UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from to

Commission File Number: 001-32550

WESTERN ALLIANCE BANCORPORATION

(Exact Name of Registrant as Specified in Its Charter)

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

(602) 389-3500

(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

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

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

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

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

Table of Contents

Table of Contents

2

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

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

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

See the accompanying notes.

3

Table of Contents

WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS (unaudited)

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

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

Table of Contents

WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS (unaudited)

(continued)

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

See the accompanying notes.

5

Table of Contents

WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

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

See the accompanying notes.

WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (unaudited)

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

See the accompanying notes.

Table of Contents

WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

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

Table of Contents

WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(continued)

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

See the accompanying notes.

Table of Contents

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

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

Basis of presentation

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

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant changes in the near term relate to the determination of the allowance for credit losses; fair value of other real estate owned; determination of the valuation allowance related to deferred tax assets; impairment of goodwill and other intangible assets and other than temporary impairment on securities. Although Management believes these estimates to be reasonably accurate, actual amounts may differ. In the opinion of Management, all adjustments considered necessary have been reflected in the financial statements during their preparation.

Principles of consolidation

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

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

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

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

Reclassifications

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

Interim financial information

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

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

Investment securities

Investment securities may be classified as held-to-maturity (HTM), available-for-sale (AFS) or trading. The appropriate classification is initially decided at the time of purchase. Securities classified as held-to-maturity are those debt securities the Company has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or general economic conditions. These securities are carried at amortized cost. The sale of a security within three months of its maturity date or after the majority of the principal outstanding has been collected is considered a maturity for purposes of classification and disclosure.

Securities classified as AFS or trading are reported as an asset on the Consolidated Balance Sheets at their estimated fair value. As the fair value of AFS securities changes, the changes are reported net of income tax as an element of other comprehensive income (OCI), except for impaired securities. When AFS securities are sold, the unrealized gain or loss is reclassified from OCI to non-interest income. The changes in the fair values of trading securities are reported in non-interest income. Securities classified as AFS are both equity and debt securities the Company intends to hold for an indefinite period of time, but not necessarily to maturity. Any decision to sell a security classified as AFS would be based on various factors, including significant movements in interest rates, changes in the maturity mix of the Company s assets and liabilities, liquidity needs, decline in credit quality, and regulatory capital considerations.

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

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

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

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

Derivative financial instruments

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

Table of Contents

Certain derivative transactions that meet specified criteria qualify for hedge accounting. The Company occasionally purchases a financial instrument or originates a loan that contains an embedded derivative instrument. Upon purchasing the instrument or originating the loan, the Company assesses whether the economic characteristics of the embedded derivative are clearly and closely related to the economic characteristics of the remaining component of the financial instrument (i.e., the host contract) and whether a separate instrument with the same terms as the embedded instrument would meet the definition of a derivative instrument. When it is determined that (1) the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract, and (2) a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is separated from the host contract and carried at fair value. However, in cases where (1) the host contract is measured at fair value, with changes in fair value reported in current earnings, or (2) the Company is unable to reliably identify and measure an embedded derivative for separation from its host contract, the entire contract is carried on the balance sheet at fair value and is not designated as a hedging instrument.

Allowance for credit losses

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

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

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

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

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

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

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

nor a specific reserve is assessed.

Table of Contents

Other assets acquired through foreclosure

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

Investments in low income housing credits

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

Income taxes

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

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

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

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

Fair values of financial instruments

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

Level 1 Observable quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

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

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

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

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

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

Management uses its best judgment in estimating the fair value of the Company s financial instruments; however, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented herein are not necessarily indicative of the amounts the Company could have realized in a sales transaction at September 30, 2012 or December 31, 2011. The estimated fair value amounts for September 30, 2012 and December 31, 2011 have been measured as of period-end, and have not been reevaluated or updated for purposes of these consolidated financial statements subsequent to those dates. As such, the estimated fair values of these financial instruments subsequent to the reporting date may be different than the amounts reported at the period-end.

The information on page 34 in Note 10, Fair Value Accounting, should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only required for a limited portion of the Company s assets and liabilities.

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

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

Cash and cash equivalents

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

Money market investments

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

Securities

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

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

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

Restricted stock

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

Loans

Fair value for loans is estimated based on discounted cash flows using interest rates currently being offered for loans with similar terms to borrowers with similar credit quality with adjustments that the Company believes a market participant would consider in determining fair value based on a third party independent valuation. As a result, the fair value for loans disclosed in Note 10, Fair Value Accounting, is categorized as Level 2 in the fair value hierarchy.

Table of Contents

Accrued interest receivable and payable

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

Derivative financial instruments

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

Deposit liabilities

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

Federal Home Loan Bank and Federal Reserve advances and other borrowings

The fair values of the Company s borrowings are estimated using discounted cash flow analyses, based on the market rates for similar types of borrowing arrangements. The other borrowings have been categorized as Level 3 in the fair value hierarchy. The FHLB and FRB advances have been categorized as Level 2 in the fair value hierarchy due to their short durations.

Junior subordinated debt

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

Off-balance sheet instruments

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

Recent Accounting Pronouncements

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

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

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

Table of Contents

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

2. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

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

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

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

3. EARNINGS PER SHARE

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

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

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

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

Table of Contents

4. INVESTMENT SECURITIES

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

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