WESTERN ALLIANCE BANCORPORATION
Form 10-Q
November 08, 2011

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

þ **Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Quarterly Period Ended September 30, 2011 or

o **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 þ No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 þ No o
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 o Accelerated filer þ Smaller reporting company o Non-accelerated filer o
(Do not check if a 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 o No þ
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: 82,339,547 shares as of October 31, 2011.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	September 30, 2011 (unaudited)	*December 31, 2010*
	(in thousands, except per share amounts)	
Assets:		
Cash and due from banks	**$ 99,552**	$ 87,984
Federal funds sold		918
Interest-bearing demand deposits in other financial institutions	**206,416**	127,844
Cash and cash equivalents	**305,968**	216,746
Money market investments	**14,302**	37,733
Investment securities measured, at fair value	**6,952**	14,301
Investment securities available-for-sale, at fair value; amortized cost of $1,115,305 at September 30, 2011 and $1,187,608 at December 31, 2010	**1,110,162**	1,172,913
Investment securities held-to-maturity, at amortized cost; fair value of $173,958 at September 30, 2011 and $47,996 at December 31, 2010	**173,193**	48,151
Investments in restricted stock, at cost	**34,699**	36,877
Loans:		
Held for investment, net of deferred fees	**4,526,501**	4,240,542
Less: allowance for credit losses	**100,216**	110,699
Total loans	**4,426,285**	4,129,843
Premises and equipment, net	**106,227**	114,372
Goodwill	**25,925**	25,925
Other intangible assets	**10,697**	13,366
Other assets acquired through foreclosure, net	**86,692**	107,655
Bank owned life insurance	**132,721**	129,808
Deferred tax assets, net	**62,493**	79,860
Prepaid expenses	**18,614**	24,741
Other assets	**30,893**	41,501
Discontinued operations, assets held for sale	**67**	91
Total assets	**$ 6,545,890**	$ 6,193,883
Liabilities:		
Deposits:		
Non-interest-bearing demand	**$ 1,519,041**	$ 1,443,251
Interest-bearing	**4,113,847**	3,895,190
Total deposits	**5,632,888**	5,338,441
Customer repurchase agreements	**142,586**	109,409
Other borrowings	**73,228**	72,964

Junior subordinated debt, at fair value	**36,345**	43,034
Other liabilities	**28,588**	27,861
Total liabilities	**5,913,635**	5,591,709
Commitments and contingencies (Note 8)		
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, 2011 and 140,000 at December 31, 2010	**141,000**	130,827
Common stock par value $.0001; 200,000,000 authorized; 82,262,645 shares issued and outstanding at September 30, 2011 and 81,668,565 at December 31, 2010	**8**	8
Surplus	**743,025**	739,561
Retained deficit	**(248,833)**	(258,800)
Accumulated other comprehensive income (loss)	**(2,945)**	(9,422)
Total stockholders equity	**632,255**	602,174
Total liabilities and stockholders equity	**$ 6,545,890**	$ 6,193,883

See the accompanying notes.

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WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended September 30,		*Nine Months Ended September 30,*	
	2011	*2010*	***2011***	2010
	(in thousands, except per share amounts)			
Interest income:				
Loans, including fees	**$ 65,540**	$ 64,273	**$ 194,341**	$ 190,641
Investment securities taxable	**7,207**	5,527	**21,737**	16,639
Investment securities non-taxable	**234**	20	**267**	102
Dividends taxable	**278**	167	**859**	303
Dividends non-taxable	**637**	390	**1,965**	691
Other	**237**	328	**576**	1,063
Total interest income	**74,133**	70,705	**219,745**	209,439
Interest expense:				
Deposits	**6,982**	9,531	**22,428**	32,677
Customer repurchase agreements	**77**	74	**263**	471
Other borrowings	**2,024**	896	**6,229**	1,714
Junior subordinated and subordinated debt	**465**	736	**1,856**	2,934
Total interest expense	**9,548**	11,237	**30,776**	37,796
Net interest income	**64,585**	59,468	**188,969**	171,643
Provision for credit losses	**11,180**	22,965	**33,112**	74,827
Net interest income after provision for credit losses	**53,405**	36,503	**155,857**	96,816
Non-interest income:				
Securities impairment charges, net			**(226)**	(1,174)
Portion of impairment charges recognized in other comprehensive loss (before taxes)				
Net securities impairment charges recognized in earnings			**(226)**	(1,174)
Gain on sales of securities, net	**781**	5,460	**4,826**	19,757
Mark to market (losses) gains, net	**6,420**	(210)	**6,247**	6,341
Gain on extinguishment of debt				3,000
Service charges and fees	**2,337**	2,276	**6,864**	6,791
Trust and investment advisory fees	**661**	1,001	**1,955**	3,395
Other fee revenue	**854**	859	**2,653**	2,451
Income from bank owned life insurance	**1,189**	773	**4,195**	2,271
Other	**840**	2,008	**2,995**	4,724
Total non-interest income	**13,082**	12,167	**29,509**	47,556
Non-interest expense:				

Salaries and employee benefits	**23,319**	21,860	**69,119**	65,461
Occupancy expense, net	**5,126**	4,890	**15,024**	14,505
Net loss on sales/valuations of repossessed assets and bank premises, net	**2,128**	4,855	**16,890**	15,836
Insurance	**2,664**	4,115	**8,878**	11,366
Loan and repossessed asset expense	**2,059**	1,918	**6,465**	5,847
Legal, professional and director fees	**1,912**	1,546	**5,639**	5,553
Marketing	**1,090**	878	**3,382**	3,079
Data processing	**895**	842	**2,671**	2,427
Intangible amortization	**890**	901	**2,669**	2,714
Customer service	**900**	987	**2,620**	3,205
Merger/restructure expenses	**974**		**1,082**	
Other	**3,524**	3,317	**10,196**	10,220
Total non-interest expense	**45,481**	46,109	**144,635**	140,213
Income from continuing operations before provision for income taxes	**21,006**	2,561	**40,731**	4,159
Income tax expense (benefit)	**7,514**	(79)	**14,838**	(1,830)
Income from continuing operations	**13,492**	2,640	**25,893**	5,989
Loss from discontinued operations, net of tax benefit	**(481)**	(631)	**(1,500)**	(2,368)
Net income	**13,011**	2,009	**24,393**	3,621
Dividends and accretion on preferred stock	**9,419**	2,466	**14,425**	7,399
Net income (loss) available to common shareholders	**$ 3,592**	$ (457)	**$ 9,968**	$ (3,778)

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WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(continued)

	Three Months Ended September 30,		*Nine Months Ended September 30,*	
	2011	*2010*	***2011***	2010
	(in thousands, except per share amounts)			
Income (loss) per share basic and diluted				
Continuing operations	**$ 0.05**	$ 0.00	**$ 0.14**	$ (0.02)
Discontinued	**(0.01)**	(0.01)	**(0.02)**	(0.03)
	$ 0.04	$ (0.01)	**$ 0.12**	$ (0.05)
Average number of common shares basic	**80,931**	75,554	**80,870**	73,240
Average number of common shares diluted	**81,125**	75,554	**81,121**	73,240
Dividends declared per common share	**$**	$	**$**	$

See the accompanying notes.

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WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

	Three Months Ended September 30,		*Nine Months Ended September 30,*	
	2011	*2010*	***2011***	*2010*
	(in thousands)			
Net income	**$ 13,011**	$ 2,009	**$ 24,393**	$ 3,621
Other comprehensive income (loss), net:				
Unrealized gain (loss) on securities AFS, net	**3,357**	(2,363)	**9,376**	3,967
Impairment loss on securities, net			**144**	728
Realized gain on sale of securities AFS included in income, net	**(507)**	(3,493)	**(3,043)**	(12,698)
Net other comprehensive income (loss)	**2,850**	(5,856)	**6,477**	(8,003)
Comprehensive income (loss)	**$ 15,861**	$ (3,847)	**$ 30,870**	$ (4,382)

See the accompanying notes.

The amount of impairment losses reclassified out of accumulated other comprehensive income into earnings for the nine months ended September 30, 2011 was $0.2 million. The income tax benefit related to these losses was $0.1 million. There was no impairment loss recognized for the three months ended September 30, 2011 and 2010. The amount of impairment losses reclassified out of accumulated other comprehensive income into earnings for the nine months ended September 30, 2010 was $1.2 million. The income tax benefit related to these losses was $0.4 million.

See the accompanying notes.

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WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (UNAUDITED)

	Preferred Stock		*Common Stock*			*Accumulated Other Comprehensive Income*	*Retained*	*Total Stockholders*
	Shares	*Amount*	*Shares*	*Amount*	*Surplus*	*(Loss)*	*(Deficit)*	*Equity*
					(in thousands)			
Balance, December 31, 2010	140	$ 130,827	81,669	$ 8	$ 739,561	$ (9,422)	$ (258,800)	$ 602,174
Net income							**24,393**	**24,393**
Exercise of stock options			**53**		**362**			**362**
Stock-based compensation			**246**		**2,193**			**2,193**
Restricted stock grants, net			**295**		**909**			**909**
Dividends on preferred stock							**(5,252)**	**(5,252)**
Accretion on preferred stock discount		**2,259**					**(2,259)**	
Preferred stock redemption and accelerated accretion of preferred stock discount	**(140)**	**(133,086)**					**(6,914)**	**(140,000)**
Issuance of preferred stock	**141**	**141,000**						**141,000**
Other comprehensive income, net						**6,477**		**6,477**
Balance, September 30, 2011	**141**	**$ 141,000**	**82,263**	**$ 8**	**$ 743,025**	**$ (2,945)**	**$ (248,833)**	**$ 632,255**

See the accompanying notes.

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WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended September 30,	
	2011	*2010*
	(in thousands)	
Cash flows from operating activities:		
Net Income	**$ 24,393**	$ 3,621
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Provision for credit losses	**33,112**	74,827
Depreciation and amortization	**8,083**	10,660
Stock-based compensation	**3,102**	5,824
Deferred income taxes and income taxes receivable	**13,879**	3,183
Net amortization of discounts and premiums for investment securities	**5,693**	4,482
Securities impairment	**226**	1,174
(Gains)/Losses on:		
Sales of securities, AFS securities	**(4,826)**	(19,757)
Derivatives	**173**	202
Sale of repossessed assets, net	**16,179**	15,776
Sale of premises and equipment, net	**711**	60
Sale of loans, net		(16)
Extinguishment of debt		(3,000)
Changes in:		
Other assets	**13,456**	(106,660)
Other liabilities	**990**	(65,585)
Fair value of assets and liabilities measured at fair value	**(6,247)**	(6,341)
Servicing rights, net	**189**	26
Net cash provided by (used in) operating activities	**109,113**	(81,524)
Cash flows from investing activities:		
Proceeds from sale of securities measured at fair value	**2,907**	12,735
Principal pay downs and maturities of securities measured at fair value	**4,465**	13,599
Proceeds from sale of available-for-sale securities	**453,984**	488,918
Principal pay downs and maturities of available-for-sale securities	**235,946**	706,207
Purchase of available-for-sale securities	**(618,430)**	(1,314,053)
Purchases of securities held-to-maturity	**(125,995)**	(20,000)
Proceeds from maturities of securities held-to-maturity	**640**	2,746
Loan originations and principal collections, net	**(356,565)**	(169,105)
Investment in money market	**23,431**	52,394
Liquidation of restricted stock	**2,178**	2,349
Sale and purchase of premises and equipment, net	**2,020**	1,330
Proceeds from sale of other real estate owned and repossessed assets, net	**31,794**	24,448
Net cash used in investing activities	**(343,625)**	(198,432)

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WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(continued)

	Nine Months Ended *September 30,*	
	2011	*2010*
	(in thousands)	
Cash flows from financing activities:		
Net increase in deposits	**294,447**	606,426
Net increase/ (decrease) in borrowings	**33,177**	(149,942)
Proceeds from issuance of common stock options and stock warrants	**362**	274
Proceeds from issuance of stock, net		47,573
Proceeds from issuance of preferred stock	**141,000**	
Redemption of preferred stock	**(140,000)**	
Dividends paid on preferred stock	**(5,252)**	(5,250)
Net cash provided by financing activities	**323,734**	499,081
Net increase in cash and cash equivalents	**89,222**	219,125
Cash and cash equivalents at beginning of year	**216,746**	396,830
Cash and cash equivalents at end of year	**$ 305,968**	$ 615,955
Supplemental disclosure:		
Cash paid during the period for:		
Interest	**$ 33,560**	$ 37,432
Income taxes		
Non-cash investing and financing activity:		
Transfers to other assets acquired through foreclosure, net	**27,011**	66,973
Assets transferred to held for sale		102

See the accompanying notes.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operation

Western Alliance Bancorporation (WAL or the Company), incorporated in 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 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 in the preparation of financial statements

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, WAL maintains an 80 percent interest in Shine Investment Advisory Services Inc. (Shine), a registered investment advisor. WAL divested formerly wholly-owned subsidiary Premier Trust, Inc. as of September 1, 2010.

BON has a wholly-owned Real Estate Investment Trust (REIT), BW Real Estate, Inc. that is used to hold certain commercial real estate loans, residential real estate loans and other loans in a real estate investment trust. The Company does not have any other entities that should be considered for consolidation. All significant intercompany balances and transactions have been eliminated in consolidation.

Reclassifications

Certain amounts in the consolidated financial statements as of December 31, 2010 and for the three and nine months ended September 30, 2010 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, 2011 and 2010 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, 2010.

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.

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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 at least 85 percent 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.

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

All 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.

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.

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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. Due to the rapidly changing economic and market conditions of the regions within which we operate, the Company obtains independent collateral valuation analysis on a regular basis for each loan, typically every six 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.

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 write downs 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.

Goodwill

The Company recorded as goodwill the excess of the purchase price over the fair value of the identifiable net assets acquired in accordance with applicable guidance. As per this guidance, a two-step process is outlined for impairment testing of goodwill. Impairment testing is generally performed annually, as well as when an event triggering impairment may have occurred. The first step tests for impairment, while the second step, if necessary, measures the impairment. The resulting impairment amount if any is charged to current period earnings as non-interest expense.

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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 $62.5 million at September 30, 2011 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.

As a result of the losses incurred in 2008, 2009 and 2010, the Company is in a three-year cumulative pretax loss position at September 30, 2011. A cumulative loss position is considered significant negative evidence in assessing the realizability of a deferred tax asset. The Company has concluded that there is sufficient positive evidence to overcome this negative evidence. This positive evidence includes Company forecasts, exclusive of tax planning strategies, that show full utilization of the net operating losses by the end of 2013 based on current projections. In addition, the Company has evaluated tax planning strategies, including potential sales of businesses and assets in which it could realize the excess of appreciated value over the tax basis of its assets. The amount of deferred tax assets considered realizable, however, could be significantly reduced in the near term if estimates of future taxable income during the carryforward period are significantly lower than forecasted due to deterioration in market conditions.

Based on the above discussion, the Company 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.

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, 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

matrix pricing, discounted cash flow models and similar techniques.

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

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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, 2011 or 2010. The estimated fair value amounts for 2011 and 2010 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 in Note 10, Fair Value of Financial Instruments, 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 and federal funds sold and other approximates their fair value.

Securities

The fair values of U.S. Treasuries, corporate bonds, 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.

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 of Financial Instruments, is categorized as Level 3 in the fair value hierarchy.

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 of Financial Instruments, 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.

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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 of Instruments, is categorized as Level 3 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 FHLB and FRB advances and other borrowings have been categorized as Level 3 in the fair value hierarchy.

Other Borrowings

The Company issued senior notes are based on quoted market prices and categorized as Level 3 of the fair value hierarchy.

Junior subordinated and 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 and subordinated debt have 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 December 2010, the Financial Accounting Standards Board (FASB) issued guidance within the Accounting Standards Update (ASU) 2010-20 Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses. ASU 2010-20 requires entities to provide disclosures designed to facilitate financial statement users evaluation of (i) the nature of credit risk inherent in the entity s portfolio of financing receivables, (ii) how that risk is analyzed and assessed in arriving at the allowance for credit losses, and (iii) the changes and reasons for those changes in the allowance for credit losses. Disclosures must be disaggregated by portfolio segment, the level at which an entity develops and documents a systematic method for determining its allowance for credit losses, and class of financing receivable, which is generally a disaggregation of portfolio segment. The required disclosures include, among other things, a roll forward of the allowance for credit losses as well as information about modified, impaired, nonaccrual and past due loans and credit quality indicators. ASU 2010-20 became effective for the Company s financial statements as of December 31, 2010, as it relates to disclosures required as of the end of a reporting period. Disclosures that relate to activity during a reporting period are required for the Company s financial statements that include periods beginning on or after January 1, 2011. The adoption of this guidance did not have any impact on the Company s consolidated statement of income (loss), its consolidated balance sheet, or its consolidated statement of cash flows.

In April 2011, the FASB issued guidance within the ASU 2011-02 A Creditor s Determination of Whether a Restructuring is a Troubled Debt Restructuring. ASU 2011-02 clarifies when a loan modification or restructuring is considered a troubled debt restructuring. This guidance is effective for the first interim or annual period beginning on or after June 15, 2011, and will be applied retrospectively to the beginning of the annual period of adoption. The adoption of this guidance did not have a material impact on the Company s consolidated statement of income (loss), its consolidated balance sheet, or its consolidated statement of cash flows.

In April 2011, the FASB issued guidance within the 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. This guidance is effective for the first interim or annual period beginning on or after December 15, 2011, and will be applied prospectively to transactions or modifications of existing transactions that occur on or after the effective date. The adoption of this guidance is not expected to have a material impact on the Company s consolidated statement of income (loss), its consolidated balance sheet, or its consolidated statement of cash flows.

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In May 2011, the FASB issued guidance within the 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). This guidance is effective for the first interim or annual period beginning on or after December 15, 2011, and will be applied prospectively. The Company is currently evaluating the impact of the adoption of this guidance but does not anticipate a material impact on the Company s consolidated statement of income (loss), its consolidated balance sheet, or its consolidated statement of cash flows.

In June 2011, the FASB issued guidance within the 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. This guidance is effective for the first interim or annual period beginning on or after December 15, 2011, and will be applied retrospectively. The adoption of this guidance is not expected to have a material impact on the Company s consolidated statement of income (loss), its consolidated balance sheet, or its consolidated statement of cash flows.

In September 2011, the FASB issued guidance within the ASU 2011-08 Testing Goodwill for Impairment. The amendments in this update to Topic 350, *Intangibles-Goodwill and Other,* will allow an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. An entity would not be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The amendments include a number of events and circumstances for an entity to consider in conducting the qualitative assessment. This guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Companies may elect to early adopt. The adoption of this guidance is not expected to have a material impact on the Company s consolidated statement of income (loss), its consolidated balance sheet, or its consolidated statement of cash flows.

2. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

In the first quarter of 2010, the Company decided to discontinue its affinity credit card segment, PartnersFirst, and has presented certain activities as discontinued operations. The Company transferred certain assets with balances at September 30, 2011 of $0.1 million to held-for-sale and reported a portion of its operations as discontinued. At September 30, 2011 and December 31, 2010, the Company had $39.2 million and $45.6 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, 2011 and December 31, 2010.

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,	
	2011	2010	2011	2010
	(in thousands)			
Affinity card revenue	$ 363	$ 444	$ 1,133	$ 1,394
Non-interest expenses	(1,192)	(1,532)	(3,719)	(5,477)

Loss before income taxes	(829)	(1,088)	(2,586)	(4,083)
Income tax benefit	(348)	(457)	(1,086)	(1,715)
Net loss	$ (481)	$ (631)	$ (1,500)	$ (2,368)

3. EARNINGS PER SHARE

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

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

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2011	2010	**2011**	2010
		(in thousands, except per share amounts)			
Weighted average shares	Basic	**80,931**	75,554	**80,870**	73,240
Dilutive effect of options		**194**		**251**	
Weighted average shares	Diluted	**81,125**	75,554	**81,121**	73,240
Net income (loss) available to common stockholders		**$ 3,592**	$ (457)	**$ 9,968**	$ (3,778)
Earnings (loss) per share	Basic	**0.04**	(0.01)	**0.12**	(0.05)
Earnings (loss) per share	Diluted	**0.04**	(0.01)	**0.12**	(0.05)

As of September 30, 2010, all stock options and restricted stock were considered anti-dilutive and excluded for purposes of calculating diluted loss per share.

4. INVESTMENT SECURITIES

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

	September 30, 2011			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized (Losses)**	**Fair Value**
	(in thousands)			
Securities held-to-maturity				
Collateralized debt obligations	$ 50	$ 2,208	$	$ 2,258
Corporate bonds	102,787	80	(1,410)	101,457
Municipal obligations	68,856	221	(334)	68,743
Other	1,500			1,500
	$ 173,193	$ 2,509	$ (1,744)	$ 173,958

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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					
US Government-sponsored agency securities	$ 195,845	$	$ 565	$ (168)	$ 196,242
Municipal obligations	311		1		312
Adjustable-rate preferred stock	63,669		570	(4,370)	59,869
Mutual funds	29,514		11	(497)	29,028
Corporate bonds	5,000			(200)	4,800
Direct obligation and GSE residential mortgage-backed securities	736,870		9,908	(310)	746,468
Private label residential mortgage- backed securities	29,423	(1,811)	1,834	(1,200)	28,246
Trust preferred securities	32,026			(10,270)	21,756
Other	22,647		794		23,441
	$ 1,115,305	$ (1,811)	$ 13,683	$ (17,015)	$ 1,110,162
Securities measured at fair value					
Direct obligation and GSE residential mortgage-backed securities					$ 6,952

	December 31, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
		(in thousands)		
Securities held-to-maturity				
Collateralized debt obligations	$ 276	$ 459	$	$ 735
Corporate bonds	45,000		(632)	44,368
Municipal obligations	1,375	18		1,393
Other	1,500			1,500
	$ 48,151	$ 477	$ (632)	$ 47,996

	OTTI Recognized in Other	Gross	Gross

	Amortized Cost	Comprehensive Loss	Unrealized Gains	Unrealized (Losses)	Fair Value
			(in thousands)		
Securities available-for-sale					
US Government-sponsored agency securities	$ 280,299	$	$ 622	$ (3,329)	$ 277,592
Municipal obligations	312		1	(11)	302
Adjustable-rate preferred stock	66,255		1,410	(422)	67,243
Corporate securities	5,000			(93)	4,907
Direct obligation and GSE residential mortgage-backed securities	772,217		5,804	(8,632)	769,389
Private label residential mortgage-backed securities	9,203	(1,811)	1,811	(1,092)	8,111
Trust preferred securities	32,057			(8,931)	23,126
Other	22,265		99	(121)	22,243
	$ 1,187,608	$ (1,811)	$ 9,747	$ (22,631)	$ 1,172,913

Securities measured at fair value	
U.S. Government-sponsored agency securities	$ 2,511
Direct obligation and GSE residential mortgage-backed securities	11,790
	$ 14,301

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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 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 may avoid recognizing an OTTI charge by asserting 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, 2011 are primarily due to 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 recorded no impairment for the three months ended September 30, 2011 and $0.2 million of impairment charges for the nine months ended September 30, 2011. The Company recorded no impairment charges for the three months ended September 30, 2010 and $1.2 million for the nine months ended September 30, 2010. 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, 2011 and December 31, 2010. OTTI is reassessed quarterly. No assurance can be made that additional OTTI will not occur in future periods.

Information pertaining to securities with gross unrealized losses at September 30, 2011 and December 31, 2010, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	September 30, 2011			
	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(in thousands)			
Securities held-to-maturity				
Corporate bonds	$ 1,410	$ 88,547	$	$
Municipal obligations	334	46,045		
	$ 1,744	$ 134,592	$	$

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	September 30, 2011			
	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(in thousands)			
Securities available-for-sale				
US Government-sponsored agency securities	$ 168	$ 59,818	$	$
Adjustable-rate preferred stock	4,370	35,675		
Mutual funds	497	25,014		
Corporate securities	200	4,800		
Direct obligation and GSE residential mortgage-backed securities	301	86,231	9	2,015
Municipal obligations		95		
Private label residential mortgage-backed securities	568	21,014	632	5,318
Trust preferred securities			10,270	21,756
Other				
	$ 6,104	$ 232,647	$ 10,911	$ 29,089

	December 31, 2010			
	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(in thousands)			
Securities held-to-maturity				
Corporate bonds	$ 632	$ 39,368	$	$
	$ 632	$ 39,368	$	$

	December 31, 2010			
	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(in thousands)			
Securities available-for-sale				
US Government-sponsored agency securities	$ 3,329	$ 173,561	$	$
Adjustable-rate preferred stock	422	21,549		
Corporate securities	93	4,907		
Direct obligation and GSE residential mortgage-backed securities	8,562	425,248	69	8,798
Municipal obligations	11	206		
Private label residential mortgage-backed securities	2	1,990	1,091	6,121
Trust preferred securities			8,931	23,126

Other	121	6,129		
	$ 12,540	$ 633,590	$ 10,091	$ 38,045

At September 30, 2011, the Company s unrealized losses relate primarily to interest rates. 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 have the intent 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.

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At September 30, 2011, the net unrealized loss on trust preferred securities classified as AFS was $10.3 million, compared to $8.9 million at December 31, 2010. The Company actively monitors its debt and other structured securities portfolios classified as AFS for declines in fair value.

The amortized cost and fair value of securities as of September 30, 2011 and December 31, 2010, by contractual maturities, are shown in the table 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. Therefore, these securities are listed separately in the maturity summary. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	September 30, 2011		December 31, 2010	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(in thousands)			
Securities held-to-maturity				
Due in one year or less	$	$	$	$
After one year through five years	8,387	8,084	999	1,011
After five years through ten years	102,535	101,784	40,376	39,843
After ten years	60,771	62,590	5,276	5,642
Other	1,500	1,500	1,500	1,500
	$ 173,193	$ 173,958	$ 48,151	$ 47,996
Securities available-for-sale				
Due in one year or less	$ 30,522	$ 30,052	$ 13,005	$ 13,632
After one year through five years	18,056	18,318	8,434	8,663
After five years through ten years	176,466	176,329	294,027	291,243
After ten years	130,744	115,554	77,660	67,743
Mortgage backed securities	736,870	746,468	772,217	769,389
Other	22,647	23,441	22,265	22,243
	$ 1,115,305	$ 1,110,162	$ 1,187,608	$ 1,172,913

The following table summarizes the Company s investment ratings position as of September 30, 2011:

	Securities ratings profile As of September 30, 2011						
	AAA	Split-rated AAA/AA+	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ and below	Totals
	(in thousands)						
Municipal obligations	$ 8,351	$	$ 22,591	$ 37,954	$	$ 272	$ 69,168
Direct & GSE residential mortgage-backed securities		753,419					753,419
Private label residential mortgage- backed securities	25,049		1,204			1,993	28,246
Mutual funds					29,028		29,028

U.S. Government-sponsered agency securities		196,242					196,242
Adjustable-rate preferred stock					58,849		58,849
CDOs & trust preferred securities					21,756	50	21,806
Corporate bonds			27,829	69,757			97,586
Total (1) (2)	$ 33,400	$ 949,661	$ 51,624	$ 107,711	$ 109,633	$ 2,315	$ 1,254,344

(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, 2011. Unrated securities consist of CRA investments with a carrying value of $23.4 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.

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The following table summarizes the Company s investment ratings position as of December 31, 2010.

	Securities ratings profile As of December 31, 2010					
	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ and below	Totals
	(in thousands)					
Municipal obligations	$ 40	$ 1,375	$	$	$ 262	$ 1,677
Direct & GSE residential mortgage- backed securities	781,179					781,179
Private label residential mortgage- backed securities	5,796				2,315	8,111
U.S. Government-sponsered agency securities	280,103					280,103
Adjustable-rate preferred stock			60,263	6,980		67,243
CDOs & trust preferred securities			21,681	1,445	276	23,402
Corporate bonds		5,000	44,907			49,907
Total (1)(2)	$ 1,067,118	$ 6,375	$ 126,851	$ 8,425	$ 2,853	$ 1,211,622

(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, 2010. Unrated securities consist of CRA investments with a carrying value of $22.2 million and an other investment of $1.5 million.

Securities with carrying amounts of approximately $621.8 million and $427.2 million at September 30, 2011 and December 31, 2010, respectively, were pledged for various purposes as required or permitted by law.

5. LOANS, LEASES AND ALLOWANCE FOR CREDIT LOSSES

The composition of the Company s loans held for investment portfolio as of September 30, 2011 and December 31, 2010 is as follows:

	September 30, 2011	December 31, 2010
	(in thousands)	
Commercial real estate owner occupied	$ 1,225,392	$ 1,223,150
Commercial real estate non-owner occupied	1,239,788	1,038,488
Commercial and industrial	931,912	744,659
Residential real estate	450,196	527,302
Construction and land development	404,394	451,470
Commercial leases	220,969	189,968
Consumer	60,391	71,545
Deferred fees and unearned income,net	(6,541)	(6,040)
	4,526,501	4,240,542
Allowance for credit losses	(100,216)	(110,699)

Total	$ 4,426,285	$ 4,129,843

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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, 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	$ 1,200,373	$ 3,757	$ 1,908	$ 19,354	$ 25,019	$ 1,225,392
Non-owner occupied	1,119,519	1,244	2,016	9,271	12,531	1,132,050
Multi-family	106,469	214		1,055	1,269	107,738
Commercial and industrial						
Commercial	919,558	2,018	4,002	6,334	12,354	931,912
Leases	220,366		603		603	220,969
Construction and land development						
Construction	218,100			16,212	16,212	234,312
Land	156,742		7,573	5,767	13,340	170,082
Residential real estate	423,555	1,679	2,485	22,477	26,641	450,196
Consumer	58,749	594	300	748	1,642	60,391
Total loans	$ 4,423,431	$ 9,506	$ 18,887	$ 81,218	$ 109,611	$ 4,533,042

	December 31, 2010					
	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	$ 1,195,219	$ 2,512	$ 10,314	$ 15,105	$ 27,931	$ 1,223,150
Non-owner occupied	947,784	1,111	1,022	5,543	7,676	955,460
Multi-family	80,857			2,407	2,407	83,264
Commercial and industrial						
Commercial	741,337	1,644	135	1,543	3,322	744,659
Leases	189,968					189,968
Construction and land development						
Construction	219,382			22,300	22,300	241,682
Land	199,773	338		9,678	10,016	209,789
Residential real estate	491,275	8,574	3,208	24,008	35,790	527,065
Consumer	69,027	655	460	1,403	2,518	71,545
Total loans	$ 4,134,622	$ 14,834	$ 15,139	$ 81,987	$ 111,960	$ 4,246,582

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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, 2011		December 31, 2010	
	Non-accrual	Loans past due 90 days or more and still accruing	Non-accrual	Loans past due 90 days or more and still accruing
	(in thousands)			
Commercial real estate				
Owner occupied	$ 31,089	$	$ 25,316	$
Non-owner occupied	13,595		12,189	
Multi-family	1,390		2,752	
Commercial and industrial				
Commercial	7,869	1,086	7,349	151
Leases	603			
Construction and land development				
Construction	16,212		22,300	
Land	17,525		14,223	
Residential real estate	25,020	262	32,638	
Consumer	410	748	232	1,307
Total	$ 113,713	$ 2,096	$ 116,999	$ 1,458

Nonaccrual loans and loans past due 90 days or more and still accruing interest totaled $115.8 million and $118.5 million at September 30, 2011 and December 31, 2010, respectively. The reduction in interest income associated with loans on nonaccrual status was approximately $2.2 million and $4.6 million for the three and nine months ended September 30, 2011, respectively, and $2.5 million and $3.8 million for the three and nine months ended September 30, 2010, 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 to 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, 2011					
	Pass	Watch	Substandard	Doubtful	Loss	Total
	(in thousands)					
Commercial real estate						
Owner occupied	$ 1,104,557	$ 71,535	$ 49,300	$	$	$ 1,225,392
Non-owner occupied	1,045,426	49,680	36,944			1,132,050

Multi-family	105,435	415	1,888			107,738
Commercial and industrial						
Commercial	881,852	25,611	24,248	201		931,912
Leases	216,889	279	3,801			220,969
Construction and land development						
Construction	208,739	202	25,371			234,312
Land	122,171	7,282	40,629			170,082
Residential real estate	400,287	11,126	38,783			450,196
Consumer	57,731	1,440	1,220			60,391
Total	$ 4,143,087	$ 167,570	$ 222,184	$ 201	$	$ 4,533,042

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	September 30, 2011					
	Pass	Watch	Substandard	Doubtful	Loss	Total
	(in thousands)					
Current	$ 4,137,588	$ 165,127	$ 120,717	$	$	$ 4,423,432
Past due 30 - 59 days	2,337	2,103	5,066			9,506
Past due 60 - 89 days	2,186	340	16,360			18,886
Past due 90 days or more	976		80,041	201		81,218
Total	$ 4,143,087	$ 167,570	$ 222,184	$ 201	$	$ 4,533,042

	December 31, 2010					
	Pass	Watch	Substandard	Doubtful	Loss	Total
	(in thousands)					
Commercial real estate						
Owner occupied	$ 1,075,051	$ 89,731	$ 58,368	$	$	$ 1,223,150
Non-owner occupied	883,867	27,785	43,807			955,460
Multi-family	78,442		4,823			83,264
Commercial and industrial						
Commercial	699,177	27,252	17,426	804		744,659
Leases	186,262	51	3,655			189,968
Construction and land development						
Construction	200,375	12,086	29,220			241,682
Land	141,916	19,070	48,803			209,789
Residential real estate	460,591	17,647	48,828			527,065
Consumer	69,339	1,284	921			71,545
Total	$ 3,795,020	$ 194,905	$ 255,853	$ 804	$	$ 4,246,582

	December 31, 2010					
	Pass	Watch	Substandard	Doubtful	Loss	Total
	(in thousands)					
Current	$ 3,785,145	$ 188,555	$ 160,318	$ 607	$	$ 4,134,625
Past due 30 - 59 days	6,000	1,875	6,959			14,834
Past due 60 - 89 days	2,457	4,474	8,158	49		15,138
Past due 90 days or more	1,418	1	80,418	148		81,985
Total	$ 3,795,020	$ 194,905	$ 255,853	$ 804	$	$ 4,246,582

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

	September 30, 2011	December 31, 2010
	(in thousands)	
Impaired loans with a specific valuation allowance under ASC 310	**$ 34,700**	$ 45,316

Impaired loans without a specific valuation allowance under ASC 310		**166,288**		193,019
Total impaired loans	**$**	**200,988**	$	238,335
Valuation allowance related to impaired loans	**$**	**(12,853)**	$	(13,440)

Net impaired loans were $201.0 million at September 30, 2011, a net decrease of $37.3 million from December 31, 2010. This decline is primarily attributable to a decrease in commercial real estate impaired loans, which were $88.9 million at September 30, 2011 compared to $123.9 million at December 31, 2010, a decrease of $35.0 million. In addition, impaired residential real estate loans, impaired construction and land loans and impaired consumer and credit card loans also decreased by $8.4 million, $5.6 million, and $0.2 million, respectively, from $42.4 million, $58.4 million, and $0.8 million at December 31, 2010, to $34.0 million, $52.9 million and $0.5 million at September 30, 2011. Impaired commercial and industrial loans increased by $11.8 million from $12.8 million at December 31, 2010 to $24.6 million at September 30, 2011.

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The following table presents the impaired loans by class:

	September 30, 2011	December 31, 2010
	(in thousands)	
Commercial real estate		
Owner occupied	**$ 50,549**	$ 51,157
Non-owner occupied	**36,673**	67,959
Multi-family	**1,674**	4,823
Commercial and industrial		
Commercial	**20,841**	9,148
Leases	**3,801**	3,655
Construction and land development		
Construction	**25,372**	31,707
Land	**27,487**	26,708
Residential real estate	**34,044**	42,423
Consumer	**547**	755
Total	**$ 200,988**	$ 238,335

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, 2011 and December 31, 2010.
The following table is average investment in impaired loans by loan class:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2011	2010	**2011**	2010
	(in thousands)			
Commercial real estate				
Owner occupied	$ 51,020	$ 58,883	$ 51,951	$ 54,850
Non-owner occupied	43,192	44,132	52,384	36,599
Multi-family	1,676	4,693	2,109	5,095
Commercial and industrial				
Commercial	13,830	9,789	12,648	12,569
Leases	3,429	4,091	3,491	1,516
Construction and land development				
Construction	25,780	25,964	27,729	27,645
Land	21,931	34,062	23,174	41,405
Residential real estate	36,947	45,709	37,020	44,492
Consumer	468	974	527	718
Total	$ 198,273	$ 228,297	$ 211,033	$ 224,889

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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,	
	2011	2010	**2011**	2010
	(in thousands)		(in thousands)	
Commercial real estate				
Owner occupied	$ 960	$ 377	$ 2,113	$ 1,300
Non-owner occupied	218	363	1,395	881
Multi-family	5	19	14	50
Commercial and industrial				
Commercial	628	37	727	89
Leases				
Construction and land development				
Construction	119	107	391	367
Land	133	227	528	454
Residential real estate	33	173	222	293
Consumer	2	4	9	11
Total	$ 2,098	$ 1,307	$ 5,399	$ 3,445

The Company is not committed to lend significant additional funds on these impaired loans.
The following table summarizes nonperforming assets:

	September 30, 2011	**December 31, 2010**
	(in thousands)	
Nonaccrual loans	**$ 113,713**	$ 116,999
Loans past due 90 days or more on accrual status	**2,096**	1,458
Troubled debt restructured loans	**79,762**	116,696
Total nonperforming loans	**195,571**	235,153
Foreclosed collateral	**86,692**	107,655
Total nonperforming assets	**$ 282,263**	$ 342,808

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Allowance for Credit Losses

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	**2011**	2010
	(dollars in thousands)			
Allowance for credit losses:				
Balance at beginning of period	**$ 104,375**	$ 110,013	**$ 110,699**	$ 108,623
Provisions charged to operating expenses:				
Construction and land development	**2,206**	(1,020)	**3,153**	12,325
Commercial real estate	**341**	13,469	**11,485**	36,694
Residential real estate	**8,622**	5,033	**15,189**	12,953
Commercial and industrial	**(803)**	4,400	**282**	10,217
Consumer	**814**	1,083	**3,003**	2,638
Total provision	**11,180**	22,965	**33,112**	74,827
Acquisitions				
Recoveries of loans previously charged-off:				
Construction and land development	**707**	214	**1,800**	2,424
Commercial real estate	**127**	160	**1,402**	990
Residential real estate	**440**	1,209	**881**	1,735
Commercial and industrial	**1,243**	389	**2,798**	2,200
Consumer	**41**	47	**110**	128
Total recoveries	**2,558**	2,019	**6,991**	7,477
Loans charged-off:				
Construction and land development	**2,369**	3,843	**8,083**	20,402
Commercial real estate	**2,484**	12,813	**12,884**	26,524
Residential real estate	**10,555**	3,695	**17,176**	17,385
Commercial and industrial	**1,420**	5,036	**8,753**	14,395
Consumer	**1,069**	1,440	**3,690**	4,051
Total charged-off	**17,897**	26,827	**50,586**	82,757
Net charge-offs	**15,339**	24,808	**43,595**	75,280
Balance at end of period	**$ 100,216**	$ 108,170	**$ 100,216**	$ 108,170

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The following table presents loans individually evaluated for impairment by class of loans:

	September 30, 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	$ 44,776	$ 39,196	$ 5,580	$
Non-owner occupied	42,388	35,783	6,605	
Multi-family	2,161	1,340	821	
Commercial and industrial				
Commercial	18,955	17,353	1,602	
Leases	3,801	3,801		
Construction and land development				
Construction	21,538	20,261	1,277	
Land	23,299	18,615	4,684	
Residential real estate	41,082	29,394	11,688	
Consumer	587	547	40	
With an allowance recorded:				
Commercial real estate				
Owner occupied	11,353	11,353		3,764
Non-owner occupied	1,010	890	120	193
Multi-family	346	334	12	190
Commercial and industrial				
Commercial	3,641	3,488	153	1,951
Leases				
Construction and land development				
Construction	8,122	5,111	3,011	2,029
Land	9,153	8,872	281	2,663
Residential real estate	4,811	4,650	161	2,063
Consumer				
With an allowance recorded:				
Total	$ 237,023	$ 200,988	$ 36,035	$ 12,853

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	December 31, 2010			
	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	$ 38,893	$ 36,811	$ 2,082	$
Non-owner occupied	72,705	66,156	6,549	
Multi-family	7,087	4,478	2,609	
Commercial and industrial				
Commercial	9,155	4,780	4,375	
Leases	3,655	3,655		
Construction and land development				
Construction	23,214	19,217	3,997	
Land	31,237	24,807	6,430	
Residential real estate	38,936	32,593	6,343	
Consumer	548	522	26	
With an allowance recorded:				
Commercial real estate				
Owner occupied	15,684	14,346	1,338	3,873
Non-owner occupied	1,961	1,804	157	530
Multi-family	358	346	12	179
Commercial and industrial				
Commercial	4,520	4,367	153	3,170
Leases				
Construction and land development				
Construction	12,490	12,490		1,722
Land	5,018	1,901	3,117	1,124
Residential real estate	11,598	9,830	1,768	2,716
Consumer	232	232		126
Total	$ 277,291	$ 238,335	$ 38,956	$ 13,440

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

	September 30, 2011							
	Commercial Real Estate - Owner Occupied	Commercial Real Estate - Non Owner Occupied	Commercial and Industrial	Residential Real Estate	Construction and Land Development	Leases	Consumer	Total
	(in thousands)							
Allowance for credit losses:								
	$ 3,764	$ 383	$ 1,951	$ 2,064	$ 4,692	$	$	$ 12,854

Ending balance attributable to loans individually evaluated for impairment								
Collectively evaluated for impairment	12,137	16,798	20,550	17,687	12,772	2,627	4,791	87,362
Acquired with deteriorated credit quality								
Total ending allowance	$ 15,901	$ 17,181	$ 22,501	19,751	$ 17,464	$ 2,627	$ 4,791	$ 100,216

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	December 31, 2010							
	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	$ 3,873	$ 709	$ 3,170	$ 2,716	$ 2,846	$	$ 126	$ 13,440
Collectively evaluated for impairment	11,108	17,353	23,981	18,173	17,741	3,631	5,272	97,259
Acquired with deteriorated credit quality								
Total ending allowance	$ 14,981	$ 18,062	$ 27,151	$ 20,889	$ 20,587	$ 3,631	$ 5,398	$ 110,699

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. 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, 2011					
		Pre-Modification	Forgiven	Lost	Post-Modification	Waived Fees and Other
	Number of Loans	Outstanding Recorded Investment	Principal Balance	Interest Income (1)	Outstanding Recorded Investment	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, 2011		Nine Months Ended September 30, 2011	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
		(in thousands)		
Commercial real estate				
Owner occupied		$	1	$ 170
Non-owner occupied	1	430	1	430
Multi-family				
Commercial and industrial				
Commercial				
Leases				
Construction and land development				
Construction			2	2,463
Land	3	2,031	4	2,193
Residential real estate	2	318	7	2,431
Consumer				

Total	6	$	2,779	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.

As a result of adopting the amendments in ASU No. 2011-02, the Company reassessed all loan modifications that occurred on or after the beginning of the current year for identification as TDRs. The Company identified $10.6 million additional TDR loans. The amendments in this ASU require prospective application of the impairment measurement guidance for those loans newly identified as impaired. As of September 30, 2011, there was no allowance for credit losses associated with those loans on the basis of a current evaluation of loss.

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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,	
	2011	2010	2011	2010
	(in thousands)		(in thousands)	
Balance, beginning of period	$ 85,732	$ 104,365	$ 107,655	$ 83,347
Additions	7,139	25,499	28,194	73,801
Dispositions	(4,291)	(15,768)	(35,601)	(29,978)
Valuation adjustments in the period, net	(1,888)	(4,000)	(13,556)	(17,074)
Balance, end of period	$ 86,692	$ 110,096	$ 86,692	$ 110,096

At September 30, 2011 and 2010, the majority of the Company s repossessed assets were properties located in Nevada.

7. 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, 2011, the net deferred tax assets decreased $17.4 million to $62.5 million. This decrease in the net deferred tax asset was primarily the result of the net operating income of the Company for the current period and year to date.

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.

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 more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above 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 periods ended December 31, 2010 or September 30, 2011.

The Company adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, on January 1, 2007, which were incorporated into ASC 740. 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 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 is required to submit 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.

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8. 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 conditional commitments issued by the Company to guarantee the performance of a customer to a third party in borrowing arrangements. The Company generally has recourse to recover from the customer any amounts paid under the guarantees. Typically, letters of credit issued have expiration dates within one year.

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

	September 30, 2011	**December 31, 2010**
	(in thousands)	
Commitments to extend credit, including unsecured loan commitments of $192,357 at September 30, 2011 and $156,517 at December 31, 2010	**$ 811,675**	$ 702,336
Credit card commitments and financial guarantees	**318,726**	322,798
Standby letters of credit, including unsecured letters of credit of $2,521 at September 30, 2011 and $3,076 at December 31, 2010	**35,421**	28,013
	$ 1,165,822	$ 1,053,147

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 $0.2 million and $0.3 million as of September 30, 2011 and December 31, 2010, 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, 2011 and December 31, 2010, commercial real estate related loans accounted for approximately 63% and 64% of total loans, respectively, 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 50% and 54% of these commercial real estate loans were owner occupied at September 30, 2011 and December 31, 2010, respectively. In addition, approximately 3% of total loans were unsecured as of September 30, 2011 and December 31, 2010.

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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 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 $1.4 million was included in occupancy expenses for the three month periods ended September 30, 2011 and 2010, respectively. For the nine months ended September 30, 2011 and 2010, total rent expense included in occupancy expenses was $4.1 million and $3.9 million, respectively.

9. FAIR VALUE ACCOUNTING

The Company adopted SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159), effective January 1, 2007. This standard was subsequently codified under FASB ASC 825, *Financial Instruments* (ASC 825). At the time of adoption, the Company elected to apply this fair value option (FVO) treatment to the junior subordinated debt and certain investment securities. 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.

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 Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, 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 our 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.

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For the three and nine months ended September 30, 2011 and 2010, 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, 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

	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, 2010				
Securities measured at fair value	$ (210)	$ 71	$	$ (139)
Junior subordinated debt			288	(288)

	$ (210)	$ 71	$ 288	$ (427)
Nine Months Ended September 30, 2010				
Securities measured at fair value	$ 226	$ 337	$	$ 563
Junior subordinated debt	6,115		821	5,294
	$ 6,341	$ 337	$ 821	$ 5,857

	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2011
	(in thousands)	
Net gains and (losses) recognized during the period on trading securities	$ 32	$ 1
Less: net gains and (losses) recognized during the period on trading securities sold during the period		190
Unrealized gains and (losses) recognized during the reporting period on trading securities still held at the reporting date	$ 32	$ (189)

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The difference between the aggregate fair value of junior subordinated debt ($36.3 million) and the aggregate unpaid principal balance thereof ($66.5 million) was $30.2 million at September 30, 2011.

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.

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 6.754%, which is a 638 basis point spread over 3 month LIBOR (0.374% as of September 30, 2011). As of December 31, 2010, the Company estimated the discount rate at 5.873%, which is a 557 basis point spread over 3 month LIBOR (0.303%).

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

	Fair Value Measurements at Reporting Date Using:			
September 30, 2011	**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 obligation and GSE residential mortgage-backed securities	$	$ 6,952	$	$ 6,952
Securities available for sale				
U.S. Government-sponsored agency securities	$	$ 196,242	$	$ 196,242
Municipal Obligations		312		312
Direct obligation and GSE residential mortgage-backed securities		746,468		746,468
Mutual funds	29,028			29,028
Private label residential mortgage-backed securities		28,246		28,246
Adjustable-rate preferred stock	56,818	3,051		59,869
Trust preferred	21,756			21,756
Corporate debt securities	4,800			4,800
Other	23,441			23,441
	$ 135,843	$ 974,319	$	$ 1,110,162
Interest rate swaps	$	$ 1,834	$	$ 1,834

	(Level 1)	**(Level 2)**	**(Level 3)**	**Fair Value**
Liabilities:				
Junior subordinated debt	$	$	$ 36,345	$ 36,345
Interest rate swaps	$	$ 1,001	$	$ 1,001

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December 31, 2010	Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
		(in thousands)		
Assets:				
Securities measured at fair value				
Direct obligation and GSE residential mortgage-backed securities	$	$ 14,301	$	$ 10,603
Securities available for sale				
U.S. Government-sponsored agency securities	$	$ 277,592	$	$ 277,592
Municipal Obligations		302		$ 302
Direct obligation and GSE residential mortgage-backed securities		769,389		$ 769,389
Private label residential mortgage-backed securities		8,111		$ 8,111
Adjustable-rate preferred stock	67,243			$ 67,243
Trust preferred	23,126			$ 23,126
Corporate debt securities	4,907			$ 4,907
Other	22,243			$ 22,243
	$ 117,519	$ 1,055,394	$	$ 1,172,913
Interest rate swaps	$	$ 1,396	$	$ 1,396

	(Level 1)	(Level 2)	(Level 3)	Fair Value
Liabilities:				
Junior subordinated debt	$	$	$ 43,034	$ 43,034
Interest rate swaps	$	$ 1,396	$	$ 1,396

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Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Junior Subordinated Debt
	(in thousands)
Beginning balance January 1, 2011	$ (43,034)
Total gains or losses (realized/unrealized)	
Included in earnings	6,689
Included in other comprehensive income	
Purchases, issuances, and settlements, net	
Transfers to held-to-maturity	
Transfers in and/or out of Level 3	
Ending balance September 30, 2011	$ (36,345)
The amount of total 2011 gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets still held at the reporting date	$ 6,689
The amount of total 2010 gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets still held at the reporting date	$ 6,115

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:

	Total	Fair Value Measurements Using 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, 2011:				
Impaired loans with specific valuation allowance	$ 21,847	$	$	$ 21,847
Impaired loans without specific valuation allowance	48,774			48,774
Goodwill valuation of reporting units	25,925			25,925
Other assets acquired through foreclosure	86,692			86,692

Collateralized debt obligations	2,258	2,258

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	Total	Fair Value Measurements Using 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 December 31, 2010:				
Impaired loans with specific valuation allowance	$ 31,876	$	$	$ 31,876
Impaired loans without specific valuation allowance	66,355			66,355
Goodwill valuation of reporting units	25,925			25,925
Other assets acquired through foreclosure	107,655			107,655
Collateralized debt obligations	735			735

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. 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 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 $34.7 million and specific reserves in the allowance for loan losses of $12.9 million at September 30, 2011.

Goodwill: In accordance with FASB ASC 350, *Intangibles Goodwill and Other* (ASC 350), goodwill has been written down to its implied fair value of $25.9 million by charges to earnings in prior periods. Some of the inputs used to determine the implied fair value of the Company and the corresponding amount of the impairment included the quoted market price of our common stock, market prices of common stocks of other banking organizations, common stock trading multiples, discounted cash flows, and inputs from comparable transactions. The Company s adjustments were primarily based on the Company s assumptions and therefore the resulting fair value measurement was determined to be level 3.

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 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 $86.7 million of such assets at September 30, 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.

Collateralized debt obligations: The Company previously wrote down its trust-preferred CDO portfolio to $0.1 million when it determined these CDOs were other-than-temporarily impaired under generally accepted accounting principles due primarily to credit rating downgrades and the increase in deferrals and defaults by the issuers of the underlying CDOs. These CDOs represent interests in various trusts, each of which is collateralized with trust preferred debt issued by other financial institutions.

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 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.

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For the nine months ended September 30, 2011 and 2010, the Company determined that certain collateralized mortgage debt securities contained credit losses. The impairment credit losses related to these debt securities for the nine months ended September 30, 2011 was $0.2 million. The impairment credit loss related to these debt securities for the nine months ended September 30, 2010 was $1.2 million.

The following table presents a rollforward of the amount related to impairment credit losses recognized in earnings for the nine months ended September 30, 2011 and 2010:

Debt Security Credit Losses
Recognized in Other Comprehensive Income/Earnings
For the Nine Months Ended September 30, 2011

	Private Label Mortgage-Backed Securities
	(in thousands)
Beginning balance of impairment losses held in other comprehensive income	$ (1,811)
Current period other-then temporary impairment credit losses 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)

Debt Security Credit Losses
Recognized in Other Comprehensive Income/Earnings
For the Six Months Ended September 30, 2010

	Debt Obligations and Structured Securities	Private Label Mortgage-Backed Securities
	(in thousands)	
Beginning balance of impairment losses held in other comprehensive income	$ (544)	$ (1,811)
Current period other-then temporary impairment credit recognized through earnings	544	
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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10. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	September 30, 2011		December 31, 2010	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
	(in thousands)			
Financial assets:				
Cash and due from banks	**$ 99,552**	**$ 99,552**	$ 87,984	$ 87,984
Federal funds sold			918	918
Money market investments	**14,302**	**14,302**	37,733	37,733
Investment securities measured at fair value	**6,952**	**6,952**	14,301	14,301
Investment securities available for sale	**1,110,162**	**1,110,162**	1,172,913	1,172,913
Investment securities held to maturity	**173,193**	**173,958**	48,151	47,996
Derivatives	**1,834**	**1,834**	1,396	1,396
Restricted stock	**34,699**	**34,699**	36,877	36,877
Loans, net	**4,426,285**	**4,196,586**	4,129,843	3,868,852
Accrued interest receivable	**18,349**	**18,349**	19,433	19,433
Financial liabilities:				
Deposits	**5,632,888**	**5,635,769**	5,338,441	5,341,701
Accrued interest payable	**3,301**	**3,301**	6,085	6,085
Customer repurchases	**142,586**	**142,586**	109,409	109,409
Other borrowed funds	**73,228**	**79,875**	72,964	85,454
Junior subordinated debt	**36,345**	**36,345**	43,034	43,034
Derivatives	**1,001**	**1,001**	1,396	1,396

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, 2011, 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 levels 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, 2011 and December 31, 2010 is insignificant. Loan commitments on which the committed interest rate is less than the current market rate are also insignificant at September 30, 2011 and December 31, 2010.

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11. SEGMENTS

The Company provides a full range of banking services 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. The Company adjusted segment reporting composition during 2010 to more accurately reflect the way the Company manages and assesses the performance of the business. During 2010, the Company sold its wholly owned trust subsidiary, discontinued a portion of its credit card services, and merged from five bank subsidiaries to three.

The re-defined structure at December 31, 2010 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., Premier Trust until September 1, 2010, and the discontinued operations portion of the credit card services). All prior period balances were reclassified to reflect the change in structure.

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, 2011 and 2010:

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
Three Months Ended September 30, 2011:						
			(in thousands)			
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 from continuing operations before income taxes	2,130	8,530	9,058	1,288		21,006
Income tax expense	441	3,009	3,680	384		7,514
Income from continuing operations	1,689	5,521	5,378	904		13,492
Loss from discontinued operations, net				(481)		(481)
Net income	$ 1,689	$ 5,521	$ 5,378	$ 423	$	$ 13,011

Nine Months Ended September 30, 2011:

			(in thousands)			
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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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, 2010:						
Assets	$ 2,775.4	$ 1,962.1	$ 1,404.1	$ 735.9	$ (698.4)	$ 6,179.1
Gross loans and deferred fees, net	1,939.5	1,266.8	1,009.9		(42.7)	4,173.5
Less: Allowance for credit losses	(68.2)	(23.4)	(16.6)			(108.2)
Net loans	1,871.3	1,243.4	993.3		(42.7)	4,065.3
Goodwill	23.2			2.7		25.9
Deposits	2,407.5	1,730.6	1,232.6		(42.2)	5,328.5
Stockholders equity	312.8	162.8	134.6	625.6	(616.0)	619.8
No. of branches	12	16	11			39
No. of FTE	414	235	201	57		907
Three Months Ended September 30, 2010:						
			(in thousands)			
Net interest income	$ 26,373	$ 18,368	$ 15,830	$ (1,103)	$	$ 59,468
Provision for credit losses	19,600	1,199	2,166			22,965
Net interest income after provision for credit losses	6,773	17,169	13,664	(1,103)		36,503
Non-interest income	3,435	3,382	1,150	3,810	390	12,167
Noninterest expense	(21,154)	(13,707)	(7,882)	(4,462)	1,096	(46,109)
Income (loss) from continuing operations before income taxes	(10,946)	6,844	6,932	(1,755)	1,486	2,561
Income tax expense (benefit)	(4,064)	2,517	2,906	(1,438)		(79)
Income(loss) from continuing operations	(6,882)	4,327	4,026	(317)	1,486	2,640
Loss from discontinued operations, net				(631)		(631)
Net income (loss)	$ (6,882)	$ 4,327	$ 4,026	$ (948)	$ 1,486	$ 2,009

Nine Months Ended September 30, 2010:

			(in thousands)			
Net interest income	$ 77,680	$ 50,226	$ 45,401	$ (1,664)	$	$ 171,643
Provision for credit losses	60,734	6,375	7,718			74,827
Net interest income (loss) after provision for credit losses	16,946	43,851	37,683	(1,664)		96,816
Non-interest income	17,547	7,610	3,449	17,741	1,209	47,556
Non-interest expense	(66,923)	(36,431)	(28,672)	(12,709)	4,522	(140,213)
Income (loss) from continuing operations before income taxes	(32,430)	15,030	12,460	3,368	5,731	4,159
Income tax expense (benefit)	(11,804)	5,784	5,377	(1,187)		(1,830)
Income (loss) from continuing operations	(20,626)	9,246	7,083	4,555	5,731	5,989
Loss from discontinued operations, net				(2,368)		(2,368)
Net income (loss)	$ (20,626)	$ 9,246	$ 7,083	$ 2,187	$ 5,731	$ 3,621

* Excludes discontinued operations

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12. STOCKHOLDERS EQUITY

Preferred Stock

On September 27, 2011, the Company received $141.0 million from the issuance of 141,000 shares of non-cumulative perpetual preferred stock, Series B, par value of $.0001 per share and a liquidation preference of $1,000 per share, to the U.S. Treasury Department pursuant to participation in the U.S. Department of Treasury s Small Business Lending Fund Program (SBLF). In October 2011, following its initial reporting of issuance of the SBLF shares, the Company undertook a loan by loan review of loan reporting for each subsidiary s Call Report, which form the basis for determination of the quarterly dividend rate to be paid on the SBLF preferred stock. As a result of this review, the Company found instances in which loans were misclassified, including certain loans to non-profit organizations and individuals that were incorrectly reported in the Call Report as Commercial and Industrial loans. Reclassifying these loans reduced the amount of the Company s growth in qualifying SBLF loans and, consequently, increased the dividend rate on preferred stock. As revised, the applicable dividend rate on its SBLF preferred stock is 5.0 percent for the initial dividend period, as well as the current dividend period. The Company s first dividend payment is due January 1, 2012.

On November 8, 2011, the Company filed a Certificate of Correction with the Nevada Secretary of State amending the Certificate of Designation to reflect the correct dividend rate for the initial dividend period. The Certificate of Correction is attached thereto as Exhibit 3.9 and is incorporated herein by reference.

During the third quarter of 2011, the Company fully redeemed the $140 million, or 140,000 shares, of cumulative Series A preferred stock that was sold to the U.S. Treasury in November 2008. As a result of the redemption, the Company recorded a one-time $6.9 million charge to retained earnings in the form of accelerated deemed dividend to account for the difference between the amount at which the preferred stock sale had been initially recorded and its redemption price. The Warrant to purchase 787,106 shares of the Company s common stock remains outstanding with the U.S. Treasury.

Stock-based Compensation

For the nine months ended September 30, 2011 and 2010, 39,000 and 111,000 stock options with a weighted average exercise price of $7.27 and $5.21 per share, respectively, were granted to certain key employees and directors. The Company estimates the fair value of each option award on the date of grant using a Black-Scholes valuation model. The weighted average grant date fair value of these options was $4.00 and $3.12 per share, respectively. These stock options generally have a vesting period of 4 years and a contractual life of 7 years.

As of September 30, 2011, there were 2.1 million options outstanding, compared with 2.8 million at September 30, 2010.

For the three and nine months ended September 30, 2011, the Company recognized stock-based compensation expense related to stock options of $0.8 million and $2.2 million, respectively, compared to $0.4 million and $1.4 million for the three and nine months ended September 30, 2010.

For the three and nine months ended September 30, 2011, 35,295 and 556,529 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 month periods ended September 30, 2011 was $0.2 million and $4.0 million, respectively.

There were approximately 1,277,611 and 1,099,134 restricted shares outstanding at September 30, 2011 and 2010, respectively. For the three and nine months ended September 30, 2011, the Company recognized stock-based compensation related to restricted stock grants of $0.8 million and $2.2 million, respectively compared to $1.0 million and $3.2 million, respectively for the three and nine months ended September 30, 2010 related to the Company s restricted stock plan.

Common Stock Issuance

In the third quarter of 2010, the Company completed a public offering of 8,050,000 shares of common stock, including 1,050,000 shares pursuant to the underwriter s over-allotment option, at a public offering price of $6.25 per share, for an aggregate offering price of $50.3 million. The net proceeds of the offering were approximately $47.6 million.

13. BORROWED FUNDS

The following table summarizes the Company s borrowings as of September 30, 2011 and December 31, 2010:

	September 30, 2011	December 31, 2010
	(in thousands)	
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.

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 Banks have entered into agreements with other financial institutions under which they can borrow up to $45.0 million on an unsecured basis. The lending institutions will determine the interest rate charged on borrowings at the time of the borrowing.

As of September 30, 2011 and December 31, 2010, the Company had additional available credit with the FHLB of approximately $1.03 billion and $676.3 million, respectively, and with the FRB of approximately $683.7 million and $547.0 million, respectively.

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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, 2010 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;
- stock transactions could require revalue of deferred tax assets;
- exposure of financial instruments to certain market risks may cause volatility in earnings;
- dependence on low-cost deposits;
- ability to borrow from FHLB or 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;
- the effects of interest rates and interest rate policy;
- 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; and

risks related to ownership and price of our common stock.

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, 2010 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.

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Financial Result Highlights for the Third Quarter of 2011

Net income available to common stockholders for the Company of $3.6 million or $0.04 per diluted share for the third quarter of 2011 compared to net loss of $0.5 million or ($0.01) loss per diluted share for the third quarter of 2010.

The significant factors impacting earnings of the Company during the third quarter of 2011 were:

- Net income available to common shareholders of $3.6 million for the third quarter 2011 including a one-time equity charge of $6.9 million from accelerated preferred stock accretion from TARP repayment.
- Net interest income increased by 8.6% to $64.6 million for the third quarter of 2011 compared to $59.5 million for the second quarter of 2010.
- Net interest margin for the third quarter 2011 was 4.29% compared to 4.32% for the third quarter of 2010.
- Provision for credit losses declined to $11.2 million for the third quarter of 2011 compared to $23.0 million for the third quarter of 2010 as problem assets continued to stabilize.
- During the third quarter of 2011, the Company increased deposits to $5.63 billion compared to $5.34 billion at December 31, 2010.
- The Company experienced loan growth for the third quarter of 2011 of $115 million to $4.53 billion and $286.0 million from $4.24 billion at December 31, 2010.
- Net charge-offs were $15.3 million for the third quarter 2011, down 38.2% from $24.8 million for the third quarter of 2010.
- Key asset quality ratios improved for the three months ended September 30, 2011 compared to 2010. Nonaccrual loans and repossessed assets to total assets improved to 3.06% from 3.90% for the comparable periods and nonaccrual loans to gross loans improved to 2.51% at September 30, 2011 compared to 3.14% at September 30, 2010.
- All three banking segments were profitable for the third consecutive quarter. Bank of Nevada recorded net income of $1.7 million for the three months ended September 30, 2011 compared to a net loss of $6.9 million for the third quarter of 2010. Western Alliance Bank reported net income of $5.5 million for the third quarter of 2011 compared to $4.3 million for the third quarter of 2010. The Torrey Pines Bank segment reported net income of $5.4 million for the three months ended September 30, 2011 compared to $4.0 million for the third quarter of 2010.
- The Company received $141 million from participation in the U.S. Department of Treasury s Small Business Lending Fund (SBLF).

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, 2011 throughout the analysis sections of this report.

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,	
	2011	**2010**	**2011**	**2010**
	(dollars in thousands)			
Net income/(loss) available to common stockholders	**$ 3,592**	$ (457)	**$ 9,968**	$ (3,778)
Earnings (loss) per share Basic	**0.04**	(0.01)	**0.12**	(0.05)
Earnings (loss) per share Diluted	**0.04**	(0.01)	**0.12**	(0.05)
Total assets	**$ 6,545,890**	$ 6,179,146		
Gross loans	**$ 4,526,501**	$ 4,173,480		
Total deposits	**$ 5,632,888**	$ 5,328,528		
Net interest margin	**4.29%**	4.32%	**4.32%**	4.22%
Return on average assets	**0.79%**	0.13%	**0.51%**	0.08%
Return on average stockholders equity	**8.13%**	1.31%	**5.22%**	0.82%

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 period such as return on equity and return on assets.

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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,	
	2011	**2010**	**2011**	**2010**
	(dollars in thousands)			
Non-accrual loans	**$ 113,713**	$ 130,905		
Non-performing assets	**282,263**	348,208		
Non-accrual loans to gross loans	**2.51%**	3.14%		
Net charge-offs to average loans (annualized)	**1.40%**	2.41%	**1.35%**	2.47%

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 $6.55 billion at September 30, 2011 from $6.19 billion at December 31, 2010. Total gross loans excluding net deferred fees and unearned income increased by $286.5 million, or 6.7%, to $4.53 billion as of September 30, 2011 compared to December 31, 2010. Total deposits increased $294.4 million, or 5.5%, to $5.63 billion as of September 30, 2011 from $5.34 billion as of December 31, 2010.

RESULTS OF OPERATONS

The following table sets forth a summary financial overview for the three and nine months ended September 30, 2011 and 2010.

	Three Months Ended September 30,		Increase	Nine Months Ended September 30,		Increase
	2011	**2010**	**(Decrease)**	**2011**	**2010**	**(Decrease)**
	(in thousands, except per share amounts)					
Consolidated Statement of Operations Data:						
Interest income	**$ 74,133**	$ 70,705	$ 3,428	**$ 219,745**	$ 209,439	$ 10,306
Interest expense	**9,548**	11,237	(1,689)	**30,776**	37,796	(7,020)
Net interest income	**64,585**	59,468	5,117	**188,969**	171,643	17,326
Provision for credit losses	**11,180**	22,965	(11,785)	**33,112**	74,827	(41,715)
Net interest income after provision for credit losses	**53,405**	36,503	16,902	**155,857**	96,816	59,041
Non-interest income	**13,082**	12,167	915	**29,509**	47,556	(18,047)
Non-interest expense	**45,481**	46,109	(628)	**144,635**	140,213	4,422
Net income (loss) from continuing operations before income taxes	**21,006**	2,561	18,445	**40,731**	4,159	36,572
Income tax expense (benefit)	**7,514**	(79)	7,593	**14,838**	(1,830)	16,668
	13,492	2,640	10,852	**25,893**	5,989	19,904

Loss from continuing operations						
Loss from discontinued operations, net of tax benefit	**(481)**	(631)	150	**(1,500)**	(2,368)	868
Net income	**$ 13,011**	$ 2,009	$ 11,002	**$ 24,393**	$ 3,621	$ 20,772
Net income (loss) available to common stockholders	**$ 3,592**	$ (457)	$ 4,049	**$ 9,968**	$ (3,778)	$ 13,746
Income (loss) per share basic	**$ 0.04**	$ (0.01)	$ 0.05	**$ 0.12**	$ (0.05)	$ 0.17
Income (loss) per share diluted	**$ 0.04**	$ (0.01)	$ 0.05	**$ 0.12**	$ (0.05)	$ 0.17

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The Company s primary source of income is interest income. Interest income for the three and nine months ended September 30, 2011 was $74.1 million and $219.7 million, respectively, an increase of 4.8% and 4.9%, respectively, when comparing interest income for the three and nine months ended September 30, 2010. This increase was primarily from interest income from investment securities and loans. Interest income from investment securities increased by $2.3 million and $7.1 million for the three and nine months ended September 30, 2011, respectively, compared to 2010. Interest income from loans increased by $1.3 million and $3.7 million for the three and nine months ended September 30, 2011, respectively, compared to the three and nine months ended September 30, 2010. Despite the increased interest income, average yield on interest earning assets dropped 21 basis points for the three months ended September 30, 2011 compared to 2010 and decreased 12 basis points for the nine months ended September 30, 2011 compared to 2010, mostly the result of decreased yields on loans of 28 and 21 basis points for the three and nine month periods ended September 30, 2011, respectively, compared to 2010.

Interest expense for the three and nine months ended September 30, 2011 compared to 2010 decreased by 15.0% and 18.6%, respectively, to $9.5 million and $30.8 million, respectively. This decline was primarily due to decreased average interest paid on deposits which declined 29 basis points to 0.68% for the three months ended September 30, 2011 compared to the same period in 2010 and 39 basis points to 0.75% for the nine months ended September 30, 2011 compared to the same period in 2010. Interest paid on borrowings and debt increased by $0.9 million for the three months ended September 30, 2011 compared to 2010 and $3.2 million for the nine months ended September 30, 2011 compared to 2010, primarily due to the higher cost of the senior debt obligations issued in the third quarter of 2010.

Net interest income was $64.6 million and $189.0 million for the three and nine months ended September 30, 2011, compared to $59.5 million and $171.6 million for the same periods in 2010, an increase of 8.6% and 10.1%, respectively. The increase in net interest income for the three months ended September 30, 2011 compared to the three months ended September 30, 2010 reflects a $543.8 million increase in average earning assets, offset by a $310.6 million increase in average interest bearing liabilities. The increased margin of 10 basis points for the nine months ended September 30, 2011 compared to 2010 was due to a decrease in our average cost of funds primarily as a result of downward repricing of deposits.

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Net Interest Margin

The net interest margin is reported on a fully tax equivalent (FTE) basis. 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 table sets forth the average balances and interest income on a fully tax equivalent basis and tax expense for the periods indicated:

	Three Months Ended September 30,					
	2011			2010		
	Average Balance	Interest	Average Yield/Cost (6)	Average Balance	Interest	Average Yield/Cost (6)
	(dollars in thousands)					
Interest-Earning Assets						
Securities:						
Taxable	**$ 1,117,645**	**$ 7,485**	**2.66%**	$ 870,677	$ 5,665	2.58%
Tax-exempt (1)	**107,085**	**871**	**5.58%**	32,626	410	8.72%
Total securities	**1,224,730**	**8,356**	**2.91%**	903,303	6,075	2.80%
Federal funds sold and other	**894**	**1**	**0.44%**	11,164	29	1.03%
Loans (1) (2) (3)	**4,393,222**	**65,540**	**5.92%**	4,115,894	64,273	6.20%
Short term investments	**380,831**	**213**	**0.22%**	421,189	299	0.28%
Restricted stock	**35,443**	**23**	**0.26%**	39,765	29	0.29%
Total earnings assets	**6,035,120**	**74,133**	**4.92%**	5,491,315	70,705	5.13%
Nonearning Assets						
Cash and due from banks	**121,712**			121,308		
Allowance for credit losses	**(105,302)**			(111,912)		
Bank-owned life insurance	**131,942**			94,284		
Other assets	**374,825**			402,202		
Total assets	**$ 6,558,297**			$ 5,997,197		
Interest-Bearing Liabilities						
Sources of Funds						
Interest-bearing deposits:						
Interest checking	**$ 466,177**	**$ 410**	**0.35%**	$ 659,334	$ 708	0.43%
Savings and money market	**2,127,756**	**3,184**	**0.59%**	1,890,032	4,032	0.85%
Time deposits	**1,499,269**	**3,388**	**0.90%**	1,341,579	4,791	1.42%
Total interest-bearing deposits	**4,093,202**	**6,982**	**0.68%**	3,890,945	9,531	0.97%
Short-term borrowings	**147,549**	**77**	**0.21%**	89,464	155	0.69%
Long-term debt	**73,183**	**2,024**	**10.97%**	29,299	815	11.04%
Junior subordinated and subordinated debt	**42,664**	**465**	**4.32%**	36,323	736	8.04%
Total interest-bearing liabilities	**4,356,598**	**9,548**	**0.87%**	4,046,031	11,237	1.10%
Noninterest-Bearing Liabilities						
Noninterest-bearing demand deposits	**1,532,912**			1,317,216		
Other liabilities	**33,873**			27,571		

Stockholders equity	**634,914**			606,379	
Total Liabilities and Stockholders Equity	**$ 6,558,297**			$ 5,997,197	
Net interest income and margin (4)		**$ 64,585**	**4.29%**	$ 59,468	4.32%
Net interest spread (5)			**4.05%**		4.03%

(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, 2011 and 2010 were $634 and $307, respectively.

(2) Net loan fees of $1.0 million and $0.9 million are included in the yield computation for the three months ended September 30, 2011 and 2010, 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.

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	Nine Months Ended September 30,					
	2011			2010		
	Average Balance	Interest	Average Yield/Cost (6)	Average Balance	Interest	Average Yield/Cost (6)
	(in thousands)					
Interest-Earning Assets						
Securities:						
Taxable	**$ 1,158,887**	**$ 22,596**	**2.61%**	$ 812,192	$ 16,886	2.78%
Tax-exempt (1)	**99,104**	**2,232**	**5.15%**	33,042	793	6.04%
Total securities	**1,257,991**	**24,828**	**2.81%**	845,234	17,679	2.91%
Federal funds sold and other		**2**	**0.00%**	22,167	151	0.91%
Loans (1) (2) (3)	**4,311,584**	**194,341**	**6.03%**	4,083,368	190,641	6.24%
Short term investments	**288,041**	**502**	**0.23%**	473,117	862	0.24%
Restricted stock	**36,149**	**72**	**0.27%**	40,714	106	0.35%
Total earnings assets	**5,893,765**	**219,745**	**5.02%**	5,464,600	209,439	5.14%
Nonearning Assets						
Cash and due from banks	**121,449**			109,739		
Allowance for credit losses	**(107,655)**			(114,962)		
Bank-owned life insurance	**131,146**			93,520		
Other assets	**390,432**			400,904		
Total assets	**$ 6,429,137**			$ 5,953,801		
Interest-Bearing Liabilities						
Sources of Funds						
Interest-bearing deposits:						
Interest checking	**479,204**	**1,427**	**0.40%**	563,731	2,223	0.53%
Savings and money market	**2,082,031**	**10,426**	**0.67%**	1,837,727	12,894	0.94%
Time deposits	**1,459,609**	**10,575**	**0.97%**	1,446,976	17,560	1.62%
Total interest-bearing deposits	**4,020,844**	**22,428**	**0.75%**	3,848,434	32,677	1.14%
Short-term borrowings	**150,879**	**263**	**0.23%**	147,905	1,370	1.24%
Long-term debt	**73,098**	**6,229**	**11.39%**	9,874	815	11.04%
Junior subordinated and subordinated debt	**42,909**	**1,856**	**5.78%**	71,085	2,934	5.52%
Total interest-bearing liabilities	**4,287,730**	**30,776**	**0.96%**	4,077,298	37,796	1.24%
Noninterest-Bearing Liabilities						
Noninterest-bearing demand deposits	**1,487,249**			1,249,398		
Other liabilities	**28,897**			34,441		
Stockholders equity	**625,261**			592,664		
Total liabilities and stockholders equity	**$ 6,429,137**			$ 5,953,801		

Net interest income and margin (4)	**$ 188,969**	**4.32%**	$ 171,643	4.22%
Net interest spread (5)		**4.06%**		3.90%

(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, 2011 and 2010 were $1,588 and $700, respectively.

(2) Net loan fees of $3.0 million and $3.2 million are included in the yield computation for the nine months ended September, 30, 2011 and 2010, 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.

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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, 2011 versus 2010 Increase (Decrease) Due to Changes in [1][2]			Nine Months Ended September 30, 2011 versus 2010 Increase (Decrease) Due to Changes in [1][2]		
	Volume	Rate	Total	Volume	Rate	Total
	(in thousands)					
Interest on investment securities:						
Taxable	$ 1,656	$ 164	$ 1,820	$ 6,768	$ (1,058)	$ 5,710
Tax-exempt	719	(258)	461	1,659	(220)	1,439
Federal funds sold and other	(11)	(17)	(28)	(64)	(85)	(149)
Loans	4,138	(2,871)	1,267	10,293	(6,593)	3,700
Short term investments	(22)	(64)	(86)	(318)	(42)	(360)
Restricted stock	(3)	(3)	(6)	(9)	(25)	(34)
Total interest income	6,477	(3,049)	3,428	18,329	(8,023)	10,306
Interest expense:						
Interest checking	(170)	(128)	(298)	(253)	(543)	(796)
Savings and money market	354	(1,202)	(848)	1,224	(3,692)	(2,468)
Time deposits	358	(1,761)	(1,403)	92	(7,077)	(6,985)
Short-term borrowings	31	(109)	(78)	5	(1,112)	(1,107)
Long-term debt	1,213	(4)	1,209	5,386	28	5,414
Junior subordinated debt	69	(340)	(271)	(1,218)	140	(1,078)
Total interest expense	1,855	(3,544)	(1,689)	5,236	(12,256)	(7,020)
Net increase (decrease)	$ 4,622	$ 495	$ 5,117	$ 13,093	$ 4,233	$ 17,326

(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 was $11.2 million and $33.1 million for the three and nine months ended September 30, 2011, respectively, compared to $23.0 million and $74.8 million for the same periods in 2010. The provision decreased primarily due to improved asset credit quality and stabilizing collateral values partially offset by loan portfolio growth. Factors that impact the provision for credit losses are net charge-offs, changes in the size and mix of the loan portfolio, the recognition of changes in current risk factors and specific reserves on impaired loans.

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 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
	2011	2010	(Decrease)	2011	2010	(Decrease)
	(in thousands)					
Net gain on sale of investment securities	**$ 781**	$ 5,460	$ (4,679)	**$ 4,826**	$ 19,757	$ (14,931)
Income from bank owned life insurance	**1,189**	773	416	**4,195**	2,271	1,924
Other fee revenue	**854**	859	(5)	**2,653**	2,451	202
Securities impairment charges				**(226)**	(1,174)	948
Portion of impairment charges recognized in other comprehensive loss (before taxes)						
Net securities impairment charges recognized in earnings				**(226)**	(1,174)	948
Unrealized gain (loss) on assets and liabilities measured at fair value, net	**6,420**	(210)	6,630	**6,247**	6,341	(94)
Gain on extinguishment of debt					3,000	(3,000)
Service charges	**2,337**	2,276	61	**6,864**	6,791	73
Trust and investment advisory fees	**661**	1,001	(340)	**1,955**	3,395	(1,440)
Operating lease income	**353**	998	(645)	**1,605**	2,928	(1,323)
Other	**487**	1,010	(523)	**1,390**	1,796	(406)
Total non-interest income	**$ 13,082**	$ 12,167	$ 915	**$ 29,509**	$ 47,556	$ (18,047)

Total non-interest income increased for the three month period ended September 30, 2011 compared to 2010, mostly the result of increased unrealized gains from assets and liabilities measured at fair value and partially offset by declined net gains from investment securities sales. In the third quarter of 2011, the Company recorded an unrealized gain from the write-down of its junior subordinated debt of $6.4 million as the result of credit spreads widening. In the third quarter of 2011, the Company sold $166.4 million of investment securities for a net gain on security sales of $0.8 million compared to $153.1 million of investment securities sales in the third quarter of 2010 for net gains on sales of $5.5 million. Trust and advisory fees decreased for the three months ended September 30, 2011 compared to 2010 due to the disposition of the Company s trust unit, Premier Trust, in the third quarter of 2010 which contributed $0.4 million in trust fees for the third quarter of 2010. Operating lease income declined by $0.6 million for the third quarter of 2011 compared to 2010 due to the decline in the balance of operating equipment leases. The Company no longer focuses on this product. Income from bank owned life insurance increased by $0.4 million due to increased investments in bank owned life insurance. Other non-interest income declined by $0.5 million for the comparable three month periods due to the $0.6 million gain from the sale of Premier Trust recognized in September 2010.

Total non-interest income for the nine months ended September 30, 2011 compared to 2010 decreased by $18.0 million primarily the result of the $14.9 million decrease in net gains on sale of investment securities. During the nine months ended September 30, 2011, the Company sold $452.1 million of investment securities for a net gain on security sales of $4.8 million compared to $481.9 million of investment securities sales as of September 30, 2010

for net gains on sales of $19.8 million. Net mark to market gains and income from service charges remained flat for the comparable nine month periods ended September 30, 2011 and 2010. In addition, the Company recognized a one-time gain on extinguishment of the remaining subordinated debt in the second quarter of 2010 of $3 million. Trust and advisory fees decreased for the nine months ended September 30, 2011 compared to 2010 due to the disposition of the Company s trust unit, Premier Trust, in the third quarter of 2010 which contributed $1.7 million in trust fees for the nine months ended September 30, 2010. Operating lease income declined by $1.3 million for the nine months ended September 30, 2011 compared to 2010 due to the decline in the balance of operating equipment leases. The Company no longer focuses on this product. Income from bank owned life insurance increased by $1.9 million due to increased investments in bank owned life insurance, investment securities impairment charges decreased by $0.9 million and other non-interest income declined by $0.4 million mostly due to a gain from the sale of Premier Trust in the third quarter of 2010.

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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
	2011	2010	(Decrease)	2011	2010	(Decrease)
	(in thousands)					
Non-interest expense:						
Salaries and employee benefits	**$ 23,319**	$ 21,860	$ 1,459	**$ 69,119**	$ 65,461	$ 3,658
Occupancy	**5,126**	4,890	236	**15,024**	14,505	519
Net loss (gain) on sales/valuations of repossessed assets and bank premises, net	**2,128**	4,855	(2,727)	**16,890**	15,836	1,054
Insurance	**2,664**	4,115	(1,451)	**8,878**	11,366	(2,488)
Loan and repossessed asset expense	**2,059**	1,918	141	**6,465**	5,847	618
Legal, professional and director fees	**1,912**	1,546	366	**5,639**	5,553	86
Marketing	**1,090**	878	212	**3,382**	3,079	303
Data processing	**895**	842	53	**2,671**	2,427	244
Intangible amortization	**890**	901	(11)	**2,669**	2,714	(45)
Customer service	**900**	987	(87)	**2,620**	3,205	(585)
Merger/restructure expense	**974**		974	**1,082**		1,082
Other	**3,524**	3,317	207	**10,196**	10,220	(24)
Total non-interest expense	**$ 45,481**	$ 46,109	$ (628)	**$ 144,635**	$ 140,213	$ 4,422

Total non-interest expense decreased $0.6 million for the three months ended September 30, 2011 compared to the same period in 2010. This decrease in non-interest expense was mostly related to a net decrease in other repossessed assets valuations and sales of 56.2%. For the three months ended September 30, 2011 compared to 2010, other real estate owned (OREO) valuation write-downs decreased by $0.8 million, net loss on sales of OREO decreased by $2.5 million and net loss on sale of assets and other repossessed assets increased by $0.5 million primarily due to a decline in the number of new OREO properties and in the number of OREO and assets sold. Total insurance costs also declined during the three months ended September 30, 2011 compared to 2010, mostly the result of decreased FDIC insurance premiums of $1.4 million. Total salaries and benefits increased by $1.5 million for the three months ended September 30, 2011 compared to 2010 due to increased variable performance based compensation from changes to incentive plans based on strategic initiatives. Merger/restructure expense increased due to the consolidation and relocation of certain back office functions. Legal and professional, marketing, other non-interest expenses and loan and repossessed assets expenses increased slightly by $0.4 million, $0.2 million, $0.2 million and $0.1 million, respectively, for the comparable three month periods.

Total non-interest expense for the year to date 2011 compared to 2010 increased $4.4 million, or 3.1%, primarily due to increased salaries and employee benefits of $3.7 million, increased net loss on sales/valuations of repossessed assets and bank premises of $1.1 million and increased merger/restructure expenses of $1.1 million. For the nine months ended September 30, 2011 compared to 2010, salaries and benefits expense increased primarily due to increased variable performance based compensation as the result of changes to incentive compensation plans. Net losses on sales of other repossessed assets and bank assets increased by $1.0 million, OREO valuation losses increased by $0.6 million which were partially offset by decreased operating lease impairment write-downs of $0.6 million. FDIC insurance premiums for the comparable periods declined by $2.5 million.

Income Taxes

The tax expense recognized of $7.5 million and $14.8 million for the three and nine months ended September 30, 2011, respectively, was primarily due to the increased net operating income of the Company.

Discontinued Operations

In the first quarter of 2010, the Company decided to discontinue its affinity credit card segment, PartnersFirst, and has presented certain activities as discontinued operations. The Company transferred certain assets with balances at September 30, 2011 of $0.1 million to held-for-sale and reported a portion of its operations as discontinued. At September 30, 2011 and December 31, 2010, the Company had $39.2 million and $45.6 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, 2011 and December 31, 2010.

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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,	
	2011	2010	2011	2010
	(in thousands)			
Affinity card revenue	$ 363	$ 444	$ 1,133	$ 1,394
Non-interest expenses	(1,192)	(1,532)	(3,719)	(5,477)
Loss before income taxes	(829)	(1,088)	(2,586)	(4,083)
Income tax benefit	(348)	(457)	(1,086)	(1,715)
Net loss	$ (481)	$ (631)	$ (1,500)	$ (2,368)

Business Segment Results

Bank of Nevada reported net income of $1.7 million and $6.3 million for the three and nine months ended September 30, 2011, respectively, compared to a net loss of $6.9 million and $20.6 million for the three and nine months ended September 30, 2010. The increase in net income for the comparable three and nine month periods was primarily due to decreased provision for credit losses of $11.3 million and $40.1 million, respectively. Total deposits at Bank of Nevada grew by $78.3 million to $2.47 billion at September 30, 2011 compared to $2.39 billion at December 31, 2010. Total loans declined $62.1 million to $1.85 billion at September 30, 2011 from $1.91 billion at December 31, 2010.

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 $5.5 million and $14.2 million for the three and nine months ended September 30, 2011, respectively, compared to net income of $4.3 million and $9.2 million for the three and nine month periods ended September 30, 2010. The increase in net income for the three months ended September 30, 2011 compared to 2010 is mostly due to increased net interest income of $2.3 million and decreased non-interest expense of $1.3 million partially offset by decreased non-interest income of $1.9 million. The increase in net income for the nine months ended September 30, 2011 compared to 2010 was mostly due to an increase in net interest income of $10.2 million partially offset by increased non-interest expense and income tax expense of $1.0 million and $2.3 million, respectively. Total loans grew by $179.4 million to $1.48 billion at September 30, 2011 compared to $1.31 billion at December 31, 2010. In addition, total deposits increased by $97.3 million to $1.77 billion at September 30, 2011 from $1.67 billion at December 31, 2010.

Torrey Pines Bank segment, which excludes discontinued operations, reported net income for the three and nine months ended September 30, 2011 of $5.4 million and $13.6 million compared to $4.0 million and $7.1 million for the three and nine months ended September 30, 2010, respectively. The increase in net income for the comparable three month periods was mostly due to increased net interest income of $3.8 million, increased non-interest expense of $2.2 million, increased income tax expense of $0.7 million and decreased provision expense of $0.6 million. The increase in net income for the nine months ended September 30, 2011 compared to 2010 was mostly due to increased net interest income of $10.2 million, decreased provision expense of $1.8 million and increased non-interest income of $0.6 million offset by increased non-interest income of $1.9 million and increased tax expense of $4.2 million. Total loans at Torrey Pines Bank increased by $168.7 million to $1.23 billion at September 30, 2011 from $1.06 billion at December 31, 2010. Total deposits increased by $118.6 million to $1.40 billion at September 30, 2011 compared to $1.28 billion at December 31, 2010.

The other segment, which includes the holding company, Shine, Western Alliance Equipment Finance, the discontinued operations related to the affinity credit card platform, and Premier Trust Inc. (through September 1, 2010), reported net income of $0.4 million and a net loss of $9.7 million for the three and nine months ended September 30, 2011 compared to net loss of $0.9 million and net income of $2.2 million for the three and nine months ended September 30, 2010, respectively. The decrease in income for the comparable three month period was primarily

from declined non-interest income as the result of divestitures and decreased income from investment securities transactions.

Balance Sheet Analysis

Total assets increased 5.8% to $6.55 billion at September 30, 2011 compared to $6.19 billion at December 31, 2010. The majority of the increase was in cash and cash equivalents and loans of $89.2 million and $286 million, respectively, as the Company had excess liquidity that it partially deployed into loans. Net loans increased by $296.4 million to $4.43 billion, primarily the result of growth in commercial real estate, commercial and industrial loans and commercial leases and a reduction in the allowance for credit losses of $10.5 million.

Total liabilities increased $321.9 million or 5.7% to $5.91 billion at September 30, 2011 from $5.59 billion at December 31, 2010. Total deposits increased by $294.4 million or 5.4% to $5.63 billion at September 30, 2011 from $5.34 billion at December 31, 2010. Non-interest bearing demand deposits increased by $75.8 million to $1.52 billion at September 30, 2011 from $1.44 billion at December 31, 2010.

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Total stockholders equity increased by $30.1 million to $632.3 million at September 30, 2011 from $602.2 million at December 31, 2010 as the Company has recorded net income for the first three quarters of 2011.

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

	September 30, 2011	December 31, 2010
	(in thousands)	
Commercial real estate owner occupied	**$ 1,225,392**	$ 1,223,150
Commercial real estate non-owner occupied	**1,239,788**	1,038,488
Commercial and industrial	**931,912**	744,659
Residential real estate	**450,196**	527,302
Construction and land development	**404,394**	451,470
Commercial leases	**220,969**	189,968
Consumer	**60,391**	71,545
Net deferred loan fees	**(6,541)**	(6,040)
Gross loans, net of deferred fees	**4,526,501**	4,240,542
Less: allowance for credit losses	**(100,216)**	(110,699)
Total loans, net	**$ 4,426,285**	$ 4,129,843

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, 2011 and December 31, 2010, commercial real estate related loans accounted for approximately 63% and 64% of total loans, respectively, 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 50% and 54% of these commercial real estate loans were owner occupied at September 30, 2011 and December 31, 2010, respectively. In addition, approximately 3% of total loans were unsecured as of September 30, 2011 and December 31, 2010.

Nonperforming Assets

Nonperforming assets include loans past due 90 days or more and still accruing interest, nonaccrual loans, restructured loans, and foreclosed collateral. Loans are generally placed on nonaccrual status when it is determined that recognition of interest is doubtful due to the borrower s financial condition and collection efforts. Restructured loans have modified terms to reduce either principal or interest due to deterioration in the borrower s financial condition. Foreclosed collateral or other repossessed assets result from loans where we have received physical possession of the borrower s assets.

The following table summarizes nonperforming assets:

	September 30, 2011	**December 31, 2010**
	(in thousands)	

Nonaccrual loans	**$ 113,713**	$ 116,999
Loans past due 90 days or more on accrual status	**2,096**	1,458
Troubled debt restructured loans	**79,762**	116,696
Total nonperforming loans	**195,571**	235,153
Foreclosed collateral	**86,692**	107,655
Total nonperforming assets	**$ 282,263**	$ 342,808

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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, 2011	December 31, 2010
	(in thousands)	
Total nonaccrual loans	**$ 113,713**	$ 116,999
Loans past due 90 days or more on accrual status	**2,096**	1,458
Total nonperforming loans	**115,809**	118,457
Restructured loans	**79,762**	116,696
Other impaired loans	**5,417**	3,182
Total impaired loans	**$ 200,988**	$ 238,335
Other repossessed assets	**$ 86,692**	$ 107,655
Nonaccrual loans to gross loans	**2.51%**	2.76%
Loans past due 90 days or more and still accruing interest to total loans	**0.05**	0.03

For the three and nine months ended September 30, 2011, there was $56,549 and $0.3 million interest recognized on nonaccrual loans. For the three and nine months ended September 30, 2010, interest income recognized on nonaccrual loans totaled $0.3 million and $1.7 million, respectively. Interest income that would have been recorded under the original terms of the nonaccrual loans during the period was $2.2 million and $4.6 million for the three and nine months ended September 30, 2011 and $2.5 million and $3.8 million for the three and nine months ended September 30, 2010, respectively.

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

	At September 30, 2011			At December 31, 2010		
	Nonaccrual Balance	%	Percent of Total Loans	Nonaccrual Balance	%	Percent of Total Loans
	(dollars in thousands)					
Construction and land	**$ 33,737**	**29.67%**	**0.74%**	$ 36,523	31.22%	0.86%
Residential real estate	**25,020**	**22.00%**	**0.55%**	32,638	27.90%	0.76%
Commercial real estate	**46,074**	**40.52%**	**1.02%**	40,257	34.40%	0.95%
Commercial and industrial	**8,472**	**7.45%**	**0.19%**	7,349	6.28%	0.17%
Consumer	**410**	**0.36%**	**0.01%**	232	0.20%	0.01%
Total nonaccrual loans	**$ 113,713**	**100.00%**	**2.51%**	$ 116,999	100.00%	2.76%

As of September 30, 2011 and December 31, 2010, nonaccrual loans totaled $113.7 million and $117.0 million, respectively. Nonaccrual loans at September 30, 2011 consisted of multiple customer relationships with one customer relationship having a principal balance greater than $10.0 million. Nonaccrual loans by bank at September 30, 2011 were $87.5 million at Bank of Nevada, $16.5 million at Western Alliance Bank, and $9.7 million at Torrey Pines Bank. Nonaccrual loans as a percentage of total gross loans were 2.51% and 2.76% at September 30, 2011 and December 31, 2010, respectively. Nonaccrual loans as a percentage of each bank s total gross loans were 4.72% at Bank of Nevada, 1.1% at Western Alliance Bank and 0.8% at Torrey Pines Bank at September 30, 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. These loans generally have balances greater than $250,000 and are rated substandard or worse. An exception to this would be any known impaired loans regardless of balance. Most impaired loans are classified as nonaccrual. However, there are some loans that are termed impaired due to doubt regarding collectability according to contractual terms, but are both fully secured by collateral and are current in their interest and principal payments. These impaired loans are not classified as nonaccrual. 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.

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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, 2011 and December 31, 2010, the aggregate total amount of loans classified as impaired, was $201.0 million and $238.3 million, respectively. The total specific allowance for loan losses related to these loans was $12.9 million and $13.4 million for September 30, 2011 and December 31, 2010, respectively. As of September 30, 2011 and December 31, 2010, the Company had $79.8 million and $116.7 million, respectively, in loans classified as accruing restructured loans. The decrease in impaired loans at September 30, 2011, of $37.3 million from December 31, 2010 is mostly attributed to a decline in impaired commercial real estate loans, which were $123.9 million at December 31, 2010 compared to $88.9 million at September 30, 2011, a decrease of $35 million. Impaired residential real estate loans and impaired construction and land loans and impaired consumer and credit card loans also decreased by $8.4 million and $5.6 million, and $0.2 million, respectively. Commercial and industrial impaired loans increased by $11.8 million at September 30, 2011 compared to December 31, 2010.

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

	At September 30, 2011					
	Impaired Balance	**Percent**	**Percent of Total Loans**	**Reserve Balance**	**Percent**	**Percent of Total Allowance**
	(dollars in thousands)					
Construction and land development	**$ 52,859**	**26.30%**	**1.17%**	**$ 4,692**	**36.51%**	**4.68%**
Residential real estate	**34,044**	**16.94%**	**0.75%**	**2,063**	**16.05%**	**2.06%**
Commercial real estate	**88,896**	**44.23%**	**1.96%**	**4,147**	**32.26%**	**4.14%**
Commercial and industrial	**24,642**	**12.26%**	**0.54%**	**1,951**	**15.18%**	**1.95%**
Consumer	**547**	**0.27%**	**0.01%**		**0.00%**	**0.00%**
Total impaired loans	**$ 200,988**	**100.00%**	**4.43%**	**$ 12,853**	**100.00%**	**12.83%**

	At December 31, 2010					
	Impaired Balance	**Percent**	**Percent of Total Loans**	**Reserve Balance**	**Percent**	**Percent of Total Allowance**
	(dollars in thousands)					
Construction and land development	$ 58,415	24.51%	1.38%	$ 2,846	21.18%	2.57%
Residential real estate	42,423	17.80%	1.00%	2,716	20.21%	2.45%
Commercial real estate	123,939	52.00%	2.92%	4,582	34.08%	4.14%
Commercial and industrial	12,803	5.37%	0.30%	3,170	23.59%	2.86%
Consumer	755	0.32%	0.02%	126	0.94%	0.11%

Total impaired loans	$ 238,335	100.00%	5.62%	$ 13,440	100.00%	12.14%

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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,	
	2011	2010	**2011**	2010
	(dollars in thousands)			
Allowance for credit losses:				
Balance at beginning of period	**$ 104,375**	$ 110,013	**$ 110,699**	$ 108,623
Provisions charged to operating expenses:				
Construction and land development	**2,206**	(1,020)	**3,153**	12,325
Commercial real estate	**341**	13,469	**11,485**	36,694
Residential real estate	**8,622**	5,033	**15,189**	12,953
Commercial and industrial	**(803)**	4,400	**282**	10,217
Consumer	**814**	1,083	**3,003**	2,638
Total provision	**11,180**	22,965	**33,112**	74,827
Acquisitions				
Recoveries of loans previously charged-off:				
Construction and land development	**707**	214	**1,800**	2,424
Commercial real estate	**127**	160	**1,402**	990
Residential real estate	**440**	1,209	**881**	1,735
Commercial and industrial	**1,243**	389	**2,798**	2,200
Consumer	**41**	47	**110**	128
Total recoveries	**2,558**	2,019	**6,991**	7,477
Loans charged-off:				
Construction and land development	**2,369**	3,843	**8,083**	20,402
Commercial real estate	**2,484**	12,813	**12,884**	26,524
Residential real estate	**10,555**	3,695	**17,176**	17,385
Commercial and industrial	**1,420**	5,036	**8,753**	14,395
Consumer	**1,069**	1,440	**3,690**	4,051
Total charged-off	**17,897**	26,827	**50,586**	82,757
Net charge-offs	**15,339**	24,808	**43,595**	75,280
Balance at end of period	**$ 100,216**	$ 108,170	**$ 100,216**	$ 108,170
Net charge-offs (annualized) to average loans outstanding	**1.40%**	2.41%	**1.35%**	2.47%
Allowance for credit losses to gross loans	**2.21%**	2.59%		

The allowance for credit losses as a percentage of total loans decreased to 2.21% at September 30, 2011 from 2.59% at September 30, 2010. The Company s credit loss reserve at September 30, 2011 decreased to $100.2 million from $108.2 million at September 30, 2010, mostly due to decreased net charge offs and stabilizing collateral values.

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, 2011
(dollars in thousands)

	Amount	% of Total Allowance For Loan Losses	% of Loans in Each Category to Gross Loans
Construction and land development	$ 17,464	17.43%	8.92%
Commercial real estate	33,082	33.01%	54.38%
Residential real estate	19,751	19.71%	9.93%
Commercial and industrial	25,128	25.07%	25.44%
Consumer	4,791	4.78%	1.33%
Total	$ 100,216	100.00%	100.00%

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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 2010, Item 1 Business. The following table presents information regarding potential problem loans, consisting of loans graded watch, substandard doubtful and loss, but still performing:

	September 30, 2011			
	# of Loans	Loan Balance	Percent	Percent of Total Loans
		(dollars in thousands)		
Construction and Land Development	17	$ 21,179	10.8%	0.47%
Commercial Real Estate	101	124,500	63.7%	2.75%
Residential Real Estate	50	16,113	8.2%	0.36%
Commercial & Industrial	129	31,564	16.2%	0.70%
Consumer	14	2,113	1.1%	0.05%
Total Loans	311	$ 195,469	100.0%	4.33%

Our potential problem loans consisted of 311 loans and totaled approximately $195.5 million at September 30, 2011. These loans are primarily secured by real estate.

Investment Securities

Investment securities are classified as either held-to-maturity, available-for-sale, or measured at fair value 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 carrying value of investment securities at September 30, 2011 and December 31, 2010 was as follows:

	September 30, 2011	December 31, 2010
	(in thousands)	
U.S. Government sponsored agency securities	**$ 196,242**	$ 280,103
Direct obligation and GSE residential mortgage-backed securities	**753,420**	781,179
Private label residential mortgage-backed	**28,246**	8,111
Municipal obligations	**69,168**	1,677
Adjustable rate preferred stock	**59,869**	67,243
Mutual funds	**29,028**	
Trust preferred securities	**21,756**	23,126
Collateralized debt obligations	**50**	276
Corporate bonds	**107,587**	49,907
Other	**24,941**	23,743
Total investment securities	**$ 1,290,307**	$ 1,235,365

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 no impairment and $0.2 million of impairment charges for the three and nine months ended September 30, 2011. For the nine months ended September 30 2010, the Company recorded impairment charges of $1.2 million. For 2011 and 2010, the impairment charge was attributed to the unrealized losses in the Company s CDO portfolio. Gross unrealized losses at September 30, 2011 and December 31, 2010 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 other securities to be other-than-temporarily impaired as of September 30, 2011 and December 31, 2010. 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

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.

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 or 2010.

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 $62.5 million at September 30, 2011 is more likely than not based on expectations as to future taxable income and based on available tax planning strategies as defined in 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.

As a result of the losses incurred in 2008, 2009 and 2010, the Company is in a three-year cumulative pretax loss position at September 30, 2011. A cumulative loss position is considered significant negative evidence in assessing the realizability of a deferred tax asset. The Company has concluded that there is sufficient positive evidence to overcome this negative evidence. This positive evidence includes Company forecasts, exclusive of tax planning strategies, that show full utilization of the net operating losses by the end of 2013 based on current projections. In addition, the Company has evaluated tax planning strategies, including potential sales of businesses and assets in which it could realize the excess of appreciated value over the tax basis of its assets. The amount of deferred tax assets considered realizable, however, could be significantly reduced in the near term if estimates of future taxable income during the carryforward period are significantly lower than forecasted due to deterioration in market conditions.

Based on the above discussion, we 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.

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 the Company s 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 an approximately $40 million tax refund 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 our $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 is required to submit 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, 2011, total deposits were $5.63 billion, compared to $5.34 billion at December 31, 2010. The deposit growth of $294.4 million or 5.5% was primarily driven by increased money market accounts of $184.6 million, non-interest bearing demand deposits of $75.8 million, certificates of deposits of $50.6 million and savings deposits of $41.2 million. This growth was partially offset by decreased interest bearing demand accounts of $57.8 million.

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.

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

	Three Months Ended September 30, 2011 Average Balance/Rate		Three Months Ended September 30, 2010 Average Balance/Rate	
	(dollars in thousands)			
Interest checking (NOW)	**$ 466,177**	**0.35%**	$ 659,334	0.43%
Savings and money market	**2,127,756**	**0.59**	1,890,032	0.85
Time	**1,499,269**	**0.90**	1,341,579	1.42
Total interest-bearing deposits	**4,093,202**	**0.68**	3,890,945	0.97
Noninterest bearing demand deposits	**1,532,912**		1,317,216	
Total deposits	**$ 5,626,114**	**0.49%**	$ 5,208,161	0.73%

	Nine Months Ended September 30, 2011 Average Balance/Rate		Nine Months Ended September 30, 2010 Average Balance/Rate	
	(dollars in thousands)			
Interest checking (NOW)	**$ 479,204**	**0.40%**	$ 563,731	0.53%
Savings and money market	**2,082,031**	**0.67**	1,837,727	0.94
Time	**1,459,609**	**0.97**	1,446,976	1.62
Total interest-bearing deposits	**4,020,844**	**0.75**	3,848,434	1.14
Noninterest bearing demand deposits	**1,487,249**		1,249,398	
Total deposits	**$ 5,508,093**	**0.55%**	$ 5,097,832	1.29%

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,	
	2011	2010	2011	2010
	(in thousands)		(in thousands)	
Balance, beginning of period	$ 85,732	$ 104,365	$ 107,655	$ 83,347
Additions	7,139	25,499	28,194	73,801
Dispositions	(4,291)	(15,768)	(35,601)	(29,978)
Valuation adjustments in the period, net	(1,888)	(4,000)	(13,556)	(17,074)
Balance, end of period	$ 86,692	$ 110,096	$ 86,692	$ 110,096

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 $86.7 million and $107.7 million, respectively, of such assets at September 30, 2011 and December 31, 2010. At September 30, 2011, the Company held approximately 84 other real estate owned properties compared to 98 at December 31, 2010. 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 $36.3 million at September 30, 2011 and $43.0 million at December 31, 2010. The difference between the aggregate fair value of junior subordinated debt of $36.3 million and the aggregate unpaid principal balance of $66.5 million was $30.2 million at September 30, 2011.

Other Borrowed Funds

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 Company also has lines of credit available from the FHLB and FRB. The borrowing capacity is determined based on collateral pledged, generally consisting of securities and loans, at the time of borrowing. At September 30, 2011, the remaining net principal balance was $73.2 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, 2010, 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, except for allowance for credit losses as follows:

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 terms. 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 significantly in recent periods. 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 the Company 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.

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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. Due to the rapidly changing economic and market conditions of the regions within which we operate, the Company obtains independent collateral valuation analysis on a regular basis for each loan, typically every nine 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.

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 $45.0 million. In addition, loans and securities are pledged to the FHLB providing $1.10 billion in borrowing capacity with outstanding letters of credit of $72.0 million, leaving $1.03 billion in available credit as of September 30, 2011. Loans and securities pledged to the FRB discount window providing $683.7 million in borrowing capacity. As of September 30, 2011, there were no outstanding borrowings from the FRB, thus our available credit totaled $683.7 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 cash withdrawals for the next 90-120 days. At September 30, 2011, there was $904.3 million in liquid assets comprised of $320.3 million in cash and cash equivalents including (money market investments of $14.3 million) and $579.6 million in unpledged marketable securities. At December 31, 2010, the Company maintained $1.03 billion in liquid assets comprised of $254.5 million of cash and cash equivalents (including federal funds sold of $0.9 million and money market investments of $37.7 million) and $780.0 million of unpledged marketable securities.

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 its 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.

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On a long-term basis, the Company s liquidity will be met by changing the relative distribution of our asset portfolios, for example, 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, 2011, 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.

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, 2011 and 2010, net cash provided by operating activities was $109.1 million and used in operating activities of $81.5 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 increase in loans for the nine months ended September 30, 2011 and 2010 was $356.6 million and $169.1 million, respectively.

Net cash provided by financing activities has been impacted significantly by increased deposit levels. During the nine months ended September 30, 2011 and 2010, deposits increased $294.4 million and $606.4 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 Promontory Interfinancial Network s Certificate of Deposit Account Registry Service (CDARS) and Insured Cash Sweep (ICS), programs that allows customers to invest up to $50 million in certificates of deposit or money market accounts through one participating financial institution, with the entire amount being covered by FDIC insurance. As of September 30, 2011, we had $394.2 million of CDARS deposits and $2.8 million in ICS deposits.

As of September 30, 2011, the Company no longer had any brokered deposits outstanding. Brokered deposits are generally considered to be deposits that have been received from or through a third party that is acting on behalf of the depositor which excludes reciprocal CDARS deposits. 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 or by regulatory action. In addition, the Memoranda of Understanding to which the Bank of Nevada is currently subject require regulatory approval prior to the payment of dividends to the Company.

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, 2011 and December 31, 2010, the Company and the Banks met all capital adequacy requirements to which they are subject.

As of September 30, 2011, 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 Memoranda of Understanding to which Bank of Nevada is subject may require it to maintain a higher Tier 1 leverage ratio than otherwise required to be considered well-capitalized. At September 30, 2011, the capital level exceeded this elevated requirement.

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

As of September 30, 2011	Actual Amount	Actual Ratio	Adequately-Capitalized Requirements Amount	Adequately-Capitalized Requirements Ratio	Minimum For Well-Capitalized Requirements Amount	Minimum For Well-Capitalized Requirements Ratio
			(dollars in thousands)			
Total Capital (to Risk Weighted Assets)	708,754	13.2%	425,626	8.0%	532,033	10.0%
Tier I Capital (to Risk Weighted Assets)	641,379	12.0	212,813	4.0	319,220	6.0
Leverage ratio (to Average Assets)	641,379	9.8	260,872	4.0	326,090	5.0

As of December 31, 2010	Actual Amount	Actual Ratio	Adequately-Capitalized Requirements Amount	Adequately-Capitalized Requirements Ratio	Minimum For Well-Capitalized Requirements Amount	Minimum For Well-Capitalized Requirements Ratio
			(dollars in thousands)			
Total Capital (to Risk Weighted Assets)	654,011	13.2%	396,370	8.0%	495,463	10.0%
Tier I Capital (to Risk Weighted Assets)	591,633	12.0	197,211	4.0	295,817	6.0
Leverage ratio (to Average Assets)	591,633	9.5	249,109	4.0	311,386	5.0

Supervision and Regulation

Durbin Amendment and Regulation II. On June 29, 2011, the Board of Governors of the Federal Reserve System, or the Federal Reserve Board, issued a final rule to implement Section 920 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act. Section 920 of the Dodd-Frank Act required the Federal Reserve Board to, among other things, establish standards for determining reasonable and proportional interchange fees that banks may charge and to prohibit certain debit card and payment card network practices that limited merchants ability to process debit cards.

Under the final rule, entitled Regulation II Debit Card Interchange Fees and Routing, an issuer may charge up to 21 cents, plus 5 basis points of the transaction value, plus 1 cent for a fraud adjustment (for debit card issuers maintaining fraud prevention programs meeting certain criteria established by the Federal Reserve Board) as a reasonable interchange fee charged to merchants and passed through to the issuing bank. Regulation II s interchange fee standards are only applicable to certain debit card issuers. Regulation II and Section 920 of the Dodd-Frank Act provide an exemption from the interchange fee limits for any issuer, together with its affiliates, with total assets of less than $10 billion.

Additionally, Regulation II provides that all issuers, regardless of asset size, must enable two or more unaffiliated payment networks capable of processing electronic debit card transactions initiated through an issuer s debit cards. These provisions are effective with respect to debit cards issuers on April 1, 2012 and, with respect to general-use prepaid cards, with a delayed effective date of April 1, 2013 or later in certain circumstances. Additionally, neither an issuer nor a payment card network may otherwise prohibit a merchant from routing an electronic debit transaction over any payment network enabled on the debit card. These routing restrictions were effective as of October 1, 2011.

Volcker Rule Joint Proposed Rule. On October 11, 2011, the Federal Reserve Board and the Federal Deposit Insurance Corporation, or the FDIC, among other federal regulatory agencies, issued a joint proposed rule requesting public comment on the implementation of the so-called Volcker Rule requirements of section 619 of the Dodd-Frank Act. Section 619 generally prohibits banks, bank holding companies, and their subsidiaries or affiliates (referred to in

the proposed rule as banking entities) from engaging in short-term proprietary trading for the banking entity s own account, subject to certain exemptions. Section 619 also prohibits a banking entity from owning, sponsoring, or having certain relationships with, a hedge fund or private equity fund, again subject to certain exemptions.

The Volcker Rule also prohibits banking entities from engaging in certain exempt transactions or activities if it would involve a material conflict of interest between the banking entity and its clients, customers, or counterparties, or that would result in a material exposure to high-risk assets or trading strategies. Section 619 similarly prohibits banking entities from engaging in certain transactions if it would pose a threat to the safety and soundness of the banking entity or to the financial stability of the United States. The federal agencies are required in each case to define by rule the scope of these prohibitions.

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Transactions in certain instruments, such as obligations of the U.S. government or a government agency, government-sponsored enterprises, and state and local governments, are exempt from the Volcker Rule s prohibitions. Other activities exempted include market making, underwriting, and risk-mitigating hedging. Section 619 also permits banking entities to organize, offer, and invest in a hedge fund or private equity fund subject to a number of conditions. The proposed rule will likely be subject to significant public comment and may not be adopted in final form as proposed. However, the proposed rule requires that banking entities establish internal programs to monitor compliance with the requirements of the Volcker Rule, and its implementing regulations. To the extent that a banking entity engages in significant tradition operations, additional quantitative measurements will be required to be disclosed to the banking entity s primary federal regulator to ensure compliance with the requirements of Section 619, particularly with respect to those banking entity s seeking to engage in exempt activities.

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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.

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, 2011, our economic value of equity exposure related to these hypothetical changes in market interest rates was within the current guidelines established by the Company. The following table shows our projected change in economic value of equity for this set of rate shocks at September 30, 2011.

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	$ 6,712,296	$ 6,675,277	$ 6,562,628	$ 6,440,366	$ 6,318,297	$ 6,198,040
Liabilities	$ 5,921,177	$ 5,853,668	$ 5,741,230	$ 5,619,838	$ 5,498,769	$ 5,391,448
Adjustments						
Goodwill & Intangibles	$ (37,757)	$ (37,757)	$ (37,757)	$ (37,757)	$ (37,757)	$ (37,757)
AFS Fair Market Value	$ 3,674	$ 3,674	$ 3,674	$ 3,674	$ 3,674	$ 3,674
Net Present Value	**$ 757,036**	**$ 787,526**	**$ 787,315**	**$ 786,445**	**$ 785,445**	**$ 772,509**
% Change	-3.9%		0.0%	-0.1%	-0.3%	-1.9%

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.

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Net Interest Income Simulation. In order to measure interest rate risk at September 30, 2011, 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, 2011, our net interest margin exposure for the next twelve months related to these hypothetical changes in market interest rates was within our current guidelines.

Sensitivity of Net Interest Income

	Interest Rate Scenario (change in basis points from Base)					
	Down 100	**Base**	**UP 100**	**UP 200**	**Up 300**	**Up 400**
(in 000 s)						
Interest Income	$ 296,643	$ 304,079	$ 316,877	$ 333,720	$ 354,993	$ 377,450
Interest Expense	$ 34,442	$ 34,420	$ 50,460	$ 66,459	$ 82,440	$ 98,442
Net Interest Income	**$ 262,201**	**$ 269,659**	**$ 266,417**	**$ 267,261**	**$ 272,553**	**$ 279,008**
% Change	-2.8%		-1.2%	-0.9%	1.1%	3.5%

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 position with derivative market makers as of September 30, 2011.

Outstanding Derivatives Positions

Notional	***Net Value***	***Weighted Average Term (in yrs)***
$33,355,426	$(165,945)	4.0

The following table summarizes the aggregate notional amounts, market values and terms of the Company s derivative position with derivative market makers as of December 31, 2010:

Outstanding Derivatives Positions

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

$12,860,170	$(1,395,856)	3.9

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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, 2011, 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 the Company 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.

The Company s Bank of Nevada subsidiary is under informal supervisory oversight by banking regulators in the form of a memorandum of understanding. The oversight requires enhanced supervision by the Board of Directors of the bank, and the adoption or revision of written plans and/or policies addressing such matters as asset quality, credit underwriting and administration, the allowance for loan and lease losses, loan and investment portfolio risks, asset-liability management and loan concentrations, as well as the formulation and adoption of comprehensive strategic plans. The bank is also 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 provide regulators with prior notice of certain management and director changes and, in certain cases, to obtain their non-objection before engaging in a transaction that would materially change its balance sheet composition. The Company believes the bank is in full compliance with the requirements of the applicable memorandum of understanding. The memoranda of understanding previously in place for the Company s Torrey Pines Bank and Western Alliance Bank subsidiaries were terminated by the FDIC and respective state banking regulators as a result of regulatory examinations conducted during the third quarter.

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, 2010.

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

(a) There were no unregistered sales of equity securities during the period covered by this report.

(b) None

(c) None.

Item 3. Defaults Upon Senior Securities

Not applicable.

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Item 4. Removed and Reserved

Item 5. Other Information

None

Item 6. Exhibits

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	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).
3.5	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).
3.6	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 May 3, 2010).
3.7	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).
3.8	Certificate of Designations for the Fixed Rate 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).
3.9	Certificate of Correction to the Certificate of Designations for the Non Cumulative Perpetual Preferred Stock, Series B, of Western Alliance Bancorporation.
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).

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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).
10.1	Small Business Lending Fund Securities Purchase Agreement, dated September 27, 2011, between Western Alliance Bancorporation and the Secretary of the Treasury (incorporated by reference to Exhibit 10.1 to Western Alliance Bancorporation s Form 8-K filed with the Securities and Exchange Commission on September 28, 2011).
10.2	Repurchase Agreement, dated September 27, 2011, between Western Alliance Bancorporation and the United States Department of the Treasury (incorporated by reference to Exhibit 10.2 to Western Alliance Bancorporation s Form 8-K filed with the Securities and Exchange Commission on September 28, 2011).
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.

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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 8, 2011	By: /s/ Robert Sarver Robert Sarver President and Chief Executive Officer
Date: November 8, 2011	By: /s/ Dale Gibbons Dale Gibbons Executive Vice President and Chief Financial Officer
Date: November 8, 2011	By: /s/ R. Kelly Ardrey R. Kelly Ardrey Senior Vice President and Chief Accounting Officer

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