term borrowings or the disposition of short-term assets.

While the Company does not anticipate any need for additional liquidity, in response to the uncertainty regarding the severity and duration of the COVID-19 pandemic, the Company has taken several actions to ensure the strength of its liquidity position. These actions include establishing a $1.5 billion Federal Reserve lending facility in connection with funding loans to small and medium-sized businesses and suspending stock repurchases effective as of April 17, 2020. In addition, the Company is also in a position to pledge additional collateral to increase its borrowing capacity with the FRB, if necessary.

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The following table presents the available and outstanding balances on the Company's lines of credit:

	December 31, 2020	
	Available Balance	Outstanding Balance
	(in millions)	
Unsecured fed funds credit lines at correspondent banks	$ 2,452.0	$ —

In addition to lines of credit, the Company has borrowing capacity with the FHLB and FRB from pledged loans and securities. The borrowing capacity, outstanding borrowings, and available credit as of December 31, 2020 are presented in the following table:

	December 31, 2020
	(in millions)
FHLB:	
Borrowing capacity	$ 3,986.8
Outstanding borrowings	5.0
Letters of credit	21.0
Total available credit	$ 3,960.8
FRB:	
Borrowing capacity	$ 2,706.8
Outstanding borrowings	—
Total available credit	$ 2,706.8

The Company has a formal liquidity policy and, in the opinion of management, its liquid assets are considered adequate to meet cash flow needs for loan funding and deposit cash withdrawals for the next 90-120 days. At December 31, 2020, there is $6.6 billion in liquid assets, comprised of $2.7 billion in cash and cash equivalents and $3.9 billion in unpledged marketable securities. At December 31, 2019, the Company maintained $2.9 billion in liquid assets, comprised of $434.6 million of cash, cash equivalents, and money market investments, and $2.5 billion in unpledged marketable securities.

The Parent maintains liquidity that would be sufficient to fund its operations and certain non-bank affiliate operations for an extended period should funding from normal sources be disrupted. Since deposits are taken by WAB and not by the Parent, Parent liquidity is not dependent on the Bank's deposit balances. In the Company's analysis of Parent liquidity, it is assumed that the Parent is unable to generate funds from additional debt or equity issuances, receives no dividend income from subsidiaries and does not pay dividends to stockholders, while continuing to make nondiscretionary payments needed to maintain operations and repayment of contractual principal and interest payments owed by the Parent and affiliated companies. Under this scenario, the amount of time the Parent and its non-bank subsidiaries can operate and meet all obligations before the current liquid assets are exhausted is considered as part of the Parent liquidity analysis. Management believes the Parent maintains adequate liquidity capacity to operate without additional funding from new sources for over 12 months.

WAB maintains sufficient funding capacity to address large increases in funding requirements, such as deposit outflows. This capacity is comprised of liquidity derived from a reduction in asset levels and various secured funding sources. On a long-term basis, the Company’s liquidity will be met by changing the relative distribution of its asset portfolios (for example, by reducing investment or loan volumes, or selling or encumbering assets). Further, the Company can increase liquidity by soliciting higher levels of deposit accounts through promotional activities and/or borrowing from the FHLB of San Francisco and the FRB. At December 31, 2020, the Company's long-term liquidity needs primarily relate to funds required to support loan originations, commitments, and deposit withdrawals, which can be met by cash flows from investment payments and maturities, and investment sales, if necessary.

The Company’s liquidity is comprised of three primary classifications: 1) cash flows provided by operating activities; 2) cash flows used in investing activities; and 3) cash flows provided by financing activities. Net cash provided by or used in operating activities consists primarily of net income, adjusted for changes in certain other asset and liability accounts and certain non-cash income and expense items, such as the provision for credit losses, investment and other amortization and depreciation. For the years ended December 31, 2020, 2019, and 2018, net cash provided by operating activities was $670.2 million, $717.8 million, and $541.0 million, respectively.

The Company's primary investing activities are the origination of real estate and commercial loans, the collection of repayments of these loans, and the purchase and sale of securities. The Company's net cash provided by and used in investing activities has been primarily influenced by its loan and securities activities. The net increase in loans for the years ended December 31, 2020, 2019, and 2018, was $5.9 billion, $3.4 billion, and $2.6 billion, respectively. The net increase in investment securities for the years ended December 31, 2020, 2019, and 2018 was $1.5 billion, $109.5 million, and $12.4 million, respectively.

Net cash provided by financing activities has been impacted significantly by increased deposit levels. During the years ended December 31, 2020, 2019, and 2018, net deposits increased $9.1 billion, $3.6 billion, and $2.2 billion, respectively.

Fluctuations in core deposit levels may increase the Company's need for liquidity as certificates of deposit mature or are withdrawn before maturity, and as non-maturity deposits, such as checking and savings account balances, are withdrawn. Additionally, the Company is exposed to the risk that customers with large deposit balances will withdraw all or a portion of such deposits, due in part to the FDIC limitations on the amount of insurance coverage provided to depositors. To mitigate the uninsured deposit risk, the Company participates in the CDARS and ICS programs, which allow an individual customer to invest up to $50.0 million and $150.0 million, respectively, through one participating financial institution, or a combined total of $200.0 million per individual customer, with the entire amount being covered by FDIC insurance. As of December 31, 2020, the Company has $496.4 million of CDARS and $1.3 billion of ICS deposits.

As of December 31, 2020, the Company has $554.8 million of wholesale brokered deposits outstanding. Brokered deposits are generally considered to be deposits that have been received from a third party who is engaged in the business of placing deposits on behalf of others. A traditional deposit broker will direct deposits to the banking institution offering the highest interest rate available. Federal banking laws and regulations place restrictions on depository institutions regarding brokered deposits because of the general concern that these deposits are not relationship based and are at a greater risk of being withdrawn and placed on deposit at another institution offering a higher interest rate, thus posing liquidity risk for institutions that gather brokered deposits in significant amounts.

Federal and state banking regulations place certain restrictions on dividends paid. The total amount of dividends that may be paid at any date is generally limited to the retained earnings of the bank. Dividends paid by WAB to the Parent would be prohibited if the effect thereof would cause the Bank’s capital to be reduced below applicable minimum capital requirements. During the year ended December 31, 2020, WAB paid dividends to the Parent of $160.0 million. Subsequent to December 31, 2020, WAB paid dividends to the Parent of $15.0 million.

Recent accounting pronouncements

See "Note 1. Summary of Significant Accounting Policies," of the Notes to Consolidated Financial Statements contained in Item 8. Financial Statements and Supplementary Data for information on recent and recently adopted accounting pronouncements and their expected impact, if any, on the Company's Consolidated Financial Statements.

SUPERVISION AND REGULATION

WAL, WAB, and certain of its non-banking subsidiaries are subject to comprehensive regulation under federal and state laws. The regulatory framework applicable to bank holding companies and their subsidiary banks is intended to protect depositors, the DIF, and the U.S. banking system as a whole. This system is not designed to protect equity investors in bank holding companies such as WAL.

Set forth below is a summary of the significant laws and regulations applicable to WAL and its subsidiaries. The description that follows is qualified in its entirety by reference to the full text of the statutes, regulations, and policies that are described. Such statutes, regulations, and policies are subject to ongoing review by Congress and state legislatures and federal and state regulatory agencies. A change in any of the statutes, regulations, or regulatory policies applicable to WAL and its subsidiaries could have a material effect on the results of the Company.

Overview

WAL is a separate and distinct legal entity from WAB and its other subsidiaries. As a registered bank holding company, WAL is subject to inspection, examination, and supervision by the FRB, and is regulated under the BHCA. WAL is also under the jurisdiction of the SEC and is subject to the disclosure and other regulatory requirements of the Securities Act of 1933, as amended, and the Exchange Act, as administered by the SEC. The Company's common stock is listed on the NYSE under the trading symbol "WAL" and the Company is subject to the rules of the NYSE for listed companies. The Company is a financial institution holding company within the meaning of Arizona law. WAL provides a full spectrum of deposit, lending, treasury management, and online banking products and services through WAB, its wholly-owned banking subsidiary. WAB is an Arizona chartered bank and a member of the Federal Reserve System. WAB operates the following full-service banking divisions: ABA, BON, Bridge, FIB, and TPB. WAB is subject to the supervision of, and to regular examination by, the Arizona Department of Financial Institutions, the FRB as its primary federal regulator, and the FDIC as its deposit insurer. WAB's deposits are insured by the FDIC up to the applicable deposit insurance limits in accordance with FDIC laws and regulations. The Company also serves business customers through a national platform of specialized financial services providers.

WAL and WAB are also supervised by the CFPB for compliance with federal consumer financial protection laws. The Company's non-bank subsidiaries are subject to federal and state laws and regulations, including regulations of the FRB.

The Dodd-Frank Act significantly changed the financial regulatory regime in the United States. Since the enactment of the Dodd-Frank Act, U.S. banks and financial services firms have been subject to enhanced regulation and oversight. Several provisions of the Dodd-Frank Act are subject to further rulemaking, guidance, and interpretation by the federal banking agencies.

Enacted in 2018, the EGRRCPA, among other things, amended certain provisions of the Dodd-Frank Act. The EGRRCPA provides limited regulatory relief to certain financial institutions while preserving the existing framework under which U.S. financial institutions are regulated. The EGRRCPA relieves bank holding companies with less than $100 billion in assets, such as the Company, from the enhanced prudential standards imposed under Section 165 of the Dodd-Frank Act (including, but not limited to, resolution planning and enhanced liquidity and risk management requirements). In addition to amending the Dodd-Frank Act, the EGRRCPA also includes certain additional banking-related provisions, consumer protection provisions and securities law-related provisions. While many of the EGRRCPA's changes have been implemented through rules adopted by federal agencies, the Company expects to continue to evaluate the potential impact of the EGRRCPA as it is further implemented

CARES Act

The CARES Act was enacted in March 2020 to provide economic relief in response to the public health and economic impacts of COVID-19. Many of the CARES Act's programs are, and remain, dependent upon the direct involvement of U.S. financial institutions like the Company and the Bank. These programs have been implemented through rules and guidance adopted by federal departments and agencies, including the U.S. Department of Treasury, the Federal Reserve, and other federal bank regulatory authorities, including those with direct supervisory jurisdiction over the Company and the Bank. Furthermore, as the COVID-19 pandemic evolves, federal regulatory authorities continue to issue additional guidance and regulations with respect to the implementation, lifecycle, and eligibility requirements for the various CARES Act programs as well as industry-specific recovery procedures for COVID-19.

The Company continues to assess the impact of the CARES Act, the potential impact of new COVID-19 legislation, and other statutes, regulations, and supervisory guidance related to the COVID-19 pandemic.

The CARES Act amended the SBA's loan program, in which the Bank participates, to create a guaranteed, unsecured loan program, the PPP, to fund operational costs of eligible businesses, organizations and self-employed persons during COVID-19. In December 2020, Congress revived the PPP and allocated additional PPP funds for 2021. As a result, the SBA is anticipated to modify prior guidance and promulgate new regulations and guidance to conform with and implement the new provisions during the first quarter of 2021. As a participating PPP lender, the Bank continues to monitor legislative, regulatory, and supervisory developments related thereto.

Bank Holding Company Regulation

WAL is a bank holding company as defined under the BHCA. The BHCA generally limits the business of bank holding companies to banking, managing or controlling banks, and other activities that the FRB has determined to be so closely related to banking as to be a proper incident thereto. Business activities that have been determined to be related to banking, and therefore appropriate for bank holding companies and their affiliates to engage in, include securities brokerage services, investment advisory services, fiduciary services, and certain management advisory and data processing services, among others. Bank holding companies that have elected to become financial holding companies may engage in any activity, or acquire and retain the shares of a company engaged in any activity that is either: (i) financial in nature or incidental to such financial activity (as determined by the FRB in consultation with the Secretary of the Treasury) or (ii) complementary to a financial activity, and that does not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally (as solely determined by the FRB). Activities that are financial in nature include securities underwriting and dealing, insurance underwriting, and making merchant banking investments.

Mergers and Acquisitions

The BHCA, the Bank Merger Act, and other federal and state statutes regulate the direct and indirect acquisition of depository institutions. The BHCA requires prior FRB approval for a bank holding company to acquire, directly or indirectly, 5% or more of any class of voting securities of a commercial bank or its parent holding company and for a company, other than a bank holding company, to acquire 25% or more of any class of voting securities of a bank or bank holding company. In April 2020, the Federal Reserve adopted a final rule codifying the presumptions used in determinations of whether a company has the ability to exercise a controlling influence over another company for purposes of the BHCA, and providing greater transparency on the types of relationships that the Federal Reserve generally views as supporting a determination of control. Under the Change in Bank Control Act, any person, including a company, may not acquire, directly or indirectly, control of a bank without providing 60 days' prior notice and receiving a non-objection from the appropriate federal banking agency.

Under the Bank Merger Act, the prior approval of the appropriate federal banking agency is required for insured depository institutions to merge or enter into purchase and assumption transactions. In reviewing applications seeking approval of merger and purchase and assumption transactions, the federal banking agencies will consider, among other things, the competitive effect and public benefits of the transactions, the capital position of the combined banking organization, the applicant's performance record under the CRA, and the effectiveness of the subject organizations in combating money laundering activities. For further information relating to the CRA, see the section titled "Community Reinvestment Act and Fair Lending Laws."

Under Section 6-142 of the Arizona Revised Statutes, no person may acquire control of a company that controls an Arizona bank without the prior approval of the Arizona Superintendent of Financial Institutions, or Arizona Superintendent. A person who has the power to vote 15% or more of the voting stock of a controlling company is presumed to control the company.

Enhanced Prudential Standards

Section 165 of the Dodd-Frank Act imposes enhanced prudential standards on larger banking organizations, with certain of these standards applicable to banking organizations over $10 billion, including WAL and WAB, as of the quarter ending June 30, 2014. In October 2012, the FDIC, the OCC, and the FRB issued separate but similar rules requiring covered banks and bank holding companies with $10 billion to $50 billion in total consolidated assets to conduct an annual company-run stress test. WAL and WAB conducted a company-run capital stress test as required by the Dodd-Frank Act in 2017 and provided the results to the FRB. WAL found the Company would have sufficient capital to maintain regulatory capital levels throughout an economic downturn.

As a result of passage of the EGRRCPA, bank holding companies with less than $100 billion in assets, such as the Company, are exempt from the enhanced prudential standards imposed under Section 165 of the Dodd-Frank Act (including, but not limited to, the resolution planning and enhanced liquidity and risk management requirements therein). Notwithstanding these changes, the capital planning and risk management practices of the Company and the Bank will continue to be reviewed through the regular supervisory processes of the FRB.

In February 2014, the FRB issued a rule further implementing the enhanced prudential standards required by the Dodd-Frank Act. Although most of the standards apply only to bank holding companies with more than $50 billion in assets, as directed by the Dodd-Frank Act, the rule contains certain standards that apply to bank holding companies with more than $10 billion in assets, including a requirement to establish a risk committee of the Company's BOD to manage enterprise-wide risk. The Company meets these requirements. The EGRRCPA increased the asset threshold for requiring a bank holding company to establish a separate risk committee of independent directors from $10 billion to $50 billion. Notwithstanding this change, the Company has retained its separate risk committee of independent directors.

Volcker Rule

Section 619 of the Dodd-Frank Act, commonly known as the Volcker Rule, restricts the ability of banking entities, such as the Company and WAB, from: (i) engaging in "proprietary trading" and (ii) investing in or sponsoring certain covered funds, subject to certain limited exceptions. Under the Volcker Rule, the term "covered funds" is defined as any issuer that would be an investment company under the Investment Company Act but for the exemption in Section 3(c)(1) or 3(c)(7) of that Act, which includes CLO and CDO securities. There are also several exemptions from the definition of covered fund, including, among other things, loan securitizations, joint ventures, certain types of foreign funds, entities issuing asset-backed commercial paper, and registered investment companies. Further, the final rules permit banking entities, subject to certain conditions and limitations, to invest in or sponsor a covered fund in connection with: (1) organizing and offering the covered fund; (2) certain risk-mitigating hedging activities; and (3) *de minimis* investments in covered funds. Compliance with the Volcker Rule was required by July 21, 2017.

The EGRRCPA and subsequent promulgation of inter-agency final rules have aimed at simplifying and tailoring requirements related to the Volcker Rule, including by eliminating collection of certain metrics and reducing the compliance burdens associated with other metrics for banks with less than $20 billion in average trading assets and liabilities. In June 2020, the Federal Reserve - along with the Commodity Futures Trading Commission, FDIC, the Office of the Comptroller of the Currency, and the SEC - issued a final rule modifying the Volcker Rule's prohibition on banking entities investing in or sponsoring hedge funds or private equity funds ("covered funds"). The Volcker Rule generally prohibits banking entities from engaging in proprietary trading and from acquiring or retaining ownership interests in, sponsoring or having certain relationships with a hedge fund or private equity fund. The final rule modifies three areas of the Volcker Rule by: (1) streamlining the covered funds portion of the rule; (2) addressing the extraterritorial treatment of certain foreign funds; and (3) permitting banking entities to offer financial services and engage in other activities that do not raise concerns that the Volcker Rule was intended to address. The new rule became effective October 1, 2020. The Company believes it is fully compliant with the Volcker Rule, including as modified by the new rule.

Dividends

The Company has paid regular quarterly dividends since the third quarter of 2019. Whether the Company continues to pay quarterly dividends and the amount of any such dividends will be at the discretion of WAL's BOD and will depend on the Company's earnings, financial condition, results of operations, business prospects, capital requirements, regulatory restrictions, contractual restrictions, and other factors that the BOD may deem relevant.

The Company's ability to pay dividends is subject to the regulatory authority of the FRB. The supervisory concern of the FRB focuses on a bank holding company's capital position, its ability to meet its financial obligations as they come due, and its capacity to act as a source of financial strength to its insured depository institution subsidiaries. In addition, FRB policy discourages the payment of dividends by a bank holding company that is not supported by current operating earnings.

As a Delaware corporation, the Company is also subject to limitations under Delaware law on the payment of dividends. Under the Delaware General Corporation Law, dividends may only be paid out of surplus or out of net profits for the year in which the dividend is declared or the preceding year, and no dividends may be paid on common stock at any time during which the capital of outstanding preferred stock or preference stock exceeds the Company's net assets.

From time to time, the Company may become a party to financing agreements and other contractual obligations that have the effect of limiting or prohibiting the declaration or payment of dividends under certain circumstances. Holding company expenses and obligations with respect to its outstanding trust preferred securities and corresponding subordinated debt also may limit or impair the Company's ability to declare and pay dividends.

Since the Company has no significant assets other than the voting stock of its subsidiaries, it currently depends on dividends from WAB and, to a lesser extent, its non-bank subsidiaries, for a substantial portion of its revenue and as the primary sources of its cash flow. The ability of a state member bank, such as WAB, to pay cash dividends is restricted by the FRB and the State of Arizona. The FRB's Regulation H states that a member bank may not declare or pay a dividend if the total of all dividends declared during that calendar year exceed the bank's net income during that calendar year and the retained net income of the prior two years. Further, without receiving prior approval from both the FRB and two-thirds of its shareholders, a bank cannot declare or pay a dividend that would exceed its undivided profits or withdraw any portion of its permanent capital.

Under Section 6-187 of the Arizona Revised Statutes, WAB may pay dividends on the same basis as any other Arizona corporation, except that cash dividends paid out of capital surplus require the prior approval of the Arizona Superintendent. Under Section 10-640 of the Arizona Revised Statutes, a corporation may not make a distribution to stockholders if to do so would render the corporation insolvent or unable to pay its debts as they become due. However, an Arizona bank may not declare a non-stock dividend out of capital surplus without the approval of the Arizona Superintendent.

Federal Reserve System

As a member of the Federal Reserve System, WAB has historically been required by law to maintain reserves against its transaction deposits, which were to be held in cash or with the FRB. Effective on March 26, 2020, the Board of Governors of the Federal Reserve System reduced the reserve requirement ratios to zero percent. The total of reserve balance was $164.1 million as of December 31, 2019.

Source of Strength Doctrine

FRB policy requires bank holding companies to act as a source of financial and managerial strength to their subsidiary banks. Section 616 of the Dodd-Frank Act codified the requirement that bank holding companies act as a source of financial strength. As a result, the Company is expected to commit resources to support WAB, including at times when the Company may not be in a financial position to provide such resources. Any capital loans by a bank holding company to any of its subsidiary banks are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary banks. The U.S. Bankruptcy Code provides that, in the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal banking agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to priority of payment.

Capital Adequacy

The Capital Rules established a comprehensive capital framework for U.S. banking organizations. The Capital Rules generally implement the Basel Committee's Basel III final capital framework for strengthening international capital standards. The Capital Rules revise the definitions and the components of regulatory capital, as well as address other issues affecting the numerator in banking institutions' regulatory capital ratios. The Capital Rules also address asset risk weights and other matters affecting the denominator in banking institutions' regulatory capital ratios and replaced the existing general risk-weighting approach with a more risk-sensitive approach.

The Capital Rules: (i) include CET1 and the related regulatory capital ratio of CET1 to risk-weighted assets; (ii) specify that Tier 1 capital consists of CET1 and "Additional Tier 1 capital" instruments meeting certain revised requirements; (iii) mandate that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital; and (iv) expand the scope of the deductions from and adjustments to capital as compared to existing regulations. Under the Capital Rules, for most banking organizations, the most common form of Additional Tier 1 capital is non-cumulative perpetual preferred stock, and the most common forms of Tier 2 capital are subordinated notes and a portion of the allocation for loan and lease losses, in each case, subject to the Capital Rules' specific requirements.

Pursuant to the Capital Rules, the minimum capital ratios are as follows:

- 4.5% CET1 to risk-weighted assets;
- 6.0% Tier 1 capital (that is, CET1 plus Additional Tier 1 capital) to risk-weighted assets;
- 8.0% Total capital (that is, Tier 1 capital plus Tier 2 capital) to risk-weighted assets; and
- 4.0% Tier 1 capital to average consolidated assets as reported on consolidated financial statements (called "leverage ratio").

The Capital Rules also include a "capital conservation buffer," composed entirely of CET1, in addition to these minimum risk-weighted asset ratios. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer will face constraints on dividends, equity, and other capital instrument repurchases and compensation based on the amount of the shortfall. The Capital Rules became fully phased-in on January 1, 2019. Thus, the capital standards applicable to the Company include an additional capital conservation buffer of 2.5% of CET1, effectively resulting in minimum ratios inclusive of the capital conservation buffer of (i) CET1 to risk-weighted assets of at least 7%, (ii) Tier 1 capital to risk-weighted assets of at least 8.5%, and (iii) Total capital to risk-weighted assets of at least 10.5%.

The Capital Rules provide for a number of deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing assets, deferred tax assets arising from temporary differences that could not be realized through net operating loss carrybacks, and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such items, in the aggregate, exceed 15% of CET1. The Capital Rules further prescribe that the effects of accumulated other comprehensive income or loss items reported as a component of stockholders' equity be included in CET1 capital; however, non-advanced approaches banking organizations may make a one-time permanent election to exclude these items. The Company, as a non-advanced approaches institution, has made this one-time election.

The Capital Rules also preclude certain hybrid securities, such as trust preferred securities, issued on or after May 19, 2010 from inclusion in bank holding companies' Tier 1 capital. The Company has used trust preferred securities in the past as a tool for raising additional Tier 1 capital and otherwise improving its regulatory capital ratios. Although the Company may continue to include its existing trust preferred securities as Tier 1 capital, the prohibition on the use of these securities as Tier 1 capital going forward may limit the Company's ability to raise capital in the future.

The risk-weighting categories in the Capital Rules are standardized and include a risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights for a variety of asset classes.

As of April 1, 2020, final rules became effective simplifying the capital treatment for mortgage servicing assets, certain deferred tax assets, investments in the capital instruments of unconsolidated financial institutions, and minority interest. Management believes the Company is in compliance, and will continue to be in compliance, with the targeted capital ratios.

Concurrent with enactment of the CARES Act, the federal bank regulatory authorities issued an interim final rule in late March 2020 that delayed the estimated impact on regulatory capital resulting from the adoption of CECL. Subsequently, on August 26, 2020, the federal banking agencies issued a final rule that allows institutions that adopt the CECL accounting standard in 2020 to mitigate CECL's estimated effects on regulatory capital for two years. The CECL final rule is substantially similar to the interim final rule issued in March 2020 in connection with other CARES Act related regulatory relief. The final rule gives eligible institutions the option to mitigate the estimated capital effects of CECL for two years, followed by a three-year transition period. The Company has elected this capital relief option.

Prompt Corrective Action and Safety and Soundness

Pursuant to Section 38 of the FDIA, federal banking agencies are required to take "prompt corrective action" should a depository institution fail to meet certain capital adequacy standards. At each successive lower capital category, an insured depository institution is subject to more restrictions and prohibitions, including restrictions on growth, restrictions on interest rates paid on deposits, restrictions or prohibitions on payment of dividends and restrictions on the acceptance of brokered deposits. Furthermore, if an insured depository institution is classified in one of the undercapitalized categories, it is required to submit a capital restoration plan to the appropriate federal banking agency, and the holding company must guarantee the performance of that plan. Based upon its capital levels, a bank that is classified as well-capitalized, adequately capitalized, or undercapitalized may be treated as though it were in the next lower capital category if the appropriate federal banking agency, after notice and opportunity for hearing, determines that an unsafe or unsound condition, or an unsafe or unsound practice, warrants such treatment.

For purposes of prompt corrective action, to be: (i) well-capitalized, a bank must have a total risk based capital ratio of at least 10%, a Tier 1 risk based capital ratio of at least 8%, a CET1 risk based capital ratio of at least 6.5%, and a Tier 1 leverage ratio of at least 5%; (ii) adequately capitalized, a bank must have a total risk based capital ratio of at least 8%, a Tier 1 risk based capital ratio of at least 6%, a CET1 risk based capital ratio of at least 4.5%, and a Tier 1 leverage ratio of at least 4%; (iii) undercapitalized, a bank would have a total risk based capital ratio of less than 8%, a Tier 1 risk based capital ratio of less than 6%, a CET1 risk based capital ratio of less than 4.5%, and a Tier 1 leverage ratio of less than 4%; (iv) significantly undercapitalized, a bank would have a total risk based capital ratio of less than 6%, a Tier 1 risk based capital ratio of less than

4%, a CET1 risk based capital ratio of less than 3%, and a Tier 1 leverage ratio of less than 3%; (v) critically undercapitalized, a bank would have a ratio of tangible equity to total assets that is less than or equal to 2%.

Bank holding companies and insured banks also may be subject to potential enforcement actions of varying levels of severity by the federal banking agencies for unsafe or unsound practices in conducting their business, or for violation of any law, rule, regulation, condition imposed in writing by the agency or term of a written agreement with the agency. In more serious cases, enforcement actions may include: (i) the issuance of directives to increase capital; (ii) the issuance of formal and informal agreements; (iii) the imposition of civil monetary penalties; (iv) the issuance of a cease and desist order that can be judicially enforced; (v) the issuance of removal and prohibition orders against officers, directors, and other institution-affiliated parties; (vi) the termination of the bank's deposit insurance; (vii) the appointment of a conservator or receiver for the bank; and (viii) the enforcement of such actions through injunctions or restraining orders based upon a judicial determination that the agency would be harmed if such equitable relief was not granted.

Transactions with Affiliates and Insiders

Under federal law, transactions between insured depository institutions and their affiliates are governed by Sections 23A and 23B of the FRA and implementing Regulation W. In a bank holding company context, at a minimum, the parent holding company of a bank, and any companies which are controlled by such parent holding company, are affiliates of the bank. Generally, Sections 23A and 23B of the FRA are intended to protect insured depository institutions from losses arising from transactions with non-insured affiliates by limiting the extent to which a bank or its subsidiaries may engage in covered transactions with any one affiliate and with all affiliates of the bank in the aggregate, and requiring that such transactions be on terms consistent with safe and sound banking practices.

Further, Section 22(h) of the FRA and its implementing Regulation O restricts loans to directors, executive officers, and principal stockholders ("insiders"). Under Section 22(h), loans to insiders and their related interests may not exceed, together with all other outstanding loans to such persons and affiliated entities, the institution's total capital and surplus. Loans to insiders above specified amounts must receive the prior approval of the BOD. Further, under Section 22(h) of the FRA, loans to directors, executive officers, and principal stockholders must be made on terms substantially the same as offered in comparable transactions to other persons, except that such insiders may receive preferential loans made under a benefit or compensation program that is widely available to the bank's employees and does not give preference to the insider over the employees. Section 22(g) of the FRA places additional limitations on loans to executive officers.

Lending Limits

In addition to the requirements set forth above, state banking law generally limits the amount of funds that a state-chartered bank may lend to a single borrower. Under Section 6-352 of the Arizona Revised Statutes, the obligations of one borrower to a bank may not exceed 20% of the bank's capital, plus an additional 10% of its capital if the additional amounts are fully secured by readily marketable collateral.

Brokered Deposits

Section 29 of the FDIA and FDIC regulations generally limit the ability of any bank to accept, renew or roll over any brokered deposit unless it is "well capitalized" or, with the FDIC's approval, "adequately capitalized." However, as a result of the EGRRCPA, the FDIC has undertaken a comprehensive review of its regulatory approach to brokered deposits, including reciprocal deposits, and interest rate caps applicable to banks that are less than "well capitalized." On December 15, 2020, the FDIC issued final rules that amend the FDIC's methodology for calculating interest rate caps, provide a new process for banks that seek FDIC approval to offer a competitive rate on deposits when the prevailing rate in the bank's local market exceeds the national rate cap, and provides specific exemptions and streamlined application and notice procedures for certain deposit-placement arrangements that are not subject to brokered deposit restrictions. These final rules are effective on April 1, 2021. The Company and the Bank do not anticipate a material impact at this time from the new rule.

Consumer Protection and CFPB Supervision

The Dodd-Frank Act centralized responsibility for consumer financial protection by creating the CFPB, an independent agency charged with responsibility for implementing, enforcing, and examining compliance with federal consumer financial protection laws. The Company is subject to a number of federal and state laws designed to protect borrowers and promote lending to various sectors of the economy and population. These laws include the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Fair Debt Collection Procedures Act, the Truth in Lending Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Practices Act, various state law counterparts, and the Consumer Financial Protection Act of 2010, which is part of the Dodd-Frank Act. The Dodd-Frank Act does not prevent states from adopting stricter consumer protection standards. State regulation of financial products and potential enforcement actions could also adversely affect the Company's business, financial condition, or operations.

Depositor Preference

The FDIA provides that, in the event of the "liquidation or other resolution" of an insured depository institution, the claims of depositors of the institution, including the claims of the FDIC as subrogee of insured depositors, and certain claims for administrative expenses of the FDIC as a receiver, will have priority over other general unsecured claims against the institution. If an insured depository institution fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured, non-deposit creditors, including the parent bank holding company, with respect to any extensions of credit they have made to such insured depository institution.

Federal Deposit Insurance

Substantially all of the deposits of WAB are insured up to applicable limits by the FDIC's DIF. The basic limit on FDIC deposit insurance is $250,000 per depositor. WAB is subject to deposit insurance assessments to maintain the DIF.

The FDIC uses a risk-based assessment system that imposes insurance premiums based upon a risk matrix that takes into account a bank's CAMELS rating. The risk matrix utilizes different risk categories distinguished by capital levels and supervisory ratings. As a result of the Dodd-Frank Act, the base for insurance assessments is now consolidated average assets less average tangible equity. Assessment rates are calculated using formulas that take into account the risk of the institution being assessed. WAB is classified as, and subject to the scorecard for, a large and highly complex institution to determine its total base assessment rate.

Under the FDIA, the FDIC may terminate deposit insurance upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. The Company's management is not aware of any practice, condition, or violation that might lead to the termination of its deposit insurance.

Financial Privacy and Data Security

The Company is subject to federal laws, including the GLBA, and certain state laws containing consumer privacy protection provisions. These provisions limit the ability of banks and other financial institutions to disclose non-public information about consumers to affiliated and non-affiliated third parties and limit the reuse of certain consumer information received from non-affiliated institutions. These provisions require notice of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to affiliates or non-affiliated third parties by means of "opt out" or "opt in" authorizations.

For example, in August 2018, the CFPB published its final rule to update Regulation P pursuant to the amended GLBA. Under this rule, certain qualifying financial institutions are not required to provide annual privacy notices to customers. To qualify, a financial institution must not share nonpublic personal information about customers except as described in certain statutory exceptions that do not trigger a customer's statutory opt-out right. In addition, the financial institution must not have changed its disclosure policies and practices from those disclosed in its most recent privacy notice. The rule sets forth timing requirements for delivery of annual privacy notices in the event that a financial institution that qualified for the annual notice exemption later changes its policies or practices in such a way that it no longer qualifies for the exemption.

The GLBA also requires that financial institutions implement comprehensive written information security programs that include administrative, technical, and physical safeguards to protect consumer information. Further, pursuant to interpretive guidance issued under the GLBA and certain state laws, financial institutions are required to notify customers of security breaches that result in unauthorized access to their nonpublic personal information.

For example, under California law, every business that owns or licenses personal information about a California resident must maintain reasonable security procedures and policies to protect that information and comply with specific requirements relating to the destruction of records containing personal information and disclosure of breaches to customers, and restrictions on the use of customer information unless the customer "opts in." Other states, including Arizona and Nevada where WAB has branches, may also have applicable laws requiring businesses that retain consumer personal information to develop reasonable security policies and procedures, notify consumers of a security breach, or provide disclosures about the use and sharing of consumer personal information.

The federal banking agencies, including the FRB, through the Federal Financial Institutions Examination Council, have adopted guidelines to encourage financial institutions to address cybersecurity risks and identify, assess, and mitigate these risks, both internally and at critical third-party services providers. In October 2016, the federal bank regulatory agencies issued proposed rules on enhanced cybersecurity risk management and resilience standards that would apply to very large financial institutions and to services provided by third parties to these institutions. The comment period for these proposed rules has closed and a final rule has not been published. Although the proposed rules would apply only to bank holding companies and banks with $50 billion or more in total consolidated assets, these rules could influence the federal bank regulatory agencies' expectations and supervisory requirements for information security standards and cybersecurity programs of financial institutions with less than $50 billion in total consolidated assets.

These laws and regulations impose compliance costs and create obligations and, in some cases, reporting obligations, and compliance with these laws, regulations, and obligations require significant resources of WAL and WAB.

Community Reinvestment Act and Fair Lending Laws

WAB has a responsibility under the CRA to help meet the credit needs of its communities, including low and moderate income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. In addition, the Equal Credit Opportunity Act and the Fair Housing Act prohibit discrimination in lending practices on the basis of characteristics specified in those statutes. WAB's failure to comply with the provisions of the CRA could, at a minimum, result in regulatory restrictions on its activities and the activities of the Company. WAB's failure to comply with the Equal Credit Opportunity Act and the Fair Housing Act could result in enforcement actions. WAB received a rating of "Satisfactory" in its most recent CRA examination, in January 2019.

On December 17, 2019, the OCC and the FDIC issued a joint notice of proposed rulemaking to modernize the regulations implementing the CRA. While the proposed rule will not apply to WAB because its primary federal regulator is the FRB, it may impact the overall environment as it relates to CRA compliance and portend future changes by the FRB. Under the rulemaking, the federal banking agencies intend to: (i) clarify which activities qualify for CRA credit; (ii) update where activities count for CRA credit; (iii) create a more transparent and objective method for measuring CRA performance; and (iv) provide for more transparent, consistent, and timely CRA-related data collection, record keeping, and reporting.

On May 20, 2020, the OCC issued its final rule on CRA modernization. However, at the same time, the FDIC announced its withdrawal from the joint rulemaking with the OCC, citing the impact of the COVID-19 pandemic as the reason for its withdrawal. WAL and WAB expect to monitor developments with respect to the OCC's final rule and assess the impact, if any, of changes to the CRA regulations as a result thereof, including any further proposals from the FRB or FDIC.

Federal Home Loan Bank of San Francisco

WAB is a member of the FHLB of San Francisco, which is one of 12 regional FHLBs that provide funding to their members to support residential lending, as well as affordable housing and community development loans. Each FHLB serves as a reserve, or central bank, for the members within its assigned region. Each FHLB makes loans to its members in accordance with policies and procedures established by the board of directors of the FHLB. As a member, WAB must purchase and maintain stock in the FHLB of San Francisco. At December 31, 2020, WAB's total investment in FHLB stock was $17.3 million.

Incentive Compensation

The Dodd-Frank Act requires the federal banking agencies and the SEC to establish joint regulations or guidelines prohibiting incentive-based payment arrangements at specified regulated entities, including the Company and WAB, with at least $1 billion in total consolidated assets, that encourage inappropriate risks by providing an executive officer, employee, director, or principal shareholder with excessive compensation, fees, or benefits that could lead to material financial loss to the entity. The federal banking agencies and the SEC most recently proposed such regulations in 2016, but the regulations have not yet been finalized. If the regulations are adopted in the form initially proposed, they will restrict the manner in which executive compensation is structured.

The Dodd-Frank Act also requires publicly traded companies to give stockholders a non-binding vote on executive compensation at least every three years and on so-called “golden parachute” payments in connection with approvals of mergers and acquisitions. WAL gives stockholders a non-binding vote on executive compensation annually.

Preventing Suspicious Activity

Under Title III of the USA PATRIOT Act, all financial institutions are required to take certain measures to identify their customers, prevent money laundering, monitor customer transactions, and report suspicious activity to U.S. law enforcement agencies. Financial institutions also are required to respond to requests for information from federal banking agencies and law enforcement agencies. Information sharing among financial institutions for the above purposes is encouraged by an exemption granted to complying financial institutions from the privacy provisions of the GLBA and other privacy laws. Financial institutions that hold correspondent accounts for foreign banks or provide private banking services to foreign individuals are required to take measures to avoid dealing with certain foreign individuals or entities, including foreign banks with profiles that raise money laundering concerns, and are prohibited from dealing with foreign “shell banks” and persons from jurisdictions of particular concern. The primary federal banking agencies and the Secretary of the Treasury have adopted regulations to implement several of these provisions. The new Customer Due Diligence Rule, that was effective beginning May 11, 2018, clarified and strengthened the existing obligations for identifying new and existing customers and explicitly included risk-based procedures for conducting ongoing customer due diligence. All financial institutions also are required to establish internal anti-money laundering programs. The effectiveness of a financial institution in combating money laundering activities is a factor to be considered in any application submitted by the financial institution under the Bank Merger Act. The Company has a Bank Secrecy Act and USA PATRIOT Act Board-approved compliance program and engages in relatively few transactions with foreign financial institutions or foreign persons.

The FCRA’s Red Flags Rule requires financial institutions with covered accounts (e.g., consumer bank accounts and loans) to develop, implement, and administer an identity theft prevention program. This program must include reasonable policies and procedures to detect suspicious patterns or practices that indicate the possibility of identity theft, such as inconsistencies in personal information or changes in account activity.

Office of Foreign Assets Control Regulation

The United States has imposed economic sanctions that affect transactions with designated foreign countries, nationals, and others. These are typically known as the OFAC rules based on their administration by the OFAC. The OFAC-administered sanctions targeting countries take many different forms. Generally, they contain one or more of the following elements: (i) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on “U.S. persons” engaging in financial transactions relating to making investments in, or providing investment-related advice or assistance to, a sanctioned country; and (ii) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons). Blocked assets (property and bank deposits) cannot be paid out, withdrawn, set off, or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences.

Future Legislative Initiatives

Federal and state legislatures may introduce legislation that will impact the financial services industry. In addition, federal banking agencies may introduce regulatory initiatives that are likely to impact the financial services industry, generally. However it is not clear whether such changes will be enacted or, if enacted, what their effect on the Company will be. New legislation could change banking statutes and the operating environment of the Company in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business, limit or expand permissible activities, or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. The Company cannot predict whether any such legislation will be enacted, and, if enacted, the effect that it or any implementing regulations would have on the financial condition or results of operations of the Company. A change in statutes, regulations, or regulatory policies applicable to WAL or any of its subsidiaries could have a material effect on the business of the Company.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Market risk is the risk of loss in a financial instrument arising from adverse changes in market prices, interest rates, foreign currency exchange rates, commodity prices, and equity prices. The Company's market risk arises primarily from interest rate risk inherent in its lending, investing, and deposit taking activities. To that end, management actively monitors and manages the Company's interest rate risk exposure. The Company generally manages its interest rate sensitivity by evaluating re-pricing opportunities on its earning assets to those on its funding liabilities.

Management uses various asset/liability strategies to manage the re-pricing characteristics of the Company's assets and liabilities, all of which are designed to ensure that exposure to interest rate fluctuations is limited to within the Company's guidelines of acceptable levels of risk-taking. Hedging strategies, including the terms and pricing of loans and deposits and management of the deployment of its securities, are used to reduce mismatches in interest rate re-pricing opportunities of portfolio assets and their funding sources.

Interest rate risk is addressed by the ALCO, which includes members of executive management, finance, and operations. ALCO monitors interest rate risk by analyzing the potential impact on the net EVE and net interest income from potential changes in interest rates and considers the impact of alternative strategies or changes in balance sheet structure. The Company manages its balance sheet in part to maintain the potential impact on EVE and net interest income within acceptable ranges despite changes in interest rates.

The Company's exposure to interest rate risk is reviewed at least quarterly by the ALCO. Interest rate risk exposure is measured using interest rate sensitivity analysis to determine its change in both EVE and net interest income in the event of hypothetical changes in interest rates. If potential changes to EVE and net interest income resulting from hypothetical interest rate changes are not within the limits established by the BOD, the BOD may direct management to adjust the asset and liability mix to bring interest rate risk within Board-approved limits.

Net Interest Income Simulation. In order to measure interest rate risk at December 31, 2020, the Company uses a simulation model to project changes in net interest income that result from forecasted changes in interest rates. This analysis calculates the difference between a baseline net interest income forecast using current yield curves that do not take into consideration any future anticipated rate hikes, compared to forecasted net income resulting from an immediate parallel shift in rates upward or downward, along with other scenarios directed by ALCO. The income simulation model includes various assumptions regarding the re-pricing relationships for each of the Company's products. Many of the Company's assets are floating rate loans, which are assumed to re-price immediately and, proportional to the change in market rates, depending on their contracted index, including the impact of caps or floors. Some loans and investments contain contractual prepayment features (embedded options) and, accordingly, the simulation model incorporates prepayment assumptions. The Company's non-term deposit products re-price concurrently with interest rate changes taken by the Federal Open Market Committee.

This analysis indicates the impact of changes in net interest income for the given set of rate changes and assumptions. It assumes the balance sheet remains static and that its structure does not change over the course of the year. It does not account for all factors that could impact the Company's results, including changes by management to mitigate interest rate changes or secondary factors, such as changes to the Company's credit risk profile as interest rates change.

Furthermore, loan prepayment rate estimates and spread relationships change regularly. Interest rate changes create changes in actual loan prepayment speeds that will differ from the market estimates incorporated in this analysis. Changes that vary significantly from the modeled assumptions may have significant effects on the Company's actual net interest income.

This simulation model assesses the changes in net interest income that would occur in response to an instantaneous and sustained increase or decrease (shock) in market interest rates. At December 31, 2020, the Company's net interest income exposure for the next 12 months related to these hypothetical changes in market interest rates was within the Company's current guidelines.

Sensitivity of Net Interest Income

	Parallel Shift Rate Scenario (change in basis points from Base)			
	Down 100	**Base**	**Up 100**	**Up 200**
	(in millions)			
Interest Income	$ 1,361.8	$ 1,399.7	$ 1,557.4	$ 1,761.9
Interest Expense	34.9	60.4	141.5	222.6
Net Interest Income	**1,326.9**	**1,339.3**	**1,415.9**	**1,539.3**
% Change	(0.9)%		5.7 %	14.9 %

	Interest Rate Ramp Scenario (change in basis points from Base)			
	Down 100	**Base**	**Up 100**	**Up 200**
	(in millions)			
Interest Income	$ 1,370.6	$ 1,399.7	$ 1,472.1	$ 1,555.7
Interest Expense	43.2	60.4	78.7	96.0
Net Interest Income	**1,327.4**	**1,339.3**	**1,393.4**	**1,459.7**
% Change	(0.9)%		4.0 %	9.0 %

Economic Value of Equity. The Company measures the impact of market interest rate changes on the NPV of estimated cash flows from its assets, liabilities, and off-balance sheet items, defined as EVE, using a simulation model. This simulation model assesses the changes in the market value of interest rate sensitive financial instruments that would occur in response to an instantaneous and sustained increase or decrease (shock) in market interest rates.

At December 31, 2020, the Company's EVE exposure related to these hypothetical changes in market interest rates was within the Company's current guidelines for all up-rate scenarios. The Company's EVE exposure in the down-rate scenario was not within the Company's guideline of (10.0)%. The breach is the result of excess liquidity and the valuation of the Company's investment securities portfolio in the current low rate environment. The Board and ALCO has accepted the breach and believe that as excess cash is deployed, the EVE exposure in the down-rate scenario will be reduced. The following table shows the Company's projected change in EVE for this set of rate shocks at December 31, 2020:

Economic Value of Equity

	Interest Rate Scenario (change in basis points from Base)					
	Down 100	**Base**	**Up 100**	**Up 200**	**Up 300**	**Up 400**
	(in millions)					
Assets	$ 37,807.2	$ 37,359.8	$ 36,758.0	$ 36,114.9	$ 35,488.2	$ 34,906.0
Liabilities	33,108.2	31,999.9	30,968.1	29,981.2	29,007.4	28,124.8
Net Present Value	**4,699.0**	**5,359.9**	**5,789.9**	**6,133.7**	**6,480.8**	**6,781.2**
% Change	(12.3)%		8.0 %	14.4 %	20.9 %	26.5 %

The computation of prospective effects of hypothetical interest rate changes are based on numerous assumptions, including relative levels of market interest rates, asset prepayments, and deposit decay, and should not be relied upon as indicative of actual results. Further, the computations do not contemplate any actions the Company may undertake in response to changes in interest rates. Actual amounts may differ from the projections set forth above should market conditions vary from the underlying assumptions.

Derivative Contracts. In the normal course of business, the Company uses derivative instruments to meet the needs of its customers and manage exposure to fluctuations in interest rates. The following table summarizes the aggregate notional amounts, market values, and terms of the Company's derivative positions as of December 31, 2020 and 2019:

Outstanding Derivatives Positions

December 31,					
2020			2019		
Notional	**Net Value**	**Weighted Average Term (Years)**	Notional	Net Value	Weighted Average Term (Years)
(dollars in millions)					
$ 1,812.6	**$ (83.3)**	**16.0**	$ 872.6	$ (53.7)	16.1

Item 8. Financial Statements and Supplementary Data

The Company's Consolidated Financial Statements and Supplementary Data included in this Annual Report is immediately following the Index to Consolidated Financial Statements page to this Annual Report.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of
Western Alliance Bancorporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Western Alliance Bancorporation and Subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report, dated February 25, 2021, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the Company has changed its method of accounting for credit losses on financial instruments in 2020 due to the adoption of Accounting Standards Update 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (Credit Losses)*.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that were communicated or required to be communicated to the Audit Committee and that: (1) relate to accounts or disclosures that are material to the financial statements; and (2) involved our especially challenging, subjective or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which they relate.

Allowance for Credit Losses – Loans Held for Investment

As described in Notes 1 and 3 to the financial statements, the Company's allowance for credit losses for loans held for investment (Loans) totaled $278.9 million as of December 31, 2020. On January 1, 2020, the Company adopted Accounting Standards Update 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which changes the impairment model from an incurred loss model to an expected loss model. The allowance for credit losses under the expected loss model is an estimate of life-of-loan losses for the Company's loans held for investment. The measurement of expected credit losses is based on evaluation of the collectibility, prior credit loss experience, current conditions, and reasonable and supportable economic forecasts, together with other factors.

The allowance for credit losses for Loans consists of two components: an asset-specific component for estimating credit losses for individual loans that do not share risk characteristics with other loans, which totals $11.2 million; and a pooled component for estimating credit losses for pools of loans that share similar risk characteristics, which totals $267.7 million. The allowance for the pooled component is derived from an estimate of expected credit losses primarily using an expected loss methodology that incorporates risk parameters (probability of default (PD), loss given default (LGD) and exposure at default (EAD)), which are derived from various vendor models, internally-developed statistical models or non-statistical estimation approaches. Probability of default is projected in these models or estimation approaches using multiple economic scenarios, whose outcomes are weighted based on the Company's economic outlook and were developed to incorporate relevant information about past events, current conditions, and reasonable and supportable forecasts. These quantitative estimates are then adjusted to incorporate considerations of current trends and conditions that are not captured in the quantitative credit loss estimates through the use of qualitative and/ or environmental factors. The allowance level is influenced by loan volumes, mix, loan performance metrics, asset quality characteristics, delinquency status, historical loss experiences, and the inputs and assumptions of economic forecasts, such as macroeconomic inputs, length of reasonable and supportable forecast periods and reversion methods.

The estimation of the allowance for credit losses under the new accounting standard involves many new inputs and assumptions, many of which are derived from various vendor and in-house models. These inputs and assumptions include, among others, the selection, evaluation and measurement of the reasonable and supportable forecast scenarios and qualitative factors, which requires management to apply a significant amount of judgment and involves a high degree of estimation.

We identified the determination and evaluation of the PD, LGD and EAD assumptions and forecasted economic scenarios, along with qualitative reserve components of the allowance for credit losses for Loans as a critical audit matter because auditing the underlying assumptions, forecasts and qualitative factors used in the allowance for credit losses involved a high degree of complexity and auditor judgment given the high degree of subjectivity exercised by management in developing the allowance for credit losses, which resulted in high estimation uncertainty.

Our audit procedures related to management's evaluation and establishment of the PD, LGD and EAD assumptions, forecasted economic scenarios and qualitative reserve components of the allowance for credit losses for Loans included the following, among others:

- We obtained an understanding of the relevant controls related to the evaluation and establishment of the key PD, LGD and EAD assumptions, forecasted economic scenarios and qualitative reserve components of the allowance for credit losses for Loans and tested such controls for design and operating effectiveness.

- We tested management's process and significant judgments in the evaluation and establishment of the key PD, LGD and EAD assumptions, forecasted economic scenarios and qualitative reserve components of the allowance for credit losses, which included:

    a. We evaluated management's considerations and data utilized as a basis for the key PD, LGD and EAD assumptions, selection of forecasted economic scenarios and weightings, and adjustments relating to qualitative reserve components, and tested the completeness and accuracy of the underlying data that was available to management.

    b. We evaluated the reasonableness of management's judgments related to the key PD, LGD and EAD assumptions, forecasted scenarios, and qualitative and quantitative assessment of the considerations and data utilized in the determination of the forecasted economic scenarios, the magnitude of the qualitative reserve factors and the resulting components of the allowance for credit losses for Loans.

    c. We evaluated the reasonableness of management's judgments related to the establishment of the various models being used in determining the PD, LGD and EAD assumptions.

d. We utilized internal specialists to assist in evaluating the statistical documentation and process used by management in validating the models established by vendors.

/s/ RSM US LLP

We have served as the Company's auditor since 1994.

Phoenix, Arizona
February 25, 2021

WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2020	December 31, 2019
	(in millions, except shares and per share amounts)	
Assets:		
Cash and due from banks	**$ 174.2**	$ 186.0
Interest-bearing deposits in other financial institutions	**2,497.5**	248.6
Cash, cash equivalents and restricted cash	**2,671.7**	434.6
Investment securities - AFS, at fair value; amortized cost of $4,586.4 at December 31, 2020 and $3,317.9 at December 31, 2019	**4,708.5**	3,346.3
Investment securities - HTM, at amortized cost; fair value of $611.8 at December 31, 2020 and $516.3 at December 31, 2019	**568.8**	485.1
Less: allowance for credit losses	**(6.8)**	—
Net HTM investment securities	**562.0**	485.1
Investment securities - equity	**167.3**	138.7
Investments in restricted stock, at cost	**67.0**	66.5
Loans - HFS	—	21.8
Loans, net of deferred loan fees and costs	**27,053.0**	21,101.5
Less: allowance for credit losses	**(278.9)**	(167.8)
Net loans held for investment	**26,774.1**	20,933.7
Premises and equipment, net	**134.1**	125.8
Operating lease right of use asset	**72.5**	72.6
Bank owned life insurance	**176.3**	174.0
Goodwill and intangible assets, net	**298.5**	297.6
Deferred tax assets, net	**31.3**	18.0
Investments in LIHTC and renewable energy	**405.6**	409.4
Other assets	**392.1**	297.8
Total assets	**$ 36,461.0**	$ 26,821.9
Liabilities:		
Deposits:		
Non-interest-bearing demand	**$ 13,463.3**	$ 8,537.9
Interest-bearing	**18,467.2**	14,258.6
Total deposits	**31,930.5**	22,796.5
Customer repurchase agreements	**16.0**	16.7
Other borrowings	**5.0**	—
Qualifying debt	**548.7**	393.6
Operating lease liability	**79.9**	78.1
Other liabilities	**467.4**	520.3
Total liabilities	**33,047.5**	23,805.2
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Common stock (par value 0.0001; 200,000,000 authorized; 103,013,290 shares issued at December 31, 2020 and 104,527,544 at December 31, 2019) and additional paid in capital	**1,390.9**	1,374.1
Treasury stock, at cost (2,169,397 shares at December 31, 2020 and 2,003,873 shares at December 31, 2019)	**(71.1)**	(62.7)
Accumulated other comprehensive income	**92.3**	25.0
Retained earnings	**2,001.4**	1,680.3
Total stockholders' equity	**3,413.5**	3,016.7
Total liabilities and stockholders' equity	**$ 36,461.0**	$ 26,821.9

See accompanying Notes to Consolidated Financial Statements.

WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS

	Year Ended December 31,		
	2020	2019	2018
	(in millions, except per share amounts)		
Interest income:			
Loans, including fees	**$ 1,144.3**	$ 1,093.0	$ 910.6
Investment securities	**107.8**	111.9	106.8
Dividends and other	**9.7**	20.1	16.1
Total interest income	**1,261.8**	1,225.0	1,033.5
Interest expense:			
Deposits	**70.4**	158.4	90.5
Qualifying debt	**23.9**	23.4	22.3
Other short-term borrowings	**0.6**	2.8	4.8
Total interest expense	**94.9**	184.6	117.6
Net interest income	**1,166.9**	1,040.4	915.9
Provision for credit losses	**123.6**	19.3	25.0
Net interest income after provision for credit losses	**1,043.3**	1,021.1	890.9
Non-interest income:			
Service charges and fees	**23.3**	23.3	22.3
Income from equity investments	**12.7**	8.3	8.6
Income from bank owned life insurance	**10.2**	3.9	3.9
Card income	**6.5**	7.0	8.0
Foreign currency income	**5.6**	5.0	4.8
Lending related income and gains (losses) on sale of loans, net	**1.0**	3.2	4.3
Gain (loss) on sales of investment securities, net	**0.2**	3.1	(7.6)
Fair value gain (loss) adjustments on assets measured at fair value, net	**3.8**	5.1	(3.6)
Other income	**7.5**	6.2	2.4
Total non-interest income	**70.8**	65.1	43.1
Non-interest expense:			
Salaries and employee benefits	**303.6**	279.3	253.2
Legal, professional, and directors' fees	**42.2**	37.0	28.7
Data processing	**35.7**	30.6	22.7
Occupancy	**34.1**	32.6	29.4
Deposit costs	**18.5**	31.7	18.9
Insurance	**13.3**	11.9	14.0
Loan and repossessed asset expenses	**7.1**	7.6	4.6
Business development	**5.5**	7.0	6.0
Marketing	**4.1**	4.2	3.8
Card expense	**2.2**	2.2	4.3
Intangible amortization	**1.6**	1.6	1.6
Net (gain) loss on sales / valuations of repossessed and other assets	**(1.5)**	3.8	—
Other expense	**25.2**	32.5	36.5
Total non-interest expense	**491.6**	482.0	423.7
Income before provision for income taxes	**622.5**	604.2	510.3
Income tax expense	**115.9**	105.0	74.5
Net income	**$ 506.6**	$ 499.2	$ 435.8
Earnings per share:			
Basic	**$ 5.06**	$ 4.86	$ 4.16
Diluted	**5.04**	4.84	4.14
Weighted average number of common shares outstanding:			
Basic	**100.2**	102.7	104.7
Diluted	**100.5**	103.1	105.4

See accompanying Notes to Consolidated Financial Statements.

WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2020	2019	2018
		(in millions)	
Net income	**$ 506.6**	$ 499.2	$ 435.8
Other comprehensive income (loss), net:			
Unrealized gain (loss) on AFS securities, net of tax effect of $(23.1), $(23.2), and $13.4, respectively	**70.9**	71.2	(40.8)
Unrealized loss on SERP, net of tax effect of $0.1, $0.1, and $0, respectively	**(0.3)**	(0.4)	(0.1)
Unrealized (loss) gain on junior subordinated debt, net of tax effect of $1.1, $3.2, and $(1.9), respectively	**(3.1)**	(9.8)	5.7
Realized (gain) loss on sale of AFS securities included in income, net of tax effect of $0, $0.7, and $(1.8), respectively	**(0.2)**	(2.4)	5.8
Net other comprehensive income (loss)	**67.3**	58.6	(29.4)
Comprehensive income	**$ 573.9**	$ 557.8	$ 406.4

See accompanying Notes to Consolidated Financial Statements.

WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount					
				(in millions)			
Balance, December 31, 2017	105.5	—	$ 1,424.6	$ (40.2)	$ (3.1)	$ 848.4	$ 2,229.7
Balance, January 1, 2018 (1)	105.5	—	1,424.6	(40.2)	(4.2)	849.5	2,229.7
Net income	—	—	—	—	—	435.8	435.8
Restricted stock, performance stock units, and other grants, net	0.5	—	26.2	—	—	—	26.2
Restricted stock surrendered (2)	(0.2)	—	—	(12.9)	—	—	(12.9)
Stock repurchase	(0.9)	—	(33.1)	—	—	(2.6)	(35.7)
Other comprehensive income, net	—	—	—	—	(29.4)	—	(29.4)
Balance, December 31, 2018	104.9	—	$ 1,417.7	$ (53.1)	$ (33.6)	$ 1,282.7	$ 2,613.7
Net income	—	—	—	—	—	499.2	499.2
Restricted stock, performance stock units, and other grants, net	0.6	—	26.3	—	—	—	26.3
Restricted stock surrendered (2)	(0.2)	—	—	(9.6)	—	—	(9.6)
Stock repurchase	(2.8)	—	(69.9)	—	—	(50.3)	(120.2)
Dividends paid	—	—	—	—	—	(51.3)	(51.3)
Other comprehensive loss, net	—	—	—	—	58.6	—	58.6
Balance, December 31, 2019	102.5	—	$ 1,374.1	$ (62.7)	$ 25.0	$ 1,680.3	$ 3,016.7
Balance, January 1, 2020 (3)	**102.5**	**—**	**1,374.1**	**(62.7)**	**25.0**	**1,655.4**	**2,991.8**
Net income	**—**	**—**	**—**	**—**	**—**	**506.6**	**506.6**
Restricted stock, performance stock unit, and other grants, net	**0.6**	**—**	**29.1**	**—**	**—**	**—**	**29.1**
Restricted stock surrendered (2)	**(0.2)**	**—**	**—**	**(8.4)**	**—**	**—**	**(8.4)**
Stock repurchase	**(2.1)**	**—**	**(12.3)**	**—**	**—**	**(59.3)**	**(71.6)**
Dividends paid	**—**	**—**	**—**	**—**	**—**	**(101.3)**	**(101.3)**
Other comprehensive income, net	**—**	**—**	**—**	**—**	**67.3**	**—**	**67.3**
Balance, December 31, 2020	**100.8**	**—**	**$ 1,390.9**	**$ (71.1)**	**$ 92.3**	**$ 2,001.4**	**$ 3,413.5**

(1) As adjusted for adoption of ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, and ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. The cumulative effect of adoption of this guidance at January 1, 2018 resulted in an increase to retained earnings of $1.1 million and a corresponding decrease to accumulated other comprehensive income.

(2) Share amounts represent Treasury Shares, see "Note 1. Summary of Significant Accounting Policies" for further discussion.

(3) As adjusted for adoption of ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*. The cumulative effect of adoption of this guidance at January 1, 2020 resulted in a decrease to retained earnings of $24.9 million due to an increase in the allowance for credit losses. See "Note 1. Summary of Significant Accounting Policies" for further discussion.

See accompanying Notes to Consolidated Financial Statements.

WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	December 31,		
	2020	2019	2018
		(in millions)	
Cash flows from operating activities:			
Net income	**$ 506.6**	$ 499.2	$ 435.8
Adjustments to reconcile net income to cash provided by operating activities:			
Provision for credit losses	**123.6**	19.3	25.0
Depreciation and amortization	**22.9**	18.5	14.3
Stock-based compensation	**28.7**	26.2	25.7
Deferred income taxes	**(25.1)**	(5.1)	(16.7)
Amortization of net premiums for investment securities	**28.2**	17.1	14.2
Amortization of tax credit investments	**49.2**	41.5	35.9
Amortization of operating lease right of use asset	**11.7**	10.5	—
Amortization of net deferred loan fees and net purchase premiums	**(51.2)**	(42.7)	(40.4)
Income from bank owned life insurance	**(4.6)**	(3.9)	(3.9)
(Gains) / Losses on:			
Sales of investment securities	**(0.2)**	(3.1)	7.6
Assets measured at fair value, net	**(3.8)**	(5.1)	3.6
Sale of loans	**1.7**	(0.7)	(2.6)
BOLI	**(5.6)**	—	—
Sales / valuations of repossessed and other assets, net	**(1.5)**	3.8	—
Changes in other assets and liabilities, net	**(10.4)**	142.3	42.5
Net cash provided by operating activities	**$ 670.2**	$ 717.8	$ 541.0
Cash flows from investing activities:			
Investment securities - AFS			
Purchases	**(2,966.2)**	(927.6)	(520.7)
Principal pay downs and maturities	**1,515.5**	785.7	425.2
Proceeds from sales	**156.6**	150.4	154.4
Investment securities - HTM			
Purchases	**(182.7)**	(131.4)	(56.6)
Principal pay downs and maturities	**17.4**	21.6	9.0
Proceeds from sales	—	10.0	—
Equity securities carried at fair value			
Purchases	**(34.5)**	(32.7)	(71.7)
Redemption of principal (reinvestment of dividends)	**7.6**	14.6	(0.6)
Proceeds from sales	—	—	48.6
Purchase of investment tax credits	**(132.2)**	(141.7)	(109.6)
Purchase of other investments	**(0.9)**	(9.1)	(4.5)
Proceeds from bank owned life insurance, net	**5.9**	—	1.7
Net increase in loans	**(5,897.2)**	(3,429.0)	(2,586.7)
Purchase of premises, equipment, and other assets, net	**(26.8)**	(33.8)	(1.9)
Net cash used in investing activities	**$ (7,537.5)**	$ (3,723.0)	$ (2,713.4)
Cash flows from financing activities:			
Net increase in deposits	**$ 9,134.0**	$ 3,619.0	$ 2,204.9
Net proceeds from issuance of subordinated debt	**221.9**	—	—
Redemption of subordinated debt	**(75.0)**	—	—
Net increase (decrease) in other borrowings	**4.3**	(496.7)	97.4
Cash paid for tax withholding on vested restricted stock and other	**(7.9)**	(9.6)	(12.4)
Common stock repurchases	**(71.6)**	(120.2)	(35.7)
Cash dividends paid on common stock	**(101.3)**	(51.3)	—
Net cash provided by financing activities	**$ 9,104.4**	$ 2,941.2	$ 2,254.2
Net increase (decrease) in cash, cash equivalents, and restricted cash	**2,237.1**	(64.0)	81.8
Cash, cash equivalents, and restricted cash at beginning of period	**434.6**	498.6	416.8
Cash, cash equivalents, and restricted cash at end of period	**$ 2,671.7**	$ 434.6	$ 498.6
Supplemental disclosure:			
Cash paid (received) during the period for:			
Interest	**$ 108.6**	$ 180.4	$ 113.5
Income taxes, net	**44.2**	(23.4)	18.8

See accompanying Notes to Consolidated Financial Statements.

WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operation

WAL is a bank holding company headquartered in Phoenix, Arizona, incorporated under the laws of the state of Delaware. WAL provides a full spectrum of deposit, lending, treasury management, international banking, and online banking products and services through its wholly-owned banking subsidiary, WAB.

WAB operates the following full-service banking divisions: ABA, BON, FIB, Bridge, and TPB. The Company also serves business customers through a national platform of specialized financial services. In addition, the Company has two non-bank subsidiaries LVSP, which held and managed certain OREO properties, and CSI, a captive insurance company formed and licensed under the laws of the State of Arizona and established as part of the Company's overall enterprise risk management strategy.

Basis of presentation

The accounting and reporting policies of the Company are in accordance with GAAP and conform to practices within the financial services industry. The accounts of the Company and its consolidated subsidiaries are included in the Consolidated Financial Statements.

Recent accounting pronouncements

Convertible Debt and Derivatives and Hedging

In August 2020, the FASB issued guidance within ASU 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40)*. The amendments in this update affect entities that issue convertible instruments and/or contracts indexed to and potentially settled in an entity's own equity. The new ASU simplifies the convertible accounting framework through elimination of the beneficial conversion and cash conversion accounting models for convertible instruments. It also amends the accounting for certain contracts in an entity's own equity that are currently accounted for as derivatives because of specific settlement provisions. In addition, the new guidance modifies how particular convertible instruments and certain contracts that may be settled in cash or shares impact the diluted EPS computation. The amendments to Subtopics 470 and 815 are effective for interim and annual reporting periods beginning after December 15, 2021 and are not expected to have a material impact on the Company's Consolidated Financial Statements.

Reference Rate Reform

In March 2020, the FASB issued guidance within ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting,* in response to the scheduled discontinuation of LIBOR on December 31, 2021. Since the issuance of this guidance, the publication cessation of U.S. dollar LIBOR has been extended to June 30, 2023. The amendments in this Update provide optional guidance designed to provide relief from the accounting analysis and impacts that may otherwise be required for modifications to agreements (e.g., loans, debt securities, derivatives, borrowings) necessitated by reference rate reform.

The following optional expedients for applying the requirements of certain Topics or Industry Subtopics in the Codification are permitted for contracts that are modified because of reference rate reform and that meet certain scope guidance: 1) modifications of contracts within the scope of Topics 310, *Receivables*, and 470, *Debt*, should be accounted for by prospectively adjusting the effective interest rate; 2) modifications of contracts within the scope of Topic 842, *Leases*, should be accounted for as a continuation of the existing contracts with no reassessments of the lease classification and the discount rate or remeasurements of lease payments that otherwise would be required under this Topic for modifications not accounted for as separate contracts; 3) modifications of contracts do not require an entity to reassess its original conclusion about whether that contract contains an embedded derivative that is clearly and closely related to the economic characteristics and risks of the host contract under Subtopic 815-15, *Derivatives and Hedging- Embedded Derivatives;* and 4) for other Topics or Industry Subtopics in the Codification, the amendments in this Update also include a general principle that permits an entity to consider contract modifications due to reference rate reform to be an event that does not require contract remeasurement at the modification date or reassessment of a previous accounting determination. An entity may make a one-time election to sell, transfer, or both sell and transfer debt securities classified as held to maturity that reference a rate affected by reference rate reform and that are classified as held to maturity before January 1, 2020.

In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848): Scope* in order to clarify that certain optional expedients and exceptions in Topic 848 apply to derivatives that are affected by the discounting transition. Specifically, certain provisions in Topic 848, if elected by an entity, apply to derivative instruments that use an interest rate for margining, discount, or contract price alignment that is modified as a result of reference rate reform.

The amendments in these Updates are effective immediately for all entities and apply to contract modifications through December 31, 2022. The adoption of this accounting guidance is not expected to have a material impact on the Company's Consolidated Financial Statements.

Income Taxes

In December 2019, the FASB issued guidance within ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes.* The amendments in ASU 2019-12 are intended to reduce the cost and complexity of applying ASC 740. The amendments that are applicable to the Company address: 1) franchise and other taxes partially based on income; 2) step-up in basis of goodwill in a business combination; 3) allocation of tax expense in separate entity financial statements; and 4) interim recognition of enactment of tax laws or rate changes. The amendments to Topic 740 are effective for interim and annual reporting periods beginning after December 15, 2020 and are not expected to have a material impact on the Company's Consolidated Financial Statements.

Recently adopted accounting guidance

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued guidance within ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*. The new standard significantly changes the impairment model for most financial assets that are measured at amortized cost, including off-balance sheet credit exposures, from an incurred loss model to an expected loss model. The amendments in ASU 2016-13 to Topic 326, *Financial Instruments - Credit Losses*, require that an organization measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The ASU also requires enhanced disclosures, including qualitative and quantitative disclosures that provide additional information about the amounts recorded in the financial statements. Additionally, the ASU amends the accounting for credit losses on AFS debt securities and purchased financial assets with credit deterioration.

The Company adopted the amendments within ASU 2016-13 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. The Company's financial results for reporting periods beginning after January 1, 2020 are presented in accordance with ASC 326, while prior-period amounts continue to be reported in accordance with legacy GAAP. The Company recorded a cumulative effect adjustment to retained earnings, which resulted in a total decrease to retained earnings of $24.9 million as of January 1, 2020. This adjustment was due primarily to expected total losses under the new model in the Company's loan portfolio and, to a lesser extent, its off-balance sheet credit exposures.

The Company applied the prospective transition approach for loans purchased with credit deterioration that were previously classified as PCI and previously accounted for under ASC 310-30. In accordance with the new standard, management did not reassess whether PCI assets met the criteria of PCD assets as of the date of adoption. As of January 1, 2020, the amortized cost basis of the PCD loans was adjusted to reflect an allowance for credit losses of $3.3 million. The remaining noncredit discount (based on the adjusted amortized cost basis) related to PCD loans of $1.1 million will be accreted into interest income at the loan's effective interest rate as of January 1, 2020. The Company has elected not to maintain its pools of loans accounted for under ASC 310-30.

The Company applied the prospective transition approach for debt securities for which other-than-temporary impairment had been recognized prior to January 1, 2020. As a result, the amortized cost basis remains the same before and after the effective date. The effective interest rate on these debt securities was not changed. Recoveries of amounts previously written off relating to improvements in cash flows after January 1, 2020 will be recorded in earnings when received.

The following table summarizes the estimated allowance for credit losses related to financial assets and off-balance sheet credit exposures and the corresponding impacts on the deferred tax asset and retained earnings upon adoption of ASC 326:

	January 1, 2020		
	Pre-ASC 326 Adoption	Post-ASC 326 Adoption	Impact of ASC 326 Adoption
		(in millions)	
Assets:			
Allowance for credit losses on HTM securities	$ —	$ 2.6	$ 2.6
Allowance for credit losses on loans	167.8	186.9	19.1
Deferred tax asset	18.0	26.7	8.7
Liabilities:			
Off-balance sheet credit exposures	$ 9.0	$ 24.0	$ 15.1
Equity:			
Retained earnings	$ 1,680.3	$ 1,655.4	$ (24.9)

Management has elected to take advantage of the capital relief option that delays the estimated impact of the adoption of ASC 326 on regulatory capital by up to two years, with a three-year transition period to phase out the cumulative benefit to regulatory capital provided during the two-year delay.

In April 2019, the FASB issued guidance within ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. The amendments in ASU 2019-04 clarify or correct the guidance in these Topics. With respect to Topic 326, ASU 2019-04 addresses a number of issues as it relates to the CECL standard including consideration of accrued interest, recoveries, variable-rate financial instruments, prepayments, and extension and renewal options, among other things, in the measurement of expected credit losses. The amendments to Topic 326 were adopted concurrently with ASU 2016-13 and did not have a significant impact on the Company's Consolidated Financial Statements. With respect to Topic 815, *Derivatives and Hedging*, ASU 2019-04 clarifies issues related to partial-term hedges, hedged debt securities, and transitioning from a quantitative method of assessing hedge effectiveness to a more simplified method. The Company does not have partial-term hedges or any hedged debt securities and the transition issues discussed in the ASU 2019-04 are not applicable to the Company. Accordingly, the amendments to Topic 815 did not have an impact on the Company's Consolidated Financial Statements. With respect to Topic 825, *Financial Instruments,* on recognizing and measuring financial instruments, ASU 2019-04 addresses: 1) the scope of the guidance; 2) the requirement for remeasurement under ASC 820 when using the measurement alternative for equity securities without readily determinable fair values; 3) certain disclosure requirements; and 4) which equity securities have to be remeasured at historical exchange rates. The amendments to Topic 825 were effective January 1, 2020 and did not have a material impact on the Company's Consolidated Financial Statements.

In May 2019, the FASB issued guidance within ASU 2019-05, *Financial Instruments - Credit Losses*, to provide entities with an option to irrevocably elect the fair value option for eligible financial assets measured at amortized cost. The election is to be applied on an instrument-by-instrument basis upon adoption of Topic 326 and is not available for either AFS or HTM debt securities. The amendments in ASU 2019-05 should be applied on a modified-retrospective basis through a cumulative-effect adjustment to the opening balance of retained earnings as of the date that an entity adopts the amendments in ASU 2016-13. The Company did not elect this fair value option as part of its adoption of ASU 2016-13 on January 1, 2020.

In November 2019, the FASB issued guidance within ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses.* The amendments in ASU 2019-11 clarify or address specific issues about certain aspects of the amendments in ASU 2016-13. These issues include measurement and reporting requirements related to: 1) the allowance for credit losses for purchased assets with credit deterioration; 2) prepayment assumptions on existing troubled debt restructurings; 3) extension of disclosure relief for accrued interest receivable balances; and 4) expected credit losses on collateralized financial assets. The adoption of ASU 2019-11 is concurrent with ASU 2016-13 and, adoption of these amendments on January 1, 2020, did not have a significant impact on the Company's Consolidated Financial Statements.

Fair Value Measurements

In August 2018, the FASB issued guidance within ASU 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments within ASU 2018-13 remove, modify, and supplement the disclosure requirements for fair value measurements. Disclosure requirements that were removed include: 1) the amount and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; 2) the policy for timing of transfers between levels; and 3) the valuation processes for Level 3 fair value measurements. The amendments clarify that the measurement uncertainty disclosure is intended to communicate information about the uncertainty in measurement as of the reporting date. Additional disclosure requirements include: 1) the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period; and 2) the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. With the exception of the above additional disclosure requirements, which will be applied prospectively, all other amendments should be applied retrospectively to all periods presented upon their effective date. The amendments in this ASU did not have a significant impact on the Company's Consolidated Financial Statements.

Internal-Use Software

In August 2018, the FASB issued guidance within ASU 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40)*. The amendments in this ASU align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). Accordingly, the amendments in this Update require an entity (customer) in a hosting arrangement that is a service contract to follow the guidance in Subtopic 350-40 to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. The amendments in this Update also require that the capitalized implementation costs of a hosting arrangement that is a service contract be expensed over the term of the hosting arrangement. Presentation requirements include: 1) expense related to the capitalized implementation costs should be presented in the same line item in the statement of income as the fees associated with the hosting element (service) of the arrangement; 2) payments for capitalized implementation costs in the statement of cash flows should be classified in the same manner as payments made for fees associated with the hosting element; and 3) capitalized implementation costs in the statement of financial position should be presented in the same line item that a prepayment for the fees of the associated hosting arrangement would be presented. The adoption of this guidance did not have a significant impact on the Company's Consolidated Financial Statements.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management's estimates and judgments are ongoing and are based on experience, current and expected future conditions, third-party evaluations and various other assumptions that management believes are reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities, as well as identifying and assessing the accounting treatment with respect to commitments and contingencies. Actual results may differ from those estimates and assumptions used in the Consolidated Financial Statements and related notes. Material estimates that are susceptible to significant changes in the near term, particularly to the extent that economic conditions worsen or persist longer than expected in an adverse state, relate to: the determination of the allowance for credit losses; certain assets and liabilities carried at fair value; and accounting for income taxes.

Principles of consolidation

As of December 31, 2020, WAL has the following significant wholly-owned subsidiaries: WAB and eight unconsolidated subsidiaries used as business trusts in connection with the issuance of trust-preferred securities.

The Bank has the following significant wholly-owned subsidiaries: WABT, which holds certain investment securities, municipal and nonprofit loans, and leases; WA PWI, which holds interests in certain limited partnerships invested primarily in low income housing tax credits and small business investment corporations; Helios Prime, which holds interests in certain limited partnerships invested in renewable energy projects; and BW Real Estate, Inc., which operates as a real estate investment trust and holds certain of WAB's real estate loans and related securities.

The Company does not have any other significant entities that should be consolidated. All significant intercompany balances and transactions have been eliminated in consolidation.

Reclassifications

Certain amounts reported in prior periods may have been reclassified in the Consolidated Financial Statements to conform to the current presentation. The reclassifications have no effect on net income or stockholders' equity as previously reported.

Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks (including cash items in process of clearing), and federal funds sold. Cash flows from loans originated by the Company and customer deposit accounts are reported net.

The Company maintains deposit accounts with other banks, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Cash reserve requirements

Effective on March 26, 2020, the Board of Governors of the Federal Reserve System reduced the reserve requirement ratios to zero percent. Prior to this decision, depository institutions were required by law to maintain reserves against their transaction deposits. The Company's total reserve balance was approximately $164.1 million as of December 31, 2019.

Investment securities

Investment securities include debt and equity securities. Debt securities may be classified as HTM, AFS, or trading. The appropriate classification is initially decided at the time of purchase. Securities classified as HTM are those debt securities that the Company has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs, or general economic conditions. The sale of an HTM security within three months of its maturity date or after the majority of the principal outstanding has been collected is considered a maturity for purposes of classification and disclosure. Securities classified as AFS are securities that the Company intends to hold for an indefinite period of time, but not necessarily to maturity. Any decision to sell a security classified as AFS would be based on various factors, including significant movements in interest rates, changes in the maturity mix of the Company's assets and liabilities, liquidity needs, decline in credit quality, and regulatory capital considerations.

HTM securities are carried at amortized cost. AFS securities are carried at their estimated fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax. When AFS debt securities are sold, the unrealized gains or losses are reclassified from OCI to non-interest income. Trading securities are carried at their estimated fair value, with changes in fair value reported in earnings as part of non-interest income.

Equity securities are carried at their estimated fair value, with changes in fair value reported in earnings as part of non-interest income.

Interest income is recognized based on the coupon rate and includes the amortization of purchase premiums and the accretion of purchase discounts. Premiums and discounts on investment securities are generally amortized or accreted over the contractual life of the security using the interest method. For the Company's mortgage-backed securities, amortization or accretion of premiums or discounts are adjusted for anticipated prepayments. Gains and losses on the sale of investment securities are recorded on the trade date and determined using the specific identification method.

A debt security is placed on nonaccrual status at the time its principal or interest payments become 90 days past due. Interest accrued but not received for a security placed on nonaccrual is reversed against interest income.

Allowance for credit losses on investment securities

On January 1, 2020, the Company adopted the amendments within ASU 2016-13, which replaces the legacy US GAAP OTTI model with a credit loss model. The credit loss model under ASC 326-20, applicable to HTM debt securities, requires recognition of lifetime expected credit losses through an allowance account at the time the security is purchased. The Company measures expected credit losses on its HTM debt securities on a collective basis by major security type. The Company's HTM securities portfolio consists of low income housing tax-exempt bonds, which share similar risk characteristics with the Company's CRE, non-owner occupied or construction and land loan pools, given the similarity in underlying assets or collateral. Accordingly, expected credit losses on HTM securities are estimated using the same models and approaches as these loan pools, which utilize risk parameters (probability of default, loss given default, and exposure at default) in the measurement of expected credit losses. The historical data used to estimate probability of default and severity of loss in the event of default is derived or obtained from internal and external sources and adjusted for the expected effects of reasonable and supportable forecasts over the expected lives of the securities on those historical losses. Accrued interest receivable on the HTM securities, which is included in other assets on the Consolidated Balance Sheet, is excluded from the estimate of expected credit losses.

The credit loss model under ASC 326-30, applicable to AFS debt securities, requires recognition of credit losses through an allowance account, but retains the concept from the OTTI model that credit losses are recognized once securities become impaired. For AFS debt securities, a decline in fair value due to credit loss results in recognition of an allowance for credit losses. Impairment may result from credit deterioration of the issuer or collateral underlying the security. The assessment of determining if a decline in fair value resulted from a credit loss is performed at the individual security level. Among other factors, the Company considers: 1) the extent to which the fair value is less than the amortized cost basis; 2) the financial condition and near term prospects of the issuer, including consideration of relevant financial metrics or ratios of the issuer; 3) any adverse conditions related to an industry or geographic area of an issuer; 4) any changes to the rating of the security by a rating agency; and 5) any past due principal or interest payments from the issuer. If an assessment of the above factors indicates that a credit loss exists, the Company records an allowance for credit losses for the excess of the amortized cost basis over the present value of cash flows expected to be collected, limited to the amount that the security's fair value is less than its amortized cost basis. Subsequent changes in the allowance for credit losses are recorded as a provision for (or reversal of) credit loss expense. Interest accruals and amortization and accretion of premiums and discounts are suspended when the credit loss is recognized in earnings. Any interest received after the security has been placed on nonaccrual status is recognized on a cash basis. Accrued interest receivable on AFS securities, which is included in other assets on the Consolidated Balance Sheet, is excluded from the estimate of expected credit losses.

For each AFS security in an unrealized loss position, the Company also considers: 1) its intent to retain the security until anticipated recovery of the security's fair value; and 2) whether it is more-likely-than not that the Company would be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the debt security is written down to its fair value and the write-down is charged against the allowance for credit losses with any incremental impairment recorded in earnings.

Writeoffs are made through reversal of the allowance for credit losses and direct writeoff of the amortized cost basis of the AFS security. The Company considers the following events to be indicators that a writeoff should be taken: 1) bankruptcy of the issuer; 2) significant adverse event(s) affecting the issuer in which it is improbable for the issuer to make its remaining payments on the security; and 3) significant loss of value of the underlying collateral behind a security. Recoveries on debt securities, if any, are recorded in the period received.

Restricted stock

WAB is a member of the Federal Reserve System and, as part of its membership, is required to maintain stock in the FRB in a specified ratio to its capital. In addition, WAB is a member of the FHLB system and, accordingly, maintains an investment in capital stock of the FHLB based on the borrowing capacity used. These investments are considered equity securities with no actively traded market. Therefore, the shares are considered restricted investment securities. These investments are carried at cost, which is equal to the value at which they may be redeemed. The dividend income received from the stock is reported in interest income. The Company conducts a periodic review and evaluation of its restricted stock to determine if any impairment exists. No impairment has been recorded to date.

Loans held for sale

Loans held for sale consist of loans that the Company originates (or acquires) and intends to sell. These loans are carried at the lower of aggregate cost or fair value. Fair value is determined based on quoted fair market values or, when not available, discounted cash flows or appraisals of underlying collateral or the credit quality of the borrower. Gains and losses on the sale of loans are recognized pursuant to ASC 860, Transfers and Servicing. Interest income on these loans is accrued daily and loan origination fees and costs are deferred and included in the cost basis of the loan. The Company issues various representations and warranties associated with these loan sales. The Company has not experienced any losses as a result of these representations and warranties.

Loans held for investment

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost. Amortized cost is the amount of unpaid principal, adjusted for unamortized net deferred fees and costs, premiums and discounts, and writeoffs. In addition, the amortized cost of loans subject to a fair value hedge are adjusted for changes in value attributable to the effective portion of the hedged benchmark interest rate risk.

The Company may also purchase loans or acquire loans through a business combination. At the purchase or acquisition date, loans are evaluated to determine if there has been more than insignificant credit deterioration since origination. Loans that have experienced more than insignificant credit deterioration since origination are referred to as PCD loans. In its evaluation of whether a loan has experienced more than insignificant deterioration in credit quality since origination, the Company takes into consideration loan grades, loan-to-values greater than policy limits, past due and nonaccrual status, and TDR loans. The Company may also consider external credit rating agency ratings for borrowers and for non-commercial loans, FICO score or band, probability of default levels, number of times past due, and standard deviations corresponding to FICO score or band. The initial estimate of credit losses on PCD loans is added to the purchase price on the acquisition date to establish the initial amortized cost basis of the loan; accordingly, the initial recognition of expected credit losses has no impact on net income. When the initial measurement of expected credit losses on PCD loans are calculated on a pooled loan basis, the expected credit losses are allocated to each loan within the pool. Any difference between the initial amortized cost basis and the unpaid principal balance of the loan represents a noncredit discount or premium, which is accreted (or amortized) into interest income over the life of the loan. Subsequent changes to the allowance for credit losses on PCD loans are recorded through the provision for credit losses. For purchased loans that are not deemed to have experienced more than insignificant credit deterioration since origination, any discounts or premiums included in the purchase price are accreted (or amortized) over the contractual life of the individual loan. For additional information, see "Note 3. Loans, Leases and Allowance for Credit Losses" of these Notes to Consolidated Financial Statements.

In applying the effective yield method to loans, the Company generally applies the contractual method whereby loan fees collected for the origination of loans less direct loan origination costs (net of deferred loan fees), as well as premiums and discounts and certain purchase accounting adjustments, are amortized over the contractual life of the loan through interest income. If a loan has scheduled payments, the amortization of the net deferred loan fee is calculated using the interest method over the contractual life of the loan. If a loan does not have scheduled payments, such as a line of credit, the net deferred loan fee is recognized as interest income on a straight-line basis over the contractual life of the loan commitment. Commitment fees based on a percentage of a customer’s unused line of credit and fees related to standby letters of credit are recognized over the commitment period. When loans are repaid, any remaining unamortized balances of premiums, discounts, or net deferred fees are recognized as interest income.

Conversely, with respect to loans originated under the PPP, the Company incorporates projected prepayments in calculating effective yield. As a result, net deferred fees are accreted into interest income faster than would be the case when applying the contractual method based upon the timing and amount of estimated forgiven loan balances. The Company expects that a majority of PPP loans will qualify for forgiveness under the SBA program, based on requested loan amounts largely representing qualifying expenses at the time of application.

Nonaccrual loans

When a borrower discontinues making payments as contractually required by the note, the Company must determine whether it is appropriate to continue to accrue interest. The Company ceases accruing interest income when the loan has become delinquent by more than 90 days or when management determines that the full repayment of principal and collection of interest according to contractual terms is no longer likely. Past due status is based on the contractual terms of the loan. The Company may decide to continue to accrue interest on certain loans more than 90 days delinquent if the loans are well secured by collateral and in the process of collection.

For all loan types, when a loan is placed on nonaccrual status, all interest accrued but uncollected is reversed against interest income in the period in which the status is changed, and the Company makes a loan-level decision to apply either the cash basis or cost recovery method. The Company may recognize income on a cash basis when a payment is received and only for those nonaccrual loans for which the collection of the remaining principal balance is not in doubt. Under the cost recovery method, subsequent payments received from the customer are applied to principal and generally no further interest income is recognized until the principal has been paid in full or until circumstances have changed such that payments are again consistently received as contractually required. Loans are returned to accrual status when all of the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Troubled Debt Restructured Loans

A TDR loan is a loan on which the Company, for reasons related to a borrower’s financial difficulties, grants a concession to the borrower that the Company would not otherwise consider. In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. The evaluation is performed under the Company's internal underwriting policy. The loan terms that may be modified or restructured due to a borrower’s financial situation include, but are not limited to, a reduction in the stated interest rate, an extension of the maturity or renewal of the loan at an interest rate below current market, a reduction in the face amount of the debt, a reduction in the accrued interest, or deferral of interest payments. A TDR loan may be returned to accrual status when the loan is brought current, has performed in accordance with the contractual restructured terms for a reasonable period of time (generally six months), and the ultimate collectability of the total contractual restructured principal and interest is no longer in doubt. Consistent with regulatory guidance, a TDR loan that is subsequently modified in another restructuring agreement but has shown sustained performance and classification as a TDR, will be removed from TDR status provided that the modified terms were market-based at the time of modification.

The CARES Act, signed into law on March 27, 2020, permits financial institutions to suspend requirements under GAAP for loan modifications to borrowers affected by COVID-19 that would otherwise be characterized as TDRs and suspend any determination related thereto if (i) the loan modification is made between March 1, 2020 and the earlier of December 31, 2020 or 60 days after the end of the coronavirus emergency declaration and (ii) the applicable loan was not more than 30 days past due as of December 31, 2019. In addition, federal bank regulatory authorities have issued guidance to encourage financial institutions to make loan modifications for borrowers affected by COVID-19 and have assured financial institutions that they will neither receive supervisory criticism for such prudent loan modifications, nor be required by examiners to automatically categorize COVID-19-related loan modifications as TDRs. The Company is applying this guidance to qualifying loan modifications.

Credit quality indicators

Loans are regularly reviewed to assess credit quality indicators and to determine appropriate loan classification and grading in accordance with applicable bank regulations. The Company's risk rating methodology assigns risk ratings ranging from 1 to 9, where a higher rating represents higher risk. The Company differentiates its loan segments based on shared risk characteristics for which expected credit loss is measured on a pool basis.

The nine risk rating categories can be generally described by the following groupings for loans:

"Pass" (grades 1 through 5): The Company has five pass risk ratings, which represent a level of credit quality that ranges from no well-defined deficiency or weakness to some noted weakness; however, the risk of default on any loan classified as pass is expected to be remote. The five pass risk ratings are described below:

Minimal risk. These consist of loans that are fully secured either with cash held in a deposit account at the Bank or by readily marketable securities with an acceptable margin based on the type of security pledged.

Low risk. These consist of loans with a high investment grade rating equivalent.

Modest risk. These consist of loans where the credit facility greatly exceeds all policy requirements or with policy exceptions that are appropriately mitigated. A secondary source of repayment is verified and considered sustainable. Collateral coverage on these loans is sufficient to fully cover the debt as a tertiary source of repayment. Debt of the borrower is low relative to borrower's financial strength and ability to pay.

Average risk. These consist of loans where the credit facility meets or exceeds all policy requirements or with policy exceptions that are appropriately mitigated. A secondary source of repayment is available to service the debt. Collateral coverage is more than adequate to cover the debt. The borrower exhibits acceptable cash flow and moderate leverage.

Acceptable risk. These consist of loans with an acceptable primary source of repayment, but a less than preferable secondary source of repayment. Cash flow is adequate to service debt, but there is minimal excess cash flow. Leverage is moderate or high.

"Special mention" (grade 6): Generally these are assets that possess potential weaknesses that warrant management's close attention. These loans may involve borrowers with adverse financial trends, higher debt-to-equity ratios, or weaker liquidity positions, but not to the degree of being considered a "problem loan" where risk of loss may be apparent. Loans in this category are usually performing as agreed, although there may be non-compliance with financial covenants.

"Substandard" (grade 7): These assets are characterized by well-defined credit weaknesses and carry the distinct possibility that the Company will sustain some loss if such weakness or deficiency is not corrected. All loans 90 days or more past due and all loans on nonaccrual status are considered at least "Substandard," unless extraordinary circumstances would suggest otherwise.

"Doubtful" (grade 8): These assets have all the weaknesses inherent in those classified as "Substandard" with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable, but because of certain known factors that may work to the advantage and strengthening of the asset (for example, capital injection, perfecting liens on additional collateral and refinancing plans), classification as an estimated loss is deferred until a more precise status may be determined. Due to the high probability of loss, loans classified as "Doubtful" are placed on nonaccrual status.

"Loss" (grade 9): These assets are considered uncollectible and having such little recoverable value that it is not practical to defer writing off the asset. This classification does not mean that the loan has absolutely no recovery or salvage value, but rather that it is not practicable or desirable to defer writing off the asset, even though partial recovery may be achieved in the future.

Allowance for credit losses on loans

Prior to January 1, 2020, the allowance for credit losses on loans was based on incurred credit losses in accordance with accounting policies disclosed in "Note 1. Summary of Significant Accounting Policies" in the accompanying Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

On January 1, 2020, the Company adopted the amendments within ASU 2016-13, Measurement of Credit Losses on Financial Instruments, which changes the impairment model for most financial assets carried at amortized cost from an incurred loss model to an expected loss model. The discussion below reflects the current expected credit loss model methodology. Credit risk is inherent in the business of extending loans and leases to borrowers and is continuously monitored by management and reflected within the allowance for credit losses for loans. The allowance for credit losses is an estimate of life-of-loan losses for the Company's loans held for investment. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of a loan to present the net amount expected to be collected on the loan. Accrued interest receivable on loans, which is included in other assets on the Consolidated Balance Sheet, is excluded from the estimate of expected credit losses. Expected recoveries of amounts previously written off and expected to be written off are included in the valuation account and may not exceed the aggregate of amounts previously written off and expected to be written off. The Company formally re-evaluates and establishes the appropriate level of the allowance for credit losses on a quarterly basis.

Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. In future periods, evaluations of the overall loan portfolio or particular segments of the loan portfolio, in light of the factors and forecasts then prevailing, may result in significant changes in the allowance for credit losses and credit loss expense in those future periods. The allowance level is influenced by loan volumes, mix, loan performance metrics, asset quality characteristics, delinquency status, historical credit loss experience, and the inputs and assumptions in economic forecasts, such as macroeconomic inputs, length of reasonable and supportable forecast periods, and reversion methods. The methodology for estimating the amount of expected credit losses reported in the allowance for credit losses has two basic components: first, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans and; second, a pooled component for estimated expected credit losses for pools of loans that share similar risk characteristics.

Loans that do not share risk characteristics with other loans

Loans that do not share risk characteristics with other loans are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation. These loans consist of loans with unique features or loans that no longer share risk characteristics with other pooled loans. The process for determining whether a loan should be evaluated on an individual basis begins with determination of credit rating. All loans graded substandard or worse and all PCD loans, irrespective of credit rating, are assigned a reserve based on an individual evaluation. For these loans, the allowance is based primarily on the fair value of the underlying collateral, utilizing independent third-party appraisals.

Loans that share similar risk characteristics with other loans

In estimating the component of the allowance for credit losses for loans that share similar risk characteristics with other loans, such loans are segregated into loan segments. The Company's primary portfolio segments have changed due to adoption of the amendments within ASU 2016-13 to align with the methodology applied in estimating the allowance for credit losses under CECL. Loans are designated into loan segments based on loans pooled by product types, business lines, and similar risk characteristics or areas of risk concentration. Accordingly, the loan portfolio segments discussed below are based upon CECL-defined shared risk characteristics and are not comparable to the segments reported prior to adoption of the new accounting guidance.

In determining the allowance for credit losses, the Company derives an estimate of expected credit losses primarily using an expected loss methodology that incorporates risk parameters (probability of default, loss given default, and exposure at default), which are derived from various vendor models, internally-developed statistical models, or non-statistical estimation approaches. Probability of default is projected in these models or estimation approaches using multiple economic scenarios, whose outcomes are weighted based on the Company's economic outlook and were developed to incorporate relevant information about past events, current conditions, and reasonable and supportable forecasts. With the exception of the Company's residential loan segment, the Company's PD models share a common definition of default, which include loans that are 90 days past due, on nonaccrual status, have a writeoff, or obligor bankruptcy. Input reversion is used for all loan segment models, except for the commercial and industrial and CRE, owner-occupied loan segments. Output reversion is used for the commercial and industrial and CRE, owner-occupied segments by incorporating, after the forecast period, a one-year linear reversion to the long-term reversion rate in year three through the remaining life of the loans within the respective segments. LGDs are typically derived from the Company's historical loss experience. However, for the residential, warehouse lending, and municipal and nonprofit loan segments, where the Company has either zero (or near zero) losses, or has a limited loss history through the last economic downturn, certain non-modeled methodologies are employed. Factors utilized in calculating average LGD vary for each loan segment and are further described below. Exposure at default refers to the Company's exposure to loss at the time of borrower default and is calculated using an amortization schedule based on contractual loan terms, adjusted for a prepayment rate assumption. Prepayment trends are sensitive to interest rates and the macroeconomic environment. Fixed rate loans are more influenced by interest rates, whereas variable rate loans are more influenced by the macroeconomic environment. After the quantitative expected loss estimates are calculated, management then adjusts these estimates to incorporate considerations of current trends and conditions that are not captured in the quantitative loss estimates, through the use of qualitative and/or environmental factors.

The following provides credit quality indicators and risk elements most relevant in monitoring and measuring the allowance for credit losses for each of the loan portfolio segments identified:

Warehouse lending

The warehouse lending portfolio segment consists of loans that have a monitored borrowing base to mortgage companies and similar lenders and are primarily structured as commercial and industrial loans. These loans are collateralized by real estate notes and mortgages or mortgage servicing rights and the borrowing base of these loans is tightly monitored and controlled by the Company. The primary support for the loan takes the form of pledged collateral, with secondary support provided by the capacity of the financial institution. The collateral-driven nature of these loans distinguish them from traditional commercial and industrial loans. These loans are impacted by interest rate shocks, residential lending rates, prepayment assumptions, and general real estate stress. As a result of the unique loan characteristics, limited historical default and loss experience, and the collateral nature of this loan portfolio segment, the Company uses a non-modeled approach to estimate expected credit losses, leveraging grade information, grade migration history, and management judgment.

Municipal and nonprofit

The municipal and nonprofit portfolio segment consists of loans to local governments, government-operated utilities, special assessment districts, hospitals, schools and other nonprofits. These loans are generally, but not exclusively, entered into for the purpose of financing real estate investment or for refinancing existing debt and are primarily structured as commercial and industrial loans. Loans are supported by taxes or utility fees, and in some cases tax liens on real estate, operating revenue of the institution, or other collateral support the loans. Unemployment rates and the market valuation of residential properties have an effect on the tax revenues supporting these loans; however, these loans tend to be less cyclical in comparison to similar commercial loans as these loans rely on diversified tax bases. The Company uses a non-modeled approach to estimate expected credit losses, leveraging grade information and historical municipal default rates.

Tech & Innovation

The Tech & Innovation portfolio segment is comprised of commercial loans that are originated within this business line and not collateralized by real estate. The source of repayment of these loans is generally expected to be the income that is generated from the business. The models used to estimate expected credit losses for this loan segment include a combination of a vendor model and an internally-developed model. These models incorporate both market level and company-specific factors such as financial statement variables, adjusted for the current stage of the credit cycle and for the Company's loan performance data such as delinquency, utilization, maturity, and size of the loan commitment under specific macroeconomic scenarios to produce a probability of default. Macroeconomic variables include the Dow Jones Index, credit spread between the BBB Bond Yield and 10-Year Treasury Bond Yield, unemployment rate, and CBOE VIX Index quarterly high. LGD and the prepayment rate assumption for EAD for this loan segment are driven by unemployment levels.

Other commercial and industrial

The other commercial and industrial segment is comprised of commercial and industrial loans that are not originated within the Company's specialty business lines and are not collateralized by real estate. The models used to estimate expected credit losses for this loan segment is the same as those used for the Tech & Innovation portfolio segment.

Commercial real estate, owner-occupied

The CRE, owner-occupied portfolio segment is comprised of commercial loans that are collateralized by real estate, where the primary source of repayment is the business that occupies the property. These loans are typically entered into for the purpose of providing real estate finance or improvement. The primary source of repayment of these loans is the income generated by the business and where rental or sale of the property may provide secondary support for the loan. These loans are sensitive to general economic conditions as well as the market valuation of CRE properties. The probability of default estimate for this loan segment is modeled using the same model as the commercial and industrial loan segment. LGD for this loan segment is driven by property appreciation and the prepayment rate assumption for EAD is driven by unemployment levels.

Hotel Franchise Finance

The Hotel Franchise Finance segment is comprised of loans that are originated within this business line and are collateralized by real estate, where the owner is not the primary tenant. These loans are typically entered into for the purpose of financing or the improvement of commercial investment properties. The primary source of repayment of these loans are the rents paid by tenants and where the sale of the property may provide secondary support for the loan. These loans are sensitive to the market valuation of CRE properties, rental rates, and general economic conditions. The vendor model used to estimate expected credit losses for this loan segment projects probabilities of default and exposure at default based on multiple macroeconomic scenarios by modeling how macroeconomic conditions affect the commercial real estate market. Real estate market factors utilized in this model include vacancy rate, rental growth rate, net operating income growth rate, and commercial property price changes for each specific property type. The model then incorporates loan and property-level characteristics including debt coverage, leverage, collateral size, seasoning, and property type. LGD for this loan segment is derived from a non-modeled approach that is driven by property appreciation and the prepayment rate assumption for EAD is driven by the property appreciation for fixed rate loans and unemployment levels for variable rate loans.

Other commercial real estate, non-owner occupied

The other commercial real estate, non-owner occupied segment is comprised of loans that are not originated within the Company's specialty business lines and are collateralized by real estate, where the owner is not the primary tenant. The model used to estimate expected credit losses for this loan segment is the same as the model used for the Hotel Franchise Finance portfolio segment.

Residential

The residential loan portfolio segment is comprised of loans collateralized primarily by first liens on 1-4 residential family properties and home equity lines of credit that are collateralized by either first liens or junior liens on residential properties. The primary source of repayment of these loans is the value of the property and the capacity of the owner to make payments on the loan. Unemployment rates and the market valuation of residential properties will impact the ultimate repayment of these loans. The residential mortgage loan model is a vendor model that projects probability of default, loss given default severity, prepayment rate, and exposure at default to calculate expected losses. The model is intended to capture the borrower's payment behavior during the lifetime of the residential loan by incorporating loan level characteristics such as loan type, coupon, age, loan-to-value, and credit score and economic conditions such as Home Price Index, interest rate, and unemployment rate. A default event for residential loans is defined as 60 days or more past due, with property appreciation as the driver for LGD results. The prepayment rate assumption for exposure at default for residential loans is based on industry prepayment history.

Probability of default for HELOCs is derived from an internally-developed model that projects PD by incorporating loan level information such as FICO score, lien position, balloon payments, and macroeconomic conditions such as property appreciation. LGD for this loan segment is driven by property appreciation and lien position. Exposure at default for HELOCs is calculated based on utilization rate assumptions using a non-modeled approach and incorporates management judgment.

Construction and land development

The construction and land portfolio segment is comprised of loans collateralized by land or real estate, which are entered into for the purpose of real estate development. The primary source of repayment of loans is the eventual sale or refinance of the completed project and where claims on the property provide secondary support for the loan. These loans are impacted by the market valuation of CRE and residential properties and general economic conditions that have a higher sensitivity to real estate markets compared to other real estate loans. Default risk of a property is driven by loan-specific drivers, including loan-to-value, maturity, origination date, and the MSA in which the property is located, among other items. The variables used in the internally-developed model include loan level drivers such as origination loan-to-value, loan maturity, and macroeconomic drivers such as property appreciation, MSA level unemployment rate, and national GDP growth. LGD for this loan segment is driven by property appreciation. The prepayment rate assumption for EAD is driven by the property appreciation for fixed rate loans and unemployment levels for variable rate loans.

Other

This portfolio consists of those loans not already captured in one of the aforementioned loan portfolio segments, which include, but may not be limited to, overdraft lines for treasury services, credit cards, consumer loans not collateralized by real estate, and small business loans collateralized by residential real estate. The consumer and small business loans are supported by the capacity of the borrower and the valuation of any collateral. General economic factors such as unemployment will have an effect on these loans. The Company uses a non-modeled approach to estimate expected credit losses, leveraging average historical default rates. LGD for this loan segment is driven by unemployment levels and lien position. The prepayment rate assumption for EAD is driven by the BBB corporate spread for fixed rate loans and unemployment levels for variable rate loans.

Transfers of financial assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed surrendered when the: 1) assets have been isolated from the Company; 2) transferee obtains the right to pledge or exchange the transferred assets; and 3) Company no longer maintains effective control over the transferred assets through an agreement to repurchase the transferred assets before maturity.

Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed principally by the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the term of the lease or the estimated life of the improvement, whichever is shorter. Depreciation and amortization is computed using the following estimated lives:

	Years
Bank premises	31
Furniture, fixtures, and equipment	3 - 10
Leasehold improvements (1)	3 - 10

(1) Depreciation is recorded over the lesser of the relevant 3 to 10-year term or the remaining life of the lease.

Management periodically reviews premises and equipment in order to determine if facts and circumstances suggest that the value of an asset is not recoverable.

Off-balance sheet credit exposures, including unfunded loan commitments

The Company maintains a separate allowance for credit losses on off-balance-sheet credit exposures, including unfunded loan commitments, financial guarantees, and letters of credit, which is classified in other liabilities on the Consolidated Balance Sheet. The allowance for credit losses on off-balance sheet credit exposures is adjusted through increases or decreases to the provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur, an estimate of exposure at default that is derived from utilization rate assumptions using a non-modeled approach, and PD and LGD estimates that are derived from the same models and approaches for the Company's other loan portfolio segments described above as these unfunded commitments share similar risk characteristics with these loan portfolio segments. No credit loss estimate is reported for off-balance sheet credit exposures that are unconditionally cancellable by the Company or for undrawn amounts under such arrangements that may be drawn prior to the cancellation of the arrangement.

Leases (lessee)

At inception, contracts are evaluated to determine whether the contract constitutes a lease agreement. For contracts that are determined to be an operating lease, a corresponding ROU asset and operating lease liability are recorded in separate line items on the Consolidated Balance Sheet. A ROU asset represents the Company’s right to use an underlying asset during the lease term and a lease liability represents the Company’s commitment to make contractually obligated lease payments. Operating lease ROU assets and liabilities are recognized at the commencement date of the lease and are based on the present value of lease payments over the lease term. The measurement of the operating lease ROU asset includes any lease payments made and is reduced by lease incentives that are paid or are payable to the Company. Variable lease payments that depend on an index or rate such as the Consumer Price Index are included in lease payments based on the rate in effect at the commencement date of the lease. Lease payments are recognized on a straight-line basis as part of occupancy expense over the lease term.

As the rate implicit in the lease is not readily determinable, the Company's incremental collateralized borrowing rate is used to determine the present value of lease payments. This rate gives consideration to the applicable FHLB collateralized borrowing rates and is based on the information available at the commencement date. The Company has elected to apply the short-term lease measurement and recognition exemption to leases with an initial term of 12 months or less; therefore, these leases are not recorded on the Company's Consolidated Balance Sheet, but rather, lease expense is recognized over the lease term on a straight-line basis. The Company's lease agreements may include options to extend or terminate the lease. These options are included in the lease term when it is reasonably certain that the options will be exercised.

In addition to the package of practical expedients, the Company also elected the practical expedient that allows lessees to make an accounting policy election to not separate non-lease components from the associated lease component, and instead account for them all together as part of the applicable lease component. This practical expedient can be elected separately for each underlying class of asset. The majority of the Company's non-lease components such as common area maintenance, parking, and taxes are variable, and are expensed as incurred. Variable payment amounts are determined in arrears by the landlord depending on actual costs incurred.

Goodwill and other intangible assets

The Company records as goodwill the excess of the purchase price in a business combination over the fair value of the identifiable net assets acquired in accordance with applicable guidance. The Company performs its annual goodwill and intangibles impairment tests as of October 1 each year, or more often if events or circumstances indicate that the carrying value may not be recoverable. The Company can first elect to assess, through qualitative factors, whether it is more likely than not that goodwill is impaired. If the qualitative assessment indicates potential impairment, a quantitative impairment test is necessary. If, based on the quantitative test, a reporting unit's carrying amount exceeds its fair value, a goodwill impairment charge for this difference is recorded to current period earnings as non-interest expense.

The Company's intangible assets consist primarily of core deposit intangible assets that are amortized over periods ranging from five to 10 years. The Company considers the remaining useful lives of its core deposit intangible assets each reporting period, as required by ASC 350, *Intangibles—Goodwill and Other*, to determine whether events and circumstances warrant a revision to the remaining period of amortization. If the estimate of an intangible asset's remaining useful life has changed, the remaining carrying amount of the intangible asset is amortized prospectively over the revised remaining useful life. The Company has not revised its estimates of the useful lives of its core deposit intangibles during the years ended December 31, 2020, 2019, or 2018.

Low income housing and renewable energy tax credits

The Company holds ownership interests in limited partnerships and limited liability companies that invest in affordable housing and renewable energy projects. These investments are designed to generate a return primarily through the realization of federal tax credits and deductions, which may be subject to recapture by taxing authorities if compliance requirements are not met. The Company accounts for its low income housing investments using the proportional amortization method. Renewable energy projects are accounted for under the deferral method, whereby the investment tax credits are reflected as an immediate reduction in income taxes payable and the carrying value of the asset in the period that the investment tax credits are claimed. See "Note 14. Income Taxes" of these Notes to Consolidated Financial Statements for further discussion.

The Company evaluates its interests in these entities to determine if it has a variable interest and whether it is required to consolidate these entities. A variable interest is an investment or other interest that will absorb portions of an entity's expected losses or receive portions of the entity's expected residual returns. If the Company determines that it has a variable interest in an entity, it evaluates whether such interest is in a variable interest entity. A VIE is broadly defined as an entity where either: 1) the equity investors as a group, if any, lack the power through voting or similar rights to direct the activities of an entity that most significantly impact the entity's economic performance or 2) the equity investment at risk is insufficient to finance that entity's activities without additional subordinated financial support. The Company is required to consolidate any VIE when it is determined to be the primary beneficiary of the VIE's operations.

A variable interest holder is considered to be the primary beneficiary of a VIE if it has both the power to direct the activities of a VIE that most significantly impact the entity's economic performance and has the obligation to absorb losses of, or the right to receive benefits from, the entity that could potentially be significant to the VIE. The Company's assessment of whether it is the primary beneficiary of a VIE includes consideration of various factors such as: 1) the Company's ability to direct the activities that most significantly impact the entity's economic performance; 2) its form of ownership interest; 3) its representation on the entity's governing body; 4) the size and seniority of its investment; and 5) its ability and the rights of other investors to participate in policy making decisions and to replace the manager of and/or liquidate the entity. The Company is required to evaluate whether to consolidate a VIE both at inception and on an ongoing basis as changes in circumstances require reconsideration.

The Company’s investments in qualified affordable housing and renewable energy projects meet the definition of a VIE as the entities are structured such that the limited partner investors lack substantive voting rights. The general partner or managing member has both the power to direct the activities that most significantly impact the economic performance of the entities and the obligation to absorb losses or the right to receive benefits that could be significant to the entities. Accordingly, as a limited partner, the Company is not the primary beneficiary and is not required consolidate these entities.

Bank owned life insurance

BOLI is carried at its cash surrender value with changes recorded in other non-interest income in the Consolidated Income Statements. The face amount of the underlying policies including death benefits was $465.8 million and $359.0 million as of December 31, 2020 and 2019, respectively. There are no loans offset against cash surrender values, and there are no restrictions as to the use of proceeds.

Customer repurchase agreements

The Company enters into repurchase agreements with customers, whereby it pledges securities against overnight investments made from the customer’s excess collected funds. The Company records these at the amount of cash received in connection with the transaction.

Stock compensation plans

The Company has the Incentive Plan, as amended, which is described more fully in "Note 10. Stockholders' Equity" of these Notes to Consolidated Financial Statements. Compensation expense on non-vested restricted stock awards is based on the fair value of the award on the measurement date which, for the Company, is the date of the grant and is recognized ratably over the service period of the award. Forfeitures are estimated at the time of the award grant and revised in subsequent periods if actual forfeitures differ from those estimates. The fair value of non-vested restricted stock awards is the market price of the Company’s stock on the date of grant.

The Company's performance stock units have a cumulative EPS target and a TSR performance measure component. The TSR component is a market-based performance condition that is separately valued as of the date of the grant. A Monte Carlo valuation model is used to determine the fair value of the TSR performance metric, which simulates potential TSR outcomes over the performance period and determines the payouts that would occur in each scenario. The resulting fair value of the TSR component is based on the average of these results. Compensation expense related to the TSR component is based on the fair value determination on the date of the grant and is not subsequently revised based on actual performance. Compensation expense on the EPS component for these awards is based on the fair value (market price of the Company's stock on the date of the grant) of the award. Compensation expense related to both the TSR and EPS components is recognized ratably over the service period of the award.

See "Note 10. Stockholders' Equity" of these Notes to Consolidated Financial Statements for further discussion of stock awards.

Dividends

WAL is a legal entity separate and distinct from its subsidiaries. As a holding company with limited significant assets other than the capital stock of its subsidiaries, WAL's ability to pay dividends depends primarily upon the receipt of dividends or other capital distributions from its subsidiaries. The Company's subsidiaries' ability to pay dividends to WAL is subject to, among other things, their individual earnings, financial condition, and need for funds, as well as federal and state governmental policies and regulations applicable to WAL and each of those subsidiaries, which limit the amount that may be paid as dividends without prior approval. In addition, the terms and conditions of other securities the Company issues may restrict its ability to pay dividends to holders of the Company's common stock. For example, if any required payments on outstanding trust preferred securities are not made, WAL would be prohibited from paying cash dividends on its common stock.

Treasury shares

The Company separately presents treasury shares, which represent shares surrendered to the Company equal in value to the statutory payroll tax withholding obligations arising from the vesting of employee restricted stock awards. Treasury shares are carried at cost.

Common stock repurchases

The Company has previously adopted common stock repurchase programs pursuant to which the Company has repurchased shares of its outstanding common stock, the most recent of which expired in December 2020. All shares repurchased under the plan were retired upon settlement. The Company has elected to allocate the excess of the repurchase price over the par value of its common stock between APIC and retained earnings, with the portion allocated to APIC limited to the amount of APIC that was recorded at the time that the shares were initially issued, which was calculated on a last-in, first-out basis.

Derivative financial instruments

The Company uses interest rate swaps to mitigate interest-rate risk associated with changes to the fair value of certain fixed-rate financial instruments (fair value hedges).

The Company recognizes derivatives as assets or liabilities on the Consolidated Balance Sheet at their fair value in accordance with ASC 815, *Derivatives and Hedging*. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. Derivative instruments designated in a hedge relationship to mitigate exposure to changes in the fair value of an asset or liability attributable to a particular risk, such as interest rate risk, are considered fair value hedges.

Changes in the fair value of a derivative that is designated and qualifies as a fair value hedge, along with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk, are recorded in current period earnings. Changes in the fair value of derivatives not considered to be highly effective in hedging the change in fair value of the hedged item are recognized in earnings as non-interest income during the period of the change.

The Company documents its hedge relationships, including identification of the hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the hedge transaction after the derivative contract is executed. At inception, the Company performs a quantitative assessment to determine whether the derivatives used in hedging transactions are highly effective (as defined in the guidance) in offsetting changes in the fair value of the hedged item. Retroactive effectiveness is assessed, as well as the continued expectation that the hedge will remain effective prospectively. After the initial quantitative assessment is performed, on a quarterly basis, the Company performs a qualitative hedge effectiveness assessment. This assessment takes into consideration any adverse developments related to the counterparty's risk of default and any negative events or circumstances that affect the factors that originally enabled the Company to assess that it could reasonably support, qualitatively, an expectation that the hedging relationship was and will continue to be highly effective. The Company discontinues hedge accounting prospectively when it is determined that a hedge is no longer highly effective. When hedge accounting is discontinued on a fair value hedge that no longer qualifies as an effective hedge, the derivative instrument continues to be reported at fair value on the Consolidated Balance Sheet, but the carrying amount of the hedged item is no longer adjusted for future changes in fair value. The adjustment to the carrying amount of the hedged item that existed at the date hedge accounting is discontinued is amortized over the remaining life of the hedged item into earnings.

Derivative instruments that are not designated as hedges, so called free-standing derivatives, are reported on the Consolidated Balance Sheet at fair value and the changes in fair value are recognized in earnings as non-interest income during the period of change.

The Company may in the normal course of business purchase a financial instrument or originate a loan that contains an embedded derivative instrument. Upon purchasing the instrument or originating the loan, the Company assesses whether the economic characteristics of the embedded derivative are clearly and closely related to the economic characteristics of the remaining component of the financial instrument (i.e., the host contract) and whether a separate instrument with the same terms as the embedded instrument would meet the definition of a derivative instrument. When it is determined that the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract and a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is separated from the host contract and carried at fair value. However, in cases where the host contract is measured at fair value, with changes in fair value reported in current earnings, or the Company is unable to reliably identify and measure an embedded derivative for separation from its host contract, the entire contract is carried on the Consolidated Balance Sheet at fair value and is not designated as a hedging instrument.

Off-balance sheet instruments

In the ordinary course of business, the Company has entered into off-balance sheet financial instrument arrangements consisting of commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the Consolidated Financial Statements when they are funded. They involve, to varying degrees, elements of credit risk in excess of amounts recognized on the Consolidated Balance Sheet. Losses could be experienced when the Company is contractually obligated to make a payment under these instruments and must seek repayment from the borrower, which may not be as financially sound in the current period as they were when the commitment was originally made. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract and, in certain instances, may be unconditionally cancelable. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Company enters into credit arrangements that generally provide for the termination of advances in the event of a covenant violation or other event of default. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the party. The commitments are collateralized by the same types of assets used as loan collateral.

The Company also has off-balance sheet arrangements related to its derivative instruments. Derivative instruments are recognized in the Consolidated Financial Statements at fair value and their notional values are carried off-balance sheet. See "Note 8. Derivatives and Hedging Activities" of these Notes to Consolidated Financial Statements for further discussion.

Business combinations

Business combinations are accounted for under the acquisition method of accounting in accordance with ASC 805, *Business Combinations.* Under the acquisition method, the acquiring entity in a business combination recognizes all of the acquired assets and assumed liabilities at their estimated fair values as of the date of acquisition. Any excess of the purchase price over the fair value of net assets and other identifiable intangible assets acquired is recorded as goodwill. To the extent the fair value of net assets acquired, including identified intangible assets, exceeds the purchase price, a bargain purchase gain is recognized. Changes to estimated fair values from a business combination are recognized as an adjustment to goodwill during the measurement period and are recognized in the proper reporting period in which the adjustment amounts are determined. Results of operations of an acquired business are included in the Consolidated Income Statement from the date of acquisition. Acquisition-related costs, including conversion and restructuring charges, are expensed as incurred.

Fair values of financial instruments

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities. ASC 820, *Fair Value Measurement*, establishes a framework for measuring fair value and a three-level valuation hierarchy for disclosure of fair value measurement, and also sets forth disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The Company uses various valuation approaches, including market, income, and/or cost approaches. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors market participants would consider in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs, as follows:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, prepayment speeds, volatilities, etc.) or model-based valuation techniques where all significant assumptions are observable, either directly or indirectly, in the market.
- Level 3 - Valuation is generated from model-based techniques where one or more significant inputs are not observable, either directly or indirectly, in the market. These unobservable assumptions reflect the Company's own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques may include use of matrix pricing, discounted cash flow models, and similar techniques.

The availability of observable inputs varies based on the nature of the specific financial instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value is a market-based measure considered from the perspective of a market participant who may purchase the asset or assume the liability, rather than an entity-specific measure. When market assumptions are available, ASC 820 requires that the Company make assumptions regarding the assumptions that market participants would use to estimate the fair value of the financial instrument at the measurement date.

ASC 825, *Financial Instruments*, requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value.

Management uses its best judgment in estimating the fair value of the Company's financial instruments; however, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented herein are not necessarily indicative of the amounts the Company could have realized in a sales transaction at December 31, 2020 and 2019. The estimated fair value amounts for December 31, 2020 and 2019 have been measured as of period-end, and have not been re-evaluated or updated for purposes of these Consolidated Financial Statements subsequent to those dates. As such, the estimated fair values of these financial instruments subsequent to the reporting date may be different than the amounts reported at period-end.

The information in "Note 16. Fair Value Accounting" of these Notes to Consolidated Financial Statements should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only required for a limited portion of the Company's assets and liabilities.

Due to the wide range of valuation techniques and the degree of subjectivity used in making the estimate, comparisons between the Company's disclosures and those of other companies or banks may not be meaningful.

The following methods and assumptions were used by the Company in estimating the fair value of its financial instruments:

Cash, cash equivalents, and restricted cash

The carrying amounts reported on the Consolidated Balance Sheet for cash and due from banks approximate their fair value.

Money market investments

The carrying amounts reported on the Consolidated Balance Sheet for money market investments approximate their fair value.

Investment securities

The fair values of CRA investments, exchange-listed preferred stock, trust preferred securities, and certain corporate debt securities are based on quoted market prices and are categorized as Level 1 in the fair value hierarchy.

The fair values of debt securities are primarily determined based on matrix pricing. Matrix pricing is a mathematical technique that utilizes observable market inputs including, for example, yield curves, credit ratings, and prepayment speeds. Fair values determined using matrix pricing are generally categorized as Level 2 in the fair value hierarchy. For a small subset of securities, other pricing sources are used, including observed prices on publicly-traded securities and dealer quotes.

Restricted stock

WAB is a member of the Federal Reserve System and the FHLB and, accordingly, maintains investments in the capital stock of the FRB and the FHLB. These investments are carried at cost since no ready market exists for them, and they have no quoted market value. The Company conducts a periodic review and evaluation of its restricted stock to determine if any impairment exists. The fair values of these investments have been categorized as Level 2 in the fair value hierarchy.

Loans

The fair value of loans is estimated based on discounted cash flows using interest rates currently being offered for loans with similar terms to borrowers with similar credit quality and adjustments that the Company believes a market participant would consider in determining fair value based on a third-party independent valuation. As a result, the fair value for loans is categorized as Level 3 in the fair value hierarchy.

Accrued interest receivable and payable

The carrying amounts reported on the Consolidated Balance Sheet for accrued interest receivable and payable approximate their fair values.

Derivative financial instruments

All derivatives are recognized on the Consolidated Balance Sheets at their fair value. The fair value for derivatives is determined based on market prices, broker-dealer quotations on similar products, or other related input parameters. As a result, the fair values have been categorized as Level 2 in the fair value hierarchy.

Deposits

The fair value disclosed for demand and savings deposits is by definition equal to the amount payable on demand at their reporting date (that is, their carrying amount), as these deposits do not have a contractual term. The carrying amount for variable rate deposit accounts approximates their fair value. Fair values for fixed rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on these deposits. The fair value measurement of the deposit liabilities is categorized as Level 2 in the fair value hierarchy.

FHLB advances and customer repurchase agreements

The fair values of the Company's borrowings are estimated using discounted cash flow analyses, based on the market rates for similar types of borrowing arrangements. The FHLB advances and customer repurchase agreements have been categorized as Level 2 in the fair value hierarchy due to their short durations.

Subordinated debt

The fair value of subordinated debt is based on the market rate for the respective subordinated debt security. Subordinated debt has been categorized as Level 2 in the fair value hierarchy.

Junior subordinated debt

Junior subordinated debt is valued based on a discounted cash flow model which uses as inputs Treasury Bond rates and the 'BB' and 'BBB' rated financial indexes. Junior subordinated debt has been categorized as Level 3 in the fair value hierarchy.

Off-balance sheet instruments

The fair value of the Company's off-balance sheet instruments (lending commitments and letters of credit) is based on quoted fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements, and the counterparties' credit standing.

Income taxes

The Company is subject to income taxes in the United States and files a consolidated federal income tax return with all of its subsidiaries, with the exception of BW Real Estate, Inc. Deferred income taxes are recorded to reflect the effects of temporary differences between the financial reporting carrying amounts of assets and liabilities and their income tax bases using enacted tax rates that are expected to be in effect when the taxes are actually paid or recovered. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Net deferred tax assets are recorded to the extent that these assets will more-likely-than-not be realized. In making these determinations, all available positive and negative evidence is considered, including scheduled reversals of deferred tax liabilities, tax planning strategies, projected future taxable income, and recent operating results. If it is determined that deferred income tax assets to be realized in the future are in excess of their net recorded amount, an adjustment to the valuation allowance will be recorded, which will reduce the Company's provision for income taxes.

A tax benefit from an unrecognized tax benefit may be recognized when it is more-likely-than-not that the position will be sustained upon examination, including related appeals or litigation, based on technical merits. Income tax benefits must meet a more-likely-than-not recognition threshold at the effective date to be recognized.

Interest and penalties related to unrecognized tax benefits are recognized as part of the provision for income taxes in the Consolidated Income Statement. Accrued interest and penalties are included in the related tax liability line with other liabilities on the Consolidated Balance Sheet. See "Note 14. Income Taxes" of these Notes to Consolidated Financial Statements for further discussion on income taxes.

Non-interest income

Non-interest income includes service charges and fees, income from equity investments, card income, foreign currency income, income from bank owned life insurance, lending related income, net gain or loss on sales of investment securities, net fair value gain or loss adjustments on assets measured at fair value, and other income. Service charges and fees consist of fees earned from performance of account analysis, general account services, and other deposit account services. These fees are recognized as the related services are provided in accordance with ASC 606, *Revenue from Contracts with Customers*. Income from equity investments includes gains on equity warrant assets, SBIC equity income, and success fees. Card income includes fees earned from customer use of debit and credit cards, interchange income from merchants, and international charges. Card income is generally within the scope of ASC 310, *Receivables*; however, certain processing transactions for merchants, such as interchange fees, are within the scope of ASC 606. Foreign currency income represents fees earned on the differential between purchases and sales of foreign currency on behalf of the Company’s clients. Income from bank owned life insurance is accounted for in accordance with ASC 325, *Investments - Other*. Lending related income includes fees earned from gains or losses on the sale of loans, SBA income, and letter of credit fees. Gains and losses on the sale of loans and SBA income are recognized pursuant to ASC 860, *Transfers and Servicing*. Net unrealized gains or losses on assets measured at fair value represent fair value changes in equity securities and are accounted for in accordance with ASC 321, *Investments - Equity Securities*. Fees related to standby letters of credit are accounted for in accordance with ASC 440, *Commitments*. Other income includes operating lease income, which is recognized on a straight-line basis over the lease term in accordance with ASC 842, *Leases*. Net gain or loss on sales/valuations of repossessed and other assets is presented as a component of non-interest expense, but may also be presented as a component of non-interest income in the event that a net gain is recognized. Net gain or loss on sales of repossessed and other assets are accounted for in accordance with ASC 610, *Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets*. See "Note 22. Revenue from Contracts with Customers" of these Notes to Consolidated Financial Statements for further details related to the nature and timing of revenue recognition for non-interest income revenue streams within the scope of the standard.

2. INVESTMENT SECURITIES

The carrying amounts and fair values of investment securities at December 31, 2020 and 2019 are summarized as follows:

	December 31, 2020			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized (Losses)**	**Fair Value**
	(in millions)			
Held-to-maturity				
Tax-exempt	**$ 568.8**	**$ 43.0**	**$ —**	**$ 611.8**
Available-for-sale debt securities				
CDO	**$ 0.1**	**$ 6.8**	**$ —**	**$ 6.9**
CLO	**146.9**	**—**	**—**	**146.9**
Commercial MBS issued by GSEs	**80.8**	**3.8**	**—**	**84.6**
Corporate debt securities	**271.1**	**4.8**	**(5.7)**	**270.2**
Municipal (taxable) securities	**22.0**	**0.5**	**—**	**22.5**
Private label residential MBS	**1,461.7**	**15.7**	**(0.5)**	**1,476.9**
Residential MBS issued by GSEs	**1,462.5**	**27.9**	**(3.8)**	**1,486.6**
Tax-exempt	**1,109.3**	**78.1**	**—**	**1,187.4**
Trust preferred securities	**32.0**	**—**	**(5.5)**	**26.5**
Total AFS debt securities	**$ 4,586.4**	**$ 137.6**	**$ (15.5)**	**$ 4,708.5**
Equity securities				
CRA investments	**$ 53.1**	**$ 0.3**	**$ —**	**$ 53.4**
Preferred stock	**107.0**	**7.3**	**(0.4)**	**113.9**
Total equity securities	**$ 160.1**	**$ 7.6**	**$ (0.4)**	**$ 167.3**

	December 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
	(in millions)			
Held-to-maturity				
Tax-exempt	$ 485.1	$ 31.3	$ (0.1)	$ 516.3
Available-for-sale debt securities				
CDO	$ —	$ 10.1	$ —	$ 10.1
Commercial MBS issued by GSEs	95.1	0.4	(1.2)	94.3
Corporate debt securities	105.0	0.1	(5.2)	99.9
Municipal (taxable) securities	7.5	0.3	—	7.8
Private label residential MBS	1,130.0	3.5	(4.3)	1,129.2
Residential MBS issued by GSEs	1,406.6	9.3	(3.8)	1,412.1
Tax-exempt	530.7	24.6	(0.4)	554.9
Trust preferred securities	32.0	—	(5.0)	27.0
U.S. government sponsored agency securities	10.0	—	—	10.0
U.S. treasury securities	1.0	—	—	1.0
Total AFS debt securities	$ 3,317.9	$ 48.3	$ (19.9)	$ 3,346.3
Equity securities				
CRA investments	$ 52.8	$ —	$ (0.3)	$ 52.5
Preferred stock	82.5	3.9	(0.2)	86.2
Total equity securities	$ 135.3	$ 3.9	$ (0.5)	$ 138.7

Securities with carrying amounts of approximately $778.0 million and $962.5 million at December 31, 2020 and 2019, respectively, were pledged for various purposes as required or permitted by law.

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The following tables summarize the Company's AFS debt securities in an unrealized loss position at December 31, 2020 and 2019, aggregated by major security type and length of time in a continuous unrealized loss position:

	December 31, 2020					
	Less Than Twelve Months		More Than Twelve Months		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(in millions)					
Available-for-sale debt securities						
Corporate debt securities	**$ 0.1**	**$ 17.3**	**$ 5.6**	**$ 94.3**	**$ 5.7**	**$ 111.6**
Private label residential MBS	**0.5**	**149.7**	**—**	**—**	**0.5**	**149.7**
Residential MBS issued by GSEs	**3.8**	**231.9**	**—**	**—**	**3.8**	**231.9**
Trust preferred securities	**—**	**—**	**5.5**	**26.5**	**5.5**	**26.5**
Total AFS securities	**$ 4.4**	**$ 398.9**	**$ 11.1**	**$ 120.8**	**$ 15.5**	**$ 519.7**

	December 31, 2019					
	Less Than Twelve Months		More Than Twelve Months		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(in millions)					
Held-to-maturity						
Tax-exempt	$ 0.1	$ 24.3	$ —	$ —	$ 0.1	$ 24.3
Available-for-sale debt securities						
Commercial MBS issued by GSEs	$ 0.1	$ 9.0	$ 1.1	$ 54.6	$ 1.2	$ 63.6
Corporate debt securities	—	—	5.2	94.8	5.2	94.8
Private label residential MBS	1.8	337.3	2.5	258.8	4.3	596.1
Residential MBS issued by GSEs	1.7	385.7	2.1	150.4	3.8	536.1
Tax-exempt	0.4	67.2	—	—	0.4	67.2
Trust preferred securities	—	—	5.0	27.0	5.0	27.0
Total AFS securities	$ 4.0	$ 799.2	$ 15.9	$ 585.6	$ 19.9	$ 1,384.8

The total number of AFS securities in an unrealized loss position at December 31, 2020 is 49, compared to 158 at December 31, 2019.

On January 1, 2020, the Company adopted the amendments within ASU 2016-13, which replaces the legacy US GAAP OTTI model with a credit loss model. The credit loss model under ASC 326-30, applicable to AFS debt securities, requires recognition of credit losses through an allowance account, but retains the concept from the OTTI model that credit losses are recognized once securities become impaired. For a detailed discussion of the impact of adoption of ASU 2016-13 and information related to investment securities, including accounting policies and methodologies used to estimate the allowance for credit losses on securities, see "Note 1. Summary of Significant Accounting Policies."

Residential MBS issued by GSEs held by the Company are issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. As the Company does not intend to sell these securities and it is more likely than not that the Company will not be required to sell the securities prior to their anticipated recovery, no credit losses have been recognized on these securities during the year ended December 31, 2020.

Qualitative factors used in the Company's credit loss assessment of its securities that are not guaranteed by the U.S. government included consideration of any adverse conditions related to a specific security, industry, or geographic region of its securities, any credit ratings below investment grade, the payment structure of the security and the likelihood of the issuer to be able to make payments that increase in the future, and failure of the issuer to make any scheduled principal or interest payments. For the Company's corporate debt, municipal, and tax-exempt securities, the Company also considered various metrics of the issuer including days of cash on hand, the ratio of long-term debt to total assets, the net change in cash between reporting periods, and consideration of any breach in covenant requirements. For the Company's private label residential MBS, the Company also considered metrics such as securitization risk weight factor, current credit support, whether there were any mortgage principal losses resulting from defaults in payments on the underlying mortgage collateral, and the credit default rate over the last twelve months.

As of December 31, 2020, no credit losses on the Company's corporate debt securities have been recognized. The Company's corporate debt securities continue to be highly rated, issuers continue to make timely principal and interest payments, and the unrealized losses on these security portfolios primarily relate to changes in interest rates and other market conditions that are not considered to be credit-related issues. Further, the Company does not intend to sell these securities and it is more likely than not that the Company will not be required to sell these securities prior to their anticipated recovery.

The Company's private label residential MBS are non-agency collateralized mortgage obligations and primarily carry investment grade credit ratings as of December 31, 2020. These securities are secured by pools of residential mortgage loans. Credit losses have not been recognized on these securities as of December 31, 2020 as principal and interest payments on these securities continue to be made on a timely basis, credit support for these securities is considered adequate, and as the Company does not intend to sell these securities and it is more likely than not that the Company will not be required to sell these securities prior to their anticipated recovery.

The Company's trust preferred securities are investment grade and the issuers continue to make timely principal and interest payments.

Based on the qualitative factors discussed above, no allowance for credit losses for the Company's AFS debt securities has been recognized as of December 31, 2020. Prior to adoption of ASC 326, no impairment charges on the Company's AFS securities were recognized during the years ended December 31, 2019 and 2018.

The credit loss model under ASC 326-20, applicable to HTM debt securities, requires recognition of lifetime expected credit losses through an allowance account at the time the security is purchased. The following tables present a rollforward by major security type of the allowance for credit losses for the Company's HTM debt securities:

	Year Ended December 31, 2020				
	Balance, January 1, 2020	**Provision for Credit Losses**	**Writeoffs**	**Recoveries**	**Balance, December 31, 2020**
			(in millions)		
Held-to-maturity debt securities					
Tax-exempt	**$ 2.7**	**$ 4.1**	**$ —**	**$ —**	**$ 6.8**

Accrued interest receivable on HTM securities totaled $2.0 million at December 31, 2020 and is excluded from the estimate of credit losses.

The following tables summarize the carrying amount of the Company's investment ratings position as of December 31, 2020 and 2019, which are updated quarterly and used to monitor the credit quality of the Company's securities:

	December 31, 2020							
	AAA	**Split-rated AAA/AA+**	**AA+ to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ and below**	**Unrated**	**Totals**
	(in millions)							
Held-to-maturity								
Tax-exempt	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 568.8**	**$ 568.8**
Available-for-sale debt securities								
CDO	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 6.9**	**$ —**	**$ 6.9**
CLO	**—**	**—**	**139.6**	**7.3**	**—**	**—**	**—**	**146.9**
Commercial MBS issued by GSEs	**—**	**84.6**	**—**	**—**	**—**	**—**	**—**	**84.6**
Corporate debt securities	**—**	**—**	**19.2**	**28.1**	**194.5**	**28.4**	**—**	**270.2**
Municipal (taxable) securities	**—**	**—**	**12.3**	**—**	**2.6**	**—**	**7.6**	**22.5**
Private label residential MBS	**1,385.5**	**—**	**90.1**	**0.1**	**0.3**	**0.9**	**—**	**1,476.9**
Residential MBS issued by GSEs	**—**	**1,486.6**	**—**	**—**	**—**	**—**	**—**	**1,486.6**
Tax-exempt	**44.3**	**57.3**	**454.7**	**599.3**	**—**	**—**	**31.8**	**1,187.4**
Trust preferred securities	**—**	**—**	**—**	**—**	**26.5**	**—**	**—**	**26.5**
Total AFS securities (1)	**$ 1,429.8**	**$ 1,628.5**	**$ 715.9**	**$ 634.8**	**$ 223.9**	**$ 36.2**	**$ 39.4**	**$ 4,708.5**
Equity securities								
CRA investments	**$ —**	**$ 27.8**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 25.6**	**$ 53.4**
Preferred stock	**—**	**—**	**—**	**—**	**73.2**	**39.0**	**1.7**	**113.9**
Total equity securities (1)	**$ —**	**$ 27.8**	**$ —**	**$ —**	**$ 73.2**	**$ 39.0**	**$ 27.3**	**$ 167.3**

(1) Where ratings differ, the Company uses an average of the available ratings by major credit agencies.

	December 31, 2019							
	AAA	Split-rated AAA/AA+	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ and below	Unrated	Totals
	(in millions)							
Held-to-maturity								
Tax-exempt	$ —	$ —	$ —	$ —	$ —	$ —	$ 485.1	$ 485.1
Available-for-sale debt securities								
CDO	$ —	$ —	$ —	$ —	$ —	$ 10.1	$ —	$ 10.1
Commercial MBS issued by GSEs	—	94.3	—	—	—	—	—	94.3
Corporate debt securities	—	—	—	66.5	33.4	—	—	99.9
Municipal (taxable) securities	—	—	—	—	—	—	7.8	7.8
Private label residential MBS	1,096.9	—	30.7	0.1	0.3	1.2	—	1,129.2
Residential MBS issued by GSEs	—	1,412.1	—	—	—	—	—	1,412.1
Tax-exempt	52.6	2.8	327.6	171.9	—	—	—	554.9
Trust preferred securities	—	—	—	—	27.0	—	—	27.0
U.S. government sponsored agency securities	—	10.0	—	—	—	—	—	10.0
U.S. treasury securities	—	1.0	—	—	—	—	—	1.0
Total AFS securities (1)	$ 1,149.5	$ 1,520.2	$ 358.3	$ 238.5	$ 60.7	$ 11.3	$ 7.8	$ 3,346.3
Equity securities								
CRA investments	$ —	$ 25.4	$ —	$ —	$ —	$ —	$ 27.1	$ 52.5
Preferred stock	—	—	—	—	82.8	2.1	1.3	86.2
Total equity securities (1)	$ —	$ 25.4	$ —	$ —	$ 82.8	$ 2.1	$ 28.4	$ 138.7

(1) Where ratings differ, the Company uses an average of the available ratings by major credit agencies.

A security is considered to be past due once it is 30 days contractually past due under the terms of the agreement. As of December 31, 2020, there were no investment securities that were past due. In addition, the Company does not have a significant amount of investment securities on nonaccrual status or securities that are considered to be collateral-dependent as of December 31, 2020.

The amortized cost and fair value of the Company's debt securities as of December 31, 2020, by contractual maturities, are shown below. MBS are shown separately as individual MBS are comprised of pools of loans with varying maturities. Therefore, these securities are listed separately in the maturity summary.

	December 31, 2020	
	Amortized Cost	Estimated Fair Value
	(in millions)	
Held-to-maturity		
Due in one year or less	$ 7.3	$ 7.3
After one year through five years	17.1	17.5
After ten years	544.4	587.0
Total HTM securities	$ 568.8	$ 611.8
Available-for-sale		
After one year through five years	$ 10.0	$ 10.3
After five years through ten years	425.1	425.1
After ten years	1,146.3	1,225.0
Mortgage-backed securities	3,005.0	3,048.1
Total AFS securities	$ 4,586.4	$ 4,708.5

The following table presents gross gains and losses on sales of investment securities:

	Year Ended December 31,		
	2020	2019	2018
	(in millions)		
Available-for-sale securities			
Gross gains	$ 0.4	$ 3.1	$ 8.1
Gross losses	(0.2)	—	(7.7)
Net gains on AFS securities	$ 0.2	$ 3.1	$ 0.4
Equity securities			
Gross gains	$ —	$ —	$ —
Gross losses	—	—	(8.0)
Net losses on equity securities	$ —	$ —	$ (8.0)

During the year ended December 31, 2020, the Company did not have significant investment security sale activity.

During the year ended December 31, 2019, the Company sold certain AFS securities as part of a portfolio re-balancing initiative. These securities had a carrying value of $147.2 million and a net gain of $3.1 million was recognized on the sale of these securities. In addition, the Company also sold one of its securities classified as HTM. The security had a par value of $10.0 million and no gain or loss was realized upon the sale. The sale of this HTM security was made as a result of significant deterioration in the issuer’s creditworthiness, representative of a change in circumstance contemplated in ASC 320-10-25 that would not call into question the Company’s intent to hold other debt securities to maturity in the future. Accordingly, management concluded that the Company’s remaining HTM securities continue to be appropriately classified as such.

During the year ended December 31, 2018, the Company sold certain AFS securities with a carrying value of $119.8 million and recognized a loss on sale of these securities of $7.7 million. The sales resulted from management’s review of its investment portfolio, which led to its decision to sell lower yielding securities and reinvest in securities with higher yields and shorter durations.

3. LOANS, LEASES AND ALLOWANCE FOR CREDIT LOSSES

On January 1, 2020, the Company adopted the amendments within ASU 2016-13 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Accordingly, the Company's financial results for 2020 are presented in accordance with ASC 326 while prior period amounts have not been adjusted and continue to be reported in accordance with legacy GAAP. For a detailed discussion of the impact of adoption of ASU 2016-13 and information related to loans and credit quality, including accounting policies and methodologies used to estimate the allowance for credit losses on loans, see "Note 1. Summary of Significant Accounting Policies."

The Company's primary portfolio segments have changed to align with the methodology applied in estimating the allowance for credit losses under CECL. In addition, as the concept of impaired loans does not exist under CECL, disclosures that related solely to impaired loans have been removed.

The composition of the Company's held for investment loan portfolio is as follows:

	December 31, 2020
	(in millions)
Warehouse lending	**$ 4,340.2**
Municipal & nonprofit	**1,728.8**
Tech & Innovation	**2,548.3**
Other commercial and industrial	**5,911.2**
CRE - owner occupied	**1,909.3**
Hotel Franchise Finance	**1,983.9**
Other CRE - non-owned occupied	**3,640.2**
Residential	**2,378.5**
Construction and land development	**2,429.4**
Other	**183.2**
Total loans HFI	**27,053.0**
Allowance for credit losses	**(278.9)**
Total loans HFI, net of allowance	**$ 26,774.1**

	December 31, 2019
	(in millions)
Commercial and industrial	$ 9,382.0
Commercial real estate - non-owner occupied	5,245.6
Commercial real estate - owner occupied	2,316.9
Construction and land development	1,952.2
Residential real estate	2,147.7
Consumer	57.1
Loans, net of deferred loan fees and costs	21,101.5
Allowance for credit losses	(167.8)
Total loans HFI	$ 20,933.7

Loans that are held for investment are stated at the amount of unpaid principal, adjusted for net deferred fees and costs, premiums and discounts on acquired and purchased loans, and an allowance for credit losses. Net deferred loan fees of $75.4 million and $47.7 million reduced the carrying value of loans as of December 31, 2020 and 2019, respectively. Net unamortized purchase premiums on acquired and purchased loans of $26.0 million and $19.6 million increased the carrying value of loans as of December 31, 2020 and 2019, respectively.

As of December 31, 2019, the Company also had $21.8 million of HFS loans.

Nonaccrual and Past Due Loans

Loans are placed on nonaccrual status when management determines that the full repayment of principal and collection of interest according to contractual terms is no longer likely, generally when the loan becomes 90 days or more past due.

The following tables present nonperforming loan balances by loan portfolio segment:

	December 31, 2020			
	Nonaccrual with No Allowance for Credit Loss	Nonaccrual with an Allowance for Credit Loss	Total Nonaccrual	Loans Past Due 90 Days or More and Still Accruing
	(in millions)			
Warehouse lending	$ —	$ —	$ —	$ —
Municipal & nonprofit	**1.9**	—	**1.9**	—
Tech & Innovation	**9.6**	**3.9**	**13.5**	—
Other commercial and industrial	**10.9**	**6.3**	**17.2**	—
CRE - owner occupied	**34.5**	—	**34.5**	—
Hotel Franchise Finance	—	—	—	—
Other CRE - non-owned occupied	**36.5**	—	**36.5**	—
Residential	**11.4**	—	**11.4**	—
Construction and land development	—	—	—	—
Other	**0.1**	**0.1**	**0.2**	—
Total	**$ 104.9**	**$ 10.3**	**$ 115.2**	**$ —**

	December 31, 2019			
	Non-accrual loans			Loans past due 90 days or more and still accruing
	Current	Past Due/ Delinquent	Total Non-accrual	
	(in millions)			
Commercial and industrial	$ 19.1	$ 5.4	$ 24.5	$ —
Commercial real estate				
Owner occupied	4.4	0.1	4.5	—
Non-owner occupied	7.3	11.9	19.2	—
Multi-family	—	—	—	—
Construction and land development				
Construction	2.2	—	2.2	—
Land	—	—	—	—
Residential real estate	1.2	4.4	5.6	—
Consumer	—	—	—	—
Total	$ 34.2	$ 21.8	$ 56.0	$ —

The reduction in interest income associated with loans on nonaccrual status was approximately $5.0 million, $2.2 million, and $2.3 million for the years ended December 31, 2020, 2019, and 2018, respectively.

The following table presents an aging analysis of past due loans by loan portfolio segment:

	December 31, 2020					
	Current	**30-59 Days Past Due**	**60-89 Days Past Due**	**Over 90 days Past Due**	**Total Past Due**	**Total**
	(in millions)					
Warehouse lending	**$ 4,340.2**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 4,340.2**
Municipal & nonprofit	**1,728.8**	**—**	**—**	**—**	**—**	**1,728.8**
Tech & Innovation	**2,548.3**	**—**	**—**	**—**	**—**	**2,548.3**
Other commercial and industrial	**5,911.0**	**0.2**	**—**	**—**	**0.2**	**5,911.2**
CRE - owner occupied	**1,909.3**	**—**	**—**	**—**	**—**	**1,909.3**
Hotel Franchise Finance	**1,983.9**	**—**	**—**	**—**	**—**	**1,983.9**
Other CRE - non-owned occupied	**3,640.2**	**—**	**—**	**—**	**—**	**3,640.2**
Residential	**2,368.0**	**9.1**	**1.4**	**—**	**10.5**	**2,378.5**
Construction and land development	**2,429.4**	**—**	**—**	**—**	**—**	**2,429.4**
Other	**182.7**	**0.4**	**0.1**	**—**	**0.5**	**183.2**
Total loans	**$ 27,041.8**	**$ 9.7**	**$ 1.5**	**$ —**	**$ 11.2**	**$ 27,053.0**

	December 31, 2019					
	Current	30-59 Days Past Due	60-89 Days Past Due	Over 90 days Past Due	Total Past Due	Total
	(in millions)					
Commercial and industrial	$ 9,376.3	$ 2.5	$ 0.7	$ 2.5	$ 5.7	$ 9,382.0
Commercial real estate						
Owner occupied	2,316.2	0.6	—	0.1	0.7	2,316.9
Non-owner occupied	5,007.6	4.7	—	11.9	16.6	5,024.2
Multi-family	221.4	—	—	—	—	221.4
Construction and land development						
Construction	1,177.0	—	—	—	—	1,177.0
Land	775.2	—	—	—	—	775.2
Residential real estate	2,134.4	7.6	1.7	4.0	13.3	2,147.7
Consumer	57.1	—	—	—	—	57.1
Total loans	$ 21,065.2	$ 15.4	$ 2.4	$ 18.5	$ 36.3	$ 21,101.5

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually to classify the loans as to credit risk. This analysis is performed on a quarterly basis. The risk rating categories are described in "Note 1. Summary of Significant Accounting Policies." The following tables present risk ratings as of December 31, 2020 by loan portfolio segment:

	Term Loan Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	
December 31, 2020	**2020**	**2019**	**2018**	**2017**	**2016**	**Prior**		**Total**
				(in millions)				
Warehouse lending								
Pass	$ 135.2	$ —	$ 0.9	$ 1.6	$ 0.1	$ —	$ 4,202.4	$ 4,340.2
Special mention	—	—	—	—	—	—	—	—
Classified	—	—	—	—	—	—	—	—
Total	**$ 135.2**	**$ —**	**$ 0.9**	**$ 1.6**	**$ 0.1**	**$ —**	**$ 4,202.4**	**$ 4,340.2**
Municipal & nonprofit								
Pass	$ 219.3	$ 156.6	$ 81.6	$ 231.2	$ 129.1	$ 905.6	$ 3.5	$ 1,726.9
Special mention	—	—	—	—	—	—	—	—
Classified	—	—	—	1.9	—	—	—	1.9
Total	**$ 219.3**	**$ 156.6**	**$ 81.6**	**$ 233.1**	**$ 129.1**	**$ 905.6**	**$ 3.5**	**$ 1,728.8**
Tech & Innovation								
Pass	$ 609.7	$ 207.4	$ 76.9	$ 2.0	$ 0.9	$ —	$ 1,608.8	$ 2,505.7
Special mention	10.7	4.6	—	—	—	—	—	15.3
Classified	25.2	2.0	—	—	—	—	0.1	27.3
Total	**$ 645.6**	**$ 214.0**	**$ 76.9**	**$ 2.0**	**$ 0.9**	**$ —**	**$ 1,608.9**	**$ 2,548.3**
Other commercial and industrial								
Pass	$ 2,069.5	$ 819.8	$ 447.7	$ 250.7	$ 99.7	$ 114.6	$ 1,935.7	$ 5,737.7
Special mention	2.2	52.1	32.1	22.1	1.7	0.2	34.3	144.7
Classified	0.9	8.4	3.2	1.6	9.7	0.8	4.2	28.8
Total	**$ 2,072.6**	**$ 880.3**	**$ 483.0**	**$ 274.4**	**$ 111.1**	**$ 115.6**	**$ 1,974.2**	**$ 5,911.2**
CRE - owner occupied								
Pass	$ 252.2	$ 307.1	$ 302.1	$ 402.4	$ 148.4	$ 323.5	$ 39.5	$ 1,775.2
Special mention	0.9	12.4	9.3	24.3	4.4	10.5	22.4	84.2
Classified	1.4	7.5	4.8	8.5	6.2	19.5	2.0	49.9
Total	**$ 254.5**	**$ 327.0**	**$ 316.2**	**$ 435.2**	**$ 159.0**	**$ 353.5**	**$ 63.9**	**$ 1,909.3**
Hotel Franchise Finance								
Pass	$ 161.6	$ 792.0	$ 464.1	$ 139.9	$ —	$ 101.5	$ 162.6	$ 1,821.7
Special mention	—	32.7	56.9	27.3	—	18.2	—	135.1
Classified	8.9	—	—	12.6	2.1	3.5	—	27.1
Total	**$ 170.5**	**$ 824.7**	**$ 521.0**	**$ 179.8**	**$ 2.1**	**$ 123.2**	**$ 162.6**	**$ 1,983.9**
Other CRE - non-owned occupied								
Pass	$ 1,032.6	$ 912.5	$ 560.8	$ 384.3	$ 164.7	$ 208.4	$ 281.0	$ 3,544.3
Special mention	1.4	—	7.0	5.4	1.0	7.4	—	22.2
Classified	7.4	26.4	—	20.3	6.5	13.1	—	73.7
Total	**$ 1,041.4**	**$ 938.9**	**$ 567.8**	**$ 410.0**	**$ 172.2**	**$ 228.9**	**$ 281.0**	**$ 3,640.2**
Residential								
Pass	$ 759.5	$ 869.3	$ 402.0	$ 108.9	$ 113.8	$ 74.1	$ 39.5	$ 2,367.1
Special mention	—	—	—	—	—	—	—	—
Classified	—	4.4	5.9	1.1	—	—	—	11.4
Total	**$ 759.5**	**$ 873.7**	**$ 407.9**	**$ 110.0**	**$ 113.8**	**$ 74.1**	**$ 39.5**	**$ 2,378.5**

December 31, 2020	Term Loan Amortized Cost Basis by Origination Year 2020	2019	2018	2017	2016	Prior	Revolving Loans Amortized Cost Basis	Total
	(in millions)							
Construction and land development								
Pass	$ 677.8	$ 704.2	$ 429.6	$ 15.4	$ 1.2	$ 15.0	$ 537.4	$ 2,380.6
Special mention	8.5	0.4	38.0	—	—	—	0.4	47.3
Classified	—	—	1.5	—	—	—	—	1.5
Total	$ 686.3	$ 704.6	$ 469.1	$ 15.4	$ 1.2	$ 15.0	$ 537.8	$ 2,429.4
Other								
Pass	$ 21.1	$ 15.6	$ 14.5	$ 5.8	$ 1.8	$ 75.8	$ 45.7	$ 180.3
Special mention	—	—	0.1	1.7	—	0.5	—	2.3
Classified	—	0.1	0.2	—	0.1	0.2	—	0.6
Total	$ 21.1	$ 15.7	$ 14.8	$ 7.5	$ 1.9	$ 76.5	$ 45.7	$ 183.2
Total by Risk Category								
Pass	$ 5,938.5	$ 4,784.5	$ 2,780.2	$ 1,542.2	$ 659.7	$ 1,818.5	$ 8,856.1	$ 26,379.7
Special mention	23.7	102.2	143.4	80.8	7.1	36.8	57.1	451.1
Classified	43.8	48.8	15.6	46.0	24.6	37.1	6.3	222.2
Total	$ 6,006.0	$ 4,935.5	$ 2,939.2	$ 1,669.0	$ 691.4	$ 1,892.4	$ 8,919.5	$ 27,053.0

	December 31, 2019 Pass	Special Mention	Substandard	Doubtful	Loss	Total
	(in millions)					
Commercial and industrial	$ 9,265.8	$ 65.9	$ 49.9	$ 0.4	$ —	$ 9,382.0
Commercial real estate						
Owner occupied	2,265.5	9.6	41.8	—	—	2,316.9
Non-owner occupied	4,913.0	64.2	47.0	—	—	5,024.2
Multi-family	221.4	—	—	—	—	221.4
Construction and land development						
Construction	1,157.3	17.6	2.1	—	—	1,177.0
Land	773.8	1.4	—	—	—	775.2
Residential real estate	2,141.3	0.4	6.0	—	—	2,147.7
Consumer	57.1	—	—	—	—	57.1
Total	$ 20,795.2	$ 159.1	$ 146.8	$ 0.4	$ —	$ 21,101.5

	December 31, 2019 Pass	Special Mention	Substandard	Doubtful	Loss	Total
	(in millions)					
Current (up to 29 days past due)	$ 20,785.1	$ 159.0	$ 120.9	$ 0.2	$ —	$ 21,065.2
Past due 30 - 59 days	8.2	0.1	7.1	—	—	15.4
Past due 60 - 89 days	1.5	—	0.9	—	—	2.4
Past due 90 days or more	0.4	—	17.9	0.2	—	18.5
Total	$ 20,795.2	$ 159.1	$ 146.8	$ 0.4	$ —	$ 21,101.5

Troubled Debt Restructurings

A TDR loan is a loan on which the Company, for reasons related to a borrower's financial difficulties, grants a concession to the borrower that the Company would not otherwise consider. The loan terms that have been modified or restructured due to a borrower's financial situation include, but are not limited to, a reduction in the stated interest rate, an extension of the maturity or renewal of the loan at an interest rate below current market, a reduction in the face amount of the debt, a reduction in the accrued interest, or deferral of interest payments. The majority of the Company's modifications are extensions in terms or deferral of payments which result in no lost principal or interest followed by reductions in interest rates or accrued interest. Consistent with regulatory guidance, a TDR loan that is subsequently modified in another restructuring agreement but has shown sustained performance and classification as a TDR, will be removed from TDR status provided that the modified terms were market-based at the time of modification.

As of December 31, 2020, the Company's TDR loans totaled $61.6 million. During the year ended December 31, 2020, the Company had 17 new TDR loans with a recorded investment of $37.3 million. No principal amounts were forgiven and there were no waived fees or other expenses resulting from these TDR loans. The Company has an allowance of $2.7 million allocated to these loans as of December 31, 2020 and has committed to lend additional amounts totaling $0.6 million.

The following table presents TDR loans for the periods presented:

	December 31, 2020	
	Number of Loans	Recorded Investment
	(dollars in millions)	
Tech & Innovation	**4**	**$ 20.4**
Other commercial and industrial	**9**	**22.9**
CRE - owner occupied	**4**	**2.6**
Hotel Franchise Finance	**2**	**5.5**
Other CRE - non-owned occupied	**3**	**10.2**
Total	**22**	**$ 61.6**

During the year ended December 31, 2019, the Company had nine new TDR loans with a recorded investment of $42.0 million. No principal amounts were forgiven and there were no waived fees or other expenses resulting from these TDR loans. As of December 31, 2019, commitments outstanding on TDR loans totaled $0.2 million.

A TDR loan is deemed to have a payment default when it becomes past due 90 days under the modified terms, goes on nonaccrual status, or is restructured again. Payment defaults, along with other qualitative indicators, are considered by management in the determination of the allowance for credit losses. During the year ended December 31, 2020, there were three loans, two CRE owner occupied and one CRE non-owner occupied, with a recorded investment of $5.8 million for which there was a payment default within 12 months following the modification. There was no increase to the allowance for credit losses or a writeoff that resulted from these TDR redefaults during the year ended December 31, 2020. During the year ended December 31, 2019, there were two TDR loans with a recorded investment of $0.4 million for which there was a payment default.

The CARES Act, signed into law on March 27, 2020, permits financial institutions to suspend requirements under GAAP for loan modifications to borrowers affected by COVID-19 that would otherwise be characterized as TDRs and suspend any determination related thereto if (i) the loan modification is made between March 1, 2020 and the earlier of December 31, 2020 or 60 days after the end of the coronavirus emergency declaration and (ii) the applicable loan was not more than 30 days past due as of December 31, 2019. In addition, federal bank regulatory authorities have issued guidance to encourage financial institutions to make loan modifications for borrowers affected by COVID-19 and have assured financial institutions that they will neither receive supervisory criticism for such prudent loan modifications, nor be required by examiners to automatically categorize COVID-19-related loan modifications as TDRs. The Company is applying this guidance to qualifying loan modifications. The types of loan modifications granted to borrowers include extensions of loan maturity dates, covenant waivers, interest only payments for a specified period of time, and loan payment deferrals. As of December 31, 2020, the Company has outstanding modifications meeting these conditions on loans with a net balance of $538.3 million as of December 31, 2020, of which, modifications involving loan payment deferrals total $190.0 million. Further, residential mortgage loans in forbearance have a net balance of $77.1 million as of December 31, 2020.

The terms of certain other loans were modified during the year ended December 31, 2020 that did not meet the definition of a TDR. The modification of these loans involved either a modification of the terms of a loan to borrowers who were not experiencing financial difficulties prior to the pandemic or a delay in a payment that was considered to be insignificant.

Collateral-Dependent Loans

The following table presents the amortized cost basis of collateral-dependent loans as of December 31, 2020:

	December 31, 2020		
	Real Estate Collateral	Other Collateral	Total
		(in millions)	
Warehouse lending	$ —	$ —	$ —
Municipal & nonprofit	—	—	—
Tech & Innovation	—	27.3	27.3
Other commercial and industrial	—	23.6	23.6
CRE - owner occupied	42.6	—	42.6
Hotel Franchise Finance	27.1	—	27.1
Other CRE - non-owned occupied	73.7	—	73.7
Residential	—	—	—
Construction and land development	1.5	—	1.5
Other	—	0.4	0.4
Total	$ 144.9	$ 51.3	$ 196.2

The Company did not identify any significant changes in the extent to which collateral secures its collateral dependent loans, whether because of a general deterioration or some other reason during the period ended December 31, 2020.

Allowance for Credit Losses

Management considers the level of allowance for credit losses to be a reasonable and supportable estimate of expected credit losses inherent within the Company's loans held for investment portfolio as of December 31, 2020.

The below tables reflect the activity in the allowance for credit losses for loans held for investment by loan portfolio segment:

	Year Ended December 31, 2020				
	Balance, January 1, 2020 (1)	**Provision for (Reversal of) Credit Losses**	**Writeoffs**	**Recoveries**	**Balance, December 31, 2020 (1)**
	(in millions)				
Warehouse lending	**$ 0.2**	**$ 3.2**	**$ —**	**$ —**	**$ 3.4**
Municipal & nonprofit	**17.4**	**(1.5)**	**—**	**—**	**15.9**
Tech & Innovation	**22.4**	**24.0**	**11.1**	**—**	**35.3**
Other commercial and industrial	**95.8**	**1.8**	**6.4**	**(3.5)**	**94.7**
CRE - owner occupied	**10.4**	**8.3**	**0.2**	**(0.1)**	**18.6**
Hotel Franchise Finance	**14.1**	**29.2**	**—**	**—**	**43.3**
Other CRE - non-owned occupied	**10.5**	**29.8**	**2.1**	**(1.7)**	**39.9**
Residential	**3.8**	**(3.1)**	**0.3**	**(0.4)**	**0.8**
Construction and land development	**6.2**	**15.7**	**—**	**(0.1)**	**22.0**
Other	**6.1**	**(0.9)**	**0.3**	**(0.1)**	**5.0**
Total	**$ 186.9**	**$ 106.5**	**$ 20.4**	**$ (5.9)**	**$ 278.9**

(1) Includes an estimate of future recoveries.

Accrued interest receivable on loans totaled $142.1 million at December 31, 2020 and is excluded from the estimate of credit losses.

	Year Ended December 31, 2019				
	December 31, 2018	Charge-offs	Recoveries	Provision for (Reversal of) Credit Losses	December 31, 2019
	(in millions)				
Construction and land development	$ 22.5	$ 0.1	$ (0.1)	$ 1.4	$ 23.9
Commercial real estate	34.8	0.1	(0.9)	11.7	47.3
Residential real estate	11.3	0.6	(0.4)	2.6	13.7
Commercial and industrial	83.1	8.1	(4.3)	3.0	82.3
Consumer	1.0	0.1	—	(0.3)	0.6
Total	$ 152.7	$ 9.0	$ (5.7)	$ 18.4	$ 167.8

In addition to the allowance for credit losses on funded loan balances, the Company maintains a separate allowance for credit losses related to off-balance sheet credit exposures, including unfunded loan commitments, and this amount is included in other liabilities on the consolidated balance sheets.

The below tables reflect the activity in the allowance for credit losses on unfunded loan commitments:

	Year Ended December 31,	
	2020	2019
	(in millions)	
Balance, beginning of period	**$ 9.0**	$ 8.2
Beginning balance adjustment from adoption of CECL	**15.1**	—
Provision for credit losses	**12.9**	0.8
Balance, end of period	**$ 37.0**	$ 9.0

The following tables disaggregate the Company's allowance for credit losses and loan balance by measurement methodology:

	December 31, 2020					
	Loans			Allowance		
	Collectively Evaluated for Credit Loss	Individually Evaluated for Credit Loss	Total	Collectively Evaluated for Credit Loss	Individually Evaluated for Credit Loss	Total
	(in millions)					
Warehouse lending	$ 4,340.2	$ —	$ 4,340.2	$ 3.4	$ —	$ 3.4
Municipal & nonprofit	1,726.9	1.9	1,728.8	15.9	—	15.9
Tech & Innovation	2,521.1	27.2	2,548.3	31.4	3.9	35.3
Other commercial and industrial	5,883.1	28.1	5,911.2	90.3	4.4	94.7
CRE - owner occupied	1,857.9	51.4	1,909.3	18.6	—	18.6
Hotel Franchise Finance	1,927.0	56.9	1,983.9	40.4	2.9	43.3
Other CRE - non-owned occupied	3,553.6	86.6	3,640.2	39.9	—	39.9
Residential	2,367.1	11.4	2,378.5	0.8	—	0.8
Construction and land development	2,427.9	1.5	2,429.4	22.0	—	22.0
Other	182.6	0.6	183.2	5.0	—	5.0
Total	$ 26,787.4	$ 265.6	$ 27,053.0	$ 267.7	$ 11.2	$ 278.9

	Commercial Real Estate-Owner Occupied	Commercial Real Estate-Non-Owner Occupied	Commercial and Industrial	Residential Real Estate	Construction and Land Development	Consumer	Total Loans
				(in millions)			
Loans as of December 31, 2019:							
Recorded Investment							
Impaired loans with an allowance recorded	$ —	$ 11.9	$ 6.9	$ —	$ 2.2	$ —	$ 21.0
Impaired loans with no allowance recorded	17.7	23.6	42.1	5.6	6.3	—	95.3
Total loans individually evaluated for impairment	17.7	35.5	49.0	5.6	8.5	—	116.3
Loans collectively evaluated for impairment	2,296.4	5,159.9	9,333.0	2,142.1	1,943.7	57.1	20,932.2
Loans acquired with deteriorated credit quality	2.8	50.2	—	—	—	—	53.0
Total recorded investment	$ 2,316.9	$ 5,245.6	$ 9,382.0	$ 2,147.7	$ 1,952.2	$ 57.1	$ 21,101.5
Unpaid Principal Balance							
Impaired loans with an allowance recorded	$ —	$ 12.0	$ 9.8	$ —	$ 2.3	$ —	$ 24.1
Impaired loans with no allowance recorded	18.7	24.7	43.8	5.7	6.4	0.1	99.4
Total loans individually evaluated for impairment	18.7	36.7	53.6	5.7	8.7	0.1	123.5
Loans collectively evaluated for impairment	2,297.1	5,177.5	9,312.1	2,113.9	1,963.1	57.4	20,921.1
Loans acquired with deteriorated credit quality	3.6	60.2	—	0.1	—	—	63.9
Total unpaid principal balance	$ 2,319.4	$ 5,274.4	$ 9,365.7	$ 2,119.7	$ 1,971.8	$ 57.5	$ 21,108.5
Related Allowance for Credit Losses							
Impaired loans with an allowance recorded	$ —	$ 1.2	$ 1.1	$ —	$ 0.5	$ —	$ 2.8
Impaired loans with no allowance recorded	—	—	—	—	—	—	—
Total loans individually evaluated for impairment	—	1.2	1.1	—	0.5	—	2.8
Loans collectively evaluated for impairment	13.8	32.1	81.3	13.7	23.4	0.6	164.9
Loans acquired with deteriorated credit quality	—	0.1	—	—	—	—	0.1
Total allowance for credit losses	$ 13.8	$ 33.4	$ 82.4	$ 13.7	$ 23.9	$ 0.6	$ 167.8

Loan Purchases and Sales

The following tables present loan purchases by portfolio segment:

	Year Ended December 31, 2020
	(in millions)
Warehouse lending	**$ 99.4**
Municipal & nonprofit	**50.6**
Tech & Innovation	**808.5**
Other commercial and industrial	**382.4**
Other CRE - non-owned occupied	**44.0**
Residential	**1,317.5**
Other	**6.0**
Total	**$ 2,708.4**

There were no loans purchased with more-than-insignificant deterioration in credit quality during the year ended December 31, 2020.

	Year Ended December 31,	
	2019	2018
	(in millions)	
Commercial and industrial	$ 1,014.9	$ 690.1
Commercial real estate - non-owner occupied	49.2	—
Construction and land development	34.5	27.5
Residential real estate	1,434.8	883.2
Total	$ 2,533.4	$ 1,600.8

The following table presents loan sales:

	Year Ended December 31,		
	2020	2019	2018
	(in millions)		
Carrying value	**$ 77.3**	$ 99.0	$ 66.5
Gain on sale	**1.7**	0.7	2.6

4. PREMISES AND EQUIPMENT

The following is a summary of the major categories of premises and equipment:

	December 31,	
	2020	2019
	(in millions)	
Bank premises	**$ 92.0**	$ 91.6
Land and improvements	**33.0**	32.9
Furniture, fixtures, and equipment	**68.2**	53.6
Leasehold improvements	**29.7**	28.5
Construction in progress	**17.4**	10.4
Total	**240.3**	217.0
Accumulated depreciation and amortization	**(106.2)**	(91.2)
Premises and equipment, net	**$ 134.1**	$ 125.8

5. LEASES

The Company has operating leases under which it leases its branch offices, corporate headquarters, other offices, and data facility centers. As of December 31, 2020, the Company's operating lease ROU asset and operating lease liability totaled $72.5 million and $79.9 million, respectively. A weighted average discount rate of 2.80% was used in the measurement of the ROU asset and lease liability as of December 31, 2020.

The Company's leases have remaining lease terms of one to 10 years, with a weighted average lease term of 7.7 years at December 31, 2020. Some leases include multiple five-year renewal options. The Company’s decision to exercise these renewal options is based on an assessment of its current business needs and market factors at the time of the renewal. Currently, the Company has no leases for which the option to renew is reasonably certain and therefore, options to renew were not factored into the calculation of its ROU asset and lease liability as of December 31, 2020.

The following is a schedule of the Company's operating lease liabilities by contractual maturity as of December 31, 2020:

	(in millions)
2021	**$ 12.5**
2022	**11.3**
2023	**12.0**
2024	**11.1**
2025	**10.6**
Thereafter	**32.3**
Total lease payments	**$ 89.8**
Less: imputed interest	**9.9**
Total present value of lease liabilities	**$ 79.9**

The Company also has additional operating leases for increased space at its corporate headquarters and another office location that have not yet commenced as of December 31, 2020. The aggregate future commitment related to the additional leases total $13.3 million. These operating leases will commence within the next 12 months and will have lease terms between six and ten years.

Total operating lease costs of $14.0 million and other lease costs of $3.9 million, which include common area maintenance, parking, and taxes during the year ended December 31, 2020, were included as part of occupancy expense. Short-term lease costs were not material for the year ended December 31, 2020. For the years ended December 31, 2019 and 2018, rent expense associated with the Company's operating leases totaled $12.9 million and $11.0 million, respectively.

The below table shows the supplemental cash flow information related to the Company's operating leases for the year ended December 31, 2020:

	(in millions)
Cash paid for amounts included in the measurement of operating lease liabilities	$ 13.0
Right-of-use assets obtained in exchange for new operating lease liabilities	11.8

6. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the excess consideration paid for net assets acquired in a business combination over their fair value. Goodwill and other intangible assets acquired in a business combination that are determined to have an indefinite useful life are not subject to amortization, but are subsequently evaluated for impairment at least annually. The Company has goodwill of $289.9 million as of December 31, 2020.

The Company performs its annual goodwill and intangibles impairment tests as of October 1 each year, or more often if events or circumstances indicate that the carrying value may not be recoverable. While the Company's stock price has experienced volatility and periodic declines in value during the pandemic, management did not consider this decline to be a triggering event that would indicate that an interim goodwill impairment test was necessary during 2020. Based on the Company's annual goodwill and intangibles impairment tests as of October 1 during the years ended December 31, 2020, 2019, and 2018, it was determined that goodwill and intangible assets are not impaired.

The following is a summary of the Company's acquired intangible assets:

	December 31, 2020			December 31, 2019		
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Amount**	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(in millions)					
Subject to amortization						
Core deposit intangibles	**$ 14.6**	**$ 8.8**	**$ 5.8**	$ 14.6	$ 7.3	$ 7.3
Customer relationship intangibles	**2.5**	**0.1**	**2.4**	—	—	—
	$ 17.1	**$ 8.9**	**$ 8.2**	$ 14.6	$ 7.3	$ 7.3

	December 31, 2020			December 31, 2019		
	Gross Carrying Amount	**Impairment**	**Net Carrying Amount**	Gross Carrying Amount	Impairment	Net Carrying Amount
	(in millions)					
Not subject to amortization						
Trade name	**$ 0.4**	**$ —**	**$ 0.4**	$ 0.4	$ —	$ 0.4

As of December 31, 2020, the Company's core deposit and customer relationship intangible assets had a weighted average estimated useful life of 4.6 years. The Company's core deposit intangible assets consist of those acquired in the acquisition of Bridge and are being amortized using an accelerated amortization method over a period of 10 years. The Company's customer relationship intangible assets relates to the purchase of a residential mortgage conduit platform during 2020 that is being amortized on a straight-line basis over a period of five years. Amortization expense recognized on amortizable intangibles totaled $1.6 million for each of the years ended December 31, 2020, 2019, and 2018.

Below is a summary of future estimated aggregate amortization expense:

	December 31, 2020
	(in millions)
2021	$ 1.9
2022	1.9
2023	1.8
2024	1.7
2025	0.9
Total	$ 8.2

7. DEPOSITS

The table below summarizes deposits by type:

	December 31,	
	2020	2019
	(in millions)	
Non-interest-bearing demand deposits	**$ 13,463.3**	$ 8,537.9
Interest-bearing transaction accounts	**4,396.4**	2,760.9
Savings and money market accounts	**12,413.4**	9,120.8
Time certificates of deposit ($250,000 or more)	**602.0**	1,426.1
Other time deposits	**1,055.4**	950.8
Total deposits	**$ 31,930.5**	$ 22,796.5

The summary of the contractual maturities for all time deposits as of December 31, 2020 is as follows:

	December 31,
	(in millions)
2021	**$ 1,515.8**
2022	**131.8**
2023	**6.5**
2024	**2.4**
2025	**0.9**
Total	**$ 1,657.4**

WAB is a participant in the Promontory Interfinancial Network, a network that offers deposit placement services such as CDARS and ICS, which offer products that qualify large deposits for FDIC insurance. Federal banking law and regulation places restrictions on depository institutions regarding brokered deposits because of the general concern that these deposits are not relationship-based and are at a greater risk of being withdrawn, thus posing liquidity risk for institutions that gather brokered deposits in significant amounts. At December 31, 2020 and 2019, the Company had $496.4 million and $407.7 million, respectively, of reciprocal CDARS deposits and $1.3 billion and $661.8 million, respectively, of ICS deposits. At December 31, 2020 and 2019, the Company had $554.8 million and $1.1 billion, respectively, of wholesale brokered deposits. In addition, non-interest-bearing deposits for which the Company provides account holders with earnings credits or referral fees totaled $5.9 billion and $3.1 billion at December 31, 2020 and 2019, respectively. The Company incurred $17.0 million and $30.5 million in deposit related costs on these deposits during the years ended December 31, 2020 and 2019, respectively.

8. OTHER BORROWINGS

The following table summarizes the Company’s borrowings as of December 31, 2020 and 2019:

	December 31,	
	2020	2019
	(in millions)	
Short-Term:		
Federal funds purchased	**$ —**	$ —
FHLB advances	**5.0**	—
Total short-term borrowings	**$ 5.0**	$ —

The Company maintains federal fund lines of credit totaling $2.5 billion as of December 31, 2020, which have rates comparable to the federal funds effective rate plus 0.10% to 0.20%. As of December 31, 2020, and 2019 there were no outstanding balances on the Company's federal fund lines of credit.

The Company also maintains secured lines of credit with the FHLB and the FRB. The Company’s borrowing capacity is determined based on collateral pledged, generally consisting of investment securities and loans, at the time of the borrowing. The Company has a PPP lending facility with the FRB that allows the Company to pledge loans originated under the PPP in return for dollar for dollar funding from the FRB, which would provide up to $1.5 billion in additional credit. The amount of available credit under the PPP lending facility will decline each period as these loans are paid down. At December 31, 2020, the Company had no amounts outstanding under its line of credit or its PPP lending facility with the FRB and had $5.0 million in borrowings under its lines of credit with the FHLB. As of December 31, 2020 and 2019, the Company had additional available credit with the FHLB of approximately $4.0 billion and $4.5 billion, respectively, and with the FRB of approximately $2.7 billion and $1.1 billion, respectively.

Other short-term borrowing sources available to the Company include customer repurchase agreements, which totaled $16.0 million and $16.7 million as of December 31, 2020 and 2019, respectively. The weighted average rate on customer repurchase agreements was 0.15% as of December 31, 2020 and 2019, respectively.

9. QUALIFYING DEBT

Subordinated Debt

The Company's subordinated debt consists of three separate issuances. The Parent issued $175.0 million of subordinated debentures in June 2016, which were recorded net of issuance costs of $5.5 million, and mature July 1, 2056. Beginning on or after July 1, 2021, the Company may redeem the debentures, in whole or in part, at their principal amount plus any accrued and unpaid interest. The debentures have a fixed interest rate of 6.25% per annum.

In June 2015, WAB issued $150.0 million of subordinated debt, which was recorded net of debt issuance costs of $1.8 million, and matures July 15, 2025. The subordinated debt is currently redeemable by WAB, in whole or in part, for a price equal to the principal amount plus accrued and unpaid interest. The subordinated debt had a fixed interest rate of 5.00% through June 30, 2020, which then converted to a variable rate of 3.20% plus three-month LIBOR through maturity. On October 15, 2020, WAB redeemed $75 million of this subordinated debt issuance.

In May 2020, WAB issued $225.0 million of subordinated debt, which was recorded net of debt issuance costs of $3.1 million, and matures June 1, 2030. The subordinated debt is redeemable by WAB, in whole or in part, on or after June 1, 2025 and on every interest payment date thereafter, at a redemption price equal to the principal amount plus accrued and unpaid interest. The subordinated debt has a fixed interest rate of 5.25% through June 1, 2025 and then converts to a floating rate per annum equal to the three-month SOFR plus 512 basis points for each quarterly interest period during the floating rate period.

To hedge the interest rate risk on the Company's 2015 and 2016 subordinated debt issuances, the Company entered into fair value interest rate hedges with receive fixed/pay variable swaps.

The carrying value of all subordinated debt issuances, which includes the fair value of the related hedges, totals $469.8 million and $319.2 million at December 31, 2020 and 2019, respectively.

Junior Subordinated Debt

The Company has formed or acquired through acquisition eight statutory business trusts, which exist for the exclusive purpose of issuing Cumulative Trust Preferred Securities.

The Company's junior subordinated debt has contractual balances and maturity dates as follows:

Name of Trust	Maturity	December 31, 2020	December 31, 2019
		(in millions)	
At fair value			
BankWest Nevada Capital Trust II	2033	**$ 15.5**	$ 15.5
Intermountain First Statutory Trust I	2034	**10.3**	10.3
First Independent Statutory Trust I	2035	**7.2**	7.2
WAL Trust No. 1	2036	**20.6**	20.6
WAL Statutory Trust No. 2	2037	**5.2**	5.2
WAL Statutory Trust No. 3	2037	**7.7**	7.7
Total contractual balance		**66.5**	66.5
FVO on junior subordinated debt		**(0.6)**	(4.8)
Junior subordinated debt, at fair value		**$ 65.9**	$ 61.7
At amortized cost			
Bridge Capital Holdings Trust I	2035	**$ 12.4**	$ 12.4
Bridge Capital Holdings Trust II	2036	**5.1**	5.1
Total contractual balance		**17.5**	17.5
Purchase accounting adjustment, net of accretion (1)		**(4.5)**	(4.8)
Junior subordinated debt, at amortized cost		**$ 13.0**	$ 12.7
Total junior subordinated debt		**$ 78.9**	$ 74.4

(1) The purchase accounting adjustment is being accreted over the remaining life of the trusts, pursuant to accounting guidance.

With the exception of debt issued by Bridge Capital Trust I and Bridge Capital Trust II, junior subordinated debt is recorded at fair value at each reporting date due to the FVO election made by the Company under ASC 825. The Company did not make the FVO election for the junior subordinated debt acquired as part of the Bridge acquisition. Accordingly, the carrying value of these trusts does not reflect the current fair value of the debt and includes a fair market value adjustment established at acquisition that is being accreted over the remaining life of the trusts.

The weighted average interest rate of all junior subordinated debt as of December 31, 2020 was 2.58%, which is three-month LIBOR plus the contractual spread of 2.34%, compared to a weighted average interest rate of 4.25% at December 31, 2019.

In the event of certain changes or amendments to regulatory requirements or federal tax rules, the debt is redeemable in whole. The obligations under these instruments are fully and unconditionally guaranteed by the Company and rank subordinate and junior in right of payment to all other liabilities of the Company. Based on guidance issued by the FRB, the Company's securities continue to qualify as Tier 1 Capital.

10. STOCKHOLDERS' EQUITY

Stock-Based Compensation

Restricted Stock Awards

The Incentive Plan, as amended, gives the BOD the authority to grant up to $11.8 million in stock awards consisting of unrestricted stock, stock units, dividend equivalent rights, stock options (incentive and non-qualified), stock appreciation rights, restricted stock, and performance and annual incentive awards. The Incentive Plan limits the maximum number of shares of common stock that may be awarded to any person eligible for an award to 300,000 per calendar year and also limits the total compensation (cash and stock) that can be awarded to a non-employee director to $600,000 in any calendar year. Stock awards available for grant at December 31, 2020 were $3.4 million.

Restricted stock awards granted to employees generally vest over a 3-year period. Stock grants made to non-employee WAL directors in 2020 were fully vested on July 1, 2020. The Company estimates the compensation cost for stock grants based upon the grant date fair value. Stock compensation expense is recognized on a straight-line basis over the requisite service period for the entire award. Stock compensation expense related to restricted stock awards granted to employees are included in Salaries and employee benefits in the Consolidated Income Statement. For restricted stock awards granted to WAL directors, related stock compensation expense is included in Legal, professional, and directors' fees. For the year ended December 31, 2020, the Company recognized $20.3 million in stock-based compensation expense related to these stock grants, compared to $17.4 million in 2019, and $16.6 million in 2018.

In addition, the Company previously granted shares of restricted stock to certain members of executive management that had both performance and service conditions that affect vesting. There were no such grants made during the years ended December 31, 2020 and 2019, however expense is still being recognized for a grant made in 2017 with a four-year vesting period. For the year ended December 31, 2020, the Company recognized $1.2 million in stock-based compensation expense related to these performance-based restricted stock grants, compared to $1.9 million in 2019, and $2.5 million in 2018.

A summary of the status of the Company’s unvested shares of restricted stock and changes during the years then ended is presented below:

	December 31,			
	2020		2019	
	Shares	**Weighted Average Grant Date Fair Value**	Shares	Weighted Average Grant Date Fair Value
	(in millions, except per share amounts)			
Balance, beginning of period	**1.0**	**$ 49.98**	1.0	$ 47.53
Granted	**0.4**	**51.53**	0.5	46.04
Vested	**(0.4)**	**51.86**	(0.4)	39.60
Forfeited	**0.0**	**49.79**	(0.1)	50.80
Balance, end of period	**1.0**	**$ 50.12**	1.0	$ 49.98

The total weighted average grant date fair value of all stock awards, including the performance-based restricted stock awards, granted during the years ended December 31, 2020, 2019, and 2018 was $22.7 million, $23.7 million, and $24.7 million, respectively. The total fair value of restricted stock that vested during the years ended December 31, 2020, 2019, and 2018 was $19.6 million, $21.3 million, and $27.4 million, respectively.

As of December 31, 2020, there was $21.5 million of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the Incentive Plan. That cost is expected to be recognized over a weighted average period of 1.7 years.

Performance Stock Units

The Company grants performance stock units to members of its executive management that do not vest unless the Company achieves a specified cumulative EPS target and a TSR performance measure over a three-year performance period. The number of shares issued will vary based on the cumulative EPS target and relative TSR performance factor that is achieved. The Company estimates the cost of performance stock units based upon the grant date fair value and expected vesting percentage over the three-year performance period. For the year ended December 31, 2020, the Company recognized $7.1 million in stock-based compensation expense related to these performance stock units, compared to $6.9 million and $6.4 million in stock-based compensation expense for such units in 2019 and 2018, respectively.

The three-year performance period for the 2018 grant ended on December 31, 2020, and the Company's cumulative EPS and TSR performance measure for the performance period exceeded the level required for a maximum award under the terms of the grant. As a result, 152,418 shares will become fully vested and distributed to executive management in the first quarter of 2021.

The three-year performance period for the 2017 grant ended on December 31, 2019, and the Company's cumulative EPS and TSR performance measure for the performance period exceeded the level required for a maximum award under the terms of the grant. As a result, 136,334 shares became fully vested and was distributed to executive management in the first quarter of 2020.

Common Stock Repurchase

The Company's common stock repurchase program was renewed through December 2020, authorizing the Company to repurchase up to $250.0 million of its outstanding common stock. Effective April 17, 2020, the Company temporarily suspended its stock repurchase program. Prior to this decision and pursuant to the repurchase plan, the Company repurchased 2,066,479 shares of its common stock at a weighted average price of $34.65 for a total payment of $71.6 million. During the year ended December 31, 2019, the Company repurchased 2,822,402 shares of its common stock at a weighted average price of $42.53 for a total payment of $120.2 million.

Cash Dividend

During the year ended December 31, 2020, the Company declared and paid a quarterly cash dividend of $0.25 per share, for a total dividend payment to shareholders of $101.3 million. During the year ended December 31, 2019, the Company declared and paid two quarterly cash dividend of $0.25 per share, for a total dividend payment to shareholders of $51.3 million.

Treasury Shares

Treasury share purchases represent shares surrendered to the Company equal in value to the statutory payroll tax withholding obligations arising from the vesting of employee restricted stock awards. During the year ended December 31, 2020, the Company purchased treasury shares of 165,489 at a weighted average price of $50.80 per share, compared to 210,657 shares at a weighted average price per share of $45.80 in 2019, and 223,125 shares at a weighted average price per share of $57.88 in 2018.

11. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table summarizes the changes in accumulated other comprehensive income (loss) by component, net of tax, for the periods indicated:

	Unrealized holding gains (losses) on AFS	Unrealized holding gains (losses) on SERP	Unrealized holding gains (losses) on junior subordinated debt	Impairment loss on securities	Total
			(in millions)		
Balance, December 31, 2017	$ (10.0)	$ 0.4	$ 6.4	$ 0.1	$ (3.1)
Balance, January 1, 2018 (1)	(12.5)	0.5	7.7	0.1	(4.2)
Other comprehensive income (loss) before reclassifications	(40.8)	(0.1)	5.7	—	(35.2)
Amounts reclassified from AOCI	5.8	—	—	—	5.8
Net current-period other comprehensive income (loss)	(35.0)	(0.1)	5.7	—	(29.4)
Balance, December 31, 2018	$ (47.5)	$ 0.4	$ 13.4	$ 0.1	$ (33.6)
Other comprehensive (loss) income before reclassifications	71.2	(0.4)	(9.8)	—	61.0
Amounts reclassified from accumulated other comprehensive income	(2.3)	—	—	(0.1)	(2.4)
Net current-period other comprehensive (loss) income	68.9	(0.4)	(9.8)	(0.1)	58.6
Balance, December 31, 2019	$ 21.4	$ —	$ 3.6	$ —	$ 25.0
Other comprehensive income (loss) before reclassifications	**70.9**	**(0.3)**	**(3.1)**	**—**	**67.5**
Amounts reclassified from AOCI	**(0.2)**	—	—	—	**(0.2)**
Net current-period other comprehensive income (loss)	**70.7**	**(0.3)**	**(3.1)**	**—**	**67.3**
Balance, December 31, 2020	**$ 92.1**	**$ (0.3)**	**$ 0.5**	**$ —**	**$ 92.3**

(1) As adjusted for adoption of ASU 2016-01 and ASU 2018-02. The cumulative effect of adoption of this guidance at January 1, 2018 resulted in an increase to retained earnings of $1.1 million and a corresponding decrease to accumulated other comprehensive income.

The following table presents reclassifications out of accumulated other comprehensive income:

Income Statement Classification	Year Ended December 31, 2020	2019	2018
		(in millions)	
Gain (loss) on sales of investment securities, net	**$ 0.2**	$ 3.1	$ (7.6)
Income tax (expense) benefit	—	(0.7)	1.8
Net of tax	**$ 0.2**	$ 2.4	$ (5.8)

12. DERIVATIVES AND HEDGING ACTIVITIES

The Company is a party to various derivative instruments. Derivative instruments are contracts between two or more parties that have a notional amount and an underlying variable, require a small or no initial investment, and allow for the net settlement of positions. A derivative's notional amount serves as the basis for the payment provision of the contract and takes the form of units, such as shares or dollars. A derivative's underlying variable is a specified interest rate, security price, commodity price, foreign exchange rate, index, or other variable. The interaction between the notional amount and the underlying variable determines the number of units to be exchanged between the parties and influences the fair value of the derivative contract.

The primary type of derivatives that the Company uses are interest rate swaps. Generally, these instruments are used to help manage the Company's exposure to interest rate risk and meet client financing and hedging needs.

Derivatives are recorded at fair value on the Consolidated Balance Sheets, after taking into account the effects of bilateral collateral and master netting agreements. These agreements allow the Company to settle all derivative contracts held with the same counterparty on a net basis, and to offset net derivative positions with related cash collateral, where applicable.

As of December 31, 2020, 2019, and 2018, the Company does not have any outstanding cash flow hedges.

Derivatives Designated in Hedge Relationships

The Company utilizes derivatives that have been designated as part of a hedge relationship in accordance with the applicable accounting guidance to minimize the exposure to changes in benchmark interest rates and volatility of net interest income and EVE to interest rate fluctuations. The primary derivative instruments used to manage interest rate risk are interest rate swaps, which convert the contractual interest rate index of agreed-upon amounts of assets and liabilities (i.e., notional amounts) from either a fixed rate to a floating rate, or from a floating rate to a fixed rate.

The Company has entered into pay fixed/receive variable interest rate swaps designated as fair value hedges of certain fixed rate loans. As a result, the Company receives variable-rate interest payments in exchange for making fixed-rate payments over the lives of the contracts without exchanging the notional amounts.

During the year ended December 31, 2020, the Company entered into interest rate swap contracts, designated as fair value hedges using the last-of-layer method to manage the exposure to changes in fair value associated with fixed rate loans, resulting from changes in the designated benchmark interest rate (Federal Funds rate). These last-of-layer hedges provide the Company the ability to execute a fair value hedge of the interest rate risk associated with a portfolio of similar prepayable assets whereby the last dollar amount estimated to remain in the portfolio of assets is identified as the hedged item. Under these interest rate swap contracts, the Company receives a floating rate and pays a fixed rate on the outstanding notional amount.

The Company has also entered into receive fixed/pay variable interest rate swaps, designated as fair value hedges on its fixed rate 2015 and 2016 subordinated debt offerings. As a result, the Company was paying a floating rate of three-month LIBOR plus 3.16% and was receiving semi-annual fixed payments of 5.00% to match the payments on the $150.0 million subordinated debt. In July 2020, the interest payment on this subordinated debt issuance converted from a fixed rate to a floating rate, at which time, the Company unwound this swap. For the fair value hedge on the Parent's $175.0 million subordinated debentures issued on June 16, 2016, the Company is paying a floating rate of three-month LIBOR plus 3.25% and is receiving quarterly fixed payments of 6.25% to match the payments on the debt.

Derivatives Not Designated in Hedge Relationships

Management also enters into certain foreign exchange derivative contracts and back-to-back interest rate swaps which are not designated as accounting hedges. Foreign exchange derivative contracts include spot, forward, forward window, and swap contracts. The purpose of these derivative contracts is to mitigate foreign currency risk on transactions entered into, or on behalf of customers. Contracts with customers, along with the related derivative trades that the Company places, are both remeasured at fair value, and are referred to as economic hedges since they economically offset the Company's exposure. The Company's back-to-back interest rate swaps are used to manage long-term interest rate risk.

As of December 31, 2020 and 2019, the following amounts are reflected on the Consolidated Balance Sheets related to cumulative basis adjustments for fair value hedges:

	December 31, 2020		December 31, 2019	
	Carrying Value of Hedged Assets/ (Liabilities)	Cumulative Fair Value Hedging Adjustment (1)	Carrying Value of Hedged Assets/ (Liabilities)	Cumulative Fair Value Hedging Adjustment (1)
	(in millions)			
Loans - HFI, net of deferred loan fees and costs (2)	$ 1,587.1	$ 85.5	$ 578.1	$ 53.3
Qualifying debt	(247.6)	(2.7)	(319.2)	0.4

(1) Included in the carrying value of the hedged assets/(liabilities)

(2) The Company designated $1.0 billion as the hedged amount (from a closed portfolio of prepayable fixed rate loans with a carrying value of $1.9 billion as of December 31, 2020) in this last-of-layer hedging relationship, which commenced in the fourth quarter of 2020.The cumulative basis adjustment included in the carrying value of these hedged items totaled $0.6 million as of December 31, 2020.

For the Company's derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings in the same line item as the offsetting loss or gain on the related interest rate swaps. For loans, the gain or loss on the hedged item is included in interest income and for subordinated debt, the gain or loss on the hedged item is included in interest expense, as shown in the table below.

	Year Ended December 31,					
	2020		2019		2018	
Income Statement Classification	Gain/(Loss) on Swaps	Gain/(Loss) on Hedged Item	Gain/(Loss) on Swaps	Gain/(Loss) on Hedged Item	Gain/(Loss) on Swaps	Gain/(Loss) on Hedged Item
	(in millions)					
Interest income	$ (32.2)	$ 32.2	$ (30.3)	$ 30.3	$ 18.8	$ (18.8)
Interest expense	3.1	(3.1)	19.3	(19.3)	(9.7)	9.7

Fair Values, Volume of Activity, and Gain/Loss Information Related to Derivative Instruments

The following table summarizes the fair values of the Company's derivative instruments on a gross and net basis as of December 31, 2020, 2019, and 2018. The change in the notional amounts of these derivatives from December 31, 2018 to December 31, 2020 indicates the volume of the Company's derivative transaction activity during these periods. The derivative asset and liability balances are presented on a gross basis, prior to the application of bilateral collateral and master netting agreements. Total derivative assets and liabilities are adjusted to take into account the impact of legally enforceable master netting agreements that allow the Company to settle all derivative contracts with the same counterparty on a net basis and to offset the net derivative position with the related collateral. Where master netting agreements are not in effect or are not enforceable under bankruptcy laws, the Company does not adjust those derivative amounts with counterparties. The fair value of derivative contracts, after taking into account the effects of master netting agreements, is included in other assets or other liabilities on the Consolidated Balance Sheets, as indicated in the following table:

	December 31, 2020			December 31, 2019			December 31, 2018		
		Fair Value			Fair Value			Fair Value	
	Notional Amount	Derivative Assets	Derivative Liabilities	Notional Amount	Derivative Assets	Derivative Liabilities	Notional Amount	Derivative Assets	Derivative Liabilities
	(in millions)								
Derivatives designated as hedging instruments:									
Fair value hedges									
Interest rate swaps (1)	$ 1,689.9	$ 3.3	$ 86.1	$ 863.0	$ 1.8	$ 55.5	$ 965.7	$ 2.2	$ 44.9
Total	1,689.9	3.3	86.1	863.0	1.8	55.5	965.7	2.2	44.9
Netting adjustments (2)	—	0.6	0.6	—	0.0	0.0	—	2.2	2.2
Net derivatives in the balance sheet	$ 1,689.9	$ 2.7	$ 85.5	$ 863.0	$ 1.8	$ 55.5	$ 965.7	$ —	$ 42.7
Derivatives not designated as hedging instruments:									
Foreign currency contracts	$ 119.2	$ 0.7	$ 1.2	$ 6.7	$ 0.0	$ 0.0	$ 49.7	$ 0.5	$ 0.2
Interest rate swaps	3.5	0.2	0.2	2.9	0.1	0.1	2.4	0.0	0.0
Total	$ 122.7	$ 0.9	$ 1.4	$ 9.6	$ 0.1	$ 0.1	$ 52.1	$ 0.5	$ 0.2

(1) Interest rate swap amounts include a notional amount of $1.0 billion related to the last-of-layer hedges.
(2) Netting adjustments represent the amounts recorded to convert the Company's derivative balances from a gross basis to a net basis in accordance with the applicable accounting guidance.

Counterparty Credit Risk

Like other financial instruments, derivatives contain an element of credit risk. This risk is measured as the expected replacement value of the contracts. Management enters into bilateral collateral and master netting agreements that provide for the net settlement of all contracts with the same counterparty. Additionally, management monitors counterparty credit risk exposure on each contract to determine appropriate limits on the Company's total credit exposure across all product types, which may require the Company to post collateral to counterparties when these contracts are in a net liability position and conversely, for counterparties to post collateral to the Company when these contracts are in a net asset position. Management reviews the Company's collateral positions on a daily basis and exchanges collateral with counterparties in accordance with standard ISDA documentation and other related agreements. The Company generally posts or holds collateral in the form of cash deposits or highly rated securities issued by the U.S. Treasury or government-sponsored enterprises, such as GNMA, FNMA, and FHLMC. The total collateral pledged by the Company to counterparties exceeded its net derivative liabilities as of December 31, 2020, December 31, 2019, and December 31, 2018, resulting in excess collateral postings of $31.7 million, $29.2 million, and $7.6 million, respectively.

The following table summarizes the Company's largest exposure to an individual counterparty at the dates indicated:

	December 31,		
	2020	2019	2018
		(in millions)	
Largest gross exposure (derivative asset) to an individual counterparty	**$ 2.7**	$ 1.8	$ 1.4
Collateral posted by this counterparty	**—**	1.6	—
Derivative liability with this counterparty	**—**	—	23.9
Collateral pledged to this counterparty	**—**	—	25.8
Net exposure after netting adjustments and collateral	**$ 2.7**	$ 0.1	$ —

13. EARNINGS PER SHARE

Diluted EPS is based on the weighted average outstanding common shares during the period, including common stock equivalents. Basic EPS is based on the weighted average outstanding common shares during the period.

The following table presents the calculation of basic and diluted EPS:

	Year Ended December 31,		
	2020	2019	2018
		(in millions, except per share amounts)	
Weighted average shares - basic	**100.2**	102.7	104.7
Dilutive effect of stock awards	**0.3**	0.4	0.7
Weighted average shares - diluted	**100.5**	103.1	105.4
Net income	**$ 506.6**	$ 499.2	$ 435.8
Earnings per share - basic	**5.06**	4.86	4.16
Earnings per share - diluted	**5.04**	4.84	4.14

The Company had no anti-dilutive stock options outstanding as of December 31, 2020 and 2019.

14. INCOME TAXES

The provision for income taxes charged to operations consists of the following:

	Year Ended December 31,		
	2020	2019	2018
		(in millions)	
Current	**$ 141.0**	$ 110.1	$ 91.2
Deferred	**(25.1)**	(5.1)	(16.7)
Total tax provision	**$ 115.9**	$ 105.0	$ 74.5

The reconciliation between the statutory federal income tax rate and the Company's effective tax rate is summarized as follows:

	Year Ended December 31,		
	2020	2019	2018
		(in millions)	
Income tax at statutory rate	**$ 130.7**	$ 126.9	$ 107.2
Increase (decrease) resulting from:			
State income taxes, net of federal benefits	**13.9**	11.0	9.0
Tax-exempt income	**(21.7)**	(19.6)	(18.3)
Federal NOL and other carryback items	**—**	—	(15.4)
Investment tax credits	**(13.9)**	(15.0)	(6.7)
Other, net	**6.9**	1.7	(1.3)
Total tax provision	**$ 115.9**	$ 105.0	$ 74.5

For the years ended December 31, 2020, 2019, and 2018 the Company's effective tax rate was 18.62%, 17.39%, and 14.61%, respectively. The increase in the effective tax rate from 2019 to 2020 is due primarily to tax expense associated with the surrender of bank owned life insurance, no valuation allowance release in 2020, and return to provision adjustments. The increase in the effective tax rate from 2018 to 2019 is due primarily to management's decision during the third quarter of 2018 to carryback its 2017 federal NOLs.

The cumulative tax effects of the primary temporary differences are shown in the following table:

	December 31,	
	2020	2019
	(in millions)	
Deferred tax assets:		
Allowance for credit losses (1)	**$ 84.6**	$ 44.8
Lease liability	**21.1**	20.3
Stock-based compensation	**6.9**	7.4
Net operating loss carryovers	**4.8**	5.6
Insurance premiums	**18.9**	—
Passthrough income	**8.4**	3.4
Other	**21.0**	15.9
Total gross deferred tax assets	**165.7**	97.4
Deferred tax asset valuation allowance	**—**	—
Total deferred tax assets	**165.7**	97.4
Deferred tax liabilities:		
Right of use asset	**(19.2)**	(18.8)
Unrealized gain on AFS securities	**(31.2)**	(7.3)
Deferred loan costs	**(12.8)**	(10.8)
Insurance premiums	**—**	(4.5)
Unearned premiums	**(16.8)**	—
Leasing basis differences	**(11.1)**	—
Premises and equipment	**(7.6)**	(8.4)
Estimated loss reserve	**(17.5)**	(14.9)
50(d) income	**(9.8)**	(6.8)
Other	**(8.4)**	(7.9)
Total deferred tax liabilities	**(134.4)**	(79.4)
Deferred tax assets, net	**$ 31.3**	$ 18.0

(1) Upon adoption of ASU 2016-13, *Measurement of Credit Losses on Financial Instruments,* on January 1, 2020, the Company recognized an increase to the DTA of $8.7 million, resulting from an increase in the allowance for credit losses.

Deferred tax assets and liabilities are included in the Consolidated Financial Statements at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be reversed. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Net deferred tax assets increased $13.3 million to $31.3 million from December 31, 2019. This overall increase in net deferred tax assets was primarily the result of increases in the allowance for credit losses under the new CECL accounting guidance and deferred insurance premiums deduction which were not fully offset by additional unrealized gains on AFS securities and increases to unearned insurance premiums. Although realization is not assured, the Company believes that the realization of the recognized net deferred tax asset of $31.3 million at December 31, 2020 is more-likely-than-not based on expectations as to future taxable income and based on available tax planning strategies that could be implemented if necessary to prevent a carryover from expiring.

As of December 31, 2020 and 2019, the Company has no deferred tax valuation allowance.

As of December 31, 2020, the Company's gross federal NOL carryovers, all of which are subject to limitations under Section 382 of the IRC, totaled $42.9 million, for which a deferred tax asset of $4.8 million has been recorded, reflecting the expected benefit of these federal NOL carryovers remaining after application of the Section 382 limitation. The Company does not currently have any remaining state NOL carryovers. The Company files income tax returns in the U.S. federal jurisdiction and in various states. With few exceptions, the Company is no longer subject to U.S. federal, state, or local income tax examinations by tax authorities for years before 2016.

When tax returns are filed, it is highly certain that most positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the Consolidated Financial Statements in the period in which, based on all available evidence, management believes it is more-likely-than-not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits on the accompanying Consolidated Balance Sheets along with any associated interest and penalties payable to the taxing authorities upon examination.

The total gross activity of unrecognized tax benefits related to the Company's uncertain tax positions are shown in the following table:

	December 31,	
	2020	2019
	(in millions)	
Beginning balance	**$ 1.7**	$ 0.5
Gross increases		
Tax positions in prior periods	**—**	—
Current period tax positions	**2.2**	1.2
Gross decreases		
Tax positions in prior periods	**—**	—
Settlements	**(0.1)**	—
Lapse of statute of limitations	**(0.4)**	—
Ending balance	**$ 3.4**	$ 1.7

During the year ended December 31, 2020, the Company added a new current year position, which resulted in a tax detriment of $1.1 million, inclusive of interest and penalties. The Company also settled a prior period position and removed positions due to lapse of statute which resulted in net tax benefits of $0.3 million, inclusive of interest and penalties.

As of December 31, 2020 and 2019, the total amount of unrecognized tax benefits, net of associated deferred tax benefits, that would impact the effective tax rate, if recognized, is $2.1 million and $1.1 million, respectively. The Company does not anticipate that the unrecognized tax benefits will be resolved within the next 12 months.

During the years ended December 31, 2020, 2019, and 2018, the Company recognized no additional amounts for interest and penalties. As of December 31, 2020 and 2019, the Company has accrued total liabilities of less than $0.1 million for penalties, and no amounts for interest.

LIHTC and renewable energy projects

As discussed in "Note 1. Summary of Significant Accounting Policies," the Company holds ownership interests in limited partnerships and limited liability companies that invest in affordable housing and renewable energy projects. These investments are designed to generate a return primarily through the realization of federal tax credits and deductions. The limited liability entities are considered to be VIEs; however, as a limited partner, the Company is not the primary beneficiary and is not required to consolidate these entities.

At December 31, 2020, the Company’s exposure to loss as a result of its involvement in these entities was limited to $538.8 million, which reflects the Company’s recorded investment in these projects, net of certain unfunded capital commitments, and previously recorded tax credits which remain subject to recapture by taxing authorities. During the years ended December 31, 2020, 2019, and 2018, the Company did not provide financial or other support to these entities that was not contractually required.

Investments in LIHTC and renewable energy total $405.6 million and $409.4 million as of December 31, 2020 and 2019, respectively. Unfunded LIHTC and renewable energy obligations are included as part of other liabilities on the Consolidated Balance Sheet and total $151.7 million and $191.0 million as of December 31, 2020 and 2019, respectively. For the years ended December 31, 2020, 2019, and 2018, $49.2 million, $41.5 million, and $35.9 million of amortization related to LIHTC investments was recognized as a component of income tax expense, respectively.

15. COMMITMENTS AND CONTINGENCIES

Unfunded Commitments and Letters of Credit

The Company is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and letters of credit. They involve, to varying degrees, elements of credit risk in excess of amounts recognized on the Consolidated Balance Sheets.

Lines of credit are obligations to lend money to a borrower. Credit risk arises when the borrower's current financial condition may indicate less ability to pay than when the commitment was originally made. In the case of letters of credit, the risk arises from the potential failure of the customer to perform according to the terms of a contract. In such a situation, the third party might draw on the letter of credit to pay for completion of the contract and the Company would look to its customer to repay these funds with interest. To minimize the risk, the Company uses the same credit policies in making commitments and conditional obligations as it would for a loan to that customer.

Letters of credit and financial guarantees are commitments issued by the Company to guarantee the performance of a customer to a third party in borrowing arrangements. The Company generally has recourse to recover from the customer any amounts paid under the guarantees. Typically, letters of credit issued have expiration dates within one year.

A summary of the contractual amounts for unfunded commitments and letters of credit are as follows:

	December 31, 2020	December 31, 2019
	(in millions)	
Commitments to extend credit, including unsecured loan commitments of $1,077.2 at December 31, 2020 and $895.2 at December 31, 2019	**$ 9,425.2**	$ 8,348.4
Credit card commitments and financial guarantees	**291.5**	302.9
Letters of credit, including unsecured letters of credit of $9.9 at December 31, 2020 and $5.9 at December 31, 2019	**186.9**	175.8
Total	**$ 9,903.6**	$ 8,827.1

The following table represents the contractual commitments for lines and letters of credit by maturity at December 31, 2020:

	Total Amounts Committed	Amount of Commitment Expiration per Period: Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
			(in millions)		
Commitments to extend credit	**$ 9,425.2**	**$ 2,369.4**	**$ 4,070.1**	**$ 1,737.8**	**$ 1,247.9**
Credit card commitments and financial guarantees	**291.5**	**291.5**	**—**	**—**	**—**
Letters of credit	**186.9**	**145.3**	**32.9**	**8.7**	**—**
Total	**$ 9,903.6**	**$ 2,806.2**	**$ 4,103.0**	**$ 1,746.5**	**$ 1,247.9**

Commitments to extend credit are agreements to lend to a customer provided that there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Company enters into credit arrangements that generally provide for the termination of advances in the event of a covenant violation or other event of default. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer’s creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management’s credit evaluation of the party. The commitments are collateralized by the same types of assets used as loan collateral.

The Company has exposure to credit losses from unfunded commitments and letters of credit. As funds have not been disbursed on these commitments, they are not reported as loans outstanding. Credit losses related to these commitments are included in other liabilities as a separate loss contingency and are not included in the allowance for credit losses reported in "Note 3. Loans, Leases and Allowance for Credit Losses" of these Consolidated Financial Statements. This loss contingency for unfunded loan commitments and letters of credit was $37.0 million and $9.0 million as of December 31, 2020 and 2019, respectively. Changes to this liability are adjusted through the provision for credit losses in the Consolidated Income Statement. In addition, upon adoption of ASU 2016-13 on January 1, 2020, the Company recorded an increase of $15.1 million to this liability, which was recorded as an adjustment to retained earnings, net of tax.

Concentrations of Lending Activities

The Company does not have a single external customer from which it derives 10% or more of its revenues. The Company monitors concentrations within three broad categories: industry, product, and collateral. The Company's loan portfolio includes significant credit exposure to the CRE market. As of December 31, 2020 and 2019, CRE related loans accounted for approximately 38% and 45% of total loans, respectively. Substantially all of these loans are secured by first liens with an initial loan-to-value ratio of generally not more than 75%. Approximately 28% and 31% of these CRE loans, excluding construction and land loans, were owner-occupied as of December 31, 2020 and 2019, respectively.

Contingencies

The Company is involved in various lawsuits of a routine nature that are being handled and defended in the ordinary course of the Company's business. Expenses are being incurred in connection with these lawsuits, but in the opinion of management, based in part on consultation with outside legal counsel, the resolution of these lawsuits and associated defense costs will not have a material impact on the Company's financial position, results of operations, or cash flows.

16. FAIR VALUE ACCOUNTING

The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability. In estimating fair value, the Company utilizes valuation techniques that are consistent with the market approach, the income approach, and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability. ASC 825 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 825 are described in "Note 1. Summary of Significant Accounting Policies" of these Notes to Consolidated Financial Statements.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally-developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the Company's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Furthermore, the reported fair value amounts have not been comprehensively revalued since the presentation dates, and therefore, estimates of fair value after the balance sheet date may differ significantly from the amounts presented herein. A more detailed description of the valuation methodologies used for assets and liabilities measured at fair value is set forth below.

Under ASC 825, the Company elected the FVO treatment for junior subordinated debt issued by WAL. This election is irrevocable and results in the recognition of unrealized gains and losses on these items at each reporting date. These unrealized gains and losses are recognized as part of other comprehensive income rather than earnings. The Company did not elect FVO treatment for the junior subordinated debt assumed in the Bridge Capital Holdings acquisition.

For the years ended December 31, 2020, 2019, and 2018, unrealized gains and losses from fair value changes on junior subordinated debt were as follows:

	Year Ended December 31,		
	2020	2019	2018
		(in millions)	
Unrealized (losses)/gains	**$ (4.2)**	$ (13.0)	$ 7.6
Changes included in OCI, net of tax	**(3.1)**	(9.8)	5.7

Fair value on a recurring basis

Financial assets and financial liabilities measured at fair value on a recurring basis include the following:

AFS securities: Securities classified as AFS are reported at fair value utilizing Level 1 and Level 2 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include quoted prices in active markets, dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and the bond’s terms and conditions, among other things.

Equity securities: Preferred stock and CRA investments are reported at fair value primarily utilizing Level 1 inputs.

Independent pricing service: The Company's independent pricing service provides pricing information on the majority of the Company's Level 1 and level 2 AFS and equity securities. For a small subset of securities, other pricing sources are used, including observed prices on publicly-traded securities and dealer quotes. Management independently evaluates the fair value measurements received from the Company's third-party pricing service through multiple review steps. First, management reviews what has transpired in the marketplace with respect to interest rates, credit spreads, volatility, and mortgage rates, among other things, and develops an expectation of changes to the securities' valuations from the previous quarter. Then, management selects a sample of investment securities and compares the values provided by its primary third-party pricing service to the market values obtained from secondary sources, including other pricing services and safekeeping statements, and evaluates those with notable variances. In instances where there are discrepancies in pricing from various sources and management expectations, management may manually price securities using currently observed market data to determine whether they can develop similar prices or may utilize bid information from broker dealers. Any remaining discrepancies between management's review and the prices provided by the vendor are discussed with the vendor and/or the Company's other valuation advisors.

Interest rate swaps: Interest rate swaps are reported at fair value utilizing Level 2 inputs. The Company obtains dealer quotations to value its interest rate swaps.

Junior subordinated debt: The Company estimates the fair value of its junior subordinated debt using a discounted cash flow model which incorporates the effect of the Company’s own credit risk in the fair value of the liabilities (Level 3). The Company’s cash flow assumptions are based on contractual cash flows as the Company anticipates that it will pay the debt according to its contractual terms.

The fair value of assets and liabilities measured at fair value on a recurring basis was determined using the following inputs as of the periods presented:

	Fair Value Measurements at the End of the Reporting Period Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
	(in millions)			
December 31, 2020				
Assets:				
Available-for-sale debt securities				
CDO	$ —	$ 6.9	$ —	$ 6.9
CLO	—	146.9	—	146.9
Commercial MBS issued by GSEs	—	84.6	—	84.6
Corporate debt securities	—	270.2	—	270.2
Municipal (taxable) securities	—	22.5	—	22.5
Private label residential MBS	—	1,476.9	—	1,476.9
Residential MBS issued by GSEs	—	1,486.6	—	1,486.6
Tax-exempt	—	1,187.4	—	1,187.4
Trust preferred securities	26.5	—	—	26.5
Total AFS debt securities	$ 26.5	$ 4,682.0	$ —	$ 4,708.5
Equity securities				
CRA investments	$ 27.8	$ 25.6	$ —	$ 53.4
Preferred stock	113.9	—	—	113.9
Total equity securities	$ 141.7	$ 25.6	$ —	$ 167.3
Derivative assets (1)	$ —	$ 4.2	$ —	$ 4.2
Liabilities:				
Junior subordinated debt (2)	$ —	$ —	$ 65.9	$ 65.9
Derivative liabilities (1)	—	87.5	—	87.5

(1) Derivative assets and liabilities relate primarily to interest rate swaps on loans and subordinated debt, see "Note 12. Derivatives and Hedging Activities." In addition, the carrying value of loans is increased by $85.5 million and the net carrying value of subordinated debt is increased by $2.7 million as of December 31, 2020 for the effective portion of the hedge, which relates to the fair value of the hedges put in place to mitigate against fluctuations in interest rates.

(2) Includes only the portion of junior subordinated debt that is recorded at fair value at each reporting period pursuant to the election of FVO treatment.

	Fair Value Measurements at the End of the Reporting Period Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
		(in millions)		
December 31, 2019				
Assets:				
Available-for-sale debt securities				
CDO	$ —	$ 10.1	$ —	$ 10.1
Commercial MBS issued by GSEs	—	94.3	—	94.3
Corporate debt securities	5.1	94.8	—	99.9
Municipal (taxable) securities	—	7.8	—	7.8
Private label residential MBS	—	1,129.2	—	1,129.2
Residential MBS issued by GSEs	—	1,412.1	—	1,412.1
Tax-exempt	—	554.9	—	554.9
Trust preferred securities	27.0	—	—	27.0
U.S. government sponsored agency securities	—	10.0	—	10.0
U.S. treasury securities	—	1.0	—	1.0
Total AFS debt securities	$ 32.1	$ 3,314.2	$ —	$ 3,346.3
Equity securities				
CRA investments	$ 52.5	$ —	$ —	$ 52.5
Preferred stock	86.2	—	—	86.2
Total equity securities	$ 138.7	$ —	$ —	$ 138.7
Loans - HFS	$ —	$ 21.8	$ —	$ 21.8
Derivative assets (1)	—	1.9	—	1.9
Liabilities:				
Junior subordinated debt (2)	$ —	$ —	$ 61.7	$ 61.7
Derivative liabilities (1)	—	55.6	—	55.6

(1) Derivative assets and liabilities relate primarily to interest rate swaps on loans and subordinated debt, see "Note 12. Derivatives and Hedging Activities." In addition, the carrying value of loans is increased by $53.3 million and the net carrying value of subordinated debt is decreased by $0.4 million as of December 31, 2019, which relates to the effective portion of the hedges put in place to mitigate against fluctuations in interest rates.
(2) Includes only the portion of junior subordinated debt that is recorded at fair value at each reporting period pursuant to the election of FVO treatment.

For the years ended December 31, 2020, 2019, and 2018, the change in Level 3 liabilities measured at fair value on a recurring basis was as follows:

	Junior Subordinated Debt		
	Year Ended December 31,		
	2020	2019	2018
		(in millions)	
Beginning balance	**$ (61.7)**	$ (48.7)	$ (56.2)
Change in fair value (1)	**(4.2)**	(13.0)	7.5
Ending balance	**$ (65.9)**	$ (61.7)	$ (48.7)

(1) Unrealized gains/(losses) attributable to changes in the fair value of junior subordinated debt are recorded as part of OCI, net of tax, and totaled $(3.1) million, $(9.8) million, and $5.7 million for the years ended December 31, 2020, 2019, and 2018, respectively.

For Level 3 liabilities measured at fair value on a recurring basis as of December 31, 2020 and 2019, the significant unobservable inputs used in the fair value measurements were as follows:

	December 31, 2020	Valuation Technique	Significant Unobservable Inputs	Input Value
	(in millions)			
Junior subordinated debt	**$ 65.9**	**Discounted cash flow**	**Implied credit rating of the Company**	**2.87 %**

	December 31, 2019	Valuation Technique	Significant Unobservable Inputs	Input Value
	(in millions)			
Junior subordinated debt	$ 61.7	Discounted cash flow	Implied credit rating of the Company	5.09 %

The significant unobservable inputs used in the fair value measurement of the Company's junior subordinated debt as of December 31, 2020 and 2019 consist of the implied credit risk for the Company. As of December 31, 2020, the implied credit risk spread was calculated as the difference between the average of the 15-year 'BB' and 'BBB' rated financial indexes over the corresponding swap index. As of December 31, 2019, the implied credit risk spread was calculated as the difference between the 15-year 'BB' rated financial index over the corresponding swap index.

As of December 31, 2020, the Company estimates the discount rate at 2.87%, which represents an implied credit spread of 2.64% plus three-month LIBOR (0.24%). As of December 31, 2019, the Company estimated the discount rate at 5.09%, which was a 3.18% credit spread plus three-month LIBOR (1.91%).

Fair value on a nonrecurring basis

Certain assets are measured at fair value on a nonrecurring basis. That is, the assets are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of credit deterioration). The following table presents such assets carried on the Consolidated Balance Sheet by caption and by level within the ASC 825 hierarchy:

	Fair Value Measurements at the End of the Reporting Period Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Active Markets for Similar Assets (Level 2)	Unobservable Inputs (Level 3)
	(in millions)			
As of December 31, 2020				
Loans	**$ 187.3**	**$ —**	**$ —**	**$ 187.3**
Other assets acquired through foreclosure	**1.4**	**—**	**—**	**1.4**
As of December 31, 2019				
Loans	$ 110.3	$ —	$ —	$ 110.3
Other assets acquired through foreclosure	13.9	—	—	13.9

For Level 3 assets measured at fair value on a nonrecurring basis as of December 31, 2020 and 2019, the significant unobservable inputs used in the fair value measurements were as follows:

	December 31, 2020	Valuation Technique(s)		Significant Unobservable Inputs	Range
	(in millions)				
Loans	**$ 187.3**	Collateral method	Third party appraisal	Costs to sell	4.0% to 10.0%
		Discounted cash flow method	Discount rate	Contractual loan rate	2.0% to 7.0%
			Scheduled cash collections	Probability of default	0% to 20.0%
			Proceeds from non-real estate collateral	Loss given default	0% to 70.0%
Other assets acquired through foreclosure	**1.4**	Collateral method	Third party appraisal	Costs to sell	4.0% to 10.0%

	December 31, 2019	Valuation Technique(s)		Significant Unobservable Inputs	Range
	(in millions)				
Loans	$ 110.3	Collateral method	Third party appraisal	Costs to sell	4.0% to 10.0%
		Discounted cash flow method	Discount rate	Contractual loan rate	4.0% to 7.0%
			Scheduled cash collections	Probability of default	0% to 20.0%
			Proceeds from non-real estate collateral	Loss given default	0% to 70.0%
Other assets acquired through foreclosure	13.9	Collateral method	Third party appraisal	Costs to sell	4.0% to 10.0%

Loans: Loans measured at fair value on a nonrecurring basis include collateral dependent loans held for investment. The specific reserves for these loans are based on collateral value, net of estimated disposition costs and other identified quantitative inputs. Collateral value is determined based on independent third-party appraisals or internally-developed discounted cash flow analyses. Appraisals may utilize a single valuation approach or a combination of approaches, including comparable sales and the income approach. Fair value is determined, where possible, using market prices derived from an appraisal or evaluation, which are considered to be Level 2. However, certain assumptions and unobservable inputs are often used by the appraiser, therefore qualifying the assets as Level 3 in the fair value hierarchy. In addition, when adjustments are made to an appraised value to reflect various factors such as the age of the appraisal or known changes in the market or the collateral, such valuation inputs are considered unobservable and the fair value measurement is categorized as a Level 3 measurement. Internal discounted cash flow analyses are also utilized to estimate the fair value of these loans, which considers internally-developed, unobservable inputs such as discount rates, default rates, and loss severity.

Total Level 3 collateral dependent loans had an estimated fair value of $187.3 million and $110.3 million at December 31, 2020 and 2019, respectively, net of a specific valuation allowance of $8.9 million and $2.8 million at December 31, 2020 and 2019, respectively.

Other assets acquired through foreclosure: Other assets acquired through foreclosure consist of properties acquired as a result of, or in-lieu-of, foreclosure. These assets are initially reported at the fair value determined by independent appraisals using appraised value less estimated cost to sell. Such properties are generally re-appraised every twelve months. There is risk for subsequent volatility. Costs relating to the development or improvement of the assets are capitalized and costs relating to holding the assets are charged to expense.

Fair value is determined, where possible, using market prices derived from an appraisal or evaluation, which are considered to be Level 2. However, certain assumptions and unobservable inputs are often used by the appraiser, therefore qualifying the assets as Level 3 in the fair value hierarchy. When significant adjustments are based on unobservable inputs, such as when a current appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the resulting fair value measurement has been categorized as a Level 3 measurement. The Company had $1.4 million and $13.9 million of such assets at December 31, 2020 and 2019, respectively.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of the Company's financial instruments is as follows:

	December 31, 2020				
		Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
			(in millions)		
Financial assets:					
Investment securities:					
HTM	**$ 568.8**	**$ —**	**$ 611.8**	**$ —**	**$ 611.8**
AFS	**4,708.5**	**26.5**	**4,682.0**	**—**	**4,708.5**
Equity securities	**167.3**	**141.7**	**25.6**	**—**	**167.3**
Derivative assets	**4.2**	**—**	**4.2**	**—**	**4.2**
Loans, net	**26,774.1**	**—**	**—**	**27,231.0**	**27,231.0**
Accrued interest receivable	**166.1**	**—**	**166.1**	**—**	**166.1**
Financial liabilities:					
Deposits	**$ 31,930.5**	**$ —**	**$ 31,935.9**	**$ —**	**$ 31,935.9**
Customer repurchase agreements	**16.0**	**—**	**16.0**	**—**	**16.0**
Other borrowings	**5.0**	**—**	**5.0**	**—**	**5.0**
Qualifying debt	**548.7**	**—**	**488.1**	**79.3**	**567.4**
Derivative liabilities	**87.5**	**—**	**87.5**	**—**	**87.5**
Accrued interest payable	**11.0**	**—**	**11.0**	**—**	**11.0**

	December 31, 2019				
		Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
			(in millions)		
Financial assets:					
Investment securities:					
HTM	$ 485.1	$ —	$ 516.3	$ —	$ 516.3
AFS	3,346.3	32.2	3,314.1	—	3,346.3
Equity securities	138.7	138.7	—	—	138.7
Derivative assets	1.9	—	1.9	—	1.9
Loans, net	20,955.5	—	—	21,256.5	21,256.5
Accrued interest receivable	108.7	—	108.7	—	108.7
Financial liabilities:					
Deposits	$ 22,796.5	$ —	$ 22,813.3	$ —	$ 22,813.3
Customer repurchase agreements	16.7	—	16.7	—	16.7
Qualifying debt	393.6	—	332.6	74.2	406.8
Derivative liabilities	55.6	—	55.6	—	55.6
Accrued interest payable	24.7	—	24.7	—	24.7

Interest rate risk

The Company assumes interest rate risk (the risk to the Company’s earnings and capital from changes in interest rate levels) as a result of its normal operations. As a result, the fair values of the Company’s financial instruments, as well as its future net interest income, will change when interest rate levels change and that change may be either favorable or unfavorable to the Company.

Interest rate risk exposure is measured using interest rate sensitivity analysis to determine the Company's change in EVE and net interest income resulting from hypothetical changes in interest rates. If potential changes to EVE and net interest income resulting from hypothetical interest rate changes are not within the limits established by the BOD, the BOD may direct management to adjust the asset and liability mix to bring interest rate risk within BOD-approved limits.

WAB has an ALCO charged with managing interest rate risk within the BOD-approved limits. Limits are structured to preclude an interest rate risk profile that does not conform to both management and BOD risk tolerances without ALCO approval. There is also ALCO reporting at the Parent level for reviewing interest rate risk for the Company, which gets reported to the BOD and its Finance and Investment Committee.

Fair value of commitments

The estimated fair value of standby letters of credit outstanding at December 31, 2020 and 2019 approximates zero as there have been no significant changes in borrower creditworthiness. Loan commitments on which the committed interest rates are less than the current market rate are insignificant at December 31, 2020 and 2019.

17. REGULATORY CAPITAL REQUIREMENTS

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements could trigger certain mandatory or discretionary actions that, if undertaken, could have a direct material effect on the Company's business and financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

In March 2020, the federal bank regulatory authorities issued an interim final rule that delays the estimated impact on regulatory capital resulting from the adoption of CECL. The interim final rule provides banking organizations that implement CECL before the end of 2020 the option to delay for two years the estimated impact of CECL on regulatory capital relative to regulatory capital determined under the prior incurred loss methodology, followed by a three-year transition period to phase out the aggregate amount of capital benefit provided during the initial two-year delay. The Company has elected the five-year CECL transition option in connection with its adoption of CECL on January 1, 2020. As a result, capital ratios and amounts as of December 31, 2020 exclude the impact of the increased allowance for credit losses related to the adoption of ASC 326.

As of December 31, 2020 and 2019, the Company and the Bank's capital ratios exceeded the well-capitalized thresholds, as defined by the federal banking agencies. The actual capital amounts and ratios for the Company and the Bank are presented in the following tables as of the periods indicated:

	Total Capital	Tier 1 Capital	Risk-Weighted Assets	Tangible Average Assets	Total Capital Ratio	Tier 1 Capital Ratio	Tier 1 Leverage Ratio	Common Equity Tier 1
				(dollars in millions)				
December 31, 2020								
WAL	**$ 3,872.0**	**$ 3,158.2**	**$ 31,015.4**	**$ 34,349.3**	**12.5 %**	**10.2 %**	**9.2 %**	**9.9 %**
WAB	**3,619.4**	**3,078.2**	**31,140.6**	**34,367.0**	**11.6**	**9.9**	**9.0**	**9.9**
Well-capitalized ratios					**10.0**	**8.0**	**5.0**	**6.5**
Minimum capital ratios					**8.0**	**6.0**	**4.0**	**4.5**
December 31, 2019								
WAL	$ 3,257.9	$ 2,775.4	$ 25,390.1	$ 26,110.3	12.8 %	10.9 %	10.6 %	10.6 %
WAB	3,030.3	2,703.5	25,452.3	26,134.4	11.9	10.6	10.3	10.6
Well-capitalized ratios					10.0	8.0	5.0	6.5
Minimum capital ratios					8.0	6.0	4.0	4.5

18. EMPLOYEE BENEFIT PLANS

The Company has a qualified 401(k) employee benefit plan for all eligible employees. Participants are able to defer between 1% and 75% (up to a maximum of $19,500 for those under 50 years of age and up to a maximum of $26,000 for those over 50 years of age in 2020) of their annual compensation. The Company may elect to match a discretionary amount each year, which is 75% of the first 6% of the participant's compensation deferred into the plan. The Company's contributions to this plan total $7.1 million, $6.2 million, and $5.6 million for the years ended December 31, 2020, 2019, and 2018, respectively.

In addition, the Company maintains a non-qualified 401(k) restoration plan for the benefit of executives of the Company and certain affiliates. Participants are able to defer a portion of their annual salary and receive a matching contribution based primarily on the contribution structure in effect under the Company's 401(k) plan, but without regard to certain statutory limitations applicable under the 401(k) plan. The Company's total contribution to the restoration plan was $0.2 million for each of the years ended December 31, 2020 and $0.1 million for the years ended December 31, 2019 and 2018.

In connection with the Bridge acquisition, the Company assumed Bridge's SERP, an unfunded noncontributory defined benefit pension plan. The SERP provides retirement benefits to certain Bridge officers based on years of service and final average salary. The Company uses a December 31 measurement date for this plan.

The following table reflects the accumulated benefit obligation and funded status of the SERP:

	December 31,	
	2020	2019
	(in millions)	
Change in benefit obligation		
Benefit obligation at beginning of period	**$ 11.7**	$ 10.0
Service cost	**0.6**	0.6
Interest cost	**0.6**	0.6
Actuarial losses/(gains)	**1.1**	0.8
Expected benefits paid	**(0.4)**	(0.3)
Projected benefit obligation at end of year	**$ 13.6**	$ 11.7
Unfunded projected/accumulated benefit obligation	**(13.6)**	(11.7)
Additional liability	**$ —**	$ —
Weighted average assumptions to determine benefit obligation		
Discount rate	**5.25 %**	5.25 %
Rate of compensation increase	**3.00 %**	3.00 %

The components of net periodic benefit cost recognized for the year ended December 31, 2020 and 2019 and the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost during 2021 are as follows:

	Year Ended December 31,		
	2021	2020	2019
		(in millions)	
Components of net periodic benefit cost			
Service cost	**$ 0.5**	$ 0.6	$ 0.6
Interest cost	**0.6**	0.6	0.6
Amortization of prior service cost	**0.0**	0.0	0.1
Amortization of actuarial (gains)/losses	**0.0**	(0.1)	(0.2)
Net periodic benefit cost	**$ 1.1**	$ 1.1	$ 1.1
Other comprehensive income (cost)	**$ 0.0**	$ (0.1)	$ (0.1)

19. RELATED PARTY TRANSACTIONS

Principal stockholders, directors, and executive officers of the Company, their immediate family members, and companies they control or own more than a 10% interest in, are considered to be related parties. In the ordinary course of business, the Company engages in various related party transactions, including extending credit and bank service transactions. All related party transactions are subject to review and approval pursuant to the Company's Related Party Transactions policy.

Federal banking regulations require that any extensions of credit to insiders and their related interests not be offered on terms more favorable than would be offered to non-related borrowers of similar creditworthiness. The following table summarizes the aggregate activity in such loans for the periods indicated:

	Year Ended December 31,	
	2020	2019
	(in millions)	
Balance, beginning	**$ 3.8**	$ 4.6
New loans	**—**	—
Advances	**—**	0.3
Repayments and other	**(0.5)**	(1.1)
Balance, ending	**$ 3.3**	$ 3.8

None of these loans are past due, on non-accrual status or have been restructured to provide a reduction or deferral of interest or principal because of deterioration in the financial position of the borrower. There were no loans to a related party that were considered classified loans at December 31, 2020 or 2019. The interest income associated with these loans was approximately $0.2 million, $0.2 million and $0.3 million for the years ended December 31, 2020, 2019, and 2018, respectively.

Loan commitments outstanding with related parties totaled approximately $10.3 million and $10.6 million at December 31, 2020 and 2019, respectively.

The Company also accepts deposits from related parties, which totaled $156.9 million and $100.1 million at December 31, 2020 and 2019, respectively, with related interest expense totaling approximately $0.2 million, $0.3 million and $0.2 million during the year ended December 31, 2020, 2019, and 2018, respectively.

Donations, sponsorships, and other payments to related parties totaled less than $1.0 million during the years ended December 31, 2020, 2019 and totaled $8.1 million during the year ended December 31, 2018. Total related party payments of $8.1 million for the year ended December 31, 2018 include a donation to the Company's charitable foundation of $7.6 million, which consisted of a non-cash donation of OREO property of $6.9 million and a cash donation of $0.7 million.

During the year ended December 31, 2018, the Company sold an OREO property to a related party with a carrying value of $0.9 million and recognized a loss of $0.2 million on the sale.

20. PARENT COMPANY FINANCIAL INFORMATION

The condensed financial statements of the holding company are presented in the following tables:

WESTERN ALLIANCE BANCORPORATION

Condensed Balance Sheets

	December 31,	
	2020	2019
	(in millions)	
ASSETS:		
Cash and cash equivalents	**$ 55.5**	$ 75.9
Investment securities - AFS	**5.1**	12.8
Investment securities - equity	**49.8**	47.1
Investment in bank subsidiaries	**3,493.5**	3,063.4
Investment in non-bank subsidiaries	**49.9**	52.3
Other assets	**18.0**	22.5
Total assets	**$ 3,671.8**	$ 3,274.0
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Qualifying debt	**$ 251.5**	$ 242.0
Accrued interest and other liabilities	**6.8**	15.3
Total liabilities	**258.3**	257.3
Total stockholders' equity	**3,413.5**	3,016.7
Total liabilities and stockholders' equity	**$ 3,671.8**	$ 3,274.0

WESTERN ALLIANCE BANCORPORATION

Condensed Income Statements

	Year Ended December 31,		
	2020	2019	2018
		(in millions)	
Income:			
Dividends from subsidiaries	**$ 160.0**	$ 134.0	$ 152.1
Interest income	**3.1**	2.8	2.9
Non-interest income	**4.7**	5.1	0.8
Total income	**167.8**	141.9	155.8
Expense:			
Interest expense	**10.6**	14.6	13.9
Non-interest expense	**19.7**	19.5	19.0
Total expense	**30.3**	34.1	32.9
Income before income taxes and equity in undistributed earnings of subsidiaries	**137.5**	107.8	122.9
Income tax benefit	**4.5**	5.7	10.4
Income before equity in undistributed earnings of subsidiaries	**142.0**	113.5	133.3
Equity in undistributed earnings of subsidiaries	**364.6**	385.7	302.5
Net income	**$ 506.6**	$ 499.2	$ 435.8

Western Alliance Bancorporation

Condensed Statements of Cash Flows

	Year Ended December 31,		
	2020	2019	2018
		(in millions)	
Cash flows from operating activities:			
Net income	**$ 506.6**	$ 499.2	$ 435.8
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in net undistributed earnings of subsidiaries	**(364.6)**	(385.7)	(302.5)
Other operating activities, net	**8.0**	9.9	(5.9)
Net cash provided by operating activities	**150.0**	123.4	127.4
Cash flows from investing activities:			
Purchases of securities	**(6.9)**	(10.8)	(44.4)
Principal pay downs, calls, maturities, and sales proceeds of securities	**7.7**	19.0	11.4
Other investing activities, net	**1.2**	—	—
Net cash provided by (used in) investing activities	**2.0**	8.2	(33.0)
Cash flows from financing activities:			
Common stock repurchases	**(71.6)**	(120.2)	(35.7)
Cash dividends paid on common stock	**(101.3)**	(51.3)	—
Other financing activities, net	**0.5**	0.1	0.5
Net cash used in financing activities	**(172.4)**	(171.4)	(35.2)
Net (decrease) increase in cash and cash equivalents	**(20.4)**	(39.8)	59.2
Cash and cash equivalents at beginning of year	**75.9**	115.7	56.5
Cash and cash equivalents at end of year	**$ 55.5**	$ 75.9	$ 115.7

21. SEGMENTS

The Company has made changes to its reportable segments, which have been reflected in the Company's operating segment results as and for the year ended December 31, 2020. The Company's reportable segments are aggregated with a focus on products and services offered and consist of three reportable segments:

- Commercial segment: provides commercial banking and treasury management products and services to small and middle-market businesses, specialized banking services to sophisticated commercial institutions and investors within niche industries, as well as financial services to the real estate industry.
- Consumer Related segment: offers both commercial banking services to enterprises in consumer-related sectors and consumer banking services, such as residential mortgage banking.
- Corporate & Other segment: consists of the Company's investment portfolio, Corporate borrowings and other related items, income and expense items not allocated to our other reportable segments, and inter-segment eliminations.

The Company's segment reporting process begins with the assignment of all loan and deposit accounts directly to the segments where these products are originated and/or serviced. Equity capital is assigned to each segment based on the risk profile of their assets and liabilities. With the exception of goodwill, which is assigned a 100% weighting, equity capital allocations ranged from 0% to 12% during the year. Any excess or deficient equity not allocated to segments based on risk is assigned to the Corporate & Other segment.

Net interest income, provision for credit losses, and non-interest expense amounts are recorded in their respective segments to the extent that the amounts are directly attributable to those segments. Net interest income is recorded in each segment on a TEB with a corresponding increase in income tax expense, which is eliminated in the Corporate & Other segment.

Further, net interest income of a reportable segment includes a funds transfer pricing process that matches assets and liabilities with similar interest rate sensitivity and maturity characteristics. Using this funds transfer pricing methodology, liquidity is transferred between users and providers. A net user of funds has lending/investing in excess of deposits/borrowings and a net provider of funds has deposits/borrowings in excess of lending/investing. A segment that is a user of funds is charged for the use of funds, while a provider of funds is credited through funds transfer pricing, which is determined based on the average life of the assets or liabilities in the portfolio. Residual funds transfer pricing mismatches are allocable to the Corporate & Other segment and presented as part of net interest income.

The net income amount for each reportable segment is further derived by the use of expense allocations. Certain expenses not directly attributable to a specific segment are allocated across all segments based on key metrics, such as number of employees, number of transactions processed for loans and deposits, and average loan and deposit balances. These types of expenses include information technology, operations, human resources, finance, risk management, credit administration, legal, and marketing.

Income taxes are applied to each segment based on the effective tax rate for the geographic location of the segment. Any difference in the corporate tax rate and the aggregate effective tax rates in the segments are adjusted in the Corporate & Other segment.

The following is a summary of operating segment balance sheet information for the periods indicated:

	Consolidated Company	Commercial	Consumer Related	Corporate & Other
At December 31, 2020:		*(in millions)*		
Assets:				
Cash, cash equivalents, and investment securities	**$ 8,176.5**	**$ 12.0**	**$ 45.6**	**$ 8,118.9**
Loans, net of deferred loan fees and costs	**27,053.0**	**20,245.8**	**6,798.2**	**9.0**
Less: allowance for credit losses	**(278.9)**	**(263.4)**	**(15.4)**	**(0.1)**
Total loans	**26,774.1**	**19,982.4**	**6,782.8**	**8.9**
Other assets acquired through foreclosure, net	**1.4**	**1.4**	**—**	**—**
Goodwill and other intangible assets, net	**298.5**	**296.1**	**2.4**	**—**
Other assets	**1,210.5**	**257.0**	**96.6**	**856.9**
Total assets	**$ 36,461.0**	**$ 20,548.9**	**$ 6,927.4**	**$ 8,984.7**
Liabilities:				
Deposits	**$ 31,930.5**	**$ 21,448.0**	**$ 9,936.8**	**$ 545.7**
Borrowings and qualifying debt	**553.7**	**—**	**—**	**553.7**
Other liabilities	**563.3**	**170.4**	**3.3**	**389.6**
Total liabilities	**33,047.5**	**21,618.4**	**9,940.1**	**1,489.0**
Allocated equity:	**3,413.5**	**1,992.2**	**579.1**	**842.2**
Total liabilities and stockholders' equity	**$ 36,461.0**	**$ 23,610.6**	**$ 10,519.2**	**$ 2,331.2**
Excess funds provided (used)	**—**	**3,061.7**	**3,591.8**	**(6,653.5)**

	Consolidated Company	Commercial	Consumer Related	Corporate & Other
At December 31, 2019:		*(in millions)*		
Assets:				
Cash, cash equivalents, and investment securities	$ 4,471.2	$ 15.4	$ 10.1	$ 4,445.7
Loans, net of deferred loan fees and costs	21,123.3	16,767.3	4,352.5	3.5
Less: allowance for credit losses	(167.8)	(134.2)	(33.6)	—
Total loans	20,955.5	16,633.1	4,318.9	3.5
Other assets acquired through foreclosure, net	13.9	13.9	—	—
Goodwill and other intangible assets, net	297.6	297.6	—	—
Other assets	1,083.7	202.6	40.1	841.0
Total assets	$ 26,821.9	$ 17,162.6	$ 4,369.1	$ 5,290.2
Liabilities:				
Deposits	$ 22,796.5	$ 17,067.6	$ 4,644.7	$ 1,084.2
Borrowings and qualifying debt	393.6	—	—	393.6
Other liabilities	615.1	95.4	9.2	510.5
Total liabilities	23,805.2	17,163.0	4,653.9	1,988.3
Allocated equity:	3,016.7	2,060.0	446.8	509.9
Total liabilities and stockholders' equity	$ 26,821.9	$ 19,223.0	$ 5,100.7	$ 2,498.2
Excess funds provided (used)	—	2,060.4	731.6	(2,792.0)

The following is a summary of operating segment income statement information for the periods indicated:

	Consolidated Company	Commercial	Consumer Related	Corporate & Other
Year Ended December 31, 2020:	*(in millions)*			
Net interest income	**$ 1,166.9**	**$ 999.7**	**$ 302.5**	**$ (135.3)**
Provision for (recovery of) credit losses	**123.6**	**128.6**	**(9.0)**	**4.0**
Net interest income after provision for credit losses	**1,043.3**	**871.1**	**311.5**	**(139.3)**
Non-interest income	**70.8**	**50.5**	**1.6**	**18.7**
Non-interest expense	**491.6**	**308.9**	**92.6**	**90.1**
Income (loss) before income taxes	**622.5**	**612.7**	**220.5**	**(210.7)**
Income tax expense (benefit)	**115.9**	**147.6**	**52.3**	**(84.0)**
Net income	**$ 506.6**	**$ 465.1**	**$ 168.2**	**$ (126.7)**

	Consolidated Company	Commercial	Consumer Related	Corporate & Other
Year Ended December 31, 2019:	*(in millions)*			
Net interest income	$ 1,040.4	$ 837.2	$ 209.0	$ (5.8)
Provision for credit losses	19.3	11.1	7.4	0.8
Net interest income (expense) after provision for credit losses	1,021.1	826.1	201.6	(6.6)
Non-interest income	65.1	50.4	1.4	13.3
Non-interest expense	482.0	320.6	96.7	64.7
Income (loss) before income taxes	604.2	555.9	106.3	(58.0)
Income tax expense (benefit)	105.0	134.7	24.8	(54.5)
Net income	$ 499.2	$ 421.2	$ 81.5	$ (3.5)

	Consolidated Company	Commercial	Consumer Related	Corporate & Other
Year Ended December 31, 2018:	*(in millions)*			
Net interest income	$ 915.9	$ 741.7	$ 162.0	$ 12.2
Provision for credit losses	25.0	18.9	4.2	1.9
Net interest income (expense) after provision for credit losses	890.9	722.8	157.8	10.3
Non-interest income	43.1	48.3	1.4	(6.6)
Non-interest expense	423.7	309.5	72.6	41.6
Income (loss) before income taxes	510.3	461.6	86.6	(37.9)
Income tax expense (benefit)	74.5	112.1	20.5	(58.1)
Net income	$ 435.8	$ 349.5	$ 66.1	$ 20.2

22. REVENUE FROM CONTRACTS WITH CUSTOMERS

ASC 606, *Revenue from Contracts with Customers*, requires revenue to be recognized at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. ASC 606 applies to all contracts with customers to provide goods or services in the ordinary course of business, except for contracts that are specifically excluded from its scope. The majority of the Company's revenue streams including interest income, credit and debit card fees, income from equity investments including warrants and SBIC equity income, income from bank owned life insurance, foreign currency income, lending related income, and gains and losses on sales of investment securities are outside the scope of ASC 606. Revenue streams including service charges and fees, interchange fees on credit and debit cards, and success fees are within the scope of ASC 606.

Disaggregation of Revenue

The following table represents a disaggregation of revenue from contracts with customers for the periods indicated along with the reportable segment for each revenue category:

	Consolidated Company	Commercial	Consumer Related	Corporate & Other
Year Ended December 31, 2020		*(in millions)*		
Revenue from contracts with customers:				
Service charges and fees	**$ 23.3**	**$ 21.7**	**$ 1.6**	**$ —**
Debit and credit card interchange (1)	**5.2**	**5.2**	**—**	**—**
Success fees (2)	**0.8**	**0.8**	**—**	**—**
Other income	**0.6**	**0.6**	**—**	**—**
Total revenue from contracts with customers	**$ 29.9**	**$ 28.3**	**$ 1.6**	**$ —**
Revenues outside the scope of ASC 606 (3)	**40.9**	**22.2**	**—**	**18.7**
Total non-interest income	**$ 70.8**	**$ 50.5**	**$ 1.6**	**$ 18.7**

	Consolidated Company	Commercial	Consumer Related	Corporate & Other
Year Ended December 31, 2019		*(dollars in millions)*		
Revenue from contracts with customers:				
Service charges and fees	$ 23.3	$ 21.9	$ 1.4	$ —
Debit and credit card interchange (1)	5.9	5.8	0.1	—
Success fees (2)	1.6	1.6	—	—
Other income	0.3	0.3	—	—
Total revenue from contracts with customers	$ 31.1	$ 29.6	$ 1.5	$ —
Revenues outside the scope of ASC 606 (3)	34.0	20.8	(0.1)	13.3
Total non-interest income	$ 65.1	$ 50.4	$ 1.4	$ 13.3

	Consolidated Company	Commercial	Consumer Related	Corporate & Other
Year Ended December 31, 2018		*(dollars in millions)*		
Revenue from contracts with customers:				
Service charges and fees	$ 22.3	$ 21.0	$ 1.3	$ —
Debit and credit card interchange (1)	6.5	6.8	—	(0.3)
Success fees (2)	3.3	3.3	—	—
Other income	0.6	0.6	—	—
Total revenue from contracts with customers	$ 32.7	$ 31.7	$ 1.3	$ (0.3)
Revenues outside the scope of ASC 606 (3)	10.4	16.6	0.1	(6.3)
Total non-interest income	$ 43.1	$ 48.3	$ 1.4	$ (6.6)

(1) Included as part of Card income in the Consolidated Income Statement.
(2) Included as part of Income from equity investments in the Consolidated Income Statement.
(3) Amounts are accounted for under separate guidance. Refer to discussion of revenue sources not subject to ASC 606 under the Non-interest income section in "Note 1. Summary of Significant Accounting Policies."

Performance Obligations

Many of the services the Company performs for its customers are ongoing, and either party may cancel at any time. The fees for these contracts are dependent upon various underlying factors, such as customer deposit balances, and as such may be considered variable. The Company's performance obligations for these services are satisfied as the services are rendered and payment is collected on a monthly, quarterly, or semi-annual basis. Other contracts with customers are for services to be provided at a point in time, and fees are recognized at the time such services are rendered. The Company had no material unsatisfied performance obligations as of December 31, 2020. The revenue streams within the scope of ASC 606 are described in further detail below.

Service Charges and Fees

The Company performs deposit account services for its customers, which include analysis and treasury management services, use of safe deposit boxes, check upcharges, and other ancillary services. The depository arrangements the Company holds with its customers are considered day-to-day contracts with ongoing renewals and optional purchases, and as such, the contract duration does not extend beyond the services performed. Due to the short-term nature of such contracts, the Company generally recognizes revenue for deposit related fees as services are rendered. From time to time, the Company may waive certain fees for its customers. The Company considers historical experience when recognizing revenue from contracts with customers, and may reduce the transaction price to account for fee waivers or refunds.

Debit and Credit Card Interchange

When a credit or debit card issued by the Company is used to purchase goods or services from a merchant, the Company earns an interchange fee. The Company considers the merchant its customer in these transactions as the Company provides the merchant with the service of enabling the cardholder to purchase the merchant's goods or services with increased convenience, and it enables the merchants to transact with a class of customer that may not have access to sufficient funds at the time of purchase. The Company acts as an agent to the payment network by providing nightly settlement services between the network and the merchant. This transmission of data and funds represents the Company's performance obligation and is performed nightly. As the payment network is in direct control of setting the rates and the Company is acting as an agent, the interchange fee is recorded net of expenses as the services are provided.

Success Fees

Success fees are one-time fees detailed as part of certain loan agreements and are earned immediately upon occurrence of a triggering event. Examples of triggering events include: a borrower obtaining its next round of funding, an acquisition, or completion of a public offering. Success fees are variable consideration as the transaction price can vary and is contingent on the occurrence or non-occurrence of a future event. As the consideration is highly susceptible to factors outside of the Company's influence and uncertainty about the amount of consideration is not expected to be resolved for an extended period of time, the variable consideration is constrained and is not recognized until the achievement of the triggering event.

Principal versus Agent Considerations

When more than one party is involved in providing goods or services to a customer, ASC 606 requires the Company to determine whether it is the principal or an agent in these transactions by evaluating the nature of its promise to the customer. An entity is a principal, and therefore records revenue on a gross basis, if it controls a promised good or service before transferring that good or service to the customer. An entity is an agent and records as revenue the net amount it retains for its agency services if its role is to arrange for another entity to provide the goods or services. The Company most commonly acts as a principal and records revenue on a gross basis, except in certain circumstances. As an example, revenues earned from interchange fees, in which the Company acts as an agent, are recorded as non-interest income, net of the related expenses paid to the principal.

Contract Balances

The timing of revenue recognition may differ from the timing of cash settlements or invoicing to customers. The Company records contract liabilities, or deferred revenue, when payments from customers are received or due in advance of providing services to customers. The Company generally receives payments for its services during the period or at the time services are provided and, therefore, does not have material contract liability balances at period end. The Company records contract assets or receivables when revenue is recognized prior to receipt of cash from the customer. Accounts receivable total $1.6 million as of December 31, 2020 and December 31, 2019, respectively, and are presented in Other assets on the Consolidated Balance Sheets.

23. QUARTERLY FINANCIAL DATA (UNAUDITED)

	Year Ended December 31, 2020			
	Fourth Quarter	**Third Quarter**	**Second Quarter**	**First Quarter**
	(in millions, except per share amounts)			
Interest income	**$ 331.6**	**$ 304.8**	**$ 318.2**	**$ 307.2**
Interest expense	**16.8**	**20.1**	**19.8**	**38.2**
Net interest income	**314.8**	**284.7**	**298.4**	**269.0**
(Recovery of) provision for credit losses	**(34.2)**	**14.6**	**92.0**	**51.2**
Net interest income after provision for credit losses	**349.0**	**270.1**	**206.4**	**217.8**
Non-interest income	**23.8**	**20.6**	**21.3**	**5.1**
Non-interest expense	**(132.2)**	**(124.1)**	**(114.8)**	**(120.5)**
Income before provision for income taxes	**240.6**	**166.6**	**112.9**	**102.4**
Income tax expense	**47.0**	**30.8**	**19.6**	**18.5**
Net income	**$ 193.6**	**$ 135.8**	**$ 93.3**	**$ 83.9**
Earnings per share:				
Basic	**$ 1.94**	**$ 1.36**	**$ 0.93**	**$ 0.83**
Diluted	**$ 1.93**	**$ 1.36**	**$ 0.93**	**$ 0.83**

	Year Ended December 31, 2019			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
	(in millions, except per share amounts)			
Interest income	$ 315.4	$ 315.6	$ 302.9	$ 291.1
Interest expense	43.4	49.2	48.2	43.8
Net interest income	272.0	266.4	254.7	247.3
Provision for credit losses	4.0	3.8	7.0	4.5
Net interest income after provision for credit losses	268.0	262.6	247.7	242.8
Non-interest income	16.0	19.3	14.4	15.4
Non-interest expense	(129.7)	(126.1)	(114.3)	(111.9)
Income before provision for income taxes	154.3	155.8	147.8	146.3
Income tax expense	26.2	28.5	24.8	25.5
Net income	$ 128.1	$ 127.3	$ 123.0	$ 120.8
Earnings per share:				
Basic	$ 1.26	$ 1.25	$ 1.19	$ 1.16
Diluted	$ 1.25	$ 1.24	$ 1.19	$ 1.16

24. SUBSEQUENT EVENTS

On February 16, 2021, the Company entered into a definitive agreement with Aris Mortgage Holding Company, LLC ("Aris"), the parent company of AmeriHome Mortgage Company, LLC ("AmeriHome"), and certain other parties, pursuant to which Aris will merge with an indirect subsidiary of the Bank. Following the merger, AmeriHome will continue to use its trade name, continuing to operate as AmeriHome, a Western Alliance Bank company. Pursuant to the agreement, WAB will pay cash consideration of $275 million plus the adjusted tangible book value of Aris at closing, for an estimated aggregate cash consideration of $1.0 billion (inclusive of certain transaction expenses and management bonus payments) based on December 31, 2020 financial statements of Aris. James Furash, Chief Executive Officer of AmeriHome, and other founding management team members of AmeriHome will continue in their roles following the merger. The merger, which remains subject to required regulatory approvals, is expected to close in the second quarter of 2021.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures.

As of the end of the period covered by this Annual Report on Form 10-K, an evaluation was carried out by the Company's management, with the participation of its CEO and CFO, of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e), under the Exchange Act). Based upon that evaluation, the Company's CEO and CFO concluded that the disclosure controls and procedures were effective as of the end of the period covered by this report. No changes were made to the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the last fiscal quarter that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of WAL is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

As of December 31, 2020, management assessed the effectiveness of the Company's internal control over financial reporting based on the criteria for effective internal control over financial reporting established in "*Internal Control-Integrated Framework"* issued by the COSO in 2013. Based on this assessment, management determined that the Company maintained effective internal control over financial reporting as of December 31, 2020, based on those criteria.

RSM US LLP, the independent registered public accounting firm that audited the Consolidated Financial Statements of the Company included in this Annual Report on Form 10-K, has audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2020. Their report, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2020, is included herein.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of
Western Alliance Bancorporation

Opinion on the Internal Control Over Financial Reporting

We have audited Western Alliance Bancorporation and Subsidiaries' (the Company) internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, of the Company and our report, dated February 25, 2021, expressed an unqualified opinion.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ RSM US LLP

Phoenix, Arizona

February 25, 2021

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference from the Company’s Definitive Proxy Statement for the 2021 Annual Meeting of Stockholders to be held on June 15, 2021.

Item 11. Executive Compensation

The information required by this item is incorporated by reference from the Company’s Definitive Proxy Statement for the 2021 Annual Meeting of Stockholders to be held on June 15, 2021.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference from the Company’s Definitive Proxy Statement for the 2021 Annual Meeting of Stockholders to be held on June 15, 2021.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference from the Company’s Definitive Proxy Statement for the 2021 Annual Meeting of Stockholders to be held on June 15, 2021.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated by reference from the Company’s Definitive Proxy Statement for the 2021 Annual Meeting of Stockholders to be held on June 15, 2021.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(1) The following financial statements are incorporated by reference from Item 8 hereto:

(2) *Financial Statement Schedules*

Not applicable.

EXHIBITS

2.1	Agreement and Plan of Merger, dated February 16, 2021, by and among Western Alliance Bank, Western Alliance Equipment Finance, Inc., WAB Mortgage Sub, LLC, Aris Mortgage Holding Company, LLC, A-A Mortgage Opportunities, LP, and the individual members set forth on the signature page thereto (incorporated by reference to Exhibit 2.1 of Western Alliance's Form 8-K filed with the SEC on February 16, 2021).
3.1	Amended and Restated Certificate of Incorporation of Western Alliance, effective as of May 19, 2015 (incorporated by reference to Exhibit 3.1 of Western Alliance's Form 10-K filed with the SEC on March 1, 2019).
3.2	Amended and Restated Bylaws of Western Alliance, effective as of May 19, 2015 (incorporated by reference to Exhibit 3.2 of Western Alliance's Form 8-K filed with the SEC on May 22, 2015).
3.3	Articles of Conversion, as filed with the Nevada Secretary of State on May 29, 2014 (incorporated by reference to Exhibit 3.1 of Western Alliance’s Form 8-K filed with the SEC on June 3, 2014).
3.4	Certificate of Conversion, as filed with the Delaware Secretary of State on May 29, 2014 (incorporated by reference to Exhibit 3.2 of Western Alliance’s Form 8-K filed with the SEC on June 3, 2014).
3.5	Certificate of Designation of Non-Cumulative Perpetual Preferred Stock, Series B, as filed with the Delaware Secretary of State on May 29, 2014 (incorporated by reference to Exhibit 3.4 of Western Alliance’s Form 8-K filed with the SEC on June 3, 2014).
4.1	Description of Securities of the Registrant (incorporated by reference to Exhibit 4.1 of Western Alliance's Form 10-K filed with the SEC on March 2, 2020).
4.2	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 of Western Alliance’s Form 8-K filed with the SEC on June 3, 2014).
4.3	Senior Debt Indenture, dated August 25, 2010, between Western Alliance and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 of Western Alliance’s Form 8-K filed with the SEC on August 25, 2010).
4.4	Form of Senior Debt Indenture (incorporated by reference to Exhibit 4.2 of Western Alliance's Form S-3 filed with the SEC on May 7, 2015).
4.5	Form of Subordinated Debt Indenture (incorporated by reference to Exhibit 4.3 of Western Alliance's Form S-3 filed with the SEC on May 7, 2015).
4.6	Form of 5.00% Fixed to Floating Rate Subordinated Bank Note due July 15, 2025 (incorporated by reference to Exhibit 4.1 of Western Alliance's Form 8-K filed with the SEC on July 2, 2015).
4.7	Subordinated Debt Indenture, dated June 16, 2016, between Western Alliance and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 of Western Alliance's Form 8-K filed with the SEC on June 16, 2016).
4.8	First Supplemental Indenture (including Form of Debenture) dated June 16, 2016 between Western Alliance and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 of Western Alliance's Form 8-K filed with the SEC on June 16, 2016).
4.9	Form of Global Debenture dated June 16, 2016 (incorporated by reference to Exhibit 4.3 of Western Alliance's Form 8-K filed with the SEC on June 16, 2016).
4.10	Form of 5.25% Fixed to Floating Rate Subordinated Bank Note due June 1, 2030 (incorporated by reference to Exhibit 4.1 of Western Alliance's Form 8-K filed with the SEC on May 22, 2020).
10.1	Western Alliance 2005 Stock Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.1 of Western Alliance's Form 8-K filed with the SEC on June 1, 2020). ±
10.2	Bridge Capital Holdings 2006 Equity Incentive Plan (incorporated by reference to Exhibit 4.11 of Western Alliance's Form S-8 filed with the SEC on July 2, 2015). ±
10.3	Form of BankWest Nevada Corporation Incentive Stock Option Plan Agreement (incorporated by reference to Exhibit 10.3 of Western Alliance’s Registration Statement on Form S-1 filed with the SEC on April 28, 2005). ±
10.4	Form of Western Alliance Incentive Stock Option Plan Agreement (incorporated by reference to Exhibit 10.4 of Western Alliance’s Registration Statement on Form S-1 filed with the SEC on April 28, 2005). ±
10.5	Form of Western Alliance 2002 Stock Option Plan Agreement (incorporated by reference to Exhibit 10.5 of Western Alliance’s Registration Statement on Form S-1 filed with the SEC on April 28, 2005). ±
10.6	Form of Western Alliance 2002 Stock Option Plan Agreement (with double trigger acceleration clause) (incorporated by reference to Exhibit 10.6 of Western Alliance’s Registration Statement on Form S-1 filed with the SEC on April 28, 2005). ±
10.7	Form of Non-Competition Agreement (incorporated by reference to Exhibit 10.8 of Western Alliance’s Registration Statement on Form S-1 filed with the SEC on April 28, 2005). ±

10.8	Western Alliance Severance and Change in Control Plan (incorporated by reference to Exhibit 10.8 of Western Alliance's Form 10-K filed with the SEC on March 2, 2020). ±
10.9	Form of Indemnification Agreement, by and between Western Alliance and each of Western Alliance's directors and executive officers (incorporated by reference to Exhibit 10.10 of Western Alliance's Form 10-K/A filed with the SEC on March 1, 2017). ±
10.10	Offer Letter, dated May 1, 2017, by and between Kenneth A. Vecchione and Western Alliance (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 5, 2017). ±
10.11	Employment Letter Agreement, dated February 7, 2018, by and between Barbara J. Kennedy and Western Alliance (incorporated by reference to Exhibit 10.1 of Western Alliance's Form 10-Q filed with the SEC on April 30, 2019). ±
10.12	Separation and Release of Claims Agreement, dated November 2, 2019, by and between James Haught and Western Alliance (incorporated by reference to Exhibit 10.12 of Western Alliance's Form 10-K filed with the SEC on March 2, 2020). ±
10.13	Form of participation agreement under the Company's Change in Control Severance Plan (incorporated by reference to Exhibit 10.13 of Western Alliance's Form 10-K filed with the SEC on March 2, 2020). ±
10.14	Form of Performance-Based Stock Unit Agreement pursuant to the Company's 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.14 of Western Alliance's Form 10-K filed with the SEC on March 2, 2020). ±
10.15	Form of Executive Restricted Stock Agreement pursuant to the Company's 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.15 of Western Alliance's Form 10-K filed with the SEC on March 2, 2020). ±
21.1*	List of Subsidiaries of Western Alliance.
23.1*	Consent of RSM US LLP.
24.1*	Power of Attorney (see signature page).
31.1*	CEO Certification Pursuant Rule 13a-14(a)/15d-14(a).
31.2*	CFO Certification Pursuant Rule 13a-14(a)/15d-14(a).
32**	CEO and CFO Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes Oxley Act of 2002.
101*	The following materials from Western Alliance's Annual Report on Form 10-K Report for the year ended December 31, 2020, formatted in Inline XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Income Statements, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Stockholders' Equity, (v) the Consolidated Statements of Cash Flows, and (vi) the Notes to Consolidated Financial Statements.
104*	The cover page of Western Alliance's Annual Report on Form 10-K for the year ended December 31, 2020, formatted in Inline XBRL (contained in Exhibit 101).

* Filed herewith.
** Furnished herewith.
± Management contract or compensatory arrangement.

Stockholders may obtain copies of exhibits by writing to: Dale Gibbons, Western Alliance Bancorporation, One East Washington Street Suite 1400, Phoenix, AZ 85004.

Item 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	WESTERN ALLIANCE BANCORPORATION
February 25, 2021	By: /s/ Kenneth A. Vecchione
	Kenneth A. Vecchione
	Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Kenneth A. Vecchione and Dale Gibbons, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully and to all intents and purposes as he or she might or could do in person hereby ratifying and confirming all that said attorneys-in-fact and agents, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant in their listed capacities on February 25, 2021.

Name	Title
/s/ Kenneth A. Vecchione Kenneth A. Vecchione	President and Chief Executive Officer
/s/ Robert Sarver Robert Sarver	Executive Chairman
/s/ Dale Gibbons Dale Gibbons	Vice Chairman and Chief Financial Officer (Principal Financial Officer)
/s/ J. Kelly Ardrey Jr. J. Kelly Ardrey Jr.	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)
/s/ Bruce D. Beach Bruce D. Beach	Director
/s/ Juan Figuereo Juan Figuereo	Director
/s/ Howard Gould Howard Gould	Director
/s/ Steven J. Hilton Steven J. Hilton	Director
/s/ Marianne Boyd Johnson Marianne Boyd Johnson	Director
/s/ Robert Latta Robert Latta	Director
/s/ Todd Marshall Todd Marshall	Director
/s/ Adriane C. McFetridge Adriane C. McFetridge	Director
/s/ Michael Patriarca Michael Patriarca	Director
/s/ Bryan Segedi Bryan Segedi	Director
/s/ Donald D. Snyder Donald D. Snyder	Director
/s/ Sung Won Sohn Sung Won Sohn	Director

Exhibit 21.1

WESTERN ALLIANCE BANCORPORATION

LIST OF SUBSIDIARIES

(As of December 31, 2020)

Name	Doing Business As	Jurisdiction of Incorporation or Organization
Western Alliance Bank	Alliance Bank of Arizona Bridge Bank First Independent Bank Bank of Nevada Torrey Pines Bank Alliance Association Bank Western Alliance Corporate Finance Western Alliance Public Finance Western Alliance Resort Finance Western Alliance Warehouse Lending	Arizona
CS Insurance Co.	Not applicable	Arizona
Las Vegas Sunset Properties	Not applicable	Nevada
Helios Prime, Inc.	Not applicable	Delaware
Western Alliance Business Trust	Not applicable	Delaware
WA PWI, LLC	Not applicable	Arizona
Western One, LLC	Not applicable	Arizona
Western Alliance Equipment Finance, Inc.	Not applicable	Arizona
BW Real Estate, Inc.	Not applicable	Nevada
BankWest Nevada Capital Trust II	Not applicable	Delaware
Intermountain First Statutory Trust I	Not applicable	Connecticut
First Independent Statutory Trust I	Not applicable	Delaware
WAL Trust No. 1	Not applicable	Delaware
WAL Statutory Trust No. 2	Not applicable	Connecticut
WAL Statutory Trust No. 3	Not applicable	Connecticut
Bridge Capital Holdings Trust I	Not applicable	Delaware
Bridge Capital Holdings Trust II	Not applicable	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statement (Nos. 333-239570, 333-205437, 333-199727, 333-127032, 333-145548, 333-162107, and 333-183574) on Forms S-8 and Registration Statement (No. 333-224888) on Form S-3 of Western Alliance Bancorporation and Subsidiaries of our reports dated February 25, 2021, relating to the consolidated financial statements and the effectiveness of internal control over financial reporting of Western Alliance Bancorporation and Subsidiaries, appearing in this Annual Report on Form 10-K of Western Alliance Bancorporation and Subsidiaries for the year ended December 31, 2020.

/s/ RSM US LLP

Phoenix, Arizona
February 25, 2021

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Kenneth A. Vecchione, certify that:

1. I have reviewed this Annual Report on Form 10-K of Western Alliance Bancorporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Kenneth A. Vecchione

Kenneth A. Vecchione
President and Chief Executive Officer
Western Alliance Bancorporation

Date: February 25, 2021

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Dale Gibbons, certify that:

1. I have reviewed this Annual Report on Form 10-K of Western Alliance Bancorporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Dale Gibbons

Dale Gibbons
Vice Chairman and Chief Financial Officer
Western Alliance Bancorporation

Date: February 25, 2021

Exhibit 32

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

This certification is given by the undersigned Chief Executive Officer and Chief Financial Officer of Western Alliance Bancorporation (the "Registrant") pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Each of the undersigned hereby certifies, with respect to the Registrant's annual report on Form 10-K for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), that, to each of their knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: February 25, 2021

/s/ Kenneth A. Vecchione
President and Chief Executive Officer
Western Alliance Bancorporation

Date: February 25, 2021

/s/ Dale Gibbons
Vice Chairman and Chief Financial Officer
Western Alliance Bancorporation