WESTERN ALLIANCE BANCORPORATION
Form 10-Q
August 05, 2010

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 June 30, 2010 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)**
2700 W. Sahara Avenue, Las Vegas, NV	**89102**
(Address of Principal Executive Offices)	**(Zip Code)**

(702) 248-4200
(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.
Yesþ Noo
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).
Yeso Noo
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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule
12b-2 of the Exchange Act. (Check one):

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

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: 73,426,774 shares as of July 31, 2010.

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WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	June 30, 2010 (unaudited)	December 31, 2009
	(in thousands, except per share amounts)	
Assets:		
Cash and due from banks	**$ 105,102**	$ 116,841
Federal funds sold and other	**31**	3,473
Interest-bearing demand deposits in other financial institutions	**455,490**	276,516
Cash and cash equivalents	**560,623**	396,830
Money market investments	**5,063**	54,029
Investment securities measured, at fair value	**40,632**	58,670
Investment securities available-for-sale, at fair value; amortized cost of $794,848 at June 30, 2010 and $740,783 at December 31, 2009	**798,284**	744,598
Investment securities held-to-maturity, at amortized cost; fair value of $4,610 at June 30, 2010 and $7,482 at December 31, 2009	**4,610**	7,482
Investments in restricted stock, at cost	**40,418**	41,378
Loans:		
Held for investment, net of deferred fees	**4,129,950**	4,079,639
Less: allowance for credit losses	**(110,012)**	(108,623)
Total loans	**4,019,938**	3,971,016
Premises and equipment, net	**118,743**	125,883
Goodwill and other intangible assets	**41,307**	43,121
Other assets acquired through foreclosure, net	**104,365**	83,347
Bank owned life insurance	**94,009**	92,510
Deferred tax assets, net	**68,114**	68,957
Prepaid expenses	**31,194**	35,323
Other assets	**32,063**	30,135
Discontinued operations, assets held for sale	**116**	
Total assets	**$ 5,959,479**	$ 5,753,279
Liabilities:		
Deposits:		
Non-interest-bearing demand	**$ 1,330,357**	$ 1,157,013
Interest-bearing	**3,899,727**	3,565,089
Total deposits	**5,230,084**	4,722,102
Customer repurchase agreements	**87,131**	223,269
Other borrowings		29,352
Junior subordinated debt, at fair value	**36,323**	42,438
Subordinated debt		60,000
Other liabilities	**30,083**	100,393

Total liabilities	**5,383,621**	5,177,554
Commitments and contingencies (Note 9)		
Stockholders equity:		
Preferred stock par value $.0001 and liquidation value per share of $1,000; 20,000,000 authorized; 140,000 issued and outstanding	**129,378**	127,945
Common stock par value $.0001; 100,000,000 authorized; 73,344,405 shares issued and outstanding at June 30, 2010 and 72,503,902 at December 31, 2009	**7**	7
Surplus	**688,260**	684,092
Retained deficit	**(245,045)**	(241,724)
Accumulated other comprehensive income (loss)	**3,258**	5,405
Total stockholders equity	**575,858**	575,725
Total liabilities and stockholders equity	**$ 5,959,479**	$ 5,753,279

See the accompanying notes.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
	(in thousands, except per share amounts)			
Interest income:				
Loans, including fees	**$ 64,201**	$ 63,268	**$ 126,368**	$ 126,521
Investment securities taxable	**5,203**	6,179	**11,112**	12,209
Investment securities non-taxable	**31**	116	**82**	295
Dividends taxable	**28**	108	**136**	303
Dividends non-taxable	**65**	252	**301**	722
Other	**472**	373	**735**	414
Total interest income	**70,000**	70,296	**138,734**	140,464
Interest expense:				
Deposits	**11,067**	16,413	**23,146**	32,063
Customer repurchase agreements	**114**	1,046	**397**	2,296
Borrowings	**369**	837	**819**	2,112
Junior subordinated and subordinated debt	**994**	1,199	**2,198**	2,462
Total interest expense	**12,544**	19,495	**26,560**	38,933
Net interest income	**57,456**	50,801	**112,174**	101,531
Provision for credit losses	**23,115**	37,573	**51,862**	57,557
Net interest income after provision for credit losses	**34,341**	13,228	**60,312**	43,974
Non-interest income:				
Mark to market gains (losses), net	**6,250**	(449)	**6,551**	3,622
Gain on sales of securities, net	**6,079**	10,867	**14,297**	10,874
Securities impairment charges, net	**(1,071)**	(1,674)	**(1,174)**	(42,126)
Portion of impairment charges recognized in other comprehensive loss (before tax)				2,047
Net securities impairment charges recognized in earnings	**(1,071)**	(1,674)	**(1,174)**	(40,079)
Gain on extinguishment of debt	**3,000**		**3,000**	
Trust and investment advisory fees	**1,181**	2,361	**2,394**	4,598
Service charges and fees	**2,319**	1,980	**4,515**	3,662
Operating lease income	**967**	894	**1,931**	1,897
Income from bank owned life insurance	**780**	435	**1,499**	949
Derivative (losses) gains, net	**(69)**	(67)	**(136)**	(130)
Other	**1,324**	1,100	**2,512**	2,226
Total non-interest income (loss)	**20,760**	15,447	**35,389**	(12,381)

Non-interest expenses:				
Salaries and employee benefits	**22,161**	23,384	**43,601**	47,003
Occupancy expenses, net	**4,828**	5,196	**9,615**	10,416
Insurance	**3,759**	5,061	**7,251**	6,708
Net (gain) loss on sales/valuations of repossessed assets and bank premises, net	**11,994**	3,974	**10,980**	8,910
Repossessed asset and loan expenses	**1,564**	2,078	**3,928**	3,155
Legal, professional and director fees	**2,139**	1,821	**4,007**	3,185
Marketing	**1,045**	1,368	**2,201**	2,579
Customer service	**1,154**	1,127	**2,219**	2,144
Intangible amortization	**907**	945	**1,813**	1,890
Data processing	**793**	1,215	**1,584**	2,352
Operating lease depreciation	**647**	838	**1,336**	1,757
Goodwill impairment				45,000
Other	**2,271**	3,166	**5,568**	6,110
Total non-interest expenses	**53,262**	50,173	**94,103**	141,209
Income (loss) from continuing operations before income taxes	**1,839**	(21,498)	**1,598**	(109,616)
Benefit for income taxes	**(190)**	(8,427)	**(1,751)**	(11,471)
Income (loss) from continuing operations	**2,029**	(13,071)	**3,349**	(98,145)
Loss from discontinued operations, net of tax benefit	**(802)**	(1,066)	**(1,737)**	(2,434)
Net income (loss)	**1,227**	(14,137)	**1,612**	(100,579)
Dividends and accretion on preferred stock	**2,466**	2,424	**4,933**	4,856
Net loss available to common shareholders	**$ (1,239)**	$ (16,561)	**$ (3,321)**	$ (105,435)
Loss per share basic and diluted				
Continuing operations	**$ (0.01)**	$ (0.29)	**$ (0.02)**	$ (2.25)
Discontinued	**$ (0.01)**	$ (0.02)	**$ (0.02)**	$ (0.05)
	$ (0.02)	$ (0.31)	**$ (0.05)**	$ (2.31)
Average number of common shares basic	**72,160**	53,252	**72,063**	45,716
Average number of common shares diluted	**72,160**	53,252	**72,063**	45,716

See the accompanying notes.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	*2009*	***2010***	*2009*
	(in thousands)			
Net (loss)/ income	**$ 1,227**	$ (14,137)	**$ 1,612**	$ (100,579)
Other comprehensive (loss)/ income, net:				
Unrealized gain/(loss) on securities AFS, net	**1,842**	22,612	**6,390**	2,783
Impairment loss on securities, net	**605**	1,088	**668**	38,571
Realized (gain) on sale of securities AFS included in income, net	**(3,872)**	(7,063)	**(9,205)**	(7,068)
Net other comprehensive (loss)/ income	**(1,425)**	16,637	**(2,147)**	34,286
Comprehensive (loss)/ income	**$ (198)**	$ 2,500	**$ (535)**	$ (66,293)

Amount of impairment losses reclassified out of accumulated other comprehensive income into earnings for the three and six months ended June 30 2010, and 2009 were $1.1 million and $1.2 million, and $1.7 million and $40.1 million, respectively. The income tax benefit related to these losses was $0.4 million and $0.6 million for the three months ended June 30, 2010 and 2009, respectively. For the six months ended June 30, 2010 and 2009, the income tax benefit related to these losses was $0.4 million and $1.5 million, respectively.

See the accompanying notes.

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

	Preferred Stock		*Common Stock*			*Accumulated Other Comprehensive Income (Loss)*	*Retained Earnings (Deficit)*	*Total Stockholder's Equity*
	Shares	*Amount*	*Shares*	*Amount*	*Surplus*			
					(in thousands)			
Balance, December 31, 2009	140	$ 127,945	72,504	$ 7	$ 684,092	$ 5,405	$ (241,724)	$ 575,725
Net Income							**1,612**	**1,612**
Stock-based compensation			**142**		**1,823**			**1,823**
Restricted stock grants, net			**521**		**2,072**			**2,072**
Stock options exercised			**15**		**78**			**78**
Stock warrants exercised			**162**		**195**			**195**
Dividends on preferred stock							**(3,500)**	**(3,500)**
Accretion on preferred stock discount		**1,433**					**(1,433)**	**--**
Other comprehensive income, net						**(2,147)**		**(2,147)**
Balance, June 30, 2010	**140**	**$ 129,378**	**73,344**	**$ 7**	**$ 688,260**	**$ 3,258**	**$ (245,045)**	**$ 575,858**

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

	Six Months Ended June 30,	
	2010	2009
	(in thousands)	
Cash flows from operating activities:		
Net income/ (loss)	**$ 1,612**	$ (100,579)
Adjustments to reconcile net income/ (loss) to cash (used in) provided by operating activities:		
Provision for credit losses	**51,862**	57,557
Depreciation and amortization	**7,149**	7,945
Stock-based compensation	**3,895**	4,587
Deferred income taxes and income taxes receivable	**1,999**	(14,372)
Net amortization of discounts and premiums for investment securities	**2,761**	819
Goodwill impairment		45,000
Securities impairment	**1,174**	40,079
(Gains)/Losses on:		
Sales of securities, AFS	**(14,297)**	(10,874)
Derivatives	**(136)**	(130)
Sales of repossessed assets and premises, net	**10,980**	8,910
Sale of loans, net	**(8)**	
Extinguishment of debt	**(3,000)**	
Changes in:		
Other assets	**(46,514)**	39,324
Other liabilities	**(70,310)**	(3,398)
Fair value of assets and liabilities measured at fair value	**(6,551)**	(3,362)
Servicing rights, net	**18**	19
Other, net		(1,579)
Net cash (used in) provided by operating activities	**(59,366)**	69,946
Cash flows from investing activities:		
Proceeds from sale of securities measured at fair value	**8,069**	21,444
Principal pay downs and maturities of securities measured at fair value	**10,409**	12,051
Purchases of securities measured at fair value		(5,224)
Proceeds from sale of available-for-sale securities	**335,031**	68,057
Principal pay downs and maturities of available-for-sale securities	**645,803**	72,776
Purchase of available-for-sale securities	**(1,023,367)**	(144,734)
Purchase of short-term investments		(168,729)
Principal pay downs and maturities of securities held-to-maturity	**2,746**	795
Loan originations and principal collections, net	**(100,776)**	(17,900)
Investment in money market	**48,966**	
Liquidation of restricted stock, net	**959**	2
Sale and purchase of premises and equipment, net	**1,921**	(3,148)
Sale of other real estate owned, net	**12,567**	(973)
Net cash used in investing activities	**(57,672)**	(165,583)

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

	Six Months Ended June 30,	
	2010	2009
	(in thousands)	
Cash flows from financing activities:		
Net increase in deposits	**507,982**	608,271
Deposits assumed from the FDIC		131,720
Net decrease in borrowings	**(222,490)**	(403,268)
Proceeds from issuance of common stock options and stock warrants	**273**	78
Proceeds from issuance stock, net		191,268
Accretion of discount on preferred stock	**(1,433)**	
Cash dividends paid on preferred stock	**(3,500)**	(3,500)
Net cash provided by financing activities	**280,832**	524,569
Net increase in cash and cash equivalents	**163,793**	428,932
Cash and cash equivalents at beginning of year	**396,830**	139,954
Cash and cash equivalents at end of year	**$ 560,623**	$ 568,886
Supplemental disclosure:		
Cash paid during the period for:		
Interest	**$ 24,788**	$ 38,559
Income taxes, net		
Non-cash investing and financing activity:		
Transfers to other assets acquired through foreclosure, net	**44,682**	36,616
Assets transferred to held for sale	**116**	

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 five wholly owned subsidiary banks; Bank of Nevada and First Independent Bank of Nevada, operating in Nevada, Alliance Bank of Arizona, operating in Arizona, and Torrey Pines Bank and Alta Alliance Bank, operating in California. In addition, its non-bank subsidiaries Premier Trust, Inc., Shine Investment Advisory Services, Inc. and Western Alliance Equipment Finance offer a broad array of financial products and services aimed at satisfying the needs of small to mid-sized businesses and their proprietors, including trust administration and estate planning, custody and investments, and equipment leasing 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.

In June 2009, the Financial Accounting Standards Board (FASB) established the FASB Accounting Standards Codification (FASB ASC), as the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements. Rules and releases of the United States Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The FASB ASC became effective for the Company on September 30, 2009 and supersedes all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the FASB ASC became non-authoritative. The FASB ASC does not change or alter GAAP and, therefore, the adoption of the FASB ASC did not impact the Company s Consolidated Financial Statements.

Use of estimates in the preparation of financial statements

The preparation of financial statements 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 13 wholly-owned subsidiaries. Bank of Nevada (BON), Alliance Bank of Arizona (ABA), Torrey Pines Bank (TPB), Alta Alliance Bank (AAB), First Independent Bank of Nevada (FIBN), which are all banking subsidiaries, Premier Trust, Inc. (PTI), a registered investment advisor, Western Alliance Equipment Finance, Inc. (WAEF), which provides equipment leasing, 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.

BON has a wholly-owned Real Estate Investment Trust (REIT) 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, 2009 and for the three and six months ended June 30, 2009 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 June 30, 2010 and 2009 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, 2009.

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 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, 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.

Securities measured at fair value are equity and debt securities for which the Company elected early adoption of FASB ASC 825 *Financial Instruments* (ASC 825), effective January 1, 2007. Securities for which the fair value measurement classification was made generally were fixed rate with a relatively long duration and low coupon rates. Securities measured at fair value are reported at fair value with unrealized gains and losses included in current period

earnings.

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 collectability of the contractual principal or interest is unlikely. 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 the other factors. The Company formally determines the adequacy of the allowance for credit losses on a quarterly basis.

Our 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 banking 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 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 current 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.

The Company uses an appraised value method to determine the need for a reserve on 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 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 selling costs. Subsequent

valuation 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.

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.

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 $68.1 million at June 30, 2010 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 is the credit loss reserve build which accounts for substantially all of the net deferred tax asset. In general, the Company will need to generate approximately $188 million of taxable income during the respective carryforward periods to fully realize its deferred tax assets.

As a result of the recent losses, the Company is in a three-year cumulative pretax loss position at June 30, 2010. 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 realization of deferred tax assets by December 31, 2013 based on current projections, or by December 31, 2014 under stressed conditions. 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 net operating loss carryforward of 20 years provides sufficient time to 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 assumptions market participants would use 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.

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 weaknesses 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 June 30, 2010 or 2009. The estimated fair value amounts for 2010 and 2009 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 11, 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 values 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 CDOs and structured notes 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 uses a third party which estimated the future cash flows and discount rate using observable market inputs adjusted based on the 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. Alta Alliance Bank is a member of the Federal Reserve Bank (FRB) system

and

maintains an investment in capital stock of the FRB. 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

For variable rate loans that reprice frequently and that have experienced no significant change in credit risk, fair values are based on carrying values. Variable rate loans comprised approximately 66.6% and 66.8% of the loan portfolio at June 30, 2010 and December 31, 2009, respectively. Fair value for all other 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. As a result, the fair value for loans disclosed in Note 11, 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 11 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.

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 11, 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.

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.

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.

Recent Accounting Pronouncements

FASB ASC 810, *Consolidation* (ASC 810). Effective January 1 2010, further new authoritative accounting guidance under ASC Topic 810 amends prior guidance to change how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity s purpose and design and a company s ability to direct the activities of the entity that most significantly impact the entity s economic performance. The new authoritative accounting guidance requires additional disclosures about the reporting entity s involvement with variable-interest entities and any significant changes in risk exposure due to that involvement as well as its affect on the entity s financial statements. The new authoritative accounting guidance under ASC Topic 810 was effective January 1, 2010 and did not have a significant impact on the Company s consolidated financial statements.

FASB ASC Topic 860 *Transfers and Servicing* (ASC 860) was amended to enhance reporting about transfers of financial assets including securitizations, and where companies have continuing exposure to the risks related to transferred financial assets. The new authoritative accounting guidance eliminates the concept of a qualifying special-purpose entity and changes the requirements for derecognizing financial assets. The new authoritative guidance also requires additional disclosures about all continuing involvements with transferred financial assets including information about gains and losses resulting from transfers during the period. The new authoritative accounting guidance under ASC 860 was effective January 1, 2010 and did not have a significant impact on the Company s consolidated financial statements.

Issued October 2009, ASU 2009-15, *Accounting for Own-Share Lending Arrangements in Contemplation of Convertible Debt Issuance or Other Financing* amends FASB ASC Topic 470, *Debt* (ASC 470), and provides guidance for accounting and reporting for own-share lending arrangements issued in contemplation of a convertible debt issuance. At the date of issuance, a share-lending arrangement entered into on an entity s own shares should be measured at fair value in accordance with ASC 820 and recognized as an issuance cost, with an offset to additional paid-in capital. Loaned shares are excluded from basic and diluted earnings per share unless default of the share-lending arrangement occurs. The amendments also require several disclosures including a description and the terms of the arrangement and the reason for entering into the arrangement. The effective dates of the amendments are dependent upon the date the share-lending arrangement was entered into and include retrospective application for arrangements outstanding as of the beginning of fiscal years beginning on or after December 15, 2009. The Company has no plans to issue convertible debt and, therefore, does not expect the update to have an impact on its consolidated financial statements.

In January 2010 the FASB issued ASU 2010-06 *Fair Value Measurements and Disclosures* Topic 820 which provides guidance requiring enhanced fair value disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in level 3 fair value measurements and (4) the transfers between levels 1, 2, and 3. The increased disclosure requirements further set forth in the update that in the reconciliation for fair value measurements using significant unobservable inputs (level 3), a reporting entity should present separately information about purchases, sales, issuances and settlements (that is, gross amounts shall be disclosed as opposed to a single net figure). Increased disclosures regarding the level 3 fair value reconciliation are required for fiscal years beginning after December 15, 2010.

In April 2010 the FASB issued ASU 2010-18 *Loan Modifications* Topic 310 which provides guidance that loans accounted for within a pool need not be removed from the pool when loan modifications are made, even if the modifications would otherwise be considered trouble debt restructurings. Under this guidance an entity will continue to evaluate the pool of loans when performing its impairment analysis. The effective date of the amendments in this update is in the first interim period ending on or after July 15, 2010. The amendments are to be applied prospectively. 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 sell its credit card segment, PartnersFirst, and has presented certain activities as discontinued operations. During the first quarter 2010, the Company transferred certain assets with balances at June 30, 2010 of $0.1 million to held-for-sale and reported a portion of its operations as discontinued. At June 30, 2010, the Company had $47.6 million 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 June 30, 2010 and December 31, 2009.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(in thousands)			
Affinity card revenue	$ 459	$ 398	$ 950	$ 693
Non-interest expenses	(1,842)	(2,417)	(3,945)	(4,813)
Loss before income taxes	(1,383)	(2,019)	(2,995)	(4,120)
Income tax benefit	(581)	(953)	(1,258)	(1,686)
Net loss	$ (802)	$ (1,066)	$ (1,737)	$ (2,434)

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 (loss) per share is based on the weighted average outstanding common shares during the period.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(in thousands, except per share amounts)			
Basic:				
Net loss available to common stockholders	**$ (1,239)**	$ (16,561)	**$ (3,321)**	$ (105,435)
Average common shares outstanding	**72,160**	53,252	**72,063**	45,716
Loss per share	**$ (0.02)**	$ (0.31)	**$ (0.05)**	$ (2.31)
Diluted:				
Net loss available to common stockholders	**$ (1,239)**	$ (16,561)	**$ (3,321)**	$ (105,435)
Average common shares outstanding	**72,160**	53,252	**72,063**	45,716
Loss per share	**$ (0.02)**	$ (0.31)	**$ (0.05)**	$ (2.31)

As of June 30, 2010 and 2009, 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 June 30, 2010 and December 31, 2009 are summarized as follows:

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	June 30, 2010 (in thousands)					
	Amortized Cost	OTTI Recognized in Other Comprehensive Loss	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
	(in thousands)					
Securities held to maturity						
Collateralized debt obligations	$ 793	$	$ 793	$	$	$ 793
Municipal obligations	2,317		2,317			2,317
Other	1,500		1,500			1,500
	$ 4,610	$	$ 4,610	$	$	$ 4,610

	Amortized Cost	OTTI Recognized in Other Comprehensive Loss	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
	(in thousands)				
Securities available for sale					
U.S. Government-sponsored agency securities	$ 249,468	$	$ 1,573	$ (139)	$ 250,902
Municipal obligations	318		1	(1)	318
Adjustable-rate preferred stock	11,438		2,960	(150)	14,248
Direct obligation and GSE residential mortgage backed	473,443		8,281	(452)	481,272
Private label residential mortgage-backed securities	11,107	(1,811)	1,354	(386)	10,264
Trust preferred securities	32,078			(8,192)	23,886
FDIC guaranteed corporate bonds					-
Other	16,996		398		17,394
	$ 794,848	$ (1,811)	$ 14,567	$ (9,320)	$ 798,284

Securities measured at fair value	
U.S. Government-sponsored agency	$ 2,551
Direct obligation and GSE residential mortgage backed	36,652
Private label mortgage-backed securities	1,429
	$ 40,632

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	December 31, 2009 (in thousands)					
	Amortized Cost	OTTI Recognized in Other Comprehensive Loss	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Securities held to maturity						
Collateralized debt obligations	$ 1,462	$ (544)	$ 918	$ 340	$ (340)	$ 918
Municipal obligations	5,064		5,064			5,064
Other	1,500		1,500			1,500
	$ 8,026	$ (544)	$ 7,482	$ 340	$ (340)	$ 7,482

	Amortized Cost	OTTI Recognized in Other Comprehensive Loss	Gross Unrealized Gains (in thousands)	Gross Unrealized (Losses)	Fair Value
Securities available for sale					
Municipal obligations	$ 324	$	$ 2	$ (10)	$ 316
Adjustable-rate preferred stock	7,825		10,471		18,296
Direct obligation and GSE residential mortgage-backed securities	600,307		9,699	(4,250)	605,756
Private label residential mortgage-backed securities	12,829	(1,811)	1,045	(762)	11,301
Trust preferred securities	32,098			(10,048)	22,050
FDIC guarantee corporate bonds	71,680		104	(594)	71,190
Other	15,720		21	(52)	15,689
	$ 740,783	$ (1,811)	$ 21,342	$ (15,716)	$ 744,598

Securities measured at fair value	
U.S. Government-sponsored agencies	$ 2,479
Direct obligation and GSE residential mortgage-backed securities	49,317
Private label residential mortgage-backed securities	6,874
	$ 58,670

Gross unrealized gains on the adjustable rate preferred stock (ARPS) securities are considered after-tax amounts as the previous impairment losses on these securities were also not tax-effected. This was due to a deferred tax valuation allowance that was originally booked on the ARPS impairment losses. Sales of these ARPS at current values would generate after-tax gains to the Company.

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. 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

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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 June 30, 2010 are primarily caused by interest rate fluctuations, credit spread widening and reduced liquidity in applicable markets. The Company has reviewed securities on which there is an unrealized loss in accordance with its accounting policy for OTTI described above and recorded impairment charges totaling $1.1 million and $1.7 million for the three months ended June 30, 2010 and 2009, and $1.2 million and $40.1 million for the six months ended June 30, 2010 and 2009, respectively. The impairment charge for 2010 is attributed to the Company s collateralized debt obligations (CDO s). For the first six months of 2009, the impairment charges included $36.4 million related to impairment losses in the Company s ARPS and $2.0 million related to the Company s collateralized mortgage obligation (CMO) portfolio.

The Company does not consider any other securities to be other-than-temporarily impaired as of June 30, 2010 and December 31, 2009. 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.

Information pertaining to securities with gross unrealized losses at June 30, 2010 and December 31, 2009, aggregated by investment category and length of time that individual securities have been in a continuous loss position follows:

	June 30, 2010			
	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(in thousands)			
Securities available for sale				
U.S Government-sponsered agency	$ 139	$ 20,361	$	$
Municipal obligations	1	216		
Direct obligation and GSE residential mortgage-backed securities	330	27,989	122	13,352
Private label residential mortgage-backed securities			2,197	10,264
Adjustable-rate preferred stock	150	5,652		
Trust preferred securities			8,192	23,886
Corporate debt securities				
	$ 620	$ 54,218	$ 10,511	$ 47,502

There were no held to maturity securities in an unrealized loss position at June 30, 2010.

	December 31, 2009			
	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(in thousands)			
Securities held to maturity				
Collateralized debt obligations	$ 663	$ 724	$ 221	$
	$ 663	$ 724	$ 221	$

	December 31, 2009			
	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(in thousands)			
Securities available for sale				
Direct obligation and GSE residential mortgage-backed securities	$ 3,946	$ 285,044	$ 303	$ 23,847
Municipal obligations	10	207		
Private label residential mortgage-backed securities			2,573	11,301
Trust preferred securities	594	51,110	10,048	22,050
Other	53	13,197		
	$ 4,603	$ 349,558	$ 12,924	$ 57,198

At June 30, 2010 and December 31, 2009, 16 and 64 debt securities (excluding adjustable rate preferred stock, debt obligations and other structured securities), respectively, have unrealized losses with aggregate depreciation of approximately 3.9% and 2.1%, respectively, from the Company s amortized cost basis. These unrealized losses relate primarily to fluctuations in the current interest rate environment. 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.

At June 30, 2010 and December 31, 2009, two investments in trust preferred securities have unrealized losses with aggregate depreciation of approximately 34.3% and 31.3%, respectively, from the Company s amortized cost basis. At June 30, 2010 the combined net unrealized loss on trust preferred securities classified as available-for sale (AFS) was $8.2 million, compared with $10.0 million at December 31, 2009. The Company is actively monitoring its debt and other structured securities portfolios classified as AFS for declines in fair value. These unrealized losses relate primarily to fluctuations in the current interest rate environment, and specifically to the widening of credit spreads on virtually all corporate and structured debt, which began in 2007. The Company has the intent and ability to hold trust preferred securities for the foreseeable future, none were deemed to be OTTI.

The amortized cost and fair value of securities as of June 30, 2010 and December 31, 2009, by contractual maturities, are shown below. The actual maturities of the mortgage-backed securities may differ from their contractual maturities because the loans underlying the securities may be repaid without any penalties. 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.

	June 30, 2010		December 31, 2009	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
		(in thousands)		
Securities held to maturity				
Due in one year or less	$ 940	$ 940	$ 2,029	$ 2,029
Due after one year through five years	645	645	648	648
Due after five years through ten years	732	732	1,387	1,387
Due after ten years	793	793	2,462	1,918
Other	1,500	1,500	1,500	1,500
	$ 4,610	$ 4,610	$ 8,026	$ 7,482
Securities available for sale				
Due in one year or less	$ 1,684	$ 1,610	$	$
Due after one year through five years	5,818	5,851	71,695	71,206
Due after five years through ten years	224,655	225,862	56	57
Due after ten years	72,252	66,295	40,176	40,589
Mortgage backed securities	473,443	481,272	613,136	617,057
Other	16,996	17,394	15,720	15,689
	$ 794,848	$ 798,284	$ 740,783	$ 744,598

The following table summarizes the Company s investment ratings position as of June 30, 2010:

	As of June 30, 2010					
	Investment- grade (1)			Noninvestment-grade (1)		
	AAA	AA+ to AA-	A+ to A-	BBB+ to BBBB+ and below		Totals
Municipal obligations	$ 1,050	$ 1,585	$	$	$	$ 2,635
Direct & GSE residential mortgage-backed securities	517,925					517,925
Private label residential mortgage-backed securities	8,823				2,871	11,694
U.S Government-sponsered agency	253,453					253,453
Adjustable-rate preferred stock			9,506		4,742	14,248
Collateralized debt obligations					288	288
Trust preferred securities			22,500	1,386		23,886
Total (2)	$ 781,251	$ 1,585	$ 32,006	$ 1,386	$ 7,901	$ 824,129

(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 June 30, 2010. Unrated securities consist of CRA investments with a carrying value of $17.4 million, municipals of $0.9 million, and an other investment of $1.5 million.

The following table summarizes the Company s investment ratings position as of December 31, 2009.

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	Securities ratings profile As of December 31, 2009					
	Investment- grade (1)				Noninvestment-grade (1)	
	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ and below	Totals
	(in thousands)					
Municipal obligations	$ 1,047	$ 2,392	$	$	$	$ 3,439
Direct & GSE residential mortgage-backed securities	657,552					657,552
Private label residential mortgage- backed securities	10,355				7,820	18,175
Adjustable-rate preferred stock					18,296	18,296
CDOs & trust preferred securities			20,700	1,350	919	22,969
FDIC guaranteed corporate bonds	71,190					71,190
Total (2)	$ 740,144	$ 2,392	$ 20,700	$ 1,350	$ 27,035	$ 791,621

(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, 2009. Unrated securities consist of CRA investments with a carrying value of

$15.7 million, municipals of $1.9 million and an other investment of $1.5 million.

Securities with carrying amounts of approximately $370.9 million and $491.9 million at June 30, 2010 and December 31, 2009 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 June 30, 2010 and December 31, 2009 is as follows:

	June 30, 2010	**December 31, 2009**
	(in thousands)	
Construction and land development	**$ 532,409**	$ 623,198
Commercial real estate owner occupied	**1,234,082**	1,091,363
Commercial real estate non-owner occupied	**925,976**	933,261
Residential real estate	**536,061**	568,319
Commercial and industrial	**677,388**	685,089
Commercial leases	**155,427**	117,104
Consumer	**74,604**	80,300
Deferred fees and unearned income net	**(5,997)**	(18,995)
	4,129,950	4,079,639
Allowance for credit losses	**(110,012)**	(108,623)
Total loans, net	**$ 4,019,938**	$ 3,971,016

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

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	June 30, 2010	December 31, 2009
	(in thousands)	
Impaired loans with a specific valuation allowance under ASC 310	**$ 31,868**	$ 51,718
Impaired loans without a specific valuation allowance under ASC 310	**186,492**	181,754
Total impaired loans	**$ 218,360**	$ 233,472
Valuation allowance related to impaired loans	**$ (10,287)**	$ (13,383)

Total impaired loans were $218.4 million at June 30, 2010, a net decrease of $15.1 million from December 31, 2009. This decrease is most attributed to decreased impaired construction and land loans, which were $61.5 million at June 30, 2010 compared to $89.3 at December 31, 2009 a decrease of $27.8 million, and commercial and industrial which decreased by $6.8 million. Impaired commercial real estate loan and impaired residential real loans increased by $12.6 million and $6.5 million, respectively, from $85.4 million and $39.6 million at December 31, 2009, respectively to $98.0 million and $46.1 million at June 30, 2010 respectively.

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 June 30, 2010 and December 31, 2009.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(in thousands)			
Average investment in impaired loans for the period	**$222,697**	$206,627	**$223,185**	$196,651
Interest recognized during the period for impaired loans	**$ 1,410**	$ 1,618	**$ 2,138**	$ 3,702

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

The following table summarizes nonperforming assets:

	June 30, 2010	December 31, 2009
	(in thousands)	
Nonaccrual loans	**$ 134,264**	$ 153,702
Loans past due 90 days or more on accrual status	**8,233**	5,538
Troubled debt restructured loans (accruing)	**70,303**	46,480
Total nonperforming loans	**212,800**	205,719
Foreclosed collateral	**104,365**	83,347
Total nonperforming assets	**$ 317,165**	$ 289,066

Allowance for Credit Losses

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
	(in thousands)			
Balance, beginning	**$ 112,724**	$ 77,184	**$ 108,623**	$ 74,827
Provision for credit losses	**23,115**	37,573	**51,862**	57,557
Recoveries of amounts charged off	**3,490**	952	**5,457**	1,402
Charge-offs	**(29,317)**	(31,566)	**(55,930)**	(49,643)
Balance, ending	**$ 110,012**	$ 84,143	**$ 110,012**	$ 84,143

6. OTHER ASSETS ACQUIRED THROUGH FORECLOSURE

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(in thousands)			
Balance, beginning of period	$ 105,637	$ 16,455	$ 83,347	$ 14,545
Additions	15,349	32,183	48,303	41,246
Dispositions	(4,319)	(2,378)	(14,210)	(5,147)
Valuation adjustments in the period, net	(12,302)	(4,113)	(13,075)	(8,497)
Balance, end of period	$ 104,365	$ 42,147	$ 104,365	$ 42,147

At June 30, 2010 and 2009, the majority of the Company s repossessed assets were properties located in Nevada.

7. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill is created when a company acquires a business. When a business is acquired, the purchased assets and liabilities are recorded at fair value and intangible assets are identified. Excess consideration paid to acquire a business over the fair value of the net assets is recorded as goodwill. The Company s annual goodwill impairment testing is October 1.

During the first quarter 2009, as a result of the significant decline in the Company s stock price and depressed economic conditions among financial institutions in general, the Company determined that it was necessary to perform an interim test for goodwill impairment. As a result of the March 31, 2009 goodwill impairment test, the Company determined that the Bank of Nevada reporting unit was impaired by $45.0 million. The Company determined that there was no triggering event or other factor to indicate an interim test of goodwill impairment for the first and second quarters of 2010 was necessary.

The goodwill impairment charges had no effect on the Company s cash balances or liquidity. In addition, because goodwill is not included in the calculation of regulatory capital, the Company s regulatory ratios were not affected by this non-cash expense. No assurance can be given that goodwill will not be further impaired in future periods.

8. INCOME TAXES

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

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	**2009**
	(in thousands)			
Income tax at statutory rate	**$ 644**	$ (7,524)	**$ 559**	$ (38,366)
Increase (decrease) resulting from:				
State income taxes, net of federal benefits	**(136)**	(35)	**(426)**	(623)
Dividends received deductions	**(22)**	(115)	**(105)**	(279)
Bank-owned life insurance	**(273)**	(152)	**(525)**	(332)
Tax-exempt income	**(74)**	(101)	**(150)**	(195)
Nondeductible expenses	**89**	80	**184**	186
Nondeductible goodwill impairment				15,750
Deferred tax asset valuation allowance	**(1,076)**	(2,340)	**(2,033)**	10,171
Restricted stock write off	**148**	1,269	**565**	1,269
Other, net	**510**	491	**180**	948
	$ (190)	$ (8,427)	**$ (1,751)**	$ (11,471)

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 six months ended June 30, 2010, the net deferred tax assets decreased $0.9 million to $68.1 million. This decrease was primarily the result of the limited amount of operating income in the current year.

9. COMMITMENTS AND CONTINGENCIES

Unfunded Commitments and Letters of Credit

The Company is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. They involve, to varying degrees, elements of credit risk in excess of amounts recognized in the consolidated balance sheets.

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

	June 30, 2010	December 31, 2009
	(in thousands)	
Commitments to extend credit, including unsecured loan commitments of $139,257 at June 30, 2010 and $110,491 at December 31, 2009	**$ 649,436**	$ 682,870
Credit card commitments and financial guarantees	**317,589**	305,903

Standby letters of credit, including unsecured letters of credit of $4,024 at June 30, 2010 and $3,826 at December 31, 2009	**28,486**	38,891
	$ 995,511	$ 1,027,664

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

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require payment of a fee. 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 $0.3 million as of June 30, 2010 and December 31, 2009, 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 June 30, 2010 and December 31, 2009, commercial real estate related loans which include construction and land accounted for approximately 65% of total loans, and approximately 3% and 5% of commercial real estate loans, respectively, 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 57% and 54% of total commercial real estate loans were owner occupied at June 30, 2010 and December 31, 2009, respectively. In addition, approximately 4% of total loans were unsecured as of June 30, 2010 and December 31, 2009, respectively.

Contingencies

The Company is involved in various lawsuits of a routine nature that are being handled and defended in the ordinary course of the Company s business. Expenses are being incurred in connection with 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 $1.3 million is included in occupancy expenses for the three month periods ended June 30, 2010 and 2009, and $2.5 million and $2.7 million for the six month periods ended June 30, 2010 and 2009, respectively.

10. 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 following instruments:

- Junior subordinated debt;
- All investment securities previously classified as held to maturity, with the exception of tax-advantaged municipal bonds; and
- All fixed-rate securities previously classified as available for sale.

The Company continues to account for these items under the fair value option. There were no financial instruments purchased by the Company in 2010 and 2009 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.
For the three and six months ended June 30, 2010 and 2009, gains and losses from fair value changes included in the Consolidated Statement of Operations were as follows:

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Description	Changes in Fair Values for Items Measured at Fair Value Pursuant to Election of the Fair Value Option			
	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 June 30, 2010				
Securities measured at fair value	$ 253	$ 80	$	$ 333
Junior subordinated debt	5,997		277	5,720
	$ 6,250	$ 80	$ 277	$ 6,053
Six Months Ended June 30, 2010				
Securities measured at fair value	$ 436	$ 267	$	$ 703
Junior subordinated debt	6,115		533	5,582
	$ 6,551	$ 267	$ 533	$ 6,285

Description	Changes in Fair Values for Items Measured at Fair Value Pursuant to Election of the Fair Value Option			
	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 June 30, 2009				
Securities measured at fair value	$ (705)	$ 202	$	$ (503)
Junior subordinated debt	256		232	24
	$ (449)	$ 202	$ 232	$ (479)
Six Months Ended June 30, 2009				
Securities measured at fair value	$ 3,395	$ 238	$	$ 3,633
Junior subordinated debt	227		463	(236)
	$ 3,622	$ 238	$ 463	$ 3,397

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 June 30, 2010.

Interest income on securities measured at fair value is accounted for similarly to those classified as available-for-sale and held-to-maturity. As of January 1, 2007, a discount or premium was calculated for each security based upon the difference between the par value and the fair value at that date. These premiums and 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 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 is 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 based 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 6.98%, which is a 645 basis point spread over 3 month LIBOR (0.53% as of June 30, 2010).

The fair value of these assets and liabilities were determined using the following inputs at June 30, 2010 and December 31, 2009:

	Fair Value Measurements at Reporting Date Using:			
June 30, 2010	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Fair Value**
Assets:				
Securities measured at fair value				
U.S. Government-sponsored agency securities	$	$ 2,551	$	$ 2,551
Direct obligation & GSE residential mortgage-backed		36,652		36,652
Private label residential mortgage-backed securities		1,429		1,429
	$	$ 40,632	$	$ 40,632
Securities available for sale				
U.S. Government-sponsored agency securities	$	$ 250,902	$	$ 250,902
Municipal Obligations		318		318
Direct obligation & GSE residential mortgage-backed		481,272		481,272
Private label residential mortgage-backed securities		10,264		10,264

Adjustable-rate preferred stock	14,248			14,248
Trust preferred	23,886			23,886
Other	17,394			17,394
	$ 55,528	$ 742,756	$	$ 798,284
Interest rate swaps	$	$ 1,636	$	$ 1,636

	(Level 1)	**(Level 2)**	**(Level 3)**	**Fair Value**
Liabilities:				
Junior subordinated debt	$	$	$ 36,323	$ 36,323
Interest rate swaps	$	$ 1,636	$	$ 1,636

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		Fair Value Measurements at Reporting Date Using:		
Description	As of December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Active Markets for Similar Assets (Level 2)	Unobservable Inputs (Level 3)
Assets:				
Securities available for sale	$ 744,598	$ 111,536	$ 633,062	$
Securities measured at fair value	58,670		58,670	
Interest rate swaps	1,139		1,139	
Total	$ 804,407	$ 111,536	$ 692,871	$
Liabilities:				
Junior subordinated debt	$ 42,438	$	$	$ 42,438
Interest rate swaps	1,139		1,139	
Total	$ 43,577	$	$ 1,139	$ 42,438

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Securities AFS	Securities Measured at Fair Value	Junior Subordinated Debt	Fixed-Rate Term Borrowings
			(in thousands)	
Beginning balance January 1, 2010	$	$	$ (42,438)	$
Total gains (losses) (realized/unrealized)				
Included in earnings			6,115	
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 June 30, 2010	$	$	$ (36,323)	$
The amount of total 2010 gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held at the reporting date	$	$	$ 6,115	$

The amount of total 2009 gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held at the reporting date	$	$	$ 690	$ 1,515

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 as of June 30, 2010:

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Active Markets for Similar Assets (Level 2)	Unobservable Inputs (Level 3)
		(in thousands)		
As of June 30, 2010:				
Impaired loans with a specific valuation allowance	$ 21,581	$	$	$ 21,581
Impaired loans without specific valuation allowance	131,122			131,122
Goodwill valuation of reporting units	25,925			25,925
Other assets acquired through foreclosure	104,365			104,365
Collateralized debt obligations	793			793

The following table presents such assets carried on the balance sheet by caption and by level within the ASC 825 hierarchy as of December 31, 2009:

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Active Markets for Similar Assets (Level 2)	Unobservable Inputs (Level 3)
		(in thousands)		
As of December 31, 2009:				
Impaired loans with specific valuation allowance	$38,335	$	$	$38,335
Impaired loans without specific valuation allowance	80,594			80,594
Goodwill valuation of reporting units	25,925			25,925
Other assets acquired through foreclosure	83,347			83,347
Collateralized debt obligations	918			918

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, 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 $31.9 million and specific reserves in the allowance for loan losses of $10.3 million as June 30, 2010.

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, 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 (primarily repossessed assets formerly leased) are classified as other assets acquired through foreclosure and other repossessed property and are initially reported at the fair value using appraised value, less cost to sell. 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 $104.4 million of such assets at June 30, 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.

Collateralized debt obligations: The Company previously wrote down its trust-preferred CDO portfolio to $0.8 million when it determined these CDOs were other-than-temporarily impaired under generally accepted accounting principles due to the continued expected weakness of the U.S. economy, the decline in the market value of these CDOs, credit rating

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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. The $0.8 million CDO carrying value approximates market value.

Credit vs. non-credit losses

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

As part of this adoption, the Company applied the criteria of ASC 320 in the determination of the amount of credit and other losses applicable to debt instruments held in its available-for-sale and held-to-maturity investment portfolios. The Company utilized a valuation specialist to evaluate and assist the Company in the determination of the amount and class of losses in its collateralized mortgage and collateralized debt obligation portfolios. In connection with this valuation, the Company evaluated significant inputs such as default rates, delinquency rates, collateral value ratios, subordination levels, vintage, geographic concentration and credit ratings of the securities in question.

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.

The following table provides the impact of adoption of ASC 320 on the Company s balance sheet as of January 1, 2009:

	Unrealized Non-Credit Losses Prior to Adoption	Cumulative Effect Adjustment	Unrealized Non-Credit Losses After Adoption
		(in thousands)	
Unrealized non-credit impairment losses on held-to-maturity securities	$	$ 4,705	$ 4,705
Unrealized non-credit impairment losses on available-for-sale securities		2,831	2,831
Pre-tax cumulative effect adjustment		7,536	
Reversal of tax effect		(2,688)	
Cumulative effect adjustment, net		$ 4,848	

For the three and six months ended June 30, 2010, the Company determined that certain collateralized mortgage debt securities contained credit losses. The impairment credit loss related to these debt securities for the three and six months ended June 30, 2010 was $1.1 million and $1.2 million, respectively.

The following table presents a rollforward of the amount related to impairment credit losses recognized in earnings for the six months ended June 30, 2010 and 2009:

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Debt Security Credit Losses
Recognized in Other Comprehensive Income/Earnings
For the Six Months Ended June 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-than 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)

Debt Security Credit Losses
Recognized in Other Comprehensive Income/Earnings
For the Six Months Ended June 30, 2009

	Debt Obligations and Structured Securities	Private Label Mortgage-Backed Securities
Beginning balance of impairment losses held in other comprehensive income	$ 4,705	$ 2,831
Current period other-than temporary impairment credit losses recognized through earnings	(1,674)	2,047
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	$ 3,031	$ 4,878

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	June 30, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and due from banks	**$ 105,102**	**$ 105,102**	$ 116,841	$ 116,841
Federal funds sold	**31**	**31**	3,473	3,473
Money market investments	**5,063**	**5,063**	54,029	54,029
Investment securities-measured at fair value	**40,632**	**40,632**	58,670	58,670
Investment securities-available-for-sale	**798,284**	**798,284**	744,598	744,598
Investment securities held-to-maturity	**4,610**	**4,610**	7,482	7,482
Derivatives	**1,636**	**1,636**	1,139	1,139
Restricted stock	**40,418**	**40,418**	41,378	41,378
Loans, net	**4,019,938**	**3,804,858**	3,971,015	3,654,227
Accrued interest receivable	**17,584**	**17,584**	18,742	18,742
Financial liabilities:				
Deposits	**5,230,084**	**5,237,605**	4,722,102	4,731,827
Accrued interest payable	**5,951**	**5,951**	4,179	4,179
Customer repurchases	**87,131**	**87,131**	223,269	223,269
Other borrowed funds			29,352	29,352
Junior subordinated debt	**36,323**	**36,323**	42,438	42,438
Subordinated debt			60,000	60,000
Derivatives	**1,636**	**1,636**	1,139	1,139

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.

Each of the Company s subsidiary banks have an Asset Liability Management Committee (ALCO) 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.

Fair value of commitments

The estimated fair value of the standby letters of credit at June 30, 2010 and December 31, 2009 is insignificant. Loan commitments on which the committed interest rate is less than the current market rate are also insignificant at June 30, 2010 and December 31, 2009.

12. SEGMENTS

The Company is segmented as Nevada (Bank of Nevada and First Independent Bank of Nevada), Arizona (Alliance Bank of Arizona), California (Torrey Pines Bank and Alta Alliance Bank), Asset Management (Premier Trust and Shine), and Other (Western Alliance Bancorporation holding company, Western Alliance Equipment Finance and miscellaneous).

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* in the Company s 2009 Annual Report on Form 10-K. Transactions

between segments consist primarily of borrowed funds, loan participations and shared services expense. Federal funds purchased and sold and other borrowed funding transactions that resulted in inter-segment profits were eliminated for

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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.

The following is a summary of selected operating segment information as of and for the periods ended June 30, 2010, and 2009:

Western Alliance Bancorporation and Subsidiaries
Operating Segment Results
Unaudited

	Nevada	California	Arizona	Asset Management	Other	Inter-segment Elimi-nations	Consoli-dated Company
				(in millions)			
At June 30, 2010							
Assets	$ 3,326.5	$ 1,265.0	$ 1,361.8	$ 5.7	$ 613.3	$ (612.8)	$ 5,959.5
Gross loans and deferred fees	2,355.2	980.7	837.1			(43.0)	4,130.0
Less: Allowance for credit losses	(75.9)	(16.9)	(17.2)				(110.0)
Net loans	2,279.3	963.8	819.9			(43.0)	4,020.0
Goodwill	23.2			2.7			25.9
Deposits	2,910.9	1,092.4	1,231.0			(4.2)	5,230.1
Stockholders equity	339.6	130.9	86.9	5.4	575.6	(562.5)	575.9
No. of branches	19	9	10				38
No. of FTE	534	207	147	25	48		961
Three Months Ended June 30, 2010:							
				(in thousands)			
Net interest income	$ 31,370	$ 15,257	$ 11,253	$ 2	$ (426)	$	$ 57,456
Provision for credit losses	19,288	2,827	1,000				23,115
Net interest income (loss) after provision for credit losses	12,082	12,430	10,253	2	(426)		34,341
Non-interest income	6,497	1,393	2,012	1,182	6,294	3,382	20,760
Non-interest expense	(33,678)	(9,413)	(7,883)	(1,003)	(3,000)	1,715	(53,262)
Income (loss) from continuing operations before income taxes	(15,099)	4,410	4,382	181	2,868	5,097	1,839
Income tax expense (benefit)	(5,470)	1,841	1,720	78	1,641		(190)
Income(loss) from continuing operations	(9,629)	2,569	2,662	103	1,227	5,097	2,029
Loss from discontinued operations, net					(802)		(802)
Net income (loss)	$ (9,629)	$ 2,569	$ 2,662	$ 103	$ 425	$ 5,097	$ 1,227

Six Months Ended June 30, 2010:

				(in thousands)			
Net interest income	$ 62,349	$ 29,571	$ 20,817	$ 4	$ (567)	$	$ 112,174
Provision for credit losses	43,277	5,552	3,033		0		51,862
Net interest income (loss) after provision for credit losses	19,072	24,019	17,784	4	(567)		60,312
Non-interest income	14,722	2,298	3,616	2,398	8,521	3,834	35,389
Non-interest expense	(53,014)	(20,789)	(15,478)	(1,945)	(6,301)	3,424	(94,103)
Income (loss) from continuing operations before income taxes	(19,220)	5,528	5,922	457	1,653	7,258	1,598
Income tax expense (benefit)	(6,895)	2,471	2,423	210	40		(1,751)
Income(loss) from continuing operations	(12,325)	3,057	3,499	247	1,613	7,258	3,349
Loss from discontinued operations, net					(1,737)		(1,737)
Net income (loss)	$ (12,325)	$ 3,057	$ 3,499	$ 247	$ (124)	$ 7,258	$ 1,612

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Western Alliance Bancorporation and Subsidiaries
Operating Segment Results
Unaudited

	Nevada	California	Arizona	Asset Management	Other	Inter-segment Elimi-nations	Consoli-dated Company
				(in millions)			
At June 30, 2009							
Assets	$ 3,418.6	$ 1,199.5	$ 964.4	$ 19.5	$ 192.2	$ (92.7)	$ 5,701.5
Gross loans and deferred fees	2,573.7	810.0	688.2			(43.0)	4,028.9
Less: Allowance for credit losses	(60.4)	(10.3)	(13.4)				(84.1)
Net loans	2,513.3	799.7	674.8			(43.0)	3,944.8
Goodwill	23.2			10.7			33.9
Deposits	2,550.0	1,046.4	804.0			(8.2)	4,392.2
Stockholders equity	283.5	100.4	74.5	17.3	152.7	(6.8)	621.6
No. of branches	21	9	11				41
No. of FTE	624	217	149	45	41		1,076
Three Months Ended June 30, 2009							
				(in thousands)			
Net interest income	$ 31,621	$ 11,169	$ 8,637	$ 16	$ (642)	$	$ 50,801
Provision for credit losses	33,889	952	2,732				37,573
Net interest income after provision for credit losses	(2,268)	10,217	5,905	16	(642)		13,228
Non-interest income	15,439	4,778	1,943	2,370	5,023	(14,106)	15,447
Goodwill impairment charge							
Non-interest expense	(28,968)	(12,246)	(9,239)	(2,095)	(768)	3,143	(50,173)
Loss from continuing operations before income taxes	(15,797)	2,749	(1,391)	291	3,613	(10,963)	(21,498)
Income tax expense (benefit)	(12,827)	(1,603)	(821)	157	(192)	6,859	(8,427)
Income(loss) from continuing operations	(2,970)	4,352	(570)	134	3,805	(17,822)	(13,071)
Loss from discontinued operations, net					(1,066)		(1,066)
Net income (loss)	$ (2,970)	$ 4,352	$ (570)	$ 134	$ 2,739	$ (17,822)	$ (14,137)
Six Months Ended June 30, 2009							
				(in thousands)			
Net interest income	$ 64,268	$ 22,345	$ 16,365	$ 31	$ (1,478)	$	$ 101,531
Provision for credit losses	44,649	4,693	8,215				57,557

Net interest income after provision for credit losses	19,619	17,652	8,150	31	(1,478)		43,974
Non-interest income	(337)	2,395	2,750	4,614	(283)	(21,520)	(12,381)
Goodwill impairment charge	(45,000)						(45,000)
Non-interest expense	(52,770)	(21,211)	(18,170)	(4,313)	(3,846)	4,101	(96,209)
Loss from continuing operations before income taxes	(78,488)	(1,164)	(7,270)	332	(5,607)	(17,419)	(109,616)
Income tax expense (benefit)	(11,381)	(64)	(2,728)	242	(2,139)	4,599	(11,471)
Income(loss) from continuing operations	(67,107)	(1,100)	(4,542)	90	(3,468)	(22,018)	(98,145)
Loss from discontinued operations, net					(2,434)		(2,434)
Net income (loss)	$(67,107)	$ (1,100)	$ (4,542)	$ 90	$(5,902)	$(22,018)	$(100,579)

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13. STOCKHOLDERS EQUITY

Stock-based Compensation

For the six months ended June 30, 2010, 111,000 stock options with a weighted average exercise price of $5.21 per share 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 $3.12 per share. These stock options generally have a vesting period of 4 years and a contractual life of 7 years.

As of June 30, 2010, there were 2.8 million options outstanding, compared with 2.9 million at June 30, 2009.

For the three and six months ended June 30, 2010, the Company recognized stock-based compensation expense related to stock option grants of $0.4 million and $1.0 million, respectively compared to $0.6 million and $1.2 million for the three and six months ended June 30, 2009.

For the three and six months ended June 30, 2010, 95,317 and 556,713 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 six month periods ended June 30, 2010 was $0.6 million and $3.0 million, respectively.

There were approximately 1,073,679 and 774,000 restricted shares outstanding at June 30, 2010 and 2009, respectively. For the three and six months ended June 30, 2010, the Company recognized stock-based compensation related to restricted stock grants of $1.1 million and $2.2 million, respectively compared to $1.5 million and $3.2 million respectively, for the three and six months ended June 30, 2009 related to the Company s restricted stock plan.

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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, 2009 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, us, 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, we disclaim 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:

- the decline in economic conditions and disruptions to the financial markets and economic conditions generally;
- recent legislative and regulatory initiatives and the rules and regulations that might be promulgated thereunder;
- the soundness of other financial institutions with which we do business;
- our ability to raise capital, attract deposits and our ability to borrow from the FHLB and the Federal Reserve;
- the effect of fair value accounting on the financial instruments that we hold;
- the possibility of asset, including goodwill, write-downs;
- defaults on our loan portfolio;
- changes in management s estimate of the adequacy of the allowance for credit losses;
- our ability to recruit and retain qualified employees, especially seasoned relationship bankers;
- inflation, interest rate, market and monetary fluctuations;
- changes in gaming or tourism in Las Vegas, Nevada, our primary market area;
- risks associated with the execution of our business strategy and related costs;

increased lending risks associated with our concentration of commercial real estate, construction and land development and commercial and industrial loans;

supervisory actions by regulatory agencies which limit our ability to pursue certain growth opportunities;

competitive pressures among financial institutions and businesses offering similar products and services;

the effects of interest rates and interest rate policy; and

other factors affecting the financial services industry generally or the banking industry in particular.

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, 2009 and Item 1A of part II of this Quarterly Report on Form 10-Q.

Financial Overview and Highlights

Western Alliance Bancorporation is a multi-bank holding company headquartered in Las Vegas, Nevada that provides full service banking, trust and investment advisory services and lending through its subsidiaries.

Net loss for the Company of $1.2 million or ($0.02) loss per diluted share for the quarter ended June 30, 2010 compared to a net loss of $14.1 million or ($0.31) loss per diluted share for the second quarter of 2009.

The significant factors impacting earnings of the Company during the second quarter of 2010 were:

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- Record net interest income of $57.5 million for the second quarter 2010, up 13.2% from $50.8 million for the second quarter 2009
- Net interest margin increased to 4.16% for the second quarter 2010 compared to 4.12% for second quarter 2009
- The provision for credit losses declined to $23.1 million for the second quarter 2010 compared to $37.6 million for the second quarter 2009
- A slight increase in loans to $4.13 billion from $4.08 billion at December 31, 2009 and $4.03 billion at June 30, 2009, respectively
- A continued decrease in nonaccrual loans to $134.3 million at June 30, 2010 from $153.7 million at December 31, 2009
- Net increase in repossessed assets to $104.4 million at June 30, 2010 from $83.3 million at December 31, 2009

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 six months ended June 30, 2010 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:

	At or for the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2010	2009	Change %	2010	2009	Change %
	(dollars in millions)					
Selected Balance Sheet Data:						
Total assets	$ 5,959.5	$ 5,701.5	4.5%			
Loans, net of deferred fees	4,130.0	4,028.9	2.5			
Securities and money market investments	848.6	725.7	16.9			
Federal funds sold and other		20.3	(100.0)			
Customer funds	5,317.3	4,692.6	13.3			
Borrowings		254.4	(100.0)			
Junior subordinated and subordinated debt	36.3	102.3	(64.5)			
Stockholders equity	575.9	621.6	(7.4)			
Selected Income Statement Data:						
			(dollars in thousands)			
Interest income	$ 70,000	$ 70,296	(0.4)%	$ 138,734	$ 140,464	(1.2)%
Interest expense	12,544	19,495	(35.7)	26,560	38,933	(31.8)
Net interest income	57,456	50,801	13.1	112,174	101,531	10.5
Provision for loan losses	23,115	37,573	(38.5)	51,862	57,557	(9.9)
Net interest income after provision for credit losses	34,341	13,228	159.6	60,312	43,974	37.2
Non-interest income	20,760	15,447	34.4	35,389	(12,381)	(385.8)
Non-interest expense	53,262	50,173	6.2	94,103	141,209	(33.4)
Income (loss) from continuing operations before income taxes	1,839	(21,498)	(108.6)	1,598	(109,616)	(101.5)
Income tax benefit	(190)	(8,427)	(97.7)	(1,751)	(11,471)	(84.7)
Income (loss) from continuing operations	2,029	(13,071)	(115.5)	3,349	(98,145)	(103.4)
Loss on discontinued operations, net	(802)	(1,066)	(24.8)	(1,737)	(2,434)	(28.6)
Net income (loss)	$ 1,227	$ (14,137)	(108.7)%	$ 1,612	$ (100,579)	(101.6)%
Intangible asset amortization, net of tax	$ 590	$ 614	(4.0)%	$ 1,178	$ 1,229	(4.1)%
Basic and diluted:						
Net loss from continuing operations	$ (0.01)	$ (0.29)		$ (0.02)	$ (2.25)	
	$ (0.01)	$ (0.02)		$ (0.02)	$ (0.05)	

Net loss from discontinued operations, net of tax									
Net loss per common share	$	(0.02)	$	(0.31)	(93.5)%	$	(0.05)	$	(2.31)	(98.0)%

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	At or For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2010	**2009**	**Change %**	**2010**	**2009**	**Change %**
Common Share Data:						
Basic net income (loss) per share	**$ (0.02)**	$ (0.31)	(93.5)%	**$ (0.05)**	$ (2.31)	(98.0)%
Diluted net income (loss) per share	**(0.02)**	(0.31)	(93.5)	**(0.05)**	(2.31)	(98.0)
Book value per common share	**6.09**	6.83	(10.9)			
Average shares outstanding (in thousands):						
Basic	**72,160**	53,252	35.5	**72,063**	45,716	57.6
Diluted	**72,160**	53,252	35.5	**72,063**	45,716	57.6
Common shares outstanding	**73,344**	72,435	1.3			
Selected Performance Ratios:						
Return on average assets	**0.08%**	(1.07)%	(107.5)%	**0.04%**	(3.81)%	(101.0)%
Return on average stockholders equity	**0.84**	(10.94)	(107.7)	**0.39**	(40.33)	(101.0)
Average equity to average assets	**9.66**	9.74	(0.8)	**10.05**	9.46	6.2
Net interest margin (1)	**4.16**	4.12	1.0	**4.16**	4.24	(1.9)
Net interest spread	**3.84**	3.64	5.5	**3.84**	3.80	1.1
Loan to deposit ratio	**78.96**	91.73	(13.9)			

	At or For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2010	**2009**	**Change %**	**2010**	**2009**	**Change %**
Selected Capital Ratios:						
Tier 1 Leverage ratio	**9.1**	11.5	(20.9)			
Tier 1 Risk Based Capital	**11.7**	13.2	(11.4)			
Total Risk Based Capital	**13.0**	15.8	(17.7)			
Selected Asset Quality Ratios:						
Net charge-offs to average loans outstanding (annualized)	**2.53%**	3.00%	(15.7)%	**2.48%**	2.36%	5.2%
Nonaccrual loans to gross loans	**3.25**	2.89	12.5			
Nonaccrual loans and repossessed assets to total	**4.00**	2.78	43.9			

assets			
Loans past due 90 days and still accruing to total loans	**0.20**	0.90	(77.8)
Allowance for credit losses to gross loans	**2.66**	2.09	27.4
Allowance for credit losses to nonaccrual loans	**81.94**	72.30	13.3

(1) Net interest margin represents net interest income as a percentage of average interest

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 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.

Asset Quality

For 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. As of June 30, 2010, impaired loans, including nonaccrual loans, were $218.4 million compared to $212.6 million at June 30, 2009. Nonaccrual

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loans as a percentage of gross loans as of June 30, 2010 were 3.25% compared to 2.89% as of June 30, 2009. At June 30, 2010 and 2009, nonperforming assets were $317.2 million and $254.7 million, respectively, and were comprised of nonaccrual loans, loans past due 90 days or more and still accruing interest, restructured and impaired loans and foreclosed collateral. For the three and six months ended June 30, 2010, annualized net charge-offs as a percentage of average loans were 2.53% and 2.48%, respectively compared to 3.00% and 2.36%, for the three and six months ended June 30, 2009, respectively.

Asset and Deposit Growth. The ability to originate loans and attract deposits is fundamental to our asset growth. Our assets and liabilities are comprised primarily of loans and deposits, respectively. Total assets at June 30, 2010 increased $257.9 million or 4.5%, to $5.96 billion from $5.70 billion at June 30, 2009. Gross loans increased by $101.1 million or 2.5% as of June 30, 2010 from June 30, 2009. Total deposits increased $837.8 million or 19.1%, to $5.23 billion at June 30, 2010 from $4.39 billion at June 30, 2009.

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, 2009, 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.

Results of Operations

The following table sets forth a summary financial overview for the three and six months ended June 30, 2010 and 2009.

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Increase (Decrease)	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009	Increase (Decrease)
	(in thousands, except per share amounts)					
Consolidated Statement of Operations Data:						
Interest income	**$ 70,000**	$ 70,296	$ (296)	**$ 138,734**	$ 140,464	$ (1,730)
Interest expense	**12,544**	19,495	(6,951)	**26,560**	38,933	(12,373)
Net interest income	**57,456**	50,801	6,655	**112,174**	101,531	10,643
Provision for credit losses	**23,115**	37,573	(14,458)	**51,862**	57,557	(5,695)
Net interest income after provision for credit losses	**34,341**	13,228	21,113	**60,312**	43,974	16,338
Non-interest income	**20,760**	15,447	5,313	**35,389**	(12,381)	47,770
Non-interest expense	**53,262**	50,173	3,089	**94,103**	141,209	(47,106)
Net loss from continuing operations before income taxes	**1,839**	(21,498)	(23,337)	**1,598**	(109,616)	111,214
Income tax benefit	**(190)**	(8,427)	8,237	**(1,751)**	(11,471)	9,720
Income (loss) from continuing operatons	**2,029**	(13,071)	15,100	**3,349**	(98,145)	101,494
	(802)	(1,066)	264	**(1,737)**	(2,434)	697

Loss from discontinued operations						
Net income (loss)	**$ 1,227**	$ (14,137)	$ 15,364	**$ 1,612**	$ (100,579)	$ 102,191
Net loss available to common stockholders	**$ (1,239)**	$ (16,561)	$ 15,322	**$ (3,321)**	$ (105,435)	$ 102,114
Earnings (loss) per share basic	**$ (0.02)**	$ (0.31)	$ 0.29	**$ (0.05)**	$ (2.31)	$ 2.26
Earnings (loss) per share diluted	**$ (0.02)**	$ (0.31)	$ 0.29	**$ (0.05)**	$ (2.31)	$ 2.26

The Company s primary source of income is net interest income. Net interest income for the three and six months ended June 30, 2010 increased by 13.1% and 10.5%, respectively compared to the three and six months ended June 30, 2009. The increase in net interest income was from decreased funding costs primarily decreased interest expense on deposits of $5.3 million for the comparable second quarters and $8.9 million for the six months ended June 30, 2010 compared to 2009.

Net Interest Margin

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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 June 30,					
	2010			2009		
	(in thousands)					
	Average Balance	Interest	Average Yield/Cost (6)	Average Balance	Interest	Average Yield/Cost (6)
Earning Assets						
Securities:						
Taxable	**$ 775,359**	**$ 5,231**	**2.71%**	$ 532,732	$ 6,271	4.72%
Tax-exempt (1)	**32,705**	**96**	**3.00%**	47,316	368	5.57%
Total securities	**808,064**	**5,327**	**2.72%**	580,048	6,639	4.79%
Federal funds sold & other	**22,929**	**51**	**0.89%**	20,548	206	4.02%
Loans (1) (2) (3)	**4,080,004**	**64,201**	**6.31%**	4,083,802	63,268	6.21%
Short term investments	**607,046**	**380**	**0.25%**	247,197	167	0.27%
Investment in restricted stock	**41,018**	**41**	**0.40%**	41,034	16	0.16%
Total earnings assets	**5,559,061**	**70,000**	**5.06%**	4,972,629	70,296	5.69%
Non-Earning Assets						
Cash and due from banks	**110,483**			95,073		
Allowance for loan losses	**(115,359)**			(77,461)		
Bank owned life insurance	**93,499**			90,977		
Other assets	**405,081**			299,451		
Total assets	**$ 6,052,765**			$ 5,380,669		
Interest-Bearing Liabilities						
Sources of Funds						
Interest-bearing deposits:						
Interest checking	**579,587**	**732**	**0.51%**	288,732	835	1.16%
Savings and money market	**1,837,991**	**4,186**	**0.91%**	1,630,134	7,148	1.76%
Time deposits	**1,518,296**	**6,149**	**1.62%**	1,220,587	8,430	2.77%
Total interest-bearing deposits	**3,935,874**	**11,067**	**1.13%**	3,139,453	16,413	2.10%
Short-term borrowings	**126,318**	**483**	**1.53%**	542,386	1,420	1.05%
Long-term debt			**0.00%**	31,297	463	5.93%
Junior sub. & subordinated debt	**75,221**	**994**	**5.30%**	104,005	1,199	4.62%
	4,137,413	**12,544**	**1.22%**	3,817,141	19,495	2.05%

Total interest-bearing liabilities						
Noninterest-Bearing Liabilities						
Noninterest-bearing demand deposits	**1,279,225**			1,013,038		
Other liabilities	**51,518**			26,299		
Stockholders equity	**584,609**			524,191		
Total liabilities and stockholders	**$ 6,052,765**			$ 5,380,669		
Net interest income and margin (4)		**$ 57,456**	**4.16%**		$ 50,801	4.12%
Net interest spread (5)			**3.84%**			3.64%

(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 June 30, 2010 and 2009 were $149 and $289, respectively.

(2) Net loan fees of $1.3 million and $1.2 million are included in the yield computation for the three months ended June 30, 2010 and 2009, 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.

	Six Months Ended June 30,					
	2010			2009		
	(in thousands)					
	Average Balance	Interest	Average Yield/Cost (6)	Average Balance	Interest	Average Yield/Cost (6)
Earning Assets						
Securities:						
Taxable	**$ 782,464**	**$ 11,248**	**2.90%**	$ 518,663	$ 12,496	4.86%
Tax-exempt (1)	**33,254**	**383**	**4.71%**	59,886	1,017	5.74%
Total securities	**815,718**	**11,631**	**2.97%**	578,549	13,513	4.95%
Federal funds sold & other	**27,760**	**104**	**0.76%**	16,373	229	2.82%
Loans (1) (2) (3)	**4,066,836**	**126,368**	**6.27%**	4,085,985	126,521	6.24%
Short term investments	**499,511**	**563**	**0.23%**	137,673	185	0.27%
Investment in restricted stock	**41,197**	**68**	**0.33%**	41,035	16	0.08%
Total earnings assets	**5,451,022**	**138,734**	**5.15%**	4,859,615	140,464	5.86%
Non-Earning Assets						
Cash and due from banks	**103,837**			111,352		
Allowance for loan losses	**(116,513)**			(77,408)		
Bank owned life insurance	**93,132**			90,874		
Other assets	**401,048**			333,694		
Total assets	**$ 5,932,526**			$ 5,318,127		
Interest-Bearing Liabilities						
Sources of Funds						
Interest-bearing deposits:						
Interest checking	**515,138**	**1,515**	**0.59%**	268,635	1,536	1.15%
Savings and money market	**1,811,247**	**8,862**	**0.99%**	1,553,951	14,261	1.85%
Time deposits	**1,500,548**	**12,769**	**1.72%**	1,165,421	16,266	2.81%
Total interest-bearing deposits	**3,826,933**	**23,146**	**1.22%**	2,988,007	32,063	2.16%
Short-term borrowings	**177,610**	**1,216**	**1.38%**	680,298	3,220	0.95%
Long-term debt			**0.00%**	40,329	1,188	5.94%
Junior sub. & subordinated debt	**88,754**	**2,198**	**4.99%**	103,980	2,462	4.77%
Total interest-bearing liabilities	**4,093,297**	**26,560**	**1.31%**	3,812,614	38,933	2.06%
Noninterest-Bearing Liabilities						
	1,215,074			984,357		

Noninterest-bearing demand deposits						
Other liabilities	**38,347**			18,216		
Stockholders equity	**585,808**			502,940		
Total liabilities and stockholders equity	**$ 5,932,526**			$ 5,318,127		
Net interest income and margin (4)		**$ 112,174**	**4.16%**		$ 101,531	4.24%
Net interest spread (5)			**3.84%**			3.80%

(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 six months ended June 30, 2010 and 2009 were $393 and $689, respectively.

(2) Net loan fees of $2.3 million and $2.5 million are included in the yield computation for the six months ended June 30, 2010 and 2009, 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

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 June 30, 2010 compared to 2009 Increase (Decrease) Due to Changes in (1)(2)			Six Months Ended June 30, 2010 v. 2009 Increase (Decrease) Due to Changes in (1)(2)		
	Volume	Rate	Total	Volume	Rate	Total
	(in thousands)					
Interest on securities:						
Taxable	$ 1,639	$ (2,679)	$ (1,040)	$ 3,792	$ (5,040)	$ (1,248)
Tax-exempt	(109)	(163)	(272)	(307)	(327)	(634)
Federal funds sold	5	(160)	(155)	43	(168)	(125)
Loans	(60)	993	933	(595)	442	(153)
Short term investments	224	(11)	213	408	(30)	378
Restricted stock		25	25		52	52
Total interest income	1,699	(1,995)	(296)	3,341	(5,071)	(1,730)
Interest expense:						
Interest checking	370	(473)	(103)	725	(746)	(21)
Savings and money market	472	(3,434)	(2,962)	1,259	(6,658)	(5,399)
Time deposits	1,202	(3,483)	(2,281)	2,852	(6,349)	(3,497)
Short-term borrowings	(1,587)	650	(937)	(3,442)	1,438	(2,004)
Long-term debt		(463)	(463)		(1,188)	(1,188)
Junior subordinated debt	(380)	175	(205)	(377)	113	(264)
Total interest expense	77	(7,028)	(6,951)	1,017	(13,390)	(12,373)
Net increase (decrease)	$ 1,622	$ 5,033	$ 6,655	$ 2,324	$ 8,319	$ 10,643

(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.

The increase in net interest income for the three and six months ended June 30, 2010 compared to 2009, was mostly attributable to decreased interest expense driven by declines in rates paid on interest bearing liabilities as well as decreased interest expense related to borrowings which have mostly been repaid. The cost of our average interest-bearing liabilities decreased to 1.22% from 2.05% for the three months ended June 30, 2010 compared to the same period in 2009. For the six months ended June 30, 2010 compared to 2009, average cost of interest-bearing liabilities decreased to 1.31% compared to 2.06%.

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 $23.1 million and $51.9 million for the three and six months ended June 30, 2010, respectively compared to $37.6 million and $57.6 million for the same periods in 2009. Factors that impact the provision for credit losses are net charge-offs or recoveries, 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 (Loss)

The Company earned non-interest income (loss) primarily though fees related to trust and advisory services, services provided to loan and deposit customers, bank owned life insurance, investment securities gains and impairment charges, mark to market gains and other.
The following table presents a summary of non-interest income (loss) for the periods presented:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009	Increase (Decrease)	2010	2009	Increase (Decrease)
	(in thousands)					
Securities impairment charges	**$ (1,071)**	$ (1,674)	$ 603	**$ (1,174)**	$ (42,126)	$ 40,952
Portion of impairment charges recognized in other comprehensive loss (before taxes)					2,047	(2,047)
Net securities impairment charges recognized in earnings	**(1,071)**	(1,674)	603	**(1,174)**	(40,079)	38,905
Unrealized gain (loss) on assets and liabilities measured at fair value, net	**6,250**	(449)	6,699	**6,551**	3,622	2,929
Net gain on sale of investment securities	**6,079**	10,867	(4,788)	**14,297**	10,874	3,423
Gain on extinguishment of debt	**3,000**		3,000	**3,000**		3,000
Service charges	**2,319**	1,980	339	**4,515**	3,662	853
Trust and advisory fees	**1,181**	2,361	(1,180)	**2,394**	4,598	(2,204)
Operating lease income	**967**	894	73	**1,931**	1,897	34
Income from bank owned life insurance	**780**	435	345	**1,499**	949	550
Derivative gains (losses)	**(69)**	(67)	(2)	**(136)**	(130)	(6)
Other	**1,324**	1,100	224	**2,512**	2,226	286
Total non-interest income (loss)	**$ 20,760**	$ 15,447	$ 5,313	**$ 35,389**	$ (12,381)	$ 47,770

The $5.3 million positive change in non-interest income for the three months ended June 30, 2010 compared to 2009 was mostly the result of increased unrealized net gains on assets and liabilities measured at fair value of $6.7 million, $6.0 million of which was gain on the fair value of the junior subordinated debt and an additional gain of $3 million recognized on repayment of the subordinated debt at a discount offset by decreased net gains from investment securities sales of $4.8 million and decreased trust and advisory income of $1.2 million. The Company estimates the fair value of the 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 evaluated recently 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 6.98%, which is a 645 basis spread over 3 month labor at June 30, 2010. As rates continue to change, these changes may have significant impact on the Company s consolidated financial statements.

Total non-interest income for the six months ended June 30, 2010 compared to 2009 increased by $47.8 million primarily the result of the $38.9 million decrease in securities impairment charges. All other non-interest income categories improved with the exception of trust and advisory fees which declined by $2.2 million for the comparable periods mostly due to the divestiture of the majority interest in Miller/Russell and Associates, Inc at the end of last year which contributed $2.5 million in trust and advisory fees during this period in 2009.

Non-interest Expense

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

	Three Months Ended June 30,		Increase	Six Months Ended June 30,		Increase
	2010	2009	(Decrease)	2010	2009	(Decrease)
			(in thousands)			
Salaries and employee benefits	**$ 22,161**	$ 23,384	$ (1,223)	**$ 43,601**	$ 47,003	$ (3,402)
Occupancy	**4,828**	5,196	(368)	**9,615**	10,416	(801)
Losses on sales/valuations of repossessed assets and bank premises, net	**11,994**	3,974	8,020	**10,980**	8,910	2,070
Insurance	**3,759**	5,061	(1,302)	**7,251**	6,708	543
Legal, professional and director fees	**2,139**	1,821	318	**4,007**	3,185	822
Repossessed assets and loan expenses	**1,564**	2,078	(514)	**3,928**	3,155	773
Customer service	**1,154**	1,127	27	**2,219**	2,144	75
Marketing	**1,045**	1,368	(323)	**2,201**	2,579	(378)
Intangible amortization	**907**	945	(38)	**1,813**	1,890	(77)
Data processing	**793**	1,215	(422)	**1,584**	2,352	(768)
Operating lease depreciation	**647**	838	(191)	**1,336**	1,757	(421)
Telephone	**445**	491	(46)	**901**	987	(86)
Travel and automobile	**313**	432	(119)	**566**	842	(276)
Audits and exams	**291**	505	(214)	**924**	971	(47)
Correspondent banking and wire transfer costs	**274**	379	(105)	**625**	779	(154)
Supplies	**284**	430	(146)	**587**	890	(303)
Goodwill impairment charge					45,000	(45,000)
Other	**664**	929	(265)	**1,965**	1,641	324
Total	**$ 53,262**	$ 50,173	$ 3,089	**$ 94,103**	$ 141,209	$ (47,106)

Non-interest expense increased $3.1 million for the three months ended June 30, 2010 compared to the same period in 2009. This increase is the result of $8.0 million increase in net losses on sales/valuations of repossessed assets for the comparable periods due to continued volatility in the underlying property values. The Company has initiated a cost reduction program and was able to make positive progress in most of the other expense line items.

Total non-interest expense for the year to date 2010 compared to 2009 decreased $47.1 million mostly due to a non-cash goodwill impairment charge taken in the first quarter of 2009 of $45 million. In addition, the Company implemented a cost reduction program which has resulted in an additional $2.1 million net decline in expenses.

Income Taxes

The significant increase in the tax benefit recognized in the current quarter was primarily due to a $1.0 million decrease in the deferred tax asset valuation allowance related to capital gains of previously impaired ARPS securities. For the quarter ended June 30, 2010, the decrease in the effective tax rate was primarily due to the above mentioned reversal of a portion of the deferred tax asset valuation allowance on ARPS impaired securities.

Discontinued Operations

In the first quarter of 2010, the Company decided to sell its credit card segment, PartnersFirst, and has presented certain activities as discontinued operations. During the first quarter 2010, the Company transferred certain assets with balances at June 30, 2010 of $0.1 million to held-for-sale and reported a portion of its operations as discontinued. At June 30, 2010, the Company had $47.6 million 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 June 30, 2010 and December 31, 2009.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
	(in thousands)			
Affinity card revenue	$ 459	$ 398	$ 950	$ 693
Non-interest expenses	(1,842)	(2,417)	(3,945)	(4,813)
Loss before income taxes	(1,383)	(2,019)	(2,995)	(4,120)
Income tax benefit	(581)	(953)	(1,258)	(1,686)
Net loss	$ (802)	$ (1,066)	$ (1,737)	$ (2,434)

Business Segment Results

Our Nevada banking segment, which is comprised of Bank of Nevada and First Independent Bank of Nevada, reported that loans declined $29 million during the second quarter of 2010 and declined $97.1 since December 31, 2009 to $2.36 billion at June 30, 2010. Deposits increased $251.7 million to $2.91 billion since December 31, 2009. Net loss for the Nevada banks was $9.6 million during the second quarter 2010, compared with a net loss of $3.0 million during the second quarter 2009. For the year to date 2010, the Nevada banks had a combined loss of $12.3 million compared to a net loss of $67.1 million for the same period in 2009 which included a $45.0 million goodwill impairment charge.

Our California banking segment, which is comprised of Torrey Pines Bank and Alta Alliance Bank, reported that loans increased $46 million during the second quarter 2010 and $106.1 million since December 31, 2009 to $980.7 million at June 30, 2010. Deposits decreased $123.3 million to $1.09 billion for the second quarter of 2010. Net income for the California banks was $2.6 million during the second quarter 2010 compared with net income of $4.4 million for the second quarter 2009. For the six months ended June 30, 2010, the California banking segment had net income of $3.1 compared to a net loss of $1.1 million for the comparable period of 2009.

Our Arizona banking segment includes Alliance Bank of Arizona, which reported loan growth of $54.3 million during the second quarter 2010 to $837.1 million. Total deposits have increased to $1.23 billion from $0.98 billion at December 31, 2009. Net income for the Arizona segment was $2.7 million during the second quarter 2010 compared with a net loss of $0.6 million during the second quarter 2009. For the six months ended June 30, 2010, Arizona had net income of $3.5 million compared to a net loss of $4.5 million for the comparable period of 2009.

Our Asset Management business line, which includes Shine Investments Advisory Services and Premier Trust, had assets under management of $903 million at June 30, 2010, compared to $865 million at December 31, 2009, excluding Miller/Russell and Associates, which was divested on December 31, 2009. Net income for the Asset Management segment for the second quarter and six months ended June 30, 2010 was $0.1 million and $0.2 million, respectively compared with net income of $0.1 million during the second quarter and year to date 2009. The income for 2009 included Miller/Russell and Associates which was divested at the end of 2009.

Balance Sheet Analysis

Total Assets

Total assets increased to $5.96 billion or 3.58% at June 30, 2010 from December 31, 2009. The majority of this increase was in cash and liquid assets of $114.8 million, investment securities of $32.8 million, net loans of $48.9 million and other repossessed assets of $21.0 million.

Loans

Total loans increased $50.3 million to $4.13 billion at June 30, 2010. The majority of the increase was in the commercial real estate portfolio of $135.4 million and in commercial leases of $38.3 million which were partially offset by declined loan balances in construction and land of $90.8 million and residential real estate of $32.3 million. The Company is focused on pursuing quality lending opportunities and other loan portfolio strategies.

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

	June 30, 2010	December 31, 2009
	(in thousands)	
Construction and land development	**$ 532,409**	$ 623,198
Commercial real estate owner occupied	**1,234,082**	1,091,363
Commercial real estate non-owner occupied	**925,976**	933,261
Residential real estate	**536,061**	568,319
Commercial and industrial	**677,388**	685,089
Commercial leases	**155,427**	117,104
Consumer	**74,604**	80,300
Deferred fees and unearned income net	**(5,997)**	(18,995)
	4,129,950	4,079,639
Allowance for credit losses	**(110,012)**	(108,623)
Total loans, net	**$ 4,019,938**	$ 3,971,016

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 June 30, 2010 and December 31, 2009, commercial real estate related loans which include construction and land accounted for approximately 65% of total loans, respectively, and approximately 3% and 5% of commercial real estate loans, respectively, 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 57% and 54% of total commercial real estate loans were owner occupied at June 30, 2010 and December 31, 2009, respectively. In addition, approximately 4% of total loans were unsecured as of June 30, 2010 and December 31, 2009, respectively.

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:

	June 30, 2010	December 31, 2009
	(in thousands)	
Nonaccrual loans	**$ 134,264**	$ 153,702
Loans past due 90 days or more on accrual status	**8,233**	5,538
Troubled debt restructured loans (accruing)	**70,303**	46,480

Total nonperforming loans	**212,800**	205,719
Foreclosed collateral	**104,365**	83,347
Total nonperforming assets	**$ 317,165**	$ 289,066

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:

	June 30, 2010	December 31, 2009
	(dollars in thousands)	
Total nonaccrual loans	**$ 134,264**	$ 153,702
Loans past due 90 days or more and still accruing	**8,233**	5,538
Total nonperforming loans	**142,497**	159,240
Restructured loans	**70,303**	46,480
Other impaired loans	**5,560**	27,752
Total impaired loans	**$ 218,360**	$ 233,472
Other repossessed assets	**$ 104,365**	$ 83,347
Nonaccrual loans to gross loans	**3.25%**	3.77%
Loans past due 90 days or more and still accruing to total loans	**0.20**	0.14

For the three and six months ended June 30, 2010, interest income recognized on nonaccrual loans totaled $0.8 million and $1.3 million. Interest income that would have been recorded under the original terms of the nonaccrual loans during the period was $0.1 million and $1.3 million for the three and six months ended June 30, 2010 and $2.0 million and $2.7 million for the three and six months ended June 30, 2009.
The composite of nonaccrual loans were as follows as of the dates indicated:

	At June 30, 2010			At December 31, 2009		
	Nonaccrual Balance	%	Percent of Total Loans	Nonaccrual Balance	%	Percent of Total Loans
	(dollars in thousands)					
Construction and land development	**$ 39,896**	**29.70%**	**0.97%**	$ 64,079	41.69%	1.57%
Residential real estate	**34,514**	**25.71%**	**0.83%**	30,000	19.52%	0.73%
Commercial real estate	**48,734**	**36.30%**	**1.18%**	42,253	27.49%	1.04%
Commercial and industrial	**10,535**	**7.85%**	**0.26%**	17,134	11.15%	0.42%
Consumer	**585**	**0.44%**	**0.01%**	236	0.15%	0.01%
Total nonaccrual loans	**$ 134,264**	**100.00%**	**3.25%**	$ 153,702	100.00%	3.77%

At June 30, 2010 and December 31, 2009, nonaccrual loans totaled $134.3 million and $153.7 million, respectively. Nonaccrual loans at June 30, 2010 consisted of 240 loans with the highest single customer loan balance of $6.9 million. The decrease in total nonaccrual loans is primarily due to charge-offs.

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 loan agreement. 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. A valuation allowance is established for an impaired loan when the fair value of the loan is less than the recorded investment. Impaired loans are measured in accordance with FASB ASC 310, *Receivables* (ASC 310),

utilizing the fair value of the collateral for collateral dependent loans or an analysis of the discounted cash flows.
At June 30, 2010 and December 31, 2009 the aggregate total amount of loans classified as impaired was $218.4 million and $233.5 million, respectively. The total specific allowance for credit losses related to these loans was $10.3 million and $13.4 million as of June 30, 2010 and December 31, 2009, respectively. Impaired construction and land development loans and impaired commercial and industrial loans declined by $27.8 million and $6.8 million, respectively since December 31, 2009 primarily due to charge-offs or transfers to other real estate owned (OREO). This decline was partially offset by increased impaired loans related to commercial real estate of $12.6 million and residential real estate of $6.5 million at June 30, 2010. Consumer impaired loans increased slightly by $0.4 million. The decline in the specific reserves related to these loans of $3.1 million from December 31, 2009 to June 30, 2010 is mostly the result of charge-offs. At June 30, 2010 and December 31, 2009, loans classified as restructured loans as defined by ASC 310 totaled $70.3 million and $46.5 million, respectively. At June 30, 2010, restructured loans consisted of 56.7% commercial real estate, 29.2% construction and land, 12.5% residential real estate, 1.5% commercial and industrial and 0.1% consumer.

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

	At June 30, 2010					
	Impaired Balance	**Percent**	**Percent of Total Loans**	**Reserve Balance**	**Percent**	**Percent of Total Allowance**
Construction and land development	**$ 61,514**	**28.17%**	**1.49%**	$ 3,439	33.43%	3.13%
Residential real estate	**46,141**	**21.13%**	**1.12%**	1,723	16.75%	1.57%
Commercial real estate	**97,969**	**44.87%**	**2.37%**	2,068	20.10%	1.88%
Commercial and industrial	**12,100**	**5.54%**	**0.29%**	2,770	26.93%	2.52%
Consumer	**636**	**0.29%**	**0.02%**	287	2.79%	0.26%
Total impaired loans	**$ 218,360**	**100.00%**	**5.29%**	$ 10,287	100.00%	9.36%

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 collectability of the contractual principal or interest is unlikely. 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 the other factors noted earlier. The Company formally determines the adequacy of the allowance for credit losses on a quarterly basis.

Our 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 banking 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 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 ASC 310. Loans not collateral dependent are evaluated based on the expected future cash flows discounted at the current 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.

The Company uses an appraised value method to determine the need for a reserve on 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.

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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 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.

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

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2010	**2009**	**2010**	**2009**
	(dollars in thousands)			
Allowance for credit losses:				
Balance at beginning of period	**$ 112,724**	$ 77,184	**$ 108,623**	$ 74,827
Provisions charged to operating expenses	**23,115**	37,573	**51,862**	57,557
Recoveries of loans previously charged-off:				
Construction and land development	**1,800**	212	**2,209**	212
Commercial real estate	**808**		**830**	
Residential real estate	**295**	143	**526**	194
Commercial and industrial	**573**	501	**1,811**	871
Consumer	**14**	96	**81**	125
Total recoveries	**3,490**	952	**5,457**	1,402
Loans charged-off:				
Construction and land development	**7,921**	10,381	**16,559**	12,231
Commercial real estate	**7,827**	6,310	**13,711**	7,427
Residential real estate	**7,835**	6,427	**13,690**	12,554
Commercial and industrial	**4,602**	7,355	**9,359**	15,320
Consumer	**1,132**	1,093	**2,611**	2,111
Total charged-off	**29,317**	31,566	**55,930**	49,643
Net charge-offs	**25,827**	30,614	**50,473**	48,241
Balance at end of period	**$ 110,012**	$ 84,143	**$ 110,012**	$ 84,143
Net charge-offs to average loans (annualized)	**2.53%**	3.00%	**2.48%**	2.36%
Allowance for credit losses to gross loans	**2.66%**	2.09%		

Net charge-offs totaled $25.8 million and $30.6 million for the three months ended June 30, 2010 and June 30, 2009, respectively. Year to date 2010 net charges off totaled $50.5 million compared to $48.2 million for 2009. The provision for credit losses was $23.1 million for the second quarter of 2010 compared to $37.6 million for the same periods in 2009. For the six month period ended June 30, 2010 and 2009, the provision for credit losses was $51.9 and $57.6 million, respectively. The decrease in the allowance for credit losses is driven by increased loan charge-offs

related to loans with specific reserves, changes in the mix of loans and the addition of investment grade lease loans of $44.9 million which have low historical loss rates due to the high quality of the borrowers.

The following table summarizes the allocation of the allowance for credit losses by loan type. The allocation is made for analytical purposes and it is not necessarily indicative of the categories in which future credit losses may occur. The total allowance is available to absorb losses from any segment of loans. The allocations in the table below were determined by a combination of the following factors: specific allocations made on loans considered impaired as determined by management and the loan review committee, a general allocation on certain other impaired loans, and historical losses in each loan type category combined with a weighting of the current loan composition.

	Allowance for Credit Losses at June 30, 2010 (dollars in thousands)		
	Amount	% of Total Allowance For Loan Losses	% of Loans in Each Category to Gross Loans
Construction and land development	$ 29,499	26.81%	12.87%
Commercial real estate	24,286	22.08%	52.23%
Residential real estate	19,889	18.08%	12.96%
Commercial and industrial	30,727	27.93%	20.14%
Consumer	5,611	5.10%	1.80%
Total	$ 110,012	100.00%	100.00%

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 2009, Item 1 Business. The following table presents information regarding potential problem loans, consisting of loans graded watch, substandard and doubtful, but still performing and not impaired as of the dates indicated:

	At June 30, 2010			
	# of Loans	Loan Balance	Percent	Percent of Total Loans
	(dollars in thousands)			
Construction and land development	62	$ 94,143	20.81%	1.60%
Commercial real estate	152	159,434	50.12%	3.86%
Residential real estate	79	29,183	9.17%	0.71%
Commercial and industrial	281	61,967	19.48%	1.50%
Consumer	29	1,339	0.42%	0.03%
Total potential problem loans	603	$ 346,066	100.00%	7.70%

Our potential problem loans consisted of 603 loans and totaled approximately $346.1 million at June 30, 2010. 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 June 30, 2010 and December 31, 2009 was as follows:

	At June 30, 2010	At December 31, 2009
	(in thousands)	
Ginne Mae, Freddie Mac, and Fannie Mae residential mortgage-backed securities	**$ 517,924**	$ 655,073
U.S. Government-sponsored agency debt securities	**253,453**	2,479
Private label residential mortgage-backed securities	**11,693**	18,175
Municipal obligations	**2,635**	5,380
Adjustable rate preferred stock	**14,248**	18,296
Collateralized debt obligations	**793**	918
Trust preferred securities	**23,886**	22,050
FDIC guaranteed corporate bonds		71,190
Other	**18,894**	17,189
Total investment securities	**$ 843,526**	$ 810,750

Gross unrealized losses on investment securities at June 30, 2010 are primarily caused by interest rate fluctuations, credit spread widening and reduced liquidity in applicable markets. The Company has reviewed securities on which there is an unrealized loss in accordance with its accounting policy for other than temporary impairment (OTTI) as described in Note 4, *Investment Securities*, and recorded impairment charges totaling $1.1 million and $1.2 million for the three and six months ended June 30, 2010. This impairment related to the collateralized debt obligations (CDO). For the three and six months ended June 30, 2009, the Company recorded securities impairment of $1.7 million and $40.1 million, respectively. For the six months ended June 30, 2009 the impairment charges included $36.4 million related to adjustable rate preferred stock (ARPS), $2.0 million related to the Company s collateralized mortgage obligation (CMO) portfolio and $1.6 million additional impairment of CDOs.

The Company does not consider any other securities to be other-than-temporarily impaired as of June 30, 2010 and December 31, 2009. 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 date is October 1.

During the first quarter 2009, as a result of the significant decline in the Company s stock price and depressed economic conditions among financial institutions in general, the Company determined that it was necessary to perform an interim test for goodwill impairment. As a result of the March 31, 2009 goodwill impairment test, the Company determined that the Bank of Nevada reporting unit was impaired by $45.0 million. The Company determined that there was no triggering event or other factor to indicate an interim test of goodwill impairment for the first two quarters of 2010 was necessary.

The goodwill impairment charges had no effect on the Company s cash balances or liquidity. In addition, because goodwill is not included in the calculation of regulatory capital, the Company s regulatory ratios were not affected by this non-cash expense. No assurance can be given that goodwill will not be further impaired in future periods.

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 $68.1 million at June 30, 2010 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 is the credit loss reserve build which accounts for most of the net deferred tax asset. In general, the Company will need to generate approximately $188 million of taxable income during the respective carryforward periods to fully realize its deferred tax assets.

As a result of the recent losses, the Company is in a three-year cumulative pretax loss position at June 30, 2010. 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 realization of deferred tax assets by December 31, 2013 based on current projections, or by December 31, 2014 under stressed conditions. 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 net operating loss carryforward of 20 years provides sufficient time to 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.

Deposits

Deposits have been the primary source for funding the Company s asset growth. At June 30, 2010, total deposits were $5.23 billion, compared to $4.72 billion at December 31, 2009. The deposit growth of $508.0 million or 10.8% was primarily driven by increased non-interest bearing deposits of $173.3 million or 15.0% and growth in total interest-bearing deposits of $334.7 million. The growth in interest bearing deposits is attributable to increased interest bearing demand deposits of $248.7 million, increased savings and money market deposits of $93.4 million partially offset by declined certificate of deposits of $7.5 million.

In February, 2009, Bank of Nevada was selected to acquire the deposits and certain assets of the former Security Savings Bank (Henderson, Nevada). On February 27, 2009, Security Savings Bank was closed by the Nevada Financial Institutions Division, and the FDIC was named receiver. Bank of Nevada agreed to assume all of the failed bank s deposits, totaling approximately $132 million, excluding brokered deposits. Bank of Nevada paid no premium to acquire the deposits. No loans were acquired in this transaction.

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

The following table provides the average balances and weighted average rates paid on deposits for the three and six months ended June 30, 2010.

	Three Months Ended June 30, 2010 Average Balance/Rate		Six Months Ended June 30, 2010 Average Balance/Rate	
	(dollars in thousands)			
Interest checking (NOW)	$ 579,587	0.51%	$ 515,138	0.59%
Savings and money market	1,837,991	0.91	1,811,247	0.99
Time	1,518,296	1.62	1,500,548	1.72
Total interest-bearing deposits	3,935,874	1.13	3,826,933	1.22

Non-interest bearing demand deposits	1,279,225		1,215,074	
Total deposits	**$ 5,215,099**	**0.85%**	**$ 5,042,007**	**0.93%**

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Customer repurchase agreements declined $136.1 million from December 31, 2009 to June 30, 2010 due primarily to the transfer of customer funds to other products offered by our banks.

Other Assets Acquired Through Foreclosure

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(in thousands)			
Balance, beginning of period	$ 105,637	$ 16,455	$ 83,347	$ 14,545
Additions	15,349	32,183	48,303	41,246
Dispositions	(4,319)	(2,378)	(14,210)	(5,147)
Valuation adjustments in the period, net	(12,302)	(4,113)	(13,075)	(8,497)
Balance, end of period	$ 104,365	$ 42,147	$ 104,365	$ 42,147

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. For the three and six months ended June 30, 2010, the Company recorded a net loss on repossessed asset sales and valuation adjustments of $12.0 million and $11.0 million, respectively compared to a net loss of $4.0 million and $8.9 million for the comparable periods 2009. The net loss for the three months ended June 30 2010, primarily relates to $0.3 million net loss on sales of other repossessed assets and $11.7 million net loss from both positive and negative valuation adjustments on OREO and other repossessed assets. The net loss for the six month period ended June 30, 2010 mostly relates to $0.2 million of net gain on sales of other repossessed assets and $11.2 million net loss from both positive and negative valuation adjustments on OREO and other repossessed assets. 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. At June 30, 2010, approximately 81%, 16% and 3% of OREO properties were located in Nevada, California and Arizona, respectively.

Junior Subordinated Debt

The Company measures the balance of the junior subordinated debt at fair value which was $36.3 million and $42.4 million at June 30, 2010 and December 31, 2009, respectively. 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 June 30, 2010.

Liquidity

The Company s 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 available-for-sale securities, is a result of operating, investing and financing activities and the 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 over the subsequent 180 days, and we strive to maintain relationships with a diversified customer base. As of June 30, 2010, the Company s cash and cash equivalents balance was $560.6 million and unencumbered investment securities balance was $434.8 million, all representing 16.7% of total assets.

Liquidity requirements can also be met through short-term borrowings. As of June 30, 2010, we had unused borrowing lines at correspondent banks totaling $59.0 million, $48.0 million on an unsecured basis and $11.0 million secured. In addition, loans and available-for-sale securities pledged to the FHLB provided for $803.0 million in secured borrowing capacity of which only $10.1 million was being utilized as of June 30, 2010. Loans and securities

pledged to the FRB discount window provided for $437.3 million in borrowing capacity with no outstanding borrowings from the FRB as of June 30, 2010. Overall, as of June 30, 2010, we had total secured remaining borrowing capacity of $1.24 billion.

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Core deposits 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 utilize the Certificate of Deposit Account Registry Service (CDARS) program, which allows customers to invest up to $50 million in certificates of deposit through one participating financial institution, with the entire amount being covered by FDIC insurance. As of June 30, 2010, we had $347.3 million of CDARS deposits.
As of June 30, 2010, we had $36.6 million of wholesale brokered deposits outstanding. Brokered deposits are generally considered to be deposits that have been received from a registered broker that is acting on behalf of that broker s customer. We do not anticipate using brokered deposits as a significant liquidity source in the near future.

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 capital (as defined) to average assets (as defined). Management believes, as of June 30, 2010, that the Company and the Banks meet all capital adequacy requirements to which they are subject.
As of June 30, 2010, the Company and each of its banking subsidiaries exceeded the minimum capital ratios necessary to be considered well-capitalized under applicable federal capital guidelines. 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 to the minimum capital ratios noted below, as described in Part II Other Information, Item 1 Legal Proceedings , certain of the Company s banking subsidiaries are required to maintain higher levels of Tier 1 capital than otherwise would be required to be considered well-capitalized.
The actual capital amounts and ratios for the Company are presented in the following table:

	Actual		Adequately-Capitalized Requirements		Minimum For Well-Capitalized Requirements	
As of June 30, 2010	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
			(dollars in thousands)			
Total Capital (to Risk Weighted Assets)	605,378	13.0%	372,033	8.0%	465,041	10.0%
Tier I Capital (to Risk Weighted Assets)	546,527	11.7	186,016	4.0	279,025	6.0
Leverage ratio (to Average Assets)	546,527	9.1	239,695	4.0	299,618	5.0

	Actual		Adequately-Capitalized Requirements		Minimum For Well-Capitalized Requirements	
As of December 31, 2009	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
			(dollars in thousands)			
Total Capital (to Risk Weighted Assets)	666,287	14.4%	370,159	8.0%	462,699	10.0%

Tier I Capital (to Risk Weighted Assets)	547,746	11.8	185,677	4.0	278,515	6.0
Leverage ratio (to Average Assets)	547,746	9.5	229,944	4.0	287,431	5.0

On April 21, 2010, the Company entered into a stock purchase agreement in which the Company agreed to sell its entire interest in Premier Trust, Inc. to an unrelated third party. The closing of the transaction, which is subject to customary conditions, is expected to occur in the third quarter of 2010.

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 matching 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 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.

The following table shows our projected change in economic value of equity for this set of rate shocks at June 30, 2010.

Economic Value of Equity

	Interest Rate Scenario (change in basis points)					
Present Value (000 s)	**Down 200**	**Down 100**	**Base**	**UP 100**	**UP 200**	**Up 300**
Assets	$6,163,206	$6,065,756	$5,962,872	$5,854,985	$5,755,326	$5,659,596
Liabilities	$5,406,567	$5,352,105	$5,251,952	$5,140,852	$5,035,837	$4,937,589
Net Present Value	**$ 756,639**	**$ 713,651**	**$ 710,920**	**$ 714,133**	**$ 719,489**	**$ 722,007**
% Change	6.43%	0.38%		0.45%	1.21%	1.56%

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.

Net Interest Income Simulation. In order to measure interest rate risk at June 30, 2010, 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 twelve months of net interest income forecasted using an immediate increase and decrease in

interest rates and a twelve month 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 of + or 100, 200, or 300 basis points. At June 30, 2010, our net interest margin exposure related to these hypothetical changes in market interest rates was within the current guidelines established by the Company.

Sensitivity of Net Interest Income

	Interest Rate Scenario (change in basis points)					
(in 000 s)	**Down 200**	**Down 100**	**Flat**	**UP 100**	**UP 200**	**Up 300**
Interest Income	$269,203	$277,072	$287,250	$300,600	$315,559	$333,635
Interest Expense	$ 21,531	$ 28,554	$ 41,882	$ 61,607	$ 81,596	$101,715
Net Interest Income	**$247,672**	**$248,518**	**$245,368**	**$238,993**	**$233,963**	**$231,920**
% Change	0.94%	1.28%		-2.60%	-4.65%	-5.48%

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 us 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 us 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 June 30, 2010, 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, other than ordinary routine litigation incidental to its business, to which the Company or any of its subsidiaries is a party or of which any of their property is the subject. See Item 1. Business

Supervision and Regulation in our Annual Report on Form 10-K for the year ended December 31, 2008 for additional information. From time to time, the Company is involved in a variety of litigation matters in the ordinary course of business and anticipates that it will become involved in new litigation matters in the future.

As previously disclosed in our Annual Report on Form 10-K, certain of the Company s banking subsidiaries, including Bank of Nevada, have been placed under informal supervisory oversight by banking regulators in the form of memoranda of understanding. The oversight requires enhanced supervision by the Board of Directors of each affected bank, and the submission of written plans addressing such matters as asset quality, credit underwriting and administration, and loan concentrations, as well as the formulation and adoption of comprehensive strategic plans. In certain cases, including Bank of Nevada the affected bank may be prohibited from paying dividends to the Company without prior regulatory approval and/or 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 affected banks are 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 each affected bank is in full compliance with the requirements of the applicable memorandum of understanding.

Following a compliance examination of the Company s Torrey Pines Bank subsidiary completed in 2009, the FDIC advised the bank that it believes that the bank s PartnersFirst credit card division s underwriting practices violate the Equal Credit Opportunity Act (ECOA) and, solely as a consequence of this finding, assigned the bank a needs to improve rating under the Community Reinvestment Act (CRA). The bank strongly contests the FDIC s allegations, but has nonetheless modified PartnersFirst s underwriting procedures to address the FDIC s concerns. The FDIC further claims that the alleged ECOA violation was the result of weaknesses in the bank s governance and management practices. As previously disclosed in our Annual Report on Form 10-K, to address these alleged weaknesses, the Federal Deposit Insurance Corporation (FDIC) and the bank entered into a Consent Order in November of 2009 with respect to the Company s subsidiary, pursuant to which the bank agreed to maintain its Tier 1 capital at no less than 8 percent of the bank s total assets for the duration of the Order, and to enhance a variety of its policies, procedures and processes regarding management and board oversight, holding company and affiliate transactions, compliance programs with training, monitoring and audit procedures, and risk management. The Company believes Torrey Pines Bank is in full compliance with the requirements set forth in the Consent Order.

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, 2009, other than as set forth below.

The Company is subject to a U.S. federal income tax audit in respect of the claim of certain deductions arising from the impairment of our collateralized debt obligations, which resulted in an approximately $40 million tax refund for the 2006 and 2007 taxable periods.

The Company is subject to a U.S. federal income tax audit in respect of the claim of certain deductions arising from the impairment of our collateralized debt obligations, or CDOs, which resulted in an approximately $37 million tax refund for the 2006 and 2007 taxable periods. To date, the Internal Revenue Service has not asserted any proposed adjustments or assessments with respect to the audit. Although we believe that the CDO related deductions will be respected for U.S. federal income tax purposes, there can be no assurance that the Internal Revenue Service would not successfully challenge some or all of such deductions. If the Internal Revenue Service were to successfully challenge some or all of such deductions, the Company may be subject to a tax liability in the amount of the $37 million refund, or portion thereof (excluding penalties or interest). The Company has not accrued a reserve for this potential exposure.

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

The Company is subject to extensive regulation, supervision, and legislation that governs almost all aspects of our operations. See Management s Discussion and Analysis Supervision and Regulation included in our Annual Report on Form 10-K for the year ended December 31, 2009. Intended to protect customers, depositors and deposit insurance funds, these laws and regulations, among other matters, prescribe minimum capital requirements, impose limitations

on the business activities in which we can engage, limit the dividends or distributions that our banking institutions can pay to our holding company, restrict the ability of institutions to guarantee our parent company s debt, impose certain specific accounting requirements on us that may be more restrictive and may result in greater or earlier charges to earnings or reductions in our capital than generally accepted accounting principles, among other things. Compliance with laws and regulations can be difficult and costly, and changes to laws and regulations often impose additional compliance costs. Further, the Company s failure to comply with these laws and regulations, even if the failure follows good faith effort or reflects a difference in interpretation, could subject the Company to additional

restrictions on its business activities, fines and other penalties, any of which could adversely affect our results of operations, capital base and the price of our securities.

On July 21, 2010, President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, into law. The Dodd-Frank Act will have a broad impact on the financial services industry, including significant regulatory and compliance changes. Many of the requirements called for in the Dodd-Frank Act will be implemented over time and most will be subject to implementing regulations over the course of several years. Given the uncertainty associated with the manner in which the provisions of the Dodd-Frank Act will be implemented by the various regulatory agencies and through regulations, the full extent of the impact such requirements will have on our operations is unclear. The changes resulting from the Dodd-Frank Act may impact the profitability of our business activities, require changes to certain of our business practices, impose upon us more stringent capital, liquidity and leverage requirements or otherwise adversely affect our business. In particular, the potential impact of the Dodd-Frank Act on our operations and activities, both currently and prospectively, include, among others:

- a reduction in our ability to generate or originate revenue-producing assets as a result of compliance with heightened capital standards;
- increased cost of operations due to greater regulatory oversight, supervision and examination of banks and bank holding companies, and higher deposit insurance premiums;
- the limitation on our ability to raise capital through the use of trust preferred securities as these securities may no longer be included as Tier 1 capital going forward; and
- the limitation on our ability to expand consumer product and service offerings due to anticipated stricter consumer protection laws and regulations.

Further, we may be required to invest significant management attention and resources to evaluate and make any changes necessary to comply with new statutory and regulatory requirements under the Dodd-Frank Act. Failure to comply with the new requirements may negatively impact our results of operations and financial condition. While we cannot predict what effect any presently contemplated or future changes in the laws or regulations or their interpretations would have on us, these changes could be materially adverse to our investors.

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

State and federal banking agencies periodically conduct examinations of our business, including for compliance with laws and regulations. If, as a result of an examination, the FDIC or FRB were to determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of any of the banks operations had become unsatisfactory, or that any of the banks or their management was in violation of any law or regulation, the FDIC or FRB may take a number of different remedial actions as it deems appropriate. These actions include the power to enjoin unsafe or unsound practices, to require affirmative actions to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in the bank s capital, to restrict the bank s growth, to assess civil monetary penalties against the bank s officers or directors, to remove officers and directors and, if the FDIC concludes that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate the bank s deposit insurance. Under Nevada, Arizona and California law, the respective state banking supervisory authority has many of the same remedial powers with respect to its state-chartered banks.

Although we believe that we are currently in compliance with the terms of the of the consent order and memoranda of understanding described in Item 1 of Part II of this Quarterly Report on Form 10-Q, if we were unable to comply with these terms in the future, or if we were unable to comply with the terms of any future supervisory requirements to which we may become subject, then we could become subject to additional supervisory actions and orders, including cease and desist orders, prompt corrective action and/or other regulatory enforcement actions. If our regulators were to take such additional supervisory actions, then we could, among other things, become subject to greater restrictions on our ability to develop any new business, as well as restrictions on our existing business, and we could be required to

raise additional capital, dispose of certain assets and liabilities within a prescribed period of time, or both. Failure to implement the measures in the time frames provided, or at all, could result in additional orders or penalties from federal and state regulators, which could result in one or more of the remedial actions described above. The terms of any such supervisory action and the consequences associated with any failure to comply therewith could have a material negative effect on our business and operating flexibility and financial condition.

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.

Item 4. Removed and Reserved

Item 5. Other Information

Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010

On July 21, 2010, President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, into law. The Dodd-Frank Act will have a broad impact on the financial services industry, including significant regulatory and compliance changes including, among other things, (1) enhanced resolution authority of troubled and failing banks and their holding companies; (2) increased capital and liquidity requirements; (3) increased regulatory examination fees; (4) changes to assessments to be paid to the FDIC for federal deposit insurance; and (5) numerous other provisions designed to improve supervision and oversight of, and strengthening safety and soundness for, the financial services sector. Additionally, the Dodd-Frank Act establishes a new framework for systemic risk oversight within the financial system to be distributed among new and existing federal regulatory agencies, including the Financial Stability Oversight Council, the Board of Governors of the Federal Reserve System, or the Federal Reserve, the Office of the Comptroller of the Currency, or the OCC, and the Federal Deposit Insurance Corporation, or the FDIC.

The following items provide a brief description of the impact of the Dodd-Frank Act on the operations and activities, both currently and prospectively, of the Company and its subsidiaries.

Increased Capital Standards and Enhanced Supervision. The federal banking agencies are required to establish minimum leverage and risk-based capital requirements for banks and bank holding companies. These new standards will be no lower than existing regulatory capital and leverage standards applicable to insured depository institutions and may, in fact, be higher when established by the agencies. Compliance with heightened capital standards may reduce our ability to generate or originate revenue-producing assets and thereby restrict revenue generation from banking and non-banking operations. The Dodd-Frank Act also increases regulatory oversight, supervision and examination of banks, bank holding companies and their respective subsidiaries by the appropriate regulatory agency. Compliance with new regulatory requirements and expanded examination processes could increase our cost of operations.

Trust Preferred Securities. Under the Dodd-Frank Act, bank holding companies are prohibited from including in their regulatory Tier 1 capital hybrid debt and equity securities issued on or after May 19, 2010. Among the hybrid debt and equity securities included in this prohibition are trust preferred securities, which the Company has used in the past as a tool for raising additional Tier 1 capital and otherwise improving its regulatory capital ratios. Although the Company is permitted to continue to include its existing trust preferred securities as Tier 1 capital, the prohibition on the use of these securities as Tier 1 capital going forward may limit the Company s ability to raise capital in the future.

The Consumer Financial Protection Bureau. The Dodd-Frank Act creates a new, independent Consumer Financial Protection Bureau, or the Bureau, within the Federal Reserve. The Bureau is tasked with establishing and implementing rules and regulations under certain federal consumer protection laws with respect to the conduct of providers of certain consumer financial products and services. The Bureau has rulemaking authority over many of the statutes governing products and services offered to bank consumers. In addition, the Dodd-Frank Act permits states to adopt consumer protection laws and regulations that are stricter than those regulations promulgated by the Bureau and state attorneys general are permitted to enforce consumer protection rules adopted by the Bureau against [certain] state-chartered institutions. Although our bank subsidiaries do not currently offer many of these consumer products or services, compliance with any such new regulations would increase our cost of operations and, as a result, could limit our ability to expand into these products and services.

Deposit Insurance. The Dodd-Frank Act makes permanent the $250,000 deposit insurance limit for insured deposits. Amendments to the Federal Deposit Insurance Act also revise the assessment base against which an insured depository institution s deposit insurance premiums paid to the FDIC s Deposit Insurance Fund, or the

DIF, will be calculated. Under the amendments, the assessment base will no longer be the institution s deposit base, but rather its average consolidated total assets less its average equity. Additionally, the Dodd-Frank Act makes changes to the minimum designated reserve ratio of the DIF, increasing the minimum from 1.15 percent to 1.35 percent of the estimated amount of total insured deposits, and eliminating the requirement that the FDIC pay dividends to depository institutions when the reserve ratio exceeds certain thresholds. Several of these provisions could increase the FDIC deposit insurance premiums paid by our insured depository institution subsidiaries. The Dodd-Frank Act also provides that, effective one year after the date of enactment, depository institutions may pay interest on demand deposits.

Transactions with Affiliates. The Dodd-Frank Act enhances the requirements for certain transactions with affiliates under Section 23A and 23B of the Federal Reserve Act, including an expansion of the definition of covered transactions and increasing the amount of time for which collateral requirements regarding covered transactions must be maintained.

Transactions with Insiders. Insider transaction limitations are expanded through the strengthening on loan restrictions to insiders and the expansion of the types of transactions subject to the various limits, including derivative transactions, repurchase agreements, reverse repurchase agreements and securities lending or borrowing transactions. Restrictions are also placed on certain asset sales to and from an insider to an institution, including requirements that such sales be on market terms and, in certain circumstances, approved by the institution s board of directors.

Enhanced Lending Limits. The Dodd-Frank Act strengthens the existing limits on a depository institution s credit exposure to one borrower. Federal banking law currently limits a national bank s ability to extend credit to one person (or group of related persons) in an amount exceeding certain thresholds. The Dodd-Frank Act expands the scope of these restrictions to include credit exposure arising from derivative transactions, repurchase agreements, and securities lending and borrowing transactions. It also eventually will prohibit state-chartered banks (such as the Company s banking subsidiaries) from engaging in derivative transactions unless the state lending limit laws take into account credit exposure to such transactions.

Corporate Governance. The Dodd-Frank Act addresses many corporate governance and executive compensation matters that will affect most U.S. publicly traded companies, including us. The Dodd-Frank Act (1) grants shareholders of U.S. publicly traded companies an advisory vote on executive compensation; (2) enhances independence requirements for compensation committee members; (3) requires companies listed on national securities exchanges to adopt incentive-based compensation clawback policies for executive officers; and (4) provides the SEC with authority to adopt proxy access rules that would allow shareholders of publicly traded companies to nominate candidates for election as a director and have those nominees included in a company s proxy materials.

Many of the requirements called for in the Dodd-Frank Act will be implemented over time and most will be subject to implementing regulations over the course of several years. While our current assessment is that the Dodd-Frank Act will not have a material effect on the Company, given the uncertainty associated with the manner in which the provisions of the Dodd-Frank Act will be implemented by the various regulatory agencies and through regulations, the full extent of the impact such requirements will have on our operations is unclear. The changes resulting from the Dodd-Frank Act may impact the profitability of our business activities, require changes to certain of our business practices, impose upon us more stringent capital, liquidity and leverage requirements or otherwise adversely affect our business. These changes may also require us to invest significant management attention and resources to evaluate and make any changes necessary to comply with new statutory and regulatory requirements. Failure to comply with the new requirements may negatively impact our results of operations and financial condition. While we cannot predict what effect any presently contemplated or future changes in the laws or regulations or their interpretations would have on us, these changes could be materially adverse to our investors.

Bank of Nevada Memorandum of Understanding

Bank of Nevada continues to operate under a memorandum of understanding with the FDIC and the Nevada Financial Institutions Division, under which it has agreed to increase its Tier 1 leverage capital ratio above current levels by September 30, 2010; obtain the prior written consent from the FDIC and the Nevada FID before declaring or paying dividends; give prior notice of certain management and director changes; develop plans to maintain its Tier 1 leverage capital ratio; reduce its level of adversely classified assets and loan concentration risks; control overhead and other expenses; and establish and maintain an adequate allowance for loan and lease losses.

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).

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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).

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).

10 Employment letter dated April 2, 2010, between the Company and Kenneth Vecchione.

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: August 4, 2010	By:	/s/ Robert Sarver
		Robert Sarver President and Chief Executive Officer
Date: August 4, 2010	By:	/s/ Dale Gibbons
		Dale Gibbons Executive Vice President and Chief Financial Officer
Date: August 4, 2010	By:	/s/ Susan Thompson
		Susan Thompson Senior Vice President and Controller Principal Accounting Officer

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