

2021

Annual Report



Succeeding Today, Innovating for the Future

Letter from President and Chief Executive Officer,
Kenneth A. Vecchione

Dear Fellow Shareholders,

For Western Alliance Bank, 2021 was a watershed year. We broke many of our own records for balance sheet growth, total net revenue and earnings, while thoughtfully expanding into new business lines, technologies and geographies that will make us an even stronger, more diversified bank.

For the year, total assets ended just shy of \$56 billion, with loans growing 44% year over year to \$39.1 billion and deposits rising 49% to \$47.6 billion. This strong balance sheet momentum propelled record net revenues of \$2.0 billion, net income of \$899 million, and earnings per share (EPS) of \$8.67 – a 72% increase over EPS for 2020.



12 Consecutive Years of Rising Earnings

Western Alliance's success over many years – in fact, 2021 marks our twelfth consecutive year of rising earnings – stems from working to support our clients as a trusted advisor and banking partner, however and wherever they do business nationwide.

When a bank can solve problems, streamline pathways to growth and create noticeable efficiencies, clients tell us we're an important factor in their own success. To be "client-obsessed" might sound like an overstatement, but it's the core of what we do.

Our results, for our clients and our shareholders, continue to demonstrate the unique benefits of Western Alliance's national commercial business strategy. This targeted and flexible set of national capabilities positions our company as one of the country's premier commercial banks that consistently generates leading balance sheet and earnings growth with superior asset quality across economic cycles.

One of the hallmarks of our national commercial business strategy is the ability to develop focused, specialty banking business lines and attract qualified, entrepreneurial talent to thoughtfully add scale with superior risk-adjusted returns.

Within a year of excellent lending performance, loan demand continued to broaden in Q4 across our business lines, with C&I loans, residential and CRE making significant contributions. In terms of deposits, the bank continued in 2021 to post broad-based core deposit growth across our business channels, with key drivers ranging from active fundraising among tech and innovation clients and strength in our homeowner association business to expanded relationships in warehouse lending and throughout our regional businesses. As a result of strong core loan and deposit growth, net interest income grew \$382 million during the year to \$1.5 billion, an increase of 33% year over year.

\$382M

Increase in net interest income

33%

Year-over-year increase



Tim R. Bruckner
Chief Credit Officer

Conservative Approach to Credit Management

Western Alliance Bank prioritizes a conservative credit culture – and building close ties with our customers – to guide our growth. We approach credit management with teams of specialists, not generalists, whether within our geographically managed banking brands or any of our national businesses.

Importantly, we believe that sound portfolio management is as essential as prudent underwriting. We make a practice of proactively meeting with our customers about their needs and their opportunities. As a result of our holistic relationship approach, the ratio of classified assets to total assets is at a historic low, which is as good a measure as there is to gauge our success.

At Western Alliance, we are proud to be among the industry's most disciplined underwriters without having to compromise our robust growth. You've seen it in our results.



Dale M. Gibbons
Vice Chairman, Chief Financial Officer

Embracing Blockchain

Now is the right time for Western Alliance Bank to fully embrace blockchain and the many opportunities this important technology offers clients and the bank. We believe blockchain is essential to the future, and forward-thinking businesses either adapt and adopt or miss the chance to lead.

Ahead of much of the industry, this spring we are launching a blockchain-based digital payments platform to enable 24/7/365 e-transfers for our customers.¹ Through this efficient technology, clients can make real-time digital payments that tokenize their U.S. dollar deposits.^{2,3}

We know well that our business clients value speed and responsiveness, which this next-level platform delivers. Imagine being able to make a digital payment on a Friday evening that puts your goods on the truck Saturday morning. We are excited about the many benefits clients in all kinds of industries will realize when they incorporate blockchain-based banking solutions.

Strategically, this new focus is not only a fit with our national commercial bank approach and customers across the economy, but these new digital capabilities position us well to also serve the innovators in digital assets and fintech markets. Certainly, blockchain and digital assets are a real and growing part of financial services, and our new initiative opens the door to significant deposit growth and other revenue-generating possibilities for the bank.

1. At this time, transfers are available only between Western Alliance commercial customers who are enrolled to use the platform. Subject to Bank approval. Settlement of payments may be periodically affected and/or delayed due to system outages or maintenance windows.

2. Neither TassatPay® wallets nor Western Alliance Transfer Tokens are "deposits", as defined in the Federal Deposit Insurance Act (12 U.S.C. §1811, et seq.), and are not insured by the FDIC or any federal government agency.

3. Refer to the disclosures provided at account opening, including but not limited to the Deposit Account Agreement and Disclosure, the Privacy Policy and the Schedule of Fees and Charges (collectively, "Account Agreements") for additional information regarding your deposit accounts at Western Alliance Bank. Transaction limits may apply. Refer to the Treasury Management Services Agreement and the Account Agreements for applicable terms and conditions.

One of the Most Profitable Banks in the Industry

In every environment, Western Alliance's branch-lite, flexible business model provides us a competitive advantage to leverage operating efficiencies to enhance financial performance, while investing in business initiatives to power future growth. For example, in 2021, we produced an efficiency ratio of 41.8%, an impressive trend that has persisted over the last five years. To put this in perspective, over the last five years, total loans and deposits have grown 2.5 times the rate of operating expense, excluding AmeriHome. Consistent productivity improvements across our operations provide us with the capability to absorb higher labor costs while continuing to fund critical product and technology investments.

Our organization's longstanding focus on credit quality continues to deliver results. For the last several years, Western Alliance has been able to de-risk the balance sheet while posting exceptional growth. We concluded 2021 with special mention loans and classified assets at or below 2019 ratios.

The acquisition of AmeriHome Mortgage Company in April 2021 extended our national commercial bank strategy with a correspondent mortgage platform that has enhanced growth, returns and diversification. The combination with our existing commercial bank franchise creates numerous opportunities to unlock value throughout economic and rate cycles as a more broad-based, diversified financial institution. Through low-cost deposits and attractive commercial loans, we are able to drive meaningful net interest income and tangible book value accretion.

I'm pleased to report Western Alliance is one of the most profitable banks in the industry, with return on average assets and return on average tangible common equity of 1.83% and 26.2%, respectively, which will continue to support capital accumulation and strong capital levels.

1.83%

Return on average assets

26.2%

Return on average tangible common equity

Innovating for the Future

Importantly, in 2021 Western Alliance planted a flag in the growing blockchain-based digital payments arena, working with TassatPay^{®4}, a digital blockchain payment platform, to facilitate real-time B2B payments for customers. The platform will enable clients to make instant payments 24/7/365 with a range of other benefits, including added simplicity.⁵ As we move quickly to be among the leaders in banking digitization, we envision blockchain-based digital payments and related, innovative solutions will be valuable offerings for our business.

Rolling out successful new businesses and making targeted technology investments, while keeping clients at the center of everything we do, depend on strong leaders at every level of the company.

Our executives have deep roots and expertise in their disciplines, which allow them to move quickly and effectively to maximize opportunities and create competitive advantage. As well, attracting seasoned, senior teams to Western Alliance helps us establish new business lines that ramp up rapidly due to their existing client relationships.

4. TassatPay[®] is owned and operated by Tassat Group, Inc. TassatPay[®] and Tassat[®] are registered trademarks of Tassat Group, Inc.

5. At this time, transfers are available only between Western Alliance commercial customers who are enrolled to use the platform. Subject to Bank approval. Settlement of payments may be periodically affected and/or delayed due to system outages or maintenance window.

\$2.0B

In record net revenue

50.5%

Growth in PPNR



Tim Boothe
Chief Operating Officer

Technology That ‘Just Works’

Forward-leaning digital tools are an essential facet of good banking today – but that’s just what they are, tools. The real measure of successful technology is the client experience. As we launch our new blockchain payments platform in 2022, our focus is on engaging our customers and expanding their options. These new, always-on capabilities are the foundation for advanced treasury management offerings and other important solutions that help us do more for clients.

All of this supports Western Alliance’s key differentiator – relationship banking. Our customers want digital banking capabilities with the power to blend into the background and “just work.” This puts the emphasis on the advisory aspects of our relationships with business clients across the economy and across the country. My own background as a lender tells me our approach is the right one. For us, integrating new technologies is about facilitating seamless connections with our customers that help them move toward their goals.



Barbara Kennedy
Chief Human Resources Officer

Our People-First Culture

This report is all about performance – and at Western Alliance Bank, our performance starts with our people and their resounding entrepreneurial spirit. Sustaining an environment where individuals are empowered to do the right thing for clients and for their teams makes a big difference in terms of satisfaction. It's clear that maximizing employee engagement is integral to a vibrant workplace and to reaching our benchmarks.

Now more than ever, we're acting on the powerful idea that people want more than just strong salaries and financial incentives, important as these are. We work to deliver opportunities for people to collaborate, contribute and build meaningful careers here. Our position as a top-performing and growing bank makes Western Alliance a place for possibilities.

Reliability that Leads to Trust

Behind our company's ongoing record of accomplishment is the simple idea that, at Western Alliance, we think differently. We act differently. We are a nationwide commercial bank that prizes our true connection with customers and our bankers are empowered to make decisions quickly. We do what we say we are going to do, and this reliability leads to credibility and trust. And this is something we never take for granted.

After another year of tremendous demands on people, personally and professionally, I want to sincerely thank the outstanding people of Western Alliance Bank, whose unrelenting dedication to customers makes our shared success happen. What links everything for us is our culture – People, Performance, Possibilities. This is the backbone of our business and gives us structure and resilience from year to year.

Board Refreshment and Succession Planning

I also want to thank our Board of Directors for their helpful guidance and active support during this eventful year. In particular, I'd like to acknowledge and thank our departing directors for their years of service and contributions to our company: Robert Sarver and Steve Hilton. Robert's dynamic leadership as the company's former Chief Executive Officer (2002-2018) was a catalyst for much of Western Alliance's industry-leading growth and strong financial performance over the past two decades. In navigating some of the most challenging economic conditions, including the Great Recession, Robert's stewardship allowed the company to support tens of thousands of customers who rely on the bank and our people every day. We will miss Robert's keen insights and decades of experience and we are deeply thankful for his service. Steve's many contributions to our Board included, among other things, valuable real estate insights that helped grow our company in the region and across the United States. We wish him well as he pursues other ventures.

Our Board recently announced that Bruce Beach has been named Chairman of the Board of Directors, effective as of our June 2022

annual meeting of stockholders. As many of you know, Bruce is an accounting industry leader with nearly 50 years of business and financial management experience, in addition to being the Board's Lead Independent Director since 2010. I believe Bruce is the ideal Chairman given his sound judgment, integrity and enduring commitment to Western Alliance. He knows our company well and I have no doubt he will continue to be a fierce advocate for shareholders and an unwavering partner in our growth plans.

As part of our ongoing board refreshment and succession planning, I'm also pleased to share that the company is nominating a new director for consideration at this year's annual meeting, Patricia Arvielo, Co-Founder and President of New American Funding. This company is one of the nation's largest independent mortgage lenders and has been a mortgage warehouse client of our bank since 2014. Patty is an accomplished entrepreneur and brings more than 40 years of mortgage and real estate experience to our Board, as well as significant involvement in a wide range of community and industry groups. Her energy and enthusiasm, combined with her business acumen, will serve us well in the years to come.

I'm honored to let you know that our Board and I have also agreed to extend my contract as President and CEO for three years, through at least 2024. I am grateful for the trust the Board has placed in me during this important period of growth and innovation for our company. Our Board recognizes the diversity and expertise our entire senior management team brings to Western Alliance, in addition to the value of leadership continuity as we execute on our strategic plans.

Finally, we extend our sincerest appreciation to our shareholders for their continuing commitment to Western Alliance. Ultimately, we recognize that we work for you, and our long track record of success would not be possible without your ongoing support.



Kenneth A. Vecchione
President and Chief Executive Officer



Stephen R. Curley
Division President, Alliance Association Bank
& Other Lending Divisions

Banking on Expertise

Expertise shapes our competitive edge in a growing number of industries where Western Alliance operates national banking businesses. Our knowledge of key individual sectors allows us to develop profitable, industry-leading solutions that perform for clients.

Paired with high-touch service, this expertise makes us trusted resources in a wide variety of segments. In the businesses that I lead, this includes municipalities that look to us for smart public finance capabilities, mortgage companies and brokers seeking sophisticated warehouse lending solutions, and a tailored banking brand for the expanding homeowner association and community management industry, Alliance Association Bank.

In other parts of our organization, two notable national banking businesses – Business Escrow Services and Settlement Services – both deposit-focused, also made sizable contributions to our balance sheet in 2021. A resource for M&A attorneys, private equity firms and strategic acquirers nationwide, Business Escrow Services has built sophisticated offerings for the legal sector. Western Alliance recently acquired Digital Disbursements, a leading digital payments platform for the class action legal industry, to heighten capabilities for our productive Settlement Services group.

FACTS AND FIGURES

\$5B

Total Equity

\$56B

In Assets

3,139

Employees

58

Offices

LONG-TERM DEPOSIT RATING

A2 Moody's
Investor Service

A Kroll Bond
Rating Agency

LONG-TERM DEBT RATING

A- Kroll Bond
Rating Agency

Baa2 Moody's
Investor Service

IDC FINANCIAL PLANNING



The Standard in Financial Rating
Institutions, Rated 300 Superior*

*Report dated 02/24/2022

INDUSTRY ACCOLADES



One of Forbes'
"America's Best Banks"
Year After Year

#1 Best Emerging Regional
Bank & Top 10 U.S. Banks
for Growth Strategy

BANK DIRECTOR'S 2022
RANKINGBANKING STUDY

#2 Best-Performing
of the 50 Largest
Public U.S. Banks

S&P GLOBAL MARKET
INTELLIGENCE 2021

2022 All-America
Executive Team

Best CEO: Ken Vecchione ranked #1
Best CFO: Dale Gibbons ranked #1

INSTITUTIONAL INVESTOR
MAGAZINE

Financial Highlights

| | 2019 | 2020 | 2021 |
|---|---------|---------|---------|
| Balance Sheet (\$ in millions) | | | |
| Total Assets | 26,822 | 36,461 | 55,983 |
| HFI Loans, net of deferred fees | 21,101 | 27,053 | 39,075 |
| Total Deposits | 22,796 | 31,930 | 47,612 |
| Total Equity | 3,017 | 3,413 | 4,963 |
| Profitability (\$ in millions) | | | |
| Net Interest Income | 1,040.4 | 1,166.9 | 1,548.8 |
| PPNR ⁶ | 623.5 | 746.1 | 1,122.8 |
| Net Income | 499.2 | 506.6 | 899.2 |
| ROAA (%) | 2.00 | 1.61 | 1.83 |
| ROATCE ⁶ (%) | 19.6 | 17.7 | 26.2 |
| Net Interest Margin (%) | 4.52 | 3.97 | 3.41 |
| Efficiency Ratio ⁶ (%) | 42.7 | 38.8 | 41.8 |
| Tangible Common Equity / Tangible Assets ⁶ (%) | 10.3 | 8.6 | 7.3 |
| Asset Quality (%) | | | |
| Non-Performing Assets ⁷ / Total Assets | 0.26 | 0.32 | 0.15 |
| Loan Loss Reserves / Funded Loans | 0.84 | 1.17 | 0.74 |
| Common Equity Tier 1 (CET1) Ratio | 10.6 | 9.9 | 9.1 |
| Per Share Information (\$) | | | |
| Common Dividends Declared per Share ⁸ | 0.50 | 1.00 | 1.20 |
| Earnings Per Share | 4.84 | 5.04 | 8.67 |

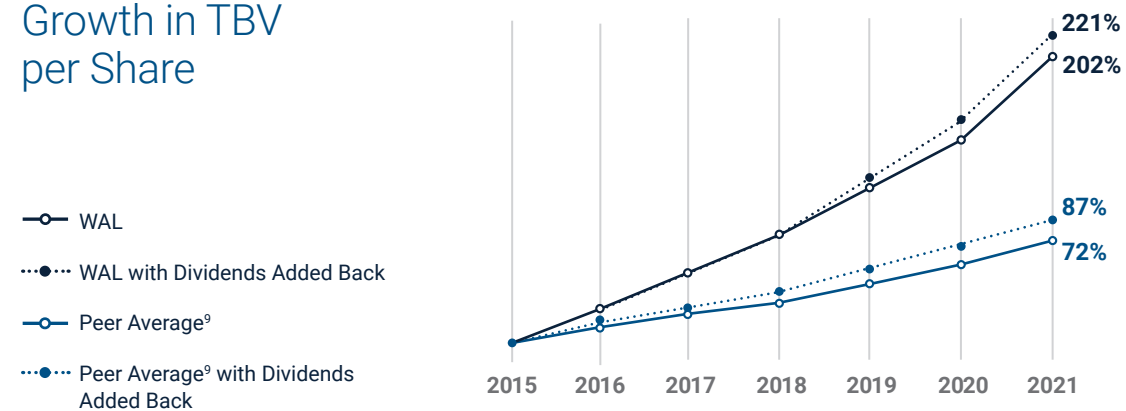
6. Where non-GAAP financial measures are used, the comparable GAAP financial measure, as well as the reconciliation to the comparable GAAP financial measure, can be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 as filed with the Securities and Exchange Commission.

7. Non-performing assets include nonaccrual loans and repossessed assets.

8. Quarterly cash dividend initiated in 3Q 2019.

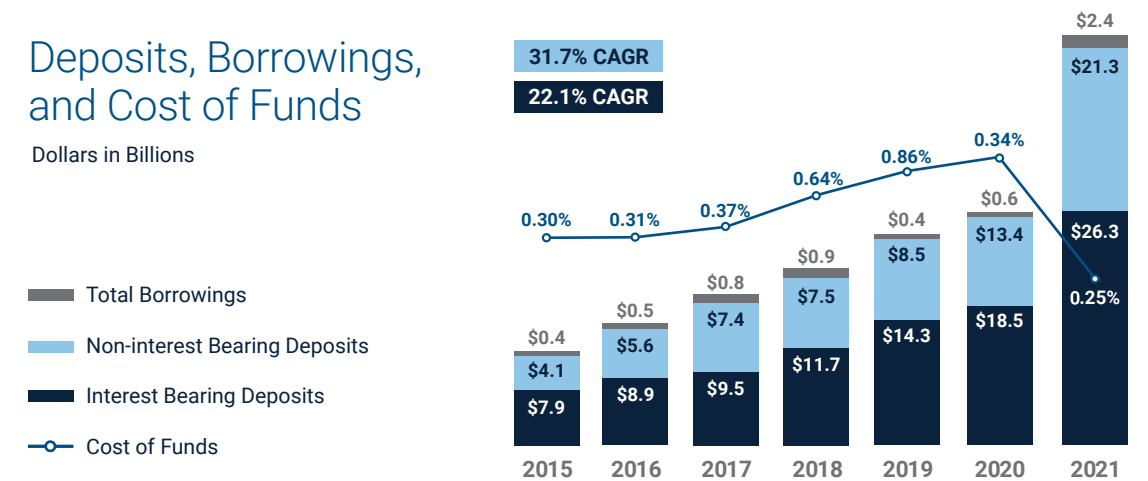
Financial Highlights Continued

Growth in TBV per Share

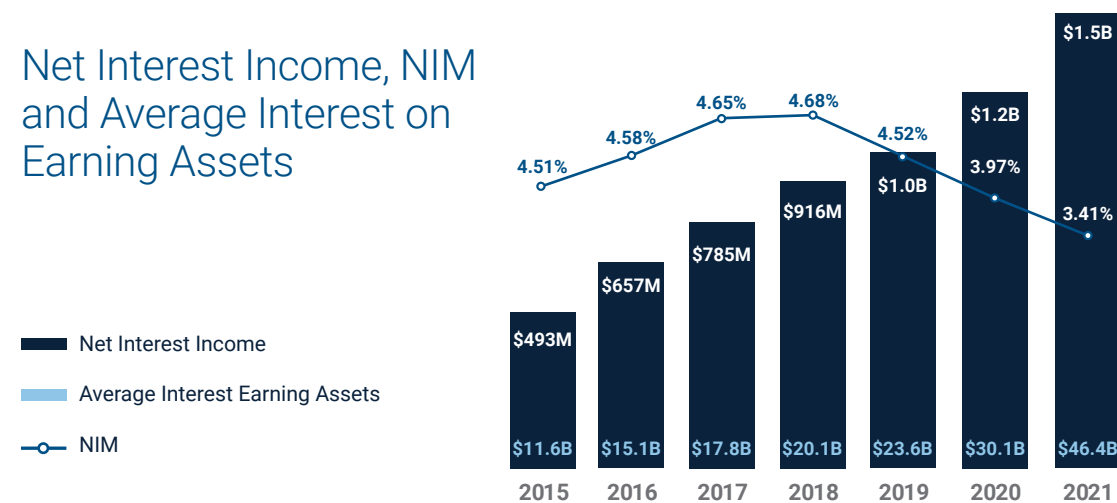


Deposits, Borrowings, and Cost of Funds

Dollars in Billions

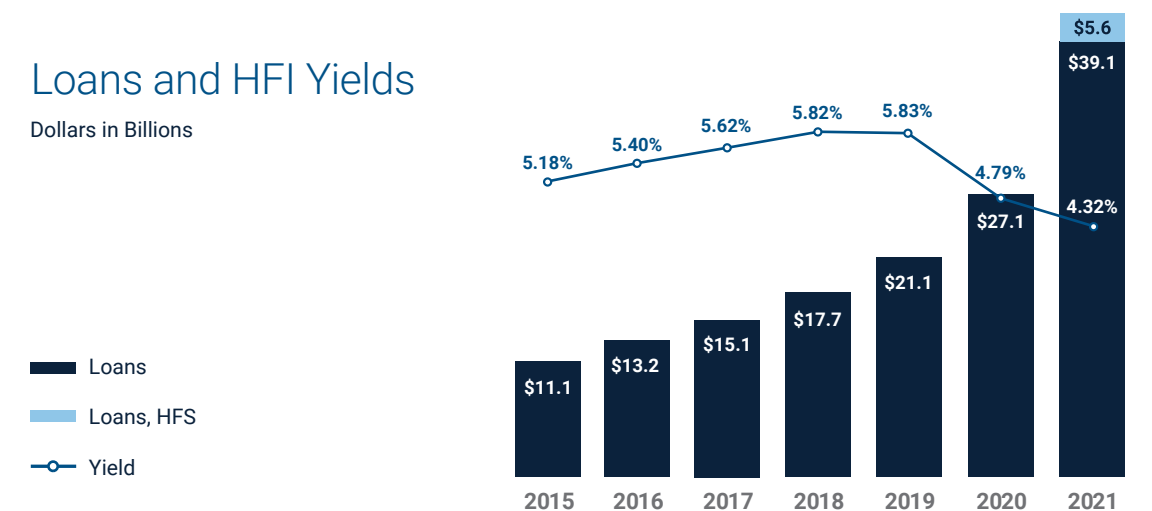


Net Interest Income, NIM and Average Interest on Earning Assets



Loans and HFI Yields

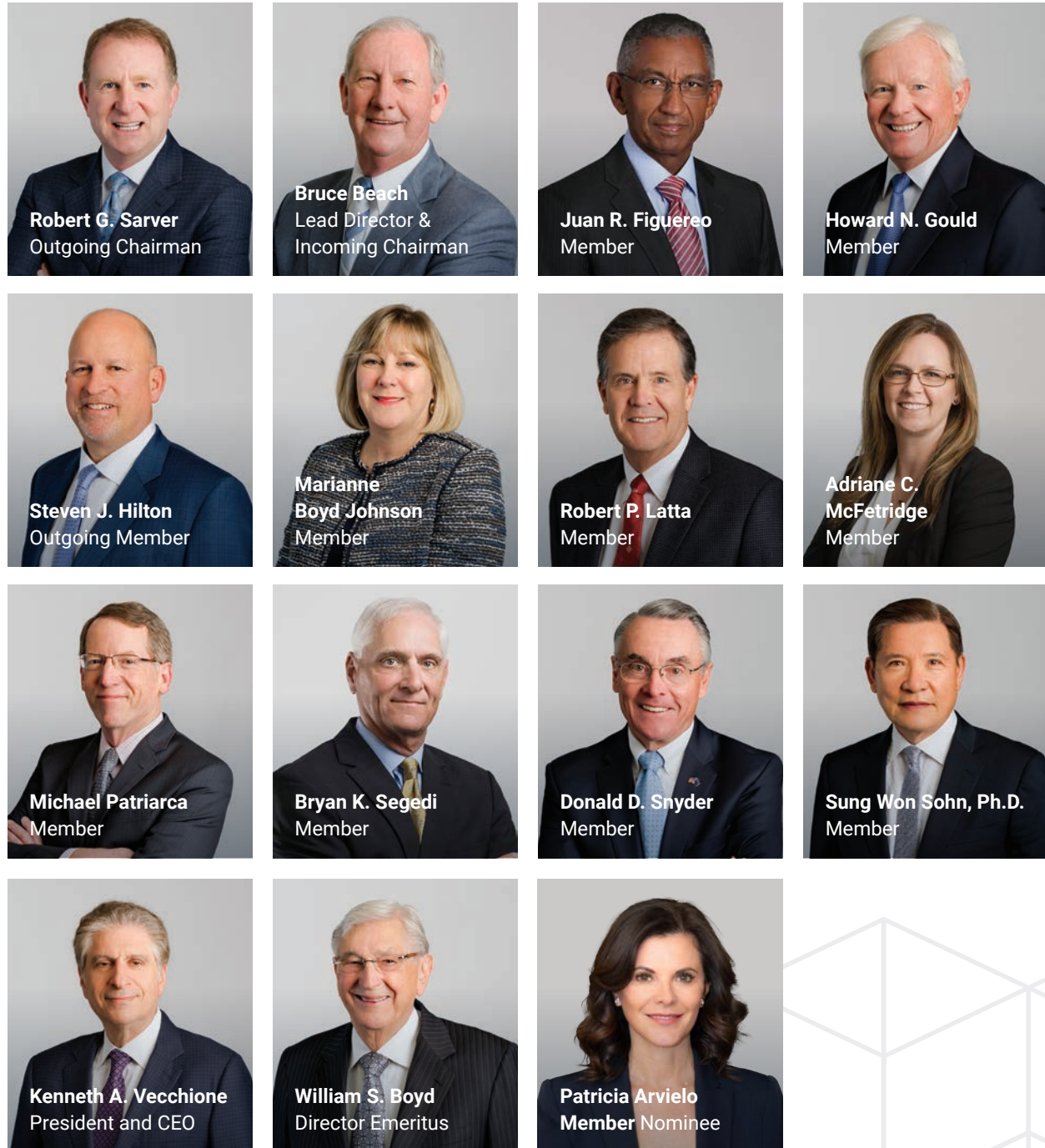
Dollars in Billions



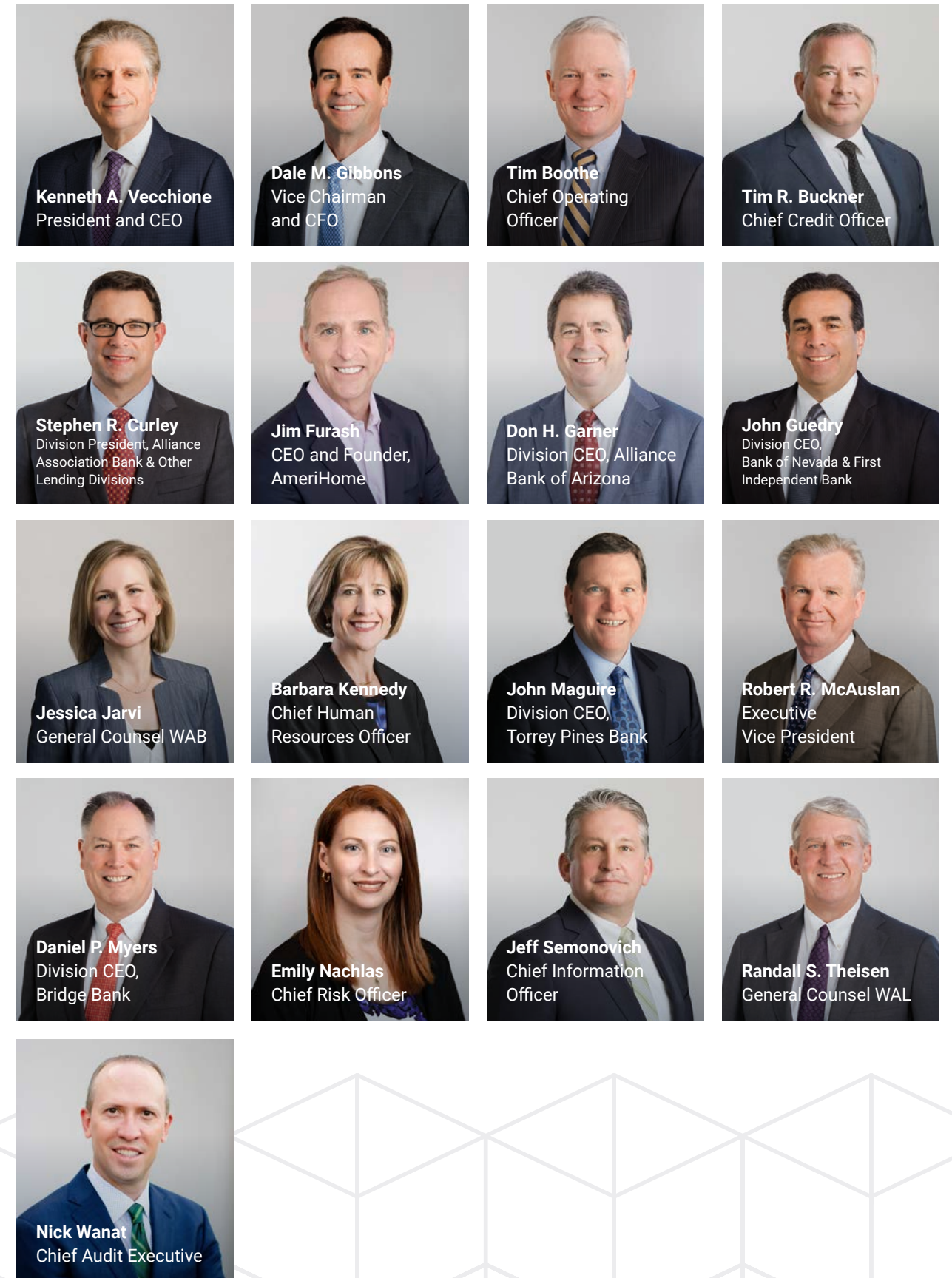
9. Peers consist of 29 major exchange traded U.S. banks with total assets between \$25B and \$150B as of December 31, 2021, excluding target banks of pending acquisitions; S&P Global Market Intelligence.

Our Executive Team

BOARD OF DIRECTORS



SENIOR OPERATING COMMITTEE



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, 2021

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:

| <u>Title of each class</u> | <u>Trading Symbol(s)</u> | <u>Name of each exchange on which registered</u> |
|--|--------------------------|--|
| Common Stock, \$0.0001 Par Value | WAL | New York Stock Exchange |
| Depository Shares, Each Representing a 1/400 th Interest in a Share of 4.250% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series A | WAL PrA | 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 \$9.04 billion based on the June 30, 2021 closing price of said stock on the New York Stock Exchange (\$92.85 per share).

As of February 18, 2022, Western Alliance Bancorporation had 106,997,341 shares of common stock outstanding.

Portions of the registrant's definitive proxy statement for its 2022 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, 2021 (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 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 | Company | Western Alliance Bancorporation and subsidiaries | TPB | Torrey Pines Bank |
| AmeriHome | AmeriHome Mortgage Company, LLC | CSI | CS Insurance Company | WA PWI | Western Alliance Public Welfare Investments, LLC |
| Aris | Aris Mortgage Holding Company, LLC | DST | Digital Settlement Technologies LLC | WAB or Bank | Western Alliance Bank |
| BON | Bank of Nevada | FIB | First Independent Bank | WABT | Western Alliance Business Trust |
| Bridge | Bridge Bank | LVSP | Las Vegas Sunset Properties | WAL or Parent | Western Alliance Bancorporation |
| TERMS: | | | | | |
| ACL | Allowance for Credit Losses | Dodd-Frank Act | The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 | LIBOR | London Interbank Offered Rate |
| AFS | Available-for-Sale | DTA | Deferred Tax Asset | LIHTC | Low-Income Housing Tax Credit |
| ALCO | Asset and Liability Management Committee | EAD | Exposure at Default | MBS | Mortgage-Backed Securities |
| Ameribor | American Interbank Offered Rate | EBO | Early buyout | MOU | Memorandum of Understanding |
| AOCI | Accumulated Other Comprehensive Income | EGRRCPA | The Economic Growth, Regulatory Relief, and Consumer Protection Act | MSA | Metropolitan Statistical Area |
| APIC | Additional Paid in Capital | EPS | Earnings per Share | MSR | Mortgage Servicing Right |
| ARRC | Alternative Reference Rate Committee | EVE | Economic Value of Equity | NBL | National Business Lines |
| ASC | Accounting Standards Codification | Exchange Act | Securities Exchange Act of 1934, as Amended | NOL | Net Operating Loss |
| ASU | Accounting Standards Update | FASB | Financial Accounting Standards Board | NPV | Net Present Value |
| Basel Committee | Basel Committee on Banking Supervision | FCRA | Fair Credit Reporting Act of 1971 | NYSE | New York Stock Exchange |
| Basel III | Banking Supervision's December 2010 Final Capital Framework | FDIA | Federal Deposit Insurance Act | OCC | Office of the Comptroller of the Currency |
| BHCA | Bank Holding Company Act of 1956 | FDIC | Federal Deposit Insurance Corporation | OCI | Other Comprehensive Income |
| BOD | Board of Directors | FHA | Federal Housing Administration | OFAC | Office of Foreign Asset Control |
| BOLI | Bank Owned Life Insurance | FHLB | Federal Home Loan Bank | OREO | Other Real Estate Owned |
| BSBY | Bloomberg Short Term Bank Yield Index | FHLMC | Federal Home Loan Mortgage Corporation | PCAOB | Public Company Accounting Oversight Board |
| CAMELS | Capital Adequacy, Assets, Management Capability, Earnings, Liquidity, Sensitivity | FICO | The Financing Corporation | PCD | Purchased Credit Deteriorated |
| Capital Rules | The FRB, the OCC, and the FDIC 2013 Approved Final Rules | FNMA | Federal National Mortgage Association | PD | Probability of Default |
| CARES Act | Coronavirus Aid, Relief and Economic Security Act | FOMC | Federal Open Market Committee | PPNR | Pre-Provision Net Revenue |
| CBDP | Commercial Banking Development Program | FRA | Federal Reserve Act | PPP | Paycheck Protection Program |
| CBOE | Chicago Board Options Exchange | FRB | Federal Reserve Bank | ROU | Right of Use |
| CCO | Chief Credit Officer | FTC | Federal Trade Commission | SBA | Small Business Administration |
| CDARS | Certificate Deposit Account Registry Service | FVO | Fair Value Option | SBIC | Small Business Investment Company |
| CDC | Centers for Disease Control and Prevention | GAAP | U.S. Generally Accepted Accounting Principles | SEC | Securities and Exchange Commission |
| CDO | Collateralized Debt Obligation | GLBA | Gramm-Leach-Bliley Act | SERP | Supplemental Executive Retirement Plan |
| CECL | Current Expected Credit Loss | GNMA | Government National Mortgage Association | SLC | Senior Loan Committee |
| CEO | Chief Executive Officer | GSE | Government-Sponsored Enterprise | SOFR | Secured Overnight Funding Rate |
| CET1 | Common Equity Tier 1 | HELOC | Home Equity Line of Credit | SR | Supervision and Regulation Letters |
| CFO | Chief Financial Officer | HFI | Held for Investment | TDR | Troubled Debt Restructuring |
| CFPB | Consumer Financial Protection Bureau | HFS | Held for Sale | TEB | Tax Equivalent Basis |
| CLO | Collateralized Loan Obligation | HTM | Held-to-Maturity | TSR | Total Shareholder Return |
| COSO | Committee of Sponsoring Organizations of the Treadway Commission | HUD | U.S. Department of Housing and Urban Development | UPB | Unpaid Principal Balance |
| COVID-19 | Coronavirus Disease 2019 | ICS | Insured Cash Sweep Service | USDA | United States Department of Agriculture |
| CRA | Community Reinvestment Act | IRC | Internal Revenue Code | VA | Veterans Affairs |
| CRE | Commercial Real Estate | IRLC | Interest Rate Lock Commitment | VIE | Variable Interest Entity |
| D&I | Diversity and Inclusion | ISDA | International Swaps and Derivatives Association | XBRL | eXtensible Business Reporting Language |
| DIF | FDIC's Deposit Insurance Fund | LGD | Loss Given Default | | |

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 customized loan, deposit and treasury management capabilities, including blockchain-based offerings 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, and has added to these capabilities with the acquisition of AmeriHome on April 7, 2021, which provides mortgage banking 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.

WAL also has eight unconsolidated subsidiaries used as business trusts in connection with issuance of trust-preferred securities as described in "Note 12. Qualifying Debt" in Item 8 of this Form 10-K.

Bank Subsidiary

At December 31, 2021, WAL has the following bank subsidiary:

| Bank Name | Headquarters | Location Cities | Total Assets | Net Loans | Deposits |
|------------------------------|------------------|---|--------------|---------------|-------------|
| | | | | (in millions) | |
| | | Arizona: Chandler, Flagstaff, Gilbert, Mesa, Phoenix, Scottsdale, and Tucson | | | |
| | | Nevada: Carson City, Fallon, Henderson, Las Vegas, Mesquite, Reno, and Sparks | | | |
| Western Alliance Bank | Phoenix, Arizona | California: Beverly Hills, Carlsbad, Costa Mesa, Irvine, La Mesa, Los Angeles, Marina Del Ray, Oakland, Pleasanton, San Diego, San Francisco, San Jose, and Woodland Hills | \$ 55,997.3 | \$ 44,458.0 | \$ 48,007.7 |
| | | Other: Atlanta, Georgia; Austin and Irving, Texas; Boston, Massachusetts; Chicago, Illinois; Denver, Colorado; Durham, North Carolina; Jersey City and Woodcliff, New Jersey; Minneapolis, Minnesota; Orlando, Florida; Tysons Corner, Virginia; and Seattle, Washington | | | |

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 interests in 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 of WAB's real estate loans and related securities.
- Helios Prime, Inc. holds certain equity interests in renewable energy tax credit transactions.
- Western Finance Company (formerly Western Alliance Equipment Finance) purchases and originates equipment finance leases and provides mortgage banking services through its wholly-owned subsidiary, AmeriHome Mortgage.

Market Segments

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 consumer banking services, such as residential mortgage banking, and commercial banking services to enterprises in consumer-related sectors.
- 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 lending products 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, loans to technology companies, inventory and accounts receivable lines, mortgage warehouse lines, and other commercial loans. Equipment loans and leases, 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, 2021 and 2020, 23% and 28% 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 executes flow and bulk residential loan purchases that meet the Company's goals and underwriting criteria through its residential mortgage acquisition program. 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, 2021, the Company's HFI loan portfolio totaled \$39.1 billion, or approximately 70% of total assets. The following table sets forth the composition of the Company's HFI loan portfolio as of the periods presented:

| | December 31, | | | |
|--|------------------------------|---------|-------------|---------|
| | 2021 | | 2020 | |
| | Amount | Percent | Amount | Percent |
| | <i>(dollars in millions)</i> | | | |
| Commercial and industrial | \$ 18,297.5 | 46.8 % | \$ 14,324.4 | 52.9 % |
| Commercial real estate - non-owner occupied | 6,526.4 | 16.7 | 5,654.7 | 20.9 |
| Commercial real estate - owner occupied | 1,898.1 | 4.9 | 2,156.8 | 8.0 |
| Construction and land development | 3,022.7 | 7.7 | 2,431.3 | 9.0 |
| Residential real estate | 9,281.7 | 23.8 | 2,434.6 | 9.0 |
| Consumer | 49.0 | 0.1 | 51.2 | 0.2 |
| Loans HFI, net of deferred loan fees and costs | \$ 39,075.4 | 100.0 % | \$ 27,053.0 | 100.0 % |
| Allowance for credit losses | (252.5) | | (278.9) | |
| Net loans HFI | \$ 38,822.9 | | \$ 26,774.1 | |

For additional information concerning loans, see "Note 5. 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 for its HFI portfolio, 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 at the commitment level as of December 31, 2021:

| | Percent of Tier 1 Capital and ACL | |
|-----------------------------------|--|---------------|
| | Policy Limit | Actual |
| CRE | 300 % | 196 % |
| Commercial and industrial | 685 | 583 |
| Construction and land development | 160 | 137 |
| Residential real estate | 320 | 203 |
| Consumer | 10 | 3 |

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. In addition, the Company considers all loans rated Substandard or lower to be experiencing financial difficulty. 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 non-residential loans with balances greater than \$1.0 million 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, 2021, 2020, and 2019. 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 on January 1, 2020, 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 is approved by the BOD on an annual basis. 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.

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 % |
| Collateralized loan obligations | Total assets | 5.0 % |
| Corporate debt holdings | Total assets | 2.5 % |
| Commercial mortgage-backed securities | Aggregate purchases | \$50.0 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.

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 ASC 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, 2021, the Company's investment securities portfolio totals \$7.5 billion, representing approximately 13% 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 5.4 years as of December 31, 2021.

The following table summarizes the carrying value of investment securities as of December 31, 2021 and 2020:

| | December 31, | | | |
|--------------------------------|------------------------------|----------------|-------------------|----------------|
| | 2021 | | 2020 | |
| | Amount | Percent | Amount | Percent |
| | <i>(dollars in millions)</i> | | | |
| <i>Debt securities</i> | | | | |
| CLO | \$ 926.2 | 12.4 % | \$ 146.9 | 2.7 % |
| Commercial MBS issued by GSEs | 68.5 | 1.0 | 84.6 | 1.5 |
| Corporate debt securities | 382.9 | 5.1 | 270.2 | 5.0 |
| Private label residential MBS | 1,724.9 | 23.1 | 1,476.9 | 27.1 |
| Residential MBS issued by GSEs | 1,993.4 | 26.8 | 1,486.6 | 27.3 |
| Tax-exempt | 2,105.3 | 28.2 | 1,756.2 | 32.3 |
| U.S. treasury securities | 13.0 | 0.2 | — | — |
| Other | 81.7 | 1.1 | 55.9 | 1.0 |
| Total debt securities | <u>\$ 7,295.9</u> | <u>97.9 %</u> | <u>\$ 5,277.3</u> | <u>96.9 %</u> |
| <i>Equity securities</i> | | | | |
| CRA investments | \$ 44.6 | 0.6 % | \$ 53.4 | 1.0 % |
| Preferred stock | 113.9 | 1.5 | 113.9 | 2.1 |
| Total equity securities | <u>\$ 158.5</u> | <u>2.1 %</u> | <u>\$ 167.3</u> | <u>3.1 %</u> |
| Total investment securities | <u>\$ 7,454.4</u> | <u>100.0 %</u> | <u>\$ 5,444.6</u> | <u>100.0 %</u> |

As of December 31, 2021 and 2020, the Company had investments in BOLI of \$180.2 million and \$176.3 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, 2021, the deposit portfolio was comprised of 45% non-interest-bearing deposits and 55% 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, | | | |
|--|----------------------|----------------|--------------------|----------------|
| | 2021 | | 2020 | |
| | Amount | Percent | Amount | Percent |
| | <i>(in millions)</i> | | | |
| Non-interest-bearing demand deposits | \$ 21,353.4 | 44.9 % | \$ 13,463.3 | 42.2 % |
| Interest-bearing transaction accounts | 6,924.0 | 14.5 | 4,396.4 | 13.8 |
| Savings and money market accounts | 17,278.6 | 36.3 | 12,413.4 | 38.9 |
| Time certificates of deposit (\$250,000 or more) | 523.0 | 1.1 | 602.0 | 1.9 |
| Other time deposits | 1,533.0 | 3.2 | 1,055.4 | 3.2 |
| Total deposits | <u>\$ 47,612.0</u> | <u>100.0 %</u> | <u>\$ 31,930.5</u> | <u>100.0 %</u> |

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 secured 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, blockchain-based offerings, lock box services, courier, and cash management services.

Customer, Product, and Geographic Concentrations

Commercial and industrial loans make up 47% and 53% of the Company's HFI loan portfolio as of December 31, 2021 and 2020, respectively. In addition, 29% and 38% of the Company's loan portfolio at December 31, 2021 and 2020, 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.

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 by providing expanded opportunities to attract and retain its people. 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.

The Company is deeply committed to giving back to the communities where it does business and strives to help low-to-moderate income geographies become healthier and more sustainable communities. Employees are encouraged to dedicate their time and expertise to charitable and civic organizations they are passionate about. In total, employees have volunteered more than 20,000 hours since 2019. The Company is also committed to providing financial support for education, affordable housing, and community development lending and investments.

As of December 31, 2021, the Company employed 3,139 full-time equivalent employees in its branches and loan production offices across the United States, an increase of 64% from December 31, 2020 due to the AmeriHome acquisition in April 2021 as well as continued organic 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 and to providing equal opportunity in all aspects of employment. In 2021, the Company continued to make progress towards enhancing its ability to attract and retain a diverse population of employees. The Company has built 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. Overall, the D&I Opportunity Council is focused on accelerating D&I activities and results. One aspect of this work is the active support of Business Resource Groups focused on the career advancement of diverse groups within the

Company, such as women, minority groups, and LGBTQIA+ employees. These groups foster opportunities to engage in programs, network with peers, and connect with Bank leadership.

The Company employs a diverse workforce that reflects its communities, with 44% of the Company's employees belonging to an ethnic minority group as of December 31, 2021, an increase from 38% as of the end of the prior year. In terms of gender diversity, approximately 55% of the Company's employees are women as of December 31, 2021, which is a decrease from 58% in the prior year. Of the employees that are women, 47% occupy roles that involve supervising and managing other employees as of December 31, 2021. With respect to the Company's Board of Directors, 15% belong to a minority group and 15% are women. The Company remains committed to increasing the share of women and minority groups in the ranks of its leadership and Board of Directors.

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 has expanded 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. In 2021, excluding the impact of AmeriHome for which comprehensive data is not available, 38% of WAB's open positions were filled by candidates belonging to an ethnic minority group and 67% of promotions were awarded to ethnically diverse or female employees. 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.

Retaining employees who have been key contributors to the Company's success story remains an important objective. From 2017 through 2020, the Company achieved a multi-year decline in its turnover rate. For 2021, the Company's turnover rate has been meaningfully impacted by the Great Resignation, which refers to the trend in which employees voluntarily resigned from their jobs in record numbers, with turnover rates highest among mid-career employees. This trend increased the Company's turnover rate to 19% in 2021, from 13% in 2020. As reflected in the table below and consistent with the employee resignation data collected during the Great Resignation, the Company's turnover rate is highest among employees in the Under 30 age group.

| Age Group | Turnover Rate |
|------------------|----------------------|
| Under 30 | 27 % |
| Between 30-50 | 19 |
| Over 50 | 16 |

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, life insurance and other benefits, health savings and flexible spending accounts, and various paid time off benefits. Throughout the organization, 99% of employees participate in the annual bonus plan or are 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. Preventive health measures were put in place, which included establishing social distancing precautions for all employees in the office and customers visiting branches and preventive cleaning at offices and branches. The Company has returned most employees to the office subject to applicable health and safety procedures in accordance with guidance from the CDC and local authorities, including regular symptom checks and requiring employees with COVID-19 related symptoms or exposure to quarantine away from the office.

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 our common stock involves various risks, many of which are specific to our business. The discussion below addresses the material risks and uncertainties, of which we are currently aware, that could have a material adverse effect on our business, results of operations, and financial condition. Other risks that we do not know about now, or that we do not currently believe are material, could negatively impact our business or the trading price of our 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."

Market and Economic Risks

The COVID-19 pandemic and resulting adverse economic conditions have adversely impacted our 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 we have continued operating, the COVID-19 pandemic has caused disruptions to our business and could cause material disruptions to our business and operations in the future. Impacts to our business have included the transition of a portion of our 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, our 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 our 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 our recorded allowance.

We are continuing to monitor the COVID-19 pandemic, including the emergence and impact of the Delta and Omicron variants, its economic effects 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 our control that are likely to affect the impact the COVID-19 pandemic will ultimately have on our business are:

- the pandemic's course and severity, including the impact related to the distribution and effectiveness of the available COVID-19 vaccines and treatments and the potential development for additional vaccines and treatments in the future;
- 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 our hotel franchise finance business and portfolio;
- potential longer-term effects of increased government spending on the interest rate environment, borrowing costs for non-governmental parties and inflation;
- the ability of our 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 we operate 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.

Our financial performance may be adversely affected by conditions in the financial markets and economic conditions generally.

Our financial performance is highly dependent upon the business environment in the markets where we operate 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 (including the impact of the escalating military conflict between Russia and Ukraine), 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 us 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 we conduct business could have adverse effects, including the following:

- a decrease in deposit balances or the demand for loans and other products and services we offer;
- 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 us, 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 our 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 we interact on a daily basis, and therefore could adversely affect us.

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 our business, results of operations, and financial condition.

Changes in interest rates and increased rate competition could adversely affect our profitability, business, and prospects.

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

We derive a significant amount of our revenue from net interest income and, therefore, our net income depends heavily on our net interest margin. Net interest margin is the difference between the interest we receive on loans, securities, and other earning assets and the interest we pay on interest-bearing deposits, borrowings, and other liabilities. These rates are highly sensitive to many factors beyond our 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 we pay on our interest-bearing deposits, borrowings, and other liabilities may increase more quickly than the rate of interest we receive on loans, securities, and other earning assets, which could adversely impact our net interest income and earnings. Conversely, our earnings also could be adversely affected in a declining rate environment if the rates on our loans and other investments fall more quickly than those on our deposits and other liabilities. Because of our relatively high reliance on net interest income, our revenue and earnings are more sensitive to changes in market rates than other financial institutions that have more diversified sources of revenue.

Loan volumes are also affected by market interest rates on loans. Lower interest rates are usually associated with higher loan originations. Conversely, decreasing interest rates generally increase loan repayment rates and cause more borrowers to refinance loans, which could result in the loss of future net servicing revenues with an associated write-down of the related MSR. In contrast, in rising interest rate environments, loan repayment rates generally decline and result in a lower volume of loan originations. In addition to the impact on our lending business, a decrease in loan originations would adversely affect the volume of loans available for purchase by our mortgage warehouse lending platform.

In addition to the potential effects on net interest margin and loan volumes, an increase in the general level of interest rates may adversely affect the ability of certain borrowers to pay interest and principal on their obligations and may also reduce the amount of non-interest income we can earn due to potentially lower levels of banking business conducted generally as well lower levels of servicing, gain on sale, and other revenues generated through our residential mortgage business.

Interest rates are expected to rise in 2022. The Federal Reserve's target range for the federal funds rate has remained at 0 to 0.25 percent since the onset of the pandemic. In the January 2022 FOMC meeting, the federal funds target rate was kept at the current range, although the FOMC signaled that it expects to raise the target range for the federal funds rate in the near term. With this guidance, many market commentators have published revised forecasts and are anticipating multiple rate hikes in 2022. An increase in interest rates could materially and adversely affect our business, financial condition, results of operations, and cash flows.

Our financial instruments expose us to certain market risks and may increase the volatility of earnings and AOCI.

We hold certain financial instruments measured at fair value. For those financial instruments measured at fair value, we are 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 our control, including our credit position, interest rate volatility, capital markets volatility, and other economic factors. Accordingly, we are subject to mark-to-market risk and the application of fair value accounting may cause our earnings and AOCI to be more volatile than would be suggested by our underlying performance.

Due to the inherent risk associated with accounting estimates, our allowance for credit losses may be insufficient, which could require us to raise additional capital or otherwise adversely affect our 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 our consolidated loan portfolio and maintains an ACL. 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 is 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, we individually evaluate all loans identified as problem loans and establish an allowance based upon our estimation of the potential loss associated with those problem loans. Additions to the ACL recorded through our provision for credit losses decrease our net income. Measurement of expected credit losses under CECL has generally resulted in more volatility in the provision for credit losses and the resulting ACL in comparison to the incurred loss model. If management's assumptions and judgments are incorrect or if economic conditions worsen compared to forecast, our actual credit losses may exceed our ACL.

At December 31, 2021, our ACL on funded loans and loss contingency on unfunded loan commitments and letters of credit totals \$252.5 million and \$37.6 million, respectively. Deterioration in the real estate market or general economic conditions could affect the ability of our loan customers to service their debt, which could result in additional loan loss provisions and increases in our ACL. In addition, we may be required to record additional loan provisions or increase our ACL based on new information regarding existing loans, input from regulators in connection with their review of our loan portfolio, 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 our management's control. Moreover, because future events are uncertain and because we 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 ACL will result in a decrease in our net income and, potentially, capital, and may have a material adverse effect on our financial condition and results of operations. If actual credit losses materially exceed our ACL, we may be required to raise additional capital, which may not be available to us on acceptable terms or at all. Our inability to raise additional capital on acceptable terms when needed could materially and adversely affect our financial condition, results of operations, and capital.

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

Many of the real and personal properties securing our loans are located in California and more generally in the southwestern portion of the United State. Much of California experiences wildfires from time to time that cause significant damage throughout the state. While these wildfires have not significantly damaged our own properties, it is possible that our borrowers may experience losses in the future, 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 our other markets could lead to damage or injury to our

own properties and/or employees, and could increase the risk that many of our 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 our markets could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Climate change or societal responses to climate change could adversely affect our business and performance, including indirectly through impacts on our customers and vendors.

The lack of empirical data surrounding the credit and other financial risks posed by climate change makes it impossible to predict the specific impact climate change may have on our financial condition and results of operations; however, the physical effects of climate change may also impact us. In addition to the risk of more frequent and/or severe natural disasters, climate change can result in longer term shifts in climate patterns such as extreme heat, sea level rise, declining fresh water resources, and more frequent and prolonged drought. The effects of climate change and may have a significant effect in our geographic markets, and could disrupt our operations, the operations of our customers or third parties on which we rely, or supply chains generally. These disruptions, including increased regulation and compliance cost for our customers and changes in consumer behaviors, could result in declines in the economic conditions in geographic markets or industries in which our customers operate and impact their ability to repay loans or maintain deposits and could affect the value of real estate and other assets that serve as collateral for loans.

Bank regulators have increasingly viewed financial institutions as playing an important role in helping to address climate change, which may result in increased requirements regarding the disclosure and management of climate risks and related lending activities. We may also become subject to new or heightened regulatory requirements related to climate change, such as requirements relating to operational resiliency or stress testing for various climate stress scenarios. New or increased regulations could result in increased compliance costs or capital requirements. Changes in regulations and customer preferences and behaviors could negatively affect our growth or force us to alter our business strategies, including whether and on what terms and conditions we will engage in certain activities or offer certain products or services and which growth industries and customers we pursue. Additionally, our reputation and customer relationships may be damaged due to our practices related to climate change, including our involvement, or our customers' involvement, in certain industries or projects associated with causing or exacerbating climate change, as well as any decisions we make to continue to conduct or change our activities in response to considerations relating to climate change. Overall, climate change, its effects and the resulting, unknown impact could have a material adverse effect on our financial condition and results of operations.

Credit Risks

We are highly dependent on real estate and events that negatively impact the real estate market will hurt our business and earnings.

A significant portion of our business is located in areas in which economic growth is largely dependent on the real estate market, and a majority of our loan portfolio is secured by or otherwise dependent on real estate. The market for real estate is cyclical and a significant change in the real estate market that resulted in deterioration in the value of collateral or rental or occupancy rates could adversely affect borrowers' ability to repay loans. Changes in the real estate market could also affect the value of foreclosed assets. A decline in real estate activity would likely cause a decline in asset and deposit growth and negatively impact our earnings and financial condition.

Our loan portfolio contains concentrations in certain business lines or product types that have unique risk characteristics and may expose us to increased lending risks.

Our loan portfolio consists primarily of commercial and industrial, residential mortgage, 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 us. 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.

Our commercial and industrial, CRE, and construction loans, are also largely concentrated in selected markets in Arizona, California, and Nevada. As a result of this geographic concentration, deterioration in economic conditions in these markets could result in an increase in loan delinquencies and charge-offs, an increase in problem assets and foreclosures, a decrease in the demand for our products and services or a decrease in the value of real estate and other collateral for loans. 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.

Unforeseen adverse events, changes in economic conditions, and changes in regulatory policy affecting borrowers' industries or markets could have a material adverse impact on our financial condition and results of operations.

Our credit linked notes do not ensure full protection against credit losses, and as such we could still incur significant credit losses on loans for which risk of loss has been transferred pursuant to these transactions.

We have entered into two transactions to mitigate exposure to losses on our loan portfolio. These transactions are structured as senior unsecured credit linked notes, which transfer the risk of first losses on covered loans to these note holders. These notes have an aggregate principal amount of \$242.0 million and \$227.6 million on a \$1.9 billion and \$4.6 billion reference pool of warehouse loans and residential mortgages, respectively. Pursuant to these arrangements, in the event of borrower default, the principal balance of the notes will be reduced by the amount of the loss, up to the amount of the aggregate principal of the notes. However, all residual risk over and above the first loss position is retained by us. While current estimates of future credit losses are below the first loss position, no assurances can be given that these losses will not exceed the first loss position and, if credit losses were to exceed the first loss position, our financial condition and results of operations could be adversely effected. We may enter into more such transactions in the future.

We are exposed to risk of environmental liabilities with respect to properties to which we obtain title.

Approximately 53% of our loan portfolio at December 31, 2021 was secured by real estate. In the course of our business, we may foreclose on and take title to real estate, and could be subject to environmental liabilities with respect to these properties. We 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 we are the owner or former owner of a contaminated site, we 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 our business and prospects.

Strategic Risks

Our future success depends on our ability to compete effectively in a highly competitive and rapidly evolving market.

We face substantial competition in all phases of our operations from a variety of different competitors. Our competitors, including money center banks, national and regional 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, financial technology companies and other financial institutions, compete with lending and deposit-gathering services offered by us. Increased competition in our markets or our inability to compete effectively may result in reduced loans and deposits or less favorable pricing.

In particular, we have 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 we have. 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 us. In addition, some of the financial services organizations with which we compete 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 us in accessing funding and in providing various services.

The banking business in our primary market areas is very competitive, and the level of competition facing us may increase further, which may limit our asset growth and financial results. In particular, our predominate source of revenue is net interest income. Therefore, if we are unable to compete effectively, including sustaining loan and deposit growth at our historical levels, our 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 such as blockchain and digital payments, 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.

Our expansion strategy may not prove to be successful and our market value and profitability may suffer.

We continually evaluate expansion through acquisitions of banks and other financial assets and businesses. Like previous acquisitions by us such as the acquisition of AmeriHome in 2021 and Digital Settlement Technologies LLC in early 2022, 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 our 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 our ongoing business;
- failure to retain key personnel at the acquired business;
- inability of our management to maximize our financial and strategic position by the successful implementation of uniform product offerings and the incorporation of uniform technology into our product offerings and control systems; and
- failure to realize any expected revenue increases, cost savings, and other projected benefits from an acquisition.

We expect that competition for suitable acquisition candidates may be significant. We 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. We cannot assure that we will be able to successfully identify and acquire suitable acquisition targets on acceptable terms and conditions, or that we will be able to obtain the regulatory approvals needed to complete any such transactions.

We cannot provide any assurance that we will be successful in overcoming these risks or any other problems encountered in connection with acquisitions. Potential regulatory enforcement actions could also adversely affect our ability to engage in certain acquisition activities. Our inability to overcome the risks inherent in the successful completion and integration of acquisitions could have an adverse effect on the achievement of our 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, we 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, geographies, 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, we 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 our 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 our business, results of operations, and financial condition.

We are pursuing digital payments initiatives which are subject to significant uncertainty and could adversely affect our business, reputation, or financial results.

We are pursuing digital payments initiatives, including our recently announced acquisition of Digital Settlement Technologies LLC, a digital payments platform for the class action legal industry, and our recently announced decision to implement a fully integrated digital banking platform for our customers, including a digital token powered by the TassatPay platform. The digital payments products and services we offer may use or rely on blockchain-based technologies or assets. Use of blockchain-based technologies in payments are a relatively new and unproven technology, and the laws and regulations surrounding them are uncertain and evolving. Blockchain and digital payment technology has drawn significant scrutiny from governments and regulators in multiple jurisdictions and we expect that scrutiny to continue. Any changes in such laws and regulations applicable to, or scrutiny directed at, our products and services may impede or delay the offering of digital payments solutions,

increase our operating costs, require significant management time and attention, or otherwise harm our business or results of operations.

In addition, market acceptance of digital payments products and services is subject to significant uncertainty. As such, there can be no assurance that digital payments products and services we offer and the technologies we have chosen to implement will be accepted and desired by customers. We do not have significant prior experience with blockchain-based technology, which may adversely affect our ability to successfully integrate and market such digital payments products and services. We also will incur increased costs in connection with these efforts, and our investments may not be successful. Any of these events could adversely affect our business, reputation, or financial results.

Our success is dependent upon our ability to recruit and retain qualified employees, including members of our divisional and business line leadership and management teams.

Our business plan includes and is dependent upon hiring and retaining highly qualified and motivated executives and employees at every level. In particular, our relative success to date has been partly the result of our management's ability to identify and retain highly qualified employees in divisional, business line and geographic leadership and administrative support roles, and experienced bankers with expertise in certain specialty areas or that have long-standing relationships in their communities or markets, including with respect to our business-to-business mortgage platform. These professionals bring with them valuable knowledge, specialized skills and expertise, customer relationships and in some cases extensive ties within markets upon which our competitive strategy is based, and have been an integral part of our ability to attract deposits and to expand our market share. We have not entered into employment agreements with most of our employees and competition for talent in our industry is intense. The labor market is currently challenging, with employee turnover at an all-time high and increased wage pressure. In addition, the transition to an increased remote work environment, which we believe is likely to survive the COVID-19 pandemic for many organizations, may exacerbate the challenges of attracting and retaining talented and diverse employees as job markets may be less constrained by physical geography. We incentivize employee retention through our equity incentive plans; however, we cannot guarantee the effectiveness of our equity incentive plans in retaining these key employees and executives. Were we to lose key employees, we may not be able to replace them with equally qualified persons who bring the same skills and knowledge of and ties to the communities and markets within which we operate. If we are unable to retain qualified employees or hire new qualified employees to keep up with or outpace employee turnover, we may not be able to successfully execute our business strategy or may incur additional costs to achieve our objectives.

Further, as it relates to the pandemic, we have taken and are continuing to take actions to protect the safety and well-being of our 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 our business. Most of our workforce has returned to working in our 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.

We could be harmed if our succession planning is inadequate to mitigate the loss of key members of our senior management team.

We believe that our senior management team has contributed greatly to our performance. In addition, we from time to time experience retirements and other changes to our senior management team. Our future performance depends on a smooth transition of our senior management, including finding and training highly qualified replacements who are properly equipped to lead us. We have adopted retention strategies, including equity awards, from which our senior management team benefits in order to achieve our goals. However, we cannot assure our succession planning and retention strategies will be effective and the loss of senior management could have an adverse effect on our business.

Liquidity Risks

If we lose a significant portion of our core deposits or a significant deposit relationship, or our cost of funding deposits increases significantly, our liquidity and/or profitability would be adversely impacted.

Our success depends on our ability to maintain sufficient liquidity to fund our 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 our markets is strong and customers may demand higher interest rates on their deposits or seek other investments offering higher rates of return. We offer 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. We also from time to time offer 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 our 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 our bank subsidiary, could negatively impact our ability to attract and retain deposits. If we were to lose a significant deposit relationship or a significant portion of our low-cost deposits, we would be required to borrow from other sources at higher rates and our liquidity and profitability would be adversely impacted.

We may be required to repurchase mortgage loans or indemnify investors under certain circumstances.

A substantial portion of our mortgage banking operations involves the sale of loans to third parties, including through securitization. When loans are sold or securitized, we make customary representations and warranties about such loans to the loan purchaser or through documents governing our securitized loan pools. If a mortgage loan does not comply with the representations and warranties made with respect to it at the time of its sale, we could be required to repurchase the loan, replace it with a substitute loan and/or indemnify secondary market purchasers or investors for losses, and may not have recourse to the correspondent seller that sold the mortgage loans and breached similar or other representations and warranties. Significant indemnification or repurchase activity on securitized or sold loans without offsetting recourse to a counterparty from which the loan was purchased could have a material adverse effect on our financial condition and results of operations.

We utilize borrowings from the FHLB and the FRB, and there can be no assurance these programs will be available as needed.

As of December 31, 2021, we have no borrowings from the FHLB of San Francisco or the FRB. However, we have utilized borrowings from the FHLB of San Francisco and the FRB to satisfy our short-term liquidity needs. Our borrowing capacity is generally dependent on the value of our collateral pledged to these entities. These lenders could reduce our borrowing capacity or eliminate certain types of collateral and could otherwise modify or even terminate their loan programs. Any change to or termination of these programs could have an adverse effect on our liquidity and profitability.

A change in our creditworthiness could increase our cost of funding or adversely affect our liquidity.

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

Operational and Technological Risks

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

Our 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 we take numerous protective measures to maintain the confidentiality, integrity, and security of our customers' information across all geographies and product lines, and endeavor to modify these protective measures as circumstances warrant, the nature of the threats continues to evolve. As a result, our computer systems, software, and networks and those of our 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 us and/or our 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 our organization.

We also face the risk of operational disruption, failure, termination, or capacity constraints of any of the third parties that facilitate our 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, our operational systems, data or infrastructure. In addition, we may be at risk of an operational failure with respect to our customers' systems. Our 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 our business operations, and the continued uncertain global economic environment. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities.

We maintain insurance policies that we believe provide reasonable coverage at a manageable expense for an institution of our size and scope with similar technological systems. However, we 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 we experience any one or more of our or a third party's systems failing or experiencing an attack.

We rely on third parties to provide key components of our business infrastructure.

We rely on third parties to provide key components for our business operations, such as data processing and storage, recording and monitoring transactions, online banking interfaces and services, internet connections, and network access. While we select these third-party vendors carefully, we do 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 our ability to deliver products and services to our customers and otherwise conduct our business. Financial or operational difficulties of a third-party vendor could also hurt our operations if those difficulties interfere with the vendor's ability to serve us. Replacing these third-party vendors also could create significant delays and expense. Any of these things could adversely affect our business and financial performance.

Our business may be adversely affected by fraud.

As a financial institution, we are 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 us and/or our customers or data. Such activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing, social engineering and other dishonest acts.

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

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

Our 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. We may not successfully implement such changes or improvements in an efficient or timely manner, or we may discover deficiencies in our existing systems and controls that adversely affect our ability to support and grow our existing businesses and client relationships, and could require us to incur additional expenditures to expand our administrative and operational infrastructure. If we are unable to maintain and implement improvements to our controls, processes, and reporting systems and procedures, we may lose customers, experience compliance and operational problems or incur additional expenditures beyond current projections, any one of which could adversely affect our financial results.

The replacement of LIBOR may adversely affect our business.

LIBOR and certain other interest rate benchmarks are the subject of recent national, international and other regulatory guidance and reform. On March 5, 2021, the United Kingdom administrator of LIBOR announced that the 1-month, 3-month, 6-month and 12-month US dollar LIBOR settings would cease to exist after June 30, 2023 and numerous other LIBOR settings, including the 1-week and 2-month US dollar LIBOR settings, would cease to exist after December 31, 2021. The U.S. federal banking agencies issued a statement in November 2020 encouraging banks to transition away from U.S. dollar LIBOR as soon as practicable and to stop entering into new contracts that use U.S. dollar LIBOR by December 31, 2021. We began offering three alternative rate indices (including SOFR, Ameribor, and BSBY) on our lending products to our customers in the second half of 2021. Each of these rates indices are International Organization of Securities Commissions compliant and, as of December 31, 2021, we are no longer originating new loans using any LIBOR index.

The market transition away from LIBOR to alternative reference rates is complex and could have a range of adverse effects on our business, financial condition and results of operations. In particular, the transition could:

- adversely affect the interest rates received or paid on the value of our LIBOR-based assets and liabilities;
- adversely affect the interest rates received or paid on the value of other securities or financial arrangements, given LIBOR's role in determining market interest rates globally;

- prompt inquiries or other actions from regulators in respect of our preparation and readiness for the replacement of LIBOR with an alternative reference rate; and
- result in disputes, litigation or other actions with borrowers or counterparties about the interpretation and enforceability of certain fallback language in LIBOR-based contracts and securities.

The transition away from LIBOR to an alternative reference rate or rates will require the transition to or development of appropriate systems, models and analytics to effectively transition our risk management and other processes from LIBOR-based products to those based on the applicable alternative reference rate. Accordingly, management's LIBOR transition team is actively working on the LIBOR transition project. Despite these efforts, the manner and impact of this transition and related developments, as well as the effect of these developments on our funding costs, investment and trading securities portfolios, and business, is uncertain and could have a material adverse impact on our profitability.

Our risk management practices may prove to be inadequate or not fully effective.

Our risk management framework seeks to mitigate risk and appropriately balance risk and return. We have established policies and procedures intended to identify, monitor, and manage the types of risk to which we are 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 our key risk management policies and oversees operation of our risk management framework. Although we have devoted significant resources to developing our risk management policies and procedures and expect to continue to do so in the future, these policies and procedures, as well as our risk management techniques, may not be fully effective. In addition, as regulations and the markets in which we operate continue to evolve, our risk management framework may not always keep sufficient pace with those changes. If our risk management framework does not effectively identify or mitigate our risks, we could suffer unexpected losses or other material adverse impacts. Management of our risks in some cases depends upon the use of analytical and/or forecasting models. If the models we use to mitigate these risks are inadequate, or are subject to ineffective governance, we may incur increased losses. In addition, there may be risks that exist, or that develop in the future, that we have not appropriately anticipated, identified, or mitigated.

Our internal controls and procedures may fail or be circumvented and the accuracy of our judgments and estimates about financial and accounting matters may impact operating results and financial condition.

Our management regularly reviews and updates our 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 our 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 our business, results of operations, and financial condition. Similarly, our management makes certain estimates and judgments in preparing our financial statements. The quality and accuracy of those estimates and judgments will impact our operating results and financial condition.

If we are unable to understand and adapt to technological change and implement new technology-driven products and services, our 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. We expect that new technologies will continue to emerge and may be superior to, or render obsolete, the technologies currently used in our products and services. Our future success depends, in part, upon our ability to address the needs of our 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 our competitors, because of their larger size and available capital, have substantially greater resources to invest in technological improvements. Developing or acquiring new technologies and incorporating them into our products and services may require significant investment, take considerable time, and ultimately may not be successful. We cannot predict which technological developments or innovations will become widely adopted or how those technologies may be regulated. We also may not be able to effectively market new technology-driven products and services to our customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on our business and, in turn, our financial condition and results of operations.

Legal and Compliance Risks

We operate in a highly regulated environment and the laws and regulations that govern our operations, corporate governance, executive compensation, and accounting principles, or changes in them, or our failure to comply with them, may adversely affect us.

We are subject to extensive regulation, supervision, and legislation that govern almost all aspects of our 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 we 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 WAL or that we can pay to our stockholders, restrict the ability of affiliates to guarantee our debt, impose certain specific accounting requirements on us that may be more restrictive and may result in greater or earlier charges to earnings or reductions in our capital than does GAAP, among other things. Our acquisition of AmeriHome also significantly increased our operations in the mortgage industry, where the scope of applicable regulations has grown in complexity in recent years and may continue to do so under the Biden administration as the government continues to prioritize consumer protection measures. AmeriHome's operations are subject to federal, state and local laws, regulations and judicial and administrative decisions, including those designed to discourage predatory lending and regulate collections and servicing practices with respect to mortgage loans.

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 we continue to grow and become more complex, regulatory oversight and risk and the cost of compliance will likely increase, which may adversely affect us. 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 we are subject.

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

We are 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 us, WAB, and our other subsidiaries. Any changes in federal and state law, as well as regulations and governmental policies, income tax laws, and accounting principles, could affect us in substantial and unpredictable ways, including ways that may adversely affect our 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 we 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 our reputation, all of which could adversely affect our business, financial condition, or results of operations.

State and federal banking agencies periodically conduct examinations of our business, including compliance with laws and regulations, and our failure to comply with any supervisory actions to which we are or become subject as a result of such examinations may adversely affect us.

State and federal banking agencies, including the FRB, FDIC, and CFPB, periodically conduct examinations of our business, including for compliance with laws and regulations. If, as a result of an examination, a federal agency were to determine that our financial condition, capital resources, asset quality, earnings prospects, management, liquidity, or other aspects of our operations had become unsatisfactory, or that we or our management was in violation of any law or regulation, the agency 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 our capital, to restrict our growth, and to assess civil monetary penalties against us 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 our state-chartered bank. The CFPB also has the authority to examine us and to take enforcement actions, including the issuance of cease-and-desist orders or civil monetary penalties against us if it finds that we offer consumer financial products and services in violation of federal consumer financial protection laws or in an unfair, deceptive, or abusive manner. Finally, our AmeriHome subsidiary needs to maintain certain state licenses and federal and

government-sponsored agency approvals required to conduct its business and is subject to periodic examinations by such state and federal agencies, which can result in increases in administrative costs, substantial penalties due to compliance errors, or the loss of licenses.

If we were unable to comply with regulatory directives in the future, or if we were unable to comply with the terms of any future supervisory requirements to which we may become subject, then we 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 our regulators were to take such supervisory actions, then we could, among other things, become subject to restrictions on our ability to enter into acquisitions and develop any new business, as well as restrictions on our existing business. We 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 we were ultimately unable to comply with the terms of a regulatory enforcement action, we 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 our business, operating flexibility, and financial condition.

Current and proposed regulations addressing consumer privacy and data use and security could increase our costs and impact our reputation.

We are subject to federal, state and local laws related to consumer privacy and data use and security, including information safeguard rules under the Gramm-Leach-Bliley Act and the California Consumer Protection Act. These rules require that financial institutions develop, implement, and maintain a written, comprehensive information security program containing safeguards that are appropriate to the financial institution's size and complexity, the nature and scope of the financial institution's activities, and the sensitivity of any customer information at issue. The United States has experienced a heightened legislative and regulatory focus on privacy and data security, including requirements as to consumer notification in the event of data breaches and certain types of security breaches. Additional regulations in these areas may increase compliance costs, which could negatively impact earnings. In addition, failure to comply with the privacy, data use and security laws and regulations to which we are subject, including by reason of inadvertent disclosure of confidential information, could result in fines, sanctions, penalties, reputational harm, loss of consumer confidence, and other adverse consequences, any of which could have a material adverse effect on our results of operations and business.

We could be subject to adverse changes or interpretations of tax laws, tax audits, or challenges to our tax positions.

We are 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 our effective tax rate and in evaluating our tax positions. Changes in tax laws, changes in interpretations, guidance or regulations that may be promulgated, or challenges to judgments or actions that we may take with respect to tax laws could negatively impact our current and future financial performance. On September 13, 2021, the Ways and Means Committee of the U.S. House of Representatives released proposed tax reform legislation, which includes an increase in the federal corporate tax rate from 21% to 26.5% for corporations earning more than \$5 million, and alters selected provisions of the Internal Revenue Code, among other changes. At this time, we are unable to predict whether this change or any other proposed change in tax law will ultimately be enacted.

In addition, our determination of our tax liability is subject to review by applicable tax authorities. In the normal course of business, we are routinely subject to examinations and challenges from federal and applicable state and local taxing authorities regarding the amount of taxes due in connection with investments we have made and the businesses in which we have engaged. Recently, federal and state and local taxing authorities have been increasingly aggressive in challenging tax positions taken by financial institutions. The challenges made by taxing authorities may result in adjustments to the timing or amount of taxable income or deductions, or the allocation of income among tax jurisdictions. Any such challenges that are not resolved in our favor may adversely affect our effective tax rate, tax payments or financial condition.

Certain allegations with respect to the Phoenix Suns and Robert Sarver could generate negative publicity for us and cause reputational harm.

Robert Sarver, our former Chief Executive Officer and current Executive Chairman of the Board of Directors, is the managing co-owner of the Phoenix Suns National Basketball Association (NBA) franchise. On November 4, 2021, ESPN published a report describing alleged misconduct and inappropriate behavior by Mr. Sarver relating to his role with the Phoenix Suns. After publication of the report, the NBA announced that it would be conducting a formal investigation into these allegations, which may proceed for an undetermined period of time. In addition, as previously announced, the independent directors of our Board have hired an outside law firm, Munger, Tolles & Olson LLP, to conduct an independent investigation to assist them in evaluating Mr. Sarver's role with us. This investigation is ongoing and being directed and overseen by the independent

directors. Mr. Sarver has not had an active role in the management of our business since stepping down as CEO in 2018 and the allegations in the ESPN report do not relate to his current or previous position with us. However, the results of the investigations are unknown at this time and the potential impact on us related to any negative publicity concerning Mr. Sarver is uncertain.

Securities-Related Risks

The price of our common stock may fluctuate significantly in the future.

The price of our 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 our common stock may continue to experience volatility or decline. There can be no assurances about the market price for our common stock.

Our stock price may fluctuate as a result of a variety of factors many of which are beyond our control. These factors include:

- actual or anticipated changes in the political climate or public policy, including international trade policy;
- sales of our equity securities;
- our financial condition, performance, creditworthiness, and prospects;
- quarterly variations in our operating results or the quality of our assets;
- operating results that vary from the expectations of management, securities analysts, and investors;
- changes in expectations as to our future financial performance;
- announcements of strategic developments, acquisitions, and other material events by us or our competitors;
- the operating and securities price performance of other companies that investors believe are comparable to us;
- 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
- our past and future dividend and share repurchase practices.

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

We are not restricted from issuing additional common stock or preferred stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive, common stock. We also grant a significant number of shares of common stock to employees and directors under our Incentive Plan each year. The issuance of any additional shares of our 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 our common stock. Holders of our common stock and preferred 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 our decision to issue securities in the future will depend on market conditions, our acquisition activity, and other factors, we cannot predict or estimate the amount, timing, or nature of our future offerings. Thus, our stockholders bear the risk of our future offerings reducing the market price of our common stock and diluting their stock holdings in us.

There can be no assurance that we will continue to declare cash dividends or repurchase stock as we have in the past.

We have paid regular quarterly dividends on our common stock since the third quarter of 2019, subject to quarterly declarations by the BOD, and also have paid dividends on our preferred stock since the issuance of such securities in the third quarter of 2021. We have previously adopted common stock repurchase programs, pursuant to which we have repurchased shares of our outstanding common stock, the most recent of which expired in December 2020.

Our dividend payments and/or stock repurchase practices may change from time-to-time, and no assurance can be provided that we will continue to declare dividends in any particular amounts or at all, or institute a new stock repurchase program. Dividends and/or stock repurchases are subject to capital availability and the discretion of our BOD, which must evaluate, among other things, whether cash dividends and/or stock repurchases are in the best interest of our stockholders and are in compliance with all applicable laws and any agreements containing provisions that limit our ability to declare and pay cash dividends and/or

repurchase stock. Furthermore, our outstanding Series A preferred stock is senior to our common stock and could adversely affect the ability of us to declare or pay dividends or distributions on common stock. Under the terms of the Series A preferred stock, we are prohibited from paying dividends on our common stock unless all dividends for the latest dividend period on all outstanding shares of Series A preferred stock have been declared and paid in full or declared and a sum sufficient for the payment of those dividends has been set aside. A reduction in or elimination of our dividend payments or dividend program could have a negative effect on our stock price.

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

We may from time to time issue debt securities, borrow money through other means, or issue preferred stock. We may also borrow money from the FRB, the FHLB, other financial institutions, and other lenders. At December 31, 2021, we had outstanding subordinated debt, senior unsecured debt, and short-term borrowings. In addition, AmeriHome has outstanding senior notes that were issued prior to the acquisition. We also have outstanding Series A preferred stock, which is senior to our common stock. All of these securities or borrowings have priority over our common stock in a liquidation, which could affect the market price of our stock.

Our 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. Our 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 our common stock with respect to dividends or upon our dissolution, winding-up, and liquidation and other terms. If we issue additional preferred stock in the future that has a preference over our common stock, with respect to the payment of dividends or upon our liquidation, dissolution, or winding up, or if we issue preferred stock with voting rights that dilute the voting power of our common stock and/or the rights of holders of our common stock, the market price of our common stock could be adversely affected.

Anti-takeover provisions could negatively impact our stockholders.

Provisions of Delaware law and provisions of our Certificate of Incorporation, as amended, and our Amended and Restated Bylaws could make it more difficult for a third party to acquire control of us or have the effect of discouraging a third party from attempting to acquire control of us. Additionally, our Certificate of Incorporation, as amended, authorizes our 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 us even if an acquisition might be in the best interest of our 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 36 domestic branch locations, which include six executive and administrative offices, of which 20 of these locations are owned and 16 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 7. 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 "Note 18. Commitments and Contingencies" of the Consolidated Financial Statements included in 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 2021 Domestic Company Section 303A CEO Certification regarding its compliance with the NYSE's corporate governance listing standards.

Holdings

At December 31, 2021, there were approximately 1,694 stockholders of record of our common stock. 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 2021, the Company's Board of Directors approved a cash dividend of \$0.35 per common share. The dividend payment to shareholders totaled \$36.5 million and was paid on December 3, 2021. In addition, the Company paid a cash dividend of \$0.29 per depository share to preferred shareholders on December 29, 2021, totaling \$3.5 million.

Share Repurchases

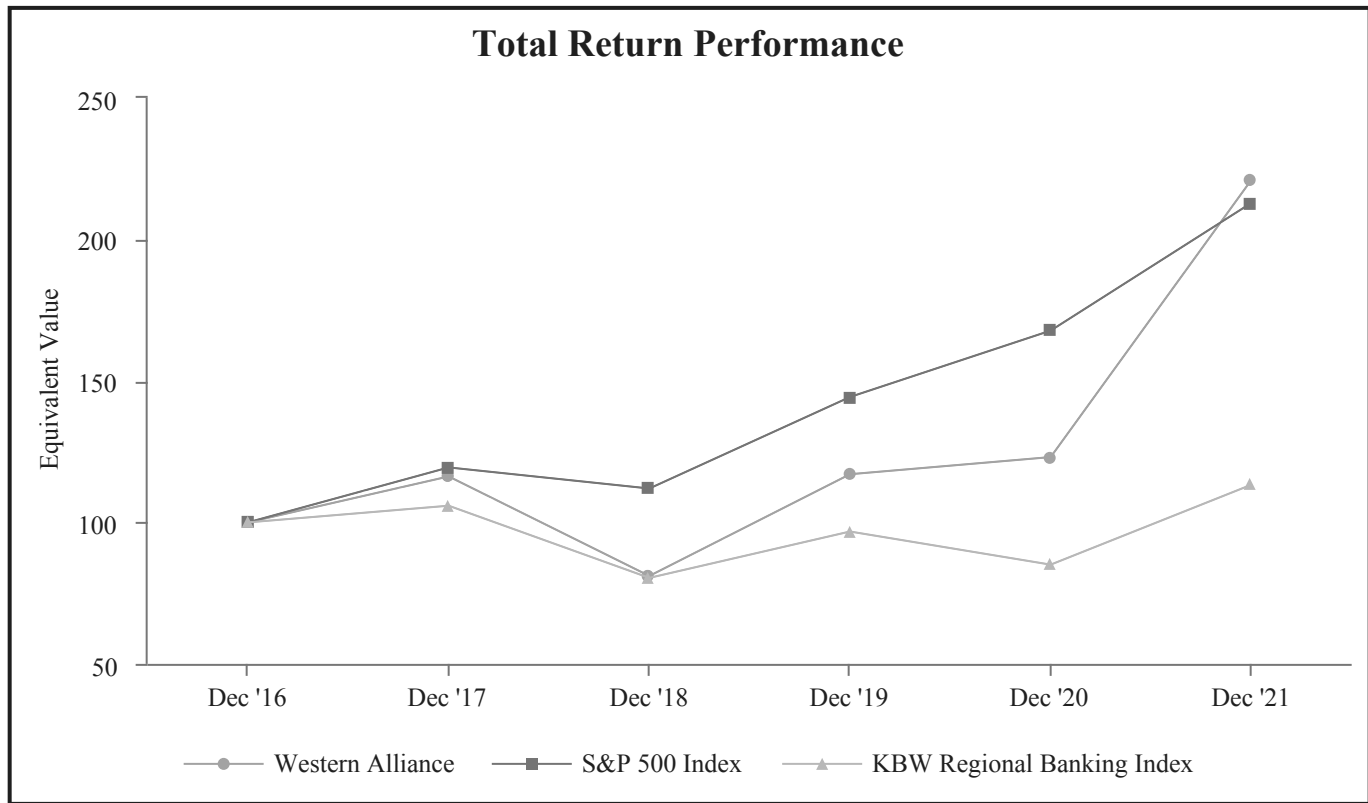
The following table provides information about the Company's purchases of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act for the periods indicated:

| | 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 2021 | 7,347 | \$ 121.30 | — | \$ — |
| November 2021 | — | — | — | — |
| December 2021 | — | — | — | — |
| Total | 7,347 | \$ 121.30 | — | \$ — |

- (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 expired 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, 2016 and reinvestment of dividends.



Item 6. [Reserved]

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 2020 results to the 2019 results and other 2019 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, 2020.

Recent Developments

Closing of AmeriHome Acquisition

On April 7, 2021, the Company completed its acquisition of Aris, the parent company of AmeriHome, pursuant to which, Aris merged with and into an indirect subsidiary of WAB. Based on AmeriHome's final closing balance sheet and a \$275 million cash premium, total cash consideration was approximately \$1.2 billion. As a result of the Merger, AmeriHome is now a wholly-owned indirect subsidiary of the Company and will continue to operate as AmeriHome Mortgage, a Western Alliance Bank company. AmeriHome is a leading national business-to-business mortgage acquirer and servicer. The acquisition of AmeriHome complements the Company's national commercial businesses with a mortgage franchise that allows the Company to expand mortgage-related offerings to existing clients and diversifies the Company's revenue profile by expanding sources of non-interest income.

AmeriHome's results of operations have been included in the Company's results beginning April 7, 2021.

Acquisition of Digital Disbursements

On January 25, 2022, the Company completed its acquisition of Digital Settlement Technologies LLC, doing business as Digital Disbursements, a digital payments platform for the class action legal industry. The Digital Disbursements' proprietary platform enables claimants to select their payment method, including direct-to-bank account options and popular digital wallets. This provides the Company with the internal capability to significantly increase efficacy, reduce distribution costs and improve potential fraud detection for the legal class action market. The acquisition is expected to grow the Company's deposit base and continue to extend the suite of legal banking services offered while serving adjacent sectors that will benefit from digital payments technology.

COVID-19 and the CARES Act

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 recorded a recovery of credit losses of \$21.4 million during year ended December 31, 2021, compared to a provision for credit losses of \$123.6 million during the year ended December 31, 2020. The decrease in the provision for credit losses compared to the same period in the prior year is attributable to the continued improved outlook for the overall economy. While the Company has not to date experienced significant write-offs related to the COVID-19 pandemic, the Company is continuing to closely monitor its loans with borrowers in COVID-19 impacted industries.

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, 2021 | |
|--------------------|------------------------------|------------------------------------|
| | Loan Balance | Percent of Total Loan Portfolio |
| | <i>(dollars in millions)</i> | |
| Industry (1): | | |
| Hotel | \$ 2,745.6 | 6.1 % |
| Investor dependent | 985.8 | 2.2 |
| Retail (2) | 699.9 | 1.6 |
| Gaming | 924.1 | 2.1 |
| Total | <u>\$ 5,355.4</u> | <u>12.0 %</u> |

(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.

Although 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 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 the 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 were able to apply for and receive PPP loans through May 31, 2021 and certain small businesses that previously received a loan under the original program were eligible to obtain an additional loan. These loans have a five-year term and earn interest at a rate of 1%. During the year ended December 31, 2021, the Company funded \$602.5 million in loans under the second round of the PPP and received \$1.4 billion and \$215.8 million in loan payoffs on the first and second rounds of PPP loans, respectively. As of December 31, 2021, the carrying value of loans originated under the first and second round of the PPP totaled \$411.9 million.

The CARES Act permitted financial institutions to suspend requirements under GAAP for loan modifications to borrowers affected by COVID-19 and provided interpretive guidance as to conditions that would constitute a short-term modification that would not meet the definition of a TDR. This included the following (i) the loan modification was made between March 1, 2020 and December 31, 2020, and (ii) the applicable loan was not more than 30 days past due as of December 31, 2019. The Consolidated Appropriations Act, 2021 extended these provisions through January 1, 2022. The Company is applying this guidance to qualifying loan modifications. The types of loan modifications granted to borrowers included extensions of loan maturity dates, covenant waivers, interest only payments for a specified period of time, and loan payment deferrals. As of December 31, 2021, the Company has outstanding modifications on HFI commercial loans that met these conditions with a net balance of \$152.8 million, none of which, involve loan payment deferrals. Further, residential HFI mortgage loans in forbearance have a net balance of \$22.2 million as of December 31, 2021.

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 customized loan, deposit and treasury management capabilities, including blockchain-based offerings 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 and has added to these capabilities with the acquisition of AmeriHome on April 7, 2021, which provides mortgage banking services.

Financial Results Highlights of 2021

- Net income available to common stockholders of \$895.7 million for 2021, compared to \$506.6 million for 2020
- Diluted earnings per share of \$8.67 for 2021, compared to \$5.04 per share for 2020
- Net revenue of \$2.0 billion, constituting year-over-year growth of 57.8%, or \$715.3 million, compared to an increase in non-interest expenses of 73.2%, or \$359.8 million
- PPNR¹ increased \$376.7 million to \$1.1 billion, compared to \$746.1 million in 2020
- Income tax expense increased \$107.9 million to \$223.8 million, compared to \$115.9 million in 2020
- Total HFI loans of \$39.1 billion, up \$12.0 billion from December 31, 2020
- Total deposits of \$47.6 billion, up \$15.7 billion from December 31, 2020
- Stockholders' equity of \$5.0 billion, an increase of \$1.5 billion from December 31, 2020
- Nonperforming assets (nonaccrual loans and repossessed assets) decreased to 0.15% of total assets, from 0.32% at December 31, 2020
- Net loan charge-offs to average loans outstanding of 0.02% for 2021, compared to 0.06% for 2020
- Net interest margin of 3.41% in 2021, compared to 3.97% in 2020
- Return on average assets of 1.83% for 2021, compared to 1.61% for 2020
- Tangible common equity ratio¹ of 7.3%, compared to 8.6% at December 31, 2020
- Tangible book value per share, net of tax¹, of \$37.84, an increase of 22.5% from \$30.90 at December 31, 2020
- Efficiency ratio¹ of 41.8% in 2021, compared to 38.8% in 2020

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, 2021.

¹ See Non-GAAP Financial Measures section beginning on page 36.

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, | | |
|--|--|----------|----------|
| | 2021 | 2020 | 2019 |
| | <i>(dollars in millions, except per share amounts)</i> | | |
| Net income | \$ 899.2 | \$ 506.6 | \$ 499.2 |
| Net income available to common stockholders | 895.7 | 506.6 | 499.2 |
| Earnings per share - basic | 8.72 | 5.06 | 4.86 |
| Earnings per share - diluted | 8.67 | 5.04 | 4.84 |
| Return on average assets | 1.83 % | 1.61 % | 2.00 % |
| Return on average equity | 22.3 % | 16.1 % | 17.5 % |
| Return on average tangible common equity (1) | 26.2 | 17.7 | 19.6 |
| Net interest margin | 3.41 | 3.97 | 4.52 |

(1) See Non-GAAP Financial Measures section beginning on page 36.

| | December 31, | |
|---|----------------------|-------------|
| | 2021 | 2020 |
| | <i>(in millions)</i> | |
| Total assets | \$ 55,982.6 | \$ 36,461.0 |
| Loans HFS | 5,635.1 | — |
| Loans HFI, net of deferred loan fees and costs | 39,075.4 | 27,053.0 |
| Securities and money market investments | 7,454.4 | 5,444.6 |
| Total deposits | 47,612.0 | 31,930.5 |
| Other borrowings | 1,501.9 | 21.0 |
| Qualifying debt | 895.8 | 548.7 |
| Stockholders' equity | 4,962.6 | 3,413.5 |
| Tangible common equity, net of tax ¹ | 4,035.2 | 3,116.6 |

(1) See Non-GAAP Financial Measures section beginning on page 36.

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 for HFI loans:

| | At or for the Year Ended December 31, | | |
|---|---------------------------------------|----------|---------|
| | 2021 | 2020 | 2019 |
| | <i>(dollars in millions)</i> | | |
| Nonaccrual loans | \$ 72.6 | \$ 115.2 | \$ 56.0 |
| Reposessed assets | 11.7 | 1.4 | 13.9 |
| Non-performing assets | 87.3 | 149.8 | 98.2 |
| Loans past due 90 days and still accruing | — | — | — |
| Nonaccrual loans to funded loans | 0.19 % | 0.43 % | 0.27 % |
| Nonaccrual and reposessed assets to total assets | 0.15 | 0.32 | 0.26 |
| Loans past due 90 days and still accruing to funded loans | — | — | — |
| Allowance for loan losses to funded loans | 0.65 | 1.03 | 0.80 |
| Allowance for credit losses to funded loans | 0.74 | 1.17 | 0.84 |
| Allowance for loan losses to nonaccrual loans | 348 | 242 | 300 |
| Net charge-offs to average loans outstanding | 0.02 | 0.06 | 0.02 |

Asset and Deposit 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 \$56.0 billion at December 31, 2021 from \$36.5 billion at December 31, 2020. The increase in total assets of \$19.5 billion, or 53.5%, was driven by continued organic loan and deposit growth and the acquisition of AmeriHome. HFI loans increased by \$12.0 billion, or 44.4%, to \$39.1 billion as of December 31, 2021, compared to \$27.1 billion as of December 31, 2020. The increase in HFI loans from December 31, 2020 was driven by increases in residential real estate and commercial and industrial loans of \$6.8 billion and \$4.0 billion, respectively. CRE, non-owner occupied and construction and land development loans also increased \$871.7 million and \$591.4 million, respectively. These increases were partially offset by a decrease in CRE, owner occupied loans of \$258.7 million. Additionally, HFS loans totaled \$5.6 billion as of December 31, 2021.

Total deposits increased \$15.7 billion, or 49.1%, to \$47.6 billion as of December 31, 2021 from \$31.9 billion as of December 31, 2020. The increase in deposits from December 31, 2020 was driven by increases of \$7.9 billion in non-interest bearing demand deposits, \$4.9 billion in savings and money market accounts, and interest bearing demand deposits of \$2.5 billion.

RESULTS OF OPERATIONS

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

| | Year Ended December 31, | | Increase (Decrease) |
|---|--|-------------|--------------------------------|
| | 2021 | 2020 | |
| | <i>(in millions, except per share amounts)</i> | | |
| Consolidated Income Statement Data: | | | |
| Interest income | \$ 1,658.7 | \$ 1,261.8 | \$ 396.9 |
| Interest expense | 109.9 | 94.9 | 15.0 |
| Net interest income | 1,548.8 | 1,166.9 | 381.9 |
| (Recovery of) provision for credit losses | (21.4) | 123.6 | (145.0) |
| Net interest income after provision for (recovery of) credit losses | 1,570.2 | 1,043.3 | 526.9 |
| Non-interest income | 404.2 | 70.8 | 333.4 |
| Non-interest expense | 851.4 | 491.6 | 359.8 |
| Income before provision for income taxes | 1,123.0 | 622.5 | 500.5 |
| Income tax expense | 223.8 | 115.9 | 107.9 |
| Net income | 899.2 | 506.6 | 392.6 |
| Dividends on preferred stock | 3.5 | — | 3.5 |
| Net income available to common stockholders | \$ 895.7 | \$ 506.6 | \$ 389.1 |
| Earnings per share - basic | \$ 8.72 | \$ 5.06 | \$ 3.66 |
| Earnings per share - diluted | \$ 8.67 | \$ 5.04 | \$ 3.63 |

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

Banking regulations define PPNR as the sum of net interest income and non-interest income less expenses before adjusting for loss provisions. 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, 2021, 2020, and 2019:

| | Year Ended December 31, | | |
|---|--------------------------------|-------------------|-------------------|
| | 2021 | 2020 | 2019 |
| | <i>(in millions)</i> | | |
| Net interest income | \$ 1,548.8 | \$ 1,166.9 | \$ 1,040.4 |
| Total non-interest income | 404.2 | 70.8 | 65.1 |
| Net revenue | \$ 1,953.0 | \$ 1,237.7 | \$ 1,105.5 |
| Total non-interest expense | 851.4 | 491.6 | 482.0 |
| Less: | | | |
| Acquisition and restructure expense | 15.3 | — | — |
| Loss on extinguishment of debt | 5.9 | — | — |
| Total non-interest expense, adjusted | \$ 830.2 | \$ 491.6 | \$ 482.0 |
| Pre-provision net revenue | \$ 1,122.8 | \$ 746.1 | \$ 623.5 |
| Less: | | | |
| Acquisition and restructure expense | 15.3 | — | — |
| Loss on extinguishment of debt | 5.9 | — | — |
| (Recovery of) provision for credit losses | (21.4) | 123.6 | 19.3 |
| Income tax expense | 223.8 | 115.9 | 105.0 |
| Net income | \$ 899.2 | \$ 506.6 | \$ 499.2 |

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 | |
|--|---|--------------------|
| | 2021 | 2020 |
| | <i>(dollars and shares in millions)</i> | |
| Total stockholders' equity | \$ 4,962.6 | \$ 3,413.5 |
| Less: | | |
| Goodwill and intangible assets | 634.8 | 298.5 |
| Preferred stock | 294.5 | — |
| Total tangible common stockholders' equity | 4,033.3 | 3,115.0 |
| Plus: deferred tax - attributed to intangible assets | 1.9 | 1.6 |
| Total tangible common equity, net of tax | \$ 4,035.2 | \$ 3,116.6 |
| | | |
| Total assets | \$ 55,982.6 | \$ 36,461.0 |
| Less: goodwill and intangible assets, net | 634.8 | 298.5 |
| Tangible assets | 55,347.8 | 36,162.5 |
| Plus: deferred tax - attributed to intangible assets | 1.9 | 1.6 |
| Total tangible assets, net of tax | \$ 55,349.7 | \$ 36,164.1 |
| | | |
| Tangible common equity ratio | 7.3 % | 8.6 % |
| Common shares outstanding | 106.6 | 100.8 |
| Book value per common share | \$ 43.78 | \$ 33.85 |
| Tangible book value per common share, net of tax | 37.84 | 30.90 |

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, | | |
|--|------------------------------|-------------------|-------------------|
| | 2021 | 2020 | 2019 |
| | <i>(dollars in millions)</i> | | |
| Total non-interest expense, adjusted | \$ 830.2 | \$ 491.6 | \$ 482.0 |
| Divided by: | | | |
| Total net interest income | 1,548.8 | 1,166.9 | 1,040.4 |
| Plus: | | | |
| Tax equivalent interest adjustment | 33.3 | 28.4 | 25.1 |
| Total non-interest income | 404.2 | 70.8 | 65.1 |
| | \$ 1,986.3 | \$ 1,266.1 | \$ 1,130.6 |
| Efficiency ratio - tax equivalent basis | 41.8 % | 38.8 % | 42.7 % |

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, 2021 exclude the impact of the increased allowance for credit losses related to the adoption of ASC 326.

| | December 31, | |
|---|------------------------------|-------------------|
| | 2021 | 2020 |
| | <i>(dollars in millions)</i> | |
| Common equity tier 1: | | |
| Common equity | \$ 4,715.4 | \$ 3,465.9 |
| Less: | | |
| Non-qualifying goodwill and intangibles | 631.3 | 296.9 |
| Disallowed deferred tax asset | — | — |
| AOCI related adjustments | 16.4 | 91.8 |
| Unrealized gain on changes in fair value liabilities | (0.7) | 0.5 |
| Common equity tier 1 | \$ 4,068.4 | \$ 3,076.7 |
| Divided by: Risk-weighted assets | \$ 44,697.0 | \$ 31,015.4 |
| Common equity tier 1 ratio | 9.1 % | 9.9 % |
| | | |
| Common equity tier 1 | \$ 4,068.4 | \$ 3,076.7 |
| Plus: Preferred stock and trust preferred securities | 375.9 | 81.5 |
| Less: | | |
| Disallowed deferred tax asset | — | — |
| Unrealized gain on changes in fair value liabilities | — | — |
| Tier 1 capital | \$ 4,444.3 | \$ 3,158.2 |
| Divided by: Tangible average assets | \$ 56,972.9 | \$ 34,349.3 |
| Tier 1 leverage ratio | 7.8 % | 9.2 % |
| | | |
| Total capital: | | |
| Tier 1 capital | \$ 4,444.3 | \$ 3,158.2 |
| Plus: | | |
| Subordinated debt | 815.1 | 454.8 |
| Adjusted allowances for credit losses | 239.6 | 259.0 |
| Less: Tier 2 qualifying capital deductions | — | — |
| Tier 2 capital | \$ 1,054.7 | \$ 713.8 |
| | | |
| Total capital | \$ 5,499.0 | \$ 3,872.0 |
| Total capital ratio | 12.3 % | 12.5 % |
| | | |
| Classified assets to tier 1 capital plus allowance: | | |
| Classified assets | \$ 300.7 | \$ 223.7 |
| Divided by: Tier 1 capital | 4,444.3 | 3,158.2 |
| Plus: Adjusted allowances for credit losses | 239.6 | 259.0 |
| Total Tier 1 capital plus adjusted allowances for credit losses | \$ 4,683.9 | \$ 3,417.2 |
| Classified assets to tier 1 capital plus allowance | 6.4 % | 6.5 % |

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, | | | | | |
|---|------------------------------|-------------------|----------------------|--------------------|-------------------|----------------------|
| | 2021 | | | 2020 | | |
| | Average Balance | Interest | Average Yield / Cost | Average Balance | Interest | Average Yield / Cost |
| | <i>(dollars in millions)</i> | | | | | |
| Interest earning assets | | | | | | |
| Loans held for sale | \$ 5,475.7 | \$ 174.4 | 3.18 % | \$ 20.0 | \$ 0.3 | 1.63 % |
| Loans held for investment: | | | | | | |
| Commercial and industrial | 14,978.4 | 624.8 | 4.26 | 12,032.1 | 549.6 | 4.67 |
| CRE - non-owner occupied | 5,829.0 | 271.3 | 4.67 | 5,370.1 | 262.9 | 4.91 |
| CRE - owner occupied | 2,029.8 | 97.7 | 4.92 | 2,244.6 | 109.8 | 5.00 |
| Construction and land development | 2,790.4 | 160.0 | 5.74 | 2,183.5 | 129.9 | 5.97 |
| Residential real estate | 5,129.2 | 158.9 | 3.10 | 2,318.6 | 89.4 | 3.85 |
| Consumer | 39.0 | 1.7 | 4.43 | 47.0 | 2.4 | 5.19 |
| Total HFI loans (1), (2), (3) | 30,795.8 | 1,314.4 | 4.32 | 24,195.9 | 1,144.0 | 4.79 |
| Securities: | | | | | | |
| Securities - taxable | 5,284.5 | 95.8 | 1.81 | 2,936.5 | 63.1 | 2.15 |
| Securities - tax-exempt | 2,137.1 | 68.9 | 4.05 | 1,476.4 | 49.3 | 4.20 |
| Total securities (1) | 7,421.6 | 164.7 | 2.46 | 4,412.9 | 112.4 | 2.84 |
| Other | 2,718.3 | 5.2 | 0.19 | 1,452.1 | 5.1 | 0.36 |
| Total interest earning assets | 46,411.4 | 1,658.7 | 3.65 | 30,080.9 | 1,261.8 | 4.29 |
| Non-interest earning assets | | | | | | |
| Cash and due from banks | 292.7 | | | 171.2 | | |
| Allowance for credit losses | (261.0) | | | (277.7) | | |
| Bank owned life insurance | 178.1 | | | 177.9 | | |
| Other assets | 2,486.7 | | | 1,221.1 | | |
| Total assets | <u>\$ 49,107.9</u> | | | <u>\$ 31,373.4</u> | | |
| Interest-bearing liabilities | | | | | | |
| Interest-bearing deposits: | | | | | | |
| Interest-bearing transaction accounts | \$ 4,750.8 | \$ 5.9 | 0.13 % | \$ 3,488.3 | \$ 9.0 | 0.26 % |
| Savings and money market accounts | 15,814.3 | 33.1 | 0.21 | 10,008.9 | 34.8 | 0.35 |
| Certificates of deposit | 1,849.5 | 8.5 | 0.46 | 1,997.6 | 26.6 | 1.33 |
| Total interest-bearing deposits | 22,414.6 | 47.5 | 0.21 | 15,494.8 | 70.4 | 0.45 |
| Short-term borrowings | 1,206.0 | 8.2 | 0.68 | 119.7 | 0.6 | 0.49 |
| Long-term debt | 373.2 | 21.1 | 5.65 | — | — | — |
| Qualifying debt | 827.5 | 33.1 | 4.00 | 514.1 | 23.9 | 4.66 |
| Total interest-bearing liabilities | 24,821.3 | 109.9 | 0.44 | 16,128.6 | 94.9 | 0.59 |
| Interest cost of funding earning assets | | | 0.24 % | | | 0.32 % |
| Non-interest-bearing liabilities | | | | | | |
| Non-interest-bearing demand deposits | 19,415.6 | | | 11,465.5 | | |
| Other liabilities | 837.2 | | | 627.5 | | |
| Stockholders' equity | 4,033.8 | | | 3,151.8 | | |
| Total liabilities and stockholders' equity | <u>\$ 49,107.9</u> | | | <u>\$ 31,373.4</u> | | |
| Net interest income and margin (4) | | <u>\$ 1,548.8</u> | 3.41 % | | <u>\$ 1,166.9</u> | 3.97 % |

- (1) Yields on loans and securities have been adjusted to a TEB. The taxable-equivalent adjustment was \$33.3 million and \$28.4 million for the year ended December 31, 2021 and 2020, respectively.
- (2) Included in the yield computation are net loan fees of \$131.7 million and \$94.9 million for the year ended December 31, 2021 and 2020, 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, | | |
|---------------------------------------|---|------------------|-----------------|
| | 2021 versus 2020 | | |
| | Increase (Decrease) Due to Changes in (1) | | |
| | Volume | Rate | Total |
| | <i>(in millions)</i> | | |
| Interest income: | | | |
| Loans held for sale | \$ 173.8 | \$ 0.3 | \$ 174.1 |
| Loans: | | | |
| Commercial and industrial | 122.9 | (47.7) | 75.2 |
| CRE - non-owner occupied | 21.4 | (13.0) | 8.4 |
| CRE - owner occupied | (10.3) | (1.8) | (12.1) |
| Construction and land development | 34.8 | (4.7) | 30.1 |
| Residential real estate | 87.1 | (17.6) | 69.5 |
| Consumer | (0.4) | (0.3) | (0.7) |
| Total loans | 255.5 | (85.1) | 170.4 |
| Securities: | | | |
| Securities - taxable | 42.6 | (9.9) | 32.7 |
| Securities - tax-exempt | 21.3 | (1.7) | 19.6 |
| Total securities | 63.9 | (11.6) | 52.3 |
| Other | 2.4 | (2.3) | 0.1 |
| Total interest income | 495.6 | (98.7) | 396.9 |
| Interest expense: | | | |
| Interest-bearing transaction accounts | \$ 1.6 | \$ (4.7) | \$ (3.1) |
| Savings and money market | 12.2 | (13.9) | (1.7) |
| Time certificates of deposit | (0.7) | (17.4) | (18.1) |
| Short-term borrowings | 7.4 | 0.2 | 7.6 |
| Long-term debt | 21.1 | — | 21.1 |
| Qualifying debt | 12.5 | (3.3) | 9.2 |
| Total interest expense | 54.1 | (39.1) | 15.0 |
| Net change | \$ 441.5 | \$ (59.6) | \$ 381.9 |

(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, 2021, interest income was \$1.7 billion, an increase of \$396.9 million, or 31.5%, compared to \$1.3 billion for the year ended December 31, 2020. This increase was the result of interest income from HFS loans of \$174.4 million, coupled with a \$170.4 million increase in interest income from HFI loans that was driven by a \$6.6 billion increase in the average HFI loan balance for the year ended December 31, 2021. Interest income from investment securities also increased by \$52.3 million for the comparable period due to an increase in the average investment balance of \$3.0 billion. Average yield on interest earning assets decreased to 3.65% for the year ended December 31, 2021, compared to 4.29% in 2020, which was primarily the result of a lower rate environment.

For the year ended December 31, 2021, interest expense was \$109.9 million, compared to \$94.9 million for the year ended December 31, 2020. Interest expense on deposits decreased \$22.9 million for the same period while average interest-bearing deposits increased \$6.9 billion, which due to the lower rate environment, reduced the average cost of interest-bearing deposits by 24 basis points. Interest expense across all debt types increased \$37.9 million for the year ended December 31, 2021 compared to the same period in 2020 as a result of an increase of \$1.8 billion in average total debt. The increase in average total debt during the year ended December 31, 2021 is attributable to increases in overnight borrowings and AmeriHome warehouse facilities, issuances of \$600.0 million in subordinated debt and \$469.6 million in credit linked notes, as well as \$300.0 million in AmeriHome senior notes.

For the year ended December 31, 2021, net interest income was \$1.5 billion, compared to \$1.2 billion for the year ended December 31, 2020. The increase in net interest income reflects a \$16.3 billion increase in average interest earning assets, offset by an increase of \$8.7 billion in average interest-bearing liabilities. The decrease in net interest margin of 56 basis points compared to 2020 is the result of a decrease in loan and investment security yields due to a lower rate environment and higher funding costs on borrowings during 2021. These decreases to net interest margin were offset in part by lower deposit costs compared to 2020.

Provision for Credit Losses

The provision for credit losses in each period is reflected as a reduction in earnings for that period and 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 at the time that the loan is originated or the security is purchased. The Company's CECL models incorporate historical experience, current conditions, and reasonable and supportable forecasts in measuring expected credit losses. For the year ended December 31, 2021, the Company recognized a recovery of credit losses of \$21.4 million, compared to a provision for credit losses of \$123.6 million for the year ended December 31, 2020. The decrease in provision from the prior year is primarily related to the current improved economic outlook.

Non-interest Income

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

| | Year Ended December 31, | | |
|--|-------------------------|----------------|------------------------|
| | 2021 | 2020 | Increase (Decrease) |
| | | (in millions) | |
| Net gain on loan origination and sale activities | \$ 326.2 | \$ — | \$ 326.2 |
| Service charges and fees | 28.3 | 23.3 | 5.0 |
| Income from equity investments | 22.1 | 12.7 | 9.4 |
| Commercial banking related income | 17.4 | 14.7 | 2.7 |
| Gain on sales of investment securities | 8.3 | 0.2 | 8.1 |
| Gain on recovery from credit guarantees | 7.2 | — | 7.2 |
| Fair value (loss) gain on assets measured at fair value, net | (1.3) | 3.8 | (5.1) |
| Net loan servicing revenue (expense) | (16.3) | — | (16.3) |
| Other income | 12.3 | 16.1 | (3.8) |
| Total non-interest income | \$ 404.2 | \$ 70.8 | \$ 333.4 |

Total non-interest income for the year ended December 31, 2021 compared to the same period in 2020 increased by \$333.4 million. The increase in non-interest income is primarily attributable to mortgage banking income resulting from the acquisition of AmeriHome. Net gain on loan origination and sale activities totaled \$326.2 million, partially offset by net loan servicing expense of \$16.3 million for the period from the acquisition date through December 31, 2021. In addition, income from equity investments increased \$9.4 million over the prior year due to an increase in warrant activity for the year ended December 31, 2021.

The Company also recognized gains from sale of investment securities of \$8.3 million and a recovery from credit guarantees of \$7.2 million during the year ended December 31, 2021. During the onset of the pandemic in 2020, the Company increased its investments in tax-exempt municipal securities to take advantage of dislocations in the municipal market as credit spreads widened. As performance of these securities significantly improved during the year and as part of the Company's interest rate management actions, a portion of these municipal securities was sold to realize this appreciation in value. The recovery from credit guarantees is attributable to credit protection provided by the credit linked note transactions entered into during the year ended December 31, 2021. The amount of the gain is equal to the allowance for credit losses recorded on the aggregate \$6.4 billion reference pools.

Non-interest Expense

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

| | Year Ended December 31, | | |
|--|-------------------------|----------------------|------------------------|
| | 2021 | 2020 | Increase (Decrease) |
| | | <i>(in millions)</i> | |
| Salaries and employee benefits | \$ 466.7 | \$ 303.6 | \$ 163.1 |
| Legal, professional, and directors' fees | 58.6 | 42.2 | 16.4 |
| Data processing | 58.2 | 35.7 | 22.5 |
| Loan servicing expenses | 53.5 | — | 53.5 |
| Occupancy | 43.8 | 34.1 | 9.7 |
| Deposit costs | 29.8 | 18.5 | 11.3 |
| Loan acquisition and origination expenses | 28.8 | — | 28.8 |
| Insurance | 23.0 | 13.3 | 9.7 |
| Business development and marketing | 13.5 | 9.6 | 3.9 |
| Loss on extinguishment of debt | 5.9 | — | 5.9 |
| Net gain on sales and valuations of repossessed and other assets | (3.5) | (1.5) | (2.0) |
| Acquisition and restructure expenses | 15.3 | — | 15.3 |
| Other expense | 57.8 | 36.1 | 21.7 |
| Total non-interest expense | \$ 851.4 | \$ 491.6 | \$ 359.8 |

Total non-interest expense for the year ended December 31, 2021 increased \$359.8 million compared to the same period in 2020. The increase in non-interest expense was driven by the AmeriHome acquisition, which contributed to the increase in salaries and employee benefits of \$163.1 million from the addition of approximately 1,000 employees along with new expense categories related to mortgage banking activities, including loan servicing expenses of \$53.5 million and loan acquisition and origination expenses of \$28.8 million. In addition, the Company incurred acquisition and restructure expenses of \$15.3 million, which include acquisition costs and costs related to repurchase of EBO loans for purposes of optimizing the Company's combined balance sheet.

Income Taxes

For the years ended December 31, 2021, 2020, and 2019 the Company's effective tax rate was 19.9%, 18.6% and 17.4%, respectively. The increase in the effective tax rate from 2020 to 2021 is primarily due to increases in pretax book income and state taxes associated with the AmeriHome acquisition which were not fully offset by growth in permanent tax benefit items for the year. The increase in the effective tax rate from 2019 to 2020 is primarily due to tax expense associated with the surrender of bank owned life insurance, no valuation allowance release in 2020 and return to provision adjustments.

Business Segment Results

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 consumer banking services, such as residential mortgage banking, and commercial banking services to enterprises in consumer-related sectors.
- 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:

| | <u>Consolidated Company</u> | <u>Commercial</u> | <u>Consumer Related</u> | <u>Corporate & Other</u> |
|--|---------------------------------|----------------------|-----------------------------|----------------------------------|
| December 31, 2021 | | | | |
| | | <i>(in millions)</i> | | |
| Loans, net of deferred loan fees and costs | \$ 39,075.4 | \$ 25,092.4 | \$ 13,983.0 | \$ — |
| Deposits | 47,612.0 | 30,466.8 | 15,362.9 | 1,782.3 |
| December 31, 2020 | | | | |
| 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 |
| Year Ended December 31, 2021 | | | | |
| | | <i>(in millions)</i> | | |
| Income (loss) before income taxes | \$ 1,123.0 | \$ 861.5 | \$ 496.1 | \$ (234.6) |
| Year Ended December 31, 2020 | | | | |
| Income (loss) before income taxes | \$ 622.5 | \$ 612.7 | \$ 220.5 | \$ (210.7) |

BALANCE SHEET ANALYSIS

Total assets increased to \$56.0 billion at December 31, 2021 from \$36.5 billion at December 31, 2020. The increase in total assets of \$19.5 billion, or 53.5%, was driven by continued organic loan and deposit growth and the acquisition of AmeriHome. HFI loans increased by \$12.0 billion, or 44.4%, to \$39.1 billion as of December 31, 2021, compared to \$27.1 billion as of December 31, 2020. The increase in HFI loans from December 31, 2020 was driven by increases in residential real estate and commercial and industrial loans of \$6.8 billion and \$4.0 billion, respectively. CRE, non-owner occupied and construction and land development loans also increased \$871.7 million and \$591.4 million, respectively. These increases were partially offset by a decrease in CRE, owner occupied loans of \$258.7 million. Additionally, HFS loans totaled \$5.6 billion as of December 31, 2021.

Total liabilities increased \$18.0 billion, or 54.4%, to \$51.0 billion at December 31, 2021, compared to \$33.0 billion at December 31, 2020. The increase in liabilities is due primarily to an increase in total deposits. Total deposits increased \$15.7 billion, or 49.1%, to \$47.6 billion at December 31, 2021. The increase in deposits from December 31, 2020 was driven by an increase in non-interest-bearing demand deposits of \$7.9 billion, savings and money market deposits of \$4.9 billion, interest-bearing demand deposits of \$2.5 billion, and certificates of deposit of \$398.6 million. Other borrowings also increased \$1.5 billion due to an increase in overnight borrowings, AmeriHome senior notes, and issuance of credit linked notes. Qualified debt also increased \$347.1 million primarily related to issuance of \$600.0 million in subordinated debt in June 2021, partially offset by redemptions of \$250.0 million in subordinated debt during the year.

Total stockholders' equity increased by \$1.5 billion, or 45.4%, to \$5.0 billion at December 31, 2021, compared to \$3.4 billion at December 31, 2020. The increase in stockholders' equity is primarily a function of net income and net proceeds of \$834.8 million from issuances of common and preferred stock during the year, partially offset by quarterly dividends to shareholders and unrealized losses on AFS securities.

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 with unrealized gains or losses on these securities 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 on these securities 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, | | |
|---------------------------------|----------------------|-------------------|------------------------|
| | 2021 | 2020 | Increase (Decrease) |
| | <i>(in millions)</i> | | |
| <i>Debt securities</i> | | | |
| CLO | \$ 926.2 | \$ 146.9 | \$ 779.3 |
| Commercial MBS issued by GSEs | 68.5 | 84.6 | (16.1) |
| Corporate debt securities | 382.9 | 270.2 | 112.7 |
| Private label residential MBS | 1,724.9 | 1,476.9 | 248.0 |
| Residential MBS issued by GSEs | 1,993.4 | 1,486.6 | 506.8 |
| Tax-exempt | 2,105.3 | 1,756.2 | 349.1 |
| U.S. treasury securities | 13.0 | — | 13.0 |
| Other | 81.7 | 55.9 | 25.8 |
| Total debt securities | <u>\$ 7,295.9</u> | <u>\$ 5,277.3</u> | <u>\$ 2,018.6</u> |
| <i>Equity securities</i> | | | |
| CRA investments | \$ 44.6 | \$ 53.4 | \$ (8.8) |
| Preferred stock | 113.9 | 113.9 | — |
| Total equity securities | <u>\$ 158.5</u> | <u>\$ 167.3</u> | <u>\$ (8.8)</u> |

Debt securities increased \$2.0 billion, or 38.3%, from December 31, 2020. The increase in investment securities is largely attributable to deployment of excess liquidity with purchases of CLOs, residential MBS issued by GSEs, tax-exempt municipal securities, and private label residential MBS. The Company continued to increase its investment in CLOs during the year as these variable rate securities 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.

The Company has variable rate securities, which consist primarily of CLOs. The rates on these securities will convert to a SOFR index when LIBOR is discontinued in June 2023.

Weighted average yield on investment securities is calculated by dividing income within each maturity range by the outstanding amount of the related investment. For purposes of calculating the weighted average yield, AFS securities are carried at amortized cost in the table below and tax-exempt obligations have not been tax-effected. The maturity distribution and weighted average yield of the Company's investment security portfolios at December 31, 2021 are summarized in the table below:

| | December 31, 2021 | | | | | | | | | |
|------------------------------------|------------------------------|---------------|-----------------|---------------|-----------------|---------------|-------------------|---------------|-------------------|---------------|
| | 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 |
| | <i>(dollars in millions)</i> | | | | | | | | | |
| <i>Held-to-maturity</i> | | | | | | | | | | |
| Private label residential MBS (1) | \$ — | — % | \$ — | — % | \$ — | — % | \$ 216.9 | 2.20 % | \$ 216.9 | 2.20 % |
| Tax-exempt bonds | 40.7 | 4.00 | 18.1 | 4.75 | — | — | 831.4 | 4.10 | 890.2 | 4.11 |
| Total HTM securities | <u>\$ 40.7</u> | <u>4.00 %</u> | <u>\$ 18.1</u> | <u>4.75 %</u> | <u>\$ —</u> | <u>— %</u> | <u>\$ 1,048.3</u> | <u>3.71 %</u> | <u>\$ 1,107.1</u> | <u>3.74 %</u> |
| <i>Available-for-sale</i> | | | | | | | | | | |
| CLO | \$ — | — % | \$ — | — % | \$ 422.9 | 1.89 % | \$ 503.1 | 1.81 % | \$ 926.0 | 1.85 % |
| Commercial MBS issued by GSEs (1) | — | — | 15.2 | 2.73 | 8.8 | 2.21 | 44.2 | 2.09 | 68.2 | 2.25 |
| Corporate debt securities | — | — | 112.0 | 3.03 | 265.7 | 3.54 | 5.0 | 3.70 | 382.7 | 3.39 |
| Private label residential MBS (1) | — | — | 0.1 | 5.50 | 3.8 | 2.78 | 1,524.8 | 2.16 | 1,528.7 | 2.17 |
| Residential MBS issued by GSEs (1) | — | — | 4.1 | 2.62 | 1.6 | 2.70 | 2,021.8 | 1.87 | 2,027.5 | 1.87 |
| Tax-exempt | — | — | 1.0 | 4.33 | 59.8 | 2.96 | 1,084.3 | 2.73 | 1,145.1 | 2.74 |
| U.S. treasury securities | 13.0 | 0.04 | — | — | — | — | — | — | 13.0 | 0.04 |
| Other | 1.0 | 2.50 | 6.2 | 2.99 | 12.0 | 4.42 | 56.1 | 2.45 | 75.3 | 2.81 |
| Total AFS securities | <u>\$ 14.0</u> | <u>0.22 %</u> | <u>\$ 138.6</u> | <u>2.99 %</u> | <u>\$ 774.6</u> | <u>2.59 %</u> | <u>\$ 5,239.3</u> | <u>2.14 %</u> | <u>\$ 6,166.5</u> | <u>2.21 %</u> |

(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 55% of its MBS are GSE issued. The MBS that are not GSE issued consist primarily of investment grade securities, including \$1.4 billion rated AAA and \$87.4 million rated AA.

Gross unrealized losses at December 31, 2021 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, 2021.

The credit loss model under ASC 326-20, applicable to HTM 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, 2021, the Company recognized a recovery of credit losses on HTM securities of \$1.6 million, compared to a provision for credit losses of \$4.1 million for the same period in 2020, resulting in a total allowance of \$5.2 million and \$6.8 million as of December 31, 2021 and 2020, respectively.

Loans HFS

The Company acquired loans held for sale initially as part of the AmeriHome acquisition and, as part of its ongoing mortgage banking business, the Company continues to purchase residential mortgage loans with the intention to sell these loans at a later date. The following is a summary of these loans by type:

| | December 31, 2021 |
|--|--------------------------|
| | <i>(in millions)</i> |
| Government-insured or guaranteed: | |
| EBO (1) | \$ 1,692.8 |
| Non-EBO | 1,396.6 |
| Total government-insured or guaranteed | <u>3,089.4</u> |
| Agency-conforming | 2,482.9 |
| Non-agency | 62.8 |
| Total loans HFS | <u>\$ 5,635.1</u> |

(1) EBO loans are delinquent loans repurchased under the terms of the GNMA MBS program that can be resold when loans are brought current.

The Company had no loans HFS as of December 31, 2020.

Loans HFI

The table below summarizes the distribution of the Company's held for investment loan portfolio:

| | December 31, | | |
|-----------------------------------|----------------------|--------------------|--------------------------------|
| | 2021 | 2020 | Increase (Decrease) |
| | <i>(in millions)</i> | | |
| Warehouse lending | \$ 5,155.9 | \$ 4,340.2 | \$ 815.8 |
| Municipal & nonprofit | 1,579.2 | 1,728.8 | (149.7) |
| Tech & innovation | 1,417.8 | 1,403.0 | 14.8 |
| Equity fund resources | 3,829.8 | 1,145.3 | 2,684.5 |
| Other commercial and industrial | 6,465.7 | 5,911.2 | 554.6 |
| CRE - owner occupied | 1,723.7 | 1,909.3 | (185.5) |
| Hotel franchise finance | 2,534.0 | 1,983.9 | 550.1 |
| Other CRE - non-owner occupied | 3,951.8 | 3,640.2 | 311.6 |
| Residential | 9,242.8 | 2,378.5 | 6,864.3 |
| Construction and land development | 3,005.8 | 2,429.4 | 576.4 |
| Other | 168.9 | 183.2 | (14.3) |
| Total loans HFI | <u>39,075.4</u> | <u>27,053.0</u> | <u>12,022.4</u> |
| Allowance for credit losses | (252.5) | (278.9) | 26.4 |
| Total loans HFI, net of allowance | <u>\$ 38,822.9</u> | <u>\$ 26,774.1</u> | <u>\$ 12,048.8</u> |

Loans classified as HFI 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 \$85.7 million and \$75.4 million reduced the carrying value of loans as of December 31, 2021 and 2020, respectively. Net unamortized purchase premiums on acquired and purchased loans of \$184.8 million and \$26.0 million increased the carrying value of loans as of December 31, 2021 and 2020, respectively.

The following table sets forth the amount of loans outstanding by type of loan as of December 31, 2021 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 to fifteen years | Due after fifteen years | Total |
|-----------------------------------|----------------------------|-------------------------------------|---|----------------------------|--------------------|
| | <i>(in millions)</i> | | | | |
| Warehouse lending | | | | | |
| Variable rate | \$ 3,295.3 | \$ 1,794.9 | \$ 6.9 | \$ — | \$ 5,097.1 |
| Fixed rate | 39.0 | 19.8 | — | — | 58.8 |
| Municipal & nonprofit | | | | | |
| Variable rate | — | 39.1 | 397.7 | 59.5 | 496.3 |
| Fixed rate | 1.8 | 57.1 | 612.5 | 411.5 | 1,082.9 |
| Tech & innovation | | | | | |
| Variable rate | 137.1 | 1,261.9 | — | — | 1,399.0 |
| Fixed rate | 3.1 | 15.7 | — | — | 18.8 |
| Equity fund resources | | | | | |
| Variable rate | 2,157.9 | 1,664.6 | 7.3 | — | 3,829.8 |
| Fixed rate | — | — | — | — | — |
| Other commercial and industrial | | | | | |
| Variable rate | 707.5 | 2,639.1 | 1,575.2 | 18.1 | 4,939.9 |
| Fixed rate | 144.3 | 1,092.9 | 280.2 | 8.4 | 1,525.8 |
| CRE - owner occupied | | | | | |
| Variable rate | 33.1 | 294.5 | 478.3 | 100.7 | 906.6 |
| Fixed rate | 39.5 | 280.8 | 471.8 | 25.0 | 817.1 |
| Hotel franchise finance | | | | | |
| Variable rate | 261.3 | 1,556.1 | — | — | 1,817.4 |
| Fixed rate | 63.1 | 591.1 | 62.4 | — | 716.6 |
| Other CRE - non-owner occupied | | | | | |
| Variable rate | 610.1 | 1,630.1 | 370.6 | 28.9 | 2,639.7 |
| Fixed rate | 185.2 | 754.9 | 371.3 | 0.7 | 1,312.1 |
| Residential | | | | | |
| Variable rate | 8.2 | 15.8 | 3.3 | 562.5 | 589.8 |
| Fixed rate | 4.0 | 1.5 | 42.8 | 8,604.7 | 8,653.0 |
| Construction and land development | | | | | |
| Variable rate | 806.6 | 1,874.9 | 89.0 | 4.8 | 2,775.3 |
| Fixed rate | 54.8 | 161.0 | 14.7 | — | 230.5 |
| Other | | | | | |
| Variable rate | 77.1 | 14.8 | 15.2 | 2.7 | 109.8 |
| Fixed rate | 4.2 | 32.1 | 22.8 | — | 59.1 |
| Total | <u>\$ 8,633.2</u> | <u>\$ 15,792.7</u> | <u>\$ 4,822.0</u> | <u>\$ 9,827.5</u> | <u>\$ 39,075.4</u> |

As of December 31, 2021, approximately \$18.3 billion, or 74.3%, of total variable rate loans were subject to rate floors with a weighted average interest rate of 4.0%. At 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, 2021, total loans consisted of 63.0% with variable rates and 37.0% with fixed rates, compared to 67.5% with variable rates and 32.5% with fixed rates at December 31, 2020.

The Company began offering three alternative rate indices (including SOFR, Ameribor, and BSBY) on its lending products to its customers in the second half of 2021. Existing variable rate loan contracts contain LIBOR replacement language, which allow for conversion to a different rate index and spread adjustment, if necessary.

Concentrations of Lending Activities

The Company monitors concentrations of lending activities at the product and borrower relationship level. The Company's loan portfolio includes significant credit exposure to the CRE market. Commercial and industrial loans made up 47% and 53% of the Company's HFI loan portfolio as of December 31, 2021 and 2020, respectively. In addition, CRE related loans accounted for approximately 29% and 38% of total loans, at December 31, 2021 and 2020 respectively. Substantially all of these CRE loans are secured by first liens with an initial loan to value ratio of generally not more than 75%. Approximately 23% and 28% of these CRE loans, excluding construction and land loans, were owner-occupied at December 31, 2021 and 2020, respectively. No borrower relationships at both the commitment and funded loan level exceeded 5% of total HFI loans as of December 31, 2021 and 2020.

Non-performing Assets

Total non-performing loans decreased by \$72.8 million at December 31, 2021 to \$75.6 million from \$148.4 million at December 31, 2020.

| | December, 31 | |
|--|------------------------------|--------------|
| | 2021 | 2020 |
| | <i>(dollars in millions)</i> | |
| Total nonaccrual loans (1) | \$ 72.6 | \$ 115.2 |
| Loans past due 90 days or more on accrual status | — | — |
| Accruing troubled debt restructured loans | 3.0 | 33.2 |
| Total nonperforming loans | <u>75.6</u> | <u>148.4</u> |
| Other assets acquired through foreclosure, net | \$ 11.7 | \$ 1.4 |
| Nonaccrual loans to funded HFI loans | 0.19 % | 0.43 % |
| Loans past due 90 days or more on accrual status to funded HFI loans | — | — |

(1) Includes non-accrual TDR loans of \$17.8 million and \$28.4 million at December 31, 2021 and 2020, respectively.

Interest income that would have been recorded under the original terms of nonaccrual loans was \$5.3 million, \$5.0 million, and \$2.2 million for the years ended December 31, 2021, 2020, and 2019, respectively.

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

| | December 31, 2021 | | |
|-----------------------------------|------------------------------|-------------------------------|----------------------------|
| | Nonaccrual Balance | Percent of Nonaccrual Balance | Percent of Total HFI Loans |
| | <i>(dollars in millions)</i> | | |
| Tech & innovation | \$ 13.3 | 18.3 % | 0.03 % |
| Equity fund resources | 0.6 | 0.8 | 0.00 |
| Other commercial and industrial | 16.1 | 22.2 | 0.05 |
| CRE - owner occupied | 13.0 | 17.9 | 0.03 |
| Other CRE - non-owner occupied | 13.1 | 18.0 | 0.03 |
| Residential | 15.1 | 20.8 | 0.05 |
| Construction and land development | 1.0 | 1.4 | 0.00 |
| Other | 0.4 | 0.6 | 0.00 |
| Total non-accrual loans | <u>\$ 72.6</u> | <u>100.0 %</u> | <u>0.19 %</u> |

| | December 31, 2020 | | |
|---------------------------------|------------------------------|-------------------------------|----------------------------|
| | Nonaccrual Balance | Percent of Nonaccrual Balance | Percent of Total HFI Loans |
| | <i>(dollars in millions)</i> | | |
| 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 |
| Other CRE - non-owner occupied | 36.5 | 31.7 | 0.14 |
| Residential | 11.4 | 9.9 | 0.04 |
| Other | 0.2 | 0.2 | 0.00 |
| Total non-accrual loans | <u>\$ 115.2</u> | <u>100.0 %</u> | <u>0.43 %</u> |

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 following table presents TDR loans:

| | December 31, 2021 | | December 31, 2020 | |
|-----------------------------------|------------------------------|---------------------|-------------------|---------------------|
| | Number of Loans | Recorded Investment | Number of Loans | Recorded Investment |
| | <i>(dollars in millions)</i> | | | |
| Tech & innovation | 2 | \$ 2.1 | 4 | \$ 20.4 |
| Other commercial and industrial | 7 | 6.2 | 9 | 22.9 |
| CRE - owner occupied | 1 | 0.5 | 4 | 2.6 |
| Hotel franchise finance | — | — | 2 | 5.5 |
| Other CRE - non-owner occupied | 5 | 11.0 | 3 | 10.2 |
| Construction and land development | 1 | 1.0 | — | — |
| Total | 16 | \$ 20.8 | 22 | \$ 61.6 |

The Company had an allowance for credit losses on these loans of zero and \$2.7 million as of December 31, 2021 and 2020, respectively. There were no commitments outstanding on TDR loans as of December 31, 2021, compared to \$0.6 million as of December 31, 2020.

Allowance for Credit Losses on HFI Loans

The allowance for credit losses consists of the allowance for credit losses on loans and an allowance for credit losses on unfunded loan commitments. The allowance for credit losses on HTM securities is estimated separately from loans and is discussed within the Investment Securities section.

The following table summarizes the allocation of the allowance for credit losses on HFI loans by loan portfolio segment:

| | December 31, 2021 | | | December 31, 2020 | | |
|-----------------------------------|------------------------------|--|---|------------------------------|--|---|
| | Allowance for credit losses | Percent of total allowance for credit losses | Percent of loan type to total HFI loans | Allowance for credit losses | Percent of total allowance for credit losses | Percent of loan type to total HFI loans |
| | <i>(dollars in millions)</i> | | | <i>(dollars in millions)</i> | | |
| Warehouse lending | \$ 3.0 | 1.2 % | 13.2 % | \$ 3.4 | 1.2 % | 16.0 % |
| Municipal & nonprofit | 13.7 | 5.4 | 4.1 | 15.9 | 5.7 | 6.4 |
| Tech & innovation | 25.7 | 10.2 | 3.6 | 33.4 | 12.0 | 5.2 |
| Equity fund resources | 9.6 | 3.8 | 9.8 | 1.9 | 0.7 | 4.2 |
| Other commercial and industrial | 103.6 | 41.0 | 16.5 | 94.7 | 33.9 | 21.8 |
| CRE - owner occupied | 10.6 | 4.2 | 4.4 | 18.6 | 6.7 | 7.1 |
| Hotel franchise finance | 41.5 | 16.4 | 6.5 | 43.3 | 15.5 | 7.3 |
| Other CRE - non-owner occupied | 16.9 | 6.7 | 10.1 | 39.9 | 14.3 | 13.5 |
| Residential | 12.5 | 5.0 | 23.7 | 0.8 | 0.3 | 8.8 |
| Construction and land development | 12.5 | 5.0 | 7.7 | 22.0 | 7.9 | 9.0 |
| Other | 2.9 | 1.1 | 0.4 | 5.0 | 1.8 | 0.7 |
| Total | <u>\$ 252.5</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>\$ 278.9</u> | <u>100.0 %</u> | <u>100.0 %</u> |

During the years ended December 31, 2021 and 2020, net loan charge-offs to average loans outstanding was 0.02% and 0.06%, respectively.

In addition to the allowance for credit losses on funded HFI loans, the Company maintains a separate allowance for credit losses related to off-balance sheet credit exposures, including unfunded loan commitments. This allowance balance totaled \$37.6 million and \$37.0 million at December 31, 2021 and 2020, respectively, and is included in Other liabilities on the Consolidated Balance Sheets.

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 as Special Mention, Substandard, Doubtful, and Loss, but which are still performing:

| December 31, 2021 | | | |
|-----------------------------------|----------------------|---------------------------------|----------------------------|
| Number of Loans | Problem Loan Balance | Percent of Problem Loan Balance | Percent of Total HFI Loans |
| <i>(dollars in millions)</i> | | | |
| Tech & innovation | 13 \$ 38.9 | 11.4 % | 0.10 % |
| Other commercial and industrial | 66 60.6 | 17.9 | 0.16 |
| CRE - owner occupied | 14 16.0 | 4.7 | 0.04 |
| Hotel franchise finance | 9 138.7 | 40.9 | 0.35 |
| Other CRE - non-owner occupied | 5 11.6 | 3.4 | 0.03 |
| Residential | 35 15.7 | 4.6 | 0.04 |
| Construction and land development | 7 28.1 | 8.3 | 0.07 |
| Other | 17 29.8 | 8.8 | 0.08 |
| Total | <u>166 \$ 339.4</u> | <u>100.0 %</u> | <u>0.87 %</u> |

| December 31, 2020 | | | |
|-----------------------------------|----------------------|---------------------------------|----------------------------|
| Number of Loans | Problem Loan Balance | Percent of Problem Loan Balance | Percent of Total HFI Loans |
| <i>(dollars in millions)</i> | | | |
| 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-owner 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 | <u>158 \$ 422.8</u> | <u>100.0 %</u> | <u>1.56 %</u> |

Mortgage Servicing Rights

As of December 31, 2021, the fair value of the Company's MSR's related to residential mortgage loans totaled \$698.0 million.

The following is a summary of the UPB of loans underlying the Company's MSR portfolio by type:

| December 31, 2021 | |
|---|--------------------|
| <i>(in millions)</i> | |
| FNMA and FHLMC | \$ 38,753.9 |
| GNMA | 14,379.3 |
| Non-agency | 1,214.4 |
| Total unpaid principal balance of loans | <u>\$ 54,347.6</u> |

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 \$491.3 million as of December 31, 2021. The increase from \$289.9 million at December 31, 2020 is attributable to the AmeriHome acquisition in April 2021. See "Note 2. Mergers, Acquisitions and Dispositions" for further discussion of the acquisition.

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. Based on the Company's annual goodwill and intangibles impairment tests as of October 1 during the years ended December 31, 2021, 2020, and 2019, it was determined that goodwill and intangible assets were not impaired.

The following is a summary of acquired intangible assets:

| | December 31, 2021 | | | December 31, 2020 | | |
|--------------------------------------|-----------------------|--------------------------|---------------------|-----------------------|--------------------------|---------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| | <i>(in millions)</i> | | | | | |
| Subject to amortization | | | | | | |
| Core deposit intangibles | \$ 14.6 | \$ 10.2 | \$ 4.4 | \$ 14.6 | \$ 8.8 | \$ 5.8 |
| Customer relationship intangibles | 2.5 | 0.6 | 1.9 | 2.5 | 0.1 | 2.4 |
| Correspondent customer relationships | 76.0 | 2.8 | 73.2 | — | — | — |
| Trade name - AmeriHome | 9.5 | 0.4 | 9.1 | — | — | — |
| Operating licenses | 55.5 | 1.0 | 54.5 | — | — | — |
| | <u>\$ 158.1</u> | <u>\$ 15.0</u> | <u>\$ 143.1</u> | <u>\$ 17.1</u> | <u>\$ 8.9</u> | <u>\$ 8.2</u> |

| | December 31, 2021 | | | December 31, 2020 | | |
|-----------------------------|-----------------------|------------|---------------------|-----------------------|------------|---------------------|
| | Gross Carrying Amount | Impairment | Net Carrying Amount | Gross Carrying Amount | Impairment | Net Carrying Amount |
| | <i>(in millions)</i> | | | | | |
| Not subject to amortization | | | | | | |
| Trade name - Bridge Bank | \$ 0.4 | \$ — | \$ 0.4 | \$ 0.4 | \$ — | \$ 0.4 |

Deferred Tax Assets

As of December 31, 2021, the net DTA balance totaled \$20.9 million, a decrease of \$10.4 million from \$31.3 million as of December 31, 2020. The overall decrease in net deferred tax assets was due to an increase in deferred tax liabilities, not fully offset by an increase in deferred tax assets. The increase in deferred tax liabilities from December 31, 2020 is primarily attributable to an increase in mortgage servicing rights from AmeriHome operations and a decrease in deferred insurance premiums related to the Company's insurance captive, which was in a deferred tax asset position in the prior year. These increases were offset in part by a decrease in deferred tax liabilities related to a decrease in the fair market value of AFS securities. The increase in deferred tax assets from December 31, 2020 is primarily attributable to a change in tax planning strategy pertaining to the depreciation election on premises and equipment, which was in a deferred tax liability position in the prior year.

As of December 31, 2021 and 2020, 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 \$47.6 billion at December 31, 2021, from \$31.9 billion at December 31, 2020, an increase of \$15.7 billion, or 49.1%. By deposit type, the increase in deposits is attributable to increases in non-interest-bearing demand deposits of \$7.9 billion, savings and money market accounts of \$4.9 billion, interest-bearing demand deposits of \$2.5 billion, and certificates of deposit of \$398.6 million from December 31, 2020.

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, 2021, the Company had \$729.2 million of CDARS deposits and \$1.8 billion of ICS deposits, compared to \$496.4 million of CDARS deposits and \$1.3 billion of ICS deposits at December 31, 2020. At December 31, 2021 and 2020, the Company also had wholesale brokered deposits of \$1.8 billion and \$554.8 million, respectively.

In addition, deposits for which the Company provides account holders with earnings credits or referral fees totaled \$10.8 billion and \$5.9 billion at December 31, 2021 and 2020, respectively. The Company incurred \$27.4 million and \$17.0 million in deposit related costs on these deposits during the year ended December 31, 2021 and 2020, respectively. These costs are reported in Deposit costs as part of non-interest expense. The increase in these costs from the prior year is due to an increase in deposit balances eligible for earnings credits or referral fees.

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

| | Year Ended December 31, | | | | | |
|---------------------------------------|------------------------------|--------|-----------------|--------|-----------------|--------|
| | 2021 | | 2020 | | 2019 | |
| | Average Balance | Rate | Average Balance | Rate | Average Balance | Rate |
| | <i>(dollars in millions)</i> | | | | | |
| Interest-bearing transaction accounts | \$ 4,750.8 | 0.13 % | \$ 3,488.3 | 0.26 % | \$ 2,545.8 | 0.82 % |
| Savings and money market accounts | 15,814.3 | 0.21 | 10,008.9 | 0.35 | 8,125.8 | 1.18 |
| Certificates of deposit | 1,849.5 | 0.46 | 1,997.6 | 1.33 | 2,117.2 | 1.98 |
| Total interest-bearing deposits | 22,414.6 | 0.21 | 15,494.8 | 0.45 | 12,788.8 | 1.24 |
| Non-interest-bearing demand deposits | 19,415.6 | — | 11,465.5 | — | 8,246.2 | — |
| Total deposits | \$ 41,830.2 | 0.11 % | \$ 26,960.3 | 0.26 % | \$ 21,035.0 | 0.75 % |

At December 31, 2021 and 2020, the Company had total uninsured deposits of \$26.9 billion and \$18.2 billion, respectively. Total U.S. time deposits in excess of the FDIC insurance limit were \$465.5 million and \$569.8 million at December 31, 2021 and 2020, respectively. The table below discloses the remaining maturity for estimated uninsured time deposits:

| | December 31, 2021 |
|------------------|----------------------|
| | <i>(in millions)</i> |
| 3 months or less | \$ 190.3 |
| 3 to 6 months | 152.3 |
| 6 to 12 months | 158.0 |
| Over 12 months | 36.2 |
| Total | \$ 536.8 |

Uninsured deposit information presented herein is estimated using the same methodologies utilized for regulatory reporting, where applicable. Specific to uninsured time deposits, the Company made certain assumptions to estimate uninsured amounts by maturity. At the account level, deposit insurance was assumed to apply first to non-time deposits, then any remaining insurance amounts were applied to maturity groupings on a pro-rata basis, based on the depositor's total amount of time deposits.

Other Borrowings

Short-Term Borrowings

The Company 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, federal funds purchased from correspondent banks or 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, 2021, total short-term borrowed funds consisted of federal funds purchased of \$675.0 million, secured borrowings of \$35.3 million, and customer repurchase agreements of \$16.6 million. At December 31, 2020, total short-term borrowed funds consisted of customer repurchase agreements of \$16.0 million and FHLB advances of \$5.0 million.

Long-Term Borrowings

The Company's long-term borrowings consist of AmeriHome senior notes from the acquisition on April 7, 2021 and credit linked notes issued during the year ended December 31, 2021, inclusive of issuance costs and fair market value adjustments. At December 31, 2021, the carrying value of long-term borrowings totaled \$775.0 million. The Company did not have long-term borrowings as of December 31, 2020.

Qualifying Debt

Qualifying debt consists of subordinated debt and junior subordinated debt, inclusive of issuance costs and fair market value adjustments. At December 31, 2021, the carrying value of qualifying debt was \$895.8 million, compared to \$548.7 million at December 31, 2020. The increase in qualifying debt from December 31, 2020 is primarily related to issuance of \$600.0 million of subordinated debt in June 2021, recorded net of issue costs of \$8.1 million. This issuance was partially offset by redemptions of subordinated debt totaling \$250.0 million during the year ended December 31, 2021.

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

| Name of Trust | Maturity | December 31, | |
|--|----------|----------------------|---------|
| | | 2021 | 2020 |
| At fair value | | <i>(in millions)</i> | |
| 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 | | 0.9 | (0.6) |
| Junior subordinated debt, at fair value | | \$ 67.4 | \$ 65.9 |
| 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) | | (4.2) | (4.5) |
| Junior subordinated debt, at amortized cost | | \$ 13.3 | \$ 13.0 |
| Total junior subordinated debt | | \$ 80.7 | \$ 78.9 |

(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, 2021 was 2.55%, which is three-month LIBOR plus the contractual spread of 2.34%, compared to a weighted average interest rate of 2.58% at December 31, 2020. Subsequent to June 30, 2023, interest rates on the Company's junior subordinated debt will be based on SOFR.

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 18. 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 connection with its adoption of CECL on January 1, 2020, the Company elected the five-year CECL transition option that delays the estimated impact on regulatory capital resulting from the adoption of CECL. As a result of this election, the estimated impact of CECL on regulatory capital relative to regulatory capital determined under the prior incurred loss methodology has been delayed for two years, followed by a three-year transition period to phase out the aggregate amount of capital benefit provided during the initial two-year delay. As a result, capital ratios and amounts as of December 31, 2021 exclude the impact of the increased allowance for credit losses related to the adoption of ASC 326.

As a result of the Company's continued commercial loan growth and the acquisition of AmeriHome, the Company undertook various capital actions during the year to ensure that its capital levels remained strong, which included offerings of common and preferred stock as well as issuances of subordinated debt and credit linked notes. As of December 31, 2021 and 2020, the Company and the Bank exceeded the capital levels necessary to be classified as well-capitalized, as defined by the various 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 |
|------------------------------|------------------|-------------------|-----------------------------|-------------------------------|---------------------------|----------------------------|-----------------------------|----------------------------|
| <i>(dollars in millions)</i> | | | | | | | | |
| December 31, 2021 | | | | | | | | |
| WAL | \$ 5,499.0 | \$ 4,444.3 | \$ 44,697.0 | \$ 56,972.9 | 12.3 % | 9.9 % | 7.8 % | 9.1 % |
| WAB | 5,119.9 | 4,657.5 | 44,726.1 | 56,961.6 | 11.4 | 10.4 | 8.2 | 10.4 |
| Well-capitalized ratios | | | | | 10.0 | 8.0 | 5.0 | 6.5 |
| Minimum capital ratios | | | | | 8.0 | 6.0 | 4.0 | 4.5 |
| 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 |

With the acquisition of AmeriHome, the Company is also required to maintain specified levels of capital to remain in good standing with certain federal government agencies, including FNMA, FHLMC, GNMA, and HUD. These capital requirements are generally tied to the unpaid balances of loans included in the Company's servicing portfolio or loan production volume. Noncompliance with these capital requirements can result in various remedial actions up to, and including, removing the Company's ability to sell loans to and service loans on behalf of the respective agency. The Company believes that it is in compliance with these requirements as of December 31, 2021.

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

The ACL guidance requires that an organization measure all expected credit losses for financial assets held at the reporting date, including off-balance sheet credit exposures, 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. During the year ended December 31, 2021, the allowance level was most impacted by the improvement in economic forecasts, which resulted in recognition of a recovery of credit losses of \$21.4 million. 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.

Fair value of financial instruments

The Company uses fair value measurements to recognize certain financial instruments at fair value. In connection with the AmeriHome acquisition, the Company acquired financial instruments, including loans HFS, MSR's, and derivative instruments, that are recorded at fair value and require management to make significant judgments in estimating the fair value of these financial instruments. The degree of management judgment involved in determining the fair value of a financial instrument is dependent upon the availability of quoted market prices or observable market inputs. For financial instruments that are actively traded and have quoted market prices or observable market inputs, there is minimal subjectivity involved in measuring fair value. However, when quoted market prices or observable market inputs are not fully available, significant management judgment may be necessary to estimate the fair value of these financial instruments. The fair value of MSR's is determined using a discounted cash flow model based on unobservable inputs, as MSR's are not traded in active markets. Assumptions used to value the Company's MSR's represent management's best estimate of assumptions that market participants would use to value this asset and may require significant judgement. The primary risk of material changes to the value of the MSR's resides in the potential volatility and judgment in the assumptions used, specifically prepayment speeds, option adjusted spreads, and discount rates. Hypothetical changes in the value of MSR's based on assumed immediate changes in certain inputs are disclosed in "Note 6. Mortgage Servicing Rights."

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, HFS mortgages, 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.

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

| | December 31, 2021 | |
|---|------------------------------|--------------------------------|
| | Available Balance | Outstanding Balance |
| | <i>(in millions)</i> | |
| Unsecured fed funds credit lines at correspondent banks | \$ 2,848.4 | \$ 675.0 |

In addition to lines of credit, the Company has borrowing capacity with the FHLB and FRB from pledged loans and securities. The Company also has warehouse borrowing lines of credit assumed as part of the AmeriHome acquisition. The borrowing capacity, outstanding borrowings, and available credit as of December 31, 2021 are presented in the following table:

| | December 31, 2021 |
|------------------------------|--------------------------|
| | <i>(in millions)</i> |
| FHLB: | |
| Borrowing capacity | \$ 7,832.4 |
| Outstanding borrowings | — |
| Letters of credit | 21.0 |
| Total available credit | \$ 7,811.4 |
| FRB: | |
| Borrowing capacity | \$ 3,385.3 |
| Outstanding borrowings | — |
| Total available credit | \$ 3,385.3 |
| Warehouse borrowings: | |
| Borrowing capacity | \$ 1,000.0 |
| Outstanding borrowings | — |
| Total available credit | \$ 1,000.0 |

The Company also has a separate 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 approximately \$416 million in additional credit. The amount of available credit under the PPP lending facility will continue to decline each period as these loans are paid down.

Cash requirements of the Company include 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. Additionally, 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 following table sets forth the Company's significant contractual obligations as of December 31, 2021:

| | Payments Due by Period | | | | |
|-----------------------------|------------------------|---------------------|----------------------|----------------|-------------------|
| | Total | Less Than 1 Year | 1-3 Years | 3-5 Years | After 5 Years |
| | | | <i>(in millions)</i> | | |
| Time deposit maturities | \$ 2,056.0 | \$ 1,932.4 | \$ 119.6 | \$ 4.0 | \$ — |
| Qualifying debt | 909.0 | — | — | — | 909.0 |
| Other borrowings | 1,496.5 | 726.9 | 242.0 | — | 527.6 |
| Operating lease obligations | 156.3 | 15.1 | 43.4 | 37.6 | 60.2 |
| Purchase obligations | 111.6 | 33.5 | 48.2 | 29.9 | — |
| Total | \$ 4,729.4 | \$ 2,707.9 | \$ 453.2 | \$ 71.5 | \$ 1,496.8 |

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, 2021 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 |
| | | | <i>(in millions)</i> | | |
| Commitments to extend credit | \$ 13,396.3 | \$ 3,652.0 | \$ 6,235.1 | \$ 2,322.1 | \$ 1,187.0 |
| Credit card commitments and financial guarantees | 306.3 | 306.3 | — | — | — |
| Letters of credit | 198.1 | 190.7 | 3.0 | 4.4 | — |
| Total | \$ 13,900.7 | \$ 4,149.0 | \$ 6,238.1 | \$ 2,326.5 | \$ 1,187.0 |

The following table sets forth certain information regarding short-term borrowings as of December 31, 2021 and the respective prior year-end balances:

| | December 31, | | |
|---|------------------------------|----------------|----------------|
| | 2021 | 2020 | 2019 |
| | <i>(dollars in millions)</i> | | |
| Customer Repurchase Accounts: | | | |
| Maximum month-end balance | \$ 21.6 | \$ 33.7 | \$ 20.3 |
| Balance at end of year | 16.6 | 16.0 | 16.7 |
| Average balance | 19.6 | 23.3 | 17.2 |
| Federal Funds Purchased | | | |
| Maximum month-end balance | 2,283.0 | 690.0 | 335.0 |
| Balance at end of year | 675.0 | — | — |
| Average balance | 418.9 | 75.1 | 67.9 |
| FHLB Advances: | | | |
| Maximum month-end balance | 4,200.0 | 130.0 | 380.0 |
| Balance at end of year | — | 5.0 | — |
| Average balance | 392.6 | 21.3 | 49.6 |
| Warehouse borrowings: | | | |
| Maximum month-end balance | 819.7 | — | — |
| Balance at end of year | — | — | — |
| Average balance | 442.3 | — | — |
| Total Short-Term Borrowed Funds | \$ 691.6 | \$ 21.0 | \$ 16.7 |
| Weighted average interest rate at end of year | 0.16 % | 0.12 % | 0.15 % |
| Weighted average interest rate during year | 0.67 | 0.46 | 1.99 |

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 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, 2021, there was \$8.7 billion in liquid assets, comprised of \$516.4 million in cash and cash equivalents, \$4.0 billion in HFS loans, and \$4.2 billion in unpledged marketable securities. At December 31, 2020, the Company maintained \$6.6 billion in liquid assets, comprised of \$2.7 billion of cash and cash equivalents and \$3.9 billion of 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 non-discretionary 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 subsidiary 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 twelve 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 correspondent banks, the FHLB of San Francisco, and the FRB. At December 31, 2021, 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, 2021, 2020, and 2019, net cash (used in) provided by operating activities was \$(2.7) billion, \$670.2 million, and \$717.8 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 Company's cash balance during the years ended December 31, 2021, 2020, and 2019, was reduced by \$12.7 billion, \$5.9 billion, and \$3.4 billion, respectively, as a result of a net increase in loans as well as a net increase in investment securities of \$2.0 billion, \$1.5 billion, and \$109.5 million, respectively.

Net cash provided by financing activities has been impacted significantly by increased deposit levels. During the years ended December 31, 2021, 2020, and 2019, net deposits increased \$15.7 billion, \$9.1 billion, and \$3.6 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, 2021, the Company has \$729.2 million of CDARS and \$1.8 billion of ICS deposits.

As of December 31, 2021, the Company has \$1.8 billion 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 which 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, 2021, WAB paid dividends to the Parent of \$50.0 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.

Supervision, Regulation and Licensing of AmeriHome

AmeriHome is a residential mortgage producer and servicer that operates in a heavily regulated industry. In addition to supervision by the federal banking agencies with primary jurisdiction over the Company and WAB, AmeriHome is subject to the rules, regulations and oversight of certain federal, state and local governmental authorities, including the CFPB, HUD, and government-sponsored enterprises in the mortgage industry such as FHLMC, FNMA, and GNMA.

Further, AmeriHome must comply with a large number of federal consumer protection laws and regulations including, among others:

- the Real Estate Settlement Procedures Act and Regulation X, which require lenders, mortgage brokers, or servicers to provide borrowers with pertinent and timely disclosures regarding the nature and costs of the settlement process and prohibit specific practices related thereto;
- the Truth In Lending Act and Regulation Z, which require disclosures and timely information on the nature and costs of the residential mortgages and the real estate settlement process;
- the Secure and Fair Enforcement for Mortgage Licensing Act, which applies to businesses and individuals engaging in the residential mortgage loan business;
- the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Fair Debt Collection Practices Act, the Federal Trade Commission Act, and the rules and regulations of the FTC and CFPB that prohibit unfair, abusive or deceptive acts or practices;
- the Fair Credit Reporting Act (as amended by the Fair and Accurate Credit Transactions Act) and Regulation V, which address the accuracy, fairness, and privacy of information in the files of consumer reporting agencies; and
- the Equal Credit Opportunity Act and Regulation B, the Fair Housing Act, the Homeowners Protection Act, and the Home Mortgage Disclosure Act and Regulation C, which generally disallow discrimination on a prohibited basis, provide applicants and borrowers rights with respect to credit decisioning and the residential mortgage process, and require disclosures and impose obligations on financial businesses conducting residential lending and mortgage servicing.

The CFPB as well as the FTC have rulemaking authority with respect to many of the federal consumer protection laws applicable to mortgage lenders and servicers, and their rulemaking and regulatory agendas relating to the residential mortgage industry continues to evolve. In particular, as part of its enforcement authority, the CFPB can order, among other things, rescission or reformation of contracts, the refund of moneys or the return of real property, restitution, disgorgement or compensation for unjust enrichment, the payment of damages or other monetary relief, public notifications regarding violations, remediation of practices, external compliance monitoring and civil money penalties.

AmeriHome is also subject to state and local laws, rules and regulations and oversight by various state agencies that license and oversee consumer protection, loan servicing, origination and collection activities of mortgage industry participants. Despite the fact that AmeriHome is the operating subsidiary of a depository institution, it must comply with regulatory and licensing requirements in certain states in order to conduct its business, and does (and will continue to) incur significant costs to comply with these requirements. These laws, rules and regulations may change as statutes and regulations are enacted, promulgated, amended, interpreted and enforced.

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 Board of Governors of the Federal Reserve System (the "Federal Reserve"), and other federal banking agencies, including those with direct supervisory jurisdiction over the Company and the Bank. Furthermore, as the COVID-19 pandemic continues to evolve, 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 and in March 2021, Congress

extended the deadline for PPP applications to May 31, 2021, with a further extension of the Congressional PPP authorization through June 30, 2021.

On May 14, 2021, the Federal Reserve announced a third extension of its rule to bolster the effectiveness of the PPP, which applies to PPP loans made since March 31, 2021 and allowed banks to continue to make PPP loans to a broad range of small businesses within their communities. The rule extension applied to PPP loans made from March 31 through June 30, 2021 and sunsets on March 31, 2022 unless the PPP is again extended by Congress. 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 effects 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. Further, in connection with the FRB's rules implementing the enhanced prudential standards required by Dodd-Frank (and as subsequently modified by application of the EGRRCPA's higher consolidated asset thresholds for bank holding companies), the Company has established a risk committee of the BOD to manage enterprise-wide risk and has retained its separate risk committee of independent directors.

Further, in connection with the FRB's rules implementing the enhanced prudential standards required by Dodd-Frank (and as subsequently modified by application of the EGRRCPA's higher consolidated asset thresholds for bank holding companies), the Company has established a risk committee of the BOD to manage enterprise-wide risk and 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 OCC, 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. In response to the ongoing COVID-19 pandemic, the Federal Reserve reduced the reserve requirement ratios to zero percent effective on March 26, 2020.

Additionally, on June 4, 2021, the Federal Reserve adopted amendments to Regulation D (Reserve Requirements of Depository Institutions, 12 C.F.R. Part 204) to eliminate references to an "interest on required reserves" rate and to an "interest on excess reserves" rate and replace them with a reference to a single "interest on reserve balances" rate. The amendments also simplified the formula used to calculate the amount of interest paid on balances maintained by or on behalf of eligible institutions in master accounts at Federal Reserve Banks, and to made other conforming amendments. The rule became effective on July 29, 2021.

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 became effective on April 1, 2021. To date, there has been no material impact to either the Company or the Bank from the rules.

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.

On November 18, 2021, the federal bank regulatory agencies issued final rule to improve the sharing of information about cyber incidents that may affect the U.S. banking system. The rule requires a banking organization to notify its primary federal regulator of any significant computer-security incident as soon as possible and no later than 36 hours after the banking organization determines that a cyber incident has occurred. Notification is required for incidents that have materially affected—or are reasonably likely to materially affect—the viability of a banking organization’s operations, its ability to deliver banking products and services, or the stability of the financial sector. In addition, the rule requires a bank service provider to notify affected banking organization customers as soon as possible when the provider determines that it has experienced a computer-security incident that has materially affected or is reasonably likely to materially affect banking organization customers for four or more hours. Compliance with the final rule is required by May 1, 2022. WAL and WAB are currently assessing the impact of this rule, but do not anticipate any material impact to their respective operations at this time.

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.

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, 2021, 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 and 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 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 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, 2021, the Company used 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 re-pricing relationships for each of the Company's products. Many of the Company's assets are variable 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 FOMC.

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 a significant effect 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, 2021, our net interest income exposure for the next twelve months related to these hypothetical changes in market interest rates was within our current guidelines.

Sensitivity of Net Interest Income

| | Parallel Shift Rate Scenario (change in basis points from Base) | | | |
|----------------------------|--|----------------|----------------|----------------|
| | Down 100 | Base | Up 100 | Up 200 |
| | <i>(in millions)</i> | | | |
| Interest Income | \$ 1,664.5 | \$ 1,731.5 | \$ 1,928.3 | \$ 2,183.0 |
| Interest Expense | 119.6 | 137.8 | 261.9 | 387.7 |
| Net Interest Income | 1,544.9 | 1,593.7 | 1,666.4 | 1,795.3 |
| % Change | (3.1)% | | 4.6 % | 12.6 % |

| | Interest Rate Ramp Scenario (change in basis points from Base) | | | |
|----------------------------|---|----------------|----------------|----------------|
| | Down 100 | Base | Up 100 | Up 200 |
| | <i>(in millions)</i> | | | |
| Interest Income | \$ 1,700.8 | \$ 1,731.5 | \$ 1,806.2 | \$ 1,900.6 |
| Interest Expense | 120.5 | 137.8 | 168.4 | 198.8 |
| Net Interest Income | 1,580.3 | 1,593.7 | 1,637.8 | 1,701.8 |
| % Change | (0.8)% | | 2.8 % | 6.8 % |

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, 2021, the Company's EVE exposure related to these hypothetical changes in market interest rates was within the Company's current guidelines. The following table shows the Company's projected change in EVE for this set of rate shocks at December 31, 2021:

Economic Value of Equity

| | Interest Rate Scenario (change in basis points from Base) | | | | | |
|--------------------------|---|----------------|----------------|----------------|----------------|----------------|
| | Down 200 | Down 100 | Base | Up 100 | Up 200 | Up 300 |
| | <i>(in millions)</i> | | | | | |
| Assets | \$ 58,978.5 | \$ 57,876.4 | \$ 56,360.6 | \$ 54,954.3 | \$ 53,688.8 | \$ 52,556.0 |
| Liabilities | 51,057.1 | 49,151.4 | 47,485.0 | 46,027.9 | 44,726.7 | 43,555.8 |
| Net Present Value | 7,921.4 | 8,725.0 | 8,875.6 | 8,926.4 | 8,962.1 | 9,000.2 |
| % Change | (10.8)% | (1.7)% | | 0.6 % | 1.0 % | 1.4 % |

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, 2021 and 2020:

Outstanding Derivatives Positions

| December 31, | | | | | | |
|------------------------------|-----------|-------------------------------|------------|-----------|-------------------------------|--|
| 2021 | | | 2020 | | | |
| Notional | NPV | Weighted Average Term (Years) | Notional | NPV | Weighted Average Term (Years) | |
| <i>(dollars in millions)</i> | | | | | | |
| \$ 480,765.9 | \$ (49.6) | 1.5 | \$ 1,812.6 | \$ (83.3) | 16.0 | |

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

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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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, 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, 2021, 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, 2022, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

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 Matters

The critical audit matters communicated below are matters 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 critical audit matters 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 matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Allowance for Credit Losses – Loans Held for Investment

As described in Notes 1 and 4 to the financial statements, the Company's allowance for credit losses for loans held for investment totaled \$252.5 million as of December 31, 2021. The allowance for credit losses on loans held for investment is calculated under the expected credit loss model and is an estimate of life-of-loan losses for the Company's loans held for investment.

The allowance for credit losses for loans held for investment consists of an asset-specific component for estimating credit losses for individual loans that do not share risk characteristics with other loans and a pooled component for estimating credit losses for pools of loans that share similar risk characteristics. 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, 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 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.

Loss given default is typically derived from the Company's own loss experience, however for the residential, warehouse lending and municipal and nonprofit loan segments, non-modeled methodologies are employed to estimate loss given default.

Exposure at default refers to the Company's exposure to loss at the time of borrower default. For revolving lines of credit, the Company incorporates an expectation of increased line utilization for a higher exposure at default on defaulted loans based on historical experience. For term loans, exposure at default is calculated using an amortization schedule based on loan terms, adjusted for prepayment assumptions.

The quantitative estimates of expected credit losses derived from the probability of default, loss given default and exposure at default 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 or environmental factors. The measurement of expected credit losses is influenced by loan volumes, loan mix, loan performance metrics, asset quality characteristics, delinquency status, historical credit loss experience, current conditions and reasonable and supportable economic forecasts.

The estimation of the allowance for credit losses on loans held for investment for pools of loans that share similar risk characteristics involves many 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, 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 probability of default, loss given default and exposure at default assumptions and forecasted economic scenario components of the allowance for credit losses for loans held for investment as a critical audit matter because auditing the underlying assumptions, and economic scenario forecasts used in the allowance for credit losses on loans held for investment 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 on loans held for investment, which resulted in high estimation uncertainty.

Our audit procedures related to management's evaluation and establishment of the probability of default, loss given default and exposure at default assumptions and forecasted economic scenarios 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 probability of default, loss given default and exposure at default assumptions and the forecasted economic scenario components of the allowance for credit losses for loans held for investment and tested such controls for design and operating effectiveness.
- We tested management's process and significant judgments in the evaluation and establishment of the probability of default, loss given default and exposure at default assumptions and forecasted economic scenario components of the allowance for credit losses, which included:
 - We evaluated management's considerations and data utilized as a basis for the probability of default, loss given default and exposure at default assumptions and selection of forecasted economic scenarios and weightings and tested the completeness and accuracy of the underlying data that was available to management.
 - We evaluated the reasonableness of management's judgments related to the probability of default, loss given default and exposure at default assumptions and forecasted scenarios, and qualitative and quantitative assessment of the considerations and data utilized in the determination of the forecasted economic scenarios and the resulting components of the allowance for credit losses for loans held for investment.
 - We evaluated the reasonableness of management's judgments related to the establishment of the models being used in determining the probability of default, loss given default and exposure at default assumptions.
 - We utilized internal specialists to assist in evaluating the statistical documentation and process used by management in validating the models established by vendors.

Valuation of Correspondent Customer Relationships and Operating Licenses

As described in Note 2 to the financial statements, on April 7, 2021, the Company completed its acquisition of Aris, the parent company of AmeriHome. As a result of the transaction, the Company acquired correspondent relationships and operating licenses which were determined to be separately identifiable intangible assets with acquisition date fair values of \$76.0 million and \$55.5 million, respectively.

The Company, with the assistance of a third-party appraiser, calculated the fair value of the correspondent customer relationships and operating licenses utilizing an income approach with key, subjective assumptions related to forecasted revenues, discount rates and the time period over which cash flows would occur.

We identified the evaluation of the assumptions related to projected cash flows and discount rates utilized in the fair value calculations of correspondent customer relationships and operating licenses as a critical audit matter, because a high degree of subjectivity was involved in evaluating the key inputs of projected cash flows and discount rates. Auditing these assumptions involved a high degree of auditor judgement and increased audit effort as there was limited observable market information related to the assumptions and the calculated fair value of the correspondent customer relationships and operating licenses intangible assets were sensitive to possible changes in these key inputs.

Our audit procedures related to the valuation assumptions related to projected cash flows and discount rates used to determine the acquisition-date fair value of correspondent customer relationships and operating licenses intangible assets included the following, among others:

- We obtained an understanding of the relevant controls related to the development of forecasts of future revenues and estimated discount rates and tested such controls for design and operating effectiveness.
- We tested management's process for determining fair value including:
 - We obtained the third-party valuation report and evaluated the appropriateness of valuation models utilized by third-party appraisers.
 - We tested completeness and accuracy of data inputs provided by management and utilized in the valuation models.
 - We evaluated the reasonableness of management's projected cash flows, by comparing management's prior forecasts to historical results of the acquired business and considering consistency of the projections with external market and industry data.
 - We tested the reasonableness of the projected cash flows by comparing them to historical results.
 - We utilized an internal valuation specialist to assist with developing an independent estimate of the discount rate based on publicly available market data and comparing the resulting rate to that utilized by management.

Valuation of Mortgage Servicing Rights

As described in Note 6 to the financial statements, the Company's mortgage servicing rights totaled \$698.0 million as of December 31, 2021. When the Company sells mortgage loans in the secondary market and retains the right to service these loans, a servicing right asset is capitalized at the time of sale when the benefits of servicing are deemed to be greater than adequate compensation for performing the servicing activities. Mortgage servicing rights represent the then-current fair value of future net cash flows expected to be realized from performing servicing activities. The Company has elected to subsequently measure mortgage servicing rights at fair value. The Company estimates the fair value of mortgage servicing rights using a discounted cash flow model that incorporates assumptions that market participants would use in estimating the fair value of servicing rights, including, but not limited to, option adjusted spread, conditional prepayment rate, servicing fee rate, and cost to service.

We identified the option adjusted spread and conditional prepayment rate assumptions used in the valuation of mortgage servicing rights as a critical audit matter due to the significant judgement required by management in determining these assumptions. Auditing these assumptions involved a high degree of auditor judgement and increased audit effort as there was limited observable market information and the calculated fair value of the mortgage servicing rights is sensitive to changes in these key assumptions.

Our audit procedures related to the valuation of mortgage servicing rights at December 31, 2021 included, among others, testing management's process for determining the fair value, including:

- We evaluated the appropriateness of the valuation model.
- We tested the completeness and accuracy of the data used in the model.
- We utilized valuation specialists to assist with evaluating the reasonableness of the option adjusted spread and conditional prepayment rate assumptions by considering the consistency with external market and industry data.

/s/ RSM US LLP

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

Los Angeles, California
February 25, 2022

WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

| | December 31, | |
|---|---|--------------------|
| | 2021 | 2020 |
| | <i>(in millions, except shares and per share amounts)</i> | |
| Assets: | | |
| Cash and due from banks | \$ 166.2 | \$ 174.2 |
| Interest-bearing deposits in other financial institutions | 350.2 | 2,497.5 |
| Cash, cash equivalents and restricted cash | 516.4 | 2,671.7 |
| Investment securities - AFS, at fair value; amortized cost of \$6,166.5 at December 31, 2021 and \$4,586.4 at December 31, 2020 | 6,188.8 | 4,708.5 |
| Investment securities - HTM, at amortized cost and net of allowance for credit losses of \$5.2 and \$6.8 (fair value of \$1,146.4 and \$611.8) at December 31, 2021 and December 31, 2020, respectively | 1,101.9 | 562.0 |
| Investment securities - equity | 158.5 | 167.3 |
| Investments in restricted stock, at cost | 91.7 | 67.0 |
| Loans HFS (includes \$3,939.7 measured at fair value at December 31, 2021) | 5,635.1 | — |
| Loans HFI, net of deferred loan fees and costs | 39,075.4 | 27,053.0 |
| Less: allowance for credit losses | (252.5) | (278.9) |
| Net loans held for investment | 38,822.9 | 26,774.1 |
| Mortgage servicing rights | 698.0 | — |
| Premises and equipment, net | 181.9 | 134.1 |
| Operating lease right of use asset | 133.0 | 72.5 |
| Bank owned life insurance | 180.2 | 176.3 |
| Goodwill and intangible assets, net | 634.8 | 298.5 |
| Deferred tax assets, net | 20.9 | 31.3 |
| Investments in LIHTC and renewable energy | 631.3 | 405.6 |
| Other assets | 987.2 | 392.1 |
| Total assets | <u>\$ 55,982.6</u> | <u>\$ 36,461.0</u> |
| Liabilities: | | |
| Deposits: | | |
| Non-interest-bearing demand | \$ 21,353.4 | \$ 13,463.3 |
| Interest-bearing | 26,258.6 | 18,467.2 |
| Total deposits | 47,612.0 | 31,930.5 |
| Other borrowings | 1,501.9 | 21.0 |
| Qualifying debt | 895.8 | 548.7 |
| Operating lease liability | 142.8 | 79.9 |
| Other liabilities | 867.5 | 467.4 |
| Total liabilities | <u>51,020.0</u> | <u>33,047.5</u> |
| Commitments and contingencies (Note 18) | | |
| Stockholders' equity: | | |
| Preferred stock (par value \$0.0001 and liquidation value per share of \$25; 20,000,000 authorized; 12,000,000 issued and outstanding at December 31, 2021 and 0 at December 31, 2020) | 294.5 | — |
| Common stock (par value \$0.0001; 200,000,000 authorized; 108,981,341 shares issued at December 31, 2021 and 103,013,290 at December 31, 2020) and additional paid in capital | 1,966.2 | 1,390.9 |
| Treasury stock, at cost (2,350,021 shares at December 31, 2021 and 2,169,397 shares at December 31, 2020) | (86.8) | (71.1) |
| Accumulated other comprehensive income | 15.7 | 92.3 |
| Retained earnings | 2,773.0 | 2,001.4 |
| Total stockholders' equity | 4,962.6 | 3,413.5 |
| Total liabilities and stockholders' equity | <u>\$ 55,982.6</u> | <u>\$ 36,461.0</u> |

See accompanying Notes to Consolidated Financial Statements.

WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS

| | Year Ended December 31, | | |
|---|--|-----------------|-----------------|
| | 2021 | 2020 | 2019 |
| | <i>(in millions, except per share amounts)</i> | | |
| Interest income: | | | |
| Loans, including fees | \$ 1,488.8 | \$ 1,144.3 | \$ 1,093.0 |
| Investment securities | 158.6 | 107.8 | 111.9 |
| Dividends and other | 11.3 | 9.7 | 20.1 |
| Total interest income | <u>1,658.7</u> | <u>1,261.8</u> | <u>1,225.0</u> |
| Interest expense: | | | |
| Deposits | 47.5 | 70.4 | 158.4 |
| Qualifying debt | 33.1 | 23.9 | 23.4 |
| Other borrowings | 29.3 | 0.6 | 2.8 |
| Total interest expense | <u>109.9</u> | <u>94.9</u> | <u>184.6</u> |
| Net interest income | <u>1,548.8</u> | <u>1,166.9</u> | <u>1,040.4</u> |
| (Recovery of) provision for credit losses | <u>(21.4)</u> | <u>123.6</u> | <u>19.3</u> |
| Net interest income after provision for (recovery of) credit losses | <u>1,570.2</u> | <u>1,043.3</u> | <u>1,021.1</u> |
| Non-interest income: | | | |
| Net gain on loan origination and sale activities | 326.2 | — | — |
| Service charges and fees | 28.3 | 23.3 | 23.3 |
| Income from equity investments | 22.1 | 12.7 | 8.3 |
| Commercial banking related income | 17.4 | 14.7 | 16.1 |
| Gain on sales of investment securities | 8.3 | 0.2 | 3.1 |
| Gain on recovery from credit guarantees | 7.2 | — | — |
| Fair value (loss) gain on assets measured at fair value, net | (1.3) | 3.8 | 5.1 |
| Net loan servicing revenue (expense) | (16.3) | — | — |
| Other income | 12.3 | 16.1 | 9.2 |
| Total non-interest income | <u>404.2</u> | <u>70.8</u> | <u>65.1</u> |
| Non-interest expense: | | | |
| Salaries and employee benefits | 466.7 | 303.6 | 279.3 |
| Legal, professional, and directors' fees | 58.6 | 42.2 | 37.0 |
| Data processing | 58.2 | 35.7 | 30.6 |
| Loan servicing expenses | 53.5 | — | — |
| Occupancy | 43.8 | 34.1 | 32.6 |
| Deposit costs | 29.8 | 18.5 | 31.7 |
| Loan acquisition and origination expenses | 28.8 | — | — |
| Insurance | 23.0 | 13.3 | 11.9 |
| Business development and marketing | 13.5 | 9.6 | 11.2 |
| Loss on extinguishment of debt | 5.9 | — | — |
| Net (gain) loss on sales and valuations of repossessed and other assets | (3.5) | (1.5) | 3.8 |
| Acquisition and restructure expenses | 15.3 | — | — |
| Other expense | 57.8 | 36.1 | 43.9 |
| Total non-interest expense | <u>851.4</u> | <u>491.6</u> | <u>482.0</u> |
| Income before provision for income taxes | <u>1,123.0</u> | <u>622.5</u> | <u>604.2</u> |
| Income tax expense | <u>223.8</u> | <u>115.9</u> | <u>105.0</u> |
| Net income | <u>899.2</u> | <u>506.6</u> | <u>499.2</u> |
| Dividends on preferred stock | 3.5 | — | — |
| Net income available to common stockholders | <u>\$ 895.7</u> | <u>\$ 506.6</u> | <u>\$ 499.2</u> |
| Earnings per share: | | | |
| Basic | \$ 8.72 | \$ 5.06 | \$ 4.86 |
| Diluted | 8.67 | 5.04 | 4.84 |
| Weighted average number of common shares outstanding: | | | |
| Basic | 102.7 | 100.2 | 102.7 |
| Diluted | 103.3 | 100.5 | 103.1 |

See accompanying Notes to Consolidated Financial Statements.

WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Year Ended December 31, | | |
|--|--------------------------------|----------|----------|
| | 2021 | 2020 | 2019 |
| | <i>(in millions)</i> | | |
| Net income | \$ 899.2 | \$ 506.6 | \$ 499.2 |
| Other comprehensive income (loss), net: | | | |
| Unrealized (loss) gain on AFS securities, net of tax effect of \$22.4, \$(23.1), and \$(23.2), respectively | (69.0) | 70.9 | 71.2 |
| Unrealized loss on SERP, net of tax effect of \$—, \$0.1, and \$0.1, respectively | — | (0.3) | (0.4) |
| Unrealized loss on junior subordinated debt, net of tax effect of \$0.3, \$1.1, and \$3.2, respectively | (1.2) | (3.1) | (9.8) |
| Realized gain on sale of AFS securities included in income, net of tax effect of \$2.1, \$0, and \$0.7, respectively | (6.4) | (0.2) | (2.4) |
| Net other comprehensive (loss) income | (76.6) | 67.3 | 58.6 |
| Comprehensive income | \$ 822.6 | \$ 573.9 | \$ 557.8 |

See accompanying Notes to Consolidated Financial Statements.

WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

| | Preferred Stock | | Common Stock | | Additional Paid in Capital | Treasury Stock | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Total Stockholders' Equity |
|--|----------------------|----------|--------------|--------|----------------------------------|-------------------|--|----------------------|----------------------------------|
| | Shares | Amount | Shares | Amount | | | | | |
| | <i>(in millions)</i> | | | | | | | | |
| 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 (1) | — | — | (0.2) | — | — | (9.6) | — | — | (9.6) |
| Stock repurchase | — | — | (2.8) | — | (69.9) | — | — | (50.3) | (120.2) |
| Dividends paid | — | — | — | — | — | — | — | (51.3) | (51.3) |
| Other comprehensive income, 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 (2) | — | — | 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 units, and other grants, net | — | — | 0.6 | — | 29.1 | — | — | — | 29.1 |
| Restricted stock surrendered (1) | — | — | (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 |
| Net income | — | — | — | — | — | — | — | 899.2 | 899.2 |
| Restricted stock, performance stock unit, and other grants, net | — | — | 0.6 | — | 35.0 | — | — | — | 35.0 |
| Restricted stock surrendered (1) | — | — | (0.2) | — | — | (15.7) | — | — | (15.7) |
| Preferred stock issuance, net | 12.0 | 294.5 | — | — | — | — | — | — | 294.5 |
| Common stock issuance, net | — | — | 5.4 | — | 540.3 | — | — | — | 540.3 |
| Dividends paid to preferred stockholders | — | — | — | — | — | — | — | (3.5) | (3.5) |
| Dividends paid to common stockholders | — | — | — | — | — | — | — | (124.1) | (124.1) |
| Other comprehensive loss, net | — | — | — | — | — | — | (76.6) | — | (76.6) |
| Balance, December 31, 2021 | 12.0 | \$ 294.5 | 106.6 | \$ — | \$ 1,966.2 | \$ (86.8) | \$ 15.7 | \$ 2,773.0 | \$ 4,962.6 |

- (1) Share amounts represent Treasury Shares, see "Note 1. Summary of Significant Accounting Policies" for further discussion.
- (2) 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, | | |
|--|----------------------|---------------------|---------------------|
| | 2021 | 2020 | 2019 |
| | <i>(in millions)</i> | | |
| Cash flows from operating activities: | | | |
| Net income | \$ 899.2 | \$ 506.6 | \$ 499.2 |
| Adjustments to reconcile net income to cash (used in) provided by operating activities: | | | |
| (Recovery of) provision for credit losses | (21.4) | 123.6 | 19.3 |
| Depreciation and amortization | 33.7 | 22.9 | 18.5 |
| Stock-based compensation | 35.1 | 28.7 | 26.2 |
| Deferred income taxes | 42.0 | (25.1) | (5.1) |
| Amortization of net premiums for investment securities | 39.8 | 28.2 | 17.1 |
| Amortization of tax credit investments | 49.5 | 49.2 | 41.5 |
| Amortization of operating lease right of use asset | 16.3 | 11.7 | 10.5 |
| Amortization of net deferred loan fees and net purchase premiums | (66.3) | (51.2) | (42.7) |
| Purchases and originations of loans HFS | (59,569.6) | — | — |
| Proceeds from sales and payments on loans held for sale | 56,647.7 | — | — |
| Mortgage servicing rights capitalized upon sale of mortgage loans | (763.8) | — | — |
| Net (gains) losses on: | | | |
| Change in fair value of mortgage servicing rights and other | 177.7 | — | — |
| Other | (16.3) | (9.4) | (5.1) |
| Changes in other assets and liabilities, net | (157.6) | (15.0) | 138.4 |
| Net cash (used in) provided by operating activities | \$ (2,654.0) | \$ 670.2 | \$ 717.8 |
| Cash flows from investing activities: | | | |
| Investment securities - AFS | | | |
| Purchases | \$ (3,248.4) | \$ (2,966.2) | \$ (927.6) |
| Principal pay downs and maturities | 1,634.1 | 1,515.5 | 785.7 |
| Proceeds from sales | 164.5 | 156.6 | 150.4 |
| Investment securities - HTM | | | |
| Purchases | (595.6) | (182.7) | (131.4) |
| Principal pay downs and maturities | 54.9 | 17.4 | 21.6 |
| Proceeds from sales | — | — | 10.0 |
| Equity securities carried at fair value | | | |
| Purchases | (36.2) | (34.5) | (32.7) |
| Redemptions | 21.0 | 7.6 | 14.6 |
| Proceeds from sales | 4.4 | — | — |
| Proceeds from sale of mortgage servicing rights, net | 1,182.8 | — | — |
| Purchase of other investments | (134.6) | (133.1) | (150.8) |
| Proceeds from bank owned life insurance, net | — | 5.9 | — |
| Net increase in loans HFI | (12,665.0) | (5,897.2) | (3,429.0) |
| Purchase of premises, equipment, and other assets, net | (69.4) | (26.8) | (33.8) |
| Cash consideration paid for AmeriHome acquisition, net of cash acquired | (1,024.4) | — | — |
| Net cash used in investing activities | \$ (14,711.9) | \$ (7,537.5) | \$ (3,723.0) |
| Cash flows from financing activities: | | | |
| Net increase in deposits | \$ 15,681.5 | \$ 9,134.0 | \$ 3,619.0 |
| Net proceeds from issuance of long-term debt | 1,055.7 | 221.9 | — |
| Payments on long-term debt | (475.9) | (75.0) | — |
| Net (decrease) increase in short-term borrowings | (1,742.1) | 4.3 | (496.7) |
| Cash paid for tax withholding on vested restricted stock and other | (15.8) | (7.9) | (9.6) |
| Common stock repurchases | — | (71.6) | (120.2) |
| Cash dividends paid on common stock and preferred stock | (127.6) | (101.3) | (51.3) |
| Proceeds from issuance of common stock in offerings, net | 540.3 | — | — |
| Proceeds from issuance of preferred stock, net | 294.5 | — | — |
| Net cash provided by financing activities | \$ 15,210.6 | \$ 9,104.4 | \$ 2,941.2 |
| Net (decrease) increase in cash, cash equivalents, and restricted cash | (2,155.3) | 2,237.1 | (64.0) |
| Cash, cash equivalents, and restricted cash at beginning of period | 2,671.7 | 434.6 | 498.6 |
| Cash, cash equivalents, and restricted cash at end of period | \$ 516.4 | \$ 2,671.7 | \$ 434.6 |

| | December 31, | | |
|---|----------------------|-------------|-------------|
| | 2021 | 2020 | 2019 |
| | <i>(in millions)</i> | | |
| Supplemental disclosure: | | | |
| Cash paid during the period for: | | | |
| Interest | \$ 111.6 | \$ 108.6 | \$ 180.4 |
| Income taxes, net | 175.7 | 44.2 | (23.4) |
| Non-cash operating, investing, and financing activity: | | | |
| Net increase (decrease) in unfunded commitments and obligations | \$ 294.1 | \$ (102.2) | \$ 36.6 |
| Transfers of securitized LHFS to AFS securities | 144.5 | — | — |

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 customized loan, deposit and treasury management capabilities, including blockchain-based offerings 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 and has added to these capabilities with the acquisition of AmeriHome on April 7, 2021, which provides mortgage banking services. In addition, the Company has two non-bank subsidiaries, which are 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 ASC 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 ASC 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 ASC 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 ASC 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 ASC 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 ASC Subtopic 815-15, *Derivatives and Hedging- Embedded Derivatives*; and 4) for other ASC 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.

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 ASC Topic 848 apply to derivatives that are affected by the discounting transition. Specifically, certain provisions in ASC 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.

Recently adopted accounting guidance

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 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: 1) the determination of the allowance for credit losses; 2) certain assets and liabilities carried at fair value; and 3) accounting for income taxes.

Principles of consolidation

As of December 31, 2021, 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.

WAB has the following significant wholly-owned subsidiaries: 1) WABT, which holds certain investment securities, municipal and nonprofit loans, and leases; 2) WA PWI, which holds interests in certain limited partnerships invested primarily in low income housing tax credits and small business investment corporations; 3) Helios Prime, which holds interests in certain limited partnerships invested in renewable energy projects; 4) BW Real Estate, Inc., which operates as a real estate investment trust and holds certain of WAB's real estate loans and related securities; and 5) Western Finance Company (formerly Western Alliance Equipment Finance), which purchases and originates equipment finance leases and provides mortgage banking services through its wholly-owned subsidiary, AmeriHome Mortgage.

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 in the Consolidated Income Statements for the prior periods have been reclassified 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.

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. Assets acquired and liabilities assumed from contingencies are also recognized at fair value if the fair value can be determined during the measurement period. 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.

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 debt 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 OCI, 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 ASC Topic 326, *Financial Instruments-Credit Losses*, which replaced the legacy GAAP Other-than-Temporary Impairment 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 and private label residential MBS. Low income housing tax-exempt bonds 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 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 with credit losses 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. An assessment to determine whether 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 recovery 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 debt 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.

Write-offs are made through reversal of the allowance for credit losses and a direct write-off of the amortized cost basis of the AFS security. The Company considers the following events to be indicators that a write-off 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

The Company began holding loans HFS in connection with the AmeriHome acquisition and continues to purchase and originate loans as part of its mortgage banking business. Loans HFS are reported at fair value or the lower of cost or fair value, depending on the acquisition source. The Company has elected to record loans purchased from correspondent sellers or originated directly to consumers at fair value to more timely reflect the Company's performance. Changes in fair value of loans HFS are reported in current period income as a component of Net gain on loan origination and sale activities in the Consolidated Income Statement. Alternatively, delinquent loans repurchased under the terms of the GNMA MBS program, referred to as EBO loans, are reported at the lower of cost or fair value. For EBO loans, the amount by which cost exceeds fair value is accounted for as a valuation allowance and any changes in the valuation allowance are included in Net gain on loan origination and sale activities in the Consolidated Income Statement.

The Company recognizes a transfer of loans as a sale when it surrenders control over the transferred loans. Control is considered to be surrendered when the transferred loans have been legally isolated from the Company, the transferee has the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred loans, and the Company does not maintain effective control over the transferred loans through either an agreement that entitles or obligates the Company to repurchase or redeem the loans before their maturity or the ability to unilaterally cause the holder to return loans. If the transfer of loans qualifies as a sale, the Company derecognizes such loans and records the gain or loss as a

component of Net gain on loan origination and sale activities in the Consolidated Income Statement. If the transfer of loans does not qualify as a sale, the proceeds from the transfer are accounted for as secured borrowings.

Loan acquisition and origination fees on loans HFS consist of fees earned by the Company for purchasing and originating loans and are recognized at the time the loans are purchased or originated. These fees generally represent flat, per loan fee amounts and are included as part of Net gain on loan origination and sale activities in the Consolidated Income Statement.

Recognition of interest income on non-government guaranteed or insured loans HFS is suspended and accrued unpaid interest receivable is reversed against interest income when loans become 90 days delinquent or when recovery of income and principal becomes doubtful. Loans return to accrual status when the principal and interest become current and it is probable that the amounts are fully collectible. For government guaranteed or insured loans HFS that are 90 days delinquent, the Company continues to recognize interest income at the debenture rate for FHA loans and at the note rate for VA and USDA loans, adjusted for probability of default.

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 write-offs. 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 whether 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, and number of times past due. 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 5. 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 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.

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 HFI 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 loan 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 to assess 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 in accordance with 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, permitted 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 was made between March 1, 2020 and December 31, 2020 and (ii) the applicable loan was not more than 30 days past due as of December 31, 2019. The Consolidated Appropriations Act, 2021 extended these provisions through January 1, 2022. In addition, federal bank regulatory authorities issued guidance to encourage financial institutions to make loan modifications for borrowers affected by COVID-19 and 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 has been 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 losses are measured on a pool basis.

The nine risk rating categories can generally be 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 having 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. 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. Consist of loans with a high investment grade rating equivalent.

Modest risk. 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. 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. 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): These are generally 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 HFI loans

On January 1, 2020, the Company adopted ASC Topic 326, which changed 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. 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.

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. The allowance for credit losses is an estimate of life-of-loan losses for the Company's loans HFI. 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 these 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 similar 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 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. With the exception of residential loans, all accruing loans graded substandard or worse with a total commitment of \$1.0 million or more 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 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.

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 a single economic scenario 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 charge-off, 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 loan 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 to estimate LGD. 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. For revolving lines of credit, the Company incorporates an expectation of increased line utilization for a higher EAD on defaulted loans based on historical experience. For term loans, EAD 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 on loans for each of the loan portfolio segments identified:

Warehouse lending

The warehouse lending portfolio segment consists of mortgage warehouse lines, MSR financing facilities, and note finance loans, which have a monitored borrowing base to mortgage companies and similar lenders and are primarily structured as commercial and industrial loans. The collateral for these loans is primarily comprised of residential whole loans and MSRs, with the borrowing base of these loans tightly monitored and controlled by the Company. The primary support for these loans 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. While unemployment rates and the market valuation of residential properties have an effect on the tax revenues supporting these loans, these loans tend to be less cyclical in comparison to similar commercial loans due to reliance on diversified tax bases. The Company uses a non-modeled approach to estimate expected credit losses for this portfolio segment, 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 are 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. Expected credit losses for this loan segment are estimated using both a vendor model and an internally-developed model. These models incorporate 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.

Equity fund resources

The equity fund resources portfolio segment is comprised of commercial loans to private equity and venture capital funds. The primary source of repayment of these loans is typically uncalled capital commitments from institutional investors and high net worth individuals. The models used to estimate expected credit losses for this loan segment are the same as those used for the tech & innovation portfolio segment.

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 are 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 borrower has a 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 also 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 these 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 using 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:

| | <u>Years</u> |
|------------------------------------|--------------|
| 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 in the Allowance for credit losses on HFI loans section within this note as these unfunded commitments share similar risk characteristics with these loan portfolio segments. No credit loss estimate is recorded 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.

Mortgage servicing rights

The Company acquired MSRAs as part of the AmeriHome acquisition and continues to generate new MSRAs from its mortgage banking business. When the Company sells mortgage loans in the secondary market and retains the right to service these loans, a servicing right asset is capitalized at the time of sale when the benefits of servicing are deemed to be greater than adequate compensation for performing the servicing activities. MSRAs represent the then-current fair value of future net cash flows expected to be realized from performing servicing activities. The Company has elected to subsequently measure MSRAs at fair value and report changes in fair value in current period income as a component of Net loan servicing revenue in the Consolidated Income Statement.

The Company may in the ordinary course of business sell MSRAs and will recognize, as of the trade date, a gain or loss on the sale equal to the difference between the carrying value of the transferred MSRAs and the value of the assets received as consideration. The Company subsequently derecognizes MSRAs when substantially all of the risks and rewards of ownership are irrevocably passed to the transferee and any protection provisions retained by the Company are minor and can be reasonably estimated, which typically occurs on the settlement date. Protection provisions are considered to be minor if the obligation created by such provisions is estimated to be no more than 10 percent of the sales price and the Company retains the risk of prepayment for no more than 120 days. The Company records an estimated liability for retained protection provisions as of the trade date and continues to remeasure this liability until settlement, with any changes in the estimated liability recorded in earnings. In addition, fees to transfer loans associated with the sold MSRAs to a new servicer are also recorded on the settlement date. Gains or losses on sales of MSRAs, net of retained protection provisions, and transfer fees are included in Net loan servicing revenue in the Consolidated Income Statement.

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 over the lease term as part of Occupancy expense in the Consolidated Income Statements.

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 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.

The Company also made an accounting policy election to not separate non-lease components from the associated lease component, and instead account for them together as part of the applicable lease component. 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 performed. 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 part of non-interest expense.

Prior to the acquisition of AmeriHome, the Company's intangible assets consisted primarily of core deposit intangible assets that are being amortized over periods ranging from five to 10 years. See "Note 2. Mergers, Acquisitions and Dispositions" of these Notes to Consolidated Financial Statements for discussion of the intangible assets acquired as part of the AmeriHome acquisition.

The Company considers the remaining useful lives of its 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 intangible assets during the years ended December 31, 2021, 2020, or 2019.

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 17. Income Taxes" of these Notes to Consolidated Financial Statements for further discussion.

The Company evaluates its interests in these entities to determine whether 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 VIE. 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 to 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 \$462.5 million and \$465.8 million as of December 31, 2021 and 2020, respectively. There are no loans offset against cash surrender values, and there are no restrictions as to the use of proceeds.

Credit linked notes

Credit linked notes are structured to effectively transfer the risk of first losses on a reference pool of loans and are considered to be free standing credit enhancements. These notes are recorded at the amount of the proceeds received, net of debt issuance costs. In addition, as the credit guarantee component of these notes is considered to be free standing, the allowance for credit losses measured on the reference pool of loans in accordance with ASC 326 is not reduced by the credit guarantee. Rather, a contra debt balance equal to the estimated allowance for credit losses on the reference pool of loans is recorded, which reduces the carrying value of the notes. The initial contra debt balance and subsequent adjustments are recorded with a corresponding gain or loss on recovery from credit guarantees recognized in earnings.

Stock compensation plans

The Company has the Incentive Plan, as amended, which is described more fully in "Note 13. 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 13. 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.

Preferred stock

On September 22, 2021, the Company issued an aggregate of 12,000,000 depository shares, each representing a 1/400th ownership interest in a share of the Company's 4.250% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Shares, Series A, par value \$0.0001 per share, with a liquidation preference of \$25 per Depository Share (equivalent to \$10,000 per share of Series A preferred stock). The Company's Series A preferred stock is perpetual preferred stock that is not subject to any mandatory redemption, resulting in classification as permanent equity. Dividends on preferred stock are recognized on the declaration date and are recorded as a reduction of retained earnings.

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. The portion allocated to APIC is limited to the amount of APIC that was recorded at the time the shares were initially issued, which was calculated on a last-in, first-out basis.

Sales of common stock under ATM program

On June 3, 2021, the Company entered into a distribution agency agreement with J.P. Morgan Securities LLC, under which the Company may sell up to 4,000,000 shares of its common stock on the NYSE. The Company pays the distribution agents a mutually agreed rate, not to exceed 2% of the gross offering proceeds of the shares sold pursuant to the distribution agency agreement. The common stock is sold at prevailing market prices at the time of the sale or at negotiated prices and, as a result, prices will vary. Any sales under the ATM program are made pursuant to a prospectus dated May 14, 2021 and a prospectus supplement filed with the SEC in an offering of shares from the Company's shelf registration statement on Form S-3 (No. 333-256120). On November 18, 2021, the distribution agency agreement was amended to add Piper Sandler & Co. as an agent with J.P. Morgan Securities LLC. See "Note 13. Stockholders' Equity" of these Notes to Consolidated Financial Statements for further discussion of this program.

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.

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.

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 the same line item as the offsetting loss or gain on the related interest rate swaps during the period of change. 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 items is included in interest expense.

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. With the acquisition of AmeriHome, the Company's economic hedging volume has substantially increased. The Company enters into commitments to purchase mortgage loans that will be held for sale. These loan commitments, described as IRLCs, qualify as derivative instruments, except those that are originated rather than purchased, and intended for HFI classification. As of December 31, 2021, all IRLCs qualify as derivative instruments. Changes in fair value associated with changes in interest rates are economically hedged by utilizing forward sale commitments and interest rate futures. These hedging instruments are typically entered into contemporaneously with IRLCs. Loans that have been or will be purchased or originated may be used to satisfy the Company's forward sale commitments. In addition, derivative financial instruments are also used to economically hedge the Company's MSR portfolio. Changes in the fair value of derivative financial instruments that hedge IRLCs and loans HFS are included in Net gain on loan origination and sale activities in the Consolidated Income Statement. Changes in the fair value of derivative financial instruments that hedge MSRs are included in Net loan servicing revenue in the Consolidated Income Statement.

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 enters 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 Balance Sheets when funded. These off-balance sheet financial instruments impact, 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 Balance Sheets at fair value and their notional values are carried off-balance sheet. See "Note 15. Derivatives and Hedging Activities" of these Notes to Consolidated Financial Statements for further discussion.

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. For disclosure purposes, the lowest level input that is significant to the fair value measurement determines the level in the fair value hierarchy within which the fair value measurement falls 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 consider 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, 2021 and 2020. The estimated fair value amounts for December 31, 2021 and 2020 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 19. 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.

Investment securities

The fair values of U.S. treasury and certain other debt securities as well as publicly-traded CRA investments and exchange-listed preferred stock 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, yield curves, credit ratings, and prepayment speeds. Fair values determined

using matrix pricing are generally categorized as Level 2 in the fair value hierarchy. In addition to matrix pricing, the Company uses other pricing sources, including observed prices on publicly traded securities and dealer quotes, to estimate the fair value of debt securities, which are also categorized as Level 2 in the fair value hierarchy.

Restricted stock

Restricted stock consists of investments in the capital stock of the FRB and the FHLB. As no ready market exists for them and they have no quoted market value, the fair values of these investments have been categorized as Level 2 in the fair value hierarchy.

Loans HFS

Government-insured or guaranteed and agency-conforming loans HFS are salable into active markets. Accordingly, the fair value of these loans is based on quoted market or contracted selling prices or a market price equivalent, which are categorized as Level 2 in the fair value hierarchy.

The fair value of non-agency loans HFS as well as certain loans that become nonsalable into active markets due to the identification of a defect is determined based on valuation techniques that utilize Level 3 inputs.

Loans HFI

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.

Mortgage servicing rights

The fair value of MSR is estimated using a discounted cash flow model that incorporates assumptions that a market participant would use in estimating the fair value of servicing rights, including, but not limited to, option adjusted spread, conditional prepayment rate, servicing fee rate, and cost to service. As a result, the fair value for MSR 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 fair value. The valuation methodologies used to estimate the fair value of derivative instruments varies by type. Treasury futures and options, Eurodollar futures, and swap futures are measured based on valuation techniques using Level 1 Inputs from exchange-provided daily settlement quotes. Interest rate swaps and forward purchase and sales contracts are measured based on valuation techniques using Level 2 inputs, such as quoted market price, contracted selling price, or market price equivalent. IRLCs are measured based on valuation techniques that consider loan type, underlying loan amount, maturity date, note rate, loan program, and expected settlement date, with Level 3 inputs for the servicing release premium and pull-through rate. These measurements are adjusted at the loan level to consider the servicing release premium and loan pricing adjustment specific to each loan. The base value is then adjusted for the pull-through rate. The pull-through rate and servicing fee multiple are unobservable inputs based on historical experience.

Deposits

The fair value disclosed for demand and savings deposits is by definition equal to the amount payable on demand at the 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 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 carrying value of FHLB advances and customer repurchase agreements approximate their fair values due to their short durations and have been categorized as Level 2 in the fair value hierarchy.

Credit linked notes

The fair value of credit linked notes is based on observable inputs, when available, and as such credit linked notes are categorized as Level 2 liabilities. Because the notes are variable rate debt, the fair value approximates carrying value.

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 the Treasury Bond rates and the 'BB' and 'BBB' rated financial indexes as inputs. Junior subordinated debt has been categorized as Level 3 in the fair value hierarchy.

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 17. Income Taxes" of these Notes to Consolidated Financial Statements for further discussion on income taxes.

Non-interest income

Non-interest income includes revenue associated with mortgage banking and commercial banking activities, investment securities, equity investments, and bank owned life insurance. These non-interest income streams are primarily generated by different types of financial instruments held by the Company for which there is specific accounting guidance and therefore, are not within the scope of ASC 606, *Revenue from Contracts with Customers*.

Non-interest income amounts within the scope of ASC 606 include service charges and fees, success fees related to equity investments, and debit and credit card interchange fees. 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. Success fees are one-time fees detailed as part of certain loan agreements and are earned immediately upon occurrence of a triggering event. 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. The Company generally receives payment for its services during the period or at the time services are provided and, therefore, does not have material contract asset or liability balances at period end. See "Note 25. 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 this standard.

2. MERGERS, ACQUISITIONS AND DISPOSITIONS

On April 7, 2021, the Company completed its acquisition of Aris, the parent company of AmeriHome, and certain other parties, pursuant to which, Aris merged with and into an indirect subsidiary of WAB. As a result of the merger, AmeriHome is now a wholly-owned indirect subsidiary of the Company and will continue to operate as AmeriHome Mortgage, a Western Alliance Bank company. AmeriHome is a leading national business-to-business mortgage acquirer and servicer. The acquisition of AmeriHome complements the Company's national commercial businesses with a mortgage franchise that allows the Company to expand mortgage-related offerings to existing clients and diversifies the Company's revenue profile by expanding sources of non-interest income.

Total cash consideration of \$1.2 billion was paid in exchange for all of the issued and outstanding membership interests of Aris. AmeriHome's results of operations have been included in the Company's results beginning April 7, 2021 and are reported as part of the Consumer Related segment. Acquisition/restructure expenses related to the AmeriHome acquisition of \$15.3 million for the year ended December 31, 2021 were included as a component of non-interest expense in the Consolidated Income Statement, of which approximately \$3.4 million are acquisition related costs as defined by ASC 805.

This transaction was accounted for as a business combination under the acquisition method of accounting. Assets purchased and liabilities assumed were recorded at their respective acquisition date estimated fair values. During the measurement period (not to exceed one year from the acquisition date), the fair values of assets acquired and liabilities assumed are subject to adjustment if additional information becomes available to indicate a more accurate or appropriate value for an asset or liability. During the year ended December 31, 2021, the Company adjusted its initial provisional estimates for certain identified assets and liabilities based on new available information regarding conditions that existed as of the acquisition date. The Company recognized a decrease of \$29.3 million to the fair value of MSRs as a result of adjustments to certain model inputs and final price adjustments related to MSR sales contemplated prior to the acquisition. In addition, insignificant measurement period adjustments were recorded related to loans HFS, operating right-of-use asset and operating lease liability, intangible assets, deferred tax asset, other assets, and other liabilities. These measurement period adjustments did not have a significant impact on the income statement. The fair value of acquired assets and assumed liabilities are considered final as of December 31, 2021, with the exception of MSRs.

The Company merged AmeriHome into WAB effective April 7, 2021. The fair value amounts of identifiable assets acquired and liabilities assumed are as follows:

| | <u>April 7, 2021</u> |
|---|----------------------|
| | <i>(in millions)</i> |
| Assets acquired: | |
| Cash and cash equivalents | \$ 207.2 |
| Loans held for sale | 3,552.9 |
| Mortgage servicing rights | 1,347.0 |
| Premises and equipment, net | 11.3 |
| Operating right of use asset | 18.9 |
| Identified intangible assets | 141.0 |
| Loans eligible for repurchase | 2,744.7 |
| Deferred tax asset | 6.6 |
| Other assets | 236.0 |
| Total assets | <u>\$ 8,265.6</u> |
| Liabilities assumed: | |
| Other borrowings | \$ 3,633.9 |
| Operating lease liability | 18.9 |
| Liability for loans eligible for repurchase | 2,744.7 |
| Other liabilities | 151.1 |
| Total liabilities | <u>6,548.6</u> |
| Net assets acquired | <u>\$ 1,717.0</u> |
| Consideration paid | |
| Cash (1) | \$ 1,231.6 |
| Elimination of pre-existing debt | 686.8 |
| Total consideration | <u>\$ 1,918.4</u> |
| Goodwill | <u>\$ 201.4</u> |

- (1) The Company entered into a final settlement agreement with the seller in December 2021 and paid an additional \$11.0 million based on AmeriHome's final closing balance sheet as of the acquisition date.

Loans acquired consisted of loans HFS, whose carrying value at the acquisition date was determined to approximate fair value. In contemplation of the acquisition and the regulatory capital impact of MSRs on the Company's capital ratios, in March 2021, AmeriHome entered into commitments to sell certain MSRs and related servicing advances. See "Note 6. Mortgage Servicing Rights" for further discussion of these sales. The sale of these MSRs also reduced the balance of loans eligible for repurchase as the Company no longer has the right to repurchase these loans when it is not the servicer. Subsequent to the acquisition, the Company repurchased substantially all of the remaining loans eligible for repurchase, resulting in a reclassification of these repurchased loans to loans HFS. See "Note 4. Loans Held for Sale" of these Notes to Consolidated Financial Statements for additional detail related to acquired loans.

In connection with the acquisition, the Company acquired identifiable intangible assets totaling \$141.0 million, as detailed in the table below:

| | Acquisition Date Fair Value | Estimated Useful Life |
|--------------------------------------|--|----------------------------------|
| | <i>(in millions)</i> | <i>(in years)</i> |
| Correspondent customer relationships | \$ 76.0 | 20 |
| Operating licenses | 55.5 | 40 |
| Trade name | 9.5 | 20 |
| Total | <u>141.0</u> | |

Goodwill in the amount of \$201.4 million was recognized and allocated entirely to the Consumer Related segment. Goodwill represents the strategic, operational, and financial benefits expected from the acquisition, including expansion of the Company's mortgage offerings, diversification of its revenue sources, and post-acquisition synergies from integrating AmeriHome's operating platform, as well as the value of the acquired workforce. Approximately \$185.0 million of goodwill is expected to be deductible for tax purposes.

The following table presents pro forma information as if the AmeriHome acquisition was completed on January 1, 2020. The pro forma information includes adjustments for interest income and interest expense on existing loan agreements between WAL and AmeriHome prior to acquisition, the impact of MSR sales contemplated in connection with the acquisition, amortization of intangible assets arising from the acquisition, recognition of stock compensation expense for awards issued to certain AmeriHome executives, transaction costs, and related income tax effects. The pro forma information is not necessarily indicative of the results of operations as they would have been had the transactions been effected on the assumed dates.

| | Year Ended December 31, | |
|---------------------|--------------------------------|-------------|
| | 2021 | 2020 |
| | <i>(in millions)</i> | |
| Interest income | \$ 1,679.9 | \$ 1,322.6 |
| Non-interest income | 470.5 | 902.7 |
| Net income | 909.7 | 931.2 |

3. INVESTMENT SECURITIES

The carrying amounts and fair values of investment securities at December 31, 2021 and 2020 are summarized as follows:

| | December 31, 2021 | | | |
|--|----------------------|------------------------|---------------------------|-------------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized (Losses) | Fair Value |
| | <i>(in millions)</i> | | | |
| <i>Held-to-maturity</i> | | | | |
| Private label residential MBS | \$ 216.9 | \$ — | \$ (1.6) | \$ 215.3 |
| Tax-exempt | 890.2 | 43.2 | (2.3) | 931.1 |
| Total HTM securities | <u>\$ 1,107.1</u> | <u>\$ 43.2</u> | <u>\$ (3.9)</u> | <u>\$ 1,146.4</u> |
| <i>Available-for-sale debt securities</i> | | | | |
| CLO | \$ 926.0 | \$ 0.5 | \$ (0.3) | \$ 926.2 |
| Commercial MBS issued by GSEs | 68.2 | 0.9 | (0.6) | 68.5 |
| Corporate debt securities | 382.7 | 9.2 | (9.0) | 382.9 |
| Private label residential MBS | 1,528.7 | 3.5 | (24.2) | 1,508.0 |
| Residential MBS issued by GSEs | 2,027.5 | 7.3 | (41.4) | 1,993.4 |
| Tax-exempt | 1,145.1 | 71.2 | (1.2) | 1,215.1 |
| U.S. treasury securities | 13.0 | — | — | 13.0 |
| Other | 75.3 | 11.0 | (4.6) | 81.7 |
| Total AFS debt securities | <u>\$ 6,166.5</u> | <u>\$ 103.6</u> | <u>\$ (81.3)</u> | <u>\$ 6,188.8</u> |
| <i>Equity securities</i> | | | | |
| CRA investments | \$ 45.1 | \$ — | \$ (0.5) | \$ 44.6 |
| Preferred stock | 107.1 | 7.7 | (0.9) | 113.9 |
| Total equity securities | <u>\$ 152.2</u> | <u>\$ 7.7</u> | <u>\$ (1.4)</u> | <u>\$ 158.5</u> |
| December 31, 2020 | | | | |
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized (Losses) | Fair Value |
| | <i>(in millions)</i> | | | |
| <i>Held-to-maturity</i> | | | | |
| Tax-exempt | \$ 568.8 | \$ 43.0 | \$ — | \$ 611.8 |
| <i>Available-for-sale debt securities</i> | | | | |
| 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 |
| 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 |
| Other | 54.1 | 7.3 | (5.5) | 55.9 |
| Total AFS debt securities | <u>\$ 4,586.4</u> | <u>\$ 137.6</u> | <u>\$ (15.5)</u> | <u>\$ 4,708.5</u> |
| <i>Equity securities</i> | | | | |
| CRA investments | \$ 53.1 | \$ 0.3 | \$ — | \$ 53.4 |
| Preferred stock | 107.0 | 7.3 | (0.4) | 113.9 |
| Total equity securities | <u>\$ 160.1</u> | <u>\$ 7.6</u> | <u>\$ (0.4)</u> | <u>\$ 167.3</u> |

Securities with carrying amounts of approximately \$2.2 billion and \$778.0 million at December 31, 2021 and 2020, respectively, were pledged for various purposes as required or permitted by law.

The following tables summarize the Company's debt securities in an unrealized loss position at December 31, 2021 and 2020, aggregated by major security type and length of time in a continuous unrealized loss position:

| | December 31, 2021 | | | | | |
|---|-------------------------|-------------------|-------------------------|-----------------|-------------------------|-------------------|
| | Less Than Twelve Months | | More Than Twelve Months | | Total | |
| | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value |
| | <i>(in millions)</i> | | | | | |
| <i>Available-for-sale debt securities</i> | | | | | | |
| CLO | \$ 0.3 | \$ 170.7 | \$ — | \$ — | \$ 0.3 | \$ 170.7 |
| Commercial MBS issued by GSEs | 0.6 | 19.5 | — | — | 0.6 | 19.5 |
| Corporate debt securities | 9.0 | 107.0 | — | — | 9.0 | 107.0 |
| Private label residential MBS | 24.2 | 1,250.0 | — | — | 24.2 | 1,250.0 |
| Residential MBS issued by GSEs | 32.6 | 1,355.7 | 8.8 | 142.1 | 41.4 | 1,497.8 |
| Tax-exempt | 1.2 | 141.4 | — | — | 1.2 | 141.4 |
| Other | — | 2.0 | 4.6 | 27.4 | 4.6 | 29.4 |
| Total AFS securities | <u>\$ 67.9</u> | <u>\$ 3,046.3</u> | <u>\$ 13.4</u> | <u>\$ 169.5</u> | <u>\$ 81.3</u> | <u>\$ 3,215.8</u> |

| | 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 |
| | <i>(in millions)</i> | | | | | |
| <i>Available-for-sale debt securities</i> | | | | | | |
| 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 |
| Other | — | — | 5.5 | 26.5 | 5.5 | 26.5 |
| Total AFS securities | <u>\$ 4.4</u> | <u>\$ 398.9</u> | <u>\$ 11.1</u> | <u>\$ 120.8</u> | <u>\$ 15.5</u> | <u>\$ 519.7</u> |

The total number of AFS debt securities in an unrealized loss position at December 31, 2021 is 179, compared to 49 at December 31, 2020.

On a quarterly basis, the Company performs an impairment analysis on its AFS debt securities that are in an unrealized loss position at the end of the period to determine whether credit losses should be recognized on these securities. Qualitative considerations made by the Company in its impairment analysis are further discussed below.

Government Issued Securities

Commercial and residential MBS are issued by either government agencies or GSEs. 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. Further, principal and interest payments on these securities continue to be made on a timely basis.

Non-Government Issued Securities

Qualitative factors used in the Company's credit loss assessment of its securities that are not issued and guaranteed by the U.S. government include 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 and tax-exempt securities, the Company also considers 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. 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. The Company continues to receive timely principal and interest payments on its tax-exempt securities and the majority of these issuers have revenues pledged for payment of debt service prior to payment of other types of expenses.

For the Company's private label residential MBS, which consist of non-agency collateralized mortgage obligations that are secured by pools of residential mortgage loans, the Company also considers 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. These securities primarily carry investment grade credit ratings, principal and interest payments on these securities continue to be made on a timely basis, and credit support for these securities is considered adequate.

The Company's CLO portfolio consists of highly rated securitization tranches, containing pools of medium to large-sized corporate, high yield bank loans. These are variable rate securities that have an investment grade rating of Single-A or better. The Company has increased its investment in these securities over the past year and unrealized losses on these securities are primarily a function of the differential from the offer price and the valuation mid-market price as well as changes in interest rates.

Unrealized losses on the Company's other securities portfolio relate to taxable municipal and trust preferred securities. The Company is continuing to receive timely principal and interest payments on its taxable municipal securities, these securities continue to be highly rated, and the number of days of cash on hand is strong. 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 noted above 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 the securities prior to their anticipated recovery, no credit losses have been recognized on these securities during the years ended December 31, 2021 and 2020. In addition, as of December 31, 2021 and 2020, no allowance for credit losses on the Company's AFS securities has been recognized.

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 table presents a rollforward by major security type of the allowance for credit losses on the Company's HTM debt securities:

| | Year Ended December 31, 2021 | | | | |
|--|---------------------------------------|--|-------------------|-------------------|---------------------------------------|
| | Balance, December 31, 2020 | Recovery of Credit Losses | Write-offs | Recoveries | Balance, December 31, 2021 |
| | <i>(in millions)</i> | | | | |
| <i>Held-to-maturity debt securities</i> | | | | | |
| Tax-exempt | <u>\$ 6.8</u> | <u>\$ (1.6)</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 5.2</u> |
| | Year Ended December 31, 2020: | | | | |
| | Balance, January 1, 2020 | Provision for Credit Losses | Write-offs | Recoveries | Balance December 31, 2020 |
| | <i>(in millions)</i> | | | | |
| <i>Held-to-maturity debt securities</i> | | | | | |
| Tax-exempt | <u>\$ 2.7</u> | <u>\$ 4.1</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 6.8</u> |

No allowance has been recognized on the Company's HTM private label residential MBS as losses are not expected due to the Company holding a senior position in these securities.

Accrued interest receivable on HTM securities totaled \$3.0 million and \$2.0 million at December 31, 2021 and 2020, respectively, and is excluded from the estimate of expected credit losses.

The following tables summarize the carrying amount of the Company's investment ratings position as of December 31, 2021 and 2020, which are updated quarterly and used to monitor the credit quality of the Company's securities:

| | December 31, 2021 | | | | | | | Totals |
|---|-------------------|------------------------|-------------------|-----------------|-----------------|------------------|-------------------|-------------------|
| | AAA | Split-rated AAA/AA+ | AA+ to AA- | A+ to A- | BBB+ to BBB- | BB+ and below | Unrated | |
| | (in millions) | | | | | | | |
| Held-to-maturity | | | | | | | | |
| Private label residential MBS | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 216.9 | \$ 216.9 |
| Tax-exempt | — | — | — | — | — | — | 890.2 | 890.2 |
| Total HTM securities (1) | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 1,107.1</u> | <u>\$ 1,107.1</u> |
| Available-for-sale debt securities | | | | | | | | |
| CLO | \$ 45.0 | \$ — | \$ 635.6 | \$ 245.6 | \$ — | \$ — | \$ — | \$ 926.2 |
| Commercial MBS issued by GSEs | — | 68.5 | — | — | — | — | — | 68.5 |
| Corporate debt securities | — | — | — | 45.3 | 318.7 | 18.9 | — | 382.9 |
| Private label residential MBS | 1,419.6 | — | 87.4 | — | 0.9 | — | 0.1 | 1,508.0 |
| Residential MBS issued by GSEs | — | 1,993.4 | — | — | — | — | — | 1,993.4 |
| Tax-exempt | 43.2 | 40.4 | 469.1 | 628.9 | — | — | 33.5 | 1,215.1 |
| U.S. treasury securities | — | 13.0 | — | — | — | — | — | 13.0 |
| Other | — | — | 12.1 | 10.0 | 30.2 | 9.6 | 19.8 | 81.7 |
| Total AFS securities (1) | <u>\$ 1,507.8</u> | <u>\$ 2,115.3</u> | <u>\$ 1,204.2</u> | <u>\$ 929.8</u> | <u>\$ 349.8</u> | <u>\$ 28.5</u> | <u>\$ 53.4</u> | <u>\$ 6,188.8</u> |
| Equity securities | | | | | | | | |
| CRA investments | \$ — | \$ 27.3 | \$ — | \$ — | \$ — | \$ — | \$ 17.3 | \$ 44.6 |
| Preferred stock | — | — | — | — | 79.3 | 20.2 | 14.4 | 113.9 |
| Total equity securities (1) | <u>\$ —</u> | <u>\$ 27.3</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 79.3</u> | <u>\$ 20.2</u> | <u>\$ 31.7</u> | <u>\$ 158.5</u> |

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

| | December 31, 2020 | | | | | | | Totals |
|---|-------------------|------------------------|-----------------|-----------------|-----------------|------------------|----------------|-------------------|
| | AAA | Split-rated AAA/AA+ | AA+ to AA- | A+ to A- | BBB+ to BBB- | BB+ and below | Unrated | |
| | (in millions) | | | | | | | |
| Held-to-maturity | | | | | | | | |
| Tax-exempt (1) | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 568.8 | \$ 568.8 |
| Available-for-sale debt securities | | | | | | | | |
| 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 |
| 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 |
| Other | — | — | 12.3 | — | 29.1 | 6.9 | 7.6 | 55.9 |
| Total AFS securities (1) | <u>\$ 1,429.8</u> | <u>\$ 1,628.5</u> | <u>\$ 715.9</u> | <u>\$ 634.8</u> | <u>\$ 223.9</u> | <u>\$ 36.2</u> | <u>\$ 39.4</u> | <u>\$ 4,708.5</u> |
| Equity securities | | | | | | | | |
| CRA investments | \$ — | \$ 27.8 | \$ — | \$ — | \$ — | \$ — | \$ 25.6 | \$ 53.4 |
| Preferred stock | — | — | — | — | 73.2 | 39.0 | 1.7 | 113.9 |
| Total equity securities (1) | <u>\$ —</u> | <u>\$ 27.8</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 73.2</u> | <u>\$ 39.0</u> | <u>\$ 27.3</u> | <u>\$ 167.3</u> |

(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, 2021, 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 as of December 31, 2021.

The amortized cost and fair value of the Company's debt securities as of December 31, 2021, 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, 2021 | |
|------------------------------------|----------------------|----------------------|
| | Amortized Cost | Estimated Fair Value |
| | <i>(in millions)</i> | |
| <i>Held-to-maturity</i> | | |
| Due in one year or less | \$ 40.7 | \$ 40.7 |
| After one year through five years | 18.1 | 18.0 |
| After ten years | 831.4 | 872.4 |
| Mortgage-backed securities | 216.9 | 215.3 |
| Total HTM securities | <u>\$ 1,107.1</u> | <u>\$ 1,146.4</u> |
| <i>Available-for-sale</i> | | |
| Due in one year or less | \$ 14.0 | \$ 14.0 |
| After one year through five years | 119.2 | 115.8 |
| After five years through ten years | 760.4 | 765.2 |
| After ten years | 1,648.5 | 1,723.9 |
| Mortgage-backed securities | 3,624.4 | 3,569.9 |
| Total AFS securities | <u>\$ 6,166.5</u> | <u>\$ 6,188.8</u> |

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

| | Year Ended December 31, | | |
|---|-------------------------|---------------|---------------|
| | 2021 | 2020 | 2019 |
| | <i>(in millions)</i> | | |
| <i>Available-for-sale securities</i> | | | |
| Gross gains | \$ 8.4 | \$ 0.4 | \$ 3.1 |
| Gross losses | — | (0.2) | — |
| Net gains on AFS securities | <u>\$ 8.4</u> | <u>\$ 0.2</u> | <u>\$ 3.1</u> |
| <i>Equity securities</i> | | | |
| Gross gains | \$ 0.1 | \$ — | \$ — |
| Gross losses | (0.2) | — | — |
| Net losses on equity securities | <u>\$ (0.1)</u> | <u>\$ —</u> | <u>\$ —</u> |

During the year ended December 31, 2021, the Company sold certain AFS securities as part of the Company's interest rate management actions to secure gains on tax-exempt municipal securities that were purchased at a discount at the onset of the pandemic. These securities had a carrying value of \$107.3 million and a net gain of \$8.4 million was recognized on the sale of these securities. The Company did not have significant investment security sale activity during the year ended December 31, 2020.

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.

4. LOANS HELD FOR SALE

The Company acquired loans HFS initially as part of the AmeriHome acquisition and, as part of its ongoing mortgage banking business, the Company continues to purchase and originate residential mortgage loans with the intention to sell these loans at a later date. The following is a summary of loans held for sale by type:

| | December 31, 2021 |
|--|--------------------------|
| | <i>(in millions)</i> |
| Government-insured or guaranteed: | |
| EBO (1) | \$ 1,692.8 |
| Non-EBO | 1,396.6 |
| Total government-insured or guaranteed | <u>3,089.4</u> |
| Agency-conforming | 2,482.9 |
| Non-agency | 62.8 |
| Total loans HFS | <u>\$ 5,635.1</u> |

(1) EBO loans are delinquent loans repurchased under the terms of the GNMA MBS program that can be resold when loans are brought current.

As of December 31, 2021, there were no loans HFS that were pledged to secure warehouse borrowings.

The following is a summary of the Net gain on loan purchase, origination, and sale activities:

| | Year Ended December 31, 2021 |
|--|---|
| | <i>(in millions)</i> |
| Mortgage servicing rights capitalized upon sale of loans | \$ 763.8 |
| Net proceeds from sale of loans (1) | (465.3) |
| Provision for and change in estimate of liability for losses under representations and warranties, net | (0.6) |
| Change in fair value of loans held for sale | (0.3) |
| Change in fair value of derivatives related to loans HFS: | |
| Unrealized (loss) on derivatives | (69.9) |
| Realized gain on derivatives | 20.1 |
| Total change in fair value of derivatives | <u>(49.8)</u> |
| Net gain on loans held for sale | \$ 247.8 |
| Loan acquisition and origination fees | 78.4 |
| Net gain on loan origination and sale activities | <u>\$ 326.2</u> |

(1) Represents the difference between cash proceeds received upon settlement and loan basis.

5. LOANS, LEASES AND ALLOWANCE FOR CREDIT LOSSES

The composition of the Company's HFI loan portfolio is as follows:

| | December 31, | |
|-----------------------------------|----------------------|--------------------|
| | 2021 | 2020 |
| | <i>(in millions)</i> | |
| Warehouse lending | \$ 5,155.9 | \$ 4,340.2 |
| Municipal & nonprofit | 1,579.2 | 1,728.8 |
| Tech & innovation | 1,417.8 | 1,403.0 |
| Equity fund resources | 3,829.8 | 1,145.3 |
| Other commercial and industrial | 6,465.7 | 5,911.2 |
| CRE - owner occupied | 1,723.7 | 1,909.3 |
| Hotel franchise finance | 2,534.0 | 1,983.9 |
| Other CRE - non-owner occupied | 3,951.8 | 3,640.2 |
| Residential | 9,242.8 | 2,378.5 |
| Construction and land development | 3,005.8 | 2,429.4 |
| Other | 168.9 | 183.2 |
| Total loans HFI | 39,075.4 | 27,053.0 |
| Allowance for credit losses | (252.5) | (278.9) |
| Total loans HFI, net of allowance | <u>\$ 38,822.9</u> | <u>\$ 26,774.1</u> |

Loans classified as HFI 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 \$85.7 million and \$75.4 million reduced the carrying value of loans as of December 31, 2021 and 2020, respectively. Net unamortized purchase premiums on acquired and purchased loans of \$184.8 million and \$26.0 million increased the carrying value of loans as of December 31, 2021 and 2020, respectively.

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, 2021 | | | |
|-----------------------------------|--|--|------------------|---|
| | 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 |
| | <i>(in millions)</i> | | | |
| Tech & innovation | \$ 2.1 | \$ 11.2 | \$ 13.3 | \$ — |
| Equity fund resources | — | 0.6 | 0.6 | — |
| Other commercial and industrial | 12.7 | 3.4 | 16.1 | — |
| CRE - owner occupied | 11.6 | 1.4 | 13.0 | — |
| Other CRE - non-owner occupied | 11.3 | 1.8 | 13.1 | — |
| Residential | — | 15.1 | 15.1 | — |
| Construction and land development | 1.0 | — | 1.0 | — |
| Other | 0.2 | 0.2 | 0.4 | — |
| Total | <u>\$ 38.9</u> | <u>\$ 33.7</u> | <u>\$ 72.6</u> | <u>\$ —</u> |

| | 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 |
| | <i>(in millions)</i> | | | |
| 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 | — |
| Other CRE - non-owner occupied | 36.5 | — | 36.5 | — |
| Residential | 11.4 | — | 11.4 | — |
| Other | 0.1 | 0.1 | 0.2 | — |
| Total | \$ 104.9 | \$ 10.3 | \$ 115.2 | \$ — |

The reduction in interest income associated with loans on nonaccrual status was approximately \$5.3 million, \$5.0 million, and \$2.2 million for the years ended December 31, 2021, 2020, and 2019, respectively.

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

| | December 31, 2021 | | | | | |
|-----------------------------------|----------------------|---------------------|---------------------|-----------------------|----------------|--------------------|
| | Current | 30-59 Days Past Due | 60-89 Days Past Due | Over 90 days Past Due | Total Past Due | Total |
| | <i>(in millions)</i> | | | | | |
| Warehouse lending | \$ 5,155.9 | \$ — | \$ — | \$ — | \$ — | \$ 5,155.9 |
| Municipal & nonprofit | 1,579.2 | — | — | — | — | 1,579.2 |
| Tech & innovation | 1,417.8 | — | — | — | — | 1,417.8 |
| Equity fund resources | 3,829.8 | — | — | — | — | 3,829.8 |
| Other commercial and industrial | 6,465.7 | — | — | — | — | 6,465.7 |
| CRE - owner occupied | 1,723.7 | — | — | — | — | 1,723.7 |
| Hotel franchise finance | 2,534.0 | — | — | — | — | 2,534.0 |
| Other CRE - non-owner occupied | 3,951.8 | — | — | — | — | 3,951.8 |
| Residential | 9,190.4 | 50.7 | 1.7 | — | 52.4 | 9,242.8 |
| Construction and land development | 3,005.8 | — | — | — | — | 3,005.8 |
| Other | 168.8 | 0.1 | — | — | 0.1 | 168.9 |
| Total loans | \$ 39,022.9 | \$ 50.8 | \$ 1.7 | \$ — | \$ 52.5 | \$ 39,075.4 |

| | December 31, 2020 | | | | | |
|-----------------------------------|----------------------|---------------------|---------------------|-----------------------|----------------|--------------------|
| | Current | 30-59 Days Past Due | 60-89 Days Past Due | Over 90 days Past Due | Total Past Due | Total |
| | <i>(in millions)</i> | | | | | |
| Warehouse lending | \$ 4,340.2 | \$ — | \$ — | \$ — | \$ — | \$ 4,340.2 |
| Municipal & nonprofit | 1,728.8 | — | — | — | — | 1,728.8 |
| Tech & innovation | 1,403.0 | — | — | — | — | 1,403.0 |
| Equity fund resources | 1,145.3 | — | — | — | — | 1,145.3 |
| 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-owner 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 |

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" of these Notes to Consolidated Financial Statements. The following tables present risk ratings by loan portfolio segment and origination year. The origination year is the year of origination or renewal.

| December 31, 2021 | Term Loan Amortized Cost Basis by Origination Year | | | | | | Revolving Loans Amortized Cost Basis | Total |
|--|--|-----------------|-----------------|-----------------|-----------------|-----------------|---|-------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | Prior | | |
| | <i>(in millions)</i> | | | | | | | |
| Warehouse lending | | | | | | | | |
| Pass | \$ 242.6 | \$ 12.5 | \$ — | \$ — | \$ — | \$ — | \$ 4,900.8 | \$ 5,155.9 |
| Special mention | — | — | — | — | — | — | — | — |
| Classified | — | — | — | — | — | — | — | — |
| Total | \$ 242.6 | \$ 12.5 | \$ — | \$ — | \$ — | \$ — | \$ 4,900.8 | \$ 5,155.9 |
| Municipal & nonprofit | | | | | | | | |
| Pass | \$ 129.5 | \$ 195.0 | \$ 101.2 | \$ 52.9 | \$ 219.3 | \$ 877.8 | \$ 3.5 | \$ 1,579.2 |
| Special mention | — | — | — | — | — | — | — | — |
| Classified | — | — | — | — | — | — | — | — |
| Total | \$ 129.5 | \$ 195.0 | \$ 101.2 | \$ 52.9 | \$ 219.3 | \$ 877.8 | \$ 3.5 | \$ 1,579.2 |
| Tech & innovation | | | | | | | | |
| Pass | \$ 762.6 | \$ 157.1 | \$ 101.1 | \$ 6.1 | \$ — | \$ 0.6 | \$ 334.4 | \$ 1,361.9 |
| Special mention | 26.0 | 4.7 | — | — | — | — | 8.1 | 38.8 |
| Classified | 3.0 | 5.2 | 7.5 | — | — | — | 1.4 | 17.1 |
| Total | \$ 791.6 | \$ 167.0 | \$ 108.6 | \$ 6.1 | \$ — | \$ 0.6 | \$ 343.9 | \$ 1,417.8 |
| Equity fund resources | | | | | | | | |
| Pass | \$ 9.0 | \$ 1.7 | \$ — | \$ 0.3 | \$ 2.2 | \$ 0.2 | \$ 3,816.4 | \$ 3,829.8 |
| Special mention | — | — | — | — | — | — | — | — |
| Classified | — | — | — | — | — | — | — | — |
| Total | \$ 9.0 | \$ 1.7 | \$ — | \$ 0.3 | \$ 2.2 | \$ 0.2 | \$ 3,816.4 | \$ 3,829.8 |
| Other commercial and industrial | | | | | | | | |
| Pass | \$ 2,910.8 | \$ 360.0 | \$ 387.1 | \$ 210.3 | \$ 80.2 | \$ 97.8 | \$ 2,306.0 | \$ 6,352.2 |
| Special mention | 5.4 | 26.7 | 22.0 | 17.6 | 0.1 | — | 15.0 | 86.8 |
| Classified | — | 10.1 | 5.6 | 2.2 | 1.4 | 0.2 | 7.2 | 26.7 |
| Total | \$ 2,916.2 | \$ 396.8 | \$ 414.7 | \$ 230.1 | \$ 81.7 | \$ 98.0 | \$ 2,328.2 | \$ 6,465.7 |
| CRE - owner occupied | | | | | | | | |
| Pass | \$ 417.2 | \$ 198.5 | \$ 220.1 | \$ 190.4 | \$ 278.0 | \$ 322.4 | \$ 55.6 | \$ 1,682.2 |
| Special mention | — | — | 0.3 | 10.1 | — | 1.5 | 0.4 | 12.3 |
| Classified | 2.2 | 2.6 | 1.0 | 4.6 | 8.0 | 10.7 | 0.1 | 29.2 |
| Total | \$ 419.4 | \$ 201.1 | \$ 221.4 | \$ 205.1 | \$ 286.0 | \$ 334.6 | \$ 56.1 | \$ 1,723.7 |
| Hotel franchise finance | | | | | | | | |
| Pass | \$ 721.3 | \$ 205.3 | \$ 658.8 | \$ 332.2 | \$ 135.5 | \$ 63.5 | \$ 123.0 | \$ 2,239.6 |
| Special mention | — | — | 87.6 | 51.1 | — | — | — | 138.7 |
| Classified | 30.3 | — | 99.2 | 15.9 | 10.3 | — | — | 155.7 |
| Total | \$ 751.6 | \$ 205.3 | \$ 845.6 | \$ 399.2 | \$ 145.8 | \$ 63.5 | \$ 123.0 | \$ 2,534.0 |
| Other CRE - non-owner occupied | | | | | | | | |
| Pass | \$ 1,398.2 | \$ 754.8 | \$ 673.0 | \$ 278.8 | \$ 185.8 | \$ 283.5 | \$ 315.1 | \$ 3,889.2 |
| Special mention | 14.8 | — | 9.8 | — | — | 1.7 | — | 26.3 |
| Classified | — | — | 4.2 | 4.5 | 0.3 | 16.4 | 10.9 | 36.3 |
| Total | \$ 1,413.0 | \$ 754.8 | \$ 687.0 | \$ 283.3 | \$ 186.1 | \$ 301.6 | \$ 326.0 | \$ 3,951.8 |

| December 31, 2021 | Term Loan Amortized Cost Basis by Origination Year | | | | | | Revolving Loans Amortized Cost Basis | Total |
|--|--|-------------------|-------------------|-------------------|-----------------|-------------------|---|--------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | Prior | | |
| | <i>(in millions)</i> | | | | | | | |
| Residential | | | | | | | | |
| Pass | \$ 7,459.3 | \$ 1,018.4 | \$ 395.5 | \$ 201.3 | \$ 41.6 | \$ 75.5 | \$ 36.1 | \$ 9,227.7 |
| Special mention | — | — | — | — | — | — | — | — |
| Classified | 8.9 | 0.9 | 3.6 | 0.5 | 0.1 | 1.1 | — | 15.1 |
| Total | \$ 7,468.2 | \$ 1,019.3 | \$ 399.1 | \$ 201.8 | \$ 41.7 | \$ 76.6 | \$ 36.1 | \$ 9,242.8 |
| Construction and land development | | | | | | | | |
| Pass | \$ 957.6 | \$ 632.3 | \$ 394.0 | \$ 112.2 | \$ 3.5 | \$ 0.1 | \$ 869.8 | \$ 2,969.5 |
| Special mention | — | 22.5 | — | — | 5.6 | — | — | 28.1 |
| Classified | 1.0 | 4.3 | 0.6 | — | — | — | 2.3 | 8.2 |
| Total | \$ 958.6 | \$ 659.1 | \$ 394.6 | \$ 112.2 | \$ 9.1 | \$ 0.1 | \$ 872.1 | \$ 3,005.8 |
| Other | | | | | | | | |
| Pass | \$ 15.7 | \$ 11.6 | \$ 3.7 | \$ 4.3 | \$ 4.4 | \$ 82.0 | \$ 46.4 | \$ 168.1 |
| Special mention | — | — | — | — | — | 0.1 | — | 0.1 |
| Classified | — | — | 0.1 | 0.1 | — | 0.5 | — | 0.7 |
| Total | \$ 15.7 | \$ 11.6 | \$ 3.8 | \$ 4.4 | \$ 4.4 | \$ 82.6 | \$ 46.4 | \$ 168.9 |
| Total by Risk Category | | | | | | | | |
| Pass | \$ 15,023.8 | \$ 3,547.2 | \$ 2,934.5 | \$ 1,388.8 | \$ 950.5 | \$ 1,803.4 | \$ 12,807.1 | \$ 38,455.3 |
| Special mention | 46.2 | 53.9 | 119.7 | 78.8 | 5.7 | 3.3 | 23.5 | 331.1 |
| Classified | 45.4 | 23.1 | 121.8 | 27.8 | 20.1 | 28.9 | 21.9 | 289.0 |
| Total | \$ 15,115.4 | \$ 3,624.2 | \$ 3,176.0 | \$ 1,495.4 | \$ 976.3 | \$ 1,835.6 | \$ 12,852.5 | \$ 39,075.4 |

| December 31, 2020 | Term Loan Amortized Cost Basis by Origination Year | | | | | | Revolving Loans Amortized Cost Basis | Total |
|--|--|-----------------|-----------------|-----------------|-----------------|-----------------|---|-------------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | Prior | | |
| | <i>(in millions)</i> | | | | | | | |
| 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 | \$ 595.5 | \$ 205.9 | \$ 76.4 | \$ — | \$ 0.9 | \$ — | \$ 481.7 | \$ 1,360.4 |
| Special mention | 10.7 | 4.6 | — | — | — | — | — | 15.3 |
| Classified | 25.2 | 2.0 | — | — | — | — | 0.1 | 27.3 |
| Total | \$ 631.4 | \$ 212.5 | \$ 76.4 | \$ — | \$ 0.9 | \$ — | \$ 481.8 | \$ 1,403.0 |
| Equity fund resources | | | | | | | | |
| Pass | \$ 14.2 | \$ 1.5 | \$ 0.5 | \$ 2.0 | \$ — | \$ — | \$ 1,127.1 | \$ 1,145.3 |
| Special mention | — | — | — | — | — | — | — | — |
| Classified | — | — | — | — | — | — | — | — |
| Total | \$ 14.2 | \$ 1.5 | \$ 0.5 | \$ 2.0 | \$ — | \$ — | \$ 1,127.1 | \$ 1,145.3 |
| 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 |

| December 31, 2020 | Term Loan Amortized Cost Basis by Origination Year | | | | | | Revolving Loans Amortized Cost Basis | Total |
|-----------------------------------|--|-------------------|-------------------|-------------------|-----------------|-------------------|---|--------------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | Prior | | |
| | <i>(in millions)</i> | | | | | | | |
| 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 | <u>\$ 254.5</u> | <u>\$ 327.0</u> | <u>\$ 316.2</u> | <u>\$ 435.2</u> | <u>\$ 159.0</u> | <u>\$ 353.5</u> | <u>\$ 63.9</u> | <u>\$ 1,909.3</u> |
| 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 | <u>\$ 170.5</u> | <u>\$ 824.7</u> | <u>\$ 521.0</u> | <u>\$ 179.8</u> | <u>\$ 2.1</u> | <u>\$ 123.2</u> | <u>\$ 162.6</u> | <u>\$ 1,983.9</u> |
| Other CRE - non-owner 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 | <u>\$ 1,041.4</u> | <u>\$ 938.9</u> | <u>\$ 567.8</u> | <u>\$ 410.0</u> | <u>\$ 172.2</u> | <u>\$ 228.9</u> | <u>\$ 281.0</u> | <u>\$ 3,640.2</u> |
| 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 | <u>\$ 759.5</u> | <u>\$ 873.7</u> | <u>\$ 407.9</u> | <u>\$ 110.0</u> | <u>\$ 113.8</u> | <u>\$ 74.1</u> | <u>\$ 39.5</u> | <u>\$ 2,378.5</u> |
| 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 | <u>\$ 686.3</u> | <u>\$ 704.6</u> | <u>\$ 469.1</u> | <u>\$ 15.4</u> | <u>\$ 1.2</u> | <u>\$ 15.0</u> | <u>\$ 537.8</u> | <u>\$ 2,429.4</u> |
| 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 | <u>\$ 21.1</u> | <u>\$ 15.7</u> | <u>\$ 14.8</u> | <u>\$ 7.5</u> | <u>\$ 1.9</u> | <u>\$ 76.5</u> | <u>\$ 45.7</u> | <u>\$ 183.2</u> |
| 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 | <u>\$ 6,006.0</u> | <u>\$ 4,935.5</u> | <u>\$ 2,939.2</u> | <u>\$ 1,669.0</u> | <u>\$ 691.4</u> | <u>\$ 1,892.4</u> | <u>\$ 8,919.5</u> | <u>\$ 27,053.0</u> |

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.

The CARES Act, signed into law on March 27, 2020, permitted 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 was made between March 1, 2020 and December 31, 2020 and (ii) the applicable loan was not more than 30 days past due as of December 31, 2019. The Consolidated Appropriations Act, 2021 extended these provisions through January 1, 2022. In addition, federal bank regulatory authorities issued guidance to

encourage financial institutions to make loan modifications for borrowers affected by COVID-19 and 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 applied this guidance to qualifying loan modifications through December 31, 2021. As of December 31, 2021, the Company has outstanding modifications on HFI commercial loans that met these conditions with a net balance of \$152.8 million, none of which involve loan payment deferrals. Further, residential HFI mortgage loans in forbearance have a net balance of \$22.2 million as of December 31, 2021.

The following table presents TDR loans:

| | December 31, 2021 | | December 31, 2020 | |
|-----------------------------------|------------------------------|---------------------|-------------------|---------------------|
| | Number of Loans | Recorded Investment | Number of Loans | Recorded Investment |
| | <i>(dollars in millions)</i> | | | |
| Tech & innovation | 2 | \$ 2.1 | 4 | \$ 20.4 |
| Other commercial and industrial | 7 | 6.2 | 9 | 22.9 |
| CRE - owner occupied | 1 | 0.5 | 4 | 2.6 |
| Hotel franchise finance | — | — | 2 | 5.5 |
| Other CRE - non-owner occupied | 5 | 11.0 | 3 | 10.2 |
| Construction and land development | 1 | 1.0 | — | — |
| Total | 16 | \$ 20.8 | 22 | \$ 61.6 |

The allowance for credit losses on TDR loans totaled zero and \$2.7 million as of December 31, 2021 and 2020, respectively. As of December 31, 2021, there were no outstanding commitments on TDR loans, compared to \$0.6 million as of December 31, 2020.

During the year ended December 31, 2021, the Company had 9 new TDR loans with a recorded investment of \$12.5 million at the end of the period, compared to 17 new TDR loans during the year ended December 31, 2020, with a recorded investment of \$37.3 million at the end of the period. No principal amounts were forgiven and there were no waived fees or other expenses resulting from these TDR loans.

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, 2021, there was one commercial and industrial loan with a recorded investment of \$2.1 million at the end of the period for which there was a payment default within 12 months following the modification, which resulted in a charge-off of \$2.0 million. During the year ended December 31, 2020, there were three loans with a recorded investment of \$5.8 million at the end of the period for which there was a payment default. There was no increase to the allowance for credit losses or a charge-off that resulted from these TDR redefaults during the year ended December 31, 2020.

Collateral-Dependent Loans

The following table presents the amortized cost basis of collateral-dependent loans by loan portfolio segment:

| | December 31, | | | | | |
|-----------------------------------|------------------------|------------------|----------|------------------------|------------------|----------|
| | 2021 | | | 2020 | | |
| | Real Estate Collateral | Other Collateral | Total | Real Estate Collateral | Other Collateral | Total |
| | <i>(in millions)</i> | | | | | |
| Tech & innovation | \$ — | \$ — | \$ — | \$ — | \$ 27.3 | \$ 27.3 |
| Other commercial and industrial | — | 12.5 | 12.5 | — | 23.6 | 23.6 |
| CRE - owner occupied | 23.0 | — | 23.0 | 42.6 | — | 42.6 |
| Hotel franchise finance | 155.7 | — | 155.7 | 27.1 | — | 27.1 |
| Other CRE - non-owner occupied | 31.6 | — | 31.6 | 73.7 | — | 73.7 |
| Construction and land development | 3.9 | — | 3.9 | 1.5 | — | 1.5 |
| Other | — | 0.1 | 0.1 | — | 0.4 | 0.4 |
| Total | \$ 214.2 | \$ 12.6 | \$ 226.8 | \$ 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 in the form of general deterioration or from other factors during the period ended December 31, 2021.

Allowance for Credit Losses

The allowance for credit losses consists of the allowance for credit losses on funded HFI loans and an allowance for credit losses on unfunded loan commitments. The allowance for credit losses on HTM securities is estimated separately from loans, see "Note 3. Investment Securities" of these Notes to Consolidated Financial Statements for further discussion. 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 HFI loan portfolio as of December 31, 2021.

The below tables reflect the activity in the allowance for credit losses on HFI loans by loan portfolio segment, which includes an estimate of future recoveries:

| Year Ended December 31, 2021 | | | | | |
|-----------------------------------|-------------------------------|---|----------------|-----------------|-------------------------------|
| | Balance, December 31, 2020 | Provision for (Recovery of) Credit Losses | Write-offs | Recoveries | Balance, December 31, 2021 |
| <i>(in millions)</i> | | | | | |
| Warehouse lending | \$ 3.4 | \$ (0.4) | \$ — | \$ — | \$ 3.0 |
| Municipal & nonprofit | 15.9 | (2.2) | — | — | 13.7 |
| Tech & innovation | 33.4 | (6.2) | 2.0 | (0.5) | 25.7 |
| Equity fund resources | 1.9 | 7.7 | — | — | 9.6 |
| Other commercial and industrial | 94.7 | 14.0 | 7.4 | (2.3) | 103.6 |
| CRE - owner occupied | 18.6 | (8.0) | — | — | 10.6 |
| Hotel franchise finance | 43.3 | (2.1) | — | (0.3) | 41.5 |
| Other CRE - non-owner occupied | 39.9 | (22.5) | 2.0 | (1.5) | 16.9 |
| Residential | 0.8 | 11.2 | — | (0.5) | 12.5 |
| Construction and land development | 22.0 | (9.5) | — | — | 12.5 |
| Other | 5.0 | (2.5) | 0.2 | (0.6) | 2.9 |
| Total | \$ 278.9 | \$ (20.5) | \$ 11.6 | \$ (5.7) | \$ 252.5 |

| Year Ended December 31, 2020 | | | | | |
|-----------------------------------|-----------------------------|---|----------------|-----------------|-------------------------------|
| | Balance, January 1, 2020 | Provision for (Recovery of) Credit Losses | Write-offs | Recoveries | Balance, December 31, 2020 |
| <i>(in millions)</i> | | | | | |
| Warehouse lending | \$ 0.2 | \$ 3.2 | \$ — | \$ — | \$ 3.4 |
| Municipal & nonprofit | 17.4 | (1.5) | — | — | 15.9 |
| Tech & innovation | 21.0 | 23.5 | 11.1 | — | 33.4 |
| Equity fund resources | 1.4 | 0.5 | — | — | 1.9 |
| 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-owner 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 |

Accrued interest receivable on loans totaled \$197.6 million and \$142.1 million at December 31, 2021 and 2020, respectively, and is excluded from the estimate of credit losses.

In addition to the allowance for credit losses on funded HFI loans, the Company maintains a separate allowance for credit losses related to off-balance sheet credit exposures, including unfunded loan commitments. This allowance is included in Other liabilities on the Consolidated Balance Sheets.

The below table reflects the activity in the allowance for credit losses on unfunded loan commitments:

| | Year Ended December 31, | |
|--|-------------------------|----------------|
| | 2021 | 2020 |
| | <i>(in millions)</i> | |
| Balance, beginning of period | \$ 37.0 | \$ 9.0 |
| Beginning balance adjustment from adoption of CECL | — | 15.1 |
| Provision for (recovery of) credit losses | 0.6 | 12.9 |
| Balance, end of period | <u>\$ 37.6</u> | <u>\$ 37.0</u> |

The following tables disaggregate the Company's allowance for credit losses on funded HFI loans and loan balances by measurement methodology:

| | December 31, 2021 | | | | | |
|-----------------------------------|--|--|--------------------|--|--|-----------------|
| | Loans | | | Allowance | | |
| | Collectively Evaluated for Credit Loss | Individually Evaluated for Credit Loss | Total | Collectively Evaluated for Credit Loss | Individually Evaluated for Credit Loss | Total |
| | <i>(in millions)</i> | | | | | |
| Warehouse lending | \$ 5,155.9 | \$ — | \$ 5,155.9 | \$ 3.0 | \$ — | \$ 3.0 |
| Municipal & nonprofit | 1,579.2 | — | 1,579.2 | 13.7 | — | 13.7 |
| Tech & innovation | 1,400.8 | 17.0 | 1,417.8 | 22.9 | 2.8 | 25.7 |
| Equity fund resources | 3,829.8 | — | 3,829.8 | 9.6 | — | 9.6 |
| Other commercial and industrial | 6,442.7 | 23.0 | 6,465.7 | 101.1 | 2.5 | 103.6 |
| CRE - owner occupied | 1,699.3 | 24.4 | 1,723.7 | 10.6 | — | 10.6 |
| Hotel franchise finance | 2,378.3 | 155.7 | 2,534.0 | 30.7 | 10.8 | 41.5 |
| Other CRE - non-owner occupied | 3,917.3 | 34.5 | 3,951.8 | 16.9 | — | 16.9 |
| Residential | 9,242.8 | — | 9,242.8 | 12.5 | — | 12.5 |
| Construction and land development | 2,997.6 | 8.2 | 3,005.8 | 12.5 | — | 12.5 |
| Other | 168.6 | 0.3 | 168.9 | 2.9 | — | 2.9 |
| Total | <u>\$ 38,812.3</u> | <u>\$ 263.1</u> | <u>\$ 39,075.4</u> | <u>\$ 236.4</u> | <u>\$ 16.1</u> | <u>\$ 252.5</u> |

| | 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 |
| | <i>(in millions)</i> | | | | | |
| 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 | 1,375.8 | 27.2 | 1,403.0 | 29.5 | 3.9 | 33.4 |
| Equity fund resources | 1,145.3 | — | 1,145.3 | 1.9 | — | 1.9 |
| 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-owner 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 | <u>\$ 26,787.4</u> | <u>\$ 265.6</u> | <u>\$ 27,053.0</u> | <u>\$ 267.7</u> | <u>\$ 11.2</u> | <u>\$ 278.9</u> |

Loan Purchases and Sales

Loan purchases and syndications during the years ended December 31, 2021 and 2020 totaled \$12.3 billion and \$2.7 billion, respectively. Loan purchases of \$8.8 billion and \$1.6 billion during the years ended December 31, 2021 and 2020 primarily consisted of residential loan purchases. In addition, the Company had loan syndications of \$3.5 billion and \$1.1 billion during the years ended December 31, 2021 and 2020 mainly attributed to capital call lines. There were no loans purchased with more-than-insignificant deterioration in credit quality during the years ended December 31, 2021 and 2020.

During the year ended December 31, 2021, the Company sold loans with a carrying value of \$551.2 million and recognized a net gain of \$7.2 million on these loan sales. During the year ended December 31, 2020, the Company sold loans with a carrying value of \$77.3 million, resulting in a net gain of \$1.7 million on these sales.

6. MORTGAGE SERVICING RIGHTS

The Company acquired MSRs as part of the AmeriHome acquisition and continues to generate new MSRs from its mortgage banking business. The following table presents the changes in fair value of the Company's MSR assets and other information related to its servicing portfolio:

| | Year Ended December 31, 2021 |
|--|---|
| | <i>(in millions)</i> |
| Beginning balance | \$ — |
| Acquired in AmeriHome acquisition | 1,347.0 |
| Additions from loans sold with servicing rights retained | 763.8 |
| MSRs sold | (1,270.7) |
| Change in fair value | (2.5) |
| Realization of cash flows | (139.6) |
| Balance, December 31, 2021 | <u>\$ 698.0</u> |
| Unpaid principal balance of mortgage loans serviced for others | \$ 54,347.6 |

Changes in fair value are recorded as part of Net loan servicing revenue in the Consolidated Income Statement. Due to the regulatory capital impact of MSRs on capital ratios, the Company sells certain MSRs and related servicing advances in the normal course of business. During the period from the AmeriHome acquisition date through December 31, 2021, the Company completed sales of MSRs and related servicing advances with an aggregate net sales price of \$1.3 billion and UPB of loans underlying these sales of \$97.2 billion. As of December 31, 2021, the Company has a remaining receivable balance related to holdbacks on these sales for pending servicing transfers of \$82.5 million, which was recorded as part of Other assets on the Consolidated Balance Sheet.

The Company receives loan servicing fees, net of subservicing costs, based on the UPB of the underlying loans. Loan servicing fees are collected from payments made by borrowers. The Company may receive other remuneration from rights to various borrower contracted fees, such as late charges, collateral reconveyance charges, and non-sufficient funds fees. Contractually specified servicing fees, late fees, and ancillary income associated with the Company's MSR portfolio totaled \$138.9 million for the period from the acquisition date through December 31, 2021, which are recorded as part of Net loan servicing revenue in the Consolidated Income Statement.

In accordance with its contractual loan servicing obligations, the Company is required to advance funds to or on behalf of investors when borrowers do not make payments. The Company advances property taxes and insurance premiums for borrowers who have insufficient funds in escrow accounts, plus any other costs to preserve real estate properties. The Company may also advance funds to maintain, repair, and market foreclosed real estate properties. The Company is entitled to recover all or a portion of the advances from borrowers of reinstated and performing loans, from the proceeds of liquidated properties or from the government agency or GSE guarantor of charged-off loans. Servicing advances are charged-off when they are deemed to be uncollectible. As of December 31, 2021, net servicing advances totaled \$81.6 million, which is recorded as part of Other assets on the Consolidated Balance Sheet.

The following presents the effect of hypothetical changes in the fair value of MSRs caused by assumed immediate changes in interest rates, discount rates, and prepayment speeds that are used to determine fair value:

| | December 31, 2021 |
|---|--------------------------|
| | <i>(in millions)</i> |
| Fair value of mortgage servicing rights | \$ 698.0 |
| Increase (decrease) in fair value resulting from: | |
| Interest rate change of 50 basis points | |
| Adverse change | (61.6) |
| Favorable change | 39.9 |
| Discount rate change of 50 basis points | |
| Increase | (13.3) |
| Decrease | 13.8 |
| Conditional prepayment rate change of 1% | |
| Increase | (21.5) |
| Decrease | 23.8 |
| Cost to service change of 10% | |
| Increase | (9.6) |
| Decrease | 9.6 |

Sensitivities are hypothetical changes in fair value and cannot be extrapolated because the relationship of changes in assumptions to changes in fair value may not be linear. In addition, the offsetting effect of hedging activities are not contemplated in these results and further, the effect of a variation in a particular assumption is calculated without changing any other assumptions, whereas a change in one factor may result in changes to another. Accordingly, no assurance can be given that actual results would be consistent with the results of these estimates. As a result, actual future changes in MSR values may differ significantly from those reported.

7. PREMISES AND EQUIPMENT

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

| | December 31, | |
|---|----------------------|-----------------|
| | 2021 | 2020 |
| | <i>(in millions)</i> | |
| Bank premises | \$ 91.6 | \$ 92.0 |
| Land and improvements | 32.4 | 33.0 |
| Furniture, fixtures, and equipment | 99.6 | 68.2 |
| Leasehold improvements | 41.5 | 29.7 |
| Construction in progress | 42.7 | 17.4 |
| Total | <u>307.8</u> | <u>240.3</u> |
| Accumulated depreciation and amortization | <u>(125.9)</u> | <u>(106.2)</u> |
| Premises and equipment, net | <u>\$ 181.9</u> | <u>\$ 134.1</u> |

Depreciation expense totaled \$20.7 million, \$15.2 million, and \$13.5 million for the years ended December 31, 2021, 2020, and 2019, respectively.

8. 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, 2021, the Company's operating lease ROU asset and operating lease liability totaled \$133.0 million and \$142.8 million, respectively. A weighted average discount rate of 2.14%, 2.80%, and 3.08% was used in the measurement of the ROU asset and lease liability as of December 31, 2021, 2020, and 2019 respectively.

The Company's leases have remaining lease terms of one to nine years, with a weighted average lease term of 7.5 years, 7.7 years, and 8.4 years at December 31, 2021, 2020, 2019, respectively. 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, 2021.

The following is a schedule of the Company's operating lease liabilities by contractual maturity as of December 31, 2021:

| | <i>(in millions)</i> |
|--|------------------------|
| 2022 | \$ 15.1 |
| 2023 | 20.7 |
| 2024 | 22.7 |
| 2025 | 18.3 |
| 2026 | 19.3 |
| Thereafter | 60.2 |
| Total lease payments | <u>\$ 156.3</u> |
| Less: imputed interest | <u>13.5</u> |
| Total present value of lease liabilities | <u><u>\$ 142.8</u></u> |

The Company also has additional operating leases for a new branch and other office locations that have not yet commenced as of December 31, 2021. The aggregate future commitment related to the additional leases total \$36.9 million. These operating leases will commence within the next 12 months and will have lease terms between five and 11 years.

Total operating lease costs of \$18.8 million and other lease costs of \$3.8 million, which include common area maintenance, parking, and taxes during the year ended December 31, 2021, were included as part of occupancy expense. For the year ended December 31, 2020, total operating lease costs and other lease costs were \$14.0 million and \$3.9 million, respectively, and for the year ended December 31, 2019, were \$12.9 million and \$4.0 million, respectively. Short-term lease costs were not material for the years ended December 31, 2021, 2020, and 2019.

The below table shows the supplemental cash flow information related to the Company's operating leases for the years ended December 31, 2021, 2020, and 2019:

| | Year Ended December 31, | | |
|--|--------------------------------|---------|---------|
| | 2021 | 2020 | 2019 |
| | <i>(in millions)</i> | | |
| Cash paid for amounts included in the measurement of operating lease liabilities | \$ 16.3 | \$ 13.0 | \$ 12.4 |
| Right-of-use assets obtained in exchange for new operating lease liabilities | 76.7 | 11.8 | 43.7 |

9. 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 had goodwill of \$491.3 million and \$289.9 million as of December 31, 2021 and 2020, respectively.

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. A qualitative impairment assessment is not required for a reporting unit with a zero or negative carrying amount. As of December 31, 2021 and 2020, the Company's Commercial reporting unit (which is the same as the Commercial reporting segment) had a negative carrying amount and an allocated goodwill balance of \$289.9 million. Based on the Company's annual goodwill and intangibles impairment tests as of October 1 during the years ended December 31, 2021, 2020, and 2019, 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, 2021 | | | December 31, 2020 | | |
|--------------------------------------|-----------------------|--------------------------|---------------------|-----------------------|--------------------------|---------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| | <i>(in millions)</i> | | | | | |
| Subject to amortization | | | | | | |
| Core deposit intangibles | \$ 14.6 | \$ 10.2 | \$ 4.4 | \$ 14.6 | \$ 8.8 | \$ 5.8 |
| Customer relationship intangibles | 2.5 | 0.6 | 1.9 | 2.5 | 0.1 | 2.4 |
| Correspondent customer relationships | 76.0 | 2.8 | 73.2 | — | — | — |
| Trade name - AmeriHome | 9.5 | 0.4 | 9.1 | — | — | — |
| Operating licenses | 55.5 | 1.0 | 54.5 | — | — | — |
| | <u>\$ 158.1</u> | <u>\$ 15.0</u> | <u>\$ 143.1</u> | <u>\$ 17.1</u> | <u>\$ 8.9</u> | <u>\$ 8.2</u> |
| | | | | | | |
| | December 31, 2021 | | | December 31, 2020 | | |
| | Gross Carrying Amount | Impairment | Net Carrying Amount | Gross Carrying Amount | Impairment | Net Carrying Amount |
| | <i>(in millions)</i> | | | | | |
| Not subject to amortization | | | | | | |
| Trade name - Bridge Bank | \$ 0.4 | \$ — | \$ 0.4 | \$ 0.4 | \$ — | \$ 0.4 |

As of December 31, 2021, the Company's intangible assets had a weighted average estimated useful life of 26.2 years. Amortization expense recognized on amortizable intangibles totaled \$6.1 million for the year ended December 31, 2021, and \$1.6 million for the years ended December 31, 2020 and 2019.

Below is a summary of future estimated aggregate amortization expense:

| | December 31, 2021 |
|------------|----------------------|
| | <i>(in millions)</i> |
| 2022 | \$ 7.5 |
| 2023 | 7.4 |
| 2024 | 7.4 |
| 2025 | 6.6 |
| 2026 | 5.7 |
| Thereafter | 108.5 |
| Total | <u>\$ 143.1</u> |

10. DEPOSITS

The table below summarizes deposits by type:

| | December 31, | |
|--|----------------------|--------------------|
| | 2021 | 2020 |
| | <i>(in millions)</i> | |
| Non-interest-bearing demand deposits | \$ 21,353.4 | \$ 13,463.3 |
| Interest-bearing transaction accounts | 6,924.0 | 4,396.4 |
| Savings and money market accounts | 17,278.6 | 12,413.4 |
| Time certificates of deposit (\$250,000 or more) | 523.0 | 602.0 |
| Other time deposits | 1,533.0 | 1,055.4 |
| Total deposits | <u>\$ 47,612.0</u> | <u>\$ 31,930.5</u> |

The summary of the contractual maturities for all time deposits as of December 31, 2021 is as follows:

| | December 31, |
|-------|----------------------|
| | <i>(in millions)</i> |
| 2022 | \$ 1,932.4 |
| 2023 | 102.2 |
| 2024 | 17.4 |
| 2025 | 2.9 |
| 2026 | 1.1 |
| Total | <u>\$ 2,056.0</u> |

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, 2021 and 2020, the Company had \$729.2 million and \$496.4 million, respectively, of reciprocal CDARS deposits and \$1.8 billion and \$1.3 billion, respectively, of ICS deposits. The Company also had \$1.8 billion and \$554.8 million of wholesale brokered deposits at December 31, 2021 and 2020, respectively.

In addition, deposits for which the Company provides account holders with earnings credits or referral fees totaled \$10.8 billion and \$5.9 billion at December 31, 2021 and 2020, respectively. The Company incurred \$27.4 million and \$17.0 million in deposit related costs on these deposits during the years ended December 31, 2021 and 2020, respectively.

11. OTHER BORROWINGS

The following table summarizes the Company's borrowings as of December 31, 2021 and 2020:

| | December 31, | |
|--|----------------------|----------------|
| | 2021 | 2020 |
| | <i>(in millions)</i> | |
| Short-Term: | | |
| Federal funds purchased | \$ 675.0 | \$ — |
| FHLB advances | — | 5.0 |
| Customer repurchase agreements | 16.6 | 16.0 |
| Secured borrowings | 35.3 | — |
| Total short-term borrowings | <u>\$ 726.9</u> | <u>\$ 21.0</u> |
| Long-Term: | | |
| AmeriHome senior notes, net of fair value adjustment | \$ 317.9 | \$ — |
| Credit linked notes, net of debt issuance costs | 457.1 | — |
| Total long-term borrowings | <u>\$ 775.0</u> | <u>\$ —</u> |
| Total other borrowings | <u>\$ 1,501.9</u> | <u>\$ 21.0</u> |

Short-Term Borrowings

Federal Funds Lines of Credit

The Company maintains federal fund lines of credit totaling \$2.8 billion as of December 31, 2021, which have rates comparable to the federal funds effective rate plus 0.10% to 0.20%. As of December 31, 2021, outstanding balances on the Company's federal fund lines of credit totaled \$675.0 million. As of December 31, 2020, there were no outstanding balances on the Company's federal fund lines of credit.

FHLB Advances

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 \$416.0 million 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, 2021, the Company had no amounts outstanding under its line of credit or its PPP lending facility with the FRB and had no borrowings under its lines of credit with the FHLB. As of December 31, 2021 and 2020, the Company had additional available credit with the FHLB of approximately \$7.8 billion and \$4.0 billion, respectively, and with the FRB of approximately \$3.4 billion and \$2.7 billion, respectively.

Repurchase Agreements

Other short-term borrowing sources available to the Company include customer repurchase agreements, which totaled \$16.6 million and \$16.0 million as of December 31, 2021 and 2020, respectively. The weighted average rate on customer repurchase agreements was 0.15% as of December 31, 2021 and 2020.

Secured Borrowings

Transfers of loans HFS not qualifying for sales accounting treatment, resulted in recognition of secured borrowings of \$35.3 million at December 31, 2021.

Warehouse Borrowings

The Company assumed warehouse borrowing lines of credit as part of the AmeriHome acquisition, which are used to finance the acquisition of loans through the use of repurchase agreements. Repurchase agreements operate as financings under which the Company transfers loans to secure these borrowings. The borrowing amounts are based on the attributes of the collateralized loans and are defined in the repurchase agreement of each warehouse lender. The Company retains beneficial ownership of the transferred loans and will receive the loans from the lender upon full repayment of the borrowing. The repurchase agreements may require the Company to transfer additional assets to the lender in the event the estimated fair value of the existing transferred loans declines.

As of December 31, 2021, the Company had access to approximately \$1.0 billion in uncommitted warehouse funding, of which no amounts were drawn.

Long-Term Borrowings

AmeriHome Senior Notes

Prior to the Company's acquisition of AmeriHome, in October 2020, AmeriHome issued senior notes with an aggregate principal amount of \$300.0 million, maturing on October 26, 2028. The senior notes accrue interest at a rate of 6.50% per annum, paid semiannually. The senior notes contain provisions that allow for redemption of up to 40% of the original aggregate principal amount of the notes during the first three years after issuance at a price equal to 106.50%, plus accrued and unpaid interest. After this three-year period, AmeriHome may redeem some or all of the senior notes at a price equal to 103.25% of the outstanding principal amount, plus accrued and unpaid interest. In 2025, the redemption price of these senior notes declines to 100% of the outstanding principal balance. The carrying amount of the senior notes includes a fair value adjustment (premium) of \$19.3 million recognized as of the acquisition date that is being amortized over the term of the notes. As of December 31, 2021, the carrying value of these notes totaled \$317.9 million.

Credit Linked Notes

On June 28, 2021, the Company issued \$242.0 million aggregate principal amount of senior unsecured credit linked notes, which were recorded net of \$2.9 million in debt issuance costs. The notes mature on December 30, 2024 and accrue interest at a rate equal to three-month LIBOR plus 5.50% (which will convert to SOFR upon the discontinuation of LIBOR in June 2023), payable quarterly. The notes effectively transfer the risk of first losses on a \$1.9 billion reference pool of the Company's warehouse loans to the purchasers of the notes. In the event of a failure to pay by the relevant mortgage originator, insolvency of the relevant mortgage originator, or restructuring of such loans that results in a loss on a loan included in the reference pools, the principal balance of the notes will be reduced to the extent of such loss and a gain on recovery of credit guarantees will be recognized within non-interest income in the Consolidated Income Statement. The purchasers of the notes have the option to acquire the underlying mortgage loan collateralizing the reference warehouse line of credit in the event of obligor default.

On December 29, 2021, the Company issued \$227.6 million aggregate principal amount of senior unsecured credit linked notes, which were recorded net of \$2.8 million in debt issuance costs. There are six classes of these notes, each with an interest rate of SOFR plus a spread, that ranges from 3.15% to 8.50% (or, a weighted average spread of 4.67%), maturing on July 25, 2059. The notes effectively transfer the risk of first losses on a \$4.6 billion reference pool of the Company's loans purchased under its residential mortgage purchase program to the purchasers of the notes. The principal and interest payable on the notes may be reduced by a portion of the Company's loss on such loans if one of the following occurs with respect to a covered loan: (i) realized losses incurred by the Company on a loan following a liquidation of the loan or certain other events, or (ii) a modification of the loan resulting in a reduction in payments. The aggregate losses, if any, for each payment date will be allocated to reduce the class principal amount and (for modifications) the current interest of the notes in reverse order of class priority.

Losses on the warehouse lines of credit and residential mortgages have not generally been significant. As of December 31, 2021, the carrying value of these notes totaled \$457.1 million.

12. QUALIFYING DEBT

Subordinated Debt

The Company's subordinated debt issuances are detailed in the tables below:

| December 31, 2021 | | | | | |
|--------------------------------|---------------|---------------|---------------|-----------------|------------------------------------|
| Description | Issuance Date | Maturity Date | Interest Rate | Principal | Debt Issuance Costs at Origination |
| <i>(in millions)</i> | | | | | |
| WAL fixed-to-variable-rate (1) | June 2021 | June 15, 2031 | 3.00 % | \$ 600.0 | \$ 8.1 |
| WAB fixed-to-variable-rate (2) | May 2020 | June 1, 2030 | 5.25 % | 225.0 | 3.1 |
| | | | | <u>\$ 825.0</u> | <u>\$ 11.2</u> |

| December 31, 2020 | | | | | |
|--------------------------------|---------------|---------------|---------------|-----------------|------------------------------------|
| Description | Issuance Date | Maturity Date | Interest Rate | Principal | Debt Issuance Costs at Origination |
| <i>(in millions)</i> | | | | | |
| WAL fixed-rate (3) | June 2016 | July 1, 2056 | 6.25 % | \$ 175.0 | \$ 5.5 |
| WAB fixed-to-variable-rate (4) | June 2015 | July 15, 2025 | 3.44 % | 75.0 | 1.8 |
| WAB fixed-to-variable-rate (2) | May 2020 | June 1, 2030 | 5.25 % | 225.0 | 3.1 |
| | | | | <u>\$ 475.0</u> | <u>\$ 10.4</u> |

- (1) Notes are redeemable, in whole or in part, beginning on June 15, 2026 at their principal amount plus accrued and unpaid interest. The notes also convert to a variable rate on this date, which is expected to be three-month SOFR plus 225 basis points.
- (2) Debt is redeemable, in whole or in part, on or after June 1, 2025 at its principal amount plus accrued and unpaid interest and has a fixed interest rate of 5.25% through June 1, 2025 and then converts to a variable rate per annum equal to three-month SOFR plus 512 basis points.
- (3) Debentures became redeemable on July 1, 2021 at their principal amount plus any accrued and unpaid interest. During the year ended December 31, 2021 the debentures were redeemed in full.
- (4) Debt became redeemable on July 15, 2020, at its principal amount plus accrued and unpaid interest. During the year ended December 31, 2021, the remaining \$75 million was redeemed in full.

The Company hedged the interest rate risk on its 2015 and 2016 subordinated debt issuance with fair value interest rate hedges (receive fixed/pay variable swaps). These hedges were terminated during the year ended December 31, 2021 in connection with the redemptions of these subordinated debentures. The carrying value of all subordinated debt issuances, which included the fair value of the related hedges, totaled \$815.1 million and \$469.8 million at December 31, 2021 and 2020, 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, | |
|--|----------|----------------------|---------|
| | | 2021 | 2020 |
| At fair value | | <i>(in millions)</i> | |
| 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 | | 0.9 | (0.6) |
| Junior subordinated debt, at fair value | | \$ 67.4 | \$ 65.9 |
| 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) | | (4.2) | (4.5) |
| Junior subordinated debt, at amortized cost | | \$ 13.3 | \$ 13.0 |
| Total junior subordinated debt | | \$ 80.7 | \$ 78.9 |

(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 carrying value of junior subordinated debt was \$80.7 million and \$78.9 million as of December 31, 2021 and 2020, respectively. The weighted average interest rate of all junior subordinated debt as of December 31, 2021 was 2.55%, which is equal to three-month LIBOR plus the contractual spread of 2.34%, compared to a weighted average interest rate of 2.58% at December 31, 2020. Subsequent to June 30, 2023, interest rates on the Company's junior subordinated debt will be based on SOFR.

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.

13. 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, 2021 were 3.0 million.

Restricted stock awards granted to employees generally vest over a 3-year period. Stock grants made to non-employee WAL directors in 2021 were fully vested on July 1, 2021. 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, the related stock compensation expense is included in Legal, professional, and directors' fees. For the year ended December 31, 2021, the Company recognized \$22.9 million in stock-based compensation expense related to these stock grants, compared to \$20.3 million and \$17.4 million during the years ended December 31, 2020 and 2019, respectively.

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, 2021, 2020, and 2019, however expense was still being recognized through June 30, 2021 for a grant made in 2017 with a four-year vesting period. The Company recognized \$0.6 million in stock-based compensation expense related to these performance-based restricted stock grants through June 30, 2021, the end of the vesting period, compared to \$1.2 million and \$1.9 million during the years ended December 31, 2020 and 2019, respectively.

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, | | | |
|--|--|--------------|--|--|
| | 2021 | | 2020 | |
| Shares | Weighted Average Grant Date Fair Value | Shares | Weighted Average Grant Date Fair Value | |
| <i>(in millions, except per share amounts)</i> | | | | |
| Balance, beginning of period | 1.0 \$ 50.12 | 1.0 \$ 49.98 | | |
| Granted | 0.4 83.56 | 0.4 51.53 | | |
| Vested | (0.4) 53.50 | (0.4) 51.86 | | |
| Forfeited | (0.1) 59.24 | 0.0 49.79 | | |
| Balance, end of period | 0.9 \$ 63.53 | 1.0 \$ 50.12 | | |

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, 2021, 2020, and 2019 was \$35.4 million, \$22.7 million, and \$23.7 million, respectively. The total fair value of restricted stock that vested during the years ended December 31, 2021, 2020, and 2019 was \$34.2 million, \$19.6 million, and \$21.3 million, respectively.

As of December 31, 2021, there was \$28.0 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 2.0 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, 2021, the Company recognized \$10.4 million in stock-based compensation expense related to these performance stock units, compared to \$7.1 million and \$6.9 million in stock-based compensation expense for such units during the years ended December 31, 2020 and 2019, respectively.

The three-year performance period for the 2019 grant ended on December 31, 2021, 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, 203,646 shares will become fully vested and distributed to executive management in the first quarter of 2022.

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 became fully vested and were distributed to executive management in the first quarter of 2021.

Preferred Stock

On September 15, 2021, the Company entered into an underwriting agreement, pursuant to which the Company agreed to issue and sell an aggregate of 12,000,000 depository shares, each representing a 1/400th ownership interest in a share of the Company's 4.250% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Shares, Series A, par value \$0.0001 per share, with a liquidation preference of \$25 per depository share (equivalent to \$10,000 per share of Series A preferred stock).

The Company received net proceeds of \$294.5 million from the issuance of preferred stock during the year ended December 31, 2021. On December 14, 2021, the Company declared the first quarterly cash dividend of \$0.29 per depository share, for a total dividend payment to preferred shareholders of \$3.5 million, paid on December 30, 2021.

Common Stock Issuances

Pursuant to ATM Distribution Agreement

On June 3, 2021, the Company entered into a distribution agency agreement with J.P. Morgan Securities LLC, under which the Company may sell up to 4,000,000 shares of its common stock on the NYSE. The Company pays the distribution agents a mutually agreed rate, not to exceed 2% of the gross offering proceeds of the shares sold pursuant to the distribution agency agreement. The common stock will be sold at prevailing market prices at the time of the sale or at negotiated prices and, as a result, prices will vary. Sales under the ATM program are being made pursuant to a prospectus dated May 14, 2021 and a prospectus supplement filed with the SEC in an offering of shares from the Company's shelf registration statement on Form S-3 (No. 333-256120). On November 18, 2021, the distribution agency agreement was amended to add Piper Sandler & Co. as an agent with J.P. Morgan Securities LLC.

During the year ended December 31, 2021, the Company sold 3.1 million shares under the ATM program at a weighted-average selling price of \$106.41 per share for gross proceeds of \$333.4 million. Total related offering costs were \$2.3 million, of which \$2.0 million relates to compensation costs paid to J.P. Morgan Securities LLC and Piper Sandler & Co.

Registered Direct Offering

The Company sold 2.3 million shares of its common stock in a registered direct offering during the year ended December 31, 2021. The shares were sold for \$91.00 per share for aggregate net proceeds of \$209.2 million.

Common Stock Repurchase

The Company's common stock repurchase program, which expired on December 31, 2020, authorized 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 2.1 million 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, 2020. There were no share repurchases during the year ended December 31, 2021.

Cash Dividend on Common Shares

During the year ended December 31, 2021, the Company declared and paid quarterly cash dividends of \$0.25 per share for the first two quarters of the year and increased the quarterly cash dividend to \$0.35 per share for the last two quarters of the year, for a total dividend payment to shareholders of \$124.1 million. 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.

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, 2021, the Company purchased treasury shares of 180,607 at a weighted average price of \$86.63 per share, compared to 165,489 shares at a weighted average price per share of \$50.80 in 2020, and 210,657 shares at a weighted average price per share of \$45.80 in 2019.

14. 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 <i>(in millions)</i> | Impairment loss on securities | Total |
|---|--|---|---|-------------------------------|----------------|
| Balance, December 31, 2018 | \$ (47.5) | \$ 0.4 | \$ 13.4 | \$ 0.1 | \$ (33.6) |
| Other comprehensive income (loss) before reclassifications | 71.2 | (0.4) | (9.8) | — | 61.0 |
| Amounts reclassified from AOCI | (2.3) | — | — | (0.1) | (2.4) |
| Net current-period other comprehensive income (loss) | 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 accumulated other comprehensive income | (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 |
| Other comprehensive (loss) income before reclassifications | (69.0) | — | (1.2) | — | (70.2) |
| Amounts reclassified from AOCI | (6.4) | — | — | — | (6.4) |
| Net current-period other comprehensive (loss) income | (75.4) | — | (1.2) | — | (76.6) |
| Balance, December 31, 2021 | \$ 16.7 | \$ (0.3) | \$ (0.7) | \$ — | \$ 15.7 |

The following table presents reclassifications out of accumulated other comprehensive income:

| Income Statement Classification | Year Ended December 31, | | |
|---|-------------------------|--------|--------|
| | 2021 | 2020 | 2019 |
| | <i>(in millions)</i> | | |
| Gain on sales of AFS debt securities, net | \$ 8.5 | \$ 0.2 | \$ 3.1 |
| Income tax expense | (2.1) | — | (0.7) |
| Net of tax | \$ 6.4 | \$ 0.2 | \$ 2.4 |

15. DERIVATIVES AND HEDGING ACTIVITIES

The Company is a party to various derivative instruments, including those derivative instruments assumed from the AmeriHome acquisition. 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 types of derivatives that the Company uses are interest rate swaps, forward purchase and sale commitments, and interest rate futures. Generally, these instruments are used to help manage the Company's exposure to interest rate risk related to IRLCs and its inventory of loans HFS and MSRs and also to 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, 2021, 2020, and 2019, 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 variable rate, or from a variable rate to a fixed rate.

The Company has 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. The variable-rate interest payments are based on LIBOR and will convert to SOFR upon the discontinuation of LIBOR in June 2023.

The Company also has pay fixed/receive variable interest rate swaps, 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 variable rate and pays a fixed rate on the outstanding notional amount. During the year ended December 31, 2021, the Company completed a partial discontinuation of one of its last-of-layer hedges, which reduced the total hedged amount on these hedges from \$1.0 billion to \$880.0 million. The \$1.2 million cumulative basis adjustment on the discontinued portion was allocated across the remaining pool upon termination of the hedge and is being amortized over the remaining loan term.

The Company had a receive fixed/pay variable interest rate swap, designated as a fair value hedge on its fixed rate \$175.0 million subordinated debentures issued on June 16, 2016, which was terminated during the year ended December 31, 2021 in connection with the full redemption of the subordinated debentures. The Company paid a variable rate of three-month LIBOR plus 3.25% and received quarterly fixed payments of 6.25% to match the payments on the debt.

Derivatives Not Designated in Hedge Relationships

Management 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 allow customers to manage long-term interest rate risk.

As it relates to its mortgage banking business, the Company also uses derivative financial instruments to manage exposure to interest rate risk related to IRLCs, and its inventory of loans HFS and MSRs. The Company economically hedges the changes in fair value associated with changes in interest rates generally by utilizing forward sale commitments and interest rate futures.

As of December 31, 2021 and 2020, the following amounts are reflected on the Consolidated Balance Sheets related to cumulative basis adjustments for fair value hedges:

| | December 31, 2021 | | December 31, 2020 | |
|--|--|--|--|--|
| | Carrying Value of Hedged Assets/ (Liabilities) | Cumulative Fair Value Hedging Adjustment (1) | Carrying Value of Hedged Assets/ (Liabilities) | Cumulative Fair Value Hedging Adjustment (1) |
| | <i>(in millions)</i> | | | |
| Loans HFI, net of deferred loan fees and costs (2) | \$ 1,390.7 | \$ 38.5 | \$ 1,587.1 | \$ 85.5 |
| Qualifying debt | — | — | (247.6) | (2.7) |

(1) Included in the carrying value of the hedged assets/(liabilities)

(2) Includes last-of-layer derivative instruments, with \$880.0 million designated as the hedged amount (from a closed portfolio of prepayable fixed rate loans with a carrying value of \$1.4 billion and \$1.9 billion as of December 31, 2021 and 2020, respectively). The cumulative basis adjustment included in the carrying value of these hedged items totaled \$15.7 million and \$0.6 million as of December 31, 2021 and 2020, respectively. The basis adjustment related to the discontinued portion was \$1.0 million as of December 31, 2021.

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 items is included in interest expense, as shown in the table below.

| Income Statement Classification | Year Ended December 31, | | | | | |
|---------------------------------|-------------------------|----------------------------|----------------------|----------------------------|----------------------|----------------------------|
| | 2021 | | 2020 | | 2019 | |
| | 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 |
| | <i>(in millions)</i> | | | | | |
| Interest income | \$ 44.8 | \$ (45.6) | \$ (32.2) | \$ 32.2 | \$ (30.3) | \$ 30.3 |
| Interest expense | (2.7) | 2.7 | 3.1 | (3.1) | 19.3 | (19.3) |

Fair Values, Volume of Activity, and Gain/Loss Information Related to Derivative Instruments

The following table summarizes the fair value of the Company's derivative instruments on a gross basis as of December 31, 2021, 2020, and 2019. The change in the notional amounts of these derivatives from December 31, 2019 to December 31, 2021 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 cash 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.

| | December 31, 2021 | | | December 31, 2020 | | | December 31, 2019 | | |
|--|----------------------|-------------------|------------------------|-------------------|-------------------|------------------------|-------------------|-------------------|------------------------|
| | Notional Amount | Fair Value | | Notional Amount | Fair Value | | Notional Amount | Fair Value | |
| | | Derivative Assets | Derivative Liabilities | | Derivative Assets | Derivative Liabilities | | Derivative Assets | Derivative Liabilities |
| | <i>(in millions)</i> | | | | | | | | |
| Derivatives designated as hedging instruments: | | | | | | | | | |
| Fair value hedges | | | | | | | | | |
| Interest rate swaps (1) | \$ 1,382.8 | \$ 13.8 | \$ 54.5 | \$ 1,689.9 | \$ 3.3 | \$ 86.1 | \$ 863.0 | \$ 1.8 | \$ 55.5 |
| Total | \$ 1,382.8 | \$ 13.8 | \$ 54.5 | \$ 1,689.9 | \$ 3.3 | \$ 86.1 | \$ 863.0 | \$ 1.8 | \$ 55.5 |
| Derivatives not designated as hedging instruments (2): | | | | | | | | | |
| Foreign currency contracts | \$ 180.1 | \$ 0.2 | \$ 1.4 | \$ 119.2 | \$ 0.7 | \$ 1.2 | \$ 6.7 | \$ — | \$ — |
| Forward purchase contracts | 11,713.5 | 8.1 | 18.0 | — | — | — | — | — | — |
| Forward sales contracts | 17,358.5 | 15.8 | 17.7 | — | — | — | — | — | — |
| Futures purchase contracts (3) | 218,053.7 | — | — | — | — | — | — | — | — |
| Futures sales contracts (3) | 229,040.0 | — | — | — | — | — | — | — | — |
| Interest rate lock commitments | 3,033.2 | 11.0 | 1.6 | — | — | — | — | — | — |
| Interest rate swaps | 4.1 | 0.1 | 0.1 | 3.5 | 0.2 | 0.2 | 2.9 | 0.1 | 0.1 |
| Total | \$479,383.1 | \$ 35.2 | \$ 38.8 | \$ 122.7 | \$ 0.9 | \$ 1.4 | \$ 9.6 | \$ 0.1 | \$ 0.1 |
| Margin | | 1.2 | 6.5 | — | — | — | — | — | — |
| Total, including margin | \$479,383.1 | \$ 36.4 | \$ 45.3 | \$ 122.7 | \$ 0.9 | \$ 1.4 | \$ 9.6 | \$ 0.1 | \$ 0.1 |

- (1) Interest rate swap amounts include a notional amount of \$880 million and \$1.0 billion related to the last-of-layer hedges at December 31, 2021 and 2020, respectively.
- (2) Relate to economic hedging arrangements.
- (3) The Company enters into forward purchase and sales contracts that are subject to daily remargining and almost all of which are based on three-month LIBOR to hedge against its MSR valuation exposure. The notional amount on these contracts is substantial as these contracts have a duration of only 0.25 years and are intended to cover the longer duration of MSR hedges.

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 summarized in the table below:

| | December 31, 2021 | | | December 31, 2020 | | | December 31, 2019 | | |
|---|---|---------------|--------------------------|---|-----------------|--------------------------|---|--------------|--------------------------|
| | Gross amount of recognized assets (liabilities) | Gross offset | Net assets (liabilities) | Gross amount of recognized assets (liabilities) | Gross offset | Net assets (liabilities) | Gross amount of recognized assets (liabilities) | Gross offset | Net assets (liabilities) |
| | <i>(in millions)</i> | | | | | | | | |
| Derivatives subject to master netting arrangements: | | | | | | | | | |
| Assets | | | | | | | | | |
| Forward purchase contracts | \$ 7.9 | \$ — | \$ 7.9 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| Forward sales contracts | 15.5 | — | 15.5 | — | — | — | — | — | — |
| Interest rate swaps | 13.8 | — | 13.8 | 3.3 | — | 3.3 | 1.8 | — | 1.8 |
| Margin | 1.2 | — | 1.2 | — | — | — | — | — | — |
| Netting | — | (28.4) | (28.4) | — | (0.6) | (0.6) | — | — | — |
| | <u>\$ 38.4</u> | <u>(28.4)</u> | <u>\$ 10.0</u> | <u>\$ 3.3</u> | <u>\$ (0.6)</u> | <u>\$ 2.7</u> | <u>\$ 1.8</u> | <u>\$ —</u> | <u>\$ 1.8</u> |
| Liabilities | | | | | | | | | |
| Forward purchase contracts | \$ (17.7) | \$ — | \$ (17.7) | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| Forward sales contracts | (17.6) | — | (17.6) | — | — | — | — | — | — |
| Interest rate swaps | (54.5) | — | (54.5) | (86.1) | — | (86.1) | (55.5) | — | (55.5) |
| Margin | (6.5) | — | (6.5) | — | — | — | — | — | — |
| Netting | — | 28.4 | 28.4 | — | 0.6 | 0.6 | — | — | — |
| | <u>\$ (96.3)</u> | <u>28.4</u> | <u>\$ (67.9)</u> | <u>\$ (86.1)</u> | <u>\$ 0.6</u> | <u>\$ (85.5)</u> | <u>\$ (55.5)</u> | <u>\$ —</u> | <u>\$ (55.5)</u> |
| Derivatives not subject to master netting arrangements: | | | | | | | | | |
| Assets | | | | | | | | | |
| Foreign currency contracts | \$ 0.2 | \$ — | \$ 0.2 | \$ 0.7 | \$ — | \$ 0.7 | \$ — | \$ — | \$ — |
| Forward purchase contracts | 0.2 | — | 0.2 | — | — | — | — | — | — |
| Forward sales contracts | 0.3 | — | 0.3 | — | — | — | — | — | — |
| Interest rate lock commitments | 11.0 | — | 11.0 | — | — | — | — | — | — |
| Interest rate swaps | 0.1 | — | 0.1 | 0.2 | — | 0.2 | 0.1 | — | 0.1 |
| | <u>\$ 11.8</u> | <u>—</u> | <u>\$ 11.8</u> | <u>\$ 0.9</u> | <u>\$ —</u> | <u>\$ 0.9</u> | <u>\$ 0.1</u> | <u>\$ —</u> | <u>\$ 0.1</u> |
| Liabilities | | | | | | | | | |
| Foreign currency contracts | \$ (1.4) | \$ — | \$ (1.4) | \$ (1.2) | \$ — | \$ (1.2) | \$ — | \$ — | \$ — |
| Forward purchase contracts | (0.3) | — | (0.3) | — | — | — | — | — | — |
| Forward sales contracts | (0.1) | — | (0.1) | — | — | — | — | — | — |
| Interest rate lock commitments | (1.6) | — | (1.6) | — | — | — | — | — | — |
| Interest rate swaps | (0.1) | — | (0.1) | (0.2) | — | (0.2) | (0.1) | — | (0.1) |
| | <u>\$ (3.5)</u> | <u>—</u> | <u>\$ (3.5)</u> | <u>\$ (1.4)</u> | <u>\$ —</u> | <u>\$ (1.4)</u> | <u>\$ (0.1)</u> | <u>\$ —</u> | <u>\$ (0.1)</u> |
| Total derivatives and margin | | | | | | | | | |
| Assets | \$ 50.2 | \$ (28.4) | \$ 21.8 | \$ 4.2 | \$ (0.6) | \$ 3.6 | \$ 1.9 | \$ — | \$ 1.9 |
| Liabilities | \$ (99.8) | \$ 28.4 | \$ (71.4) | \$ (87.5) | \$ 0.6 | \$ (86.9) | \$ (55.6) | \$ — | \$ (55.6) |

The following table summarizes the net gain (loss) on derivatives included in income:

| | Year Ended December 31, 2021 |
|---|---|
| | <i>(in millions)</i> |
| Net gain (loss) on loan origination and sale activities: | |
| Interest rate lock commitments | \$ 1.0 |
| Forward contracts | (52.2) |
| Other contracts | 1.4 |
| Total gain | \$ (49.8) |
| Net loan servicing revenue: | |
| Forward contracts | \$ (4.2) |
| Options contracts | (0.3) |
| Futures contracts | (23.9) |
| Total (loss) gain | \$ (28.4) |

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 for its derivatives designated as hedging instruments totaled \$67.1 million, \$117.8 million, and \$52.5 million as of December 31, 2021, 2020, and 2019, respectively.

16. 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, | | |
|---|--|----------|----------|
| | 2021 | 2020 | 2019 |
| | <i>(in millions, except per share amounts)</i> | | |
| Weighted average shares - basic | 102.7 | 100.2 | 102.7 |
| Dilutive effect of stock awards | 0.6 | 0.3 | 0.4 |
| Weighted average shares - diluted | 103.3 | 100.5 | 103.1 |
| Net income available to common stockholders | \$ 895.7 | \$ 506.6 | \$ 499.2 |
| Earnings per share - basic | 8.72 | 5.06 | 4.86 |
| Earnings per share - diluted | 8.67 | 5.04 | 4.84 |

The Company had no anti-dilutive stock options outstanding as of December 31, 2021 and 2020.

17. INCOME TAXES

The provision for income taxes charged to operations consists of the following:

| | Year Ended December 31, | | |
|---------------------|-------------------------|-----------------|-----------------|
| | 2021 | 2020 | 2019 |
| | <i>(in millions)</i> | | |
| Current | \$ 181.8 | \$ 141.0 | \$ 110.1 |
| Deferred | 42.0 | (25.1) | (5.1) |
| Total tax provision | <u>\$ 223.8</u> | <u>\$ 115.9</u> | <u>\$ 105.0</u> |

The reconciliation between the statutory federal income tax rate and the Company's effective tax rate is summarized as follows:

| | Year Ended December 31, | | |
|---|-------------------------|-----------------|-----------------|
| | 2021 | 2020 | 2019 |
| | <i>(in millions)</i> | | |
| Income tax at statutory rate | \$ 235.8 | \$ 130.7 | \$ 126.9 |
| Increase (decrease) resulting from: | | | |
| State income taxes, net of federal benefits | 35.8 | 13.9 | 11.0 |
| Tax-exempt income | (25.6) | (21.7) | (19.6) |
| Investment tax credits | (15.9) | (13.9) | (15.0) |
| Other, net | (6.3) | 6.9 | 1.7 |
| Total tax provision | <u>\$ 223.8</u> | <u>\$ 115.9</u> | <u>\$ 105.0</u> |

For the years ended December 31, 2021, 2020, and 2019 the Company's effective tax rate was 19.9%, 18.6%, and 17.4%, respectively. The increase in the effective tax rate from 2020 to 2021 is primarily due to an increase in pretax book income and state income taxes associated with the AmeriHome acquisition which were not fully offset by growth in permanent tax benefit items for the year. The increase in the effective tax rate from 2019 to 2020 is due primarily to tax expense associated with the surrender of BOLI, no valuation allowance release in 2020, and return to provision adjustments.

The cumulative tax effects of the primary temporary differences are shown in the following table:

| | December 31, | |
|--|----------------------|----------------|
| | 2021 | 2020 |
| | <i>(in millions)</i> | |
| Deferred tax assets: | | |
| Allowance for credit losses | \$ 81.0 | \$ 84.6 |
| Lease liability | 38.6 | 21.1 |
| Premises and equipment | 10.0 | — |
| Accrued expenses | 9.8 | 3.6 |
| Passthrough income | 9.1 | 8.4 |
| Insurance premiums | — | 18.9 |
| Other | 34.9 | 29.1 |
| Total gross deferred tax assets | <u>183.4</u> | 165.7 |
| Deferred tax asset valuation allowance | — | — |
| Total deferred tax assets | <u>183.4</u> | 165.7 |
| Deferred tax liabilities: | | |
| Mortgage servicing rights | (57.6) | — |
| Right of use asset | (36.0) | (19.2) |
| Deferred loan costs | (15.5) | (12.8) |
| Leasing basis differences | (12.3) | (11.1) |
| IRC section 50(d) income | (7.7) | (9.8) |
| Estimated loss reserve | (7.6) | (17.5) |
| Unearned premiums | (7.2) | (16.8) |
| Insurance premiums | (6.0) | — |
| Unrealized gain on AFS securities | (5.7) | (31.2) |
| Premises and equipment | — | (7.6) |
| Other | (6.9) | (8.4) |
| Total deferred tax liabilities | <u>(162.5)</u> | (134.4) |
| Deferred tax assets, net | <u>\$ 20.9</u> | <u>\$ 31.3</u> |

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 decreased \$10.4 million to \$20.9 million from December 31, 2020. The overall decrease in net deferred tax assets was due to an increase in deferred tax liabilities, not fully offset by an increase in deferred tax assets. The increase in deferred tax liabilities from December 31, 2020 is primarily attributable to an increase in mortgage servicing rights from AmeriHome operations and a decrease in deferred insurance premiums related to the Company's insurance captive, which was in a deferred tax asset position in the prior year. These increases were offset in part by a decrease in deferred tax liabilities related to a decrease in the fair market value of AFS securities. The increase in deferred tax assets from December 31, 2020 is primarily attributable to a change in tax planning strategy pertaining to the depreciation election on premises and equipment, which was in a deferred tax liability position in the prior year. Although realization is not assured, the Company believes that the realization of the recognized net deferred tax asset of \$20.9 million at December 31, 2021 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, 2021 and 2020, the Company has no deferred tax valuation allowance.

As of December 31, 2021, the Company's gross federal NOL carryovers, all of which are subject to limitations under Section 382 of the IRC, totaled \$41.1 million, for which a deferred tax asset of \$4.5 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 2017.

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, | |
|---------------------------------|----------------------|---------------|
| | 2021 | 2020 |
| | <i>(in millions)</i> | |
| Beginning balance | \$ 3.4 | \$ 1.7 |
| Gross increases | | |
| Tax positions in prior periods | 0.8 | — |
| Current period tax positions | 2.2 | 2.2 |
| Gross decreases | | |
| Tax positions in prior periods | — | — |
| Settlements | — | (0.1) |
| Lapse of statute of limitations | — | (0.4) |
| Ending balance | <u>\$ 6.4</u> | <u>\$ 3.4</u> |

During the year ended December 31, 2021, the Company added a new position, which resulted in a tax detriment of \$2.5 million, inclusive of interest and penalties.

As of December 31, 2021 and 2020, the total amount of unrecognized tax benefits, net of associated deferred tax benefits, that would impact the effective tax rate, if recognized, is \$5.1 million and \$2.1 million, respectively. The Company does not anticipate that any unrecognized tax benefits will be resolved within the next 12 months.

During the years ended December 31, 2021, 2020, and 2019, the Company recognized no additional amounts for interest and penalties. As of December 31, 2021 and 2020, the Company has no accrued liabilities for penalties and 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, 2021, the Company's exposure to loss as a result of its involvement in these entities was limited to \$676.5 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, 2021, 2020, and 2019, the Company did not provide financial or other support to these entities that was not contractually required.

Investments in LIHTC and renewable energy total \$631.3 million and \$405.6 million as of December 31, 2021 and 2020, respectively. Unfunded LIHTC and renewable energy obligations are included as part of Other liabilities on the Consolidated Balance Sheets and total \$360.8 million and \$151.7 million as of December 31, 2021 and 2020, respectively. For the years ended December 31, 2021, 2020, and 2019, \$49.5 million, \$49.2 million, and \$41.5 million of amortization related to LIHTC investments was recognized as a component of income tax expense, respectively.

18. 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, | |
|---|----------------------|-------------------|
| | 2021 | 2020 |
| | <i>(in millions)</i> | |
| Commitments to extend credit, including unsecured loan commitments of \$1,199.8 at December 31, 2021 and \$1,077.2 at December 31, 2020 | \$ 13,396.3 | \$ 9,425.2 |
| Credit card commitments and financial guarantees | 306.3 | 291.5 |
| Letters of credit, including unsecured letters of credit of \$12.9 at December 31, 2021 and \$9.9 at December 31, 2020 | 198.1 | 186.9 |
| Total | \$ 13,900.7 | \$ 9,903.6 |

The following table represents the contractual commitments for lines and letters of credit by maturity at December 31, 2021:

| | Total Amounts Committed | Amount of Commitment Expiration per Period | | | |
|--|--------------------------------|---|-------------------|-------------------|----------------------|
| | | Less Than 1 Year | 1-3 Years | 3-5 Years | After 5 Years |
| | | <i>(in millions)</i> | | | |
| Commitments to extend credit | \$ 13,396.3 | \$ 3,652.0 | \$ 6,235.1 | \$ 2,322.1 | \$ 1,187.0 |
| Credit card commitments and financial guarantees | 306.3 | 306.3 | — | — | — |
| Letters of credit | 198.1 | 190.7 | 3.0 | 4.4 | — |
| Total | \$ 13,900.7 | \$ 4,149.0 | \$ 6,238.1 | \$ 2,326.5 | \$ 1,187.0 |

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 5. Loans, Leases and Allowance for Credit Losses" of these Consolidated Financial Statements. This loss contingency for unfunded loan commitments and letters of credit was \$37.6 million and \$37.0 million as of December 31, 2021 and 2020, respectively. Changes to this liability are adjusted through the provision for credit losses in the Consolidated Income Statement.

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, 2021 and 2020, CRE related loans accounted for approximately 29% and 38% 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 23% and 28% of these CRE loans, excluding construction and land loans, were owner-occupied as of December 31, 2021 and 2020, 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.

19. 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 OCI 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, 2021, 2020, and 2019, unrealized losses from fair value changes on junior subordinated debt were as follows:

| | Year Ended December 31, | | |
|-------------------------------------|-------------------------|---------------|-----------|
| | 2021 | 2020 | 2019 |
| | | (in millions) | |
| Unrealized losses | \$ (1.5) | \$ (4.2) | \$ (13.0) |
| Changes included in OCI, net of tax | (1.2) | (3.1) | (9.8) |

Fair value on a recurring basis

Financial assets and financial liabilities measured at fair value on a recurring basis include the following:

AFS debt 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 debt 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.

Loans HFS: Government-insured or guaranteed and agency-conforming loans HFS are salable into active markets. Accordingly, the fair value of these loans is based on quoted market or contracted selling prices or a market price equivalent, which are categorized as Level 2 in the fair value hierarchy.

The fair value of EBO loans, private label loans, and loans that are delinquent or have an underwriting defect are valued using Level 3 inputs since they lack active markets.

Mortgage servicing rights: MSRs are measured based on valuation techniques using Level 3 inputs. The Company uses a discounted cash flow model that incorporates assumptions that market participants would use in estimating the fair value of servicing rights, including, but not limited to, option adjusted spread, conditional prepayment rate, servicing fee rate, recapture rate, and cost to service.

Derivative financial instruments: Treasury futures and options, Eurodollar futures, and swap futures are measured based on valuation techniques using Level 1 inputs from exchange-provided daily settlement quotes. Forward purchase and sales contracts are measured based on valuation techniques using Level 2 inputs, such as quoted market price, contracted selling price, or market price equivalent. Interest rate swaps are reported at fair value utilizing Level 2 inputs. The Company obtains dealer quotations to value its interest rate swaps. IRLCs are measured based on valuation techniques that consider loan type, underlying loan amount, maturity date, note rate, loan program, and expected settlement date, with Level 3 inputs for the servicing release premium and pull-through rate. These measurements are adjusted at the loan level to consider the servicing release premium and loan pricing adjustment specific to each loan. The base value is then adjusted for the pull-through rate. The pull-through rate and servicing fee multiple are unobservable inputs based on historical experience.

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 | |
| <i>(in millions)</i> | | | | |
| December 31, 2021 | | | | |
| Available-for-sale debt securities | | | | |
| CLO | \$ — | \$ 926.2 | \$ — | \$ 926.2 |
| Commercial MBS issued by GSEs | — | 68.5 | — | 68.5 |
| Corporate debt securities | — | 382.9 | — | 382.9 |
| Private label residential MBS | — | 1,508.0 | — | 1,508.0 |
| Residential MBS issued by GSEs | — | 1,993.4 | — | 1,993.4 |
| Tax-exempt | — | 1,215.1 | — | 1,215.1 |
| U.S. treasury securities | 13.0 | — | — | 13.0 |
| Other | 27.4 | 54.3 | — | 81.7 |
| Total AFS debt securities | <u>\$ 40.4</u> | <u>\$ 6,148.4</u> | <u>\$ —</u> | <u>\$ 6,188.8</u> |
| Equity securities | | | | |
| CRA investments | \$ 27.4 | \$ 17.2 | \$ — | \$ 44.6 |
| Preferred stock | 113.9 | — | — | 113.9 |
| Total equity securities | <u>\$ 141.3</u> | <u>\$ 17.2</u> | <u>\$ —</u> | <u>\$ 158.5</u> |
| Loans HFS | \$ — | \$ 3,894.2 | \$ 45.5 | \$ 3,939.7 |
| Mortgage servicing rights | — | — | 698.0 | 698.0 |
| Derivative assets (1) | — | 39.2 | 11.0 | 50.2 |
| Liabilities: | | | | |
| Junior subordinated debt (2) | \$ — | \$ — | \$ 67.4 | \$ 67.4 |
| Derivative liabilities (1) | — | 98.2 | 1.6 | 99.8 |

- (1) See "Note 15. Derivatives and Hedging Activities." In addition, the carrying value of loans is increased by \$38.5 million as of December 31, 2021 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 |
|------------------------------------|---|---|--|-------------------|
| | <i>(in millions)</i> | | | |
| December 31, 2020 | | | | |
| <u>Assets:</u> | | | | |
| Available-for-sale debt securities | | | | |
| CLO | \$ — | \$ 146.9 | \$ — | \$ 146.9 |
| Commercial MBS issued by GSEs | — | 84.6 | — | 84.6 |
| Corporate debt securities | — | 270.2 | — | 270.2 |
| 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 |
| Other | 26.5 | 29.4 | — | 55.9 |
| Total AFS debt securities | <u>\$ 26.5</u> | <u>\$ 4,682.0</u> | <u>\$ —</u> | <u>\$ 4,708.5</u> |
| Equity securities | | | | |
| CRA investments | \$ 27.8 | \$ 25.6 | \$ — | \$ 53.4 |
| Preferred stock | 113.9 | — | — | 113.9 |
| Total equity securities | <u>\$ 141.7</u> | <u>\$ 25.6</u> | <u>\$ —</u> | <u>\$ 167.3</u> |
| Derivative assets (1) | \$ — | \$ 4.2 | \$ — | \$ 4.2 |
| <u>Liabilities:</u> | | | | |
| Junior subordinated debt (2) | \$ — | \$ — | \$ 65.9 | \$ 65.9 |
| Derivative liabilities (1) | — | 87.5 | — | 87.5 |

(1) See "Note 15. 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 decreased by \$2.7 million as of December 31, 2020, 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, 2021, 2020, and 2019, the change in Level 3 liabilities measured at fair value on a recurring basis included in OCI was as follows:

| | Junior Subordinated Debt | | |
|--------------------------|---------------------------------|------------------|------------------|
| | Year Ended December 31, | | |
| | 2021 | 2020 | 2019 |
| | <i>(in millions)</i> | | |
| Beginning balance | \$ (65.9) | \$ (61.7) | \$ (48.7) |
| Change in fair value (1) | (1.5) | (4.2) | (13.0) |
| Ending balance | <u>\$ (67.4)</u> | <u>\$ (65.9)</u> | <u>\$ (61.7)</u> |

(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 \$(1.2) million, \$(3.1) million, and \$(9.8) million for the years ended December 31, 2021, 2020, and 2019, respectively.

The significant unobservable inputs used in the fair value measurements of these Level 3 liabilities were as follows:

| | December 31, 2021 | Valuation Technique | Significant Unobservable Inputs | Input Value |
|---------------------------------|------------------------------|-----------------------------|---|--------------------|
| | <i>(in millions)</i> | | | |
| Junior subordinated debt | \$ 67.4 | Discounted cash flow | Implied credit rating of the Company | 2.61 % |
| | <i>(in millions)</i> | | | |
| | December 31, 2020 | Valuation Technique | Significant Unobservable Inputs | Input Value |
| Junior subordinated debt | \$ 65.9 | Discounted cash flow | Implied credit rating of the Company | 2.87 % |

The significant unobservable inputs used in the fair value measurement of the Company's junior subordinated debt as of December 31, 2021 and 2020 was the implied credit risk for the Company. As of December 31, 2021 and 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, 2021, the Company estimates the discount rate at 2.61%, which represents an implied credit spread of 2.40% plus three-month LIBOR (0.21%). As of December 31, 2020, the Company estimated the discount rate at 2.87%, which was a 2.64% credit spread plus three-month LIBOR (0.24%).

The change in Level 3 assets and liabilities measured at fair value on a recurring basis included in income was as follows:

| | Year Ended December 31, 2021 | | |
|---|------------------------------|---------------------------|--|
| | Loans held for sale | Mortgage servicing rights | Net interest rate lock commitments (1) |
| | <i>(in millions)</i> | | |
| Balance, December 31, 2020 | \$ — | \$ — | \$ — |
| Acquired in AmeriHome acquisition | 0.7 | 1,347.0 | 23.7 |
| Purchases and additions | 131.7 | 763.8 | 23,045.4 |
| Settlement of interest rate lock commitments upon acquisition or origination of loans HFS | — | — | (23,054.3) |
| Sales and payments | (93.4) | (1,270.7) | — |
| Transfers from Level 2 to Level 3 | 7.3 | — | — |
| Transfers from Level 3 to Level 2 | (0.8) | — | — |
| Change in fair value | — | (2.5) | (5.4) |
| Realization of cash flows | — | (139.6) | — |
| Balance, December 31, 2021 | <u>\$ 45.5</u> | <u>\$ 698.0</u> | <u>\$ 9.4</u> |
| Unrealized (losses) gains included in income related to assets held at period end | \$ 0.1 | \$ (19.5) | \$ 9.4 |

(1) Interest rate lock commitment asset and liability positions are presented net.

The significant unobservable inputs used in the fair value measurements of these Level 3 assets and liabilities were as follows:

| Asset/liability | Key inputs | December 31, 2021 | |
|---------------------------------|--|-------------------|------------------|
| | | Range | Weighted average |
| Mortgage servicing rights: | Option adjusted spread (in basis points) | 553 - 735 | 600 |
| | Conditional prepayment rate (1) | 9.9% - 20.7% | 15.2 |
| | Recapture rate | 20.0% - 20.0% | 20 |
| | Servicing fee rate (in basis points) | 25.0 - 50.0 | 29.5 |
| | Cost to service | \$84 - \$91 | 86 |
| Loans held for sale: | Whole loan spread to TBA price (in basis points) | (3.65) - (2.86) | (3.3) |
| Interest rate lock commitments: | Servicing fee multiple | 3.6 - 5.4 | 4.6 |
| | Pull-through rate | 75% - 100% | 90 |

(1) Lifetime total prepayment speed annualized.

The following is a summary of the difference between the aggregate fair value and the aggregate UPB of loans HFS for which the fair value option has been elected:

| | December 31, 2021 | | |
|------------------------------------|----------------------|--------------------------|-----------------|
| | Fair value | Unpaid principal balance | Difference |
| | <i>(in millions)</i> | | |
| Loans held for sale: | | | |
| Current through 89 days delinquent | \$ 3,937.5 | \$ 3,807.3 | \$ 130.2 |
| 90 days or more delinquent | 2.2 | 2.2 | — |
| Total | <u>\$ 3,939.7</u> | <u>\$ 3,809.5</u> | <u>\$ 130.2</u> |

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) |
| <i>(in millions)</i> | | | | |
| As of December 31, 2021 | | | | |
| Loans HFI | \$ 216.0 | \$ — | \$ — | \$ 216.0 |
| Other assets acquired through foreclosure | 11.7 | — | — | 11.7 |
| As of December 31, 2020 | | | | |
| Loans HFI | \$ 187.3 | \$ — | \$ — | \$ 187.3 |
| Other assets acquired through foreclosure | 1.4 | — | — | 1.4 |

For Level 3 assets measured at fair value on a nonrecurring basis as of December 31, 2021 and 2020, the significant unobservable inputs used in the fair value measurements were as follows:

| | December 31, 2021 | Valuation Technique(s) | Significant Unobservable Inputs | Range | |
|---|----------------------|-----------------------------|--|------------------------|---------------|
| | <i>(in millions)</i> | | | | |
| Loans HFI | \$ 216.0 | Collateral method | Third party appraisal | Costs to sell | 6.0% to 10.0% |
| | | | Discount rate | Contractual loan rate | 3.0% to 6.0% |
| | | Discounted cash flow method | 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 | 11.7 | Collateral method | Third party appraisal | Costs to sell | 4.0% to 10.0% |
| <i>(in millions)</i> | | | | | |
| | December 31, 2020 | Valuation Technique(s) | Significant Unobservable Inputs | Range | |
| | <i>(in millions)</i> | | | | |
| Loans HFI | \$ 187.3 | Collateral method | Third party appraisal | Costs to sell | 4.0% to 10.0% |
| | | | Discount rate | Contractual loan rate | 2.0% to 7.0% |
| | | Discounted cash flow method | 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% |

Loans HFI: Loans measured at fair value on a nonrecurring basis include collateral dependent loans. 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 \$216.0 million and \$187.3 million at December 31, 2021 and 2020, respectively, net of a specific valuation allowance of \$10.8 million and \$8.9 million at December 31, 2021 and 2020, 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 and 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 \$11.7 million and \$1.4 million of such assets at December 31, 2021 and 2020, respectively.

Fair Value of Financial Instruments

The estimated fair value of the Company's financial instruments is as follows:

| | December 31, 2021 | | | | |
|-------------------------------|-------------------|------------|----------------------|----------|-------------|
| | Carrying Amount | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| | | | <i>(in millions)</i> | | |
| Financial assets: | | | | | |
| Investment securities: | | | | | |
| HTM | \$ 1,107.1 | \$ — | \$ 1,146.4 | \$ — | \$ 1,146.4 |
| AFS | 6,188.8 | 40.4 | 6,148.4 | — | 6,188.8 |
| Equity securities | 158.5 | 141.3 | 17.2 | — | 158.5 |
| Derivative assets | 50.2 | — | 39.2 | 11.0 | 50.2 |
| Loans HFS | 5,635.1 | — | 3,894.2 | 1,760.2 | 5,654.4 |
| Loans HFI, net | 38,822.9 | — | — | 39,218.2 | 39,218.2 |
| Mortgage servicing rights | 698.0 | — | — | 698.0 | 698.0 |
| Accrued interest receivable | 227.9 | — | 227.9 | — | 227.9 |
| Financial liabilities: | | | | | |
| Deposits | \$ 47,612.0 | \$ — | \$ 47,615.5 | \$ — | \$ 47,615.5 |
| Other borrowings | 1,501.9 | — | 1,518.4 | — | 1,518.4 |
| Qualifying debt | 895.8 | — | 857.3 | 81.3 | 938.6 |
| Derivative liabilities | 99.8 | — | 98.2 | 1.6 | 99.8 |
| Accrued interest payable | 9.2 | — | 9.2 | — | 9.2 |
| | | | | | |
| | | | December 31, 2020 | | |
| | Carrying Amount | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| | | | <i>(in millions)</i> | | |
| Financial assets: | | | | | |
| Investment securities: | | | | | |
| HTM | \$ 1,107.1 | \$ — | \$ 1,146.4 | \$ — | \$ 1,146.4 |
| AFS | 6,188.8 | 40.4 | 6,148.4 | — | 6,188.8 |
| Equity securities | 158.5 | 141.3 | 17.2 | — | 158.5 |
| Loans HFS | 5,635.1 | — | 3,894.2 | 1,760.2 | 5,654.4 |
| Mortgage servicing rights | 698.0 | — | — | 698.0 | 698.0 |
| Accrued interest receivable | 227.9 | — | 227.9 | — | 227.9 |
| Financial liabilities: | | | | | |
| Deposits | \$ 31,930.5 | \$ — | \$ 31,935.9 | \$ — | \$ 31,935.9 |
| Other borrowings | 21.0 | — | 21.0 | — | 21.0 |
| 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 |

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, 2021 and 2020 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, 2021 and 2020.

20. 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 connection with its adoption of CECL on January 1, 2020, the Company elected the five-year CECL transition option that delays the estimated impact on regulatory capital resulting from the adoption of CECL. As a result of this election, the estimated impact of CECL on regulatory capital relative to regulatory capital determined under the prior incurred loss methodology has been delayed for two years, followed by a three-year transition period to phase out the aggregate amount of capital benefit provided during the initial two-year delay. As a result, capital ratios and amounts as of December 31, 2021 exclude the impact of the increased allowance for credit losses related to the adoption of ASC 326.

As of December 31, 2021 and 2020, 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:

| | <u>Total Capital</u> | <u>Tier 1 Capital</u> | <u>Risk- Weighted Assets</u> | <u>Tangible Average Assets</u> | <u>Total Capital Ratio</u> | <u>Tier 1 Capital Ratio</u> | <u>Tier 1 Leverage Ratio</u> | <u>Common Equity Tier 1</u> |
|------------------------------|--------------------------|---------------------------|--------------------------------------|--|------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| <i>(dollars in millions)</i> | | | | | | | | |
| December 31, 2021 | | | | | | | | |
| WAL | \$ 5,499.0 | \$ 4,444.3 | \$ 44,697.0 | \$ 56,972.9 | 12.3 % | 9.9 % | 7.8 % | 9.1 % |
| WAB | 5,119.9 | 4,657.5 | 44,726.1 | 56,961.6 | 11.4 | 10.4 | 8.2 | 10.4 |
| Well-capitalized ratios | | | | | 10.0 | 8.0 | 5.0 | 6.5 |
| Minimum capital ratios | | | | | 8.0 | 6.0 | 4.0 | 4.5 |
| 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 |

With the acquisition of AmeriHome, the Company is also required to maintain specified levels of capital to remain in good standing with certain federal government agencies, including FNMA, FHLMC, GNMA, and HUD. These capital requirements are generally tied to the unpaid balances of loans included in the Company's servicing portfolio or loan production volume. Noncompliance with these capital requirements can result in various remedial actions up to, and including, removing the Company's ability to sell loans to and service loans on behalf of the respective agency. The Company believes that it is in compliance with these requirements as of December 31, 2021.

21. 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 2021) of their annual compensation. The Company may elect to match a discretionary amount each year, which was 100% of the first 5% of the participant's compensation deferred into the plan during the year ended December 31, 2021. The Company's contributions to this plan totaled \$12.0 million, \$7.1 million, and \$6.2 million for the years ended December 31, 2021, 2020, and 2019, respectively.

In addition, the Company has a SERP, which is 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 projected benefit obligation was \$13.1 million as of December 31, 2021 and \$13.6 million as of December 31, 2020, all of which was unfunded. Net periodic benefit cost totaled \$1.1 million for each of the years ended December 31, 2021, 2020 and 2019.

22. 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 for such loans:

| | Year Ended December 31, | |
|----------------------|-------------------------|---------------|
| | 2021 | 2020 |
| | <i>(in millions)</i> | |
| Balance, beginning | \$ 3.3 | \$ 3.8 |
| New loans | — | — |
| Advances | — | — |
| Repayments and other | (3.3) | (0.5) |
| Balance, ending | <u>\$ —</u> | <u>\$ 3.3</u> |

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, 2021 or 2020. The interest income associated with these loans was approximately \$0.1 million for the year ended December 31, 2021 and \$0.2 million for each of the years ended December 31, 2020 and 2019.

Loan commitments outstanding with related parties totaled \$7.0 million and \$10.3 million at December 31, 2021 and 2020, respectively.

The Company also accepts deposits from related parties, which totaled \$101.3 million and \$156.9 million at December 31, 2021 and 2020, respectively, with related interest expense of approximately \$0.2 million during each of the years ended December 31, 2021 and 2020, and \$0.3 million during the year ended December 31, 2019.

Donations, sponsorships, and other payments to related parties totaled less than \$1.0 million during each of the years ended December 31, 2021, 2020, and 2019.

23. 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, | |
|--|----------------------|-------------------|
| | 2021 | 2020 |
| | <i>(in millions)</i> | |
| ASSETS: | | |
| Cash and cash equivalents | \$ 79.0 | \$ 55.5 |
| Investment securities - AFS | 0.5 | 5.1 |
| Investment securities - equity | 41.5 | 49.8 |
| Investment in bank subsidiaries | 5,433.6 | 3,493.5 |
| Investment in non-bank subsidiaries | 66.6 | 49.9 |
| Other assets | 22.5 | 18.0 |
| Total assets | <u>\$ 5,643.7</u> | <u>\$ 3,671.8</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY: | | |
| Qualifying debt | \$ 673.0 | \$ 251.5 |
| Accrued interest and other liabilities | 8.0 | 6.8 |
| Total liabilities | <u>681.0</u> | <u>258.3</u> |
| Total stockholders' equity | <u>4,962.7</u> | <u>3,413.5</u> |
| Total liabilities and stockholders' equity | <u>\$ 5,643.7</u> | <u>\$ 3,671.8</u> |

WESTERN ALLIANCE BANCORPORATION

Condensed Income Statements

| | Year Ended December 31, | | |
|---|-------------------------|-----------------|-----------------|
| | 2021 | 2020 | 2019 |
| | <i>(in millions)</i> | | |
| Income: | | | |
| Dividends from subsidiaries | \$ 50.0 | \$ 160.0 | \$ 134.0 |
| Interest income | 3.2 | 3.1 | 2.8 |
| Non-interest income | 13.4 | 4.7 | 5.1 |
| Total income | <u>66.6</u> | <u>167.8</u> | <u>141.9</u> |
| Expense: | | | |
| Interest expense | 19.5 | 10.6 | 14.6 |
| Non-interest expense | 31.9 | 19.7 | 19.5 |
| Total expense | <u>51.4</u> | <u>30.3</u> | <u>34.1</u> |
| Income before income taxes and equity in undistributed earnings of subsidiaries | 15.2 | 137.5 | 107.8 |
| Income tax benefit | 7.4 | 4.5 | 5.7 |
| Income before equity in undistributed earnings of subsidiaries | 22.6 | 142.0 | 113.5 |
| Equity in undistributed earnings of subsidiaries | 876.6 | 364.6 | 385.7 |
| Net income | <u>899.2</u> | <u>506.6</u> | <u>499.2</u> |
| Dividends on preferred stock | 3.5 | — | — |
| Net income available to common stockholders | <u>\$ 895.7</u> | <u>\$ 506.6</u> | <u>\$ 499.2</u> |

Western Alliance Bancorporation

Condensed Statements of Cash Flows

| | Year Ended December 31, | | |
|--|-------------------------|----------------|----------------|
| | 2021 | 2020 | 2019 |
| | <i>(in millions)</i> | | |
| Cash flows from operating activities: | | | |
| Net income | \$ 899.2 | \$ 506.6 | \$ 499.2 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Equity in net undistributed earnings of subsidiaries | (876.6) | (364.6) | (385.7) |
| Junior subordinated debt change in fair value | (0.1) | — | — |
| Loss on extinguishment of debt | 5.9 | — | — |
| Other operating activities, net | (1.4) | 8.0 | 9.9 |
| Net cash provided by operating activities | 27.0 | 150.0 | 123.4 |
| Cash flows from investing activities: | | | |
| Purchases of securities | (16.0) | (6.9) | (10.8) |
| Principal pay downs, calls, maturities, and sales proceeds of securities | 28.6 | 7.7 | 19.0 |
| Capital contributions to subsidiaries | (1,139.3) | — | — |
| Other investing activities, net | — | 1.2 | — |
| Net cash (used in) provided by investing activities | (1,126.7) | 2.0 | 8.2 |
| Cash flows from financing activities: | | | |
| Net proceeds from issuance of subordinated debt | 591.9 | — | — |
| Common stock repurchases | — | (71.6) | (120.2) |
| Redemption of subordinated debt | (176.0) | — | — |
| Proceeds from issuance of common stock in offerings, net | 540.3 | — | — |
| Cash dividends paid on common and preferred stock | (127.6) | (101.3) | (51.3) |
| Proceeds from issuance of preferred stock, net | 294.5 | — | — |
| Other financing activities, net | 0.1 | 0.5 | 0.1 |
| Net cash provided by (used in) financing activities | 1,123.2 | (172.4) | (171.4) |
| Net increase (decrease) in cash and cash equivalents | 23.5 | (20.4) | (39.8) |
| Cash and cash equivalents at beginning of year | 55.5 | 75.9 | 115.7 |
| Cash and cash equivalents at end of year | \$ 79.0 | \$ 55.5 | \$ 75.9 |

24. SEGMENTS

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 consumer banking services, such as residential mortgage banking, and commercial banking services to enterprises in consumer-related sectors.
- 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 20% 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 |
|---|-------------------------|--------------------|---------------------|----------------------|
| <i>(in millions)</i> | | | | |
| At December 31, 2021: | | | | |
| Assets: | | | | |
| Cash, cash equivalents, and investment securities | \$ 8,057.3 | \$ 12.9 | \$ 82.4 | \$ 7,962.0 |
| Loans held for sale | 5,635.1 | — | 5,635.1 | — |
| Loans, net of deferred fees and costs | 39,075.4 | 25,092.4 | 13,983.0 | — |
| Less: allowance for credit losses | (252.5) | (226.0) | (26.5) | — |
| Total loans | <u>38,822.9</u> | <u>24,866.4</u> | <u>13,956.5</u> | <u>—</u> |
| Other assets acquired through foreclosure, net | 11.7 | 11.7 | — | — |
| Goodwill and other intangible assets, net | 634.8 | 294.7 | 340.1 | — |
| Other assets | 2,820.8 | 253.8 | 1,278.1 | 1,288.9 |
| Total assets | <u>\$ 55,982.6</u> | <u>\$ 25,439.5</u> | <u>\$ 21,292.2</u> | <u>\$ 9,250.9</u> |
| Liabilities: | | | | |
| Deposits | \$ 47,612.0 | \$ 30,466.8 | \$ 15,362.9 | \$ 1,782.3 |
| Borrowings and qualifying debt | 2,381.1 | — | 353.2 | 2,027.9 |
| Other liabilities | 1,026.9 | 233.4 | 138.2 | 655.3 |
| Total liabilities | <u>51,020.0</u> | <u>30,700.2</u> | <u>15,854.3</u> | <u>4,465.5</u> |
| Allocated equity: | <u>4,962.6</u> | <u>2,588.0</u> | <u>1,596.2</u> | <u>778.4</u> |
| Total liabilities and stockholders' equity | <u>\$ 55,982.6</u> | <u>\$ 33,288.2</u> | <u>\$ 17,450.5</u> | <u>\$ 5,243.9</u> |
| Excess funds provided (used) | — | 7,848.7 | (3,841.7) | (4,007.0) |

| | Consolidated Company | Commercial | Consumer Related | Corporate |
|---|-------------------------|--------------------|---------------------|-------------------|
| <i>(in millions)</i> | | | | |
| At December 31, 2020: | | | | |
| Assets: | | | | |
| Cash, cash equivalents, and investment securities | \$ 8,176.5 | \$ 12.0 | \$ 45.6 | \$ 8,118.9 |
| Loans, net of deferred fees and costs | 27,053.0 | 20,245.8 | 6,798.2 | 9.0 |
| Less: allowance for loan losses | (278.9) | (263.4) | (15.4) | (0.1) |
| Total loans | <u>26,774.1</u> | <u>19,982.4</u> | <u>6,782.8</u> | <u>8.9</u> |
| 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 | <u>\$ 36,461.0</u> | <u>\$ 20,548.9</u> | <u>\$ 6,927.4</u> | <u>\$ 8,984.7</u> |
| 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 | <u>33,047.5</u> | <u>21,618.4</u> | <u>9,940.1</u> | <u>1,489.0</u> |
| Allocated equity: | <u>3,413.5</u> | <u>1,992.2</u> | <u>579.1</u> | <u>842.2</u> |
| Total liabilities and stockholders' equity | <u>\$ 36,461.0</u> | <u>\$ 23,610.6</u> | <u>\$ 10,519.2</u> | <u>\$ 2,331.2</u> |
| Excess funds provided (used) | — | 3,061.7 | 3,591.8 | (6,653.5) |

The following is a summary of operating segment income statement information for the periods indicated:

| | Consolidated Company | Commercial | Consumer Related (1) | Corporate & Other |
|---|-------------------------|----------------------|-------------------------|----------------------|
| Year Ended December 31, 2021: | | | | |
| | | <i>(in millions)</i> | | |
| Net interest income | \$ 1,548.8 | \$ 1,181.7 | \$ 603.4 | \$ (236.3) |
| (Recovery of) provision for credit losses | (21.4) | (30.6) | 11.0 | (1.8) |
| Net interest income (expense) after provision for credit losses | <u>1,570.2</u> | <u>1,212.3</u> | <u>592.4</u> | <u>(234.5)</u> |
| Non-interest income | 404.2 | 65.1 | 317.6 | 21.5 |
| Non-interest expense | <u>851.4</u> | <u>415.9</u> | <u>413.9</u> | <u>21.6</u> |
| Income (loss) before income taxes | 1,123.0 | 861.5 | 496.1 | (234.6) |
| Income tax expense (benefit) | <u>223.8</u> | <u>206.6</u> | <u>120.1</u> | <u>(102.9)</u> |
| Net income (loss) | <u>\$ 899.2</u> | <u>\$ 654.9</u> | <u>\$ 376.0</u> | <u>\$ (131.7)</u> |

(1) Includes the financial results of AmeriHome following the acquisition on April 7, 2021, which contributed approximately 40% and 25% to net revenue and net income for the Consumer Related segment, respectively.

| | Consolidated Company | Commercial | Consumer Related | Corporate |
|---|-------------------------|----------------------|---------------------|-------------------|
| Year Ended December 31, 2020: | | | | |
| | | <i>(in millions)</i> | | |
| 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 (expense) after provision for credit losses | <u>1,043.3</u> | <u>871.1</u> | <u>311.5</u> | <u>(139.3)</u> |
| Non-interest income | 70.8 | 50.5 | 1.6 | 18.7 |
| Non-interest expense | <u>491.6</u> | <u>308.9</u> | <u>92.6</u> | <u>90.1</u> |
| Income (loss) before income taxes | 622.5 | 612.7 | 220.5 | (210.7) |
| Income tax expense (benefit) | <u>115.9</u> | <u>147.6</u> | <u>52.3</u> | <u>(84.0)</u> |
| Net income (loss) | <u>\$ 506.6</u> | <u>\$ 465.1</u> | <u>\$ 168.2</u> | <u>\$ (126.7)</u> |

| | Consolidated Company | Commercial | Consumer Related | Corporate & Other |
|---|-------------------------|----------------------|---------------------|----------------------|
| Year Ended December 31, 2019: | | | | |
| | | <i>(in millions)</i> | | |
| 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 | <u>1,021.1</u> | <u>826.1</u> | <u>201.6</u> | <u>(6.6)</u> |
| Non-interest income | 65.1 | 50.4 | 1.4 | 13.3 |
| Non-interest expense | <u>482.0</u> | <u>320.6</u> | <u>96.7</u> | <u>64.7</u> |
| Income (loss) before income taxes | 604.2 | 555.9 | 106.3 | (58.0) |
| Income tax expense (benefit) | <u>105.0</u> | <u>134.7</u> | <u>24.8</u> | <u>(54.5)</u> |
| Net income | <u>\$ 499.2</u> | <u>\$ 421.2</u> | <u>\$ 81.5</u> | <u>\$ (3.5)</u> |

25. 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. The majority of the Company's revenue streams 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.

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. For services provided at a point in time, fees are recognized at the time such services are rendered. The Company had no material unsatisfied performance obligations as of December 31, 2021 or 2020.

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. Interchange fees on credit and debit cards are included as part of Commercial banking related income in the Consolidated Income Statements. The Company considers the merchant its customer in these transactions as the Company provides the merchant with the service of providing nightly settlement services between the payment 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, the Company acts as an agent. Interchange fees are 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 upon occurrence of a triggering event and are included as part of Income from equity investments in the Consolidated Income Statements. 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 as the transaction price can vary and is contingent on the occurrence or non-occurrence of a triggering event.

Revenues within the scope of ASC 606 totaled \$37.6 million, \$29.9 million, and \$31.1 million for the years ended December 31, 2021, 2020, and 2019, respectively.

26. SUBSEQUENT EVENTS

On January 25, 2022, the Company completed the acquisition of Digital Settlement Technologies LLC, doing business as Digital Disbursements, a digital payments platform for the class action legal industry. The acquisition of Digital Disbursements is expected to extend the Company's digital payment efforts by providing a digital payments platform for the class action market and broader legal industry.

Due to the limited time since the closing of the acquisition, the valuation efforts and related acquisition accounting are incomplete at the time of filing of these Consolidated Financial Statements. As a result, the Company is unable to provide amounts recognized as of the acquisition date for major classes of assets and liabilities acquired. The Company will record the assets acquired and liabilities assumed at their fair values as of the acquisition date.

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). As permitted by guidance provided by the staff of the U.S. Securities and Exchange Commission, the scope of management's assessment of internal control over financial reporting as of December 31, 2021 has excluded the Company's wholly-owned subsidiary, AmeriHome Mortgage Company, LLC, which was acquired on April 7, 2021. 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, 2021, 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. The scope of the Company's assessment of the design and effectiveness of AmeriHome Mortgage Company LLC's internal control over financial reporting for the year ended December 31, 2021 excluded this acquired business. AmeriHome's total assets and total revenue as of and for the year ended December 31, 2021 represented 13% and 12% of total consolidated assets and revenue, respectively. This acquired business will be included in management's assessment of the effectiveness of the Company's internal controls over financial reporting as of December 31, 2022. Based on this assessment, management determined that the Company maintained effective internal control over financial reporting as of December 31, 2021, 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, 2021. Their report, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2021, 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, 2021, 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, 2021, 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, 2021 and 2020, and 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, 2021 of the Company and our report, dated February 25, 2022, expressed an unqualified opinion.

As described in Management's Report on Internal Control Over Financial Reporting, management has excluded AmeriHome Mortgage Company, LLC from its assessment of internal control over financial reporting as of December 31, 2021, because it was acquired by the Company in a purchase business combination on April 7, 2021. We have also excluded AmeriHome Mortgage Company, LLC from our audit of internal control over financial reporting. AmeriHome Mortgage Company, LLC is a wholly owned subsidiary whose total assets and net income represent approximately 13% and 12%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2021.

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

Los Angeles, California
February 25, 2022

Item 9B. Other Information

Not applicable.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information in the Company's Definitive Proxy Statement prepared for the 2022 Annual Meeting of Stockholders to be held on June 14, 2022, which contains information concerning this item under the captions Corporate Governance, Executive Officers, and Delinquent Section 16(a) Reports, is incorporated herein by reference.

Item 11. Executive Compensation

The information in the Company's Definitive Proxy Statement prepared for the 2022 Annual Meeting of Stockholders to be held on June 14, 2022, which contains information concerning this item under the captions Executive Compensation - Compensation Discussion and Analysis, Compensation Tables and CEO Pay Ratio, is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information in the Company's Definitive Proxy Statement prepared for the 2022 Annual Meeting of Stockholders to be held on June 14, 2022, which contains information concerning this item under the caption Security Ownership of Certain Beneficial Owners, Directors and Executive Officers, is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information in the Company's Definitive Proxy Statement prepared for the 2022 Annual Meeting of Stockholders to be held on June 14, 2022, which contains information concerning this item under the caption Certain Transactions with Related Parties and Director Independence, is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information in the Company's Definitive Proxy Statement prepared for the 2022 Annual Meeting of Stockholders to be held on June 14, 2022, which contains information concerning this item under the caption Independent Auditors - Fees and Services, is incorporated herein by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(1) The following financial statements are incorporated by reference from Item 8 hereto:

| | |
|---|----|
| Report of Independent Registered Public Accounting Firm | 73 |
| Consolidated Balance Sheets as of December 31, 2021 and 2020 | 77 |
| Consolidated Income Statements for the three years ended December 2021, 2020, and 2019 | 78 |
| Consolidated Statements of Comprehensive Income for the three years ended December 31, 2021, 2020, and 2019 | 79 |
| Consolidated Statements of Stockholders' Equity for the three years ended December 31, 2021, 2020, and 2019 | 80 |
| Consolidated Statements of Cash Flows for the three years ended December 31, 2021, 2020, and 2019 | 81 |
| Notes to Consolidated Financial Statements | 83 |

(2) *Financial Statement Schedules*

Not applicable.

EXHIBITS

- 1.1 Distribution Agreement, dated June 3, 2021, by and between Western Alliance Bancorporation and J.P. Morgan Securities LLC (incorporated by reference to Exhibit 1.1 of Western Alliance's Form 8-K filed with the SEC on June 3, 2021).
- 1.2 Amendment to the Distribution Agreement, dated November 18, 2021, by and between Western Alliance Bancorporation, J.P. Morgan Securities LLC and Piper Sandler & Co. (incorporated by reference to Exhibit 1.1 of Western Alliance's Form 8-K filed with the SEC on November 19, 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).
- 3.6 Certificate of Amendment designating the 4.250% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series A, effective September 22, 2021 (incorporated by reference to Exhibit 3.1 of Western Alliance's Form 8-K filed with the SEC on September 22, 2021).
- 4.1 * Description of Securities of the Registrant
- 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 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).
- 4.4 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).
- 4.5 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).
- 4.6 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).
- 4.7 Subordinated Debt Indenture, dated as of June 7, 2021, by and between Western Alliance Bancorporation and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 of Western Alliance's Form 8-K filed with the SEC on June 7, 2021).
- 4.8 First Supplemental Indenture to the Subordinated Indenture for the 3.00% Fixed to Floating Rate Subordinated Notes due 2031, dated June 7, 2021, by and between Western Alliance Bancorporation and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 of Western Alliance's Form 8-K filed with the SEC on June 7, 2021).
- 4.9 Form of Global Note for the 3.00% Fixed to Floating Rate Subordinated Notes due 2031 (incorporated by reference to Exhibit 4.3 of Western Alliance's Form 8-K filed with the SEC on June 7, 2021).
- 4.10 Note Purchase Agreement, dated June 28, 2021, for the Senior Unsecured Credit Linked Notes due December 30, 2024, by and among Western Alliance Bank and the purchasers listed in the Note Purchase Agreement (incorporated by reference to Exhibit 4.1 of Western Alliance's Form 8-K filed with the SEC on June 28, 2021).
- 4.11 Note Issuance and Administration Agreement, dated December 29, 2021, for the Senior Unsecured Credit Linked Notes due July 2029, by and between Western Alliance Bank and Computershare Trust Company, N.A. as the securities administrator (incorporated by reference to Exhibit 4.1 of Western Alliance's Form 8-K filed with the SEC on January 3, 2022).
- 4.12 Deposit Agreement (including the Form of Depositary Receipt), dated September 22, 2021, by and among Western Alliance Bancorporation, Computershare Inc. and Computershare Trust Company, N.A., and the holders from time to time of Depositary Receipts described therein (incorporated by reference to Exhibit 4.1 of Western Alliance's Form 8-K filed with the SEC on September 22, 2021).
- 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 Severance and Change in Control Plan, as amended and restated effective as of July 28, 2021 (incorporated by reference to Exhibit 10.2 of Western Alliance's Form 10-Q filed with the SEC on July 30, 2022). ±
- 10.9 Form of Executive Participation Agreement under the Severance and Change in Control Plan (CEO) (incorporated by reference to Exhibit 10.3 of Western Alliance's Form 10-Q filed with the SEC on July 30, 2022). ±
- 10.10 Form of Executive Participation Agreement under the Severance and Change in Control Plan (non-CEO) (incorporated by reference to Exhibit 10.4 of Western Alliance's Form 10-Q filed with the SEC on July 30, 2022). ±
- 10.11 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). ±
- 10.12 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). ±
- 10.13 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). ±
- 10.14 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, 2021, formatted in Inline XBRL (contained in Exhibit 101).

* Filed herewith.

** Furnished herewith.

± Management contract or compensatory arrangement.

Certain instruments defining the rights of holders of AmeriHome's 6.5% senior notes (principal amount of \$300 million) due 2028 are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. The Company hereby undertakes to furnish to the SEC, upon request, copies of any such instruments.

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, 2022

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, 2022.

| Name | Title |
|---------------------------|--|
| /s/ Kenneth A. Vecchione | President and Chief Executive Officer |
| Kenneth A. Vecchione | (Principal Executive Officer) |
| /s/ Robert Sarver | Executive Chairman |
| Robert Sarver | |
| /s/ Dale Gibbons | Vice Chairman and Chief Financial Officer |
| Dale Gibbons | (Principal Financial Officer) |
| /s/ J. Kelly Ardrey Jr. | Senior Vice President and Chief Accounting Officer |
| J. Kelly Ardrey Jr. | (Principal Accounting Officer) |
| /s/ Bruce D. Beach | Director |
| Bruce D. Beach | |
| /s/ Juan Figuereo | Director |
| Juan Figuereo | |
| /s/ Howard Gould | Director |
| Howard Gould | |
| /s/ Steven J. Hilton | Director |
| Steven J. Hilton | |
| /s/ Marianne Boyd Johnson | Director |
| Marianne Boyd Johnson | |
| /s/ Robert Latta | Director |
| Robert Latta | |
| /s/ Adriane C. McFetridge | Director |
| Adriane C. McFetridge | |
| /s/ Michael Patriarca | Director |
| Michael Patriarca | |
| /s/ Bryan Segedi | Director |
| Bryan Segedi | |
| /s/ Donald D. Snyder | Director |
| Donald D. Snyder | |
| /s/ Sung Won Sohn | Director |
| Sung Won Sohn | |

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

As of December 31, 2021, Western Alliance Bancorporation (“Western Alliance,” “we,” “us,” “our,” or the “Company”) had two classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”): (i) common stock, \$0.0001 par value per share (the “common stock”); and (ii) depositary shares (the “depositary shares”), each representing a 1/400th interest in a share of 4.250% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series A (the “Series A Preferred Stock”). Each of the Company’s securities registered under Section 12 of the Exchange Act are listed on The New York Stock Exchange.

DESCRIPTION OF COMMON STOCK

The following description is a general summary of the terms of our common stock. The description below does not purport to be complete and is subject to and qualified in its entirety by reference to our certificate of incorporation and bylaws. The description herein does not contain all of the information that you may find useful or that may be important to you. You should refer to the provisions of our certificate of incorporation, bylaws, and the applicable provisions of the Delaware General Corporation Law (the “DGCL” or “Delaware Law”) because they, and not the summary, define the rights of holders of shares of our common stock.

General

Our certificate of incorporation provides the authority to issue 200,000,000 shares of common stock, par value \$0.0001 per share. Each share of our common stock has the same relative rights and is identical in all respects to each other share of our common stock. Our common stock is non-withdrawable capital, is not of an insurable type and is not insured by the Federal Deposit Insurance Corporation or any other governmental entity.

Voting Rights

Holders of our common stock are entitled to one vote per share on each matter properly submitted to stockholders for their vote, including the election of directors. Holders of our common stock do not have the right to cumulate their votes for the election of directors, which means that the holders of more than 50% of the shares of common stock voting for the election of directors can elect 100% of the directors standing for election at any meeting if they choose to do so. In that event, the holders of the remaining shares voting for the election of directors will not be able to elect any person or persons to our board of directors at that meeting. Generally, in matters other than the election of directors and business combinations and other extraordinary transactions, the affirmative vote of the majority of shares present and entitled to vote on the subject matter constitutes the act of the stockholders. A nominee to our board of directors will be elected, in uncontested elections (as defined in our bylaws), if the votes cast for such nominee’s election exceed the votes cast against such nominee’s election. In all director elections other than uncontested elections, the vote standard will continue to be a plurality of votes cast, and stockholders shall not be permitted to vote against any nominee for director.

Liquidation Rights

The holders of our common stock and the holders of any class or series of stock entitled to participate with the holders of our common stock as to the distribution of assets in the event of any liquidation, dissolution or winding-up of us, whether voluntary or involuntary, will become entitled to participate equally in the distribution of any of our assets remaining after we have paid, or provided for the payment of, all of our debts and liabilities and after we have paid, or set aside for payment, to the holders of any class of stock having preference over the common stock in the event of liquidation, dissolution or winding-up, the full preferential amounts, if any, to which they are entitled.

Dividends

The holders of our common stock and any class or series of stock entitled to participate with the holders of our common stock are entitled to receive dividends declared by our board of directors out of any assets legally available for distribution. The board may declare dividends out of surplus, or if no surplus exists, out of net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year, only if the amount of capital is greater than or equal to the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets. The terms and conditions of other securities we issue may restrict our ability to pay dividends to holders of our common stock. In addition, as a holding company, our

main source of funds to pay dividends is distributions from our subsidiaries and, therefore, our ability to pay distributions is affected by the ability of our subsidiaries to pay dividends. The ability of our bank subsidiary, and our ability, to pay dividends in the future is, and could in the future be further, influenced by bank regulatory requirements and capital guidelines.

Miscellaneous

The holders of our common stock have no preemptive or conversion rights for any shares that may be issued. Our common stock is not subject to additional calls or assessments, and all shares of our common stock currently outstanding are fully paid and non-assessable.

Anti-Takeover Effects of Provisions of our Certificate of Incorporation and Bylaws and Delaware Law

Some provisions of Delaware Law and our certificate of incorporation and bylaws contain provisions that could make it more difficult to (1) acquire us by means of a tender offer, proxy contest or otherwise or (2) remove our incumbent officers and directors. These provisions, summarized below, are intended to encourage persons seeking to acquire control of us to first negotiate with our board of directors. These provisions also serve to discourage hostile takeover practices and inadequate takeover bids.

Undesignated Preferred Stock

Our board of directors has the ability to authorize undesignated preferred stock, which allows the board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any unsolicited attempt to change control of our company. This ability may have the effect of deferring hostile takeovers or delaying changes in control or management of our company.

Special Stockholders' Meetings and Advanced Notice Requirements for Stockholder Proposals

Our certificate of incorporation and bylaws provide that a special meeting of stockholders may be called only by our board of directors, the chairman of the board, or by our chief executive officer or president. In addition, our bylaws require advance notice procedures for stockholder proposals to be brought before an annual meeting of the stockholders, including the nomination of directors. Stockholders at an annual meeting may only consider the proposals specified in the notice of meeting or brought before the meeting by or at the direction of the board, or by a stockholder of record on the record date for the meeting who (1) is entitled to vote at the meeting, (2) has delivered a timely written notice in proper form to our secretary of the stockholder's intention to bring such business before the meeting, (3) attends (or has a qualified representative attend) the stockholder meeting and (4) has otherwise complied with the provisions of our bylaws and applicable law. These provisions could have the effect of delaying any stockholder actions until the next stockholder meeting, even if they are favored by the holders of a majority of our outstanding voting stock.

No Action by Written Consent

Our certificate of incorporation and bylaws do not permit stockholders to act by written consent in lieu of a meeting.

Election and Removal of Directors

Our certificate of incorporation provides for the annual election of directors. Once elected, directors may be removed by the holders of a majority of shares then entitled to vote in an election of directors. In addition, our certificate of incorporation and bylaws provide that any vacancies on the board of directors may be filled only by a majority of the remaining directors.

Amendment of Certain Provisions of our Organizational Documents

Any amendment to our certificate of incorporation must be approved by our board of directors and a majority of the outstanding shares of each class of shares entitled to vote thereon at a duly called annual or special meeting; provided, that in addition to any vote of any class of shares required by law or the certificate of incorporation, the affirmative vote of holders of at least a majority of the voting power of all of the then outstanding shares of our capital stock entitled to vote generally in the election of directors, voting together as a single class, is required to amend certain of the provisions contained in the certificate of incorporation regarding stockholder actions, classification of directors, removal of directors, filling of director vacancies, bylaw amendments, limitation of liability of directors, the exclusive forum for certain litigation, and amendments to the certificate of incorporation.

Our bylaws may be amended by the affirmative vote of a majority of the directors present at a meeting at which a quorum is present or by the affirmative vote of the holders of at least 66-2/3% of the voting power of all of the shares of capital stock issued and outstanding and entitled to vote in any election of directors, voting as a single class.

Business Combinations

We have not opted out of Section 203 of the DGCL, an anti-takeover law, and are therefore subject to its provisions. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination, such as a merger, with a person or group owning 15% or more of the corporation's outstanding voting stock, referred to as an "interested stockholder" under Section 203, for a period of three years following the date the person became an interested stockholder, unless (with certain exceptions) the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner.

These and other provisions of Delaware Law and our certificate of incorporation and bylaws could have the effect of discouraging others from attempting hostile takeovers or delaying changes in control and, as a consequence, they may also inhibit temporary fluctuations in the market price of our common stock that often result from actual or rumored hostile takeover attempts. Such provisions may also have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish transactions which shareholders may otherwise deem to be in their best interests.

NYSE Listing

Our common stock is listed on the New York Stock Exchange under the symbol "WAL."

DESCRIPTION OF PREFERRED STOCK

The following description summarizes the material terms of the Series A Preferred Stock. This summary does not purport to be complete and is qualified in its entirety by reference to the relevant sections of our certificate of incorporation, including the certificate of designation creating the Series A Preferred Stock, our bylaws, and the applicable provisions of the DGCL and federal law governing bank holding companies, because they, and not the summary, define the rights of holders of shares of our Series A Preferred Stock.

General

Our certificate of incorporation authorizes us to issue 20,000,000 shares of preferred stock, in one or more series, and our board of directors is authorized to fix the number of shares of each series and determine the rights, designations, preferences, privileges, limitations, and restrictions of any such series.

Prior to the issuance of the Series A Preferred Stock, we filed the certificate of designation with the Secretary of State of the State of Delaware, which had the effect of amending our existing certificate of incorporation to establish the terms of the Series A Preferred Stock. The certificate of designation initially authorized 30,000 shares of Series A Preferred Stock. We may, upon approval of a majority of the holders of the outstanding shares of Series A Preferred Stock, issue additional shares of Series A Preferred Stock from time to time. We may, without notice or consent of holders of the Series A Preferred Stock, issue additional shares of preferred stock from time to time ranking junior as to dividends and upon liquidation, dissolution, and winding-up of the Company to the Series A Preferred Stock.

We will generally be able to pay dividends and distributions upon our liquidation, dissolution, or winding-up only out of lawfully available funds for such payment (i.e., after taking account of all indebtedness, other non-equity instruments, and other senior claims). When issued, the shares of Series A Preferred Stock will be fully paid and nonassessable, which means that holders of such shares will have paid their purchase price in full and we may not ask them to pay additional funds in respect of their shares of Series A Preferred Stock.

Holders of Series A Preferred Stock will not have preemptive or subscription rights to acquire more of our stock. The Series A Preferred Stock will not be convertible into or exchangeable for our common stock or any other class or series of our capital stock or other securities. The Series A Preferred Stock does not have a stated maturity date, will not be subject to any sinking fund or any other obligation of us for its repurchase, redemption, or retirement, and will be perpetual unless redeemed at our option.

Ranking

Shares of the Series A Preferred Stock will rank, with respect to the payment of dividends and distributions upon our liquidation, dissolution, or winding-up:

- senior to our common stock and to any class or series of our capital stock that we may issue that is not expressly stated to be on parity with or senior to the Series A Preferred Stock;
- on parity with, or equally to, any class or series of our capital stock expressly stated to be on parity with the Series A Preferred Stock, including the Series A Preferred Stock; and
- junior to any class or series of our capital stock expressly stated to be senior to the Series A Preferred Stock (issued with the requisite consent of the holders of at least two-thirds of the outstanding Series A Preferred Stock).

Dividends

Dividends on shares of the Series A Preferred Stock are discretionary, not mandatory, and will not be cumulative. Holders of the Series A Preferred Stock will be entitled to receive, if, when, and as declared by our board of directors or a duly authorized committee of our board of directors, out of legally available assets, non-cumulative cash dividends quarterly in arrears on March 30, June 30, September 30 and December 30 of each year, beginning on December 30, 2021 (each such date being referred to herein as a “dividend payment date”) based on the liquidation preference of \$10,000 per share (equivalent to \$25 per depositary share) at a rate equal to:

- from the date of original issue to, but excluding, the First Reset Date, a fixed rate per annum of 4.250%; and on parity with, or equally to, any class or series of our capital stock expressly stated to be on parity with the Series A Preferred Stock, including the Series A Preferred Stock; and
- from, and including, the First Reset Date, during each reset period, a rate per annum equal to the five-year treasury rate as of the most recent reset date (as described below), plus 3.452% on the liquidation preference of \$10,000 per share.

In the event that we issue additional shares of Series A Preferred Stock after the original issue date, dividends on such shares may accrue from the original issue date or any other date we specify at the time such additional shares are issued. References to the “accrual” of dividends in this “Description of Series A Preferred Stock” refer only to the determination of the amount of such dividend and do not imply that any right to a dividend arises prior to the date on which a dividend is declared. We will not pay interest or any sum of money instead of interest on any dividend payment that may be in arrears on the Series A Preferred Stock.

Dividends will be payable to holders of record of Series A Preferred Stock as they appear on our books on the applicable record date (each such date being referred to herein as a “dividend record date”), which shall be the 15th calendar day before the dividend payment date or such other record date fixed by our board of directors or a duly authorized committee of our board of directors that is not less than 10 calendar days or more than 30 calendar days before the applicable dividend payment date.

A dividend period is the period from and including a dividend payment date to, but excluding, the next dividend payment date or any earlier redemption date, except that the initial dividend period will commence on and include the original issue date of the Series A Preferred Stock and will end on and exclude the first dividend payment date. Any dividend payable on shares of the Series A Preferred Stock for any dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward. If any dividend payment date is not a business day, then the related payment of dividends will be made on the next succeeding business day, and no additional dividends will accrue on such payment.

The term “business day” means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in the City of New York, New York. Dividends on shares of the Series A Preferred Stock will not be cumulative. Accordingly, if our board of directors or a duly authorized committee of our board of directors does not declare a full dividend on the Series A Preferred Stock payable in respect of any dividend period before the related dividend payment date, such dividend will not accrue and we will have no obligation to pay a dividend for that dividend period on the dividend payment date or at any future time, whether or not dividends on the Series A Preferred Stock are declared for any future dividend period.

A “reset date” means the First Reset Date and each date falling on the fifth anniversary of the preceding reset date. Reset dates, including the First Reset Date, will not be adjusted for business days. A “reset period” means the period from, and including, the First Reset Date to, but excluding, the next following reset date and thereafter each period from, and including, each reset date to, but excluding, the next following reset date. A “reset dividend determination date” means, in respect of any reset period, the day falling three business days prior to the beginning of such reset period.

For any reset period commencing on or after the First Reset Date, the five-year treasury rate will be the average of the yields on actively traded U.S. treasury securities adjusted to constant maturity, for five-year maturities, for the five business days immediately preceding the reset dividend determination date for that reset period, appearing under the caption “Treasury Constant Maturities” in the most recently published statistical release designated H.15 Daily Update or any successor publication which is published by the Board of Governors of the Federal Reserve System (the “Federal Reserve”) as of 5:00 p.m. (Eastern Time) as of any reset determination date, as determined by the calculation agent in its sole discretion; provided that if no such calculation can be determined as described above, then:

- if the calculation agent determines that the treasury rate has not been discontinued, then the calculation agent will use for such reset period a substitute base rate that it has determined is most comparable to the treasury rate; or
- if the calculation agent determines that the treasury rate has been discontinued, then the calculation agent will use for such reset period and each successive reset period a substitute or successor base rate that it has determined is most comparable to the treasury rate; provided that, if the calculation agent determines there is an industry-accepted successor base rate to the treasury rate, then the calculation agent shall use such successor base rate.

If the calculation agent has determined a substitute or successor base rate in accordance with second bullet point immediately above but no calculation with respect to such substitute or successor base rate can be determined as of any subsequent reset dividend determination date, then a new substitute or successor base rate shall be determined as set forth in the first or second bullet point immediately above, as applicable, as if the previously-determined substitute or successor base rate was the treasury rate. If the calculation agent has determined a substitute or successor base rate, then the calculation agent will apply any technical, administrative or operational changes that we determine (including changes to the definitions of “dividend period”, “reset period”, “reset date” and “reset dividend determination date”, timing and frequency of determining rates with respect to each reset period and making payments of dividends, rounding of amounts or tenors, and other administrative matters) for calculating such substitute or successor base rate in a manner that is consistent with market practice for such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the treasury rate; provided that, if we decide that adoption of any portion of such market practice is not administratively feasible or if we determine that no market practice for use of the substitute or successor base rate exists, the calculation agent will apply any such changes for calculating such substitute or successor base rate in such other manner as we determine is reasonably necessary.

The five-year treasury rate will be determined by the calculation agent on the third business day immediately preceding the applicable reset date. If the five-year treasury rate for any dividend period cannot be determined pursuant to the methods described in the two bullet points above, the dividend rate for such dividend period will be the same as the dividend rate determined for the immediately preceding dividend period. Dividends on the Series A Preferred Stock will cease to accrue on the redemption date, if any, as described below under “— Redemption,” unless we default in the payment of the redemption price of the shares of the Series A Preferred Stock called for redemption.

Dividends on the Series A Preferred Stock will cease to accrue on the redemption date, if any, as described below under “— Redemption,” unless we default in the payment of the redemption price of the shares of the Series A Preferred Stock called for redemption.

We are not obligated to and will not pay holders of the Series A Preferred Stock any interest or sum of money in lieu of interest on any dividend not paid on a dividend payment date. We are also not obligated to and will not pay holders of the Series A Preferred Stock any dividend in excess of the dividends on the Series A Preferred Stock that are payable as described above.

We are subject to statutory and regulatory prohibitions and other limitations on our ability to declare and pay dividends on the Series A Preferred Stock. Dividends on the Series A Preferred Stock will not be declared, paid, or set aside for payment if we fail to comply, or if and to the extent such act would cause us to fail to comply, with applicable laws and regulations. In particular, dividends on the Series A Preferred Stock may not be declared or set

aside for payment if and to the extent such dividends would cause us to fail to comply with the capital adequacy rules of the Federal Reserve (or, as and if applicable, the capital adequacy rules or regulations of any successor appropriate federal banking agency) applicable to us.

Priority of Dividends

The Series A Preferred Stock will rank junior as to payment of dividends to any class or series of our preferred stock that we may issue in the future that is expressly stated to be senior to the Series A Preferred Stock. If at any time we do not pay, on the applicable dividend payment date, accrued dividends on any shares that rank in priority to the Series A Preferred Stock with respect to dividends, we may not pay any dividends on the Series A Preferred Stock or repurchase, redeem, or otherwise acquire for consideration any shares of Series A Preferred Stock until we have paid, or set aside for payment, the full amount of the unpaid dividends on the shares that rank in priority with respect to dividends that must, under the terms of such shares, be paid before we may pay dividends on, repurchase, redeem, or otherwise acquire for consideration, the Series A Preferred Stock.

So long as any share of Series A Preferred Stock remains outstanding, unless the full dividends for the most recently completed dividend period have been declared and paid, or set aside for payment, on all outstanding shares of Series A Preferred Stock:

- no dividend or distribution shall be declared, paid, or set aside for payment on any junior stock (other than (i) a dividend payable solely in junior stock in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options, or other rights is the same stock as that on which the dividend is being paid or ranks equal or junior to that stock or is other junior stock or (ii) a dividend in connection with the implementation of a shareholders' rights plan, or the issuance of rights, stock, or other property under any such plan, or the redemption or repurchase of any rights under any such plan);
- no junior stock shall be repurchased, redeemed, or otherwise acquired for consideration by us, directly or indirectly (other than (i) as a result of a reclassification of junior stock for or into other junior stock, (ii) the exchange or conversion of shares of junior stock for or into other shares of junior stock, (iii) through the use of the proceeds of a substantially contemporaneous sale of other shares of junior stock, (iv) purchases, redemptions, or other acquisitions of shares of the junior stock in connection with any employment contract, benefit plan, or other similar arrangement with or for the benefit of employees, officers, directors, or consultants, (v) purchases of shares of junior stock pursuant to a contractually binding requirement to buy junior stock existing prior to the most recently completed dividend period, including under a contractually binding stock repurchase plan, (vi) the purchase of fractional interests in shares of junior stock pursuant to the conversion or exchange provisions of such stock or the security being converted or exchanged, or (vii) the acquisition by us or any of our subsidiaries of record ownership in junior stock for the beneficial ownership of any other persons, including as trustees or custodians, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such securities); and
- no parity stock shall be repurchased, redeemed, or otherwise acquired for consideration by us, directly or indirectly (other than (i) pursuant to pro rata offers to purchase all, or a pro rata portion, of the Series A Preferred Stock and any parity stock, (ii) as a result of a reclassification of any parity stock for or into other parity stock, (iii) the exchange or conversion of any parity stock for or into other parity stock or junior stock, (iv) through the use of the proceeds of a substantially contemporaneous sale of other shares of parity stock, (v) purchases of shares of parity stock pursuant to a contractually binding requirement to buy parity stock existing prior to the most recently completed dividend period, including under a contractually binding stock repurchase plan, (vi) the purchase of fractional interests in shares of parity stock pursuant to the conversion or exchange provisions of such stock or the security being converted or exchanged, or (vii) the acquisition by us or any of our subsidiaries of record ownership in junior stock for the beneficial ownership of any other persons, including as trustees or custodians, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such securities).

Notwithstanding the foregoing, if dividends are not paid in full, or set aside for payment in full, on any dividend payment date upon the shares of the Series A Preferred Stock and any shares of parity stock, all dividends declared upon the Series A Preferred Stock and all such parity stock payable on such dividend payment date shall be declared pro rata in proportion to the respective amounts of undeclared and unpaid dividends on the Series A Preferred Stock and all parity stock payable on such dividend payment date. To the extent a dividend period with respect to any parity stock coincides with more than one dividend period with respect to the Series A Preferred Stock for purposes of the immediately preceding sentence, our board of directors will treat such dividend period as two or more consecutive dividend periods, none of which coincides with more than one dividend period with respect to the Series A Preferred Stock, or shall treat such dividend period(s) with respect to any parity stock and dividend

period(s) with respect to the Series A Preferred Stock for purposes of the immediately preceding sentence in any other manner that it deems to be fair and equitable in order to achieve ratable payments on such dividend parity stock and the Series A Preferred Stock. To the extent a dividend period with respect to the Series A Preferred Stock coincides with more than one dividend period with respect to any parity stock, for purposes of the first sentence of this paragraph, the board of directors shall treat such dividend period as two or more consecutive dividend periods, none of which coincides with more than one dividend period with respect to such parity stock, or shall treat such dividend period(s) with respect to the Series A Preferred Stock and dividend period(s) with respect to any parity stock for purposes of the first sentence of this paragraph in any other manner that it deems to be fair and equitable in order to achieve ratable payments of dividends on the Series A Preferred Stock and such parity stock. For the purposes of this paragraph, the term “dividend period” as used with respect to any parity stock means such dividend periods as are provided for in the terms of such parity stock.

As used in this “Description of Series A Preferred Stock”:

- “junior stock” means our common stock and any other class or series of our capital stock over which the Series A Preferred Stock has preference or priority in the payment of dividends and in the distribution of assets on any liquidation, dissolution, or winding-up of us. Junior stock includes our common stock; and
- “parity stock” means any other class or series of our capital stock that ranks equally with the Series A Preferred Stock in the payment of dividends and in the distribution of assets on any liquidation, dissolution, or winding-up of us, including the Series A Preferred Stock.

Subject to the foregoing, dividends (payable in cash, stock, or otherwise) may be declared and paid on our junior stock, which includes our common stock, from time to time out of any assets legally available for such payment, and the holders of Series A Preferred Stock or parity stock shall not be entitled to participate in any such dividend.

Redemption

The Series A Preferred Stock is perpetual and has no maturity date and is not subject to any mandatory redemption, sinking fund, or other similar provisions. Except for the redemption upon the occurrence of a “regulatory capital treatment event” as further described below, the shares of Series A Preferred Stock are not redeemable prior to the First Reset Date. The holders of the Series A Preferred Stock will not have any right to require the redemption or repurchase of their shares of Series A Preferred Stock.

We may, at our option, redeem the Series A Preferred Stock (i) in whole or in part, from time to time, on any dividend payment date on or after September 30, 2026, or (ii) in whole but not in part at any time within 90 days following a “regulatory capital treatment event,” in each case at a redemption price equal to \$10,000 per share (equivalent to \$25 per depositary share), plus the per share amount of any declared and unpaid dividends, without accumulation of any undeclared dividends, on the Series A Preferred Stock to, but excluding, the date fixed for redemption (the “redemption date”). Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the applicable dividend record date will not be paid to the holder entitled to receive the redemption price on the redemption date, but rather will be paid to the holder of record of the redeemed shares on such record date relating to the applicable dividend payment date. Investors should not expect us to redeem the Series A Preferred Stock on or after the date it becomes redeemable at our option.

We are a bank holding company regulated by the Federal Reserve. We intend to treat the Series A Preferred Stock as “Additional Tier 1” capital (or its equivalent) for purposes of the capital adequacy rules of the Federal Reserve (or, as and if applicable, the capital adequacy rules or regulations of any successor appropriate federal banking agency) applicable to us.

A “regulatory capital treatment event” means the good faith determination by us that, as a result of any:

- amendment to, clarification of, or change in, the laws, rules, or regulations of the United States or any political subdivision of or in the United States (including, for the avoidance of doubt, any agency or instrumentality of the United States, including the Federal Reserve and other appropriate federal bank regulatory agencies) that is enacted or becomes effective after the initial issuance of any share of the Series A Preferred Stock;
- proposed change those laws, rules, or regulations that is announced after the initial issuance of any share of the Series A Preferred Stock; or

- official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws, rules, or regulations or policies with respect thereto that is announced or becomes effective after the initial issuance of any share of the Series A Preferred Stock;

there is more than an insubstantial risk that we will not be entitled to treat the full liquidation preference amount of \$10,000 per share of the Series A Preferred Stock then outstanding as additional Tier 1 capital (or its equivalent) for purposes of the capital adequacy rules or regulations of the Federal Reserve (or, as and if applicable, the capital adequacy rules or regulations of any successor appropriate federal banking agency) as then in effect and applicable, for as long as any share of Series A Preferred Stock is outstanding. “Appropriate federal banking agency” means the “appropriate federal banking agency” with respect to us as that term is defined in Section 3(q) of the Federal Deposit Insurance Act or any successor provision.

Under regulations currently applicable to us, we may not exercise our option to redeem any shares of preferred stock without obtaining the prior approval of the Federal Reserve (or any successor appropriate federal banking agency). Under such regulations, unless the Federal Reserve (or any successor appropriate federal banking agency) authorizes us to do otherwise in writing, we may not redeem the Series A Preferred Stock unless it is replaced with other Tier 1 capital instruments or unless we can demonstrate to the satisfaction of the Federal Reserve (or any successor appropriate federal banking agency) that, following redemption, we will continue to hold capital commensurate with its risk.

If shares of the Series A Preferred Stock are to be redeemed, the notice of redemption shall be given to the holders of record of the Series A Preferred Stock to be redeemed, by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on our stock register not less than 30 days nor more than 60 days prior to the date fixed for redemption thereof (provided that, if the shares of Series A Preferred Stock are held in book-entry form through The Depository Trust Company (“DTC”) we may give such notice in any manner permitted by DTC). Each notice of redemption will include a statement setting forth:

- the redemption date;
- the number of shares of the Series A Preferred Stock to be redeemed and, if less than all of the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder;
- the redemption price;
- the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and
- that dividends on the shares to be redeemed will cease to accrue on the redemption date.

If notice of redemption of any shares of Series A Preferred Stock has been duly given and if the funds necessary for such redemption have been set aside by us for the benefit of the holders of any shares of Series A Preferred Stock so called for redemption, then, on and after the redemption date, dividends will cease to accrue on such shares of Series A Preferred Stock, such shares of Series A Preferred Stock shall no longer be deemed outstanding, and all rights of the holders of such shares will terminate, except the right to receive the redemption price, without interest.

In case of any redemption of only part of the shares of the Series A Preferred Stock at the time outstanding, the shares to be redeemed shall be selected pro rata, by lot, or in such other manner as we may determine to be equitable and permitted by DTC and the rules of any national securities exchange on which the Series A Preferred Stock is listed.

Liquidation Rights

In the event that we voluntarily or involuntarily liquidate, dissolve, or wind up our affairs, holders of the Series A Preferred Stock are entitled to receive out of our assets available for distribution to shareholders, after satisfaction of liabilities and obligations to creditors, if any, and subject to the rights of holders of any shares of capital stock then outstanding ranking senior to or on parity with the Series A Preferred Stock with respect to distributions upon the voluntary or involuntary liquidation, dissolution, or winding-up of our business and affairs, including the Series A Preferred Stock, and before we make any distribution or payment out of our assets to the holders of our common stock or any other class or series of our capital stock ranking junior to the Series A Preferred Stock with respect to distributions upon our liquidation, dissolution, or winding-up, an amount per share equal to the

liquidation preference of \$10,000 per share plus any declared and unpaid dividends prior to the payment of the liquidating distribution (but without any amount in respect of dividends that have not been declared prior to the date of payment of the liquidating distribution). After payment of the full amount of the liquidating distribution described above, the holders of the Series A Preferred Stock shall not be entitled to any further participation in any distribution of our assets.

In any such distribution, if our assets are not sufficient to pay the liquidation preference in full to all holders of Series A Preferred Stock and all holders of any shares of our capital stock ranking as to any such liquidating distribution on parity with the Series A Preferred Stock, including the Series A Preferred Stock, the amounts paid to the holders of Series A Preferred Stock and to such other shares will be paid pro rata in accordance with the respective aggregate liquidation preferences of those holders. In any such distribution, the “liquidation preference” of any holder of preferred stock means the amount otherwise payable to such holder in such distribution (assuming no limitation on our assets available for such distribution), including any declared but unpaid dividends (and, in the case of any holder of stock other than the Series A Preferred Stock and on which dividends accrue on a cumulative basis, an amount equal to any unpaid, accrued, cumulative dividends, whether or not declared, as applicable). If the liquidation preference per share of Series A Preferred Stock has been paid in full to all holders of Series A Preferred Stock and the liquidation preference per share of any other capital stock ranking on parity with the Series A Preferred Stock as to liquidation rights has been paid in full, the holders of our common stock or any other capital stock ranking, as to liquidation rights, junior to the Series A Preferred Stock will be entitled to receive all of our remaining assets according to their respective rights and preferences.

Neither the sale, conveyance, exchange, or transfer of all or substantially all of our assets or business, nor the consolidation or merger by us with or into any other entity or by another entity with or into us, whether for cash, securities, or other property, individually or as part of a series of transactions, will constitute a liquidation, dissolution, or winding-up of our affairs.

Because we are a holding company, our rights and the rights of our creditors and our shareholders, including the holders of the Series A Preferred Stock, to participate in any distribution of assets of any of our subsidiaries upon that subsidiary’s liquidation, dissolution, reorganization or winding-up or otherwise would be subject to the prior claims of that subsidiary’s creditors, except to the extent that we are a creditor with recognized claims against the subsidiary.

Holders of the Series A Preferred Stock are subordinate to all of our indebtedness and to other non-equity claims on us and our assets, including in the event that we enter into a receivership, insolvency, liquidation or similar proceeding. The Series A Preferred Stock may be fully subordinate to interests held by the U.S. government in the event we enter into a receivership, insolvency, liquidation, or similar proceeding, including a proceeding under the “orderly liquidation authority” provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

Voting Rights

Except as provided below and as determined by our board of directors or a duly authorized committee of our board of directors or as otherwise expressly required by law, the holders of the Series A Preferred Stock will have no voting rights.

Whenever dividends on any shares of the Series A Preferred Stock, or any parity stock upon which similar voting rights have been conferred (“voting preferred stock”), shall have not been declared and paid in an aggregate amount equal to the amount of dividends payable on the Series A Preferred Stock as contemplated herein for the equivalent of six or more quarterly dividend periods, whether or not consecutive (which we refer to as a “nonpayment”), the holders of the Series A Preferred Stock, voting together as a class with holders of any voting preferred stock then outstanding, will be entitled to vote (based on respective liquidation preferences) for the election of a total of two additional members of our board of directors (which we refer to as the “preferred directors”); provided that our board of directors shall at no time include more than two preferred directors; provided, further, that the election of any such preferred directors may not cause us to violate any corporate governance requirement of the NYSE (or any other exchange on which our securities may be listed). In that event, the number of directors on our board of directors shall automatically increase by two and, at the request of any holder of Series A Preferred Stock, a special meeting of the holders of Series A Preferred Stock and such voting preferred stock, including the Series A Preferred Stock, for which dividends have not been paid shall be called for the election of the two directors (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of shareholders, in which event such election shall be held at such next annual or special meeting of shareholders), followed by such election at each subsequent annual meeting. These voting rights will continue until full dividends have been paid (or declared and a sum sufficient for the payment of such dividends has been set aside

for payment) on the Series A Preferred Stock and such voting preferred stock for four dividend periods following the nonpayment.

If and when full dividends have been paid (or declared and a sum sufficient for the payment of such dividends has been set aside for payment) for at least four dividend periods following a nonpayment on the Series A Preferred Stock and such voting preferred stock, the holders of the Series A Preferred Stock and such voting preferred stock shall be divested of the foregoing voting rights (subject to vesting in the event of each subsequent nonpayment) and the term of office of each preferred director so elected shall terminate and the number of directors on our board of directors shall automatically decrease by two.

Any preferred director may be removed at any time without cause by the holders of a majority of the outstanding shares of the Series A Preferred Stock and such voting preferred stock, voting together as a class, when they have the voting rights described above. So long as a nonpayment shall continue, any vacancy in the office of a preferred director (other than prior to the initial election of the preferred directors) may be filled by the written consent of the preferred director remaining in office, or if none remains in office, by a vote of the holders of a majority of the outstanding shares of Series A Preferred Stock and such voting preferred stock, voting together as a class, to serve until the next annual meeting of shareholders; provided that the filling of any such vacancy may not cause us to violate any corporate governance requirement of the NYSE (or any other exchange on which our securities may be listed). The preferred directors shall each be entitled to one vote per director on any matter on which our directors are entitled to vote.

Under regulations adopted by the Federal Reserve, if the holders of one or more series of preferred stock are or become entitled to vote for the election of directors, such series entitled to vote for the same director(s) will be deemed a class of voting securities and a company holding 25% or more of the series, or 10% or more if it otherwise exercises a “controlling influence” over us, will be subject to regulation as a bank holding company under the Bank Holding Company Act of 1956, as amended (the “BHC Act”). In addition, if the series is/are deemed to be a class of voting securities, any other bank holding company will be required to obtain the prior approval of the Federal Reserve under the BHC Act to acquire or retain more than 5% of that series. Any other person (other than a bank holding company) will be required to obtain the non-objection of the Federal Reserve under the Change in Bank Control Act of 1978, as amended, to acquire or retain 10% or more of that series. While we do not believe the shares of Series A Preferred Stock are considered “voting securities” currently, holders of such stock should consult their own counsel with regard to regulatory implications. A holder or group of holders may also be deemed to control us if they own one-third or more of our total equity.

So long as any shares of Series A Preferred Stock remain outstanding, in addition to any other vote or consent of shareholders required by law or our amended and restated certificate of incorporation, the affirmative vote or consent of the holders of at least two-thirds of all of the then-outstanding shares of Series A Preferred Stock entitled to vote thereon, voting separately as a single class, shall be required to:

- amend or alter our amended and restated certificate of incorporation to authorize or create or increase the authorized amount of any class or series of our capital stock ranking senior to the Series A Preferred Stock with respect to payment of dividends or as to distributions upon our liquidation, dissolution, or winding-up, or issue any obligation or security convertible into or exchangeable for, or evidencing the right to purchase, any such class or series of our capital stock;
- amend, alter, or repeal the provisions of our amended and restated certificate of incorporation, including the certificate of designation, and amended and restated bylaws so as to materially and adversely affect the special powers, preferences, privileges, or rights of the Series A Preferred Stock, taken as a whole; provided, however, that any amendment to authorize, create or issue, or increase the authorized amount of, any junior stock or parity stock, or any securities convertible into junior stock or parity stock will not be deemed to materially and adversely affect the powers, privileges, or rights of the Series A Preferred Stock; or
- consummate a binding share exchange or reclassification involving the Series A Preferred Stock, or complete the sale, conveyance, exchange, or transfer of all or substantially all of our assets or business or consolidate with or merge into any other corporation, unless, in each case, the shares of the Series A Preferred Stock (i) remain outstanding or, in the case of any such merger or consolidation with respect to which the Company is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, or (ii) are converted into or exchanged for preference securities of the surviving entity or any entity controlling such surviving entity and such new preference securities have powers, preferences, privileges, and rights that are not materially less favorable to the holders thereof than the powers, preferences, privileges, and rights of the Series A Preferred Stock, taken as a whole.

When determining the application of the voting rights described in this section, the authorization, creation, and issuance, or an increase in the authorized or issued amount, of junior stock or any class or series of capital stock that by its terms expressly provides that it ranks on parity with the Series A Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and as to distributions upon our liquidation, dissolution, or winding-up, or any securities convertible into or exchangeable or exercisable for junior stock or any class or series of capital stock, shall not be deemed to materially and adversely affect the special powers, preferences, privileges, or rights, and shall not require the affirmative vote or consent of, the holders of any outstanding shares of Series A Preferred Stock.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Series A Preferred Stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been set aside by us for the benefit of the holders of the Series A Preferred Stock to effect such redemption.

Voting Rights under Delaware Law

Delaware law provides that the holders of preferred stock will have the right to vote separately as a class on any amendment to our amended and restated certificate of incorporation that would increase or decrease the aggregate number of authorized shares of such class, increase or decrease the par value of the shares of such class, or alter or change the powers, preferences, or special rights of the shares of such class so as to affect them adversely. If any such proposed amendment would alter or change the powers, preferences or special rights of one or more series of preferred stock so as to affect them adversely, but would not so affect the entire class of preferred stock, only the shares of the series so affected shall be considered a separate class for purposes of this vote on the amendment. This right is in addition to any voting rights that may be provided for in our amended and restated certificate of incorporation.

Depository, Transfer Agent, and Registrar

Computershare Trust Company, N.A. is the depository, transfer agent, and registrar for the Series A Preferred Stock and the depository for the depository shares. We may, in our sole discretion, remove the depository, transfer agent, and registrar in accordance with the agreement between us and the depository, transfer agent, or registrar, respectively; provided that we will appoint a successor who will accept such appointment prior to the effectiveness of its removal.

Calculation Agent

Unless we have validly called all shares of the Series A Preferred Stock for redemption on the First Reset Date, we will appoint a calculation agent for the Series A Preferred Stock prior to the commencement of a reset period. We may appoint ourselves or an affiliate of ours as the calculation agent. We may terminate any such appointment and may appoint a successor calculation agent at any time and from time to time.

DESCRIPTION OF DEPOSITARY SHARES

The following description summarizes the material terms of the depository shares. The following summary does not purport to be complete in all respects, and is qualified in its entirety by reference to the pertinent sections of the deposit agreement, the form of depository receipts evidencing the depository shares, our certificate of incorporation, including the certificate of designation creating the Series A Preferred Stock, our bylaws, and the applicable provisions of the DGCL and federal law governing bank holding companies, because they, and not the summaries, define the rights of holders of the depository shares.

General

Our depository shares represent proportional fractional interests in shares of the Series A Preferred Stock. Each depository share represents a 1/400th interest in a share of the Series A Preferred Stock and will be evidenced by depository receipts. We will deposit the underlying shares of Series A Preferred Stock with a depository pursuant to a deposit agreement among us, Computershare Trust Company, N.A., acting as depository, and the holders from time to time of the depository receipts. Subject to the terms of the deposit agreement, the depository shares will be entitled to all of the powers, preferences, and special rights of the Series A Preferred Stock, as applicable, in proportion to the applicable fraction of a share of Series A Preferred Stock those depository shares represent.

In this “Description of Depository Shares,” references to “holders” of depository shares mean those who own depository shares registered in their own names on the books that we or the depository maintains for this

purpose. DTC (or its designated nominee) is the only registered holder of the depositary receipts representing the depositary shares. References to “holders” of depositary shares do not include indirect holders who own beneficial interests in depositary shares registered in street name or issued in book-entry form through DTC.

Dividends and Other Distributions

Each dividend payable on a depositary share will be in an amount equal to 1/400th of the dividend declared and payable on each share of Series A Preferred Stock.

The depositary will distribute all dividends and other cash distributions received on the Series A Preferred Stock to the holders of record of the depositary receipts in proportion to the number of depositary shares held by each holder. If we make a distribution other than in cash, the depositary will distribute property received by it to the holders of record of the depositary receipts in proportion to the number of depositary shares held by each holder, unless the depositary determines that this distribution is not feasible, in which case the depositary may, with our approval, adopt a method of distribution that it deems practicable, including the sale of the property and distribution of the net proceeds of that sale to the holders of the depositary receipts.

If the calculation of a dividend or other cash distribution results in an amount that is a fraction of a cent and that fraction is equal to or greater than \$0.005, the depositary will round that amount up to the next highest whole cent and will request that we pay the resulting additional amount to the depositary for the relevant dividend or other cash distribution. If the fractional amount is less than \$0.005, the depositary will disregard that fractional amount and it will be added to and be treated as part of the next succeeding distribution.

Record dates for the payment of dividends and other matters relating to the depositary shares will be the same as the corresponding record dates for the Series A Preferred Stock.

The amount paid as dividends or otherwise distributable by the depositary with respect to the depositary shares or the underlying Series A Preferred Stock will be reduced by any amounts required to be withheld by us or the depositary on account of taxes or other governmental charges. The depositary may refuse to make any payment or distribution, or any transfer, exchange, or withdrawal of any depositary shares or the shares of the Series A Preferred Stock, until such taxes or other governmental charges are paid.

Liquidation Preference

In the event of our liquidation, dissolution, or winding-up, a holder of depositary shares will receive the fraction of the liquidation preference accorded each share of underlying Series A Preferred Stock represented by the depositary shares.

Neither the sale, conveyance, exchange, or transfer of all or substantially all of our assets or business, nor the consolidation or merger by us with or into any other entity or by another entity with or into us, whether for cash, securities, or other property, individually or as part of a series of transactions, will constitute a liquidation, dissolution, or winding-up of our affairs.

Redemption of Depositary Shares

If we redeem the Series A Preferred Stock, in whole or in part, as described above under “DESCRIPTION OF PREFERRED STOCK— Redemption,” depositary shares also will be redeemed with the proceeds received by the depositary from the redemption of the Series A Preferred Stock held by the depositary. The redemption price per depositary share will be 1/400th of the redemption price per share payable with respect to the Series A Preferred Stock (or \$25 per depositary share), plus 1/400th of the per share amount of any declared and unpaid dividends, without accumulation of any undeclared dividends, on the Series A Preferred Stock to, but excluding, the redemption date.

If we redeem shares of the Series A Preferred Stock held by the depositary, the depositary will redeem, as of the same redemption date, the number of depositary shares representing those shares of the Series A Preferred Stock so redeemed. If we redeem less than all of the outstanding depositary shares, the depositary shares to be redeemed will be selected either pro rata or by lot or in such other manner as we may determine to be equitable and permitted by DTC and the rules of any national securities exchange on which the Series A Preferred Stock is listed.

The depositary will provide notice of redemption to record holders of the depositary receipts not less than 30 days and not more than 60 days prior to the date fixed for redemption of the Series A Preferred Stock and the related depositary shares.

Voting

Because each depositary share represents a 1/400th ownership interest in a share of Series A Preferred Stock, holders of depositary receipts will be entitled to vote 1/400th of a vote per depositary share under those limited circumstances in which holders of the Series A Preferred Stock are entitled to vote, as described above in “DESCRIPTION OF PREFERRED STOCK— Voting Rights.”

When the depositary receives notice of any meeting at which the holders of the Series A Preferred Stock are entitled to vote, the depositary will, if requested in writing and provided with all necessary information, provide the information contained in the notice to the record holders of the depositary shares relating to the Series A Preferred Stock. Each record holder of the depositary shares on the record date, which will be the same date as the record date for the Series A Preferred Stock, may instruct the depositary to vote the amount of the Series A Preferred Stock represented by the holder’s depositary shares. To the extent possible, the depositary will vote or cause to be voted the amount of the Series A Preferred Stock represented by depositary shares in accordance with the instructions it receives. We will agree to take all reasonable actions that the depositary determines are necessary to enable the depositary to vote as instructed. If the depositary does not receive specific instructions from the holders of any depositary shares representing the Series A Preferred Stock, it will abstain from voting with respect to such shares (but may, at its discretion, appear at the meeting with respect to such shares unless directed to the contrary).

Depositary, Transfer Agent, and Registrar

Computershare Trust Company, N.A. is the transfer agent and registrar for the Series A Preferred Stock and the depositary for the depositary shares. We may remove the depositary, transfer agent, and registrar in accordance with the agreement between us and the depositary, transfer agent, or registrar, respectively; provided that we will appoint a successor who will accept such appointment prior to the effectiveness of its removal.

The form of depositary receipt evidencing the depositary shares and any provision of the deposit agreement may be amended by agreement between us and the depositary. However, any amendment that materially and adversely alters the rights of the existing holders of depositary receipts will not be effective unless the amendment has been approved by the record holders representing in the aggregate at least a majority of the depositary shares then outstanding.

Form of Series A Preferred Stock and Depositary Shares

The depositary shares will be issued in book-entry form through DTC. The Series A Preferred Stock will be issued in registered form to the depositary.

Listing of Depositary Shares

The depositary shares are listed on the NYSE under the symbol “WAL PrA.”

WESTERN ALLIANCE BANCORPORATION
LIST OF SUBSIDIARIES
(As of December 31, 2021)

| 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 Finance Company (formerly Western Alliance Equipment Finance, Inc.) | Not applicable | Arizona |
| Western Alliance Mortgage Holding Company, LLC | Not applicable | Arizona |
| AmeriHome Mortgage Company, LLC | Not applicable | Delaware |
| Western Alliance Equipment Finance, LLC | 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 |

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Nos. 333-239570, 333-205437, 333-199727, 333-127032, 333-145548, 333-162107, and 333-183574) on Forms S-8 and the Registration Statement (No. 333-256120) on Form S-3 of Western Alliance Bancorporation of our reports dated February 25, 2022, relating to the consolidated financial statements and the effectiveness of internal control over financial reporting of Western Alliance Bancorporation, appearing in this Annual Report on Form 10-K of Western Alliance Bancorporation for the year ended December 31, 2021.

/s/ RSM US LLP

Los Angeles, California
February 25, 2022

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, 2022

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, 2022

**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, 2021, 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, 2022

/s/ Kenneth A. Vecchione

President and Chief Executive Officer
Western Alliance Bancorporation

Date: February 25, 2022

/s/ Dale Gibbons

Vice Chairman and Chief Financial Officer
Western Alliance Bancorporation

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**Western Alliance
Bancorporation®**

**One East Washington Street, Suite 1400
Phoenix, Arizona 85004**

(602) 389-3500 | westernalliancebank.com

Western Alliance Bank, Member FDIC, is the wholly-owned subsidiary of Western Alliance Bancorporation. Alliance Association Bank, Alliance Bank of Arizona, Bank of Nevada, Bridge Bank, First Independent Bank and Torrey Pines Bank are divisions of Western Alliance Bank. AmeriHome Mortgage is a subsidiary of Western Alliance Bank. ©2022 Western Alliance Bancorporation