WESTERN ALLIANCE BANCORPORATION
Form 10-Q
November 02, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Quarterly Period Ended September 30, 2012 or

¨ **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)

Nevada	88-0365922
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer I.D. Number)
One E. Washington Street, Phoenix, AZ	85004
(Address of Principal Executive Offices)	(Zip Code)

(602) 389-3500

(Registrant s telephone number, including area code)

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x 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. See definitions of large accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Common stock issued and outstanding: 86,421,966 shares as of October 31, 2012.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	September 30, 2012 (unaudited)	December 31, 2011
	(in thousands, except share amounts)	
Assets:		
Cash and due from banks	**$ 123,830**	$ 116,866
Securities purchased under agreement to resell	**139,786**	
Interest-bearing demand deposits in other financial institutions	**44,301**	38,129
Cash and cash equivalents	**307,917**	154,995
Money market investments	**5,766**	7,343
Investment securities measured, at fair value	**5,505**	6,515
Investment securities available-for-sale, at fair value; amortized cost of $1,024,339 at September 30, 2012 and $1,198,185 at December 31, 2011	**1,044,137**	1,190,385
Investment securities held-to-maturity, at amortized cost; fair value of $283,592 at September 30, 2012 and $290,035 at December 31, 2011	**283,472**	286,258
Investments in restricted stock, at cost	**32,844**	33,520
Loans:		
Held for investment, net of deferred fees	**5,332,932**	4,780,069
Less: allowance for credit losses	**97,410**	99,170
Total loans	**5,235,522**	4,680,899
Premises and equipment, net	**106,902**	105,546
Goodwill	**23,224**	25,925
Other intangible assets, net	**5,764**	9,807
Other assets acquired through foreclosure, net	**78,234**	89,104
Bank owned life insurance	**137,256**	133,898
Deferred tax assets, net	**36,605**	61,724
Prepaid expenses	**13,166**	16,470
Other assets	**87,251**	42,093
Discontinued operations, assets held for sale	**38**	59
Total assets	**$ 7,403,603**	$ 6,844,541
Liabilities:		
Deposits:		
Non-interest-bearing demand	**$ 1,840,774**	$ 1,558,211
Interest-bearing	**4,321,202**	4,100,301
Total deposits	**6,161,976**	5,658,512
Customer repurchase agreements	**73,063**	123,626
Securities sold short	**138,287**	
Other borrowings	**223,614**	353,321
Junior subordinated debt, at fair value	**36,218**	36,985
Other liabilities	**72,434**	35,414

Total liabilities	**6,705,592**	6,207,858
Commitments and contingencies (Note 9)		
Stockholders equity:		
Preferred stock par value $.0001 and liquidation value per share of $1,000; 20,000,000 authorized; 141,000 issued and outstanding at September 30, 2012 and December 31, 2011	**141,000**	141,000
Common stock par value $.0001; 200,000,000 authorized; 83,455,403 shares issued and outstanding at September 30, 2012 and 82,361,655 at December 31, 2011	**8**	8
Additional paid in capital	**751,125**	743,780
Accumulated deficit	**(206,232)**	(243,512)
Accumulated other comprehensive income (loss)	**12,110**	(4,593)
Total stockholders equity	**698,011**	636,683
Total liabilities and stockholders equity	**$ 7,403,603**	$ 6,844,541

See the accompanying notes.

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WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS (unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	**2012**	2011
	(in thousands, except per share amounts)			
Interest income:				
Loans, including fees	**$ 69,580**	$ 65,540	**$ 205,682**	$ 194,341
Investment securities taxable	**5,295**	7,207	**17,522**	21,737
Investment securities non-taxable	**2,723**	234	**7,491**	267
Dividends taxable	**305**	278	**899**	859
Dividends non-taxable	**711**	637	**2,096**	1,965
Other	**55**	237	**262**	576
Total interest income	**78,669**	74,133	**233,952**	219,745
Interest expense:				
Deposits	**3,974**	6,982	**12,904**	22,428
Customer repurchase agreements	**37**	77	**158**	263
Other borrowings	**2,225**	2,024	**6,624**	6,229
Junior subordinated debt	**487**	465	**1,458**	1,856
Total interest expense	**6,723**	9,548	**21,144**	30,776
Net interest income	**71,946**	64,585	**212,808**	188,969
Provision for credit losses	**8,932**	11,180	**35,343**	33,112
Net interest income after provision for credit losses	**63,014**	53,405	**177,465**	155,857
Non-interest income:				
Securities impairment charges recognized in earnings				(226)
Gain on sales of securities, net	**1,031**	781	**2,502**	4,826
Mark to market (losses) gains, net	**470**	6,420	**701**	6,247
Service charges and fees	**2,412**	2,337	**7,014**	6,864
Income from bank owned life insurance	**1,116**	1,189	**3,359**	4,195
Amortization of affordable housing investments	**(651)**		**(710)**	
Other	**2,604**	2,355	**7,397**	7,603
Total non-interest income	**6,982**	13,082	**20,263**	29,509
Non-interest expense:				
Salaries and employee benefits	**25,500**	23,319	**78,159**	69,119
Occupancy expense, net	**4,655**	5,126	**14,046**	15,024
Net loss on sales/valuations of repossessed assets and bank premises, net	**126**	2,128	**3,678**	16,890
Insurance	**2,121**	2,664	**6,323**	8,878
Loan and repossessed asset expenses	**1,236**	2,059	**4,573**	6,465
Legal, professional and director fees	**2,291**	1,912	**6,380**	5,639
Marketing	**1,231**	1,090	**4,061**	3,382
Data processing	**1,390**	895	**3,678**	2,671
Intangible amortization	**880**	890	**2,660**	2,669
Customer service	**653**	900	**1,926**	2,620
Merger expenses	**113**	974	**113**	1,082

Goodwill and intangible impairment	**3,435**		**3,435**	
Other	**3,912**	3,524	**10,839**	10,196
Total non-interest expense	**47,543**	45,481	**139,871**	144,635
Income from continuing operations before provision for income taxes	**22,453**	21,006	**57,857**	40,731
Income tax expense	**6,752**	7,514	**16,452**	14,838
Income from continuing operations	**15,701**	13,492	**41,405**	25,893
Loss from discontinued operations, net of tax benefit	**(243)**	(481)	**(686)**	(1,500)
Net income	**15,458**	13,011	**40,719**	24,393
Dividends and accretion on preferred stock	**352**	9,419	**3,440**	14,425
Net income available to common shareholders	**$ 15,106**	$ 3,592	**$ 37,279**	$ 9,968

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WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS (unaudited)

(continued)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	**2012**	2011
	(in thousands, except per share amounts)			
Earnings per share from continuing operations:				
Basic	**$ 0.19**	$ 0.05	**$ 0.47**	$ 0.14
Diluted	**$ 0.19**	$ 0.05	**$ 0.46**	$ 0.14
Loss per share from discontinued operations:				
Basic	**$ (0.00)**	$ (0.01)	**$ (0.01)**	$ (0.02)
Diluted	**$ (0.00)**	$ (0.01)	**$ (0.01)**	$ (0.02)
Earnings per share applicable to common shareholders:				
Basic	**$ 0.18**	$ 0.04	**$ 0.46**	$ 0.12
Diluted	**$ 0.18**	$ 0.04	**$ 0.45**	$ 0.12
Weighted average number of common shares outstanding:				
Basic	**81,758**	80,931	**81,570**	80,870
Diluted	**82,294**	81,125	**82,159**	81,121
Dividends declared per common share	**$**	$	**$**	$

See the accompanying notes.

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WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	**2012**	2011
	(in thousands)			
Net income	**$ 15,458**	$ 13,011	**$ 40,719**	$ 24,393
Other comprehensive income, net:				
Unrealized gain on securities available-for-sale (AFS), net	**8,478**	3,357	**18,803**	9,376
Impairment loss on securities, net				144
Unrealized gain on cash flow hedge, net	**9**		**17**	
Realized gain on cash flow hedge, net			**(519)**	
Realized gain on sale of securities AFS included in income, net	**(668)**	(507)	**(1,598)**	(3,043)
Net other comprehensive income	**7,819**	2,850	**16,703**	6,477
Comprehensive income	**$ 23,277**	$ 15,861	**$ 57,422**	$ 30,870
Amount of impairment losses reclassified out of accumulated other comprehensive income into earnings	**$**	$	**$**	$ 226
Income tax benefit related to impairment losses	**$**	$	**$**	$ 82

See the accompanying notes.

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WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (unaudited)

	Preferred Stock		*Common Stock*		*Additional Paid In*	*Accumulated Other Comprehensive Income*	*Accumulated*	*Total Stockholders*
	Shares	*Amount*	*Shares*	*Amount*	*Capital*	*(Loss)*	*Deficit*	*Equity*
					(in thousands)			
Balance, December 31, 2011:	141	$ 141,000	82,362	$ 8	$ 743,780	$ (4,593)	$ (243,512)	$ 636,683
Net income							40,719	40,719
Exercise of stock options			372		2,620			2,620
Stock-based compensation			155		1,578			1,578
Restricted stock grants, net			566		3,147			3,147
Dividends on preferred stock							(3,440)	(3,440)
Other comprehensive income, net						16,703		16,703
Balance, September 30, 2012	**141**	**$ 141,000**	**83,455**	**$ 8**	**$ 751,125**	**$ 12,110**	**$ (206,232)**	**$ 698,011**

See the accompanying notes.

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WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	Nine Months Ended September 30,	
	2012	2011
	(in thousands)	
Cash flows from operating activities:		
Net income	**$ 40,719**	$ 24,393
Adjustments to reconcile net income to cash provided by operating activities:		
Provision for credit losses	**35,343**	33,112
Depreciation and amortization	**7,319**	8,083
Stock-based compensation	**4,725**	3,102
Deferred income taxes and income taxes receivable	**16,125**	13,879
Net amortization of discounts and premiums for investment securities	**8,027**	5,693
Goodwill and intangible impairment	**3,435**	
Securities impairment		226
(Gains)/Losses on:		
Sales of securities, AFS	**(2,502)**	(4,826)
Derivatives	**148**	173
Sale of repossessed assets, net	**3,742**	16,179
Sale of premises and equipment, net	**(64)**	711
Sale of loans, net	**6**	
Sale of minority interest in Miller/Russell & Associates, Inc.	**(776)**	
Changes in:		
Other assets	**(29,127)**	13,456
Other liabilities	**2,715**	990
Fair value of assets and liabilities measured at fair value	**(701)**	(6,247)
Servicing rights, net	**10**	189
Net cash provided by operating activities	**89,144**	109,113
Cash flows from investing activities:		
Proceeds from loan sales	**3,445**	
Proceeds from sale of securities measured at fair value		2,907
Principal pay downs and maturities of securities measured at fair value	**954**	4,465
Proceeds from sale of available-for-sale securities	**143,553**	453,984
Principal pay downs and maturities of available-for-sale securities	**304,428**	235,946
Purchase of available-for-sale securities	**(277,619)**	(618,430)
Purchases of securities held-to-maturity		(125,995)
Proceeds from maturities of securities held-to-maturity	**735**	640
Loan originations and principal collections, net	**(612,929)**	(356,565)
Investment in money market	**1,577**	23,431
Liquidation of restricted stock	**676**	2,178
Purchase of investment tax credits	**17,901**	
Sale and purchase of premises and equipment, net	**(5,951)**	2,020
Proceeds from sale of other real estate owned and repossessed assets, net	**26,640**	31,794
Net cash (used) in investing activities	**(396,590)**	(343,625)

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WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(continued)

	Nine Months Ended September 30,	
	2012	2011
	(in thousands)	
Cash flows from financing activities:		
Net increase in deposits	**503,464**	294,447
Net increase (decrease) in borrowings	**(42,276)**	33,177
Exercise of stock options	**2,620**	362
Proceeds from issuance of preferred stock		141,000
Redemption of preferred stock		(140,000)
Cash dividends paid on preferred stock	**(3,440)**	(5,252)
Net cash provided by financing activities	**460,368**	323,734
Net increase in cash and cash equivalents	**152,922**	89,222
Cash and cash equivalents at beginning of year	**154,995**	216,746
Cash and cash equivalents at end of period	**$ 307,917**	$ 305,968
Supplemental disclosure:		
Cash paid during the period for:		
Interest	**$ 22,263**	$ 33,560
Income taxes	**1,290**	
Non-cash investing and financing activity:		
Transfers to other assets acquired through foreclosure, net	**19,512**	27,011
Unfunded commitments to purchase investment tax credits	**34,599**	

See the accompanying notes.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

Western Alliance Bancorporation (WAL or the Company), incorporated under the laws of the state of Nevada, is a bank holding company providing full service banking and related services to locally owned businesses, professional firms, real estate developers and investors, local non-profit organizations, high net worth individuals and other consumers through its three wholly owned subsidiary banks: Bank of Nevada, operating in Southern Nevada, Western Alliance Bank, operating in Arizona and Northern Nevada and Torrey Pines Bank, operating in California. In addition, its non-bank subsidiaries, Shine Investment Advisory Services, Inc. and Western Alliance Equipment Finance, offer an array of financial products and services aimed at satisfying the needs of small to mid-sized businesses and their proprietors, including financial planning, investment advice, and equipment finance nationwide. These entities are collectively referred to herein as the Company.

Basis of presentation

The accounting and reporting policies of the Company are in accordance with accounting principles generally accepted in the United States (GAAP) and conform to practices within the financial services industry. The accounts of the Company and its consolidated subsidiaries are included in these Consolidated Financial Statements. All significant intercompany balances and transactions have been eliminated.

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. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant changes in the near term relate to the determination of the allowance for credit losses; fair value of other real estate owned; determination of the valuation allowance related to deferred tax assets; impairment of goodwill and other intangible assets and other than temporary impairment on securities. Although Management believes these estimates to be reasonably accurate, actual amounts may differ. In the opinion of Management, all adjustments considered necessary have been reflected in the financial statements during their preparation.

Principles of consolidation

WAL has 10 wholly-owned subsidiaries: Bank of Nevada (BON), Western Alliance Bank (WAB), Torrey Pines Bank (TPB), which are all banking subsidiaries; Western Alliance Equipment Finance, Inc. (WAEF), which provides equipment finance services; and six unconsolidated subsidiaries used as business trusts in connection with issuance of trust-preferred securities. In addition, until October 31, 2012, WAL maintained an 80 percent interest in Shine Investment Advisory Services Inc. (Shine), a registered investment advisor. On October 31, 2012, the Company sold its interest in Shine. This transaction will not have a material impact to the Company s fourth quarter consolidated financial statements. On October 17, 2012, the Company completed its acquisition of Western Liberty Bancorp (Western Liberty). The Company paid $27.5 million and issued 2,966,236 shares for all of the equity interests of Western Liberty. Western Liberty s primary operating subsidiary, Service1st Bank of Nevada, is now a wholly-owned subsidiary of Western Alliance Bancorporation. The Company merged Service1st Bank into Bank of Nevada effective October 19, 2012. None of the assets or liabilities of Western Liberty are included in the Company s financials at September 30, 2012, nor are the shares issued by the Company to consummate the merger. The merger was completed because the purchase price of Western Liberty was at a significant discount to its tangible book value and is expected to be accretive to capital at close. The combined bank had approximately $3.09 billion of assets and $2.55 billion of deposits immediately following the merger and continues to operate as Bank of Nevada. Acquisition related expenses incurred to date have been immaterial. The Company has undertaken an additional review and valuation of Western Liberty s assets and liabilities, which will be reflected in the combined entities financial statements at December 31, 2012.

BON has three wholly-owned subsidiaries: BW Real Estate, Inc. which operates as a real estate investment trust and holds certain of BON s real estate loans and related securities; BON Investments, Inc., which holds certain investment securities; and BW Nevada Holdings, LLC, which owns the Company s 2700 West Sahara Avenue, Las Vegas, Nevada location.

WAB has one wholly-owned subsidiary, WAB Investments, Inc., which holds certain investment securities, and TPB has one wholly-owned subsidiary, TPB Investments, Inc., which holds certain investment securities.

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

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Reclassifications

Certain amounts in the consolidated financial statements as of December 31, 2011 and for the three and nine months ended September 30, 2011 have been reclassified to conform to the current presentation. The reclassifications have no effect on net income or stockholders equity as previously reported.

Interim financial information

The accompanying unaudited consolidated financial statements as of September 30, 2012 and 2011 have been prepared in condensed format, and therefore do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These statements have been prepared on a basis that is substantially consistent with the accounting principles applied to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2011.

The information furnished in these interim statements reflects all adjustments which are, in the opinion of management, necessary for a fair statement of the results for each respective period presented. Such adjustments are of a normal recurring nature. The results of operations in the interim statements are not necessarily indicative of the results that may be expected for any other quarter or for the full year. The interim financial information should be read in conjunction with the Company s audited financial statements.

Investment securities

Investment securities may be classified as held-to-maturity (HTM), available-for-sale (AFS) or trading. The appropriate classification is initially decided at the time of purchase. Securities classified as held-to-maturity are those debt securities the Company has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or general economic conditions. These securities are carried at amortized cost. The sale of a 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 or trading are reported as an asset on the Consolidated Balance Sheets at their estimated fair value. As the fair value of AFS securities changes, the changes are reported net of income tax as an element of other comprehensive income (OCI), except for impaired securities. When AFS securities are sold, the unrealized gain or loss is reclassified from OCI to non-interest income. The changes in the fair values of trading securities are reported in non-interest income. Securities classified as AFS are both equity and debt securities 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.

Interest income is recognized based on the coupon rate and increased by accretion of discounts earned or decreased by the amortization of premiums paid over the contractual life of the security using the interest method. For mortgage-backed securities, estimates of prepayments are considered in the constant yield calculations.

In estimating whether there are any other than temporary impairment losses, management considers 1) the length of time and the extent to which the fair value has been less than amortized cost, 2) the financial condition and near term prospects of the issuer, 3) the impact of changes in market interest rates, and 4) the intent and ability of the Company to retain its investment for a period of time sufficient to allow for any anticipated recovery in fair value and it is not more likely than not the Company would be required to sell the security.

Declines in the fair value of individual debt securities available for sale that are deemed to be other than temporary are reflected in earnings when identified. The fair value of the debt security then becomes the new cost basis. For individual debt securities where the Company does not intend to sell the security and it is not more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis, the other than temporary decline in fair value of the debt security related to 1) credit loss is recognized in earnings, and 2) market or other factors is recognized in other comprehensive income or loss. Credit loss is recorded if the present value of cash flows is less than amortized cost.

For individual debt securities where the Company intends to sell the security or more likely than not will not recover all of its amortized cost, the other than temporary impairment is recognized in earnings equal to the entire difference between the securities cost basis and its fair value at the balance sheet date. For individual debt securities for which a credit loss has been recognized in earnings, interest accruals and amortization and accretion of premiums and discounts are suspended when the credit loss is recognized. Interest received after accruals have been suspended is recognized on a cash basis.

Derivative financial instruments

Derivatives are recognized on the balance sheet at their fair value, with changes in fair value reported in current-period earnings. These instruments consist primarily of interest rate swaps.

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Certain derivative transactions that meet specified criteria qualify for hedge accounting. The Company occasionally purchases a financial instrument or originates 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 (1) the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract, and (2) 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 (1) the host contract is measured at fair value, with changes in fair value reported in current earnings, or (2) 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 balance sheet at fair value and is not designated as a hedging instrument.

Allowance for credit losses

Credit risk is inherent in the business of extending loans and leases to borrowers. Like other financial institutions, the Company must maintain an adequate allowance for credit losses. The allowance for credit losses is established through a provision for credit losses charged to expense. Loans are charged against the allowance for credit losses when Management believes that the contractual principal or interest will not be collected. Subsequent recoveries, if any, are credited to the allowance. The allowance is an amount believed adequate to absorb probable losses on existing loans that may become uncollectable, based on evaluation of the collectability of loans and prior credit loss experience, together with other factors. The Company formally re-evaluates and establishes the appropriate level of the allowance for credit losses on a quarterly basis.

The Company s allowance for credit loss methodology incorporates several quantitative and qualitative risk factors used to establish the appropriate allowance for credit losses at each reporting date. Quantitative factors include our historical loss experience, delinquency and charge-off trends, collateral values, changes in the level of nonperforming loans and other factors. Qualitative factors include the economic condition of our operating markets and the state of certain industries. Specific changes in the risk factors are based on perceived risk of similar groups of loans classified by collateral type, purpose and term. An internal one-year and three-year loss history are also incorporated into the allowance calculation model. Due to the credit concentration of our loan portfolio in real estate secured loans, the value of collateral is heavily dependent on real estate values in Nevada, Arizona and California, which have declined substantially from their peak. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic or other conditions. In addition, the FDIC and state bank regulatory agencies, as an integral part of their examination processes, periodically review our subsidiary banks allowances for credit losses, and may require us to make additions to our allowance based on their judgment about information available to them at the time of their examinations. Management regularly reviews the assumptions and formulae used in determining the allowance and makes adjustments if required to reflect the current risk profile of the portfolio.

The allowance consists of specific and general components. The specific allowance relates to impaired loans. In general, impaired loans include those where interest recognition has been suspended, loans that are more than 90 days delinquent but because of adequate collateral coverage, income continues to be recognized, and other criticized and classified loans not paying substantially according to the original contract terms. For such loans, an allowance is established when the discounted cash flows, collateral value or observable market price of the impaired loan are lower than the carrying value of that loan, pursuant to FASB ASC 310, *Receivables* (ASC 310). Loans not collateral dependent are evaluated based on the expected future cash flows discounted at the original contractual interest rate. The amount to which the present value falls short of the current loan obligation will be set up as a reserve for that account or charged-off.

The Company uses an appraised value method to determine the need for a reserve on impaired, collateral dependent loans and further discounts the appraisal for disposition costs. Generally, the Company obtains independent collateral valuation analysis for each loan every six to twelve months.

The general allowance covers all non-impaired loans and is based on historical loss experience adjusted for the various qualitative and quantitative factors listed above. The change in the allowance from one reporting period to the next may not directly correlate to the rate of change of the nonperforming loans for the following reasons:

1. A loan moving from impaired performing to impaired nonperforming does not mandate an increased reserve. The individual account is evaluated for a specific reserve requirement when the loan moves to impaired status, not when it moves to nonperforming status, and is reevaluated at each subsequent reporting period. Because our nonperforming loans are predominately collateral dependent, reserves are primarily based on collateral value, which is not affected by borrower performance, but rather by market conditions.

2. Not all impaired accounts require a specific reserve. The payment performance of the borrower may require an impaired classification, but the collateral evaluation may support adequate collateral coverage. For a number of impaired accounts in which borrower performance has ceased, the collateral coverage is now sufficient because a partial charge off of the account has been taken. In those instances, neither a general reserve

nor a specific reserve is assessed.

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Other assets acquired through foreclosure

Other assets acquired through foreclosure consist primarily of properties acquired as a result of, or in-lieu-of, foreclosure. Properties or other assets (primarily repossessed assets formerly leased) are classified as other real estate owned and other repossessed property and are initially reported at fair value of the asset less estimated selling costs. Subsequent adjustments are based on the lower of carrying value or fair value, less estimated costs to sell the property. Costs relating to the development or improvement of the assets are capitalized and costs relating to holding the assets are charged to non-interest expense. Property is evaluated regularly to ensure the recorded amount is supported by its current fair value and valuation allowances.

Investments in low income housing credits

During 2012, the Company has invested in Limited Partnerships formed for the purpose of investing in low income housing projects, which qualify for federal low income housing tax credits. These investments are expected to generate tax credits over the next ten years. The investment is accounted for under the equity method of accounting. Other assets include $51.8 million related to this investment and other liabilities include $34.6 million related to future unconditional equity commitments.

Income taxes

Western Alliance Bancorporation and its subsidiaries, other than BW Real Estate, Inc., file a consolidated federal tax return. Due to tax regulations, several items of income and expense are recognized in different periods for tax return purposes than for financial reporting purposes. These items represent temporary differences. Deferred taxes are provided on an asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and tax credit carry-forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of Management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates on the date of enactment.

Although realization is not assured, the Company believes that the realization of the recognized net deferred tax asset of $36.6 million at September 30, 2012 is more likely than not based on expectations as to future taxable income and based on available tax planning strategies as defined in FASB ASC 740, *Income Taxes* (ASC 740) that could be implemented if necessary to prevent a carryforward from expiring.

The most significant source of these timing differences are the credit loss reserve and net operating loss carryforwards, which account for substantially all of the net deferred tax asset.

Based on its internal analysis, the Company believes that it is more likely than not that the Company will fully utilize deferred federal and state tax assets pertaining to the existing net operating loss carryforwards and any net operating loss (NOL) that would be created by the reversal of the future net deductions that have not yet been taken on a tax return.

Fair values of financial instruments

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities. FASB ASC 820, *Fair Value Measurements and Disclosures* (ASC 820) establishes a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurement and enhances 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 Observable quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Observable quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, matrix pricing or model-based valuation techniques where all significant assumptions are observable, either directly or indirectly in the market.

Level 3 Model-based techniques where all significant assumptions are not observable, either directly or indirectly, in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques may include use of discounted cash flow models and similar techniques.

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

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

FASB ASC 825, *Financial Instruments* (ASC 825) 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 September 30, 2012 or December 31, 2011. The estimated fair value amounts for September 30, 2012 and December 31, 2011 have been measured as of period-end, and have not been reevaluated 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 the period-end.

The information on page 34 in Note 10, Fair Value Accounting, 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 and cash equivalents

The carrying amounts reported in the consolidated balance sheets for cash and due from banks approximate their fair value.

Money market investments

The carrying amounts reported in the consolidated balance sheets for money market investments approximate their fair value.

Securities

The fair values of U.S. Treasuries, corporate bonds, mutual funds, and exchange-listed preferred stock are based on quoted market prices and are categorized as Level 1 of the fair value hierarchy.

The fair value of other investment securities were determined based on matrix pricing. Matrix pricing is a mathematical technique that utilizes observable market inputs including, for example, yield curves, credit ratings and prepayment speeds. Fair values determined using matrix pricing are generally categorized as Level 2 in the fair value hierarchy.

The Company owns certain collateralized debt obligations (CDOs) for which quoted prices are not available. Quoted prices for similar assets are also not available for these investment securities. In order to determine the fair value of these securities, the Company has estimated the future cash flows and discount rate using observable market inputs adjusted based on assumptions regarding the adjustments a market participant would assume necessary for each specific security. As a result, the resulting fair values have been categorized as Level 3 in the fair value hierarchy

Restricted stock

The Company s subsidiary banks are members of the Federal Home Loan Bank (FHLB) system and maintain an investment in capital stock of the FHLB. The Company s subsidiary banks also maintain an investment in their primary correspondent bank. These investments are carried at cost since no ready market exists for them, and they have no quoted market value. The Company conducts a periodic review and evaluation of our FHLB stock to determine if any impairment exists. The fair values have been categorized as Level 2 in the fair value hierarchy.

Loans

Fair value for 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 with 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 disclosed in Note 10, Fair Value Accounting, is categorized as Level 2 in the fair value hierarchy.

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Accrued interest receivable and payable

The carrying amounts reported in the consolidated balance sheets for accrued interest receivable and payable approximate their fair value. Accrued interest receivable and payable fair value measurements disclosed in Note 10 Fair Value Accounting, are classified as Level 3 in the fair value hierarchy.

Derivative financial instruments

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

Deposit liabilities

The fair value disclosed for demand and savings deposits is by definition equal to the amount payable on demand at their reporting date (that is, their carrying amount) which the Company believes a market participant would consider in determining fair value. The carrying amount for variable-rate deposit accounts approximates their fair value. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on these deposits. The fair value measurement of the deposit liabilities disclosed in Note 10, Fair Value Accounting, is categorized as Level 2 in the fair value hierarchy.

Federal Home Loan Bank and Federal Reserve advances and other borrowings

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 other borrowings have been categorized as Level 3 in the fair value hierarchy. The FHLB and FRB advances have been categorized as Level 2 in the fair value hierarchy due to their short durations.

Junior subordinated debt

Junior subordinated debt and subordinated debt are valued by comparing interest rates and spreads to benchmark indices offered to institutions with similar credit profiles to our own and discounting the contractual cash flows on our debt using these market rates. The junior subordinated debt has been categorized as Level 3 in the fair value hierarchy.

Off-balance sheet instruments

Fair values for the Company s off-balance sheet instruments (lending commitments and standby letters of credit) are based on quoted fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties credit standing.

Recent Accounting Pronouncements

In April 2011, the FASB issued guidance within ASU 2011-03 Reconsideration of Effective Control for Repurchase Agreements. The amendments in ASU 2011-03 remove from the assessment of effective control (1) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (2) the collateral maintenance implementation guidance related to that criterion. The adoption of this guidance did not have a material impact on the Company s consolidated statement of income, its consolidated balance sheet, or its consolidated statement of cash flows.

In May 2011, the FASB issued guidance within ASU 2011-04 Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. The amendments in ASU 2011-04 generally represent clarifications of Topic 820, *Fair Value Measurement* but also include some instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. This update results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and International Financial Reporting Standards (IFRS). The adoption of this guidance did not have a material impact on the Company s consolidated statement of income, its consolidated balance sheet, or its consolidated statement of cash flows. See note 10 Fair Value Accounting for the enhanced disclosures required by ASU 2011-04.

In June 2011, the FASB issued guidance within ASU 2011-05 Presentation of Comprehensive Income. The amendments in ASU 2011-05 to Topic 220, *Comprehensive Income*, allow an entity the option to present the total comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. This update eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders equity. The amendments do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The adoption of this guidance did not have a material impact on the Company s consolidated statement of income, its consolidated balance sheet, or its consolidated statement of cash flows.

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In July 2012, the FASB issued guidance within ASU 2012-02 Testing Indefinite-Lived Intangible Assets for Impairment. The amendments in ASU 2012-02 to Topic 350, *Intangibles Goodwill and Other*, allow an entity to first assess qualitative factors to determine whether it is necessary to perform a quantitative impairment test. Under these amendments, an entity would not be required to calculate the fair value of an indefinite-lived intangible assets unless the entity determines, based on qualitative assessment, that it is more likely than not, the indefinite-lived intangible asset is impaired. The amendments include a number of events and circumstances for an entity to consider in conducting the qualitative assessment. The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. The Company is currently evaluating early adoption for its annual impairment test in the fourth quarter 2012. The Company does not expect the adoption to have a significant impact on its consolidated financial statements.

2. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

In the first quarter of 2010, the Company decided to discontinue its affinity credit card platform, PartnersFirst, and has presented certain activities as discontinued operations. The Company transferred certain assets to held-for-sale and reported a portion of its operations as discontinued. At September 30, 2012 and December 31, 2011, the Company had $33.5 million and $38.9 million, respectively, of outstanding credit card loans which will have continuing cash flows related to the collection of these loans. These credit card loans are included in loans held for investment as of September 30, 2012 and December 31, 2011.

The following table summarizes the operating results of the discontinued operations for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	**2012**	2011
	(in thousands)			
Affinity card revenue	**$ 315**	$ 363	**$ 947**	$ 1,133
Non-interest expenses	**(734)**	(1,192)	**(2,130)**	(3,719)
Loss before income taxes	**(419)**	(829)	**(1,183)**	(2,586)
Income tax benefit	**(176)**	(348)	**(497)**	(1,086)
Net loss	**$ (243)**	$ (481)	**$ (686)**	$ (1,500)

3. EARNINGS PER SHARE

Diluted earnings per share is based on the weighted average outstanding common shares during each period, including common stock equivalents. Basic earnings per share is based on the weighted average outstanding common shares during the period.

Basic and diluted earnings per share, based on the weighted average outstanding shares, are summarized as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	**2012**	2011
	(in thousands, except per share amounts)			
Weighted average shares Basic	**81,758**	80,931	**81,570**	80,870
Dilutive effect of stock awards	**536**	194	**589**	251
Weighted average shares Diluted	**82,294**	81,125	**82,159**	81,121
Net income available to common stockholders	**$ 15,106**	$ 3,592	**$ 37,279**	$ 9,968
Earnings per share Basic	**0.18**	0.04	**0.46**	0.12
Earnings per share Diluted	**0.18**	0.04	**0.45**	0.12

The Company had 1,057,116 and 2,092,932 stock options outstanding as of September 30, 2012 and December 31, 2011, respectively, that were not included in the computation of diluted earnings per common share because their effect would be anti-dilutive.

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4. INVESTMENT SECURITIES

Carrying amounts and fair values of investment securities at the end of the period indicated are summarized as follows:

	September 30, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
	(in thousands)			
Securities held-to-maturity				
Collateralized debt obligations	$ 50	$ 977	$	$ 1,027
Corporate bonds	102,783	810	(7,536)	96,057
Municipal obligations (1)	179,139	5,880	(11)	185,008
CRA investments	1,500			1,500
	$ 283,472	$ 7,667	$ (7,547)	$ 283,592

	Amortized Cost	OTTI Recognized in Other Comprehensive Loss	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
	(in thousands)				
Securities available-for-sale					
Municipal obligations (1)	$ 58,286	$	$ 1,763	$ (47)	$ 60,002
Adjustable-rate preferred stock	68,278		3,512	(755)	71,035
Mutual funds (2)	28,978		2,064		31,042
Corporate bonds	5,000		2		5,002
Direct U.S. obligations and GSE residential mortgage-backed securities (3)	782,147		21,244	(42)	803,349
Private label residential mortgage-backed securities	21,096	(1,811)	1,948	(458)	20,775
Private label commercial mortgage-backed securities	5,390		330		5,720
Trust preferred securities	32,000			(9,108)	22,892
CRA investments	23,164		1,156		24,320
	$ 1,024,339	$ (1,811)	$ 32,019	$ (10,410)	$ 1,044,137
Securities measured at fair value					
Direct U.S. obligations and GSE residential mortgage-backed securities (3)					$ 5,505

(1) These consist of revenue obligations.
(2) These are investment grade corporate bonds.
(3) These are primarily agency collateralized mortgage obligations.

	December 31, 2011			
		(in thousands)		
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
	(in thousands)			

Securities held-to-maturity				
Collateralized debt obligations	$ 50	$ 972	$	$ 1,022
Corporate bonds	102,785	171	(2,029)	100,927
Municipal obligations (1)	181,923	4,695	(32)	186,586
CRA investments	1,500			1,500
	$ 286,258	$ 5,838	$ (2,061)	$ 290,035

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	Amortized Cost	OTTI Recognized in Other Comprehensive Loss	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
			(in thousands)		
Securities available-for-sale					
U.S. Government-sponsored agency securities	$ 155,898	$	$ 368	$ (55)	$ 156,211
Municipal obligations (1)	5,555		47	(16)	5,586
Adjustable-rate preferred stock	59,661		1,157	(6,142)	54,676
Mutual funds (2)	28,978		65	(179)	28,864
Corporate bonds	5,000			(425)	4,575
Direct U.S. obligations and GSE residential mortgage-backed securities (3)	855,828		9,095	(339)	864,584
Private label residential mortgage-backed securities	26,953	(1,811)	1,815	(1,173)	25,784
Private label commercial mortgage-backed securities	5,461			(30)	5,431
Trust preferred securities	32,016			(10,857)	21,159
CRA investments	22,835		680		23,515
	$ 1,198,185	$ (1,811)	$ 13,227	$ (19,216)	$ 1,190,385
Securities measured at fair value					
Direct U.S. obligations and GSE residential mortgage-backed securities (3)					$ 6,515

(1) These consist of revenue obligations.
(2) These are investment grade corporate bonds.
(3) These are primarily agency collateralized mortgage obligations.

For additional information on the fair value changes of the securities measured at fair value, see the trading securities table in Note 10 Fair Value Accounting .

The Company conducts an other-than-temporary impairment (OTTI) analysis on a quarterly basis. The initial indication of OTTI for both debt and equity securities is a decline in the market value below the amount recorded for an investment, and the severity and duration of the decline. Another potential indication of OTTI is a downgrade below investment grade. In determining whether an impairment is OTTI, the Company considers the length of time and the extent to which the market value has been below cost, recent events specific to the issuer, including investment downgrades by rating agencies and economic conditions of its industry, and the Company s ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery. For marketable equity securities, the Company also considers the issuer s financial condition, capital strength, and near-term prospects.

For debt securities and for adjustable-rate preferred stock (ARPS) that are treated as debt securities for the purpose of OTTI analysis, the Company also considers the cause of the price decline (general level of interest rates and industry-and issuer-specific factors), the issuer s financial condition, near-term prospects and current ability to make future payments in a timely manner, the issuer s ability to service debt, and any change in agencies ratings at evaluation date from acquisition date and any likely imminent action. For ARPS with a fair value below cost that is not attributable to the credit deterioration of the issuer, such as a decline in cash flows from the security or a downgrade in the security s rating below investment grade, the Company does not recognize an OTTI charge where it is able to assert that it has the intent and ability to retain its investment for a period of time sufficient to allow for any anticipated recovery in fair value.

Gross unrealized losses at September 30, 2012 are primarily caused by interest rate fluctuations, credit spread widening and reduced liquidity in applicable markets. The Company has reviewed securities on which there is an unrealized loss in accordance with its accounting policy for OTTI described above and determined there were no securities impairment charges for the three and nine months ended September 30, 2012 and the three months ended September 30, 2011. There was $0.2 million of securities impairment charges for the nine months ended September 30, 2011. The impairment charges are attributed to the unrealized losses in the Company s CDO portfolio.

The Company does not consider any other securities to be other-than-temporarily impaired as of September 30, 2012 and December 31, 2011. OTTI is reassessed quarterly. No assurance can be made that additional OTTI will not occur in future periods.

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Information pertaining to securities with gross unrealized losses at September 30, 2012 and December 31, 2011, aggregated by investment category and length of time that individual securities have been in a continuous loss position follows:

	September 30, 2012					
	Less Than Twelve Months		More Than Twelve Months		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(in thousands)					
Securities held-to-maturity						
Corporate bonds	$ 593	$ 14,407	$ 6,943	$ 63,057	$ 7,536	$ 77,464
Municipal obligations	11	1,118			11	1,118
	$ 604	$ 15,525	$ 6,943	$ 63,057	$ 7,547	$ 78,582
Securities available-for-sale						
Adjustable-rate preferred stock	$ 30	$ 4,970	$ 725	$ 8,641	$ 755	$ 13,611
Direct U.S obligations and GSE residential mortgage-backed securities		7	42	7,427	42	7,434
Municipal obligations	47	5,566			47	5,566
Private label residential mortgage-backed securities	3	1,012	455	7,574	458	8,586
Trust preferred securities			9,108	22,893	9,108	22,893
	$ 80	$ 11,555	$ 10,330	$ 46,535	$ 10,410	$ 58,090

	December 31, 2011					
	Less Than Twelve Months		Over Twelve Months		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(in thousands)					
Securities held-to-maturity						
Corporate bonds	$ 2,029	$ 77,931	$	$	$ 2,029	$ 77,931
Municipal obligations	32	7,774			32	7,774
	$ 2,061	$ 85,705	$	$	$ 2,061	$ 85,705
Securities available-for-sale						
U.S. Government-sponsored agency securities	$ 55	$ 9,944	$	$	$ 55	$ 9,944
Adjustable-rate preferred stock	6,142	26,335			6,142	26,335
Mutual funds	179	15,879			179	15,879
Corporate bonds	425	4,575			425	4,575
Direct U.S obligations and GSE residential mortgage-backed securities	222	54,668	117	15,239	339	69,907
Municipal obligations	16	2,640			16	2,640
Private label residential mortgage-backed securities	465	20,045	708	5,034	1,173	25,079
Private label commercial mortgage-backed securities	30	5,431			30	5,431
Trust preferred securities			10,857	21,159	10,857	21,159
	$ 7,534	$ 139,517	$ 11,682	$ 41,432	$ 19,216	$ 180,949

At September 30, 2012 and December 31, 2011, the Company s unrealized losses relate primarily to interest rate fluctuations, credit spreads widening and reduced liquidity in applicable markets. The total number of securities in an unrealized loss position at September 30, 2012 was 51 compared to 106 at December 31, 2011. In analyzing an issuer s financial condition, management considers whether the securities are issued by

the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analysis reports. Since material downgrades have not occurred and management does not intend to sell the debt securities for the foreseeable future, none of the securities described in the above table or in this paragraph were deemed to be other than temporarily impaired.

At September 30, 2012, the net unrealized loss on trust preferred securities classified as AFS was $9.1 million, compared with $10.9 million at December 31, 2011. The Company actively monitors its debt and other structured securities portfolios classified as AFS for declines in fair value. At September 30, 2012, the net unrealized loss on corporate bond portfolio classified as HTM was $6.7 million compared to $1.9 million at December 31, 2011. During the year, the Federal Reserve announced its intention to keep interest rates at historically low levels into 2015. The yields of most of the bonds in the portfolio are tied to LIBOR, thus negatively affecting their anticipated returns. Additionally, Moody s had downgraded certain bonds held in the portfolio during the year. However, all of the bonds remain investment grade.

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The amortized cost and fair value of securities as of September 30, 2012 and December 31, 2011, by contractual maturities, are shown below. The actual maturities of the mortgage-backed securities may differ from their contractual maturities because the loans underlying the securities may be repaid without any penalties due to borrowers that have the right to call or prepay obligations with or without call or prepayment penalties. Therefore, these securities are listed separately in the maturity summary.

	September 30, 2012		December 31, 2011	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(in thousands)			
Securities held-to-maturity				
Due in one year or less	$ 1,500	$ 1,500	$ 1,500	$ 1,500
After one year through five years	13,598	13,670	8,389	8,093
After five years through ten years	114,295	107,957	114,748	114,098
After ten years	154,079	160,465	161,621	166,344
	$ 283,472	$ 283,592	$ 286,258	$ 290,035
Securities available-for-sale				
Due in one year or less	$ 57,722	$ 61,117	$ 52,815	$ 53,399
After one year through five years	16,795	17,766	20,445	20,635
After five years through ten years	16,721	17,296	134,935	135,420
After ten years	150,954	144,609	134,162	116,347
Mortgage backed securities	782,147	803,349	855,828	864,584
	$ 1,024,339	$ 1,044,137	$ 1,198,185	$ 1,190,385

The following table summarizes the Company s investment ratings position as of September 30, 2012:

	As of September 30, 2012						
	AAA	Split-rated AAA/AA+	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ and below	Totals
	(in thousands)						
Municipal obligations	$ 8,158	$	$ 134,480	$ 87,472	$ 8,748	$ 283	$ 239,141
Direct U.S. obligations & GSE residential mortgage-backed securities		808,854					808,854
Private label residential mortgage-backed securities	1,612		3,295	13,826		2,042	20,775
Private label commercial mortgage-backed securities	5,720						5,720
Mutual funds (3)					31,042		31,042
Adjustable-rate preferred stock			830	1,218	57,220	8,641	67,909
Trust preferred securities					22,892		22,892
Collateralized debt obligations						50	50
Corporate bonds			2,696	45,121	59,968		107,785
Total (1) (2)	$ 15,490	$ 808,854	$ 141,301	$ 147,637	$ 179,870	$ 11,016	$ 1,304,168

(1) The Company used the average credit rating of the combination of S&P, Moody s and Fitch in the above table where ratings differed.

(2) Securities values are shown at carrying value as of September 30, 2012. Unrated securities consist of CRA investments with a carrying value of $24.3 million, ARPS with a carrying value of $3.1 million and an other investment of $1.5 million.

(3) At least 80% of mutual funds are investment grade corporate bonds.

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The following table summarizes the Company s investment ratings position as of December 31, 2011.

	As of December 31, 2011						
	AAA	**Split-rated AAA/AA+**	**AA+ to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ and below**	**Totals**
	(in thousands)						
Municipal obligations	$ 8,273	$	$ 109,159	$ 60,949	$ 8,855	$ 273	$ 187,509
Direct U.S. obligations & GSE residential mortgage-backed securities		871,099					871,099
Private label residential mortgage-backed securities	13,349		4,104	6,438		1,893	25,784
Private label commercial mortgage-backed securities	5,431						5,431
Mutual funds (3)					28,864		28,864
U.S. Government-sponsored agency securities		156,211					156,211
Adjustable-rate preferred stock					46,530	7,126	53,656
Trust preferred securities					21,159		21,159
Collateralized debt obligations						50	50
Corporate bonds	2,695		15,130	64,535	15,000		97,360
Total (1) (2)	$ 29,748	$ 1,027,310	$ 128,393	$ 131,922	$ 120,408	$ 9,342	$ 1,447,123

(1) The Company used the average credit rating of the combination of S&P, Moody s and Fitch in the above table where ratings differed.
(2) Securities values are shown at carrying value as of December 31, 2011. Unrated securities consist of CRA investments with a carrying value of $23.5 million, an HTM Corporate security with a carrying value of $10.0 million, one ARPS with a carrying value of $1.0 million and an other investment of $1.5 million.
(3) At least 80% of mutual funds are investment grade corporate bonds.

Securities with carrying amounts of approximately $666.8 million and $675.0 million at September 30, 2012 and December 31, 2011, respectively, were pledged for various purposes as required or permitted by law.

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

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2012	2011	**2012**	2011
	(in thousands)			
Gross gains	**$ 1,073**	$ 1,106	**$ 2,786**	$ 5,172
Gross (losses)	**(42)**	(325)	**(284)**	(346)
	$ 1,031	$ 781	**$ 2,502**	$ 4,826

5. LOANS, LEASES AND ALLOWANCE FOR CREDIT LOSSES

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

	September 30, 2012	December 31, 2011
	(in thousands)	
Commercial real estate owner occupied	**$ 1,331,332**	$ 1,252,182
Commercial real estate non-owner occupied	**1,407,013**	1,301,172
Commercial and industrial	**1,450,339**	1,120,107
Residential real estate	**408,435**	443,020
Construction and land development	**379,834**	381,676
Commercial leases	**305,654**	216,475
Consumer	**56,642**	72,504
Deferred fees and unearned income,net	**(6,317)**	(7,067)
	5,332,932	4,780,069
Allowance for credit losses	**(97,410)**	(99,170)
Total	**$ 5,235,522**	$ 4,680,899

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The following table presents the contractual aging of the recorded investment in past due loans by class of loans excluding deferred fees:

	September 30, 2012					
	Current	30-59 Days Past Due	60-89 Days Past Due	Over 90 days Past Due	Total Past Due	Total
	(in thousands)					
Commercial real estate						
Owner occupied	$ 1,313,261	$ 4,338	$ 6,113	$ 7,620	$ 18,071	$ 1,331,332
Non-owner occupied	1,236,408	2,402	7,844	2,153	12,399	1,248,807
Multi-family	158,017		189		189	158,206
Commercial and industrial						
Commercial	1,442,543	2,228	613	4,955	7,796	1,450,339
Leases	304,629	522		503	1,025	305,654
Construction and land development						
Construction	223,187					223,187
Land	146,677	527	892	8,551	9,970	156,647
Residential real estate	391,466	1,073	1,676	14,220	16,969	408,435
Consumer	54,958	513	374	797	1,684	56,642
Total loans	$ 5,271,146	$ 11,603	$ 17,701	$ 38,799	$ 68,103	$ 5,339,249

	December 31, 2011					
	Current	30-59 Days Past Due	60-89 Days Past Due	Over 90 days Past Due	Total Past Due	Total
	(in thousands)					
Commercial real estate						
Owner occupied	$ 1,235,707	$ 3,150	$ 2,488	$ 10,837	$ 16,475	$ 1,252,182
Non-owner occupied	1,168,616		2,365	5,051	7,416	1,176,032
Multi-family	124,855			285	285	125,140
Commercial and industrial						
Commercial	1,114,881	683	1,146	3,397	5,226	1,120,107
Leases	216,475					216,475
Construction and land development						
Construction	210,843			3,434	3,434	214,277
Land	151,618	6,217	375	9,189	15,781	167,399
Residential real estate	424,086	2,349	4,030	12,555	18,934	443,020
Consumer	70,759	376	602	767	1,745	72,504
Total loans	$ 4,717,840	$ 12,775	$ 11,006	$ 45,515	$ 69,296	$ 4,787,136

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The following table presents the recorded investment in nonaccrual loans and loans past due ninety days or more and still accruing interest by class of loans:

	September 30, 2012				December 31, 2011			
	Current	Non-accrual loans Past Due/ Delinquent	Total Non-accrual	Loans past due 90 days or more and still accruing	Current	Non-accrual loans Past Due/ Delinquent	Total Non-accrual	Loans past due 90 days or more and still accruing
					(in thousands)			
Commercial real estate								
Owner occupied	**$ 19,116**	**$ 16,432**	**$ 35,548**	**$**	$ 6,951	$ 14,202	$ 21,153	$ 439
Non-owner occupied	**24,186**	**8,859**	**33,045**		8,834	7,416	16,250	
Multi-family	**552**	**189**	**741**		331	285	616	
Commercial and industrial								
Commercial	**5,747**	**4,923**	**10,670**	**608**	3,789	3,029	6,818	523
Leases		**1,025**	**1,025**		592		592	
Construction and land development								
Construction					11,011	3,435	14,446	
Land	**4,880**	**9,388**	**14,268**		2,615	11,752	14,367	860
Residential real estate	**10,547**	**15,214**	**25,761**	**486**	2,891	12,856	15,747	
Consumer		**180**	**180**	**616**	403		403	767
Total	**$ 65,028**	**$ 56,210**	**$ 121,238**	**$ 1,710**	$ 37,417	$ 52,975	$ 90,392	$ 2,589

The reduction in interest income associated with loans on nonaccrual status was approximately $1.3 million and $4.1 million for the three and nine months ended September 30, 2012, respectively, and $2.2 million and $4.6 million for the three and nine months ended September 30, 2011, respectively.

The Company utilizes an internal asset classification system as a means of reporting problem and potential problem loans. Under the Company s risk rating system, the Company classifies problem and potential problem loans as Watch, Substandard, Doubtful , and Loss, which correspond risk ratings six, seven, eight, and nine, respectively. Substandard loans include those characterized by well defined weaknesses and carry the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. Loans classified as Doubtful, or risk rated eight, have all the weaknesses inherent in those classified 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. The final rating of Loss covers loans considered uncollectible and having such little recoverable value that it is not practical to defer writing off the asset. Loans that do not currently expose the Company to sufficient risk to warrant classification in one of the aforementioned categories, but possess weaknesses that deserve management s close attention, are deemed to be Watch, or risk rated six. Risk ratings are updated, at a minimum, quarterly. The following tables present loans by risk rating:

	September 30, 2012					
	Pass	Watch	Substandard	Doubtful	Loss	Total
			(in thousands)			
Commercial real estate						
Owner occupied	$ 1,206,211	$ 57,347	$ 67,774	$	$	$ 1,331,332
Non-owner occupied	1,170,233	15,346	63,228			1,248,807
Multi-family	157,465		741			158,206
Commercial and industrial						
Commercial	1,416,446	11,171	19,322	3,401		1,450,340
Leases	298,386	131	7,136			305,653
Construction and land development						
Construction	222,985	202				223,187
Land	112,721	8,659	35,267			156,647

Residential real estate	367,224	3,875	37,336		408,435
Consumer	54,254	950	1,438		56,642
Total	$ 5,005,925	$ 97,681	$ 232,242	$ 3,401	$ $ 5,339,249

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	September 30, 2012					
	Pass	Watch	Substandard	Doubtful	Loss	Total
	(in thousands)					
Current (up to 29 days past due)	$ 5,001,961	$ 93,758	$ 174,577	$ 850	$	$ 5,271,146
Past due 30 59 days	3,077	887	7,639			11,603
Past due 60 89 days	773	2,652	14,276			17,701
Past due 90 days or more	114	384	35,750	2,551		38,799
Total	$ 5,005,925	$ 97,681	$ 232,242	$ 3,401	$	$ 5,339,249

	December 31, 2011					
	Pass	Watch	Substandard	Doubtful	Loss	Total
	(in thousands)					
Commercial real estate						
Owner occupied	$ 1,139,776	$ 67,220	$ 45,186	$	$	$ 1,252,182
Non-owner occupied	1,103,593	33,470	38,969			1,176,032
Multi-family	123,917	414	809			125,140
Commercial and industrial						
Commercial	1,067,602	20,657	31,648	200		1,120,107
Leases	215,778	105	592			216,475
Construction and land development						
Construction	193,248	3,087	17,942			214,277
Land	120,858	8,551	37,990			167,399
Residential real estate	405,398	12,637	24,985			443,020
Consumer	68,546	971	2,987			72,504
Total	$ 4,438,716	$ 147,112	$ 201,108	$ 200	$	$ 4,787,136

	December 31, 2011					
	Pass	Watch	Substandard	Doubtful	Loss	Total
	(in thousands)					
Current (up to 29 days past due)	$ 4,429,291	$ 143,908	$ 144,641	$	$	$ 4,717,840
Past due 30 59 days	6,475	661	5,639			12,775
Past due 60 89 days	2,950	2,104	5,952			11,006
Past due 90 days or more		439	44,876	200		45,515
Total	$ 4,438,716	$ 147,112	$ 201,108	$ 200	$	$ 4,787,136

The table below reflects recorded investment in loans classified as impaired:

	September 30, 2012	December 31, 2011
	(in thousands)	
Impaired loans with a specific valuation allowance under ASC 310	**$ 58,917**	$ 28,631
Impaired loans without a specific valuation allowance under ASC 310	**165,179**	180,860
Total impaired loans	**$ 224,096**	$ 209,491
Valuation allowance related to impaired loans	**$ (15,448)**	$ (10,377)

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The following table presents the impaired loans by class:

	September 30, 2012	December 31, 2011
	(in thousands)	
Commercial real estate		
Owner occupied	**$ 62,390**	$ 46,780
Non-owner occupied	**61,289**	43,123
Multi-family	**741**	809
Commercial and industrial		
Commercial	**21,455**	25,138
Leases	**1,025**	592
Construction and land development		
Construction		20,827
Land	**37,402**	41,084
Residential real estate	**39,180**	28,850
Consumer	**614**	2,288
Total	**$ 224,096**	$ 209,491

A valuation allowance is established for an impaired loan when the fair value of the loan is less than the recorded investment. In certain cases, portions of impaired loans have been charged-off to realizable value instead of establishing a valuation allowance and are included, when applicable, in the table above as Impaired loans without specific valuation allowance under ASC 310. The valuation allowance disclosed above is included in the allowance for credit losses reported in the consolidated balance sheets as of September 30, 2012 and December 31, 2011.

The following table presents average investment in impaired loans by loan class:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(in thousands)			
Commercial real estate				
Owner occupied	**$ 61,223**	$ 51,020	**$ 55,881**	$ 51,951
Non-owner occupied	**60,207**	43,192	**57,433**	52,384
Multi-family	**882**	1,676	**983**	2,109
Commercial and industrial				
Commercial	**25,616**	13,830	**26,097**	12,648
Leases	**1,030**	3,429	**839**	3,491
Construction and land development				
Construction		25,780	**1,315**	27,729
Land	**35,215**	21,931	**37,440**	23,174
Residential real estate	**37,814**	36,947	**34,567**	37,020
Consumer	**794**	468	**1,256**	527
Total	**$ 222,781**	$ 198,273	**$ 215,811**	$ 211,033

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The following table presents interest income on impaired loans by class:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(in thousands)			
Commercial real estate				
Owner occupied	**$ 841**	$ 960	**$ 1,696**	$ 2,113
Non-owner occupied	**649**	218	**1,661**	1,395
Multi-family		5		14
Commercial and industrial				
Commercial	**406**	628	**920**	727
Leases				
Construction and land development				
Construction		119		391
Land	**171**	133	**867**	528
Residential real estate	**78**	33	**199**	222
Consumer	**13**	2	**31**	9
Total	**$ 2,158**	$ 2,098	**$ 5,374**	$ 5,399

The Company is not committed to lend significant additional funds on these impaired loans.

The following table summarizes nonperforming assets:

	September 30, 2012	December 31, 2011
	(in thousands)	
Nonaccrual loans	**$ 121,238**	$ 90,392
Loans past due 90 days or more on accrual status	**1,710**	2,589
Troubled debt restructured loans	**93,335**	112,483
Total nonperforming loans	**216,283**	205,464
Foreclosed collateral	**78,234**	89,104
Total nonperforming assets	**$ 294,517**	$ 294,568

Allowance for Credit Losses

The following table summarizes the changes in the allowance for credit losses by portfolio type:

	For the Three Months Ended September 30,					
	Construction and Land Development	Commercial Real Estate	Residential Real Estate	Commercial and Industrial	Consumer	Total
	(in thousands)					
2012						
Beginning Balance	$ 13,378	$ 36,733	$ 16,957	$ 26,132	$ 4,312	$ 97,512
Charge-offs	2,315	1,470	2,242	4,100	799	10,926
Recoveries	567	633	153	501	38	1,892
Provision	18	2,324	(82)	5,611	1,061	8,932

Ending balance	$ 11,648	$ 38,220	$ 14,786	$ 28,144	$ 4,612	$ 97,410
2011						
Beginning Balance	$ 16,913	$ 35,062	$ 21,276	$ 26,089	$ 5,035	$ 104,375
Charge-offs	2,369	2,484	10,555	1,420	1,069	17,897
Recoveries	707	127	440	1,243	41	2,558
Provision	2,206	341	8,622	(803)	814	11,180
Ending balance	$ 17,457	$ 33,046	$ 19,783	$ 25,109	$ 4,821	$ 100,216

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	For the Nine Months Ended September 30,					
	Construction and Land Development	Commercial Real Estate	Residential Real Estate	Commercial and Industrial	Consumer	Total
	(in thousands)					
2012						
Beginning Balance	$ 14,195	$ 35,031	$ 19,134	$ 25,535	$ 5,275	$ 99,170
Charge-offs	10,587	12,023	5,756	12,687	3,571	44,624
Recoveries	870	2,897	765	2,695	294	7,521
Provision	7,170	12,315	643	12,601	2,614	35,343
Ending balance	$ 11,648	$ 38,220	$ 14,786	$ 28,144	$ 4,612	$ 97,410
2011						
Beginning Balance	$ 20,587	$ 33,043	$ 20,889	$ 30,782	$ 5,398	$ 110,699
Charge-offs	8,083	12,884	17,176	8,753	3,690	50,586
Recoveries	1,800	1,402	881	2,798	110	6,991
Provision	3,153	11,485	15,189	282	3,003	33,112
Ending balance	$ 17,457	$ 33,046	$ 19,783	$ 25,109	$ 4,821	$ 100,216

The following tables present loans individually evaluated for impairment by class of loans:

	September 30, 2012			
	Unpaid Principal Balance	Recorded Investment	Partial Charge-offs	Allowance for Credit Losses Allocated
	(in thousands)			
With no related allowance recorded:				
Commercial real estate				
Owner occupied	$ 50,997	$ 45,954	$ 5,043	$
Non-owner occupied	42,984	38,619	4,365	
Multi-family	282	234	48	
Commercial and industrial				
Commercial	15,027	14,610	417	
Leases	1,025	1,025		
Construction and land development				
Construction				
Land	43,028	36,600	6,428	
Residential real estate	34,373	27,703	6,670	
Consumer	434	434		
With an allowance recorded:				
Commercial real estate				
Owner occupied	17,779	16,436	1,343	5,159
Non-owner occupied	28,638	22,670	5,968	2,395
Multi-family	538	507	31	225
Commercial and industrial				
Commercial	10,086	6,845	3,241	3,280
Leases				
Construction and land development				
Construction				
Land	1,084	802	282	187
Residential real estate	12,912	11,477	1,435	4,022
Consumer	555	180	375	180
With an allowance recorded:				

Total	$ 259,742	$ 224,096	$ 35,646	$ 15,448

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	December 31, 2011			
	Unpaid Principal Balance	Recorded Investment	Partial Charge-offs	Allowance for Credit Losses Allocated
	(in thousands)			
With no related allowance recorded:				
Commercial real estate				
Owner occupied	$ 47,792	$ 41,338	$ 6,454	$
Non-owner occupied	41,500	36,806	4,694	
Multi-family	213	194	19	
Commercial and industrial				
Commercial	24,769	22,804	1,965	
Leases	592	592		
Construction and land development				
Construction	21,774	18,821	2,953	
Land	39,177	34,067	5,110	
Residential real estate	32,577	23,950	8,627	
Consumer	2,328	2,288	40	
With an allowance recorded:				
Commercial real estate				
Owner occupied	5,572	5,442	130	1,333
Non-owner occupied	7,865	6,316	1,549	1,276
Multi-family	630	616	14	218
Commercial and industrial				
Commercial	2,516	2,334	182	1,863
Leases				
Construction and land development				
Construction	5,018	2,006	3,012	499
Land	7,298	7,017	281	3,002
Residential real estate	5,059	4,900	159	2,186
Consumer				
With an allowance recorded:				
Total	$ 244,680	$ 209,491	$ 35,189	$ 10,377

The following tables present the balance in the allowance for credit losses and the recorded investment in loans by portfolio segment and based on impairment method:

	September 30, 2012							
	Commercial Real Estate - Owner Occupied	Commercial Real Estate - Non-Owner Occupied	Commercial and Industrial	Residential Real Estate	Construction and Land Development	Commercial Leases	Consumer	Total
	(in thousands)							
Allowance for credit losses:								
Ending balance attributable to loans individually evaluated for impairment	$ 5,159	$ 2,619	$ 3,281	$ 4,022	$ 187	$	$ 180	$ 15,448
Collectively evaluated for impairment	16,540	13,902	22,576	10,764	11,461	2,287	4,432	81,962
Acquired with deteriorated credit quality								
Total ending allowance	$ 21,699	$ 16,521	$ 25,857	$ 14,786	$ 11,648	$ 2,287	$ 4,612	$ 97,410

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	December 31, 2011							
	Commercial Real Estate - Owner Occupied	Commercial Real Estate - Non-Owner Occupied	Commercial and Industrial	Residential Real Estate	Construction and Land Development	Commercial Leases	Consumer	Total
	(in thousands)							
Allowance for credit losses:								
Ending balance attributable to loans								
Individually evaluated for impairment	$ 1,333	$ 1,494	$ 1,863	$ 2,186	$ 3,501	$	$	$ 10,377
Collectively evaluated for impairment	16,434	15,770	21,605	16,948	10,694	2,067	5,275	88,793
Acquired with deteriorated credit quality								
Total ending allowance	$ 17,767	$ 17,264	$ 23,468	$ 19,134	$ 14,195	$ 2,067	$ 5,275	$ 99,170

In the first quarter of 2012, the Company modified its allowance for credit losses calculation to exclude cash secured loans. Additionally, for internally participated loans historical loss factors have been revised as follows. Previously the loss factors utilized were based on those of the bank which held the participation. Under the revised methodology, loss characteristics of the originating bank are utilized by the participating bank for the first four quarters after origination during which time the loan becomes seasoned. The net effect of these changes compared to the calculation method used at December 31, 2011 was to decrease the provision and allowance for credit losses by approximately $2.6 million. The net effect by portfolio segment was to decrease provision for credit losses for the commercial real estate, commercial and industrial, consumer and residential real estate portfolios by $1.5 million, $0.8 million, $0.2 million and $41,000, respectively.

Troubled Debt Restructurings (TDR)

A troubled debt restructured loan is a loan on which the bank, for reasons related to a borrower s financial difficulties, grants a concession to the borrower that the bank 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, extensions, deferrals, renewals and rewrites. The majority of the bank 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. A troubled debt restructured loan is also considered impaired. Generally, a loan that is modified at an effective market rate of interest may no longer be disclosed as a troubled debt restructuring in years subsequent to the restructuring if it is not impaired based on the terms specified by the restructuring agreement.

The following table presents information on the financial effects of troubled debt restructured loans by class for the periods presented:

	Three Months Ended September 30, 2012					
	Number of Loans	Pre-Modification Outstanding Recorded Investment	Forgiven Principal Balance	Lost Interest Income (1)	Post-Modification Outstanding Recorded Investment	Waived Fees and Other Expenses
		(in thousands)				
Commercial real estate						
Owner occupied	2	$ 3,111	$	$ 28	$ 3,083	$ 11
Non-owner occupied	10	19,773	10	194	19,569	5
Multi-family						
Commercial and industrial						
Commercial						
Leases						
Construction and land development						
Construction						

Land	1	2,581		26	2,555	
Residential real estate	4	4,113		163	3,950	1
Consumer	1	46		3	43	2
Total	18	$ 29,624	$ 10	$ 414	$ 29,200	$ 19

(1) Lost interest income is processed as a charge-off to loan principal in the Company s financial statements.

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	Nine Months Ended September 30, 2012					
	Number of Loans	Pre-Modification Outstanding Recorded Investment	Forgiven Principal Balance	Lost Interest Income (1)	Post-Modification Outstanding Recorded Investment	Waived Fees and Other Expenses
			(in thousands)			
Commercial real estate						
Owner occupied	14	$ 21,740	$ 750	$ 493	$ 20,497	$ 71
Non-owner occupied	15	33,629	440	321	32,868	16
Multi-family						
Commercial and industrial						
Commercial	14	7,707		26	7,681	37
Leases						
Construction and land development						
Construction						
Land	6	6,460		259	6,201	12
Residential real estate	19	10,306	40	1,148	9,118	8
Consumer	3	114		3	111	2
Total	71	$ 79,956	$ 1,230	$ 2,250	$ 76,476	$ 146

(1) Lost interest income is processed as a charge-off to loan principal in the Company s financial statements.

	Three Months Ended September 30, 2011					
	Number of Loans	Pre-Modification Outstanding Recorded Investment	Forgiven Principal Balance	Lost Interest Income (1)	Post-Modification Outstanding Recorded Investment	Waived Fees and Other Expenses
			(in thousands)			
Commercial real estate						
Owner occupied	5	$ 4,474	$	$	$ 4,474	$ 20
Non-owner occupied	5	5,123		226	4,897	25
Multi-family						
Commercial and industrial						
Commercial	28	13,599		1	13,598	40
Leases						
Construction and land development						
Construction	2	12,281		1,180	11,101	38
Land	5	1,924		316	1,608	39
Residential real estate	14	8,174	303	757	7,114	12
Consumer	3	263		9	254	
Total	62	$ 45,838	$ 303	$ 2,489	$ 43,046	$ 174

(1) Lost interest income is processed as a charge-off to loan principal in the Company s financial statements.

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	Nine Months Ended September 30, 2011					
	Number of Loans	Pre-Modification Outstanding Recorded Investment	Forgiven Principal Balance	Lost Interest Income (1)	Post-Modification Outstanding Recorded Investment	Waived Fees and Other Expenses
			(in thousands)			
Commercial real estate						
Owner occupied	16	$ 16,559	$	$ 801	$ 15,758	$ 223
Non-owner occupied	12	19,764	1,000	353	18,411	246
Multi-family						
Commercial and industrial						
Commercial	33	14,916		1	14,915	62
Leases						
Construction and land development						
Construction	3	12,443		1,180	11,263	38
Land	9	3,314		321	2,993	54
Residential real estate	27	13,553	1,010	1,100	11,443	17
Consumer	3	263		9	254	
Total	103	$ 80,812	$ 2,010	$ 3,765	$ 75,037	$ 640

(1) Lost interest income is processed as a charge-off to loan principal in the Company s financial statements.

The following table presents TDR loans by class for which there was a payment default during the period:

	Three Months Ended September, 30,				Nine Months Ended September 30,			
	2012		2011		2012		2011	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
		(in thousands)				(in thousands)		
Commercial real estate								
Owner occupied	5	$ 4,263		$	10	$ 10,611	1	$ 170
Non-owner occupied	1	1,049	1	430	3	4,442	1	430
Multi-family					1	193		
Commercial and industrial								
Commercial	3	1,794			7	6,700		
Leases								
Construction and land development								
Construction							2	2,463
Land	1	347	3	2,031	5	4,013	4	2,193
Residential real estate	3	3,823	2	318	5	4,143	7	2,431
Consumer					1	375		
Total	13	$ 11,276	6	$ 2,779	32	$ 30,477	15	$ 7,687

A TDR loan is deemed to have a payment default when it becomes past due 90 days, goes on nonaccrual, or is re-structured again.

At September 30, 2012 and December 31, 2011, loan commitments outstanding on TDR loans were $0.9 million and $0.2 million, respectively.

Loan Purchases and Sales

In the third quarter of 2012, the Company had secondary market loan purchases of $13.8 million consisting of commercial and industrial loans. In addition, the Company periodically acquires newly originated loans at closing through participations or loan syndications. The Company had no significant loan sales in the first nine months of 2012 or 2011. The Company held no loans for sale at September 30, 2012 and December 31, 2011, respectively. In the first nine months of 2012, the Company had secondary market loan purchases of $132.3 million consisting of $66.1 million of commercial leases, $65.2 million of commercial and industrial loans and $1.0 million of commercial real estate loans. In the first nine months of 2011, the Company purchased $64.3 million of secondary market loans consisting of $64.0 million commercial and industrial loans and $0.3 million commercial real estate loans.

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6. OTHER ASSETS ACQUIRED THROUGH FORECLOSURE

The following table presents the changes in other assets acquired through foreclosure:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(in thousands)		(in thousands)	
Balance, beginning of period	$ 76,994	$ 85,732	$ 89,104	$ 107,655
Additions	10,993	7,139	20,288	28,194
Dispositions	(9,205)	(4,291)	(27,346)	(35,601)
Valuation adjustments in the period, net	(548)	(1,888)	(3,812)	(13,556)
Balance, end of period	$ 78,234	$ 86,692	$ 78,234	$ 86,692

At September 30, 2012 and 2011, the majority of the Company s repossessed assets were properties located in Nevada.

7. GOODWILL AND INTANGIBLES

Goodwill and intangibles are created when a Company acquires a business. When a business is acquired, the purchased assets and liabilities are recorded at fair value and intangible assets are identified. Excess consideration paid to acquire the business over fair value of the net assets is recorded as goodwill. During the third quarter 2012, Management concluded that goodwill and intangibles related to Shine Investment Advisory Services, Inc. were impaired, and recorded a $3.4 million impairment charge. This was due to ongoing evaluations of various strategic alternatives related to this entity, including negotiations to sell this 80% investment.

The Company determined that there was no triggering event or other factor to indicate an interim test of goodwill impairment was necessary for the third quarter of 2011.

8. INCOME TAXES

Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

For the nine months ended September 30, 2012, the net deferred tax assets decreased $25.1 million to $36.6 million. This decrease in the net deferred tax asset was primarily the result of the net operating income of the Company for the period and the resulting usage of the NOL and Capital Loss carryforwards and also due to the tax effect of the change in other comprehensive income. The reduction in the effective tax rate from the first three quarters of 2011 compared to the first three quarters of 2012 is primarily due to low income housing tax credits, an increase in tax exempt income from revenue from municipal obligations, as well as a reduction in the deferred tax valuation allowance for capital loss carryforwards arising from transactions that generated capital gains.

At September 30, 2012, the $6.3 million deferred tax valuation (compared to $7.6 million at December 31, 2011) relates to net capital losses on ARPS securities sales.

The deferred tax asset related to federal and state net operating loss carryforwards outstanding at September 30, 2012, available to reduce tax liability in future years total $5.7 million (compared to $20.2 million at December 31, 2011). This is comprised of $2.6 million of tax benefits from federal net operating loss carry forwards that begin to expire in 2029, $1.4 million of tax benefits from California state net operating loss carry forwards that will begin to expire in 2029, and $1.8 million of tax benefits from Arizona state net operating loss carryforwards that will begin to expire in 2013. In Management s opinion, it is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred taxes related to these net operating loss carryforwards.

Uncertain Tax Position

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 tax examinations by tax authorities for years before 2007. Although, as described below, the Internal Revenue Service s examination of the Company s 2008 net operating loss carryback claim appears to have been resolved in the Company s favor, it is not yet closed.

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When tax returns are filed, it is highly certain that some 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 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 most likely to be 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 would be reflected as a liability for unrecognized tax benefits in the accompanying consolidated balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

The Company would recognize interest accrued related to unrecognized tax benefits in tax expense. The Company has not recognized or accrued any interest or penalties for the three and nine month periods ended September 30, 2012 or 2011, respectively.

Management believes that the Company has appropriate support for the income tax positions taken and to be taken on its tax returns and that its accruals for tax liabilities are adequate for all open years based on an assessment of many factors, including past experience and interpretation of tax law applied to the facts of each matter.

The Internal Revenue Service s Examination Division issued a notice of proposed deficiency on January 10, 2011, proposing a taxable income adjustment of $136.7 million related to deductions taken on our 2008 tax return in connection with the partial worthlessness of collateralized debt obligations, or CDOs. The use of these deductions on the Company s 2008 tax return resulted in a net operating loss carryback claim for a tax refund of approximately $40.0 million of federal taxes for the 2006 and 2007 taxable periods. The Company filed a protest of the proposed deficiency, which was referred to the Appeals Division of the Internal Revenue Service. The Appellate Conferee has conceded that the Company s $136.7 million deduction was reasonable and has proposed no further adjustments. However, the case is not yet closed. Due to the size of the refund, the Appellate Conferee was required to submit and has submitted his formal written recommendation to the Joint Committee on Taxation and will close the case after receiving approval from that committee. The Company has not accrued a reserve for this potential exposure.

9. 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 standby letters of credit. They involve, to varying degrees, elements of credit risk in excess of amounts recognized in the consolidated balance sheets.

Lines of credit are obligations to lend money to a borrower. Credit risk arises when the borrowers current financial condition may indicate less ability to pay than when the commitment was originally made. In the case of standby letters of credit, the risk arises from the possibility of the failure of the customer to perform according to the terms of a contract. In such a situation, the third party might draw on the standby 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.

Standby 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.

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A summary of the contractual amounts for unfunded commitments and letters of credit are as follows:

	September 30, 2012	December 31, 2011
	(in thousands)	
Commitments to extend credit, including unsecured loan commitments of $175,042 at September 30, 2012 and $167,305 at December 31, 2011	**$ 1,023,224**	$ 863,120
Credit card commitments and financial guarantees	**298,115**	319,892
Standby letters of credit, including unsecured letters of credit of $2,075 at September 30, 2012 and $2,558 at December 31, 2011	**30,790**	34,768
Total	**$ 1,352,129**	$ 1,217,780

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. 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 not included in the allowance for credit losses reported in Note 5, Loans, Leases and Allowance for Credit Losses of these Consolidated Financial Statements and are accounted for as a separate loss contingency as a liability. This loss contingency for unfunded loan commitments and letters of credit was $1.6 million and $1.1 million as of September 30, 2012 and December 31, 2011, respectively. Changes to this liability are adjusted through other non-interest expense.

Concentrations of Lending Activities

The Company s lending activities are primarily driven by the customers served in the market areas where the Company has branch offices in the States of Nevada, California and Arizona. The Company monitors concentrations within five broad categories: geography, industry, product, call code, and collateral. The Company grants commercial, construction, real estate and consumer loans to customers through branch offices located in the Company s primary markets. The Company s business is concentrated in these areas and the loan portfolio includes significant credit exposure to the commercial real estate market of these areas. As of September 30, 2012 and December 31, 2011, commercial real estate related loans accounted for approximately 58% and 61% of total loans and approximately 2% of commercial real estate related loans are secured by undeveloped land. Substantially all of these loans are secured by first liens with an initial loan to value ratio of generally not more than 75%. Approximately 49% of these commercial real estate loans were owner occupied at September 30, 2012 and December 31, 2011, respectively. In addition, approximately 4% of total loans were unsecured as of September 30, 2012 and December 31, 2011.

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 defending the Company, but in the opinion of Management, based in part on consultation with 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.

Lease Commitments

The Company leases the majority of its office locations and many of these leases contain multiple renewal options and provisions for increased rents. Total rent expense of $1.5 million and $1.4 million was included in occupancy expenses for the three month periods ended September 30, 2012 and 2011, respectively. For the nine months ended September 30, 2012 and 2011, total rent expense included in occupancy expenses was $4.4 million and $4.1 million, respectively.

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10. 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 below:

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 all significant assumptions are not observable, either directly or indirectly, in the market. These unobservable assumptions reflect an entity 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.

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. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period.

Under ASC Topic 825, the Company elected the fair value option (FVO) treatment for the junior subordinated debt and certain investment securities. This election is generally irrevocable and unrealized gains and losses on these items must be reported in earnings at each reporting date. The Company continues to account for these items under the fair value option. Since adoption, there were no financial instruments purchased by the Company which met the ASC 825 fair value election criteria, and therefore, no additional instruments have been added under the fair value option election.

All securities for which the fair value measurement option had been elected are included in a separate line item on the balance sheet entitled securities measured at fair value.

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For the three and nine months ended September 30, 2012 and 2011, gains and losses from fair value changes included in the Consolidated Statement of Operations were as follows:

	Changes in Fair Values for Items Measured at Fair Value Pursuant to Election of the Fair Value Option			
Description	**Unrealized Gain/(Loss) on Assets and Liabilities Measured at Fair Value, Net**	**Interest Income on Securities**	**Interest Expense on Junior Subordinated Debt**	**Total Changes Included in Current-Period Earnings**
		(in thousands)		
Three Months Ended September 30, 2012				
Securities measured at fair value	$	$ 3	$	$ 3
Junior subordinated debt	469		329	140
	$ 469	$ 3	$ 329	$ 143
Nine Months Ended September 30, 2012				
Securities measured at fair value	$ (66)	$ 10	$	$ (56)
Junior subordinated debt	767		981	(214)
	$ 701	$ 10	$ 981	$ (270)

	Changes in Fair Values for Items Measured at Fair Value Pursuant to Election of the Fair Value Option			
Description	**Unrealized Gain (Loss) on Assets and Liabilities Measured at Fair Value, Net**	**Interest Income on Securities**	**Interest Expense on Junior Subordinated Debt**	**Total Changes Included in Current-Period Earnings**
		(in thousands)		
Three Months Ended September 30, 2011				
Securities measured at fair value	$ 32	$ 4	$	$ 36
Junior subordinated debt	6,388		267	6,121
	$ 6,420	$ 4	$ 267	$ 6,157
Nine Months Ended September 30, 2011				
Securities measured at fair value	$ 1	$ 22	$	$ 23
Junior subordinated debt	6,689		766	5,923
	$ 6,690	$ 22	$ 766	$ 5,946

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The following table presents gains and losses from fair value changes on securities measured at fair value:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	**2012**	2011
	(in thousands)		(in thousands)	
Net gains and (losses) for the period on trading securities included in earnings	**$**	$ 32	**$ (66)**	$ 1
Less: net gains and (losses) recognized during the period on trading securities sold during the period				190
Change in unrealized gains or (losses) for the period included in earnings for trading securities held at the end of the reporting period	**$**	$ 32	**$ (66)**	$ (189)

The difference between the aggregate fair value of junior subordinated debt ($36.2 million) and the aggregate unpaid principal balance thereof ($66.5 million) was $30.3 million at September 30, 2012.

Interest income on securities measured at fair value is accounted for similarly to those classified as available-for-sale and held-to-maturity. Any premiums or discounts are recognized in interest income over the term of the securities. For mortgage-backed securities, estimates of prepayments are considered in the constant yield calculations. Interest expense on junior subordinated debt is also determined under a constant yield calculation.

Fair value on a recurring basis

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

AFS Securities: Adjustable-rate preferred securities, one trust preferred security, corporate debt securities and CRA mutual fund investments are reported at fair value utilizing Level 1 inputs. Other securities classified as AFS are reported at fair value utilizing 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 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.

Securities measured at fair value: All of the Company s securities measured at fair value, the majority of which are mortgage-backed securities, are reported at fair value utilizing Level 2 inputs in the same manner as described above for securities available for sale.

Independent pricing service: Management independently evaluates all of the fair value measurements received from our third party pricing service through multiple review steps. First, management reviews what has transpired in the market-place with respect to interest rates, credit spreads, volatility, mortgage rates, etc., and makes an expectation on changes to the securities valuations from the previous quarter. Then management compares expected changes to the actual valuation changes provided to it by its pricing service. Next, management compares a robust sampling of safekeeping marks on securities with the marks provided by our third party pricing service and determines whether there are any notable differences. Then, management compares the prices on Level 1 priced securities to publically available prices to verify those prices are similar. Finally, management discusses the assumptions used for Level 2 priced securities with our pricing service. The pricing service provides management with observable market data including interest rate curves and mortgage prepayment speed grids, as well as dealer quote sheets, new bond offering sheets, and historical trade documentation. Management reviews the assumptions and decides whether they are reasonable. Management may compare interest rates, credit spreads and prepayments speeds used as part of the assumptions to those that management believes are reasonable. Management may price securities using the provided assumptions to determine whether they can develop similar prices on like securities. Any discrepancies with management s review and the prices provided by the vendor are discussed with the vendor and the Company s other valuation advisors. Management has formally challenged the prices on several securities, but has found that the vendor prices are reasonable.

Annually the Company receives a SSAE 16 report from its independent pricing service attesting to the controls placed on the operations of the service from its auditor.

Interest rate swap: Interest rate swaps are reported at fair value utilizing Level 2 inputs. The Company obtains dealer quotations to value its interest rate swaps.

Junior subordinated debt: The Company estimates the fair value of its junior subordinated debt using a discounted cash flow model which incorporates the effect of the Company s own credit risk in the fair value of the liabilities (Level 3). The Company s cash flow assumptions were based on the contractual cash flows as the Company anticipates that it will pay the debt according to its contractual terms. The Company evaluated priced offerings on individual issuances of trust preferred securities and estimated the discount rate based, in part, on that information. The Company estimated the discount rate at 6.53%, which is a 617 basis point spread over 3 month LIBOR (0.359% as of September 30, 2012). As of September 30, 2011, the Company estimated the discount rate at 6.754%, which was a 638 basis point spread over 3 month LIBOR (0.374%). As of December 31, 2011, the Company estimated the discount rate at 6.989%, which was a 641 basis point spread over 3 month LIBOR (0.579%).

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Securities sold short:: Securities sold short, comprised of entirely U.S. Treasury bonds, are reported at fair value utilizing Level 1 inputs.

The fair value of these assets and liabilities were determined using the following inputs at the periods presented:

	Fair Value Measurements at the End of the Reporting Period Using:			
September 30, 2012	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Fair Value**
		(in thousands)		
Assets:				
Securities measured at fair value				
Direct U.S. obligations and GSE residential mortgage-backed securities	$	$ 5,505	$	$ 5,505
Securities available for sale				
Municipal obligations	$	$ 60,002		$ 60,002
Direct U.S. obligations and GSE residential mortgage-backed securities		803,349		803,349
Mutual funds	31,042			31,042
Private label residential mortgage-backed securities		20,775		20,775
Private label commercial mortgage-backed securities		5,720		5,720
Adjustable-rate preferred stock	71,035			71,035
Trust preferred	22,892			22,892
Corporate bonds	5,002			5,002
Other	24,320			24,320
	$ 154,291	$ 889,846	$	$ 1,044,137
Interest rate swaps	$	$ 858	$	$ 858
Liabilities:				
Junior subordinated debt	$	$	$ 36,218	$ 36,218
Interest rate swaps	$	$ 831	$	$ 831
Securities sold short	$ 138,287	$	$	$ 138,287

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December 31, 2011	Fair Value Measurements at the End of the Reporting Period Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
		(in thousands)		
Assets:				
Securities measured at fair value				
Direct U.S. obligations and GSE residential mortgage-backed securities	$	$ 6,515	$	$ 6,515
Securities available for sale				
U.S. Government-sponsored agency securities	$	$ 156,211	$	$ 156,211
Municipal obligations		5,586		5,586
Direct U.S. obligations and GSE residential mortgage-backed securities		864,584		864,584
Mutual funds	28,864			28,864
Private label residential mortgage-backed securities		25,784		25,784
Private label commercial mortgage-backed securities		5,431		5,431
Adjustable-rate preferred stock	54,676			54,676
Trust preferred	1,323	19,836		21,159
Corporate bonds	4,575			4,575
Other	23,515			23,515
	$ 112,953	$ 1,077,432	$	$ 1,190,385
Interest rate swaps	$	$ 1,729	$	$ 1,729
Liabilities:				
Junior subordinated debt	$	$	$ 36,985	$ 36,985
Interest rate swaps	$	$ 946	$	$ 946

For the nine months ended September 30, 2012, the change in Level 3 liabilities measured at fair value on a recurring basis was as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3): Junior Subordinated Debt
	(in thousands)
Opening balance	$ (36,985)
Transfers into Level 3	
Transfers out of Level 3	
Total gains or losses for the period	
Included in earnings (or changes in net assets) (a)	767
Included in other comprehensive income	
Purchases, sales, and settlements	
Purchases	
Sales	
Settlements	
Closing balance	$ (36,218)

Change in unrealized gains (losses) for the nine month period included in earnings (or changes in net assets) for the period ended September 30, 2012.	$	767
Change in unrealized gains (losses) for the nine month period included in earnings (or changes in net assets) for the period ended September 30, 2011.	$	6,689

(a) Total gains (losses) for the period are included in the non-interest income line, mark to market gains (losses), net.

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For Level 3 liabilities measured at fair value on a recurring basis as of September 30, 2012, the significant unobservable inputs used in the fair value measurements were as follows:

	Fair Value at September 30,2012	Valuation Technique	Significant Unobservable Inputs	Input Value
	(dollars in thousands)			
Junior subordinated debt	$ 36,218	Discounted cash flow	Median market spreads on publicly issued trust preferreds with comparable credit risk	6.53%

	Fair Value at December 31,2011	Valuation Technique	Significant Unobservable Inputs	Input Value
	(dollars in thousands)			
Junior subordinated debt	$ 36,985	Discounted cash flow	Median market spreads on publicly issued trust preferreds with comparable credit risk	6.989%

The significant unobservable inputs used in the fair value measurement of the Company s junior subordinated debt are the calculated or estimated credit spreads on comparable publicly traded company trust preferred issuances which were non-investment grade and non-rated. Significant increases (decreases) in these inputs could result in a significantly higher (lower) fair value measurement.

Fair value on a nonrecurring basis

Certain assets are measured at fair value on a nonrecurring basis; that is, the instruments 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 impairment). The following table presents such assets carried on the balance sheet by caption and by level within the ASC 825 hierarchy:

	Fair Value Measurements at the End of the Reporting Period Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Active Markets for Similar Assets (Level 2)	Unobservable Inputs (Level 3)
	(in thousands)			
As of September 30, 2012:				
Impaired loans with specific valuation allowance	$ 43,469	$	$	$ 43,469
Impaired loans without specific valuation allowance	68,512			68,512
Other assets acquired through foreclosure	78,234			78,234
As of December 31, 2011:				
Impaired loans with specific valuation allowance	$ 18,254	$	$	$ 18,254
Impaired loans without specific valuation allowance	71,001			71,001
Other assets acquired through foreclosure	89,104			89,104

Impaired loans: The specific reserves for collateral dependent impaired loans are based on the fair value of the collateral. The fair value of collateral is determined based on third-party appraisals. 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 some cases, adjustments are made to the appraised values due to various factors, including age of the appraisal (which are generally obtained every six to twelve months), age of comparables included in the appraisal, and known changes in the market and in the collateral. 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 appraised value and there is no observable market price, the resulting fair value measurement has been categorized as a Level 3 measurement. These Level 3 impaired loans had an aggregate carrying amount of $58.9 million and specific reserves in the allowance for loan losses of $15.4 million at September 30, 2012.

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Other assets acquired through foreclosure: Other assets acquired through foreclosure consist of properties acquired as a result of, or in-lieu-of, foreclosure. Properties or other assets classified as other assets acquired through foreclosure and other repossessed property and are initially reported at the fair value determined by independent appraisals using appraised value, less cost to sell. Such properties are generally re-appraised every six to twelve months. There is risk for subsequent volatility. Costs relating to the development or improvement of the assets are capitalized and costs relating to holding the assets are charged to expense. The Company had $78.2 million of such assets at September 30, 2012. 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 appraise;, 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 appraised value and there is no observable market price, the resulting fair value measurement has been categorized as a Level 3 measurement.

Credit vs. non-credit losses

The Company elected to apply provisions of ASC 320 as of January 1, 2009 to its AFS and HTM investment securities portfolios. The OTTI was separated into (a) the amount of total impairment related to the credit loss, and (b) the amount of the total impairment related to all other factors. The amount of the total OTTI related to the credit loss was recognized in earnings. The amount of the total impairment related to all other factors was recognized in other comprehensive income. The OTTI was presented in the statement of operations with an offset for the amount of the total OTTI that was recognized in other comprehensive income.

If the Company does not intend to sell and it is not more likely than not that the Company will be required to sell the impaired securities before recovery of the amortized cost basis, the Company recognizes the cumulative effect of initially applying this FASB Staff Position (FSP) as an adjustment to the opening balance of retained earnings with a corresponding adjustment to accumulated other comprehensive income, including related tax effects. The Company elected to early adopt ASC 320 on its impaired securities portfolio since it provides more transparency in the consolidated financial statements related to the bifurcation of the credit and non-credit losses.

For the three and nine months ended September 30, 2012, the Company determined that no securities contained credit losses. For the three and nine months ended September 30, 2011, the Company determined that certain collateralized mortgage debt securities contained credit losses. The impairment credit losses related to these debt securities was $0.2 million.

Debt Security Credit Losses

Recognized in Other Comprehensive Income/Earnings

For the Nine Months Ended September 30, 2012 and 2011

		Private Label Mortgage-Backed Securities (in thousands)
Beginning balance of impairment losses held in other comprehensive income	$	(1,811)
Current period other-than temporary impairment credit recognized through earnings		
Reductions for securities sold during the period		
Additions or reductions in credit losses due to change of intent to sell		
Reductions for increases in cash flows to be collected on impaired securities		
Ending balance of net unrealized gains and (losses) held in other comprehensive income	$	(1,811)

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FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	September 30,2012					December 31, 2011	
	Carrying Amount	Fair Value				Carrying Amount	Fair Value
		Level 1	Level 2	Level 3	Total		
				(in thousands)			
Financial assets:							
Investment securities	**$ 1,333,114**	**$ 251,848**	**$ 1,081,386**	**$**	**$ 1,333,234**	$ 1,483,158	$ 1,486,935
Derivatives	**858**		**858**		**858**	1,729	1,729
Loans, net	**5,235,522**		**4,783,498**	**111,981**	**4,895,479**	4,680,899	4,420,006
Financial liabilities:							
Deposits	**6,161,976**		**6,162,746**		**6,162,746**	5,658,512	5,660,518
Customer repurchases	**73,063**		**73,063**		**73,063**	123,626	123,626
FHLB and FRB advances	**150,000**		**150,000**		**150,000**	280,000	280,000
Other borrowed funds	**73,614**			**81,075**	**81,075**	73,321	78,375
Junior subordinated debt	**36,218**			**36,218**	**36,218**	36,985	36,985
Derivatives	**831**		**831**		**831**	946	946

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 our change in net portfolio value and net interest income resulting from hypothetical changes in interest rates. If potential changes to net portfolio value and net interest income resulting from hypothetical interest rate changes are not within the limits established by the Board of Directors, the Board of Directors may direct management to adjust the asset and liability mix to bring interest rate risk within board-approved limits. As of September 30, 2012, the Company s interest rate risk profile was within Board-approved limits.

Each of the Company s subsidiary banks has an Asset and Liability Management Committee charged with managing interest rate risk within Board approved limits. Such limits may vary by bank based on local strategy and other considerations, but in all cases, are structured to prohibit an interest rate risk profile that is significantly asset or liability sensitive. There also exists an Asset and Liability Management Committee at the holding company level that reviews the interest rate risk of each subsidiary bank, as well as an aggregated position for the entire Company.

Fair value of commitments

The estimated fair value of standby letters of credit outstanding at September 30, 2012 and December 31, 2011 was insignificant. Loan commitments on which the committed interest rates were less than the current market rate are also insignificant at September 30, 2012 and December 31, 2011.

11. SEGMENTS

The Company provides a full range of banking and investment advisory services through its consolidated subsidiaries. Applicable guidance provides that the identification of reportable segments be on the basis of discreet business units and their financial information to the extent such units are reviewed by the entity s chief decision maker.

At September 30, 2012, the Company consists of the following segments: Bank of Nevada , Western Alliance Bank , Torrey Pines Bank and Other (Western Alliance Bancorporation holding company, Western Alliance Equipment Finance, Shine Investment Advisory Services, Inc., and the discontinued operations.)

The accounting policies of the reported segments are the same as those of the Company as described in Note 1, *Summary of Significant Accounting Policies.* Transactions between segments consist primarily of borrowed funds and loan participations. Federal funds purchased and

sold and other borrowed funding transactions that resulted in inter-segment profits were eliminated for reporting consolidated results of operations. Loan participations were recorded at par value with no resulting gain or loss. The Company allocated centrally provided services to the operating segments based upon estimated usage of those services.

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The following is a summary of selected operating segment information as of and for the three and nine month periods ended September 30, 2012 and 2011:

Western Alliance Bancorporation and Subsidiaries

Operating Segment Results

Unaudited

	Bank of Nevada	Western Alliance Bank	Torrey Pines Bank*	Other	Inter-segment elimi-nations	Consoli-dated Company
			(dollars in millions)			
At September 30, 2012						
Assets	$ 2,918.0	$ 2,429.8	$ 1,888.7	$ 961.3	$ (794.2)	$ 7,403.6
Gross loans and deferred fees, net	2,061.0	1,871.4	1,430.6	12.8	(42.9)	5,332.9
Less: Allowance for credit losses	(59.5)	(20.4)	(17.5)			(97.4)
Net loans	2,001.5	1,851.0	1,413.1	12.8	(42.9)	5,235.5
Goodwill	23.2					23.2
Deposits	2,408.5	2,150.5	1,613.8		(10.8)	6,162.0
FHLB advances and other	110.0		40.0			150.0
Stockholders equity	339.1	217.3	168.4	702.3	(729.1)	698.0
No. of branches	11	16	12			39
No. of FTE	388	241	234	101		964
			(in thousands)			
Three Months Ended September 30, 2012:						
Net interest income	$ 27,717	$ 24,449	$ 21,795	$ (2,015)	$	$ 71,946
Provision for credit losses	6,618	1,112	1,202			8,932
Net interest income (loss) after provision for credit losses	21,099	23,337	20,593	(2,015)		63,014
Non-interest income	3,259	1,173	855	23,517	(21,822)	6,982
Non-interest expense	(16,467)	(11,980)	(11,082)	(10,966)	2,952	(47,543)
Income (loss) from continuing operations before income taxes	7,891	12,530	10,366	10,536	(18,870)	22,453
Income tax expense (benefit)	2,055	3,768	3,958	(3,029)		6,752
Income (loss) from continuing operations	5,836	8,762	6,408	13,565	(18,870)	15,701
Loss from discontinued operations, net				(243)		(243)
Net income (loss)	$ 5,836	$ 8,762	$ 6,408	$ 13,322	$ (18,870)	$ 15,458
			(in thousands)			
Nine Months Ended September 30, 2012:						
Net interest income	$ 83,054	$ 71,564	$ 64,406	$ (6,216)	$	$ 212,808
Provision for credit losses	28,846	1,215	5,282			35,343

Net interest income (loss) after provision for credit losses	54,208	70,349	59,124	(6,216)		177,465
Non-interest income	11,132	5,021	3,111	61,806	(60,807)	20,263
Non-interest expense	(53,437)	(35,986)	(33,492)	(24,496)	7,540	(139,871)
Income (loss) from continuing operations before income taxes	11,903	39,384	28,743	31,094	(53,267)	57,857
Income tax expense (benefit)	1,341	13,031	11,255	(9,175)		16,452
Income (loss) from continuing operations	10,562	26,353	17,488	40,269	(53,267)	41,405
Loss from discontinued operations, net				(686)		(686)
Net income (loss)	$ 10,562	$ 26,353	$ 17,488	$ 39,583	$ (53,267)	$ 40,719

* Excludes discontinued operations

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Western Alliance Bancorporation and Subsidiaries

Operating Segment Results

Unaudited

	Bank of Nevada	Western Alliance Bank	Torrey Pines Bank*	Other	Inter-segment elimi-nations	Consoli-dated Company
			(dollars in millions)			
At September 30, 2011						
Assets	$ 2,853.0	$ 2,073.1	$ 1,623.9	$ 752.6	$ (756.7)	$ 6,545.9
Gross loans and deferred fees, net	1,851.9	1,484.8	1,232.6		(42.8)	4,526.5
Less: Allowance for credit losses	(63.4)	(20.2)	(16.6)			(100.2)
Net loans	1,788.5	1,464.6	1,216.0		(42.8)	4,426.3
Goodwill	23.2			2.7		25.9
Deposits	2,466.5	1,768.4	1,400.3		(2.3)	5,632.9
Stockholders equity	320.2	189.2	149.2	639.5	(665.8)	632.3
No. of branches	12	16	11			39
No. of FTE	409	215	209	78		911
			(in thousands)			
Three Months Ended September 30, 2011:						
Net interest income	$ 26,297	$ 20,684	$ 19,660	$ (2,056)	$	$ 64,585
Provision for credit losses	8,319	1,275	1,586			11,180
Net interest income (loss) after provision for credit losses	17,978	19,409	18,074	(2,056)		53,405
Non-interest income	4,397	1,504	1,083	8,281	(2,183)	13,082
Non-interest expense	(20,245)	(12,383)	(10,099)	(4,937)	2,183	(45,481)
Income (loss) from continuing operations before income taxes	2,130	8,530	9,058	1,288		21,006
Income tax expense (benefit)	441	3,009	3,680	384		7,514
Income (loss) from continuing operations	1,689	5,521	5,378	904		13,492
Loss from discontinued operations, net				(481)		(481)
Net income (loss)	$ 1,689	$ 5,521	$ 5,378	$ 423	$	$ 13,011
			(in thousands)			
Nine Months Ended September 30, 2011:						
Net interest income	$ 79,582	$ 60,450	$ 55,588	$ (6,651)	$	$ 188,969
Provision for credit losses	20,622	6,606	5,883			33,112
Net interest income (loss) after provision for credit losses	58,960	53,844	49,705	(6,651)		155,857
Non-interest income	13,772	5,887	4,057	11,531	(5,738)	29,509
Non-interest expense	(64,656)	(37,446)	(30,588)	(17,683)	5,738	(144,635)

Income (loss) from continuing operations before income taxes	8,076	22,285	23,174	(12,803)		40,731
Income tax expense (benefit)	1,768	8,083	9,597	(4,610)		14,838
Income (loss) from continuing operations	6,308	14,202	13,577	(8,193)		25,893
Loss from discontinued operations, net				(1,500)		(1,500)
Net income (loss)	$ 6,308	$ 14,202	$ 13,577	$ (9,693)	$	$ 24,393

* Excludes discontinued operations

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12. STOCKHOLDERS EQUITY

Stock-based Compensation

For the three and nine months ended September 30, 2012, 17,600 and 706,922 shares of restricted stock were granted, respectively. The Company estimates the compensation cost for restricted stock grants based upon the grant date fair value. Generally, these restricted stock grants have a three year vesting period. The aggregate grant date fair value for the restricted stock issued in the three and nine months period ended September 30, 2012 was $0.2 million and $5.7 million, respectively. In addition, the Company granted 77,972 shares during the nine months ended September 30, 2012 to WAL and subsidiary board of directors that immediately vested.

There were approximately 1,480,373 and 1,277,611 restricted shares outstanding at September 30, 2012 and 2011, respectively. For the three and nine months ended September 30, 2012, the Company recognized stock-based compensation related to restricted stock grants of $1.1 million and $3.4 million, respectively compared to $0.8 million and $2.2 million, respectively for the three and nine months ended September 30, 2011.

As of September 30, 2012, there were 1.7 million options outstanding, compared with 2.1 million at September 30, 2011.

In the second quarter 2012, stockholders approved an amendment to the 2005 Stock Incentive Plan that (i) increased by 2,000,000 the maximum number of shares available for issuance thereunder; (ii) increased the maximum number of shares of stock that can be awarded to any person eligible for an award thereunder to 300,000 per calendar year; and (iii) provided for additional business criteria upon which performance-based awards may be based thereunder.

13. OTHER BORROWINGS AND OTHER LIABILITIES

The following table summarizes the Company s borrowings as of September 30, 2012 and December 31, 2011:

	September 30, 2012	December 31, 2011
	(in thousands)	
Short Term		
Federal Home Loan Bank advances	**$ 150,000**	$ 280,000
Long Term		
Other long term debt	**$ 75,000**	$ 75,000

The Company maintains lines of credit with the Federal Home Loan Bank (FHLB) and Federal Reserve Bank (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 also maintains credit lines with other sources secured by pledged securities. Short-term FHLB and FRB advances had weighted average interest rates of 0.24% and 0.25% for the three and nine months ended September 30, 2012.

On August 25, 2010, the Company completed a public offering of $75 million in principal Senior Notes due in 2015 bearing interest of 10%. The net proceeds of the offering were $72.8 million. The weighted average cost on all long term debt was 10.80% and 10.81% for the three and nine months ended September 30, 2012, respectively, and 10.97% and 11.39% for the three and nine months ended September 30, 2011, respectively.

As of September 30, 2012 and December 31, 2011, the Company had additional available credit with the FHLB of approximately $1.05 billion and $843.4 million, respectively, and with the FRB of approximately $659.0 million and $696.6 million, respectively.

During the third quarter the Company entered into a Treasury short transaction to mitigate the Company s modest liability sensitive interest rate risk profile. The Company sold short fixed rate securities and invested the proceeds short term. This action reduced the interest margin approximately five basis points during the quarter, primarily from the increase in earning assets at a very low yield. The balance was $138.3 million at September 30, 2012.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion is designed to provide insight into Management s assessment of significant trends related to the Company s consolidated financial condition, results of operations, liquidity, capital resources and interest rate sensitivity. This Form 10-Q should be read in conjunction with the Company s Annual Report on Form 10-K for the year ended December 31, 2011 and unaudited interim consolidated financial statements and notes hereto and financial information appearing elsewhere in this report. Unless the context requires otherwise, the terms Company, we, and our refer to Western Alliance Bancorporation and its wholly-owned subsidiaries on a consolidated basis.

Forward-Looking Information

This report contains certain forward-looking statements, within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, which are intended to be covered by the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995. These statements may include statements that expressly or implicitly predict future results, performance or events. Statements other than statements of historical fact are forward-looking statements. In addition, the words anticipates, expects, believes, estimates and intends or the negative of these terms or other comparable terminology constitute forward-looking statements. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. Except as required by law, the Company disclaims any obligation to update any such forward-looking statements or to publicly announce the results of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

Forward-looking statements contained in this Quarterly Report on Form 10-Q involve substantial risks and uncertainties, many of which are difficult to predict and are generally beyond the control of the Company and may cause our actual results to differ significantly from historical results and those expressed in any forward-looking statement. Risks and uncertainties include those set forth in our filings with the Securities and Exchange Commission and the following factors that could cause actual results to differ materially from those presented:

- dependency on real estate and events that negatively impact real estate;
- high concentration of commercial real estate, construction and development and commercial and industrial loans;
- actual credit losses may exceed expected losses in the loan portfolio;
- possible need for a valuation allowance against deferred tax assets;
- the effects of interest rates and interest rate policy;
- exposure of financial instruments to certain market risks may cause volatility in earnings;
- dependence on low-cost deposits;
- ability to borrow from Federal Home Loan Bank (FHLB) or Federal Reserve Bank (FRB ;
- events that further impair goodwill;

increase in the cost of funding as the result of changes to our credit rating;

expansion strategies may not be successful,

our ability to control costs,

risk associated with changes in internal controls and processes;

our ability to compete in a highly competitive market;

our ability to recruit and retain qualified employees, especially seasoned relationship bankers;

the effects of terrorist attacks or threats of war;

risk of audit of U.S. federal tax deductions;

perpetration of internal fraud;

risk of operating in a highly regulated industry and our ability to remain in compliance;

possible need to revalue our deferred tax assets if stock transactions result in limitations on deductibility of net operating losses or loan losses;

exposure to environmental liabilities related to the properties we acquire title;

recent legislative and regulatory changes including Emergency Economic Stabilization Act of 2008, or EESA, the American Recovery and Reinvestment Act of 2009, or ARRA, and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the rules and regulations that might be promulgated thereunder;

cyber security risks; and

risks related to ownership and price of our common stock.

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For additional information regarding risks that may cause our actual results to differ materially from any forward-looking statements, see Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2011 and in item 1A of Part II of this Quarterly Report.

Financial Overview and Highlights

Western Alliance Bancorporation is a multi-bank holding company headquartered in Phoenix, Arizona that provides full service banking, lending, financial planning and investment advisory services through its subsidiaries.

Financial Result Highlights for the Third Quarter of 2012

Net income for the Company of $15.5 million, or $0.18 per diluted share, for the third quarter of 2012 compared to net income of $13.0 million, or $0.04 per diluted share, for the third quarter of 2011.

The significant factors impacting earnings of the Company during the third quarter of 2012 were:

- Net income available to common shareholders of $15.1 million for the third quarter of 2012 compared to $3.6 million for the third quarter 2011.
- Net interest income increased by 11.3% to $71.9 million for the third quarter of 2012 compared to $64.6 million for the third quarter of 2011.
- Net interest margin for the third quarter of 2012 was 4.41% compared to 4.29% for the third quarter of 2011.
- Provision for credit losses decreased to $8.9 million for the third quarter of 2012 compared to $11.2 million for the third quarter of 2011.
- The Company experienced net loan growth in the third quarter of 2012 of $168 million to $5.33 billion. This increase was driven by growth in commercial and industrial loans and construction and land development loans. Total loans increased $806 million over the last twelve months from $4.53 billion at September 30, 2011.
- Total deposits increased during the quarter by $161 million to $6.16 billion at September 30, 2012 from $6.0 billion at June 30, 2012, with growth primarily in money market accounts, certificates of deposits and savings accounts partially offset by declines in interest bearing demand and non-interest bearing demand. Deposits increased $529 million over the last twelve months from $5.63 billion at September 30, 2011.
- Net charge-offs (annualized) to average loans outstanding declined to 0.70% in the third quarter of 2012 from 1.40% in the third quarter of 2011.
- Other assets acquired through foreclosure declined to $78.2 million at September 30, 2012 from $89.1 million at December 31, 2011 and $86.7 million at September 30, 2011.

The impact to the Company from these items, and others of both a positive and negative nature, will be discussed in more detail as they pertain to the Company s overall comparative performance for the three and nine months ended September 30, 2012 throughout the analysis sections of this report.

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A summary of our results of operations and financial condition and select metrics is included in the following table:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
	(dollars in thousands)			
Net income available to common stockholders	**$ 15,106**	$ 3,592	**$ 37,279**	$ 9,968
Earnings per share Basic	**0.18**	0.04	**0.46**	0.12
Earnings per share Diluted	**0.18**	0.04	**0.45**	0.12
Total assets	**$ 7,403,603**	$ 6,545,890		
Gross loans	**$ 5,332,932**	$ 4,526,501		
Total deposits	**$ 6,161,976**	$ 5,632,888		
Net interest margin	**4.41%**	4.29%	**4.47%**	4.32%
Return on average assets	**0.85%**	0.79%	**0.77%**	0.51%
Return on average stockholders equity	**8.95%**	8.13%	**8.09%**	5.22%

As a bank holding company, management focuses on key ratios in evaluating the Company s financial condition and results of operations. In the current economic environment, key ratios regarding asset credit quality and efficiency are more informative as to the financial condition of the Company than those utilized in a more normal economic environment such as return on equity and return on assets.

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 asset quality metrics:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
	(dollars in thousands)			
Non-accrual loans	**$ 121,238**	$ 113,713		
Non-performing assets	**294,517**	282,263		
Non-accrual loans to gross loans	**2.27%**	2.51%		
Net charge-offs to average loans (annualized)	**0.70%**	1.40%	**0.99%**	1.35%

Asset and Deposit Growth

The ability to originate new loans and attract new deposits is fundamental to the Company s asset growth. The Company s assets and liabilities are comprised primarily of loans and deposits. Total assets increased to $7.40 billion at September 30, 2012 from $6.84 billion at December 31, 2011. Total gross loans including net deferred fees and unearned income increased by $552.9 million, or 11.6%, to $5.33 billion as of September 30, 2012 compared to December 31, 2011. Total deposits increased $503.5 million, or 8.9%, to $6.16 billion as of September 30, 2012 from $5.66 billion as of December 31, 2011.

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RESULTS OF OPERATONS

The following table sets forth a summary financial overview for the three and nine months ended September 30, 2012 and 2011:

	Three Months Ended September 30,		Increase	Nine Months Ended September 30,		Increase
	2012	2011	(Decrease)	2012	2011	(Decrease)
	(in thousands, except per share amounts)					
Consolidated Income Statement Data:						
Interest income	**$ 78,669**	$ 74,133	$ 4,536	**$ 233,952**	$ 219,745	$ 14,207
Interest expense	**6,723**	9,548	(2,825)	**21,144**	30,776	(9,632)
Net interest income	**71,946**	64,585	7,361	**212,808**	188,969	23,839
Provision for credit losses	**8,932**	11,180	(2,248)	**35,343**	33,112	2,231
Net interest income after provision for credit losses	**63,014**	53,405	9,609	**177,465**	155,857	21,608
Non-interest income	**6,982**	13,082	(6,100)	**20,263**	29,509	(9,246)
Non-interest expense	**47,543**	45,481	2,062	**139,871**	144,635	(4,764)
Net income from continuing operations before income taxes	**22,453**	21,006	1,447	**57,857**	40,731	17,126
Income tax expense	**6,752**	7,514	(762)	**16,452**	14,838	1,614
Income from continuing operations	**15,701**	13,492	2,209	**41,405**	25,893	15,512
Loss from discontinued operations, net of tax benefit	**(243)**	(481)	238	**(686)**	(1,500)	814
Net income	**$ 15,458**	$ 13,011	$ 2,447	**$ 40,719**	$ 24,393	$ 16,326
Net income available to common stockholders	**$ 15,106**	$ 3,592	$ 11,514	**$ 37,279**	$ 9,968	$ 27,311
Income per share basic	**$ 0.18**	$ 0.04	$ 0.14	**$ 0.46**	$ 0.12	$ 0.34
Income per share diluted	**$ 0.18**	$ 0.04	$ 0.14	**$ 0.45**	$ 0.12	$ 0.33

The Company s primary source of income is interest income. Interest income for the three and nine months ended September 30, 2012 was $78.7 million and $234.0 million an increase of 6.1% and 6.5%, respectively, when comparing interest income for the three and nine months ended September 30, 2011. The increase was primarily from interest income from loans and investment securities. Interest income from loans increased by $4.0 million for the three months ended September 30, 2012 compared to the three months ended September 30, 2011. Interest income from investment securities increased by $0.7 million for the three month period ended September 30, 2012 compared to September 30, 2011. Despite the increased interest income, average yield on interest earning assets dropped 11 basis points for the three months ended September 30, 2012 compared to 2011, primarily the result of decreased yields on loans. Interest income from loans for the nine months ended September 30, 2012 grew by $11.3 million compared to the same period in 2011, while interest income from securities improved by $3.2 million for the first nine months of 2012 compared to 2011.

Interest expense for the three and nine months ended September 30, 2012 compared to 2011 decreased by 29.6% and 31.3%, respectively, to $6.7 million and $21.1 million, respectively. This decline was primarily due to decreased average cost of deposits, which declined 30 basis points to 0.38% for the three months ended September 30, 2012 compared to the same period in 2011 and declined 34 basis points to 0.41% for the nine months ended September 30, 2012 compared to the first nine months of 2011. Interest paid on borrowings and other debt increased slightly for the third quarter of 2012 compared to 2011, mostly the result of increased activity in FHLB advances, and decreased by $0.1 million for the nine months ended September 30, 2012 compared to 2011, primarily due to a change in the rate of one of the junior subordinated debt obligations from fixed to floating and a decrease in the outstanding customer repurchase balance partially offset by increased FHLB borrowings.

Net interest income increased by $7.4 million, or 11.4%, to $71.9 million for the three months ended September 30, 2012 compared to $64.6 million for the three months ended September 30, 2011. The increase in net interest income reflects a $723.8 million increase in average earning assets, offset by a $346.9 million increase in average interest bearing liabilities. The increased net interest margin was primarily due to a

decrease in our average cost of funds by 30 basis points mostly the result of downward re-pricing of deposits. For the nine months ended September 30, 2012, net interest income increased by $23.8 million, or 12.6% to $212.8 million compared to $189.0 million for the nine months ended September 30, 2011. The increase in net interest income is attributable to increased loan and investment income, as well as decreased cost of funds.

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Net Interest Margin

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

	Three Months Ended September 30,					
	2012 (7)			2011		
	Average Balance	Interest	Average Yield/Cost (6)	Average Balance	Interest	Average Yield/Cost (6)
	(dollars in thousands)					
Interest-Earning Assets						
Securities:						
Taxable	**$ 1,062,835**	**$ 5,600**	**2.11%**	$ 1,117,645	$ 7,485	2.66%
Tax-exempt (1)	**309,543**	**3,434**	**6.83%**	107,085	871	5.58%
Total securities	**1,372,378**	**9,034**	**3.17%**	1,224,730	8,356	2.91%
Federal funds sold and other	**851**	**0**	**0.19%**	894	1	0.44%
Loans (1) (2) (3)	**5,191,175**	**69,580**	**5.42%**	4,393,222	65,540	5.92%
Short term investments	**160,966**	**16**	**0.04%**	380,831	213	0.22%
Restricted stock	**33,504**	**39**	**0.47%**	35,443	23	0.26%
Total earnings assets	**6,758,874**	**78,669**	**4.81%**	6,035,120	74,133	4.92%
Nonearning Assets						
Cash and due from banks	**120,128**			121,712		
Allowance for credit losses	**(98,169)**			(105,302)		
Bank-owned life insurance	**136,522**			131,942		
Other assets	**356,643**			374,825		
Total assets	**$ 7,273,998**			$ 6,558,297		
Interest-Bearing Liabilities						
Sources of Funds						
Interest-bearing deposits:						
Interest checking	**$ 510,462**	**$ 296**	**0.23%**	$ 466,177	$ 410	0.35%
Savings and money market	**2,414,194**	**1,990**	**0.33%**	2,127,756	3,184	0.59%
Time deposits	**1,286,512**	**1,688**	**0.52%**	1,499,269	3,388	0.90%
Total interest-bearing deposits	**4,211,168**	**3,974**	**0.38%**	4,093,202	6,982	0.68%
Short-term borrowings	**382,064**	**275**	**0.29%**	147,549	77	0.21%
Long-term debt	**73,575**	**1,987**	**10.80%**	73,183	2,024	10.97%
Junior subordinated and subordinated debt	**36,672**	**487**	**5.31%**	42,664	465	4.32%
Total interest-bearing liabilities	**4,703,479**	**6,723**	**0.57%**	4,356,598	9,548	0.87%
Noninterest-Bearing Liabilities						
Noninterest-bearing demand deposits	**1,813,050**			1,532,912		
Other liabilities	**70,702**			33,873		
Stockholders equity	**686,767**			634,914		
Total Liabilities and Stockholders Equity	**$ 7,273,998**			$ 6,558,297		
Net interest income and margin (4)		**$ 71,946**	**4.41%**		$ 64,585	4.29%
Net interest spread (5)			**4.24%**			4.05%

(1) Yields on loans and securities have been adjusted to a tax-equivalent basis. Interest income has not been adjusted to a tax-equivalent basis. The tax-equivalent adjustments for the three months ended September 30, 2012 and 2011 were $2,655 and $634, respectively.
(2) Net loan fees of $1.8 million and $1.0 million are included in the yield computation for the three months ended September 30, 2012 and 2011, respectively.
(3) Includes nonaccrual loans.
(4) Net interest margin is computed by dividing net interest income by total average earning assets.
(5) Net interest spread represents average yield earned on interest-earning assets less the average rate paid on interest-bearing liabilities.
(6) Annualized.
(7) Yields for 2012 were calculated on a 30-day month 360 days per year basis.

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	Nine Months Ended September 30,					
	2012 (7)			2011		
	Average Balance	Interest	Average Yield/Cost (6)	Average Balance	Interest	Average Yield/Cost (6)
	(in thousands)					
Interest-Earning Assets						
Securities:						
Taxable	**$ 1,123,340**	**$ 18,421**	**2.19%**	$ 1,158,887	$ 22,596	2.61%
Tax-exempt (1)	**280,810**	**9,587**	**7.00%**	99,104	2,232	5.15%
Total securities	**1,404,150**	**28,008**	**3.15%**	1,257,991	24,828	2.81%
Federal funds sold and other	**407**	**1**	**0.33%**		2	0.00%
Loans (1) (2) (3)	**4,996,754**	**205,682**	**5.53%**	4,311,584	194,341	6.03%
Short term investments	**119,657**	**126**	**0.14%**	288,041	502	0.23%
Restricted stock	**33,425**	**135**	**0.54%**	36,149	72	0.27%
Total earnings assets	**6,554,393**	**233,952**	**4.90%**	5,893,765	219,745	5.02%
Nonearning Assets						
Cash and due from banks	**115,677**			121,449		
Allowance for credit losses	**(98,813)**			(107,655)		
Bank-owned life insurance	**135,410**			131,146		
Other assets	**353,801**			390,432		
Total assets	**$ 7,060,468**			$ 6,429,137		
Interest-Bearing Liabilities						
Sources of Funds						
Interest-bearing deposits:						
Interest checking	**511,028**	**920**	**0.24%**	479,204	1,427	0.40%
Savings and money market	**2,314,941**	**6,114**	**0.35%**	2,082,031	10,426	0.67%
Time deposits	**1,343,624**	**5,870**	**0.58%**	1,459,609	10,575	0.97%
Total interest-bearing deposits	**4,169,593**	**12,904**	**0.41%**	4,020,844	22,428	0.75%
Short-term borrowings	**318,833**	**827**	**0.35%**	150,879	263	0.23%
Long-term debt	**73,470**	**5,955**	**10.81%**	73,098	6,229	11.39%
Junior subordinated and subordinated debt	**36,974**	**1,458**	**5.26%**	42,909	1,856	5.78%
Total interest-bearing liabilities	**4,598,870**	**21,144**	**0.61%**	4,287,730	30,776	0.96%
Noninterest-Bearing Liabilities						
Noninterest-bearing demand deposits	**1,734,576**			1,487,249		
Other liabilities	**56,092**			28,897		
Stockholders equity	**670,930**			625,261		
Total liabilities and stockholders equity	**$ 7,060,468**			$ 6,429,137		
Net interest income and margin (4)		**$ 212,808**	**4.47%**		$ 188,969	4.32%
Net interest spread (5)			**4.29%**			4.06%

(1) Yields on loans and securities have been adjusted to a tax-equivalent basis. Interest income has not been adjusted to a tax-equivalent basis. The tax-equivalent adjustments for the nine months ended September 30, 2012 and 2011 were $6,726 and $1,588, respectively.

(2) Net loan fees of $4.9 million and $3.0 million are included in the yield computation for the nine months ended September 30, 2012 and 2011, respectively.

(3) Includes nonaccrual loans.

(4) Net interest margin is computed by dividing net interest income by total average earning assets.

(5) Net interest spread represents average yield earned on interest-earning assets less the average rate paid on interest-bearing liabilities.
(6) Annualized.
(7) Yields for 2012 were calculated on a 30-day month 360 days per year

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The table below sets forth the relative impact on net interest income of changes in the volume of earning assets and interest-bearing liabilities and changes in rates earned and paid by the Company on such assets and liabilities. For purposes of this table, nonaccrual loans have been included in the average loan balances.

	Three Months Ended September 30, 2012 versus 2011			Nine Months Ended September 30, 2012 versus 2011		
	Increase (Decrease) Due to Changes in [1][2]			Increase (Decrease) Due to Changes in [1][2]		
	Volume	Rate	Total	Volume	Rate	Total
	(in thousands)					
Interest on investment securities:						
Taxable	$ (291)	$ (1,594)	$ (1,885)	$ (582)	$ (3,593)	$ (4,175)
Tax-exempt	2,226	337	2,563	5,984	1,371	7,355
Federal funds sold and other		(1)	(1)	1	(2)	(1)
Loans	10,812	(6,772)	4,040	28,340	(16,999)	11,341
Short term investments	(22)	(175)	(197)	(176)	(200)	(376)
Restricted stock	(2)	18	16	(11)	74	63
Total interest income	12,723	(8,187)	4,536	33,556	(19,349)	14,207
Interest expense:						
Interest checking	25	(139)	(114)	57	(564)	(507)
Savings and money market	236	(1,430)	(1,194)	610	(4,922)	(4,312)
Time deposits	(277)	(1,423)	(1,700)	(503)	(4,202)	(4,705)
Short-term borrowings	170	28	198	440	124	564
Long-term debt	11	(48)	(37)	30	(304)	(274)
Junior subordinated debt	(80)	102	22	(233)	(165)	(398)
Total interest expense	85	(2,910)	(2,825)	401	(10,033)	(9,632)
Net increase (decrease)	$ 12,638	$ (5,277)	$ 7,361	$ 33,155	$ (9,316)	$ 23,839

(1) Changes due to both volume and rate have been allocated to volume changes.
(2) Changes due to mark-to-market gains/losses under ASC 825 have been allocated to volume changes.

Provision for Credit Losses

The provision for credit losses in each period is reflected as a charge against earnings in that period. The provision is equal to the amount required to maintain the allowance for credit losses at a level that is adequate to absorb probable credit losses inherent in the loan portfolio. The provision for credit losses decreased by $2.2 million to $8.9 million for the three months ended September 30, 2012, compared with $11.2 million for the three months ended September 30, 2011. For the nine months ended September 30, 2012 compared to 2011, provision expense increased by $2.2 million to $35.3 million compared to $33.1 million. The provision decrease for the three month comparable periods was mostly due to decreased provision of $8.7 million on residential real estate loans and $2.2 million on construction and land development loans. Provision for credit losses related to commercial and industrial loans, commercial real estate loans and consumer loans increased by $6.4 million, and $2.0 million and $0.2 million, respectively, for the three months ended September 30, 2012 compared to 2011, which partially offset the decreased provision in the other two loan types. For the nine months ended September 30, 2012 compared to 2011, provision for credit losses on commercial and industrial loans, construction and land development loans and commercial real estate loans were up by $12.3 million, $4.0 million and $0.8 million, respectively, while provision for credit losses on residential real estate loans and consumer loans decreased by $14.5 million and $0.4 million, respectively. The Company has been experiencing a downward trend in net charge-offs which released some reserves due to improved quantitative factors.

Non-interest Income

The Company earned non-interest income primarily through fees related to services, services provided to loan and deposit customers, bank owned life insurance, investment securities gains and impairment charges, investment advisory services, mark to market gains (losses) and other.

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

	Three Months Ended September 30,		Increase	Nine Months Ended September 30,		Increase
	2012	2011	**(Decrease)**	**2012**	2011	**(Decrease)**
	(in thousands)					
Net gain on sale of investment securities	**$ 1,031**	$ 781	$ 250	**$ 2,502**	$ 4,826	$ (2,324)
Securities impairment charges					(226)	226
Unrealized gain (loss) on assets and liabilities measured at fair value, net	**470**	6,420	(5,950)	**701**	6,247	(5,546)
Service charges and fees	**2,412**	2,337	75	**7,014**	6,864	150
Income from bank owned life insurance	**1,116**	1,189	(73)	**3,359**	4,195	(836)
Other fee revenue	**842**	854	(12)	**2,712**	2,653	59
Investment advisory fees	**625**	661	(36)	**1,899**	1,955	(56)
Operating lease income	**308**	353	(45)	**841**	1,605	(764)
Amortization of affordable housing investments	**(651)**		(651)	**(710)**		(710)
Other	**829**	487	342	**1,945**	1,390	555
Total non-interest income	**$ 6,982**	$ 13,082	$ (6,100)	**$ 20,263**	$ 29,509	$ (9,246)

Total non-interest income for the three months ended September 30, 2012 compared to 2011 decreased by $6.1 million, or 46.4%, primarily from decreased net gains on assets and liabilities measured at fair value of $6.0 million and increased amortization of affordable housing investments of $0.7 million. During the three months ended September 30, 2012, the Company also sold its minority interest in Miller/Russell Associates for a net gain on sale of $0.8 million which is included in the other line.

Total non-interest income for the nine months ended September 30, 2012 compared to 2011 declined by $9.2 million, or 31.3%, mostly due to decreased net gains on assets and liabilities measured at fair value of $5.5 million related to the junior subordinated debt. In addition, net gains on sales of investment securities decreased by $2.3 million, income from bank owned life insurance declined by $0.8 million and operating lease income was down $0.8 million. During the nine months ended September 30, 2012, the Company sold $141.1 million of investment securities compared to $452.1 million during the first nine months of 2011. The decline in bank owned life insurance is due to death benefit proceeds received in 2011 on one of the policies. The operating lease income decline was expected as the Company no longer focuses on this product.

Non-interest Expense

The following table presents a summary of non-interest expenses for the periods indicated:

	Three Months Ended September 30,		Increase	Nine Months Ended September 30,		Increase
	2012	2011	**(Decrease)**	**2012**	2011	**(Decrease)**
	(in thousands)					
Non-interest expense:						
Salaries and employee benefits	**$ 25,500**	$ 23,319	$ 2,181	**$ 78,159**	$ 69,119	$ 9,040
Occupancy	**4,655**	5,126	(471)	**14,046**	15,024	(978)
Net loss on sales/valuations of repossessed assets and bank premises, net	**126**	2,128	(2,002)	**3,678**	16,890	(13,212)
Legal, professional and director fees	**2,291**	1,912	379	**6,380**	5,639	741
Insurance	**2,121**	2,664	(543)	**6,323**	8,878	(2,555)
Loan and repossessed asset expense	**1,236**	2,059	(823)	**4,573**	6,465	(1,892)
Marketing	**1,231**	1,090	141	**4,061**	3,382	679
Data processing	**1,390**	895	495	**3,678**	2,671	1,007
Intangible amortization	**880**	890	(10)	**2,660**	2,669	(9)
Customer service	**653**	900	(247)	**1,926**	2,620	(694)
Goodwill and intangible impairment	**3,435**		3,435	**3,435**		3,435

Merger/restructure expense	**113**	974	(861)	**113**	1,082	(969)
Other	**3,912**	3,524	388	**10,839**	10,196	643
Total non-interest expense	**$ 47,543**	$ 45,481	$ 2,062	**$ 139,871**	$ 144,635	$ (4,764)

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Total non-interest expense increased $2.1 million for the three months ended September 30, 2012 compared to the same period in 2011. The increase in non-interest expense was mostly related to $3.4 million of goodwill and intangible impairment charges related to Shine Investment Advisory, Inc. (Shine) and $2.2 million increase in salaries and benefits due to increased salaries and performance based compensation as a result of growth and performance incentives. Partially offsetting these increases was a decline in net loss on sales/valuations of repossessed assets and bank premises of $2.0 million for the third quarter 2012 compared to 2011 and decreased loan and repossessed asset expenses of $0.8 million as a result of continued stabilization in underlying collateral values. Occupancy, insurance and customer service expense also declined by $0.5 million, $0.5 million, and $0.2 million as the Company continued to focus on controlling expenses. Data processing, legal and professional, and marketing expenses also increased slightly during the third quarter 2012 compared to 2011, by $0.5 million, $0.4 million and $0.1 million respectively as the Company also focuses on growing its market share.

Total non-interest expense for the nine months ended September 30, 2012 compared to 2011 declined by $4.8 million. The decline was primarily the result of decreased sales/valuations of repossessed assets and bank premises of $13.2 million, which included a net decrease in OREO valuation adjustments of $9.2 million and a net decrease in loss on OREO sales of $3.1 million. Insurance expense also declined by $2.6 million due to decreased FDIC insurance premiums. Loan and repossessed asset expense declined by $1.9 million due to decreased OREO expense. Partially offsetting these declines was an increase in salaries and benefits expense of $9.0 million mostly the result of increased salaries and performance based compensation from growth and changes to incentive plans based on strategic initiatives and $3.4 million of goodwill and intangible impairment charges related to Shine.

Income Taxes

The tax expense recognized of $6.8 million and $16.5 million for the three and nine months ended September 30, 2012, respectively, was primarily due to the increased net operating income of the Company. For the nine months ended September 30, 2012, the net deferred tax asset decreased $25.1 million to $36.6 million. This decrease in the net deferred tax asset was primarily the result of the net operating income of the Company for the period and the resulting usage of the NOL and Capital Loss carryforwards and also due to the tax effect of the change in other comprehensive income. The reduction in the effective tax rate from the first three quarters of, 2011 compared to the first three quarters of 2012 is primarily due to low income housing tax credits, an increase in tax exempt income from revenue from municipal obligations, as well as a reduction in the deferred tax valuation allowance for capital loss carryforwards arising from transactions that generated capital gains.

At September 30, 2012, the $6.3 million deferred tax valuation (compared to $7.6 million at December 31, 2011) relates to net capital losses on ARPS securities sales

Discontinued Operations

In the first quarter of 2010, the Company decided to discontinue its affinity credit card platform, PartnersFirst, and has presented certain activities as discontinued operations. The Company transferred certain assets to held-for-sale and reported a portion of its operations as discontinued. At September 30, 2012 and December 31, 2011, the Company had $33.5 million and $38.9 million, respectively, of outstanding credit card loans which will have continuing cash flows related to the collection of these loans. These credit card loans are included in loans held for investment as of September 30, 2012 and December 31, 2011.

The following table summarizes the operating results of the discontinued operations for the periods indicated:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2012	2011	**2012**	2011
	(in thousands)			
Affinity card revenue	**$ 315**	$ 363	**$ 947**	$ 1,133
Non-interest expenses	**(734)**	(1,192)	**(2,130)**	(3,719)
Loss before income taxes	**(419)**	(829)	**(1,183)**	(2,586)
Income tax benefit	**(176)**	(348)	**(497)**	(1,086)
Net loss	**$ (243)**	$ (481)	**$ (686)**	$ (1,500)

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Business Segment Results

Bank of Nevada reported net income of $5.8 million and $10.6 million for the three and nine months ended September 30, 2012 compared to net income of $1.7 million and $6.3 million for the three and nine months ended September 30, 2011. The $4.1 million increase in net income for the comparable three month periods was primarily due to increased net interest income after provision for credit losses of $3.1 million and decreased non-interest expense of $3.8 million, offset by decreased non-interest income of $1.1 million and increased income tax expense of $1.6 million. For the comparable nine month periods of 2012 to 2011, the $4.3 million increase in net income was the result of increased net interest income of $3.5 million, decreased non-interest expense of $11.2 million, and decreased tax expense of $0.4 million, partially offset by increased provision for credit losses of $8.2 million and decreased non-interest income of $2.6 million. Total deposits at Bank of Nevada declined by $22 million during the quarter, but grew by $31.2 million to $2.41 billion at September 30, 2012 compared to $2.38 billion at December 31, 2011. Total loans increased by $201.9 million to $2.06 billion at September 30, 2012 from $1.86 billion at December 31, 2011, mostly due to intercompany transfers from Western Alliance Bank and Torrey Pines Bank.

Western Alliance Bank (WAB), which consists of Alliance Bank of Arizona operating in Arizona and First Independent Bank operating in Northern Nevada, reported net income of $8.8 million and $26.4 million for the three and nine month periods ended September 30, 2012, compared to $5.5 million and $14.2 million for the three and nine month periods ended September 30, 2011. The increase in net income of $3.2 million for the three months ended September 30, 2012 compared to 2011 is mostly due to increased net interest income of $3.7 million, decreased provision for credit losses of $0.2 million, and decreased non-interest expense of $0.4 million partially offset by increased tax expense of $0.8 million and decreased non-interest revenue of $0.3 million. For the comparable nine month periods 2012 to 2011, net income increased by $12.2 million. The majority of the net income increase was due to a $16.5 million increase in net interest income after provision for credit losses and decreased non- interest expense of $1.5 million, partially offset by increased income tax expense of $4.9 million and decreased non-interest income of $0.9 million. Total loans grew by $226.5 million to $1.87 billion at September 30, 2012 compared to $1.64 billion at December 31, 2011. In addition, total deposits increased by $273.1 million to $2.15 billion at September 30, 2012 from $1.88 billion at December 31, 2011.

Torrey Pines Bank segment, which excludes discontinued operations, reported net income for the three and nine months ended September 30, 2012 of $6.4 million and $17.5 million, compared to $5.4 million and $13.6 million for the three and nine months ended September 30, 2011. The increase in net income of $1.0 million for the third quarter 2012 compared 2011 was mostly due to increased net interest income after provision for credit losses of $2.5 million partially offset by increased non-interest expense of $1.0 million, increased tax expense of $0.3 million and decreased non-interest income of $0.2 million For the nine months ended September 30, 2012 compared to 2011, the increase in net income was primarily the result of increased net interest income $8.8 million and decreased provision for credit losses of $0.6 million, partially offset by increased non-interest expense of $2.9 million, increased tax expense of $1.7 million and decreased non-interest income of $0.9 million. Total loans at Torrey Pines Bank increased by $111.7 million to $1.43 billion at September 30, 2012 from $1.32 billion at December 31, 2011. Total deposits increased by $197.1 million to $1.61 billion at September 30, 2012 compared to $1.42 billion at December 31, 2011.

The other segment, which includes the holding company, Shine, Western Alliance Equipment Finance, and the discontinued operations related to the affinity credit card platform, reported a net loss of $4.1 million and $11.1 million, excluding income from subsidiaries, for the three and nine months ended September 30, 2012 compared to net income for the three months ended September 30, 2011 of $0.4 million and a net loss of $9.7 million for the nine months ended September 30, 2011. The increased losses for the comparable three and nine month periods were primarily from increased salaries and benefits expense due to strategic initiatives and centralization of back office functions.

Balance Sheet Analysis

Total assets increased $559.1 million, or 8.2%, to $7.40 billion at September 30, 2012 compared to $6.84 billion at December 31, 2011. The majority of the increase was increased loans of $552.9 million, or 11.6%, to $5.33 billion.

Total liabilities increased $497.7 million, or 8.0%, to $6.71 billion at September 30, 2012 from $6.21 billion at December 31, 2011. Total deposits increased by $503.5 million, or 8.9%, to $6.16 billion at September 30, 2012 from $5.66 billion at December 31, 2011. Non-interest bearing demand deposits increased by $282.6 million, or 18.1%, to $1.84 billion at September 30, 2012 from $1.56 billion at December.

Total stockholders equity increased by $61.3 million to $698.0 million at September 30, 2012 from $636.7 million at December 31, 2011.

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The following table shows the amounts of loans outstanding by type of loan at the end of each of the periods indicated.

	September 30, 2012	December 31, 2011
	(in thousands)	
Commercial real estate owner occupied	**$ 1,331,332**	$ 1,252,182
Commercial real estate non-owner occupied	**1,407,013**	1,301,172
Commercial and industrial	**1,450,339**	1,120,107
Residential real estate	**408,435**	443,020
Construction and land development	**379,834**	381,676
Commercial leases	**305,654**	216,475
Consumer	**56,642**	72,504
Net deferred loan fees	**(6,317)**	(7,067)
Loans, net of deferred fees	**5,332,932**	4,780,069
Allowance for credit losses	**(97,410)**	(99,170)
Total loans, net	**$ 5,235,522**	$ 4,680,899

Concentrations of Lending Activities

The Company s lending activities are primarily driven by the customers served in the market areas where the Company has branch offices in the States of Nevada, California and Arizona. The Company monitors concentrations within five broad categories: geography, industry, product, call code, and collateral. The Company grants commercial, construction, real estate and consumer loans to customers through branch offices located in the Company s primary markets. The Company s business is concentrated in these areas and the loan portfolio includes significant credit exposure to the commercial real estate market of these areas. As of September 30, 2012 and December 31, 2011, commercial real estate related loans accounted for approximately 58% and 61% of total loans and approximately 2% of commercial real estate related loans are secured by undeveloped land. Substantially all of these loans are secured by first liens with an initial loan to value ratio of generally not more than 75%. Approximately 49% of these commercial real estate loans were owner occupied at September 30, 2012 and December 31, 2011, respectively. In addition, approximately 4% of total loans were unsecured as of September 30, 2012 and December 31, 2011.

Impaired Loans

A loan is identified as impaired when it is probable that interest and principal will not be collected according to the contractual terms of the original loan agreement. An exception to this would be any known impaired loans regardless of balance. Generally, impaired loans are classified as nonaccrual. However, in certain instances, impaired loans may continue on an accrual basis, such as loans classified as impaired due to doubt regarding collectability according to contractual terms, that are both fully secured by collateral and are current in their interest and principal payments Impaired loans are measured for reserve requirements in accordance with ASC Topic 310, *Receivables,* based on the present value of expected future cash flows discounted at the loan s effective interest rate or, as a practical expedient, at the loan s observable market price or the fair value of the collateral less applicable disposition costs if the loan is collateral dependent. The amount of an impairment reserve, if any, and any subsequent changes are charged against the allowance for credit losses. In addition to our own internal loan review process, the Federal Deposit Insurance Corporation (FDIC) may from time to time direct the Company to modify loan grades, loan impairment calculations or loan impairment methodology. During the first quarter, in conjunction with an examination, the FDIC directed Management to substitute the collateral dependent impairment method for the net present value impairment method on certain TDRs.

Total nonaccrual loans and loans past due 90 days or more and still accruing increased by $29.9 million, or 32.2%, at September 30, 2012 to $122.9 million from $93.0 million at December 31, 2011.

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The following table summarizes nonperforming assets:

	September 30, 2012	December 31, 2011
	(in thousands)	
Nonaccrual loans	**$ 121,238**	$ 90,392
Loans past due 90 days or more on accrual status	**1,710**	2,589
Troubled debt restructured loans	**93,335**	112,483
Total nonperforming loans	**216,283**	205,464
Foreclosed collateral	**78,234**	89,104
Total nonperforming assets	**$ 294,517**	$ 294,568

The following table summarizes the loans for which the accrual of interest has been discontinued, loans past due 90 days or more and still accruing interest, restructured loans, and other impaired loans:

	September 30, 2012	December 31, 2011
	(in thousands)	
Nonaccrual loans	**$ 121,238**	$ 90,392
Loans past due 90 days or more on accrual status	**1,710**	2,589
Total nonperforming loans	**122,948**	92,981
Troubled debt restructured loans	**93,335**	112,483
Other impaired loans	**7,813**	4,027
Total impaired loans	$ 224,096	$ 209,491
Other repossessed assets	**$ 78,234**	$ 89,104
Nonaccrual loans to gross loans	**2.27%**	1.89%
Loans past due 90 days or more and still accruing interest to total loans	**0.03**	0.05

The composite of nonaccrual loans were as follows as of the dates indicated:

	At September 30, 2012			At December 31, 2011		
	Nonaccrual Balance	%	Percent of Total Loans	Nonaccrual Balance	%	Percent of Total Loans
	(dollars in thousands)					
Construction and land	**$ 14,268**	**11.77%**	**0.27%**	$ 28,813	31.88%	0.60%
Residential real estate	**25,761**	**21.25%**	**0.48%**	15,747	17.42%	0.33%
Commercial real estate	**69,334**	**57.18%**	**1.30%**	38,019	42.05%	0.80%
Commercial and industrial	**11,695**	**9.65%**	**0.22%**	7,410	8.20%	0.16%
Consumer	**180**	**0.15%**	**0.00%**	403	0.45%	0.01%
Total nonaccrual loans	**$ 121,238**	**100.00%**	**2.27%**	$ 90,392	100.00%	1.90%

As of September 30, 2012 and December 31, 2011, nonaccrual loans totaled $121.2 million and $90.4 million, respectively. Nonaccrual loans by bank at September 30, 2012 were $83.4 million at Bank of Nevada, $27.0 million at Western Alliance Bank and $10.8 million at Torrey Pines

Bank, compared to $69.0 million at Bank of Nevada, $16.2 million at Western Alliance Bank and $5.2 million at Torrey Pines Bank at December 31, 2011. Nonaccrual loans as a percentage of total gross loans were 2.27% and 1.89% at September 30, 2012 and December 31, 2011, respectively. Nonaccrual loans as a percentage of each bank s total gross loans at September 30, 2012 were 4.05% at Bank of Nevada, 1.44% at Western Alliance Bank, and 0.75% at Torrey Pines Bank, compared to 3.71% at Bank of Nevada, 0.98% at Western Alliance Bank and 0.39% at Torrey Pines Bank at December 31, 2011. Total lost interest on nonaccrual loans for the three and nine months ended September 30, 2012 and 2011 was $1.3. million and $4.1 million and $2.2 million and $4.6 million, respectively. The Company recognized $30,000 and $0.2 million of cash interest on non-accrual loans for the three and nine months ended September 30, 2012, compared to $0.1 million and 0.3 million for the three and nine month periods ended September 30, 2011.

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Troubled Debt Restructured Loans

A troubled debt restructured loan is a loan on which the Bank, for reasons related to a borrower s financial difficulties, grants a concession to the borrower that the Bank 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, extensions, deferrals, renewals and rewrites. A troubled debt restructured loan is also considered impaired. Generally, a loan that is modified at an effective market rate of interest may no longer be disclosed as a troubled debt restructuring in years subsequent to the restructuring if it is not impaired based on the terms specified by the restructuring agreement.

As of September 30, 2012 and December 31, 2011, the aggregate amount of loans classified as impaired was $224.1 million and $209.5 million, respectively, a net increase of 7.0%. The total specific allowance for loan losses related to these loans was $15.4 million and $10.4 million for September 30, 2012 and 2011, respectively. As of September 30, 2012 and December 31, 2011, the Company had $93.3 million and $112.5 million, respectively, in loans classified as accruing restructured loans. The net increase in impaired loans is primarily attributable to an increase in commercial real estate and residential real estate impaired loans, which were $90.7 million and $28.9 million, respectively, at December 31, 2011 compared to $124.4 million and $39.2 million, respectively, at September 30, 2012, an increase of $33.7 million and $10.3 million, respectively. Impaired construction and land development impaired commercial and industrial, and impaired consumer loans decreased by $24.5 million, $3.2 million and $1.7 million, respectively from $61.9 million, $25.7 million and $2.3 million, respectively, at December 31, 2011, to $37.4 million, $22.5 million and $0.6 million, respectively, at September 30, 2012. Impaired loans by bank at September 30, 2012 were $140.8 million at Bank of Nevada, $50.5 million at Western Alliance Bank, and $20.0 million at Torrey Pines Bank compared to $124.7 million at Bank of Nevada, $58.9 million at Western Alliance Bank, and $25.9 million at Torrey Pines Bank at December 31, 2011. Additionally, Western Alliance Bancorporation held a $12.8 million impaired loan at September 30, 2012.

The following table includes the breakdown of total impaired loans and the related specific reserves:

	At September 30, 2012					
	Impaired Balance	Percent	Percent of Total Loans	Reserve Balance	Percent	Percent of Total Allowance
	(dollars in thousands)					
Construction and land development	$ 37,402	16.69%	0.70%	$ 187	1.21%	0.19%
Residential real estate	39,180	17.48%	0.73%	4,022	26.04%	4.13%
Commercial real estate	124,420	55.53%	2.33%	7,779	50.35%	7.99%
Commercial and industrial	22,480	10.03%	0.42%	3,280	21.23%	3.37%
Consumer	614	0.27%	0.01%	180	1.17%	0.18%
Total impaired loans	$ 224,096	100.00%	4.19%	$ 15,448	100.00%	15.86%

	At December 31, 2011					
	Impaired Balance	Percent	Percent of Total Loans	Reserve Balance	Percent	Percent of Total Allowance
	(dollars in thousands)					
Construction and land development	$ 61,911	29.55%	1.30%	$ 3,501	33.74%	3.53%
Residential real estate	28,850	13.77%	0.60%	2,186	21.07%	2.20%
Commercial real estate	90,712	43.31%	1.90%	2,827	27.25%	2.85%
Commercial and industrial	25,730	12.28%	0.54%	1,863	17.95%	1.88%
Consumer	2,288	1.09%	0.05%		0.00%	0.00%
Total impaired loans	$ 209,491	100.00%	4.39%	$ 10,377	100.00%	10.46%

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The following table summarizes the activity in our allowance for credit losses for the periods indicated.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	**2012**	2011
	(dollars in thousands)			
Allowance for credit losses:				
Balance at beginning of period	**$ 97,512**	$ 104,375	**$ 99,170**	$ 110,699
Provisions charged to operating expenses:				
Construction and land development	**18**	2,206	**7,170**	3,153
Commercial real estate	**2,324**	341	**12,315**	11,485
Residential real estate	**(82)**	8,622	**643**	15,189
Commercial and industrial	**5,611**	(803)	**12,601**	282
Consumer	**1,061**	814	**2,614**	3,003
Total provision	**8,932**	11,180	**35,343**	33,112
Recoveries of loans previously charged-off:				
Construction and land development	**567**	707	**870**	1,800
Commercial real estate	**633**	127	**2,897**	1,402
Residential real estate	**153**	440	**765**	881
Commercial and industrial	**501**	1,243	**2,695**	2,798
Consumer	**38**	41	**294**	110
Total recoveries	**1,892**	2,558	**7,521**	6,991
Loans charged-off:				
Construction and land development	**2,315**	2,369	**10,587**	8,083
Commercial real estate	**1,470**	2,484	**12,023**	12,884
Residential real estate	**2,242**	10,555	**5,756**	17,176
Commercial and industrial	**4,100**	1,420	**12,687**	8,753
Consumer	**799**	1,069	**3,571**	3,690
Total charged-off	**10,926**	17,897	**44,624**	50,586
Net charge-offs	**9,034**	15,339	**37,103**	43,595
Balance at end of period	**$ 97,410**	$ 100,216	**$ 97,410**	$ 100,216
Net charge-offs (annualized) to average loans outstanding	**0.70%**	1.40%	**0.99%**	1.35%
Allowance for credit losses to gross loans	**1.83%**	2.21%		

The following table summarizes the allowance for credit losses by loan type. However, allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories:

	Allowance for Credit Losses at September 30, 2012 (dollars in thousands)		
	Amount	**% of Total Allowance For Loan Losses**	**% of Loans in Each Category to Gross Loans**
Construction and land development	$ 11,648	11.96%	7.11%
Commercial real estate	38,220	39.24%	51.29%
Residential real estate	14,786	15.18%	7.65%
Commercial and industrial	28,144	28.89%	32.89%
Consumer	4,612	4.73%	1.06%
Total	$ 97,410	100.00%	100.00%

The allowance for credit losses as a percentage of total loans decreased to 1.83% at September 30, 2012 from 2.07% at December 31, 2011. The Company s credit loss reserve at September 30, 2012 decreased to $97.4 million from $99.2 million at December 31, 2011. Although the Company has increased the size of its loan portfolio, the total balance of the allowance for credit losses has declined due to lower historical levels of charge-offs, improving credit quality and a change in portfolio mix toward higher rated credits.

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Potential 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 the Company s Annual Report on Form 10-K for 2011, Item 1 Business. The following table presents information regarding potential problem loans, consisting of loans graded watch, substandard doubtful and loss, but still performing:

	At September 30, 2012			
	Number of Loans	Loan Balance	Percent	Percent of Total Loans
		(dollars in thousands)		
Construction and land development	12	$ 7,075	5.63%	0.13%
Commercial real estate	79	87,579	69.65%	1.64%
Residential real estate	31	8,157	6.49%	0.15%
Commercial and industrial	85	21,084	16.77%	0.40%
Consumer	7	1,840	1.46%	0.03%
Total	214	$ 125,735	100.00%	2.35%

Our potential problem loans consisted of 214 loans and totaled approximately $125.7 million at September 30, 2012, compared to 451 loans totaled $237.5 million at December 31, 2011. These loans are primarily secured by real estate.

Investment Securities

Investment securities are classified at the time of acquisition as either held-to-maturity, available-for-sale, or trading based upon various factors, including asset/liability management strategies, liquidity and profitability objectives, and regulatory requirements. Held-to-maturity securities are carried at amortized cost, adjusted for amortization of premiums or accretion of discounts. Available-for-sale securities are securities that may be sold prior to maturity based upon asset/liability management decisions. Investment securities identified as available-for-sale are carried at fair value. Unrealized gains or losses on available-for-sale securities are recorded as accumulated other comprehensive income in stockholders equity. Amortization of premiums or accretion of discounts on mortgage-backed securities is periodically adjusted for estimated prepayments. Investment securities measured at fair value are reported at fair value, with unrealized gains and losses included in current period earnings.

The investment securities portfolio of the Company 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 carrying value of investment securities at September 30, 2012 and December 31, 2011 was as follows:

	September 30, 2012	December 31, 2011
	(in thousands)	
Direct obligation and GSE residential mortgage-backed securities	**$ 808,854**	$ 871,099
U.S. Government sponsored agency securities		156,211
Private label residential mortgage-backed securities	**20,775**	25,784
Municipal obligations	**239,141**	187,509
Adjustable rate preferred stock	**71,035**	54,676
Mutual funds	**31,042**	28,864
CRA investments	**25,820**	25,015
Trust preferred securities	**22,892**	21,159
Collateralized debt obligations	**50**	50
Private label commercial mortgage-backed securities	**5,720**	5,431
Corporate bonds	**107,785**	107,360
Total investment securities	**$ 1,333,114**	$ 1,483,158

The Company has reviewed securities on which there is an unrealized loss in accordance with its accounting policy for OTTI described above in Note 4, *Investment Securities*, and recorded $0.2 million of impairment charges for the three and nine months ended September 30, 2011 attributed to the unrealized losses in the Company s CDO portfolio. No impairment was determined for the three and nine months ended September 30, 2012. Gross unrealized losses at September 30, 2012 and December 31, 2011 are primarily caused by interest rate fluctuations, credit spread widening and reduced liquidity in applicable markets.

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The Company does not consider any securities, other than those impaired in prior periods, to be other-than-temporarily impaired as of September 30, 2012 and December 31, 2011. However, without recovery in the near term such that liquidity returns to the applicable markets and spreads return to levels that reflect underlying credit characteristics, additional OTTI may occur in future periods.

Goodwill and Intangibles

Goodwill is created when a company acquires a business. When a business is acquired, the purchased assets and liabilities are recorded at fair value and intangible assets are identified. Excess consideration paid to acquire a business over the fair value of the net assets is recorded as goodwill. The Company s annual goodwill impairment testing is October 1. During the third quarter 2012, Management concluded that goodwill and intangibles related to Shine. were impaired, and recorded a $3.4 million impairment charge. This was due to ongoing evaluations of various strategic alternatives related to this entity, including negotiations to sell the 80% investment.

The Company determined that there was no triggering event or other factor to indicate an interim test of goodwill impairment was necessary for the third quarter of 2011.

Deferred Tax Asset

Western Alliance Bancorporation and its subsidiaries, other than BW Real Estate, Inc., file a consolidated federal tax return. Due to tax regulations, several items of income and expense are recognized in different periods for tax return purposes than for financial reporting purposes. These items represent temporary differences. Deferred taxes are provided on an asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and tax credit carry-forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of Management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates on the date of enactment.

Although realization is not assured, the Company believes that the realization of the recognized net deferred tax asset of $36.6 million at September 30, 2012 is more likely than not based on expectations as to future taxable income and based on available tax planning strategies as defined in FASB ASC 740, *Income Taxes* (ASC 740) that could be implemented if necessary to prevent a carryforward from expiring.

The most significant source of these timing differences are the credit loss reserve and net operating loss carryforwards, which account for substantially all of the net deferred tax asset.

Based on its internal analysis, the Company believes that it is more likely than not that it will fully utilize deferred federal and state tax assets pertaining to the existing net operating loss carryforwards and any NOL that would be created by the reversal of the future net deductions that have not yet been taken on a tax return. See Note 8, *Income Taxes* to the Consolidated Financial Statements for further discussion on income taxes.

The Internal Revenue Service s Examination Division issued a notice of proposed deficiency on January 10, 2011, proposing a taxable income adjustment of $136.7 million related to deductions taken on our 2008 tax return in connection with the partial worthlessness of collateralized debt obligations, or CDOs. The use of these deductions on the Company s 2008 tax return resulted in a net operating loss carryback claim for a tax refund of approximately $40.0 million of federal taxes for the 2006 and 2007 taxable periods. The Company filed a protest of the proposed deficiency, which was referred to the Appeals Division of the Internal Revenue Service. The Appellate Conferee has conceded that the Company s $136.7 million deduction was reasonable and has proposed no further adjustments. However, the case is not yet closed. Due to the size of the refund, the Appellate Conferee was required to submit, and has submitted, his formal written recommendation to the Joint Committee on Taxation and will close the case after receiving approval from that committee. The Company has not accrued a reserve for this potential exposure.

Deposits

Deposits have been the primary source for funding the Company s asset growth. At September 30, 2012, total deposits were $6.16 billion, compared to $5.66 billion at December 31, 2011. The deposit growth of $503.5 million or 8.9% was primarily driven by increased non-interest bearing demand deposits of $282.6 million, money market deposits of $378.8 million and interest bearing demand deposits of $31.9 million. This growth was partially offset by decreased certificates of deposits of $185.7 million and savings deposits of $4.1 million.

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The Company continues to pursue financially sound borrowers, whose financing sources are unable to service their current needs as a result of liquidity or other concerns, seeking both their lending and deposits business. Although there can be no assurance that the Company s efforts will be successful, we are seeking to take advantage of the current disruption in our markets to continue to grow market share (assets and deposits) in a prudent fashion, subject to applicable regulatory limitations.

The following table provides the average balances and weighted average rates paid on deposits:

	Three Months Ended September 30, 2012		Three Months Ended September 30, 2011	
	Average Balance/Rate		Average Balance/Rate	
	(dollars in thousands)			
Interest checking (NOW)	**$ 510,462**	**0.23%**	$ 466,177	0.35%
Savings and money market	**2,414,194**	**0.33**	2,127,756	0.59
Time	**1,286,512**	**0.52**	1,499,269	0.90
Total interest-bearing deposits	**4,211,168**	**0.38**	4,093,202	0.68
Noninterest bearing demand deposits	**1,813,050**		1,532,912	
Total deposits	**$ 6,024,218**	**0.27%**	$ 5,626,114	0.49%

	Nine Months Ended September 30, 2012		Nine Months Ended September 30, 2011	
	Average Balance/Rate		Average Balance/Rate	
	(dollars in thousands)			
Interest checking (NOW)	**$ 511,028**	**0.24%**	$ 479,204	0.40%
Savings and money market	**2,314,941**	**0.35**	2,082,031	0.67
Time	**1,343,624**	**0.58**	1,459,609	0.97
Total interest-bearing deposits	**4,169,593**	**0.41**	4,020,844	0.75
Noninterest bearing demand deposits	**1,734,576**		1,487,249	
Total deposits	**$ 5,904,169**	**0.29%**	$ 5,508,093	0.55%

Other Assets Acquired Through Foreclosure

The following table presents the changes in other assets acquired through foreclosure:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(in thousands)		(in thousands)	
Balance, beginning of period	$ 76,994	$ 85,732	$ 89,104	$ 107,655
Additions	10,993	7,139	20,288	28,194
Dispositions	(9,205)	(4,291)	(27,346)	(35,601)
Valuation adjustments in the period, net	(548)	(1,888)	(3,812)	(13,556)
Balance, end of period	$ 78,234	$ 86,692	$ 78,234	$ 86,692

Other assets acquired through foreclosure consist primarily of properties acquired as a result of, or in-lieu-of, foreclosure. Properties or other assets (primarily repossessed assets formerly leased) are classified as other real estate owned and other repossessed property and are reported at the lower of carrying value or fair value, less estimated costs to sell the property. Costs relating to the development or improvement of the assets are capitalized and costs relating to holding the assets are charged to expense. The Company had $78.2 million and $89.1 million, respectively, of such assets at September 30, 2012 and December 31, 2011. At September 30, 2012, the Company held approximately 77 other real estate owned properties compared to 83 at December 31, 2011. When significant adjustments were 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 appraised value and there is no observable market price, the resulting fair value measurement has been categorized as a Level 3 measurement.

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Junior Subordinated Debt

The Company measures the balance of the junior subordinated debt at fair value, which was $36.2 million at September 30, 2012 and $37.0 million at December 31, 2011. The difference between the aggregate fair value of junior subordinated debt and the aggregate unpaid principal balance of $66.5 million was $30.3 million at September 30, 2012.

Short-Term Borrowed Funds

The Company from time to time utilizes short-term borrowed funds to support short-term liquidity needs generally created by increased loan demand. The majority of these short-term borrowed funds consist of advances from the FHLB and FRB and customer repurchase agreements. The Company s borrowing capacity at FHLB and FRB is determined based on collateral pledged, generally consisting of securities and loans. In addition, the Company has borrowing capacity from other sources pledged 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 September 30, 2012, total short-term borrowed funds consisted of customer repurchases of $73.0 million and $150.0 million of FHLB advances. No advances were outstanding from the FRB at September 30, 2012 and December 31, 2011. At December 31, 2011, total short-term borrowed funds consisted of $123.6 million of customer repurchases and $280.0 million of FHLB advances. The decrease in short-term borrowed funds of $180.6 million was the result of increased liquidity from customer deposits.

Senior Debt

On August 25, 2010, the Company completed a public offering of $75 million in principal Senior Notes due in 2015 bearing interest of 10%. The net proceeds of the offering were $72.8 million. At September 30, 2012, the net principal balance was $73.6 million.

Critical Accounting Policies

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and could potentially result in materially different results under different assumptions and conditions. The critical accounting policies upon which our financial condition and results of operation depend, and which involve the most complex subjective decisions or assessments, are included in the discussion entitled Critical Accounting Policies in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2011, and all amendments thereto, as filed with the Securities and Exchange Commission. There were no material changes to the critical accounting policies disclosed in the Annual Report on Form 10-K.

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 our business operations or unanticipated events.

The ability to have readily available funds sufficient to repay fully maturing liabilities is of primary importance to depositors, creditors and regulators. Our liquidity, represented by cash and amounts due from banks, federal funds sold and non-pledged marketable securities, is a result of our operating, investing and financing activities and related cash flows. In order to ensure funds are available when necessary, on at least a quarterly basis, we project the amount of funds that will be required, and we strive 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 Company has unsecured borrowing lines at correspondent banks totaling $110.0 million. In addition, loans and securities are pledged to the FHLB providing $1.27 billion in borrowing capacity with outstanding borrowings and letters of credit of $150.0 million and $72.0 million, respectively, leaving $1.05 billion in available credit as of September 30, 2012. Loans and securities pledged to the FRB discount window provided $658.9 million in borrowing capacity. As of September 30, 2012, there were no outstanding borrowings from the FRB, thus our available credit totaled $658.9 million.

The Company has a formal liquidity policy, and in the opinion of management, our liquid assets are considered adequate to meet cash flow needs for loan funding and deposit withdrawals for the next 90-120 days. At September 30, 2012, there was $632.8 million in liquid assets comprised of $37.7 million in cash at the Federal Reserve Bank, $5.8 million in money market accounts and $589.3 million in unpledged marketable securities. At December 31, 2011, there was $773.0 million in liquid assets comprised of $36.8 million in cash at the Federal Reserve Bank, $7.3 million in money market accounts and $728.9 million in unpledged marketable securities.

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The holding company maintains additional liquidity that would be sufficient to fund its operations and certain nonbank affiliate operations for an extended period should funding from normal sources be disrupted. Since deposits are taken by the bank operating subsidiaries and not by the parent company, parent company liquidity is not dependant on the bank operating subsidiaries deposit balances. In our analysis of parent company liquidity, we assume that the parent company is unable to generate funds from additional debt or equity issuance, receives no dividend income from subsidiaries, and does not pay dividends to shareholders, while continuing to meet nondiscretionary uses needed to maintain operations and repayment of contractual principal and interest payments owed by the parent company and affiliated companies. Under this scenario, the amount of time the parent company and its nonbank subsidiaries can operate and meet all obligations before the current liquid assets are exhausted is considered as part of the parent company liquidity analysis. Management believes the parent company maintains adequate liquidity capacity to operate without additional funding from new sources for over 12 months. The Banks maintain 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 our 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 September 30, 2012, our long-term liquidity needs primarily relate to funds required to support loan originations and commitments and deposit withdrawals which can be met by cash flows from investment payments and maturities, and investment sales if necessary. On December 31, 2012, the Transaction Account Guarantee (TAG Program) is scheduled to expire. The Company has performed a detailed analysis of TAG eligible deposits, evaluated at risk accounts, and has implemented both customer related strategies and balance sheet related strategies in order to mitigate the remaining liquidity risk. The Company continues to manage its overall deposit base and believes it is adequately prepared for the effect of the program s expiration.

The Company s liquidity is comprised of three primary classifications: (i) cash flows provided by operating activities; (ii) cash flows used in investing activities; and (iii) 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 loan loss provision, investment and other amortization and depreciation. For the nine months ended September 30, 2012 and 2011, net cash provided by operating activities was $89.1 million and $109.1 million, respectively.

Our primary investing activities are the origination of real estate, commercial and consumer loans and purchase and sale of securities. Our net cash provided by and used in investing activities has been primarily influenced by our loan and securities activities. The net provided to loans for the nine months ended September 30, 2012 and 2011 was $612.9 million and $356.6 million, respectively.

Net cash provided by financing activities has been impacted significantly by increased deposit levels. During the nine months ended September 30, 2012 and 2011, deposits increased $503.5 million and $294.4 million, respectively.

Fluctuations in core deposit levels may increase our 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, we are 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, we have joined the Certificate of Deposit Account Registry Service (CDARS), a program that allows customers to invest up to $50.0 million in certificates of deposit and the Insured Cash Sweep (ICS), a program that allows customers to invest up to $50.0 million in an interest bearing transaction, through a participating financial institution, with the entire amount being covered by FDIC insurance account through one participating financial institution. As of September 30, 2012, we had $332.8 million of CDARS deposits and $123.9 million of ICS deposits.

As of September 30, 2012, the Company had $146.6 million of wholesale brokered deposits outstanding. Brokered deposits are generally considered to be deposits that have been received from a third party that is acting on behalf of that party s customer. Often, a broker will direct a customer s deposits to the banking institution offering the highest interest rate available. Federal banking law and regulation places restrictions on depository institutions regarding brokered deposits because of the general concern that these deposits 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. The Company does not anticipate using brokered deposits as a significant liquidity source in the near future.

Federal and state banking regulations place certain restrictions on dividends paid by the Banks to Western Alliance. The total amount of dividends which may be paid at any date is generally limited to the retained earnings of each Bank. Dividends paid by the Banks to the Company would be prohibited if the effect thereof would cause the respective Bank s capital to be reduced below applicable minimum capital requirements. In addition, the memorandum of understanding at Bank of Nevada presently requires prior regulatory approval of the payments of dividends to Western Alliance Bancorporation. Western Alliance Bank and Torrey Pines Bank have paid dividends in the amount of $7.0 million and $6.0 million, respectively, over the past three quarters to Western Alliance Bancorporation.

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Capital Resources

The Company and the Banks 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 Banks must meet specific capital guidelines that involve qualitative 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.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Banks to maintain minimum amounts and ratios of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I leverage (as defined) to average assets (as defined). As of September 30, 2012 and December 31, 2011, the Company and the Banks met all capital adequacy requirements to which they are subject.

As of September 30, 2012, the Company and each of its subsidiaries met the minimum capital ratio requirements necessary to be classified as well-capitalized, as defined by the banking agencies. To be categorized as well-capitalized, the Banks must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the table below. In addition, the Memorandum of Understanding to which Bank of Nevada is subject requires it to maintain a higher Tier 1 leverage ratio than otherwise required to be considered well-capitalized. At September 30, 2012, the capital levels at Bank of Nevada exceeded this elevated requirement.

Federal banking regulators have proposed revisions to the bank capital requirement standards known as Basel III. Basel III strengthens bank capital requirements and introduces new regulatory requirements on bank liquidity and bank leverage. Based on the Company s assessment of these proposed regulations, as of September 30, 2012, the Company and each of its subsidiaries met the requirements necessary to be classified as well-capitalized under the proposed regulation.

The actual capital amounts and ratios for the Company are presented in the following table:

As of September 30, 2012	Actual		Adequately-Capitalized Requirements		Minimum For Well-Capitalized Requirements	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(dollars in thousands)					
Total Capital (to Risk Weighted Assets)	786,532	12.3%	510,563	8.0%	638,203	10.0%
Tier I Capital (to Risk Weighted Assets)	703,829	11.0	255,281	4.0	382,922	6.0
Leverage ratio (to Average Assets)	703,829	9.7	289,921	4.0	362,401	5.0

As of December 31, 2011	Actual		Adequately-Capitalized Requirements		Minimum For Well-Capitalized Requirements	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(dollars in thousands)					
Total Capital (to Risk Weighted Assets)	723,327	12.6%	459,255	8.0%	574,069	10.0%
Tier I Capital (to Risk Weighted Assets)	651,104	11.3	230,479	4.0	345,719	6.0
Leverage ratio (to Average Assets)	651,104	9.5	274,149	4.0	342,686	5.0

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ITEM 3. 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. Our market risk arises primarily from interest rate risk inherent in our lending, investing and deposit taking activities. To that end, management actively monitors and manages our interest rate risk exposure. We generally manage our interest rate sensitivity by evaluating re-pricing opportunities on our earning assets to those on our funding liabilities.

Management uses various asset/liability strategies to manage the re-pricing characteristics of our assets and liabilities, all of which are designed to ensure that exposure to interest rate fluctuations is limited to within our guidelines of acceptable levels of risk-taking. Hedging strategies, including the terms and pricing of loans and deposits and management of the deployment of our 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 each Bank s respective Asset and Liability Management Committee, or ALCO (or its equivalent), which includes members of executive management, senior finance and operations. ALCO monitors interest rate risk by analyzing the potential impact on the net economic value of equity and net interest income from potential changes in interest rates, and considers the impact of alternative strategies or changes in balance sheet structure. We manage our balance sheet in part to maintain the potential impact on economic value of equity and net interest income within acceptable ranges despite changes in interest rates.

Our exposure to interest rate risk is reviewed on at least a quarterly basis by the ALCO. Interest rate risk exposure is measured using interest rate sensitivity analysis to determine our change in economic value of equity in the event of hypothetical changes in interest rates. If potential changes to net economic value of equity and net interest income resulting from hypothetical interest rate changes are not within the limits established by each Bank s Board of Directors, the respective Board of Directors may direct management to adjust the asset and liability mix to bring interest rate risk within board-approved limits.

To mitigate the Company s modest liability sensitive interest rate risk profile, it has sold short fixed rate securities and invested the proceeds short term. This action reduced the interest margin approximately five basis points during the quarter, primarily from the increase in earning assets at a very low yield.

Net Interest Income Simulation. In order to measure interest rate risk at September 30, 2012, we 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 net interest income forecasted using an immediate increase and decrease in interest rates and a net interest income forecast using a flat market interest rate environment derived from spot yield curves typically used to price our assets and liabilities. The income simulation model includes various assumptions regarding the re-pricing relationships for each of our products. Many of our assets are floating rate loans, which are assumed to re-price immediately, and proportional to the change in market rates, depending on their contracted index. Some loans and investments include the opportunity of prepayment (embedded options), and accordingly the simulation model uses estimated market speeds to derive prepayments and reinvests proceeds at modeled yields. Our non-term deposit products re-price more slowly, usually changing less than the change in market rates and at our discretion.

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 our results, including changes by management to mitigate interest rate changes or secondary factors such as changes to our credit risk profile as interest rates change.

Furthermore, loan prepayment rate estimates and spread relationships change regularly. Interest rate changes create changes in actual loan prepayment speeds that will differ from the market estimates incorporated in this analysis. Changes that vary significantly from the modeled assumptions may have significant effects on our 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 September 30, 2012, our net interest margin exposure for the next twelve months related to these hypothetical changes in market interest rates was within our current guidelines.

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Sensitivity of Net Interest Income

	Interest Rate Scenario (change in basis points from Base)					
(in 000 s)	**Down 100**	**Base**	**UP 100**	**UP 200**	**Up 300**	**Up 400**
Interest Income	$ 296,252	$ 299,049	$ 313,552	$ 334,561	$ 358,089	$ 381,393
Interest Expense	$ 26,180	$ 26,183	$ 43,116	$ 60,487	$ 78,398	$ 95,950
Net Interest Income	**$ 270,072**	**$ 272,866**	**$ 270,436**	**$ 274,074**	**$ 279,691**	**$ 285,443**
% Change	-1.0%		-0.9%	0.4%	2.5%	4.6%

Economic Value of Equity. We measure the impact of market interest rate changes on the net present value of estimated cash flows from our assets, liabilities and off-balance sheet items, defined as economic value of equity, 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 September 30, 2012, our economic value of equity exposure related to these hypothetical changes in market interest rates was within the current guidelines established by us. The following table shows our projected change in economic value of equity for this set of rate shocks at September 30, 2012.

Economic Value of Equity

	Interest Rate Scenario (change in basis points from Base)					
	Down 100	**Base**	**Up 100**	**Up 200**	**Up 300**	**Up 400**
Present Value (000 s)						
Assets	$ 7,493,353	$ 7,443,832	$ 7,300,684	$ 7,143,974	$ 6,990,442	$ 6,844,207
Liabilities	$ 6,662,201	$ 6,653,347	$ 6,511,529	$ 6,358,034	$ 6,221,432	$ 6,087,729
Net Present Value	**$ 831,152**	**$ 790,485**	**$ 789,155**	**$ 785,940**	**$ 769,010**	**$ 756,478**
% Change	5.1%		-0.2%	-0.6%	-2.7%	-4.3%

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 we 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 with derivative market makers as of September 30, 2012.

Outstanding Derivatives Positions

Notional	*Net Value*	*Weighted Average Term (in yrs)*
9,497,097	(857,403)	3.1

The following table summarizes the aggregate notional amounts, market values and terms of the Company s derivative positions with derivative market makers as of December 31, 2011:

Outstanding Derivatives Positions

Notional	*Net Value*	*Weighted Average Term (in yrs)*

32,880,403	(163,316)	3.8

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ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls

Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, the Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) are effective to ensure that information required to be disclosed by the Company in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission (SEC) rules and forms. Additionally, our disclosure controls and procedures were also effective in ensuring that information required to be disclosed by the Company in the reports we file or subject under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

There have not been any changes in the Company s internal control over financial reporting during the quarter ended September 30, 2012, which have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

There are no material pending legal proceedings to which the Company is a party or to which any of our properties are subject. There are no material proceedings known to us to be contemplated by any governmental authority. From time to time, we are involved in a variety of litigation matters in the ordinary course of our business and anticipate that we will become involved in new litigation matters in the future.

As previously disclosed in our Annual Report on Form 10-K, one of the Company s banking subsidiaries, Bank of Nevada, continues to operate under informal supervisory oversight by banking regulators in the form of a memorandum of understanding. The memorandum requires enhanced management of such matters as asset quality, credit administration, repossessed property, and information technology. The bank is prohibited from paying dividends or making other distributions to the Company without prior regulatory approval and is required to maintain higher levels of Tier 1 capital than otherwise would be required to be considered well-capitalized under federal capital guidelines. In addition, the bank is required to obtain prior regulatory approval of certain severance and similar payments to institution affiliated parties, and to provide regulators with prior notice of certain management and director changes. The Company believes Bank of Nevada is in full compliance with the requirements of the memorandum of understanding.

Item 1A. Risk Factors

There have not been any material changes to the risk factors previously disclosed in the Company s Annual Report on Form 10-K for the year ended December 31, 2011.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

2.1	Agreement and Plan of Merger, dated as of August 17, 2012, by and between Western Alliance Bancorporation and Western Liberty Bancorp (incorporated by reference to Exhibit 2.1 to Western Alliance Bancorporation s Form 8-K filed with the Securities and Exchange Commission on August 22, 2012).
3.1	Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to Amendment No. 1 to Western Alliance Bancorporation s Registration Statement on Form S-1 filed with the Securities and Exchange Commission on June 7, 2005).
3.2	Amended and Restated By-Laws (incorporated by reference to Exhibit 3.1 to Western Alliance Bancorporation s Form 8-K filed with the Securities and Exchange Commission on January 25, 2008).
3.3	Certificate of Designations for the Fixed Rate Cumulative Perpetual Preferred Stock, Series A, of Western Alliance Bancorporation (incorporated by reference to Exhibit 3.1 to Western Alliance Bancorporation s Form 8-K filed with the Securities and Exchange Commission on November 25, 2008).
3.4	Amendment to Amended and Restated By-Laws (incorporated by reference to exhibit 3.1 to Western Alliance Bancorporation s Form 8-K filed with the Securities and Exchange Commission on September 20, 2010
3.5	Certificate of Amendment to Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to Western Alliance Bancorporation s Form 8-K filed with the Securities and Exchange Commission on May 3, 2010).
3.6	Certificate of Amendment to Amended and Restated Articles of Incorporation of Western Alliance Bancorporation (incorporated by reference to Exhibit 3.1 to Western Alliance s Form 8-K filed with the SEC on November 30, 2010).
3.7	Certificate of Designations for the Non-Cumulative Perpetual Preferred Stock, Series B, of Western Alliance Bancorporation (incorporated by reference to Exhibit 3.1 to Western Alliance Bancorporation s Form 8-K filed with the Securities and Exchange Commission on September 28, 2011).
3.8	Certificate of Correction to the Certificate of Designations for the Non-Cumulative Perpetual Preferred Stock, Series B, of Western Alliance Bancorporation (incorporated by reference to Exhibit 3.9 to Western Alliance s Form 10-Q filed with the SEC on November 8, 2011).
4.1	Specimen common stock certificate of Western Alliance Bancorporation (incorporated by reference to Exhibit 4.1 of Western Alliance Bancorporation s Registration Statement on Form S-1, File No. 333-124406, filed with the Securities and Exchange Commission on June 27, 2005, as amended).
4.2	Form of Fixed Rate Cumulative Perpetual Preferred Stock, Series A, stock certificate (incorporated by reference to Exhibit 4.1 to Western Alliance Bancorporation s Form 8-K filed with the Securities and Exchange Commission on November 25, 2008).
4.3	Form of Warrant to purchase shares of Western Alliance Bancorporation common stock, dated December 12, 2003, together with a schedule of warrant holders (incorporated by reference to Exhibit 10.9 to Western Alliance Bancorporation s Registration Statement on Form S-1 filed with the Securities and Exchange Commission on April 28, 2005).
4.4	Warrant, dated November 21, 2008, by and between Western Alliance Bancorporation and the United States Department of the Treasury (incorporated by reference to Exhibit 4.2 to Western Alliance s Form 8-K filed with the Securities and Exchange Commission on November 25, 2008).
4.5	Senior Debt Indenture, dated August 25, 2010, between Western Alliance Bancorporation and Wells Fargo Bank, National Association, as trustee. (incorporated by reference to Exhibit 4.1 to Western Alliance s Form 8-K filed with the SEC on August 25, 2010).
4.6	First Supplemental Indenture, dated August 25, 2010, between Western Alliance Bancorporation and Wells Fargo Bank, National Association, as trustee. (incorporated by reference to Exhibit 4.2 to Western Alliance s Form 8-K filed with the SEC on August 25, 2010).
4.7	Form of 10.00% Senior Notes due 2015 (incorporated by reference to Exhibit 4.3 to Western Alliance s Form 8-K filed with the SEC on August 25, 2010).
4.8	Form of Non-Cumulative Perpetual Preferred Stock, Series B, stock certificate (incorporated by reference to Exhibit 4.8 to Western Alliance s Annual Report on Form 10-K filed with the SEC on March 2, 2012).
31.1	CEO Certification Pursuant to Rule 13a-14(a)/15d-14(a).

31.2 CFO Certification Pursuant to 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 the Registrant s Quarterly Report on Form 10-Q for the quarter ended September 30,2012, formatted in Extensible Business Reporting Language (XBRL), include: (i) Consolidated Balance Sheets at September 30, 2012 and December 31, 2011 (ii) Consolidated Income Statements and Comprehensive Income for the three and nine months ended September 30, 2012 and 2011, (iii) Consolidated Statement of Stockholders Equity at September 30, 2012, (iv) Consolidated Statements of Cash Flows for the nine months ended September 30, 2012 and 2011, and (v) Notes to (Unaudited) Condensed Consolidated Financial Statements**.

** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act, as amended, and otherwise are not subject to liability under those sections.

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SIGNATURES

Pursuant to the requirements 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

Date: November 2, 2012	By: /s/ Robert Sarver Robert Sarver Chief Executive Officer
Date: November 2, 2012	By: /s/ Dale Gibbons Dale Gibbons Executive Vice President and Chief Financial Officer
Date: November 2, 2012	By: /s/ J. Kelly Ardrey Jr. J. Kelly Ardrey Jr. Senior Vice President and Chief Accounting Officer