WESTERN ALLIANCE BANCORPORATION
Form 10-K
March 02, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C.20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

Commission File Number: 001-32550

WESTERN ALLIANCE BANCORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Nevada	**88-0365922**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer I.D. Number)**
One E. Washington Street Suite 1400, Phoenix, AZ	**85004**
(Address of Principal Executive Offices)	**(Zip Code)**

(602)-389-3500

(Registrant s telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, $0.0001 Par Value	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities

Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the

Act Yes ¨ No x

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨	Smaller reporting company	¨

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

The aggregate market value of the registrant s voting stock held by non-affiliates was approximately $266.8 million based on the June 30, 2011 closing price of said stock on the New York Stock Exchange ($7.10 per share).

As of February 29, 2012, 83,132,092 shares of the registrant s common stock were outstanding.

Portions of the registrant s definitive proxy statement for its 2012 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.

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PART I

Forward-Looking Statements

Certain statements contained in this Annual Report on Form 10-K (Form 10K) are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends such forward-looking statements be covered by the safe harbor provisions for forward-looking statements. All statements other than statements of historical fact are forward-looking statements for purposes of Federal and State securities laws, including statements that related to or are dependent on estimates or assumptions relating to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts.

The forward-looking statements contained in this Form 10K reflect our current views about future events and financial performance and involve certain risks, uncertainties, assumptions and changes in circumstances that may cause our actual results to differ significantly from historical results and those expressed in any forward-looking statement, including those risks discussed under the heading Risk Factors in this 2011 Form 10K. 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: 1) dependency on real estate and events that negatively impact real estate; 2) high concentration of commercial real estate, construction and development and commercial and industrial loans; 3) actual credit losses may exceed expected losses in the loan portfolio; 4) possible need for a valuation allowance against deferred tax assets; 5) stock transactions could require revalue of deferred tax assets; 6) exposure of financial instruments to certain market risks may cause volatility in earnings; 7) dependence on low-cost deposits; 8) ability to borrow from Federal Home Loan Bank (FHLB) or Federal Reserve Bank (FRB); 9) events that further impair goodwill; 10) increase in the cost of funding as the result of changes to our credit rating; 11) expansion strategies may not be successful; 12) our ability to control costs; 13) risk associated with changes in internal controls and processes; 14) our ability to compete in a highly competitive market; 15) our ability to recruit and retain qualified employees, especially seasoned relationship bankers; 16) the effects of terrorist attacks or threats of war; 17) risk of audit of U.S. federal tax deductions; 18) perpetration of internal fraud; 19) risk of operating in a highly regulated industry and our ability to remain in compliance; 20) the effects of interest rates and interest rate policy; 21) exposure to environmental liabilities related to the properties we acquire title; 22) recent legislative and regulatory changes including Emergency Economic Stabilization Act of 2008, or EESA, the American Recovery and Reinvestment Act of 2009, or ARRA, and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the rules and regulations that might be promulgated thereunder; 23) cyber security risks; and 24) risks related to ownership and price of our common stock.

For more information regarding risks that may cause our actual results to differ materially from any forward-looking statements, see Risk Factors beginning on page 13. Forward-looking statements speak only as of the date they are made, the Company does not undertake any obligations to update forward-looking statements to reflect circumstances and or events that occur after the date the forward-looking statements are made.

Purpose

The following discussion is designed to provide insight on the financial condition and results of operations of Western Alliance Bancorporation and its subsidiaries. Unless otherwise stated, the Company or WAL refers to this consolidated entity. This discussion should be read in conjunction with the Company s Consolidated Financial Statements and notes to the Consolidated Financial Statements, herein referred to as the Consolidated Financial Statements . These Consolidated Financial Statements are presented beginning on page 71 of this Form 10-K.

ITEM 1. BUSINESS

Organization Structure and Description of Services

Western Alliance Bancorporation (WAL or the Company), is a multi-bank holding company headquartered in Phoenix, Arizona that provides full service banking and lending to locally owned businesses, professional firms, real estate developers and investors, local non-profit organizations, high net worth individuals and other consumers through its three wholly owned subsidiary banks (the Banks): Bank of Nevada (BON), operating in Southern Nevada, Western Alliance Bank (WAB), operating in Arizona and Northern Nevada, and Torrey Pines Bank (TPB), operating in California. On December 31, 2010, the Company merged its former Alta Alliance Bank (AAB) subsidiary into its Torrey Pines Bank subsidiary, and its former First Independent Bank of Nevada subsidiary into its Alliance Bank of Arizona subsidiary. As part of the latter merger, Alliance Bank of Arizona (ABA) was renamed Western Alliance Bank doing business as Alliance Bank of Arizona (in Arizona) and First Independent Bank (FIB) (in Nevada). In addition, the Company s non-bank subsidiaries, Shine Investment Advisory Services, Inc. (Shine) and Western Alliance Equipment Finance (WAEF), offer an array of financial products and services aimed at satisfying the needs of small to mid-sized businesses and their proprietors, including financial planning, custody and investments, and equipment leasing nationwide. These entities are collectively referred to herein as the Company. The Company divested its wholly owned subsidiary Premier Trust, Inc. (Premier Trust) as of September 1, 2010.

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WAL also has six unconsolidated subsidiaries used as business trusts in connection with issuance of trust-preferred securities as described in Note 11, Junior Subordinated and Subordinated Debt beginning on page 114 of this Form 10-K.

Bank Subsidiaries

Bank Name	Headquarters	Year Founded	Number of Locations	Location Cities	Total Assets	Net Loans (in millions)	Deposits
BON (1)	Las Vegas, Nevada	1994	11	Las Vegas, North Las Vegas, Henderson, and Mesquite	**$2,877.6**	**$1,798.1**	**$2,377.3**
WAB (2)	Phoenix, Arizona	2003	16	Phoenix, Tucson, Scottsdale, Sedona, Mesa, Flagstaff, Reno, Sparks, Fallon, and Carson City	**$2,234.7**	**$1,623.2**	**$1,877.5**
TPB (3)	San Diego, CA	2003	12	San Diego, La Mesa, Carlsbad, Los Angeles, Oakland, Piedmont, Walnut Creek and Los Altos	**$1,728.4**	**$1,302.4**	**$1,416.8**

(1) BON commenced operations in 1994 as BankWest of Nevada (BWN). In 2006, BWN merged with Nevada First Bank and Bank of Nevada. As part of the mergers, BWN changed its name to BON. BON has three wholly-owned subsidiaries: BW Real Estate, Inc. which operates as a real estate investment trust and holds certain of BON s real estate loans and related securities; BON Investments, Inc., which holds certain securities; and BW Nevada Holdings, LLC, which owns the Company s 2700 West Sahara Avenue, Las Vegas, Nevada location.

(2) WAB commenced operations in 2003 as Alliance Bank of Arizona, and subsequently changed its name to WAB on December 31, 2010 as part of the merger between ABA and FIB. WAB has one wholly-owned subsidiary, WAB Investments, Inc., which holds certain securities.

(3) TPB commenced operations in 2003. On December 31, 2010, AAB merged into TPB. TPB has one wholly-owned subsidiary, TPB Investments, Inc., which holds certain securities.

Our subsidiary banks are state-chartered and are subject to primary regulation and examination by the Federal Deposit Insurance Corporation (FDIC) and, in addition, are regulated and examined by their respective state banking agencies.

Non-Bank Subsidiaries and Affiliates

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

WAL owns an 80 percent interest investment in Shine, a registered investment advisor purchased in July 2007.

WAL maintains a 24.9 percent interest in Miller/Russell & Associates, Inc. (MRA), an Arizona registered investment advisor. MRA provides investment advisory services to individuals, foundations, retirement plans and corporations.

Market Segments

The Company had four reportable operating segments at December 31, 2011 and 2010. The Company s reporting segments were modified in the fourth quarter of 2010 to reflect the way the Company manages and assesses the performance of the business as a result of the strategic mergers and divestitures of subsidiaries. The Company previously reported the banking operations on a state-by-state basis but due to the bank mergers now reports based on bank entity and other.

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

The re-defined structure consists of the following four reportable operating segments: Bank of Nevada , Western Alliance Bank , Torrey Pines Bank and Other (Western Alliance Bancorporation holding company, Western Alliance Equipment Finance, Shine, Inc, Premier Trust until September 1, 2010 and the discontinued operations portion of the credit card services). All prior period balances were reclassified to reflect the change in structure.

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Management has determined the operating segments using a combination of factors primarily driven by legal entity. Management determined that the legal entities that contributed less than the quantitative thresholds for separate management reporting be combined into the Other segment.

The accounting policies of the reported segments are the same as those of the Company as described in Note 1, Nature of Operation and Summary of Significant Accounting Policies beginning on page 81. Transactions between segments consisted primarily of borrowings, loan participations and shared services. All intercompany transactions are eliminated for reporting consolidated results of operations. Loan participations are 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. Please refer to Note 19, Segments in our Consolidated Financial Statements for financial information regarding segment reporting beginning on page 130.

The bank operating segments derive a majority of their revenues from net interest income generated from quality loan growth offset by deposit costs. The Company s chief executive officer relies primarily on the success of loan and deposit growth while maintaining net interest margin and net profits from these efforts to assess the performance of these segments. The other segment derives a majority of its revenue from fees based on assets under management and interest income from investments. The Company s chief executive officer relies primarily on costs and strategic initiative needs when assessing the performance of and allocating resources to this segment.

Lending Activities

Through its banking segments, the Company provides a variety of financial services to customers, including commercial real estate loans, construction and land development loans, commercial loans, and consumer loans. The Company s lending has focused primarily on meeting the needs of business customers. Loans to businesses comprised 89.2% and 85.9% of the total loan portfolio at December 31, 2011 and 2010, respectively.

Commercial Real Estate (CRE): Loans to finance the purchase or refinancing of CRE and loans to finance inventory and working capital that are additionally secured by CRE make up the majority of our loan portfolio. These CRE loans are secured by apartment buildings, professional offices, industrial facilities, retail centers and other commercial properties. As of December 31, 2011 and 2010, 49.0% and 54.1% of our CRE loans were owner-occupied. Owner-occupied commercial real estate loans are loans secured by owner-occupied nonfarm nonresidential properties for which the primary source of repayment (more than 50%) is the cash flow from the ongoing operations and activities conducted by the borrower who owns the property. Non-owner-occupied commercial real estate loans are commercial real estate loans for which the primary source of repayment is nonaffiliated rental income associated with the collateral property.

Construction and Land Development: Construction and land development loans include multi-family apartment projects, industrial/warehouse properties, office buildings, retail centers and medical facilities. These loans are primarily originated to experienced local developers with whom the Company has a satisfactory lending history. An analysis of each construction project is performed as part of the underwriting process to determine whether the type of property, location, construction costs and contingency funds are appropriate and adequate. Loans to finance commercial raw land are primarily to borrowers who plan to initiate active development of the property within two years.

Commercial and Industrial: Commercial and industrial loans include working capital lines of credit, inventory and accounts receivable lines, mortgage warehouse lines, equipment loans and leases, and other commercial loans. Commercial loans are primarily originated to small and medium-sized businesses in a wide variety of industries. WAB is designated a Preferred Lender in Arizona with the Small Business Association (SBA) under its Preferred Lender Program.

Residential real estate: In 2010 the Company discontinued residential real estate loan origination as a primary business line.

Consumer: Consumer loans are offered to meet customer demand and to respond to community needs. Consumer loans are generally offered at a higher rate and shorter term than residential mortgages. Examples of our consumer loans include: home equity loans and lines of credit; home improvement loans; credit card loans; and personal lines of credit.

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As of December 31, 2011, our loan portfolio totaled $4.68 billion, or approximately 68.4% of our total assets. The following table sets forth the composition of our loan portfolio as of the periods presented.

	December 31,			
	2011		2010	
	Amount	**Percent**	Amount	Percent
	(dollars in thousands)			
Commercial real estate-owner occupied	**$ 1,252,182**	**26.1%**	$ 1,223,150	28.8%
Commercial real estate-non-owner occupied	**1,301,172**	**27.2%**	1,038,488	24.5%
Commercial and industrial	**1,120,107**	**23.4%**	744,659	17.5%
Residential real estate	**443,020**	**9.3%**	527,302	12.4%
Construction and land development	**381,676**	**8.0%**	451,470	10.6%
Commercial leases	**216,475**	**4.5%**	189,968	4.5%
Consumer	**72,504**	**1.5%**	71,545	1.7%
Total loans	**4,787,136**	**100.0%**	4,246,582	100.0%
Net deferred fees	**(7,067)**		(6,040)	
Total loans, net of deferred loan fees	**$ 4,780,069**		$ 4,240,542	

For additional information concerning loans, refer to Note 4, Loans, Leases and Allowance for Credit Losses of the Consolidated Financial Statements or see the Management Discussion and Analysis of Financial Condition and Results of Operations Financial Condition Loans discussions.

General

The Company adheres to a specific set of credit standards across its bank subsidiaries that ensure the proper management of credit risk. Furthermore, our holding company s management team plays an active role in monitoring compliance with such standards by our banks.

Loan originations are subject to a process that includes the credit evaluation of borrowers, utilizing established lending limits, analysis of collateral, and procedures for continual monitoring and identification of credit deterioration. Loan officers actively monitor their individual credit relationships in order to report suspected risks and potential downgrades as early as possible. The respective boards of directors of each of our banking subsidiaries approve their own loan policies, as well as loan limit authorizations. Except for variances to reflect unique aspects of state law and local market conditions, our lending policies generally incorporate consistent underwriting standards. The Company monitors all changes to each respective bank s loan policy to ensure this consistency. Our credit culture has helped us to identify troubled credits early, allowing us to take corrective action when necessary.

Loan Approval Procedures and Authority

Our loan approval procedures are executed through a tiered loan limit authorization process, which is structured as follows:

Individual Authorities. The chief credit officer (CCO) of each subsidiary bank sets the authorization levels for individual loan officers on a case-by-case basis. Generally, the more experienced a loan officer, the higher the authorization level. The maximum approval authority for a loan officer is $2.0 million for real estate secured loans and $750,000 for other loans.

Management Loan Committees. Credits in excess of individual loan limits are submitted to the appropriate bank s Management Loan Committee. The Management Loan Committees consist of members of the senior management team of that bank and are chaired by that bank s chief credit officer. The Management Loan Committees have approval authority up to $7.0 million.

Credit Administration. Credits in excess of the affiliate banks Management Loan Committee authority are submitted by the bank subsidiary to Western Alliance Bancorporation s Credit Committee (WALCC). WALCC has approval authority up to established house concentration limits, which range from $15.0 million to $35.0 million, depending on risk grade. WALCC approval is additionally required for new relationships of $12.5 million or greater to borrowers within market footprint, and $5.0 million outside market footprint. WALCC also reviews all affiliate loan approvals to any one borrower of $5.0 million or greater. WALCC is chaired by the Western Alliance Bancorporation Chief Credit Officer and includes the Company s CEO and COO.

Board of Directors Oversight. The chief executive officer (CEO) of Western Alliance Bancorporation acting with the Chairman of the Board of Directors of Bank of Nevada has approval authority for any credit extension greater than $30.0 million at December 31, 2011.

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The Company s credit administration department works independent of loan production.

Loans to One Borrower. In addition to the limits set forth above, subject to certain exceptions, state banking law generally limits the amount of funds that a bank may lend to a single borrower. Under Nevada law, the combination of investments in private securities and total amount of outstanding loans that a bank may make to a single borrower generally may not exceed 25% of stockholders tangible equity. Under Arizona law, the obligations of one borrower to a bank generally may not exceed 20% of the bank s capital, plus an additional 10% of its capital if the additional amounts are fully secured by readily marketable collateral. Under California law, the unsecured obligations of any one borrower to a bank generally may not exceed 15% of the sum of the bank s shareholders equity, allowance for credit losses, capital notes and debentures; and the secured and unsecured obligations of any one borrower to a bank generally may not exceed 25% of the sum of the bank s shareholders equity, allowance for credit losses, capital notes and debentures.

Concentrations of Credit Risk. Our lending policies also establish customer and product concentration limits to control single customer and product exposures. Our lending policies have several different measures to limit concentration exposures. Set forth below are the primary segmentation limits and actual measures as of December 31, 2011:

	Percent of Total Capital		**Percent of Total Loans**	
	Policy Limit	**Actual**	**Policy Limit**	**Actual**
Commercial Real Estate-Term (including owner-occupied)	435%	352%	65%	53%
Commercial and Industrial	225	185	30	28
Construction /Land	80	53	30	8
Residential Real Estate	75	61	65	9
Consumer	20	10	15	2

Asset Quality

General

To measure asset quality, the Company has instituted a loan grading system consisting of nine different categories. The first five are considered satisfactory. The other four grades range from a watch category to a loss category and are consistent with the grading systems used by Federal banking regulators. All loans are assigned a credit risk grade at the time they are made, and each originating loan officer reviews the credit with his or her immediate supervisor on a quarterly basis to determine whether a change in the credit risk grade is warranted. In addition, the grading of our loan portfolio is reviewed on a test basis, at minimum, annually by an external, independent loan review firm.

Collection Procedure

If a borrower fails to make a scheduled payment on a loan, the bank attempts to remedy the deficiency by contacting the borrower and seeking payment. Contacts generally are made within 15 business days after the payment becomes past due. Each of the bank affiliates maintains a Special Assets Department, which generally services and collects loans rated substandard or worse. Each bank s CCO is responsible for monitoring activity that may indicate an increased risk rating, such as past-dues, overdrafts, loan agreement covenant defaults, etc. All charge-offs in excess of $100,000 are reported to each bank s respective board of directors. Loans deemed uncollectible are proposed for charge-off at each respective bank s board meeting.

Nonperforming Assets

Nonperforming assets include loans past due 90 days or more and still accruing interest, nonaccrual loans, troubled debt restructured loans, and repossessed assets including other real estate owned (OREO). In general, loans are placed on nonaccrual status when we determine timely collection of interest to be in doubt due to the borrower s financial condition and collection efforts. A troubled debt restructured loan is a loan on which the Bank, for reasons related to a borrower s financial difficulties, grants a concession to the borrower that the Bank would not otherwise consider. Other repossessed assets resulted from loans where we have received title or physical possession of the borrower s assets. Generally, the Company re-appraises OREO and collateral dependent loans every six months. Net losses on sales/valuations of repossessed assets were $24.6 million and $28.8 million for the years ended December 31, 2011 and 2010, respectively. These losses may continue in future periods.

Criticized Assets

Federal regulations require that each insured bank classify its assets on a regular basis. In addition, in connection with examinations of insured institutions, examiners have authority to identify problem assets, and, if appropriate, re-classify them. Loan grades six through nine of our loan grading system are utilized to identify potential problem assets.

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The following describes the potential problem assets in our loan grading system:

Watch List/Special Mention. Generally these are assets that require more than normal management attention. These loans may involve borrowers with adverse financial trends, higher debt to equity ratios, or weaker liquidity positions, but not to the degree of being considered a problem loan where risk of loss may be apparent. Loans in this category are usually performing as agreed, although there may be some minor non-compliance with financial covenants.

Substandard. These assets contain well-defined credit weaknesses and are characterized by the distinct possibility that the bank will sustain some loss if such weakness or deficiency is not corrected. These loans generally are adequately secured and in the event of a foreclosure action or liquidation, the bank should be protected from loss. All loans 90 days or more past due and all loans on nonaccrual are considered at least substandard, unless extraordinary circumstances would suggest otherwise.

Doubtful. These assets have an extremely high probability of loss, but because of certain known factors which may work to the advantage and strengthening of the asset (for example, capital injection, perfecting liens on additional collateral and refinancing plans), classification as an estimated loss is deferred until a more precise status may be determined.

Loss. These assets are considered uncollectible, and of such little value that their continuance as assets is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value, but rather that it is not practicable or desirable to defer writing off the asset, even though partial recovery may be achieved in the future.

Allowance for Credit Losses

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. For a detailed discussion of the Company s methodology see Management s Discussion and Analysis and Financial Condition Critical Accounting Policies Allowance for Credit Losses beginning on page 52.

Investment Activities

Each of our banking subsidiaries and the holding company has its own investment policy, which is approved by each respective bank s board of directors. These policies dictate that investment decisions will be made based on the safety of the investment, liquidity requirements, potential returns, cash flow targets, and consistency with our interest rate risk management. Each bank s asset and liability committee is responsible for making securities portfolio decisions in accordance with established policies. The Chief Financial Officer and Treasurer have the authority to purchase and sell securities within specified guidelines established by the Company s accounting and investment policies. All transactions for a specific bank or for the holding company are reviewed by the respective asset and liability management committee and/or board of directors.

Generally the bank s investment policies limit securities investments to securities backed by the full faith and credit of the U.S. government, including U.S. treasury bills, notes, and bonds, and direct obligations of Ginnie Mae; mortgage-backed securities (MBS) or collateralized mortgage obligations (CMO) issued by a government-sponsored enterprise (GSE) such as Fannie Mae or Freddie Mac; debt securities issued by a government-sponsored enterprise (GSE) such as Fannie Mae, Freddie Mac, and the FHLB; municipal securities with a rating of Single-A or higher; adjustable-rate preferred stock (ARPS) where the issuing company is rated BBB or higher; corporate debt with a rating of Single-A or better; investment grade corporate bond mutual funds; private label collateralized mortgage obligations with a rating of AAA ; commercial mortgage backed securities with a rating of AAA ; and mandatory purchases of equity securities of the FRB and FHLB. Adjustable rate preferred stock (ARPS) holdings are limited to no more than 15% of a bank s tier 1 capital; municipal securities are limited to no more than 5% of assets; investment grade corporate bond mutual funds are limited to no more than 5% of Tier 1 capital; corporate debt holdings are limited to no more than 2.5% of a bank s assets; and commercial mortgage backed securities are limited to an aggregate purchase limit of $50 million.

The Company no longer purchases (although we may continue to hold previously acquired) collateralized debt obligations. Our policies also govern the use of derivatives, and provide that the Company and its banking subsidiaries are to prudently use derivatives as a risk management tool to reduce the Bank s overall exposure to interest rate risk, and not for speculative purposes.

All of our investment securities are classified as available-for-sale (AFS), held-to-maturity (HTM) or measured at fair value (trading) pursuant to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 320, *Investments* and FASB ASC Topic 825, *Financial Instruments* . Available-for -sale securities are reported at fair value in accordance with FASB Topic 820, *Fair Value Measurements and Disclosures.* For additional information regarding the Company s accounting policy for investment securities, see Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies Investment Securities beginning on page 53.

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As of December 31, 2011, the Company had an investment securities portfolio of $1.48 billion, representing approximately 21.7% of our total assets, with the majority of the portfolio invested in AAA/AA+-rated securities. The average duration of our investment securities was 2.74 years as of December 31, 2011.

The following table summarizes the investment securities portfolio as of December 31, 2011 and 2010.

	December 31,			
	2011		2010	
	Amount	Percent	Amount	Percent
	(dollars in millions)			
U.S. Government sponsored agency securities	**$ 156.2**	**10.5%**	$ 280.1	22.7%
Municipal obligations	**187.5**	**12.7%**	1.7	0.1%
Adjustable-rate preferred stock	**54.7**	**3.7%**	67.2	5.4%
Mutual funds	**28.8**	**1.9%**	0.0	0.0%
Corporate bonds	**107.4**	**7.2%**	49.9	4.0%
Direct U.S. obligation and GSE residential mortgage-backed securities	**871.1**	**58.8%**	781.2	63.2%
Private label residential mortgage-backed securities	**25.8**	**1.7%**	8.1	0.7%
CRA investments	**25.0**	**1.7%**	23.9	2.0%
Trust preferred securities	**21.2**	**1.4%**	23.0	1.9%
Private label commercial mortgage-backed securities	**5.4**	**0.4%**	0.0	0.0%
Collateralized debt obligations	**0.1**	**0.0%**	0.3	0.0%
Total	**$ 1,483.2**	**100.0%**	$ 1,235.4	100.0%

As of December 31, 2011 and 2010, the Company had an investment in bank-owned life insurance (BOLI) of $133.9 million and $129.8 million, respectively. The BOLI was purchased to help offset employee benefit costs. For additional information concerning investments, see Management s Discussion and Analysis of Financial Condition and Results of Operations Financial Condition Investments.

Deposit Products

The Company offers a variety of deposit products including checking accounts, savings accounts, money market accounts and other types of deposit accounts, including fixed-rate, fixed maturity retail certificates of deposit. The Company has historically focused on growing its lower cost core customer deposits. As of December 31, 2011, the deposit portfolio was comprised of 27.5% non-interest bearing deposits and 72.5% interest-bearing deposits.

Non-interest bearing deposits consist of non-interest bearing checking account balances. The Company considers these deposits to be core deposits.

The competition for deposits in our markets is strong. The Company has historically been successful in attracting and retaining deposits due to several factors, including: (1) focus on a high quality of customer service; (2) our experienced relationship bankers who have strong relationships within their communities; (3) the broad selection of cash management services we offer; and (4) incentives to employees for business development. The Company intends to continue its focus on attracting deposits from our business lending relationships in order to maintain low cost of funds and improve net interest margin. The loss of low-cost deposits could negatively impact future profitability.

Deposit balances are generally influenced by national and local economic conditions, changes in prevailing interest rates, internal pricing decisions, perceived stability of financial institutions and competition. The Company s deposits are primarily obtained from communities surrounding our branch offices. In order to attract and retain quality deposits, we rely on providing quality service and introducing new products and services that meet the needs of customers.

The Company s deposit rates are determined by each individual bank through an internal oversight process under the direction of its asset and liability committee. The banks consider a number of factors when determining deposit rates, including:

current and projected national and local economic conditions and the outlook for interest rates;

local competition;

loan and deposit positions and forecasts, including any concentrations in either; and

FHLB advance rates and rates charged on other funding sources.

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The following table shows our deposit composition:

	December 31,			
	2011		2010	
	Amount	Percent	Amount	Percent
	(dollars in thousands)			
Non-interest bearing demand	**$ 1,558,211**	**27.5%**	$ 1,443,251	27.0%
Interest-bearing demand	**482,729**	**8.5%**	523,827	9.8%
Savings and money market	**2,166,639**	**38.3%**	1,926,060	36.1%
Time certificates of $100,000 or more	**1,288,681**	**22.8%**	1,276,369	23.9%
Other time deposits	**162,252**	**2.9%**	168,934	3.2%
Total deposits	**$ 5,658,512**	**100.0%**	$ 5,338,441	100.0%

In addition to our deposit base, we have access to other sources of funding, including FHLB and FRB advances, repurchase agreements and unsecured lines of credit with other financial institutions. Previously, we have also accessed the capital markets through trust preferred offerings. For additional information concerning our deposits see Management s Discussion and Analysis of Financial Condition and Results of Operations Balance Sheet Analysis Deposits.

Financial Products and Services

In addition to traditional commercial banking activities, the Company offers other financial services to customers, including: internet banking, wire transfers, electronic bill payment, lock box services, courier, and cash management services.

Through Shine, a full service financial advisory firm, the Company offers financial planning and investment management.

Customer, Product and Geographic Concentrations

Approximately 61.3% and 63.9% of the loan portfolio at December 31, 2011 and 2010, respectively, consisted of commercial real estate secured loans, including commercial real estate loans and construction and land development loans. The Company s business is concentrated in the Las Vegas, Los Angeles, Oakland, Phoenix, Reno, San Diego and Tucson metropolitan areas. Consequently, the Company is dependent on the trends of these regional economies. The Company is not dependent upon any single or limited number of customers, the loss of which would have a material adverse effect on the Company. No material portion of the Company s business is seasonal.

Foreign Operations

The Company has no foreign operations. The bank subsidiaries provide loans, letters of credit and other trade-related services to commercial enterprises that conduct business outside the United States.

Customer Concentration

Neither the Company nor any of its reportable segments has any customer relationships that individually account for 10% of consolidated or segment revenues, respectively.

Competition

The financial services industry is highly competitive. Many of our competitors are much larger in total assets and capitalization, have greater access to capital markets, and offer a broader range of financial services than we can offer and may have lower cost structures.

This increasingly competitive environment is primarily a result of long term changes in regulation that made mergers and geographic expansion easier; changes in technology and product delivery systems and web-based tools; the accelerating pace of consolidation among financial services providers; and the flight of deposit customers to perceived increased safety. We compete for loans, deposits and customers with other banks, credit unions, securities and brokerage companies, mortgage companies, insurance companies, finance companies, and other non-bank financial services providers. This strong competition for deposit and loan products directly affects the rates of those products and the terms on which they are offered to consumers.

Technological innovation continues to contribute to greater competition in domestic and international financial services markets.

Mergers between financial institutions have placed additional pressure on banks to consolidate their operations, reduce expenses and increase revenues to remain competitive. The competitive environment is also significantly impacted by federal and state legislation that makes it easier for non-bank financial institutions to compete with the Company.

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Employees

As of December 31, 2011, the Company had 942 full-time equivalent team members. The Company s employees are not represented by a union or covered by a collective bargaining agreement. Management believes that its employee relations are good.

Recent Developments and Company Response

The global and U.S. economies, and the economies of the local communities in which we operate, experienced a rapid decline in 2008. The financial markets and the financial services industry in particular suffered unprecedented disruption, causing many major institutions to fail or require government intervention to avoid failure. These conditions were brought about largely by the erosion of U.S. and global credit markets, including a significant and rapid deterioration of the mortgage lending and related real estate markets. Despite these conditions, in 2011, we continued to grow net interest income to $257.7 million, up 10.8% from $232.6 million in 2010. However, as with many financial institutions in our markets, we continued to suffer losses resulting primarily from provisions and charge-offs for credit losses, and net losses on sales/valuations of other repossessed assets, though not at the same levels as 2010, resulting in a lower provision for credit losses in 2011 compared to 2010. As a result our net interest income after provision for credit loss in 2011 was $211.5 million, up 51.8% from $139.3 million in 2010.

The United States, state and foreign governments have taken extraordinary actions in an attempt to deal with the worldwide financial crisis and the severe decline in the economy. 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 has had, and will continue to have, a broad impact on the financial services industry. The SEC and the Federal banking agencies, including the Board of Governors of the Federal Reserve System (or the Federal Reserve) and the Federal Deposit Insurance Corporation (or the FDIC), have issued a number of requests for public comment, proposed rules and final regulations to implement the requirements of the Dodd-Frank Act. 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.

Deposit Insurance. The Dodd-Frank Act and implementing final rules from the FDIC make permanent the $250,000 deposit insurance limit for insured deposits. The assessment base against which an insured depository institution s deposit insurance premiums paid to the FDIC s Deposit Insurance Fund (or the DIF) has been revised to use the institution s average consolidated total assets less its average equity rather than its deposit base. Although we do not expect these provisions to have a material effect on our deposit insurance premium expense, in the future, they could increase the FDIC deposit insurance premiums paid by our insured depository institution 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 increased capital standards established by 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 may continue to include our 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 that is tasked with establishing and implementing rules and regulations under certain federal consumer protection laws. These consumer protection laws govern the manner in which we offer many of our financial products and services. On July 21, 2011, the rulemaking and certain enforcement authority for enumerated federal consumer financial protection laws was transferred to the Bureau. As a result of this transfer, the Bureau now has significant interpretive and enforcement authority with respect to many of the federal laws and regulations under which we operate. In accordance with this authority, the Bureau has officially transferred many of the regulations formally maintained by the Federal Reserve and the U.S. Department of Housing and Urban Development, to a new chapter of Title 12 of the Code of Federal Regulations maintained by the Bureau, many of which deal with consumer credit, account disclosures and residential mortgage lending. Although the Bureau did not make significant or substantive changes to the rules during this transfer, it now has authority to promulgate guidance and interpretations of these rules and regulations in a manner that could differ from prior interpretations from other federal regulatory bodies.

State Enforcement of Consumer Financial Protection Laws. The Dodd-Frank Act permits states to adopt consumer protection laws and regulations that are stricter than those regulations promulgated by the Bureau. State attorneys general are permitted to enforce consumer protection rules adopted by the Bureau against certain state-chartered institutions. Although consumer products and services represent a relatively small part of our business, compliance with any such new regulations would increase our cost of operations and, as a result, could limit our ability to expand these products and services.

Transactions with Affiliates and Insiders. 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 an increase in the amount of time for which collateral requirements regarding covered transactions must be maintained. Additionally, limitations on transactions with insiders are expanded through the (i) strengthening on loan restrictions to insiders; and (ii) 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.

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 claw-back 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. The SEC recently adopted final rules implementing rules for the shareholder advisory vote on executive compensation and golden parachute payments.

Debit Interchange Fees and Routing. The Dodd-Frank Act changed the manner in which certain fees could be charged or received by banks with respect to electronic debit transactions. The so-called Durbin Amendment, and the Federal Reserve s implementing regulations, require that, unless exempt, bank issuers may only receive an interchange fee from merchants that is reasonable and proportional to the cost of clearing the transaction. Although this limitation only applies to banks with total assets, when aggregated or consolidated with the assets of all their affiliates, of $10 billion or more, other provisions of the Durbin Amendment and the Federal Reserve s regulations also require that banks enable all debit cards with two or more unaffiliated payment networks. Moreover, banks are prohibited from placing restrictions or limiting a merchant s ability to route an electronic debit transaction initiated through a debit card through any enabled network. These rules became effective on October 1, 2011.

Additional regulations called for in the Dodd-Frank Act, including regulations dealing with the risk retention requirements for, and disclosures required from, residential mortgage originators will be implemented over time. Although the Dodd-Frank Act contains some specific timelines for the Federal regulatory agencies to follow, it remains unclear whether the agencies will be able to meet these deadlines and when rules will be proposed and finalized. We continue to monitor the rulemaking process and, while our current assessment is that the Dodd-Frank Act and the implementing regulations 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, 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 would 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.

The Company was a participant in programs established by the U.S. Treasury Department under the authority contained in the Emergency Economic Stabilization Act of 2008 (enacted on October 3, 2008) and the American Recovery and Reinvestment Act of 2009 (enacted on February 17, 2009). Among other matters, these laws:

provide for the government to invest additional capital into banks and otherwise facilitate bank capital formation (commonly referred to as the Troubled Asset Relief Program or TARP);

increase the limits on federal deposit insurance; and provide for various forms of economic stimulus, including to assist homeowners in restructuring and lowering mortgage payments on qualifying loans.

Other laws, regulations, and programs at the federal, state and even local levels are under consideration that seek to address the economic climate and/or the financial institutions industry. The effect of these initiatives cannot be predicted.

During 2008, in addition to two private offerings raising a total of approximately $80 million in capital, the Company also took advantage of TARP Capital Purchase Program (CPP) to raise $140 million of new capital and strengthen its balance sheet.

The Small Business Lending Fund, or SBLF, is a dedicated investment fund that encourages lending to small businesses by providing capital to qualified community banks with assets of less than $10 billion. Enacted into law as part of the Small Business Jobs Act of 2010, under the SBLF Treasury makes a capital investment into community banks the dividend payment on which is adjusted depending on the growth in the bank s qualifying small business lending. On September 27, 2011, as part of the SBLF program, the Company sold $141 million of Non-Cumulative Perpetual Preferred Stock, Series B (the SBLF Preferred Stock), to the Secretary of the Treasury (the Secretary), and used approximately $140.8 million of the proceeds from the sale of the SBLF Preferred Stock to redeem the 140,000 shares of the Company s Fixed Rate Cumulative Perpetual Preferred Stock, Series A (the CPP Preferred Stock), issued in 2008 to the Treasury under the CPP, plus the accrued and unpaid dividends owed on the CPP Preferred Stock. As a result of its redemption of the CPP Preferred Stock, the Company is no longer subject to the limits on executive compensation and other restrictions stipulated under CPP. The Company will be subject to all terms, conditions and other requirements for participation in SBLF for as long as any SBLF Preferred Stock remains outstanding.

The previously disclosed Consent Order between the FDIC and Torrey Pines Bank, dated November 16, 2009, was terminated on October 20, 2010 and replaced with a memorandum of understanding (MOU). This MOU, as well as the MOU at our Western Alliance Bank subsidiary, both were terminated by the FDIC and respective state banking agencies following regulatory examinations conducted during the third quarter of 2011.

The Company s Bank of Nevada subsidiary has been placed under informal supervisory oversight by banking regulators in the form of a memorandum of understanding. The oversight requires enhanced supervision by the Board of Directors of the bank, and the adoption or revision of written plans and/or policies addressing such matters as asset quality, credit underwriting and administration, the allowance for loan and lease losses, loan and investment portfolio risks, asset-liability management and loan concentrations, as well as the formulation and adoption of comprehensive strategic plans. The bank is also prohibited from paying dividends or making other distributions to the Company without prior regulatory approval and is required to maintain higher levels of Tier 1 capital than otherwise would be required to be considered well-capitalized under federal capital guidelines. In addition, the bank is required to provide regulators with prior notice of certain management and director changes and, in certain cases, to obtain their non-objection before engaging in a transaction that would materially change its balance sheet composition. The Company believes Bank of Nevada is in full compliance with the requirements of the applicable memorandum of understanding.

Supervision and Regulation

The Company and its subsidiaries are extensively regulated and supervised under both Federal and State laws. A summary description of the laws and regulations which relate to the Company s operations are discussed beginning on page 59.

Additional Available Information

The Company maintains an Internet website at http://www.westernalliancebancorp.com. The Company makes available its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act) and other information related to the Company free of charge, through this site as soon as reasonably practicable after it electronically files those documents with, or otherwise furnishes them to the Securities Exchange Commission (SEC). The SEC maintains an Internet site, http://www.sec.gov, in which all forms filed electronically may be accessed. The Company s internet website and the information contained therein are not intended to be incorporated in this Form 10-K.

In addition, copies of the Company s annual report will be made available, free of charge, upon written request.

ITEM IA. RISK FACTORS

Investing in our common stock involves various risks which are specific to the Company. Several of these risks and uncertainties, are discussed below and elsewhere in this report. This listing should not be considered as all-inclusive. These factors represent risks and uncertainties that could have a material adverse effect on our business, results of operations and financial condition. Other risks that we do not know about now, or that we do not believe are significant, could negatively impact our business or the trading price of our securities. In addition to common business risks such as theft, loss of market share and disasters, the Company is subject to special types of risk due to the nature of its business. See additional discussions about credit, interest rate, market and litigation risks in Management s Discussion and Analysis of Financial Condition and Results of Operations section of this report beginning on page 29 and additional information regarding legislative and regulatory risks in the Supervision and Regulation section beginning on page 59.

Risks Relating to Our Business

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

Our financial performance generally, and in particular the ability of borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, is highly dependent upon the business environment in the markets where we operate and in the United States as a whole. A favorable business environment is generally characterized by, among other factors, economic growth, efficient capital markets, low inflation, high business and investor confidence, and strong business earnings. Unfavorable or uncertain economic and market conditions can be caused by declines in economic growth, business activity or investor or business confidence, limitations on the availability or increases in the cost of credit and capital, increases in inflation or interest rates, natural disasters or a combination of these or other factors.

Since mid-2007, the financial services industry and the securities markets generally have been materially and adversely affected by significant declines in the values of nearly all asset classes and by a serious lack of liquidity. The global markets have been characterized by substantially increased volatility and an overall loss of investor confidence. Market conditions have led to the failure or merger of a number of prominent financial institutions. Financial institution failures or near-failures have resulted in further losses as a consequence of defaults on securities issued by them and defaults under contracts entered into with such entities as counterparties. Furthermore, declining asset values, defaults on mortgages and consumer loans, and the lack of market and investor confidence, as well as other factors, have all combined to increase credit default swap spreads and to cause rating agencies to lower credit ratings. Despite recent stabilization in asset prices, economic performance and significant declines in Federal Reserve borrowing rates, there remains a risk of continued asset and economic deterioration, which may increase the cost and decrease the availability of liquidity. Additionally, some banks and other lenders have suffered significant losses and they have become reluctant to lend, even on a secured basis, because of capital limitations, potentially increased risks of default and the impact of declining asset values on collateral. The foregoing has significantly weakened the strength and liquidity of some financial institutions worldwide.

It is possible that the business environment in the United States will continue to deteriorate for the foreseeable future. There can be no assurance that these conditions will improve in the near term. Such conditions could adversely affect the credit quality of our loans, our results of operations and our financial condition.

The Company is highly dependent on real estate and events that negatively impact the real estate market will hurt our business and earnings

The Company is located in areas in which economic growth is largely dependent on the real estate market, and a substantial majority of our loan portfolio is secured or otherwise dependent on real estate. Real estate values have been declining in our markets, in some cases in a material and even dramatic fashion, which affects collateral values and has resulted in increased provisions for credit losses. We expect the weakness in these portions of our loan portfolio to continue through 2012. Accordingly, it is anticipated that our nonperforming asset and charge-off levels will remain elevated.

Further, the effects of recent mortgage market challenges, combined with the ongoing decrease in residential real estate market prices and demand, could result in further price reductions in home values, adversely affecting the value of collateral securing the residential real estate and construction loans that we hold, as well as loan originations and gains on sale of real estate and construction loans. A further decline in real estate activity would likely cause a further decline in asset and deposit growth and further negatively impact our earnings and financial condition.

The Company s high concentration of commercial real estate, construction and land development and commercial and industrial loans expose us to increased lending risks

Commercial real estate, construction and land development and commercial and industrial loans, comprised approximately 85% of our total loan portfolio as of December 31, 2011, and expose the Company to a greater risk of loss than residential real estate and consumer loans, which comprised a smaller percentage of the total loan portfolio at December 31, 2011. Commercial real estate and land development loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to residential loans. Consequently, an adverse development with respect to one commercial loan or one credit relationship exposes us to a significantly greater risk of loss compared to an adverse development with respect to one residential mortgage loan. In addition, these real estate construction, acquisition and development loans have certain risks that are not present in other types of loans. The primary credit risks

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associated with real estate construction, acquisition and development loans are underwriting, project risks and market risks. Project risks include cost overruns, borrower credit risk, project completion risk, general contractor credit risk and environmental and other hazard risks. Market risks are risks associated with the sale of the completed residential and commercial units. They include affordability risk, which means the risk that borrowers cannot obtain affordable financing, product design risk, and risks posed by competing projects. Real estate construction, acquisition and development loans also involve additional risks because funds are advanced upon the security of the project, which is of uncertain value prior to its completion, and costs may exceed realizable values in declining real estate markets.

Because of the uncertainties inherent in estimating construction costs and the realizable market value of the completed project and the effects of governmental regulation of real property, it is relatively difficult to evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. As a result, real estate construction, acquisition and development loans often involve the disbursement of substantial funds with repayment dependent, in part, on the success of the ultimate project and the ability of the borrower to sell or lease the property, rather than the ability of the borrower or guarantor to repay principal and interest. If our appraisal of the value of the completed project proves to be overstated or market values or rental rates decline, we may have inadequate security for the repayment of the loan upon completion of construction of the project. If we are forced to foreclose on a project prior to or at completion due to a default, there can be no assurance that we will be able to recover all of the unpaid balance and accrued interest on the loan as well as related foreclosure and holding costs. In addition, we may be required to fund additional amounts to complete the project and may have to hold the property for an unspecified period of time while we attempt to dispose of it. The adverse effects of the foregoing matters upon our real estate construction, acquisition and development portfolio could lead to a further increase in non-performing loans related to this portfolio and these non-performing loans may result in a material level of charge-offs, which may have a material adverse effect on our financial condition and results of operations.

Actual credit losses may exceed the losses that we expect in our loan portfolio, which could require us to raise additional capital. If we are not able to raise additional capital, our financial condition, results of operations and capital would be materially and adversely affected

Credit losses are inherent in the business of making loans. We make various assumptions and judgments about the collectability of our consolidated loan portfolio and maintain an allowance for estimated credit losses based on a number of factors, including the size of the portfolio, asset classifications, economic trends, industry experience and trends, industry and geographic concentrations, estimated collateral values, management s assessment of the credit risk inherent in the portfolio, historical loan loss experience and loan underwriting policies. In addition, the Company evaluates all loans identified as problem loans and augments the allowance based upon our estimation of the potential loss associated with those problem loans. Additions to the allowance for credit losses recorded through our provision for credit losses decrease net income. If such assumptions and judgments are incorrect, our actual credit losses may exceed our allowance for credit losses.

At December 31, 2011, our allowance for credit losses was $99.2 million. Deterioration in the real estate market and/or general economic conditions could affect the ability of our loan customers to service their debt, which could result in additional loan provisions and subsequent increases in our allowance for credit losses in the future. Any increases in the provision or allowance for credit losses will result in a decrease in our net income and, potentially, capital, and may have a material adverse effect on our financial condition and results of operations. Moreover, because future events are uncertain and because we may not successfully identify all deteriorating loans in a timely manner, there may be loans that deteriorate in an accelerated time frame. If actual credit losses materially exceed our allowance for credit losses, we may be required to raise additional capital, which may not be available to us on acceptable terms or at all. Our inability to raise additional capital on acceptable terms when needed could materially and adversely affect our financial condition, results of operations and capital.

In addition, we may be required to increase our allowance for credit losses based on changes in economic and real estate market conditions, new information regarding existing loans, input from regulators in connection with their review of our allowance, as a result of changes in regulatory guidance regulations or accounting standards, identification of additional problem loans and other factors, both within and outside of our management s control. Increases to our allowance for credit losses would negatively affect our financial condition and earnings.

Because of the geographic concentration of our assets, our business is highly susceptible to local economic conditions

Our business is primarily concentrated in selected markets in Arizona, California and Nevada. As a result of this geographic concentration, our financial condition and results of operations depend largely upon economic conditions in these market areas. Deterioration in economic conditions in the markets we serve could result in one or more of the following: an increase in loan delinquencies; an increase in problem assets and foreclosures; a decrease in the demand for our products and services; and a decrease in the value of collateral for loans, especially real estate, in turn reducing customers borrowing power, the value of assets associated with problem loans and collateral coverage.

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If actual credit losses exceed our provision for credit losses, we may also be required to record a valuation allowance against our deferred tax assets

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some or all deferred tax assets will not be realized. This determination is based upon an evaluation of all available positive or negative evidence. As a result of losses incurred in 2009, and 2010, the Company is in a three-year cumulative pretax loss position at December 31, 2011. A cumulative loss position is considered significant negative evidence in assessing the realizability of a deferred tax asset. The Company has assessed its ability to utilize deferred tax assets and we have 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 the end of 2013 based on current projections. In addition, management has identified tax planning strategies that would also be available to utilize deferred tax assets. The Company has concluded that there is sufficient positive evidence to overcome negative evidence, and that it is not more likely than not that deferred tax assets will not be realized. However, if future results underperform management s forecasts, the Company may be required to record a valuation allowance against some or all of its deferred tax assets which would have an adverse impact on our capital.

We could be required to revalue our deferred tax assets if stock transactions result in limitations on the deductibility of our net operating losses or loan losses

Our deferred tax assets relate primarily to net operating losses and loan loss allowances and the net operating loss carryforwards. The availability of net operating losses and loan losses to offset future taxable income would be limited if we were to undergo an ownership change pursuant to Section 382 of the Internal Revenue Code of 1986, as amended. On September 14, 2010, our Board of Directors approved an amendment to WAL s Amendment and Restated By-laws (the By-laws Amendment) and an amendment to WAL s Second Amended and Restated Articles of Incorporation, as amended (the Articles Amendment), to prohibit certain acquisitions of the Company s common stock. The By-Laws Amendment and Articles Amendment are intended to protect the Company s ability to use certain tax assets, such as net operating loss carryforwards, capital loss carryforwards and certain built-in losses, by preventing stock transactions that would result in an ownership change (any such restrictions would most likely affect 5% stockholders or those persons who would seek to acquire 5% of our stock). The Articles Amendment was approved by WAL s stockholders on November 30, 2010.

Notwithstanding the restrictions implemented through the By-Laws Amendment and Articles Amendment, there can be no assurance that such restrictions will prevent all acquisitions that could result in an ownership change or will be upheld if challenged, or that the restrictions and any remedies or cures for violations would be respected by taxing or other authorities. Further, because such restrictions restrict a stockholder s ability to acquire, directly or indirectly, additional shares of common stock in excess of the specified limitations, and may limit a stockholder s ability to dispose of common stock by reducing the universe of potential acquirors for such common stock, and because a stockholder s ownership of common stock may become subject to the Articles Amendment upon actions taken by persons related to, or affiliated with, such stockholder, the restrictions could adversely affect the marketability and market price for our stock.

The downgrade of the U.S. government s sovereign credit rating, any related rating agency action in the future, the ongoing debt crisis in Europe and the downgrade of the sovereign credit ratings for several European nations could negatively impact our business, financial condition and results of operations

On November 21, 2011, a Congressional committee that was formed to achieve $1.2 trillion in deficit reduction measures announced that it had failed to achieve its stated purpose by the deadline imposed by Congress August agreement to raise the U.S. government s debt ceiling. Standard & Poor s Rating Services, which had downgraded the U.S. government s AAA sovereign credit rating to AA+ with a negative outlook in August 2011, affirmed its AA+ rating following the announcement. Moody s Investors Services, which changed its U.S. government rating outlook to negative on August 2, 2011, also reaffirmed its rating following the Congressional committee s announcement. On November 22, 2011, Fitch Ratings stated that the failure of the committee to reach an agreement would likely cause it to change its outlook on U.S. government debt to negative. Further, on November 28, 2011, Fitch stated that a downgrade of the U.S. sovereign credit rating would occur without a credible plan in place by 2013 to reduce the U.S. government deficit. The impact of any additional downgrades to the U.S. government s sovereign credit rating by any of these rating agencies, as well as the perceived creditworthiness of U.S. government-related obligations, is inherently unpredictable and could adversely affect the U.S. and global financial markets and economic conditions and have a material adverse effect on our business, financial condition and results of operation.

In addition, while we don t have direct exposure certain European nations continue to experience varying degrees of financial stress. Despite various assistance packages, worries about European financial institutions and sovereign finances persist. On January 13, 2012, Standard & Poor s downgraded the credit ratings of France, Italy and seven other European nations in part as a result of the failure of leaders to address systemic stresses in the Eurozone. Market

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concerns over the direct and indirect exposure of European banks and insurers to these European Union nations and each other have resulted in a widening of credit spreads and increased costs of funding for some European financial institutions. Risks related to the European economic crisis have had, and are likely to continue to have, a negative impact on global economic activity and the financial markets. As these conditions persist, our financial condition and results of operations could be materially adversely affected.

The Company s financial instruments expose it to certain market risks and may increase the volatility of reported earnings

The Company holds certain financial instruments measured at fair value. For those financial instruments measured at fair value, the Company is required to recognize the changes in the fair value of such instruments in earnings. Therefore, any increases or decreases in the fair value of these financial instruments have a corresponding impact on reported earnings. Fair value can be affected by a variety of factors, many of which are beyond our control, including our credit position, interest rate volatility, volatility in capital markets and other economic factors. Accordingly, our earnings are subject to mark-to-market risk and the application of fair value accounting may cause our earnings to be more volatile than would be suggested by our underlying performance.

If the Company lost a significant portion of its low-cost deposits, it could negatively impact our liquidity and profitability

The Company s profitability depends in part on successfully attracting and retaining a stable base of low-cost deposits. While we generally do not believe these core deposits are sensitive to interest rate fluctuations, the competition for these deposits in our markets is strong and customers are increasingly seeking investments that are safe, including the purchase of U.S. Treasury securities and other government-guaranteed obligations, as well as the establishment of accounts at the largest, most-well capitalized banks. If the Company were to lose a significant portion of its low-cost deposits, it would negatively impact its liquidity and profitability.

From time to time, the Company has been dependent on borrowings from the FHLB and the FRB, and there can be no assurance these programs will be available as needed

As of December 31, 2011, the Company has borrowings from the FHLB of San Francisco of $280.0 million and no borrowings from the FRB. The Company in the recent past has been reliant on such borrowings to satisfy its liquidity needs. The Company s borrowing capacity is generally dependent on the value of the Company s collateral pledged to these entities. These lenders could reduce the borrowing capacity of the Company or eliminate certain types of collateral and could otherwise modify or even terminate its loan programs. Any change or termination would have an adverse affect on the Company s liquidity and profitability.

A decline in the Company s stock price or expected future cash flows, or a material adverse change in our results of operations or prospects, could result in further impairment of our goodwill

Since January 1, 2008, we have written off $188.5 million in goodwill. A further significant and sustained decline in our stock price and market capitalization, a significant decline in our expected future cash flows, a significant adverse change in the business climate or slower growth rates could result in additional impairment of our goodwill. If we were to conclude that a future write-down of our goodwill is necessary, then we would record the appropriate charge, which could be materially adverse to our operating results and financial position. For further discussion, see Note 7, Goodwill and Other Intangible Assets in the notes to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

Any reduction in the Company s credit rating could increase the cost of funding from the capital markets

Moody s Investors Service regularly evaluates its ratings of us and our long-term debt based on a number of factors, including our financial strength as well as factors not entirely within our control, including conditions affecting the financial services industry generally. In light of the difficulties in the financial services industry and the real estate and financial markets, there can be no assurance that we will not be subject to credit downgrades. Credit ratings measure a company s ability to repay its obligations and directly affect the cost and availability to that company of unsecured financing. Downgrades could adversely affect the cost and other terms upon which we are able to obtain funding and increase our cost of capital.

The Company s expansion strategy may not prove to be successful and our market value and profitability may suffer

The Company continually evaluates expansion through acquisitions of banks, the organization of new banks and the expansion of our existing banks through establishment of new branches. Any future acquisitions will be accompanied by the risks commonly encountered in acquisitions. These risks include, among other things: 1) difficulty of integrating the operations and personnel; 2) potential disruption of our ongoing business; and 3) inability of our management to maximize our financial and strategic position by the successful implementation of uniform product offerings and the incorporation of uniform technology into our product offerings and control systems.

The recent crisis also revealed and caused risks that are unique to acquisitions of financial institutions and banks, and that are difficult to assess, including the risk that the acquired institution has troubled, illiquid, or bad assets or an unstable base of deposits or assets under management. The Company expects that competition for suitable acquisition candidates may be significant. We may compete with other banks or financial service companies with similar acquisition strategies, many of which are larger and have greater financial and other resources. The Company cannot assure you that we will be able to successfully identify and acquire suitable acquisition targets on acceptable terms and conditions.

In addition to the acquisition of existing financial institutions, the Company may consider the organization of new banks in new market areas. We do not have any current plans to organize a new bank. Any acquisition or organization of a new bank carries with it numerous risks, including the following:

- the inability to obtain all the regulatory approvals;
- significant costs and anticipated operating losses during the application and organizational phases, and the first years of operation of the new bank;
- the inability to secure the services of qualified senior management;
- the local market may not accept the services of a new bank owned and managed by a bank holding company headquartered outside of the market area of the new bank;
- the inability to obtain attractive locations within a new market at a reasonable cost and
- the additional strain on management resources and internal systems and controls.

The Company cannot provide any assurance that it will be successful in overcoming these risks or any other problems encountered in connection with acquisitions and the organization of new banks. Further, the Bank of Nevada is currently subject to a memorandum of understanding, which, among other things, imposes requirements that could limit the Bank s ability to grow its business. See Legal Proceedings. Regulatory enforcement actions, like a memorandum of understanding, also may adversely affect our ability to engage in certain expansionary activities. The Company s inability to provide resources necessary for its subsidiary banks to meet the requirements of any regulatory action or otherwise to overcome these risks could have an adverse effect on the achievement of our business strategy and maintenance of our market value.

The Company may not be able to implement and improve its controls and processes, or its reporting systems and procedures, which could cause it to experience compliance and operational problems or incur additional expenditures beyond current projections, any one of which could adversely affect our financial results

The Company s future success will depend on the ability of officers and other key employees to continue to implement and improve operational, credit, financial, management and other internal risk controls and processes, and improve reporting systems and procedures, while at the same time maintaining and growing existing businesses and client relationships. We may not successfully implement such improvements in an efficient or timely manner and may discover deficiencies in existing systems and controls. Such activities would divert management from maintaining and growing our existing businesses and client relationships and could require us to incur additional expenditures to expand our administrative and operational infrastructure. If we are unable to improve our controls and processes, or our reporting systems and procedures, we may experience compliance and operational problems or incur additional expenditures beyond current projections, any one of which could adversely affect our financial results.

The Company s future success will depend on our ability to compete effectively in a highly competitive market

The Company faces substantial competition in all phases of our operations from a variety of different competitors. Our competitors, including commercial banks, community banks, savings and loan associations, mutual savings banks, credit unions, consumer finance companies, insurance companies, securities dealers, brokers, mortgage bankers, investment advisors, money market mutual funds and other financial institutions, compete with lending and deposit-gathering services offered by us. Increased competition in our markets may result in reduced loans and deposits.

There is very strong competition for financial services in the market areas in which we conduct our businesses from many local commercial banks as well as numerous national and commercial banks and regionally based commercial banks. Many of these competing institutions have much greater financial and marketing resources than we have. Due to their size, many competitors can achieve larger economies of scale and may offer a broader range of products and services than us. If we are unable to offer competitive products and services, our business may be negatively affected.

Some of the financial services organizations with which we compete are not subject to the same degree of regulation as is imposed on bank holding companies and federally insured depository institutions. As a result, these non-bank competitors have certain advantages over us in accessing funding and in providing various services. The banking business in our primary market areas is very competitive, and the level of competition facing us may increase further, which may limit our asset growth and financial results.

The success of the Company is dependent upon its ability to recruit and retain qualified employees especially seasoned relationship bankers

The Company s business plan includes and is dependent upon hiring and retaining highly qualified and motivated executives and employees at every level. In particular, our relative success to date has been partly the result of our management s ability to identify and retain highly qualified relationship bankers that have long-standing relationships in their communities. These professionals bring with them valuable customer relationships and have been an integral part of our ability to attract deposits and to expand our marketshare. From time to time, the Company recruits or utilizes the services of employees who are subject to limitations on their ability to use confidential information of a prior employer, to freely compete with that employer, or to solicit customers of that employer. If the Company is unable to hire or retain qualified employees it may not be able to successfully execute its business strategy. If the Company or its employee is found to have violated any nonsolicitation or other restrictions applicable to it or its employees, the Company or its employee could become subject to litigation or other proceedings.

The Company would be harmed if it lost the services of any of its senior management team or senior relationship bankers

We believe that our success to date has been substantially dependent on our senior management team, which includes Robert Sarver, Chairman and Chief Executive Officer, Kenneth Vecchione, President and Chief Operating Officer, Dale Gibbons, Chief Financial Officer, Robert R. McAuslan, Chief Credit Officer, Bruce Hendricks, Chief Executive Officer of Bank of Nevada, James Lundy, Chief Executive Officer of Western Alliance Bank, Gerald Cady, Chief Executive Officer of Torrey Pines Bank, and certain of our senior relationship bankers. We also believe that our prospects for success in the future are dependent on retaining our senior management team and senior relationship bankers. In addition to their skills and experience as bankers, these persons provide us with extensive community ties upon which our competitive strategy is based. Our ability to retain these persons may be hindered by the fact that we have not entered into employment agreements with any of them. The loss of the services of any of these persons, particularly Mr. Sarver, could have an adverse effect on our business if we cannot replace them with equally qualified persons who are also familiar with our market areas.

Mr. Sarver s involvement in outside business interests requires substantial time and attention and may adversely affect the Company s ability to achieve its strategic plan

Mr. Sarver joined the Company in December 2002 and is an integral part of our business. He has substantial business interests that are unrelated to us, including his position as managing partner of the Phoenix Suns National Basketball Association franchise. Mr. Sarver s other business interests demand significant time commitments, the intensity of which may vary throughout the year. Mr. Sarver s other commitments may reduce the amount of time he has available to devote to our business. We believe that Mr. Sarver spends the substantial majority of his business time on matters related to our company. However, a significant reduction in the amount of time Mr. Sarver devotes to our business may adversely affect our ability to achieve our strategic plan.

Terrorist attacks and threats of war or actual war may impact all aspects of our operations, revenues, costs and stock price in unpredictable ways

Terrorist attacks in the United States, as well as future events occurring in response or in connection to them including, without limitation, future terrorist attacks against United States targets, rumors or threats of war, actual conflicts involving the United States or its allies or military or trade disruptions, may impact our operations. Any of these events could cause consumer confidence and savings to decrease or result in increased volatility in the United States and worldwide financial markets and economy. Any of these occurrences could have an adverse impact on the Company s operating results, revenues and costs and may result in the volatility of the market price for our securities, including our common stock, and impair their future price.

The Company has received an IRS notice of proposed deficiency related to the Company s claim of certain deductions on its 2008 tax return, in connection with the partial worthlessness of collateralized debt obligations, which deductions resulted in an approximately $37-million tax refund for the 2006 and 2007 taxable periods. The Company has since received a favorable oral decision from the IRS Appellate Conferee, which decision must be approved by the Joint Committee on Taxation before the matter is closed

The Internal Revenue Service s Examination Division issued a notice of proposed deficiency on January 10, 2011, proposing a taxable income adjustment of $136.7 million related to deductions taken on the Company s 2008 tax return in connection with the partial worthlessness of collateralized debt obligations, or CDOs. The use of these deductions on the Company s 2008 tax return resulted in a net operating loss carryback claim for a tax refund of approximately $40.0 million of federal taxes for the 2006 and 2007 taxable periods. The Company filed a protest of the proposed deficiency, which caused the matter to be referred to the Appeals Division of the IRS. The Appellate Conferee has conceded that our $136.7 million deduction was correct and has proposed no further adjustments. However, the case is not yet closed. Due

to the size of the refund, the Appellate Conferee was required to submit his formal written recommendation to the Joint Committee on Taxation and will close the case after receiving approval from that committee. The Company has not accrued a reserve for this potential exposure.

The business may be adversely affected by internet fraud

The Company is inherently exposed to many types of operational risk, including those caused by the use of computer, internet and telecommunications systems. These risks may manifest themselves in the form of fraud by employees, by customers, other outside entities targeting us and/or our customers that use our internet banking, electronic banking or some other form of our telecommunications systems. Given the growing level of use of electronic, internet-based, and networked systems to conduct business directly or indirectly with our clients, certain fraud losses may not be avoidable regardless of the preventative and detection systems in place.

We may experience interruptions or breaches in our information system security

We rely heavily on communications and information systems to conduct our business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan and other systems. While we have policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of these information systems, there can be no assurance that any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures, interruptions or security breaches of these information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations.

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

As a financial institution, we are susceptible to fraudulent activity that may be committed against us or our clients, which may result in financial losses to us or our clients, privacy breaches against our clients, or damage to our reputation. Such fraudulent activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing, and other dishonest acts. In recent periods, there has been a rise in electronic fraudulent activity within the financial services industry, especially in the commercial banking sector, due to cyber criminals targeting commercial bank accounts. Consistent with industry trends, we have also experienced an increase in attempted electronic fraudulent activity in recent periods.

In addition, our operations rely on the secure processing, storage and transmission of confidential and other information on our computer systems and networks. Although we take numerous protective measures to maintain the confidentiality, integrity and availability of our and our clients information across all geographic and product lines, and endeavor to modify these protective measures as circumstances warrant, the nature of the threats continues to evolve. As a result, our computer systems, software and networks and those of our customers may be vulnerable to unauthorized access, loss or destruction of data (including confidential client information), account takeovers, unavailability of service, computer viruses or other malicious code, cyber attacks and other events that could have an adverse security impact and result in significant losses by us and/or our customers. Despite the defensive measures we take to manage our internal technological and operational infrastructure, these threats may originate externally from third parties, such as foreign governments, organized crime and other hackers, and outsource or infrastructure-support providers and application developers, or the threats may originate from within our organization. Given the increasingly high volume of our transactions, certain errors may be repeated or compounded before they can be discovered and rectified.

We also face the risk of operational disruption, failure, termination or capacity constraints of any of the third parties that facilitate our business activities, including exchanges, clearing agents, clearing houses or other financial intermediaries. Such parties could also be the source of an attack on, or breach of, our operational systems, data or infrastructure. In addition, as interconnectivity with our clients grows, we increasingly face the risk of operational failure with respect to our clients systems.

Although to date we have not experienced any material losses relating to cyber attacks or other information security breaches, there can be no assurance that we will not suffer such losses in the future. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, the outsourcing of some of our business operations, and the continued uncertain global economic environment. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities.

We maintain an insurance policy which we believe provides sufficient coverage at a manageable expense for an institution of our size and scope with similar technological systems. However, we cannot assure that this policy will afford coverage for all possible losses or would be sufficient to cover all financial losses, damages, penalties, including lost revenues, should we experience any one or more of our or a third party s systems failing or experiencing attack.

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Risks Related to the Banking Industry

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 of Financial Condition and Results of Operations Supervision and Regulation included in this Annual Report on Form 10-K. Intended to protect customers, depositors and the FDIC s Deposit Insurance Fund, 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, an alleged failure by us to comply with these laws and regulations, even if we acted in good faith or the alleged failure 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 has had, and will continue to 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 are in the process of being implemented by regulations issued by the SEC and Federal banking agencies, such as the FDIC and Federal Reserve, and will continue to be implemented 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 in Tier 1 capital going forward; and
- the limitations on our ability to offer certain consumer products and services due to anticipated stricter consumer protection laws and regulations.

Examples of these provisions include, but are not limited to:

- Creation of the Financial Stability Oversight Council that may recommend to the Federal Reserve increasingly strict rules for capital, leverage, liquidity, risk management and other requirements as companies grow in size and complexity;
- Application of the same leverage and risk-based capital requirements that apply to insured depository institutions to most bank holding companies, such as the Company;

Changes to the assessment base used by the FDIC to assess insurance premiums from insured depository institutions and increases to the minimum reserve ratio for the Deposit Insurance Fund, or DIF, from 1.15% to not less than 1.35%, with provisions to require institutions with total consolidated assets of $10 billion or more to bear a greater portion of the costs associated with increasing the DIF s reserve ratio;

Repeal of the federal prohibitions on the payment of interest on demand deposits, thereby permitting depository institutions to pay interest on business transaction and other accounts;

Establishment of a consumer financial protection bureau with broad authority to implement new consumer protection regulations and, for bank holding companies with $10 billion or more in assets, to examine and enforce compliance with federal consumer laws;

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Implementation of risk retention rules for loans (excluding qualified residential mortgages) that are sold by a bank; and

Amendment of the Electronic Fund Transfer Act to, among other things, give the Federal Reserve the authority to issue rules have limiting debit-card interchange fees.

In addition, under section 343 of the Dodd-Frank Act, deposits held in noninterest-bearing transaction accounts at our bank subsidiaries are fully insured by the FDIC regardless of the balance in the account through December 31, 2012. This unlimited coverage is available to all depositors and is separate from, and in addition to, the insurance coverage provided for a depositor s other accounts held at our banks. Unless extended, the scheduled expiration on January 1, 2013 of the unlimited deposited insurance for noninterest-bearing transaction accounts may result in a loss of deposits at our banks, which could have an adverse effect on our business and financial condition.

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 are or 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 Federal Reserve 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 Federal Reserve may take a number of different remedial or enforcement 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 enforcement powers with respect to its state-chartered banks.

Bank of Nevada has been placed under informal supervisory oversight by banking regulators in the form of a memorandum of understanding. The oversight requires enhanced supervision by the Board of Directors of the bank, and the adoption or revision of written plans and/or policies addressing such matters as asset quality, credit underwriting and administration, the allowance for loan and lease losses, loan and investment portfolio risks, asset-liability management and loan concentrations, as well as the formulation and adoption of comprehensive strategic plans. The bank is also prohibited from paying dividends or making other distributions to the Company without prior regulatory approval and is required to maintain higher levels of Tier 1 capital than otherwise would be required to be considered well-capitalized under federal capital guidelines. In addition, the Bank of Nevada is required to provide regulators with prior notice of certain management and director changes and, in certain cases, to obtain their non-objection before engaging in a transaction that would materially change its balance sheet composition.

If we were unable to comply with regulatory directives in the future, or if we were unable to comply with the terms of any future supervisory requirements to which we may become subject, then we could become subject to 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. In the event that one or more of our banks was ultimately unable to comply with the terms of a regulatory enforcement action, such a bank could ultimately fail and be placed into receivership by the chartering agency. Under applicable federal law and FDIC regulations, the failure of one of the subsidiary banks could impose liability for any loss to the FDIC or the DIF on the remaining subsidiary banks, further straining the financial resources available to the surviving charters. The terms of any such supervisory action and the consequences associated with any failure to comply therewith could have a material negative effect on our business, operating flexibility and financial condition.

Changes in interest rates could adversely affect our profitability, business and prospects

Most of the Company s assets and liabilities are monetary in nature, which subjects us to significant risks from changes in interest rates and can impact our net income and the valuation of our assets and liabilities. Increases or decreases in prevailing interest rates could have an adverse effect on our business, asset quality and prospects. The Company s operating income and net income depend to a great extent on our net interest margin. Net interest margin is the difference between the interest yields we receive on loans, securities and other earning assets and the interest rates we pay on interest bearing deposits, borrowings and other liabilities. These rates are highly sensitive to many factors beyond our control, including competition, general economic conditions and monetary and fiscal policies of various governmental and regulatory authorities, including the Federal Reserve. If the rate of interest we pay on our interest bearing deposits, borrowings and other liabilities increases more than the rate of interest we receive on loans, securities and other earning assets increases, our net interest income, and therefore our earnings, would be adversely affected. The Company s earnings also could be adversely affected if the rates on our loans and other investments fall more quickly than those on our deposits and other liabilities.

In addition, loan volumes are affected by market interest rates on loans. Rising interest rates generally are associated with a lower volume of loan originations while lower interest rates are usually associated with higher loan originations. Conversely, in rising interest rate environments, loan repayment rates will decline and in falling interest rate environments, loan repayment rates will increase. The Company cannot guarantee that it will be able to minimize interest rate risk. In addition, an increase in the general level of interest rates may adversely affect the ability of certain borrowers to pay the interest on and principal of their obligations.

Interest rates also affect how much money the Company can lend. When interest rates rise, the cost of borrowing increases. Accordingly, changes in market interest rates could materially and adversely affect our net interest spread, asset quality, loan origination volume, business, financial condition, results of operations and cash flows.

The Company is exposed to risk of environmental liabilities with respect to properties to which we obtain title

Approximately 71% of the Company s loan portfolio at December 31, 2011 was secured by real estate. In the course of our business, the Company may foreclose and take title to real estate, and could be subject to environmental liabilities with respect to these properties. We may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination, or may be required to investigate or clean up hazardous or toxic substances, or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. In addition, if we are the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. These costs and claims could adversely affect our business and prospects.

Risks Related to our Common Stock

The price of our common stock may fluctuate significantly, and this may make it difficult for you to resell shares of common stock owned by you at times or at prices you find attractive

The price of our common stock on New York Stock Exchange constantly changes. We expect that the market price of our common stock will continue to fluctuate and there can be no assurances about the market prices for our common stock.

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

- sales of our equity securities;
- our financial condition, performance, creditworthiness and prospects;
- quarterly variations in our operating results or the quality of our assets;
- operating results that vary from the expectations of management, securities analysts and investors;
- changes in expectations as to our future financial performance;
- announcements of strategic developments, acquisitions and other material events by us or our competitors;

- the operating and securities price performance of other companies that investors believe are comparable to us;

- the credit, mortgage and housing markets, the markets for securities relating to mortgages or housing, and developments with respect to financial institutions generally;

- changes in global financial markets and global economies and general market conditions, such as interest or foreign exchange rates, stock, commodity or real estate valuations or volatility and other geopolitical, regulatory or judicial events; and

- our past and future dividend practice.

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

We are not restricted from issuing additional common stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive, common stock. The issuance of any additional shares of common stock or preferred stock or securities convertible into, exchangeable for or that represent the right to receive common stock or the exercise of such securities could be substantially dilutive to shareholders of our common stock. Holders of our shares of common stock have no preemptive rights that entitle holders to purchase their pro rata share of any offering of shares of any class or series. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future offerings reducing the market price of our common stock and diluting their stock holdings in us.

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

We may from time to time issue debt securities, borrow money through other means, or issue preferred stock. On August 25, 2010, the Company completed a public offering of $75 million in principal Senior Notes due in 2015. In 2011, we issued preferred stock to the federal government under the SBLF program, and from time to time we have borrowed money from the Federal Reserve, the FHLB, other financial institutions and other lenders. All of these securities or borrowings have priority over the common stock on a liquidation, which could affect the market price of our stock. The SBLF preferred stock also may restrict our ability to pay dividends on our common stock under certain circumstances. See Exhibits 3.8 and 3.9 attached hereto and incorporated herein by this reference.

Our Board of Directors is authorized to issue one or more classes or series of preferred stock from time to time without any action on the part of the stockholders. Our Board of Directors also has the power, without stockholder approval, to set the terms of any such classes or series of preferred stock that may be issued, including voting rights, dividend rights, and preferences over our common stock with respect to dividends or upon our dissolution, winding-up and liquidation and other terms. If we issue preferred stock in the future that has a preference over our common stock with respect to the payment of dividends or upon our liquidation, dissolution, or winding up, or if we issue preferred stock with voting rights that dilute the voting power of our common stock, the rights of holders of our common stock or the market price of our common stock could be adversely affected.

Anti-takeover provisions could negatively impact our stockholders

Provisions of Nevada law and provisions of our amended and restated articles of incorporation and amended and restated by-laws could make it more difficult for a third party to acquire control of us or have the effect of discouraging a third party from attempting to acquire control of us. Additionally, our amended and restated articles of incorporation authorize our Board of Directors to issue additional series of preferred stock and such preferred stock could be issued as a defensive measure in response to a takeover proposal. These provisions could make it more difficult for a third party to acquire us even if an acquisition might be in the best interest of our stockholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

At December 31, 2011, the Company and Western Alliance Bank are headquartered at One E. Washington Street in Phoenix, Arizona. In addition, the Company occupies a leased 7,000 square foot service center in San Diego, California and owns a 36,000 square foot operations facility in Las Vegas, Nevada. The Company also has 6 executive and administrative facilities, 3 of which are owned, located in Las Vegas, Nevada, San Diego, California, Oakland, California, Phoenix, Arizona, Wilmington, Delaware and Reno, Nevada.

At December 31, 2011, the Company operated 39 domestic branch locations, of which 18 are owned and 21 are on leased premises. See Item 1 *Business* for location cities on page 4. For information regarding rental payments, see Note 5, *Premises and Equipment* of the Consolidated Financial Statements. In addition, the Company had one non-banking subsidiary with a leased office in Denver, Colorado.

The Company continually evaluates the suitability and adequacy of its offices. Management believes that the existing facilities are adequate for present and anticipated future use.

ITEM 3. LEGAL PROCEEDINGS

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

As previously disclosed in this Annual Report on Form 10-K, one of the Company s banking subsidiaries, Bank of Nevada, has been placed under informal supervisory oversight by banking regulators in the form of a memorandum of understanding. The oversight requires enhanced supervision by the Board of Directors of the bank, and the adoption or revision of written plans and/or policies addressing such matters as asset quality, credit underwriting and administration, the allowance for loan and lease losses, loan and investment portfolio risks, asset-liability management and loan concentrations, as well as the formulation and adoption of comprehensive strategic plans. The bank is also prohibited from paying dividends or making other distributions to the Company without prior regulatory approval and is required to maintain higher levels of Tier 1 capital than otherwise would be required to be considered well-capitalized under federal capital guidelines. In addition, the bank is required to provide regulators with prior notice of certain management and director changes and, in certain cases, to obtain their non-objection before engaging in a transaction that would materially change its balance sheet composition. The Company believes Bank of Nevada is in full compliance with the requirements of the memorandum of understanding.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

The Company s common stock began trading on the New York Stock Exchange under the symbol WAL on June 30, 2005. The Company has filed, without qualifications, its 2011 Domestic Company section 303A CEO certification regarding its compliance with the NYSE s corporate governance listing standards. The following table presents the high and low sales prices of the Company s common stock for each quarterly period for the last two years as reported by The NASDAQ Global Select Market:

	2011 Quarters				2010 Quarters			
	Fourth	**Third**	**Second**	**First**	Fourth	Third	Second	First
Range of stock prices:								
High	**$ 6.87**	**$ 7.60**	**$ 8.33**	**$ 8.45**	$ 7.46	$ 8.10	$ 9.64	$ 6.04
Low	**4.99**	**4.44**	**6.47**	**6.77**	5.69	5.98	5.59	3.75

Holders

At December 31, 2011, there were approximately 1,347 stockholders of record. This number excludes an estimate for the number of stockholders whose shares are held in the name of brokerage firms or other financial institutions. The Company is not provided the exact number of or identities of these stockholders. There are no other classes of common equity outstanding.

Dividends

Western Alliance Bancorporation (Western Alliance) is a legal entity separate and distinct from the banks and our other non-bank subsidiaries. As a holding company with limited significant assets other than the capital stock of our subsidiaries, Western Alliance s ability to pay dividends depends primarily upon the receipt of dividends or other capital distributions from our subsidiaries. Our subsidiaries ability to pay dividends to Western Alliance is subject to, among other things, their individual earnings, financial condition and need for funds, as well as federal and state governmental policies and regulations applicable to Western Alliance and each of those subsidiaries, which limit the amount that may be paid as dividends without prior approval. See the additional discussion in the Supervision and Regulation section of this report for information regarding restrictions on the ability to pay cash dividends. Our Bank of Nevada subsidiary is also presently subject to a Memorandum of Understanding that requires prior regulatory approval of any dividend paid to Western Alliance Bancorporation. In addition, the terms and conditions of other securities we issue may restrict our ability to pay dividends to holders of our common stock. For example if any required payments on outstanding trust preferred securities or our SBLF preferred stock are not made, Western Alliance would be prohibited from paying cash dividends on our common stock. Western Alliance has never paid a cash dividend on its common stock and does not anticipate paying any cash dividends in the foreseeable future.

Sale of Unregistered Securities

The information required by this item is incorporated by reference from Item 3.02 of the Company s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 27, 2011.

Share Repurchases

There were no shares repurchased during 2011 or 2010.

Performance Graph

The following graph summarizes a five year comparison of the cumulative total returns for the Company s common stock, the Standard & Poor s 500 stock index and the KBW Regional Banking Index, each of which assumes an initial value of $100.00 on December 31, 2005 and reinvestment of dividends.

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The information under the caption Equity Compensation Plans in our definitive proxy statement to be filed with the SEC is incorporated by reference into this Item 5.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data have been derived from the Company s consolidated financial condition and results of operations, as of and for the years ended December 31, 2011, 2010, 2009, 2008 and 2007, and should be read in conjunction with the consolidated financial statements and the related notes included elsewhere in this report:

	Year Ended December 31,				
	2011	**2010**	**2009**	**2008**	**2007**
	(in thousands, except per share data)				
Results of Operations:					
Interest income	**$ 296,591**	$ 281,813	$ 276,023	$ 295,591	$ 305,822
Interest expense	**38,923**	49,260	73,734	100,683	125,933
Net interest income	**257,668**	232,553	202,289	194,908	179,889
Provision for credit losses	**46,188**	93,211	149,099	68,189	20,259
Net interest income after provision for credit losses	**211,480**	139,342	53,190	126,719	159,630
Non-interest income	**34,457**	46,836	4,435	(117,258)	22,533
Non-interest expense	**195,598**	196,758	242,977	288,967	131,011
Income (loss) from continuing operations before taxes	**50,339**	(10,580)	(185,352)	(279,506)	51,152
Income tax provision (benefit)	**16,849**	(6,410)	(38,453)	(49,496)	16,674
Income (loss) from continuing operations	**33,490**	(4,170)	(146,899)	(230,010)	34,478
Loss from discontinued operations, net of tax benefit	**(1,996)**	(3,025)	(4,507)	(6,450)	(1,603)
Net income (loss)	**$ 31,494**	$ (7,195)	$ (151,406)	$ (236,460)	$ 32,875

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	Year Ended December 31,				
	2011	2010	2009	2008	2007
	(in thousands, except per share data)				
Per Share Data:					
Income (loss) per share basic	**$ 0.19**	$ (0.23)	$ (2.74)	$ (7.27)	$ 1.14
Income (loss) per share diluted	**$ 0.19**	$ (0.23)	$ (2.74)	$ (7.27)	$ 1.06
Income (loss) per share from continuing operations basic	**$ 0.41**	$ (0.06)	$ (2.50)	$ (7.04)	$ 1.19
Income (loss) per share from continuing operations diluted	**$ 0.41**	$ (0.06)	$ (2.50)	$ (7.04)	$ 1.11
Book value per common share	**$ 6.02**	$ 5.77	$ 6.18	$ 9.59	$ 16.63
Shares outstanding at period end	**82,362**	81,669	72,504	38,601	30,157
Weighted average shares outstanding basic	**80,909**	75,083	58,836	32,652	28,918
Weighted average shares outstanding diluted	**81,183**	75,083	58,836	32,652	31,019
Selected Balance Sheet Data:					
Cash and cash equivalents	**$ 154,995**	$ 216,746	$ 396,830	$ 139,954	$ 115,629
Investments and other	**$ 1,490,501**	$ 1,273,098	$ 864,779	$ 565,377	$ 736,200
Gross loans, including net deferred loan fees	**$ 4,780,069**	$ 4,240,542	$ 4,079,638	$ 4,095,711	$ 3,633,009
Allowance for loan losses	**$ 99,170**	$ 110,699	$ 108,623	$ 74,827	$ 49,305
Assets	**$ 6,844,541**	$ 6,193,883	$ 5,753,279	$ 5,242,761	$ 5,016,096
Deposits	**$ 5,658,512**	$ 5,338,441	$ 4,722,102	$ 3,652,266	$ 3,546,922
Other borrowings	**$ 355,000**	$ 75,000	$	$	$
Junior subordinated and subordinated debt	**$ 36,985**	$ 43,034	$ 102,438	$ 103,038	$ 122,240
Stockholders equity	**$ 636,683**	$ 602,174	$ 575,725	$ 495,497	$ 501,518
Selected Other Balance Sheet Data:					
Average assets	**$ 6,486,396**	$ 6,030,609	$ 5,575,025	$ 5,198,237	$ 4,667,243
Average earning assets	**$ 5,964,056**	$ 5,526,521	$ 5,125,574	$ 4,600,466	$ 4,123,956
Average stockholders equity	**$ 631,361**	$ 601,412	$ 586,171	$ 512,872	$ 493,365
Selected Financial and Liquidity Ratios:					
Return on average assets	**0.49%**	(0.12)%	(2.72)%	(4.55)%	0.70%
Return on average stockholders equity	**4.99%**	(1.20)%	(25.83)%	(46.11)%	6.66%
Net interest margin (2)	**4.37%**	4.23%	3.97%	4.28%	4.40%
Loan to deposit ratio	**84.48%**	79.43%	86.39%	112.14%	102.43%
Capital Ratios:					
Leverage ratio	**9.8%**	9.5%	9.5%	8.9%	7.4%
Tier 1 risk-based capital ratio	**11.3%**	12.0%	11.8%	9.8%	7.9%
Total risk-based capital ratio	**12.6%**	13.2%	14.4%	12.3%	10.3%
Average equity to average assets	**9.7%**	10.0%	10.5%	9.9%	10.6%
Selected Asset Quality Ratios:					
Nonaccrual loans to gross loans	**1.89%**	2.76%	3.77%	1.44%	0.49%
Nonaccrual loans and repossessed assets to total assets	**2.62%**	3.63%	4.12%	1.40%	0.42%
Loans past due 90 days or more and still accruing to total loans	**0.05%**	0.03%	0.14%	0.30%	0.02%
Allowance for credit losses to total loans	**2.07%**	2.61%	2.66%	1.83%	1.36%
Allowance for credit losses to nonaccrual loans	**109.71%**	94.62%	70.67%	128.34%	275.86%
Net charge-offs to average loans	**1.32%**	2.22%	2.86%	1.10%	0.23%

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
The following discussion and analysis should be read in conjunction with Item 8 Consolidated Financial Statements and Supplementary Data. This discussion and analysis contains forward-looking statements that involve risk, uncertainties and assumptions. Certain risks, uncertainties and other factors, including but not limited to those set forth under Cautionary Note Regarding Forward-Looking Statements, may cause actual results to differ materially from those projected in the forward-looking statements.

Financial Overview and Highlights

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

Financial Result Highlights of 2011

Net income available to common stockholders for the Company of $15.3 million, or $0.19 per diluted share for 2011, compared to net loss of $17.1 million or ($0.23) loss per diluted share for 2010.

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

- All bank subsidiaries were profitable for the first time since 2007. Bank of Nevada reported net income of $7.5 million compared to a net loss of $26.4 million in 2010. Western Alliance Bank reported net income of $19.8 million for 2011 compared to $12.8 million for 2010. The Torrey Pines Bank Segment (which excludes discontinued operation), reported net income of $19.5 million for 2011 compared to $10.3 million for 2010.

- During 2011, the Company improved its net interest margin to 4.37% from 4.23% and its net interest spread to 4.12% from 3.92%. The increase is attributed to the reduction in the cost of interest bearing liabilities, primarily deposits, at a faster rate than the reduction on earning asset yields to 0.90% from 1.20%. The Company has continued to report consecutive quarters of increases in net interest income.

- The Company experienced loan growth of $539.5 million to $4.78 billion at December 31, 2011 from $4.24 billion at December 31, 2010.

- During 2011, the Company increased deposits by $320.1 million to $5.66 billion at December 31, 2011 from $5.34 billion at December 31, 2010.

- Other assets acquired through foreclosure declined by $18.6 million to $89.1 million at December 31, 2011 from $107.7 million at December 31, 2010.

- Provision expense for 2011 declined $47.0 million to $46.2 million compared to $93.2 million for 2010 as net charge-offs also declined by $33.4 million to $57.7 million in 2011 compared to $91.1 million in 2010.

- Key asset quality ratios improved for 2011 compared to 2010. Nonaccrual loans and repossessed assets to total assets improved to 2.62% from 3.63% in 2010 and nonaccrual loans to gross loans improved to 1.89% at the end of 2011 compared to 2.76% at the end of 2010.

On September 27, 2011, the Company received $141.0 million from participation in the U.S. Department of Treasury s Small Business Lending Fund (SBLF).

The Company redeemed its CPP Preferred Stock of $140 million on September 27, 2011 and recorded a one-time equity charge of $6.9 million.

On November 23, 2011, the Company completed the repurchase of a warrant held by the U.S. Department of the Treasury.

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 year ended December 31, 2011 throughout the analysis sections of this report.

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

	Year Ended December 31, 2011	2010	2009
	(in thousands, except per share amounts)		
Net income (loss) available to common stockholders	**$ 15,288**	$ (17,077)	$ (161,148)
Basic earnings (loss) per share	**0.19**	(0.23)	(2.74)
Diluted earnings (loss) per share	**0.19**	(0.23)	(2.74)
Total assets	**$ 6,844,541**	$ 6,193,883	$ 5,753,279
Gross loans	**$ 4,780,069**	$ 4,240,542	$ 4,079,639
Total deposits	**$ 5,658,512**	$ 5,338,441	$ 4,722,102
Net interest margin	**4.37%**	4.23%	3.97%
Return on average assets	**0.49%**	(0.12)%	(2.72)%
Return on average stockholders' equity	**4.99%**	(1.20)%	(25.84)%

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

Asset Quality

For all banks and bank holding companies, asset quality plays a significant role in the overall financial condition of the institution and results of operations. The Company measures asset quality in terms of nonaccrual loans as a percentage of gross loans, and net charge-offs as a percentage of average loans. Net charge-offs are calculated as the difference between charged-off loans and recovery payments received on previously charged-off loans. The following table summarizes asset quality metrics:

	Year Ended December 31, 2011	2010	2009
	(in thousands)		
Non-accrual loans	**$ 90,392**	$ 116,999	$ 153,702
Non-performing assets	**294,568**	342,808	289,066
Non-accrual loans to gross loans	**1.89%**	2.76%	3.77%
Net charge-offs to average loans	**1.32%**	2.22%	2.86%

Asset and Deposit Growth

The ability to originate new loans and attract new deposits is fundamental to the Company s asset growth. The Company s assets and liabilities are comprised primarily of loans and deposits. Total assets increased during 2011 to $6.84 billion from $6.19 billion at December 31, 2010. Total gross loans excluding net deferred fees and unearned income increased by $540.6 million, or 12.7%, as of December 31, 2011 compared to December 31, 2010. Total deposits increased $320.1 million, or 6.0%, to $5.66 billion as of December 31, 2011 from $5.34 billion as of December 31, 2010.

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RESULTS OF OPERATONS

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

	Year Ended December 31, 2011	Year Ended December 31, 2010	Increase (Decrease)
	(in thousands, except per share amounts)		
Consolidated Statement of Operations Data:			
Interest income	**$ 296,591**	$ 281,813	$ 14,778
Interest expense	**38,923**	49,260	(10,337)
Net interest income	**257,668**	232,553	25,115
Provision for credit losses	**46,188**	93,211	(47,023)
Net interest income after provision for credit losses	**211,480**	139,342	72,138
Other non-interest income	**34,457**	46,836	(12,379)
Non-interest expense	**195,598**	196,758	(1,160)
Net (loss) from continuing operations before income taxes	**50,339**	(10,580)	60,919
Income tax provision (benefit)	**16,849**	(6,410)	23,259
Income (loss) from continuing operations	**33,490**	(4,170)	37,660
Loss from discontinued operations, net of tax benefit	**(1,996)**	(3,025)	1,029
Net income (loss)	**$ 31,494**	$ (7,195)	$ 38,689
Net income (loss) available to common stockholders	**$ 15,288**	$ (17,077)	$ 32,365
Income (loss) per share basic	**$ 0.19**	$ (0.23)	$ 0.42
Income (loss) per share diluted	**$ 0.19**	$ (0.23)	$ 0.42

The Company s primary source of income is interest income. Interest income for the year ended December 31, 2011 was $296.6 million, an increase of 5.2% when comparing interest income for the year ended December 31, 2010. This increase was primarily from interest income from loans and investment securities. Interest income from loans increased by $5.8 million for the twelve months ended December 31, 2011 compared to the twelve months ended December 31, 2010. Interest income from investment securities increased by $9.7 million for the twelve month period ended December 31, 2011 compared to December 31, 2010. Federal funds sold and other interest income declined by $0.5 million to $0.7 million from $1.3 million for the comparable twelve month periods. Despite the increased interest income, average yield on interest earning assets dropped 10 basis points for the year ended December 31, 2011 compared to 2010, primarily the result of decreased yields on loans of 25 basis points.

Interest expense for the year ended December 31, 2011 compared to 2010 decreased by 21.0% to $38.9 million from $49.3 million. This decline was primarily due to decreased average cost of deposits, which declined 38 basis points to 0.69% for the year ended December 31, 2011 compared to the same period in 2010. Interest paid on borrowings and other debt increased by $3.0 million for the year ended December 31, 2011 compared to 2010, primarily due to the higher cost of the senior debt obligations issued in the third quarter of 2010.

Net interest income was $257.7 million for the year ended December 31, 2011 compared to 2010, an increase of $25.1 million, or 10.8%. The increase in net interest income reflects a $437.5 million increase in average earning assets, offset by a $219.6 million increase in average interest bearing liabilities. The increased net interest margin of 14 basis points was due to a decrease in our average cost of funds primarily as a result of downward repricing of deposits and decreased rates on short-term borrowings.

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Net Interest Margin

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

	Year Ended December 31,					
	2011			2010		
	(dollars in thousands)					
	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost
Interest-Earning Assets						
Securities:						
Taxable	**$ 1,178,765**	**$ 29,836**	**2.53%**	$ 869,027	$ 23,272	2.68%
Tax-exempt (1)	**128,336**	**4,583**	**5.92%**	46,171	1,481	5.73%
Total securities	**1,307,101**	**34,419**	**2.86%**	915,198	24,753	2.83%
Federal funds sold and other	**897**	**1**	**0.11%**	17,328	141	0.81%
Loans (1) (2) (3)	**4,373,454**	**261,443**	**5.98%**	4,105,022	255,626	6.23%
Short term investments	**246,963**	**629**	**0.25%**	448,815	1,130	0.25%
Restricted stock	**35,641**	**99**	**0.28%**	40,158	163	0.41%
Total earnings assets	**5,964,056**	**296,591**	**5.02%**	5,526,521	281,813	5.12%
Nonearning Assets						
Cash and due from banks	**119,499**			116,588		
Allowance for credit losses	**(105,927)**			(114,074)		
Bank-owned life insurance	**131,645**			99,435		
Other assets	**377,123**			402,139		
Total assets	**$ 6,486,396**			$ 6,030,609		
Interest-Bearing Liabilities						
Sources of Funds						
Interest-bearing deposits:						
Interest checking	**$ 478,345**	**$ 1,759**	**0.37%**	$ 581,063	$ 2,898	0.50%
Savings and money market	**2,105,316**	**12,858**	**0.61%**	1,861,668	16,724	0.90%
Time deposits	**1,460,690**	**13,360**	**0.91%**	1,437,234	21,707	1.51%
Total interest-bearing deposits	**4,044,351**	**27,977**	**0.69%**	3,879,965	41,329	1.07%
Short-term borrowings	**161,618**	**714**	**0.44%**	131,878	1,506	1.14%
Long-term debt	**73,143**	**7,904**	**10.81%**	26,558	2,777	10.46%
Junior subordinated and subordinated debt	**41,256**	**2,328**	**5.64%**	62,342	3,648	5.85%
Total interest-bearing liabilities	**4,320,368**	**38,923**	**0.90%**	4,100,743	49,260	1.20%
Noninterest-Bearing Liabilities						
Noninterest-bearing demand deposits	**1,509,363**			1,296,634		
Other liabilities	**25,304**			31,820		
Stockholders equity	**631,361**			601,412		
Total Liabilities and Stockholders Equity	**$ 6,486,396**			$ 6,030,609		
Net interest income and margin (4)		**$ 257,668**	**4.37%**		$ 232,553	4.23%
Net interest spread (5)			**4.12%**			3.92%

(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 2011 and 2010 were $3,014 and $1,164, respectively.
(2) Net loan fees of $4.3 million and $4.2 million are included in the yield computation for 2011 and 2010, respectively.
(3) Includes nonaccrual loans.
(4) Net interest margin is computed by dividing net interest income by total average earning assets.
(5) Net interest spread represents average yield earned on interest-earning assets less the average rate paid on interest bearing liabilities.

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

	Year Ended December 31, 2011 versus 2010 Increase (Decrease) Due to Changes in (1)(2)		
	Volume	Rate	Total
		(in thousands)	
Interest on investment securities:			
Taxable	$ 7,840	$ (1,276)	$ 6,564
Tax-exempt	2,934	168	3,102
Federal funds sold and other	(18)	(122)	(140)
Loans	16,047	(10,230)	5,817
Short term investments	(514)	13	(501)
Restricted stock	(13)	(51)	(64)
Total interest income	26,276	(11,498)	14,778
Interest expense:			
Interest checking	(378)	(761)	(1,139)
Savings and money market	1,488	(5,354)	(3,866)
Time deposits	215	(8,562)	(8,347)
Short-term borrowings	131	(923)	(792)
Long-term debt	5,034	93	5,127
Junior subordinated debt	(1,190)	(130)	(1,320)
Total interest expense	5,300	(15,637)	(10,337)
Net increase	$ 20,976	$ 4,139	$ 25,115

(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.

Comparison of net interest margin for 2010 to 2009

The following table sets forth a summary financial overview for the years ended December 31, 2010 and 2009:

	Year Ended December 31, 2010	2009	Increase (Decrease)
	(in thousands, except per share amounts)		
Consolidated Statement of Operations Data:			
Interest income	**$ 281,813**	$ 276,023	$ 5,790
Interest expense	**49,260**	73,734	(24,474)
Net interest income	**232,553**	202,289	30,264
Provision for credit losses	**93,211**	149,099	(55,888)
Net interest income after provision for credit losses	**139,342**	53,190	86,152
Other non-interest income	**46,836**	4,435	42,401

Non-interest expense	**196,758**	242,977	(46,219)
Net (loss) from continuing operations before income taxes	**(10,580)**	(185,352)	174,772
Income tax benefit	**(6,410)**	(38,453)	32,043
Loss from continuing operations	**(4,170)**	(146,899)	142,729
Loss from discontinued operations, net of tax benefit	**(3,025)**	(4,507)	1,482
Net loss	**$ (7,195)**	$ (151,406)	$ 144,211
Net loss available to common stockholders	**$ (17,077)**	$ (161,148)	$ 144,071
Loss per share basic	**$ (0.23)**	$ (2.74)	$ 2.51
Loss per share diluted	**$ (0.23)**	$ (2.74)	$ 2.51

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The Company s primary source of income is interest income. Interest income for the year ended December 31, 2010 was $281.8 million, an increase of 2.1% when comparing interest income for 2010 to 2009. This increase was primarily from interest income from loans. Average yield on loans increased 9 basis points to 6.23% for the year ended December 31, 2010 compared to 2009.

Interest expense for the year ended 2010 compared to 2009 decreased by 33.2% to $49.3 million from $73.7 million. This decline was primarily due to decreased average interest paid on deposits, which declined 83 basis points to 1.07% for the year ended December 31, 2010 compared to the same period in 2009.

Net interest income was $232.6 million for the year ended December 31, 2010, compared to 2009, an increase of $30.3 million, or 15.0%. The increase in net interest income reflects a $400.9 million increase in average earning assets, offset by a $209.2 million increase in average interest bearing liabilities. The increased margin of 26 basis points was due to a decrease in our average cost of funds primarily as a result of downward repricing of deposits.

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

	Year Ended December 31,					
	2010			2009		
	(dollars in thousands)					
	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost
Interest-Earning Assets						
Securities:						
Taxable	**$ 869,027**	**$ 23,272**	**2.68%**	$ 634,916	$ 24,124	3.80%
Tax-exempt (1)	**46,171**	**1,481**	**5.73%**	55,515	1,691	5.23%
Total securities	**915,198**	**24,753**	**2.83%**	690,431	25,815	3.91%
Federal funds sold and other	**17,328**	**141**	**0.81%**	33,479	1,103	3.29%
Loans (1) (2) (3)	**4,105,022**	**255,626**	**6.23%**	4,037,659	248,098	6.14%
Short term investments	**448,815**	**1,130**	**0.25%**	322,883	874	0.27%
Restricted stock	**40,158**	**163**	**0.41%**	41,122	133	0.32%
Total earnings assets	**5,526,521**	**281,813**	**5.12%**	5,125,574	276,023	5.41%
Nonearning Assets						
Cash and due from banks	**116,588**			174,112		
Allowance for credit losses	**(114,074)**			(88,243)		
Bank-owned life insurance	**99,435**			91,321		
Other assets	**402,139**			272,261		
Total assets	**$ 6,030,609**			$ 5,575,025		
Interest-Bearing Liabilities						
Sources of Funds						
Interest-bearing deposits:						
Interest checking	**$ 581,063**	**$ 2,898**	**0.50%**	$ 303,388	$ 3,216	1.06%
Savings and money market	**1,861,668**	**16,724**	**0.90%**	1,666,728	26,903	1.61%
Time deposits	**1,437,234**	**21,707**	**1.51%**	1,280,381	31,786	2.48%
Total interest-bearing deposits	**3,879,965**	**41,329**	**1.07%**	3,250,497	61,905	1.90%
Short-term borrowings	**131,878**	**1,506**	**1.14%**	512,265	5,286	1.03%
Long-term debt	**26,558**	**2,777**	**10.46%**	25,727	1,577	6.13%
Junior subordinated and subordinated debt	**62,342**	**3,648**	**5.85%**	103,034	4,966	4.82%
Total interest-bearing liabilities	**4,100,743**	**49,260**	**1.20%**	3,891,523	73,734	1.89%
Noninterest-Bearing Liabilities						
Noninterest-bearing demand deposits	**1,296,634**			1,070,011		
Other liabilities	**31,820**			27,320		
Stockholders equity	**601,412**			586,171		
Total Liabilities and Stockholders Equity	**$ 6,030,609**			$ 5,575,025		
Net interest income and margin (4)		**$ 232,553**	**4.23%**		$ 202,289	3.97%
Net interest spread (5)			**3.92%**			3.52%

(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 2010 and 2009 were $1,164 and $1,210, respectively.
(2) Net loan fees of $4.2 million and $4.0 million are included in the yield computation for 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.

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

	Year Ended December 31, 2010 versus 2009 Increase (Decrease) Due to Changes in (1)(2)		
	Volume	Rate	Total
		(in thousands)	
Interest on investment securities:			
Taxable	$ 6,269	$ (7,121)	$ (852)
Tax-exempt	(300)	90	(210)
Federal funds sold and other	(131)	(831)	(962)
Loans	4,195	3,333	7,528
Short term investments	317	(61)	256
Restricted stock	(4)	34	30
Total interest income	10,346	(4,556)	5,790
Interest expense:			
Interest checking	1,385	(1,703)	(318)
Savings and money market	1,751	(11,930)	(10,179)
Time deposits	2,369	(12,448)	(10,079)
Short-term borrowings	(4,344)	564	(3,780)
Long-term debt	87	1,113	1,200
Junior subordinated debt	(2,381)	1,063	(1,318)
Total interest expense	(1,133)	(23,341)	(24,474)
Net increase (decrease)	$ 11,479	$ 18,785	$ 30,264

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

Provision for Credit Losses

The provision for credit losses in each period is reflected as a charge against earnings in that period. The provision is equal to the amount required to maintain the allowance for credit losses at a level that is adequate to absorb probable credit losses inherent in the loan portfolio. The provision for credit losses decreased by $47.0 million, or 50.4%, to $46.2 million for the year ended December 31, 2011, compared with $93.2 million for the year ended December 31, 2010. The provision decreased primarily due to decreased net charge-offs and improvement in asset quality. Provision for credit losses related to commercial real estate, commercial and industrial, and construction and land development loans decreased by $27.6 million, $12.0 million and $8.7 million, respectively, for the twelve months ended December 31, 2011 compared to 2010. Provision for credit losses related to residential real estate and consumer loans increased by $1.1 million and $0.1 million, respectively, for the year ended December 31, 2011 compared to 2010.

The provision for credit losses was $93.2 million for the year ended December 31, 2010, a decrease of $55.9 million compared with $149.1 million for the year ended December 31, 2009. The provision decreased in 2010 compared to 2009 primarily due to increased asset quality.

Non-interest Income

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

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The following tables present a summary of non-interest income for the periods presented:

	Year Ended December 31,		
	2011	**2010**	**Increase (Decrease)**
	(in thousands)		
Service charges	**$ 9,102**	$ 8,969	$ 133
Trust and investment advisory services	**2,537**	4,003	(1,466)
Operating lease income	**1,878**	3,793	(1,915)
Other fee revenue	**3,453**	3,324	129
Income from bank owned life insurance	**5,372**	3,299	2,073
Gain on extinguishment of debt		3,000	(3,000)
Mark to market (loss) gain, net	**5,621**	(369)	5,990
Gain on sales of investment securities, net	**4,798**	19,757	(14,959)
Net securities impairment charges	**(226)**	(1,186)	960
Derivative losses, net	**(238)**	(269)	31
Other	**2,160**	2,515	(355)
Total non-interest income	**$ 34,457**	$ 46,836	$ (12,379)

Total non-interest income for the year ended December 31, 2011 compared to 2010 decreased by $12.4 million, or 26.4%, primarily as a result of the $15.0 million decrease in net gains on sale of investment securities. During the twelve months ended December 31, 2011, the Company sold $504.1 million of investment securities for a net gain on security sales of $4.8 million compared to $496.9 million of investment securities sales as of December 31, 2010 for net gains on sales of $19.8 million. Mark to market gains increased for the twelve months ended December 31, 2011 compared to 2010 due to $6.0 million of unrealized gains recorded on the junior subordinated debt as the result of credit spreads widening. Service charges, other fee revenue and derivative losses remained almost flat for the comparable twelve month periods ended December 31, 2011 and 2010. Income from bank owned life insurance increased by 62.8% due to increased investment in this asset in the fourth quarter of 2010. Partially offsetting these increases was a decrease in trust and advisory fees for the year ended December 31, 2011 compared to 2010 due to the disposition of the Company s trust unit, Premier Trust, in the third quarter of 2010 which contributed $1.7 million in trust fees in 2010. In addition, operating lease income declined by $1.9 million for the year ended December 31, 2011 compared to 2010 due to the decline in the balance of operating equipment leases. The Company no longer focuses on this product. Other non-interest income declined by $0.4 million for the year ended 2011 compared to 2010 mostly due to a gain from the sale of Premier Trust in the third quarter of 2010. In addition, the Company recognized a one-time gain on extinguishment of the remaining subordinated debt in the second quarter of 2010 of $3.0 million.

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Comparison of non-interest income for 2010 to 2009

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

	Year Ended December 31,		
	2010	2009	Increase (Decrease)
		(in thousands)	
Net securities impairment charges	$ (1,186)	$ (43,784)	$ 42,598
Gain on sales of investment securities, net	19,757	16,100	3,657
Service charges	8,969	8,172	797
Trust and investment advisory services	4,003	9,287	(5,284)
Operating lease income	3,793	4,066	(273)
Other fee revenue	3,324	2,754	570
Income from bank owned life insurance	3,299	2,193	1,106
Gain on extinguishment of debt	3,000		3,000
Mark to market (loss) gain, net	(369)	3,631	(4,000)
Derivative losses, net	(269)	(263)	(6)
Other	2,515	2,279	236
Total non-interest income	$ 46,836	$ 4,435	$ 42,401

Total non-interest income increased for the year ended December 31, 2010 compared to 2009 mostly due to the $42.6 million decrease in security impairment charges. In 2010, the Company recorded $1.2 million of other then temporary impairment charges (OTTI) related to its collateralized mortgage debt securities. In 2009, the Company recorded $43.8 million OTTI on its investment securities. These impairment charges included $36.4 million related to impairment losses in the Company s adjustable rate preferred stock (ARPS), $3.4 million related to impairment losses to the Company s collateralized debt obligations (CDO) portfolio and $4.0 million related to the Company s collateralized mortgage obligation (CMO) portfolio. Net gains from investment securities sales increased by $3.7 million for the comparable twelve month periods 2010 to 2009. The increase in gains on sales of securities for 2010 compared to 2009 was mostly due to previously impaired securities which had improvements in price and were sold to reduce the percentage of classified securities in the Company s portfolio. The Company also recognized a $3.0 million gain on the repayment of its subordinated debt during 2010. Partially offsetting this increased income was a decrease of $5.3 million in trust and advisory service fees as a result of the divestitures of MRA at the end of 2009 and Premier Trust in September of 2010.

Non-interest Expense

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

	Year Ended December 31,		
	2011	2010	Increase (Decrease)
		(in thousands)	
Non-interest expense:			
Salaries and employee benefits	**$ 93,140**	$ 86,586	$ 6,554
Occupancy	**19,972**	19,580	392
Net loss on sales/valuations of repossessed assets and bank premises, net	**24,592**	28,826	(4,234)
Insurance	**11,045**	15,475	(4,430)
Loan and repossessed asset expense	**8,126**	8,076	50
Legal, professional and director fees	**7,678**	7,591	87
Marketing	**4,676**	4,061	615
Data processing	**3,566**	3,374	192
Intangible amortization	**3,559**	3,604	(45)
Customer service	**3,336**	4,256	(920)
Operating lease depreciation	**1,201**	2,506	(1,305)

Other	**14,707**	12,823	1,884
Total non-interest expense	**$ 195,598**	$ 196,758	$ (1,160)

Total non-interest expense decreased $1.2 million for the year ended December 31, 2011 compared to the same period in 2010. The decrease in non-interest expense was mostly related to a decrease in insurance expense and a net decrease in repossessed assets valuations and sales. Insurance expense declined due to the reduced FDIC insurance premiums for the comparable periods of $4.4 million, or 33.2% from $13.4 million for 2010 to $8.9 million for 2011. For the twelve months ended December 31, 2011 compared to 2010, other real estate owned (OREO) valuation write-downs decreased by $4.8 million, net loss on sales of OREO increased by $0.6 million and net loss on sale of assets and other repossessed assets remained flat at $0.7 million primarily due to a decline in the number of new OREO properties and in the number of OREO and assets sold. Operating lease depreciation continued to decline as the Company no longer focuses on operating equipment leases. Customer service expense declined by $0.9 million primarily due to decreased customer data processing expense which was $2.7 million for the year ended December 31, 2010 compared to $2.3 million in 2011. Total salaries and benefits increased by $6.6 million for the year ended 2011 compared to 2010 due to increased variable performance based compensation from changes to incentive plans based on strategic initiatives which were achieved in 2011. Marketing expenses increased $0.6 million mostly due to increased charitable contributions of $0.4 million and business development costs of $0.3 million for the comparable year 2011 to 2010. Other expense increased by $1.9 million for the year ended December 31, 2011 compared to 2010 mostly due to increased off-balance sheet reserve provision of $0.9 million, travel expense of $0.6 million and accounting and audit fees of $0.4 million. Occupancy expense increased by $0.4 million for 2011 compared to 2010 as a result of increased equipment and building maintenance costs of $0.9 million and increased building rent of $0.4 million partially off-set by decreased depreciation expense of $0.9 million.

Comparison of non-interest expense for 2010 to 2009

	Year Ended December 31,		
	2010	2009	Increase (Decrease)
		(in thousands)	
Non-interest expense:			
Salaries and employee benefits	$ 86,586	$ 91,504	$ (4,918)
Occupancy	19,580	20,802	(1,222)
Net loss on sales/valuations of repossessed assets and bank premises, net	28,826	21,274	7,552
Insurance	15,475	12,525	2,950
Loan and respossessed asset expense	8,076	6,363	1,713
Legal, professional and director fees	7,591	8,973	(1,382)
Customer service	4,256	4,290	(34)
Marketing	4,061	4,915	(854)
Data processing	3,374	4,274	(900)
Intangible amortization	3,604	3,781	(177)
Operating lease depreciation	2,506	3,229	(723)
Goodwill impairment charges		49,671	(49,671)
Other	12,823	11,376	1,447
Total non-interest expense	$ 196,758	$ 242,977	$ (46,219)

Total non-interest expense declined $46.2 million, or 19.0% for the year ended 2010 compared to 2009. This decrease is primarily the result of the $49.7 million decrease in goodwill impairment charges as there was no goodwill impairment recognized in 2010. In 2009, the Company recorded $45.0 million in goodwill impairment at its BON subsidiary, $4.1 million at its Shine subsidiary and $0.6 million at its former MRA subsidiary. Net of increased costs related to asset quality issues and insurance of $12.2 million due to an increase in other real estate owned and problem loan workout activity during 2010, the Company s other non-interest expense categories decreased by $8.8 million. The Company was diligent with cost saving strategies in 2010 and also reduced headcount from 930 full time equivalent employees to 908 contributing to the $4.9 million decline in salary and employee benefit costs.

Income Taxes

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

	Year Ended December 31,		
	2011	2010	2009
		(in thousands)	
Income tax at statutory rate	**$ 17,619**	$ (3,703)	$ (64,873)
Increase (decrease) resulting from:			
State income taxes, net of federal benefits	**1,411**	(739)	(1,641)
Dividends received deductions	**(900)**	(476)	(442)
Bank-owned life insurance	**(1,431)**	(1,155)	(767)
Tax-exempt income	**(867)**	(280)	(338)
Nondeductible expenses	**276**	340	445
Nondeductible goodwill impairment			17,385
Deferred tax asset valuation allowance		(2,033)	6,200
Restricted stock write off	**617**	1,259	2,057
Other, net	**124**	377	3,521
	$ 16,849	$ (6,410)	$ (38,453)

The effective tax rate for the year ended December 31, 2011 was 32.8% compared to 54.4% for the year ended December 31, 2010. This decrease in the effective tax rate on the tax benefit from the prior year was primarily due to the favorable tax impact of securities yielding dividends received deductions, tax exempt income, bank owned life insurance and because all bank subsidiaries were profitable.

Business Segment Results

Bank of Nevada reported net income of $7.5 million for the year ended December 31, 2011 compared to a net loss of $26.4 million for the year ended December 31, 2010. The increase in income for the year ended December 31, 2011 compared to 2010 was primarily due to decreased provision for credit losses of $47.0 million. Total deposits at Bank of Nevada decreased by $11.0 million to $2.38 billion at December 31, 2011 compared to $2.39 billion at December 31, 2010. Total loans decreased $55.0 million to $1.86 billion at December 31, 2011 compared to 2010.

Western Alliance Bank, which consists of Alliance Bank of Arizona operating in Arizona and First Independent Bank operating in Northern Nevada, reported a net income of $19.8 million and $12.8 million for the years ended December 31, 2011 and 2010, respectively. The increase in net income for the year ended December 31, 2011 from the year ended December 31, 2010 was mostly due to increased interest income of $9.7 million, decreased interest expense of $3.7 million and decreased non-interest expense of $1.8 million, partially offset by increased provision for credit losses of $3.7 million, decreased non-interest income of $2.0 million and increased income tax expense of $2.7 million. During 2011, total loans at Western Alliance Bank grew $339.5 million to $1.64 billion from $1.31 billion at December 31, 2010. In addition, total deposits grew by $206.4 million to $1.88 billion at December 31, 2011.

Torrey Pines Bank segment, which excludes discontinued operations, reported net income of $19.5 million and $10.3 million for the years ended December 31, 2011 and 2010, respectively. The increase in net income for the year ended December 31, 2011 from the year ended December 31, 2010 was the result of increased net interest income of $13.4 million, decreased provision for credit losses of $3.7 million, increased non-interest income of $0.6 million partially offset by increased non-interest expense of $2.7 million and income tax expense of $5.9 million. Total loans at Torrey Pines Bank increased by $255.1 million to $1.32 billion at December 31, 2011 from $1.06 billion at December 31, 2010. Total deposits increased by $135.2 million during 2011 to $1.42 billion at December 31, 2011.

The other segment, which includes the holding company, Shine, Western Alliance Equipment Finance, the discontinued operations related to the affinity credit card platform, and Premier Trust (through September 1, 2010), reported a net loss of $15.3 million and $3.9 million for the years ended December 31, 2011 and 2010, respectively. The increase in the net loss for the comparable years is primarily due to decreased gains from investment security sales of $11.6 million.

BALANCE SHEET ANALYSIS

Total assets increased $650.7 million, or 10.5%, to $6.84 billion at December 31, 2011 compared to $6.19 billion at December 31, 2010. The majority of the increase was in loans of $539.5 million, or 12.7%, to $4.78 billion. Investment securities increased by $247.8 million as the Company invested excess liquidity and changed the mix of the portfolio.

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Total liabilities increased $616.1 million, or 11.0% to $6.21 billion at December 31, 2011 from $5.59 billion at December 31, 2010. Total deposits increased by $320.1 million or 6.0% to $5.66 billion at December 31, 2011 from $5.34 billion at December 31, 2010. Non-interest bearing demand deposits increased by $115.0 million, or 8.0%, to $1.56 billion at December 31, 2011 from $1.44 billion at December 31, 2010.

Total stockholders equity increased by $34.5 million to $636.7 million at December 31, 2011 from $602.2 million at December 31, 2010.

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

	December 31,				
	2011	2010	2009	2008	2007
	(in thousands)				
Commercial real estate	**$ 2,553,354**	$ 2,261,638	$ 2,024,624	$ 1,763,392	$ 1,514,533
Construction and land development	**381,676**	451,470	623,198	820,874	806,110
Commercial and industrial	**1,336,582**	934,627	802,193	860,280	784,378
Residential real estate	**443,020**	527,302	568,319	589,196	492,551
Consumer	**72,504**	71,545	80,300	71,148	43,517
Net deferred loan fees	**(7,067)**	(6,040)	(18,995)	(9,179)	(8,080)
Gross loans, net of deferred fees	**4,780,069**	4,240,542	4,079,639	4,095,711	3,633,009
Less: allowance for credit losses	**(99,170)**	(110,699)	(108,623)	(74,827)	(49,305)
Total loans, net	**$ 4,680,899**	$ 4,129,843	$ 3,971,016	$ 4,020,884	$ 3,583,704

The following table sets forth the amount of loans outstanding by type of loan as of December 31, 2011 that were contractually due in one year or less, more than one year and less than five years, and more than five years based on remaining scheduled repayments of principal. Lines of credit or other loans having no stated final maturity and no stated schedule of repayments are reported as due in one year or less. The tables also present an analysis of the rate structure for loans within the same maturity time periods. Actual cash flows from these loans may differ materially from contractual maturities due to prepayment, refinancing or other factors.

	December 31, 2011			
	Due in one year or less	**Due after one year to five years**	**Due after five years**	**Total**
	(in thousands)			
Commercial real estate owner occupied				
Floating rate	$ 18,068	$ 143,089	$ 564,693	$ 725,850
Fixed rate	42,230	214,986	269,116	526,332
Commercial real estate non-owner occupied				
Floating rate	61,858	305,189	328,144	695,191
Fixed rate	80,452	409,763	108,699	598,914
Commercial and industrial				
Floating rate	503,146	231,306	47,295	781,747
Fixed rate	67,003	207,981	63,376	338,360
Leases				
Floating rate		1,749	4,274	6,023
Fixed rate	20,172	123,751	66,529	210,452
Construction and land development				
Floating rate	135,676	91,883	13,896	241,455
Fixed rate	53,144	73,868	13,209	140,221
Residential real estate				
Floating rate	19,657	32,101	323,822	375,580
Fixed rate	6,248	16,034	45,158	67,440

Consumer				
Floating rate	60,328	459	175	60,962
Fixed rate	4,770	6,442	330	11,542
Total	$ 1,072,752	$ 1,858,601	$ 1,848,716	$ 4,780,069

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As of December 31, 2011, approximately $2.1 billion or 73.5%, of total variable rate loans were subject to rate floors with a weighted average interest rate of 5.92%. At December 31, 2011, total loans consisted of 60.4% with floating rates and 39.6% with fixed rates.

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 December 31, 2011 and 2010, commercial real estate related loans accounted for approximately 61% and 64% of total loans, respectively, and approximately 2% of commercial real estate loans, for each year, are secured by undeveloped land. Substantially all of these loans are secured by first liens with an initial loan to value ratio of generally not more than 75%. Approximately 49% and 54% of these commercial real estate loans were owner occupied at December 31, 2011 and 2010, respectively. In addition, approximately 4% and 3% of total loans were unsecured as of December 31, 2011 and 2010.

Interest Reserves. Interest reserves are generally established at the time of the loan origination as an expense item in the budget for a construction and land development loan. The Company s practice is to monitor the construction, sales and/or leasing progress to determine the feasibility of ongoing construction and development projects. If, at any time during the life of the loan, the project is determined not to be viable, the Company discontinues the use of the interest reserve and may take appropriate action to protect its collateral position via renegotiation and/or legal action as deemed appropriate. At December 31, 2011, the Company had 18 loans with an outstanding balance of $28.0 million with available interest reserves of $0.5 million. In instances where projects have been determined unviable, the interest reserves have been frozen. This is a decrease from 26 loans at December 31, 2010 with an outstanding principal balance of $46.7 million and available interest reserve amounts of $1.2 million.

Impaired loans

A loan is identified as impaired when it is probable that interest and principal will not be collected according to the contractual terms of the original loan agreement. These loans generally have balances greater than $250,000 and are rated substandard or worse. An exception to this would be any known impaired loans regardless of balance. Most impaired loans are classified as nonaccrual. However, there are some loans that are termed impaired due to doubt regarding collectability according to contractual terms, but are both fully secured by collateral and are current in their interest and principal payments. These impaired loans are not classified as nonaccrual. Impaired loans are measured for reserve requirements in accordance with ASC Topic 310, *Receivables,* based on the present value of expected future cash flows discounted at the loan s effective interest rate or, as a practical expedient, at the loan s observable market price or the fair value of the collateral less applicable disposition costs if the loan is collateral dependent. The amount of an impairment reserve, if any, and any subsequent changes are charged against the allowance for credit losses.

Total nonaccrual loans and loans past due 90 days or more and still accruing decreased by $25.5 million, or 21.5%, at December 31, 2011 to $93.0 million from $118.5 million at December 31, 2010. During 2011, total impaired loans decreased 12.1%, from $238.3 million at December 31, 2010 to $209.5 million at December 31, 2011.

	December 31,				
	2011	2010	2009	2008	2007
			(dollars in thousands)		
Total nonaccrual loans	**$ 90,392**	$ 116,999	$ 153,702	$ 58,302	$ 17,873
Loans past due 90 days or more and still accruing	**2,589**	1,458	5,538	11,515	779
Total nonaccural and 90 past due still accruing	**92,981**	118,457	159,240	69,817	18,652
Restructured loans	**112,483**	116,696	46,480	15,605	3,782
Other impaired loans	**4,027**	3,182	27,752	92,981	12,680
Total impaired loans	**$ 209,491**	$ 238,335	$ 233,472	$ 178,403	$ 35,114
Other assets acquired through foreclosure	**$ 89,104**	$ 107,655	$ 83,347	$ 14,545	$ 3,412
Nonaccrual loans to gross loans	**1.89%**	2.76%	3.77%	1.42%	0.49%

Loans past due 90 days or more and still accruing to total loans	**0.05**	0.03	0.14	0.28	0.02
Interest income received on nonaccrual loans, cash basis	**$ 444**	$ 2,501	$ 624	$ 488	$ 30
Interest income that would have been recorded under the original terms of nonaccrual loans	**$ 6,331**	$ 6,016	$ 8,713	$ 1,827	$ 765

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The composite of nonaccrual loans were as follows:

	At December 31, 2011			At December 31, 2010		
	Nonaccrual Balance	**%**	**Percent of Total Loans**	**Nonaccrual Balance**	**%**	**Percent of Total Loans**
			(dollars in thousands)			
Construction and land	**$ 28,813**	**31.88%**	**0.60%**	$ 36,523	31.22%	0.86%
Residential real estate	**15,747**	**17.42%**	**0.33%**	32,638	27.90%	0.76%
Commercial real estate	**38,019**	**42.05%**	**0.80%**	40,257	34.40%	0.95%
Commercial and industrial	**7,410**	**8.20%**	**0.16%**	7,349	6.28%	0.17%
Consumer	**403**	**0.45%**	**0.01%**	232	0.20%	0.01%
Total nonaccrual loans	**$ 90,392**	**100.00%**	**1.90%**	$ 116,999	100.00%	2.76%

As of December 31, 2011 and December 31, 2010, nonaccrual loans totaled $90.4 million and $117.0 million, respectively. Nonaccrual loans at December 31, 2011 consisted of multiple customer relationships with no single customer relationship having a principal balance greater than $10.0 million. Nonaccrual loans by bank at December 31, 2011 were $69.0 million at Bank of Nevada, $16.2 million at Western Alliance Bank and $5.2 million at Torrey Pines Bank. Nonaccrual loans as a percentage of total gross loans were 1.89% and 2.76% at December 31, 2011 and 2010, respectively. Nonaccrual loans as a percentage of each bank s total gross loans were 3.71% at Bank of Nevada, 0.98% at Western Alliance Bank and 0.39% at Torrey Pines Bank. Total lost interest on nonaccrual loans for the years ended December 31, 2011 and 2010 was $6.3 million and $6.0 million, respectively.

Troubled Debt Restructured Loans

A troubled debt restructured loan is a loan on which the Bank, for reasons related to a borrower s financial difficulties, grants a concession to the borrower that the Bank would not otherwise consider. The loan terms that have been modified or restructured due to a borrower s financial situation include, but are not limited to, a reduction in the stated interest rate, an extension of the maturity or renewal of the loan at an interest rate below current market, a reduction in the face amount of the debt, a reduction in the accrued interest, extensions, deferrals, renewals and rewrites. A troubled debt restructured loan is also considered impaired. Generally, a loan that is modified at an effective market rate of interest may no longer be disclosed as a troubled debt restructuring in years subsequent to the restructuring if it is not impaired based on the terms specified by the restructuring agreement.

As of December 31, 2011 and December 31, 2010, the aggregate amount of loans classified as impaired was $209.5 million and $238.3 million, respectively. The total specific allowance for loan losses related to these loans was $10.4 million and $13.4 million for December 31, 2011 and 2010, respectively. As of December 31, 2011 and December 31, 2010, we had $112.5 million and $116.7 million, respectively, in loans classified as accruing restructured loans. The net decrease in impaired loans is primarily attributable to the declined impaired commercial real estate and residential real estate loans, which were $123.9 million and $42.4 million, respectively, at December 31, 2010 compared to $90.7 million and $28.8 million, respectively, at December 31, 2011, a decrease of $33.2 million and $13.6 million, respectively. Impaired construction and land, commercial and industrial and consumer loans increased from $58.4 million, $12.8 million and $0.7 million, respectively, at December 31, 2010, to $61.9 million, $25.7 million and $2.3 million, respectively, at December 31, 2011.

The following tables present a breakdown of total impaired loans and the related specific reserves for the periods indicated:

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

Total impaired loans	**$ 209,491**	**100.00%**	**4.39%**	**$ 10,377**	**100.00%**	**10.46%**

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	At December 31, 2010					
	Impaired Balance	Percent	Percent of Total Loans	Reserve Balance	Percent	Percent of Total Allowance
	(dollars in thousands)					
Construction and land development	$ 58,415	24.51%	1.38%	$ 2,846	21.18%	2.57%
Residential real estate	42,423	17.80%	1.00%	2,716	20.21%	2.45%
Commercial real estate	123,939	52.00%	2.92%	4,582	34.08%	4.14%
Commercial and industrial	12,803	5.37%	0.30%	3,170	23.59%	2.86%
Consumer	755	0.32%	0.02%	126	0.94%	0.11%
Total impaired loans	$ 238,335	100.00%	5.62%	$ 13,440	100.00%	12.14%

The amount of interest income recognized on impaired loans for the years ended December 31, 2011, 2010 and 2009 was approximately $8.0 million, $7.6 million and $10.5 million, respectively.

Allowance for Credit Losses

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

	Year Ended December 31,				
	2011	2010	2009	2008	2007
	(dollars in thousands)				
Allowance for credit losses:					
Balance at beginning of period	**$ 110,699**	$ 108,623	$ 74,827	$ 49,305	$ 33,551
Provisions charged to operating expenses :					
Construction and land development	**2,692**	11,405	35,697	25,714	7,884
Commercial real estate	**21,959**	49,582	20,935	3,850	4,446
Residential real estate	**16,256**	15,116	36,199	15,151	1,504
Commercial and industrial	**1,109**	13,117	49,060	19,829	9,221
Consumer	**4,172**	3,991	7,208	3,645	623
Other					(3,419)
Total Provision	**46,188**	93,211	149,099	68,189	20,259
Acquisitions					3,419
Recoveries of loans previously charged-off:					
Construction and land development	**2,154**	3,197	1,708	32	
Commercial real estate	**2,157**	1,003	230	3	
Residential real estate	**1,060**	2,039	545	43	
Commercial and industrial	**3,401**	3,000	1,529	533	213
Consumer	**174**	164	173	37	49
Total recoveries	**8,946**	9,403	4,185	648	262
Loans charged-off:					
Construction and land development	**11,238**	23,623	35,807	16,715	2,361
Commercial real estate	**22,128**	33,821	16,756	2,912	
Residential real estate	**19,071**	20,663	24,082	6,643	49
Commercial and industrial	**9,757**	17,218	38,573	15,937	5,304
Consumer	**4,469**	5,213	4,270	1,108	472
Total charged-off	**66,663**	100,538	119,488	43,315	8,186
Net charge-offs	**57,717**	91,135	115,303	42,667	7,924
Balance at end of period	**$ 99,170**	$ 110,699	$ 108,623	$ 74,827	$ 49,305

Net charge-offs to average loans outstanding	**1.32%**	2.22%	2.86%	1.10%	0.23%
Allowance for credit losses to gross loans	**2.07%**	2.61%	2.66%	1.83%	1.36%

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

	December 31, 2011		2010		2009		2008		2007	
	(dollars in thousands)									
	Amount	% of Loans in Each Category to Gross Loans	Amount	% of Loans in Each Category to Gross Loans	Amount	% of Loans in Each Category to Gross Loans	Amount	% of Loans in Each Category to Gross Loans	Amount	% of Loans in Each Category to Gross Loans
Construction and land development	**$ 14,195**	**8.0%**	$ 20,587	10.6%	$ 29,608	15.2%	$ 28,010	20.0%	$ 18,979	22.1%
Real estate:										
Commercial	**35,031**	**53.3**	33,043	53.3	16,279	49.4	11,870	42.9	10,929	41.6
Residential	**19,134**	**9.3**	20,889	12.4	24,397	13.9	11,735	14.4	3,184	13.5
Commercial and industrial	**25,535**	**27.9**	30,782	22.0	31,883	19.6	19,867	21.0	15,442	21.5
Consumer	**5,275**	**1.5**	5,398	1.7	6,456	2.0	3,345	1.7	771	1.3
Total	**$ 99,170**	**100.0%**	$ 110,699	100.0%	$ 108,623	100.0%	$ 74,827	100.0%	$ 49,305	100.0%

The allowance for credit losses as a percentage of total loans decreased to 2.07% at December 31, 2011 from 2.61% at December 31, 2010 and decreased from 2.66% at December 31, 2009. The Company s credit loss reserve at December 31, 2011 decreased to $99.2 million from $110.7 million at December 31, 2010 mostly due to improvement in credit quality and change in the portfolio mix.

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 Item 1, Business of this Form 10-K. The following table presents information regarding potential problem loans, consisting of loans graded watch, substandard, doubtful, and loss, but still performing:

	At December 31, 2011			
	Number of Loans	Loan Balance	Percent	Percent of Total Loans
	(dollars in thousands)			
Construction and land development	11	$ 6,212	4.04%	0.13%
Commercial real estate	83	104,455	67.87%	2.19%
Residential real estate	42	12,751	8.28%	0.27%
Commercial and industrial	111	28,751	18.68%	0.60%
Consumer	9	1,746	1.13%	0.04%
Total	256	$ 153,915	100.00%	3.23%

Total potential problem loans are primarily secured by real estate.

Investment securities

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

The investment securities portfolio of the Company is utilized as collateral for borrowings, required collateral for public deposits and customer repurchase agreements, and to manage liquidity, capital and interest rate risk.

The following table summarizes the carrying value of the investment securities portfolio:

	At December 31, 2011	2010	2009
	(in thousands)		
U.S. Government sponsored agency securities	**$ 156,211**	$ 280,103	$ 2,479
Municipal obligations	**187,509**	1,677	5,380
Adjustable-rate preferred stock	**54,676**	67,243	18,296
Mutual funds	**28,864**		
Corporate bonds	**107,360**	49,907	71,190
Direct U.S. obligations and GSE residential mortgage-backed securities	**871,099**	781,179	655,073
Private label residential mortgage-backed securities	**25,784**	8,111	18,175
CRA investments	**25,015**	23,743	17,189
Trust preferred securities	**21,159**	23,126	22,050
Private label commercial mortgage-backed securities	**5,431**		
Collateralized debt obligations	**50**	276	918
Total investment securities	**$ 1,483,158**	$ 1,235,365	$ 810,750

Weighted average yield is calculated by dividing income within each maturity range by the outstanding amount of the related investment and has not been tax affected on tax-exempt obligations. Securities available for sale are carried at amortized cost in the table below for purposes of calculating the weighted average yield received on such securities. The maturity distribution and weighted average yield of our investment security portfolios at December 31, 2011 are summarized in the table below:

	December 31, 2011 Due Under 1 Year Amount/Yield		Due 1-5 Years Amount/Yield		Due 5-10 Years Amount/Yield		Due Over 10 Years Amount/Yield		Total Amount/Yield	
	(dollars in thousands)									
Available-for-sale										
Municipal obligations	$	0.00%	$	0.00%	$ 56	5.90%	$ 5,530	3.93%	$ 5,586	3.95%
U.S. Government-sponsered agency securities		0.00	10,013	2.38	109,253	2.08	36,945	2.68	156,211	2.24
Adjustable-rate preferred stock	1,020	6.70	5,190	4.12	14,215	8.73	34,251	5.74	54,676	6.38
Direct U.S. obligations and GSE residential mortgage-backed securities		0.00		0.00		0.00	864,584	2.14	864,584	2.14
Private label residential mortgage-backed securities		0.00		0.00	11,897	2.57	13,887	4.09	25,784	3.39
Private label commercial mortgage-backed securities		0.00	5,431	3.16		0.00		0.00	5,431	3.16
Trust preferred securities		0.00		0.00		0.00	21,159	1.35	21,159	1.35
Mutual funds	28,864	4.52		0.00		0.00		0.00	28,864	4.52
Corporate bonds		0.00		0.00		0.00	4,575	5.00	4,575	5.00
CRA investments	23,515	3.59		0.00		0.00		0.00	23,515	3.59
Total	$ 53,399	4.15%	$ 20,634	3.02%	$ 135,421	2.82%	$ 980,931	2.32%	$ 1,190,385	2.47%

Held-to-maturity										
Municipal obligations	$	0.00%	$ 734	4.70%	$ 24,618	2.86%	$ 156,571	3.33%	$ 181,923	3.27%
Corporate bonds		0.00	7,655	3.47	90,130	5.22	5,000	5.00	102,785	5.08
Collateralized debt obligations		0.00		0.00		0.00	50	0.00	50	0.00
CRA investments	1,500	0.00		0.00		0.00		0.00	1,500	0.00
Total	$ 1,500	0.00%	$ 8,389	3.58	$ 114,748	4.71%	$ 161,621	3.38%	$ 286,258	3.90%
Measured at fair value										
Direct U.S. obligations and GSE residential mortgage-backed securities	$	0.00%	$ 7	1.45%	$ 1,017	5.37%	$ 5,491	4.00%	$ 6,515	4.21%

The Company does not own any subprime MBS in its investment portfolio. The majority of its MBS are GSE issued. The remaining MBS not GSE issued consist of $13.3 million rated AAA, $4.1 million rated AA, $6.4 million rated A, and $1.9 million are non-investment grade.

Gross unrealized losses at December 31, 2011 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 then temporary impaired (OTTI) described in Note 3, *Investment Securities*, and recorded impairment charges totaling $0.2 million and $1.2 million for the twelve months ended December 31, 2011 and 2010, respectively. For both 2011 and 2010, the impairment charges related to unrealized losses in the Company s CDO portfolio.

The Company does not consider any other securities to be other-than-temporarily impaired as of December 31, 2011 and 2010. However, the Company cannot guarantee that additional OTTI will not occur in future periods. At December 31, 2011, the Company had the intent and ability to retain its investments for a period of time sufficient to allow for any anticipated recovery in fair value.

Goodwill and Other Intangible Assets

The Company had no goodwill impairment in 2011 or 2010. Total goodwill impairment for the year ended December 31, 2009 was $49.7 million. The Company utilizes three general approaches to the valuation testing: the asset-based approach, the market approach and the income approach. Specifically, the Company used the capitalized earnings, capitalized tangible book value, core deposit premium plus tangible book value, and discounted cash flow calculations in the valuation analysis based on available market and Company information. In addition, the Company included a market capitalization analysis in the calculation of goodwill impairment.

The Company tests for impairment of goodwill as of October 1 of each year, and again at a quarter-end if any triggering events occur during a quarter that may affect goodwill. For this testing, the Company typically works together with a third-party valuation firm to perform a Step 1 test for potential goodwill impairment of the Company s bank subsidiaries. At October 1, 2011, it was determined that the both Bank of Nevada and Shine passed Step 1 of the testing.

The Company determined at the conclusion of its Step 1 analysis that the fair value of the goodwill in the Bank of Nevada reporting unit exceeded its carrying value of $23.2 million and that no impairment of goodwill existed at the testing date.

During the first quarter of 2009, the Company determined that it was necessary to perform an interim test for goodwill impairment on the Bank of Nevada reporting unit. As a result of this goodwill impairment test, the Company determined that the Bank of Nevada reporting unit was impaired by $45.0 million. During the third quarter of 2009, the Company performed an interim test of goodwill on its former subsidiary Miller/Russell and Associates, Inc. As a result of this goodwill impairment test, the Company determined that the Miller/Russell and Associates, Inc. reporting unit was impaired by $0.6 million. At the end of 2009, the Company recorded a $4.1 million impairment charge for Shine.

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 these non-cash expenses. No assurance can be given that goodwill will not be further impaired in future periods.

Other Intangibles

	Year Ended December 31,	
	2011	2010
Core Deposit Intangibles:		
Balance, beginning of year	**$ 11,550**	$ 14,988
Amortization	**(3,438)**	(3,438)
Balance, end of year	**$ 8,112**	$ 11,550

	Year Ended December 31,	
	2011	2010
Other Intangibles:		
Balance, beginning of year	**$ 1,816**	$ 2,208
Amortization	**(121)**	(166)
Sale of premier trust		(226)
Balance, end of year	**$ 1,695**	$ 1,816

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Deposits

The average balances and weighted average rates paid on deposits for the years ended December 31, 2011, 2010 and 2009 are presented below.

	Year Ended December 31,					
	2011 Average Balance/Rate		2010 Average Balance/Rate (dollars in thousands)		2009 Average Balance/Rate	
Interest checking (NOW)	**$ 478,345**	**0.37%**	$ 581,063	0.50%	$ 303,388	1.06%
Savings and money market	**2,105,316**	**0.61**	1,861,668	0.90	1,666,728	1.61
Time	**1,460,690**	**0.91**	1,437,234	1.51	1,280,381	2.48
Total interest-bearing deposits	**4,044,351**	**0.69**	3,879,965	1.07	3,250,497	1.90
Noninterest bearing demand deposits	**1,509,363**		1,296,634		1,070,011	
Total deposits	**$ 5,553,714**	**0.50%**	$ 5,176,599	0.80%	$ 4,320,508	1.43%

Total deposits increased to $5.66 billion at December 31, 2011, from $5.34 billion at December 31, 2010, an increase of $320.1 million or 6.0%. This increase was primarily from money market accounts, non-interest bearing demand deposits, savings and broker interest bearing deposits which increased by $161.3 million, $115.0 million, $45.5 million and $34.6 million, respectively. Interest bearing demand deposits decreased by $41.8 million from December 31, 2011 to December 31, 2010. Deposits have historically been the primary source of funding the Company s asset growth. In addition, all of the banking subsidiaries are members of Certificate of Deposit Registry Service (CDARS). CDARS provides a mechanism for obtaining FDIC insurance for large deposits. At December 31, 2011 and 2010, the Company also had $34.6 million and $20.0 million, respectively, of other brokered deposits outstanding.

Certificates of Deposit of $100,000 or More

The table below discloses the remaining maturity for certificates of deposit of $100,000 or more:

	December 31, 2011	December 31, 2010
	(in thousands)	
3 months or less	**$ 544,964**	$ 435,400
3 to 6 months	**340,502**	299,710
6 to 12 months	**313,312**	470,847
Over 12 months	**89,903**	70,412
Total	**$ 1,288,681**	$ 1,276,369

Other Assets Acquired Through Foreclosure

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

	Year Ended December 31,		
	2011	2010 (in thousands)	2009
Balance, beginning of period	**$ 107,655**	$ 83,347	$ 14,545
Additions	**48,585**	93,656	104,610

Dispositions	**(47,366)**	(40,674)	(17,858)
Valuation adjustments in the period, net	**(19,770)**	(28,674)	(17,950)
Balance, end of period	**$ 89,104**	$ 107,655	$ 83,347

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

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property. Costs relating to the development or improvement of the assets are capitalized and costs relating to holding the assets are charged to expense. The Company had $89.1 million, $107.7 million and $83.3 million, respectively, of such assets at December 31, 2011, 2010 and 2009. At December 31, 2011, the Company held approximately 83 other real estate owned properties compared to 98 at December 31, 2010. When significant adjustments were based on unobservable inputs, such as when a current appraised value is not available or management determines the fair value of the collateral is further impaired below appraised value and there is no observable market price, the resulting fair value measurement has been categorized as a Level 3 measurement.

Capital Resources

The Company and the Banks are subject to various regulatory capital requirements administered by the Federal banking agencies. Failure to meet minimum capital requirements could trigger certain mandatory or discretionary actions that, if undertaken, could have a direct material effect on the Company s business and financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Banks must meet specific capital guidelines that involve qualitative measures of their assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Banks to maintain minimum amounts and ratios of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I leverage (as defined) to average assets (as defined). As of December 31, 2011 and 2010, the Company and the Banks met all capital adequacy requirements to which they are subject.

As of December 31, 2011, the Company and each of its subsidiaries met the minimum capital ratio requirements necessary to be classified as well-capitalized, as defined by the banking agencies. To be categorized as well-capitalized, the Banks must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the table below. In addition, the Memorandum of Understanding to which Bank of Nevada is subject may require it to maintain a higher Tier 1 leverage ratio than otherwise required to be considered well-capitalized. At December 31, 2011, the capital levels at Bank of Nevada exceeded this elevated requirement.

The actual capital amounts and ratios for the Banks and Company are presented in the following tables as of the periods indicated:

	Total Capital	Tier 1 Capital	Risk-Weighted Assets	Tangible Average Assets	Total Capital Ratio	Tier 1 Capital Ratio	Tier 1 Leverage Ratio
			(dollars in thousands)				
December 31, 2011							
WAL (Consolidated)	$ 723,327	$ 651,104	$ 5,749,818	$ 6,636,083	12.6%	11.3%	9.8%
Bank of Nevada	294,747	266,430	2,232,208	2,818,077	13.2%	11.9%	9.5%
Western Alliance Bank	231,360	188,328	1,944,738	2,128,033	11.9%	9.7%	8.9%
Torrey Pines Bank	183,772	151,058	1,541,878	1,641,500	11.9%	9.8%	9.2%
Well-capitalized ratios					**10.0%**	**6.0%**	**5.0%**
Minimum capital ratios					**8.0%**	**4.0%**	**4.0%**
December 31, 2010							
WAL (Consolidated)	654,011	591,633	4,941,057	6,198,903	13.2%	12.0%	9.5%
Bank of Nevada	278,697	250,907	2,177,357	2,705,631	12.8%	11.5%	9.3%
Western Alliance Bank	204,650	162,964	1,492,491	1,955,696	13.7%	10.9%	8.3%
Torrey Pines Bank	170,342	135,126	1,215,825	1,453,686	14.0%	11.1%	9.3%
Well-capitalized ratios					10.0%	6.0%	5.0%
Minimum capital ratios					8.0%	4.0%	4.0%

Additionally, State of Nevada banking regulations restrict distribution of the net assets of Bank of Nevada because such regulations require the sum of the bank s stockholders equity and reserve for loan losses to be at least 6% of the average of the bank s total daily deposit liabilities for the preceding 60 days. As a result of these regulations, approximately $147.6 million and $145.2 million of Bank of Nevada s stockholders equity was restricted at December 31, 2011 and 2010, respectively.

JUNIOR SUBORDINATED AND SUBORDINATED DEBT

The Company has formed or acquired through mergers six statutory business trusts, which exist for the exclusive purpose of issuing Cumulative Trust Preferred Securities. All of the funds raised from the issuance of these securities were passed to the Company and are reflected in the accompanying balance sheet as junior subordinated debt in the amount of $37.0 million. The junior subordinated debt has contractual balances and maturity dates as follows:

Name of Trust	Maturity	December 31, 2011	2010
		(in thousands)	
BankWest Nevada Capital Trust II	2033	**$ 15,464**	$ 15,464
Intermountain First Statutory Trust I	2034	**7,217**	7,217
WAL Trust No. 1	2036	**10,310**	10,310
First Independent Capital Trust I	2034	**20,619**	20,619
WAL Statutory Trust No. 2	2037	**5,155**	5,155
WAL Statutory Trust No. 3	2037	**7,732**	7,732
		$ 66,497	$ 66,497
Unrealized gains on trust preferred securities measured at fair value, net		**(29,512)**	(23,463)
		$ 36,985	$ 43,034

The weighted average contractual rate of the junior subordinated debt was 3.61% and 4.34% as of December 31, 2011 and 2010, respectively.

In the event of certain changes or amendments to regulatory requirements or Federal tax rules, the debt is redeemable in whole. The obligations under these instruments are fully and unconditionally guaranteed by the Company and rank subordinate and junior in right of payment to all other liabilities of the Company. The trust preferred securities qualify as Tier 1 Capital for the Company, subject to certain limitations, with the excess being included in total capital for regulatory purposes.

Contractual Obligations and Off-Balance Sheet Arrangements

The Company enters into contracts for services in the ordinary course of business that may require payment for services to be provided in the future and may contain penalty clauses for early termination of the contracts. To meet the financing needs of customers, the Company has financial instruments with off-balance sheet risk, including commitments to extend credit and standby letters of credit. The Company has also committed to irrevocably and unconditionally guarantee the following payments or distributions with respect to the holders of preferred securities to the extent that BankWest Nevada Trust I, BankWest Nevada Trust II, Intermountain First Statutory Trust I, and WAL Trust No. 1 have not made such payments or distributions: (1) accrued and unpaid distributions, (2) the redemption price, and (3) upon a dissolution or termination of the trust, the lesser of the liquidation amount and all accrued and unpaid distributions and the amount of assets of the trust remaining available for distribution. The Company does not believe that these off-balance sheet arrangements have or are reasonably likely to have a material effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources. However, there can be no assurance that such arrangements will not have a future effect.

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The following table sets forth our significant contractual obligations as of December 31, 2011.

	Total	Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
		Payments Due by Period (in thousands)			
			(in thousands)		
Time deposit maturities	$ 1,450,933	$ 1,348,034	$ 101,322	$ 1,577	$
Long-term borrowed funds	75,000			75,000	
Junior subordinated deferrable interest debentures	36,985				36,985
Purchase obligations	14,841	5,614	5,427	3,800	
Operating lease obligations	25,407	4,923	7,644	5,494	7,346
Total	$ 1,603,166	$ 1,358,571	$ 114,393	$ 85,871	$ 44,331

Off-balance sheet commitments associated with outstanding letters of credit, commitments to extend credit, and credit card guarantees as of December 31, 2011 are summarized below. Since commitments associated with letters of credit and commitments to extend credit may expire unused, the amounts shown do not necessarily reflect the actual future cash funding requirements.

Other Commitments	Total Amounts Committed	Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
		Amount of Commitment Expiration Per Period			
			(in thousands)		
Commitments to extend credit	$ 863,120	$ 488,714	$ 171,473	$ 108,280	$ 94,653
Credit card commitments and guarantees	319,892	319,892			
Standby letters of credit	34,768		34,608	160	
Total	$ 1,217,780	$ 808,606	$ 206,081	$ 108,440	$ 94,653

The following table sets forth certain information regarding FHLB and FRB advances and customer repurchase agreements.

	2011	December 31, 2010	2009
		(dollars in thousands)	
FHLB and FRB Advances			
Maximum month-end balance	**$ 280,000**	$ 20,000	$ 635,500
Balance at end of year	**280,000**		
Average balance	**13,206**	5,367	228,951
Customer Repurchase Accounts:			
Maximum month-end balance	**176,966**	211,046	307,367
Balance at end of year	**123,626**	109,409	223,269
Average balance	**148,412**	126,511	279,477
Total Short-Term Borrowed Funds	**$ 403,626**	$ 109,409	$ 223,269
Weighted average interest rate at end of year	**0.16%**	0.23%	1.02%
Weighted average interest rate during year	**0.20%**	0.81%	0.99%

Short-Term Borrowed Funds. The Company from time to time utilizes short-term borrowed funds to support short-term liquidity needs generally created by increased loan demand. The majority of these short-term borrowed funds consist of advances from the FHLB and FRB and customer repurchase agreements. The Company s borrowing capacity at FHLB and FRB is determined based on collateral pledged, generally consisting of securities and loans. In addition, the Company has borrowing capacity from other sources pledged by securities, including securities sold under agreements to repurchase, which are reflected at the amount of cash received in connection with the transaction, and may require additional collateral based on the fair value of the underlying securities. At December 31, 2011, total short-term borrowed funds consisted of customer repurchases of $123.6 million and $280.0 million of FHLB advances. No advances were outstanding from the FRB at December 31, 2011. At December 31, 2010, total short-term borrowed funds consisted of $109.4 million of customer repurchases. The increase of $249.2 million in short-term borrowings for 2011 compared to 2010 was due to the Company s increased lending in the fourth quarter.

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Critical Accounting Policies

The Notes to Consolidated Financial Statements contain a discussion of our significant accounting policies, including information regarding recently issued accounting pronouncements, our adoption of such policies and the related impact of their adoption. We believe that certain of these policies, along with various estimates that we are required to make in recording our financial transactions, are important to have a complete understanding of our financial position. In addition, these estimates require us to make complex and subjective judgments, many of which include matters with a high degree of uncertainty. The following is a summary of these critical accounting policies and significant estimates.

Allowance for credit losses

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

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

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

The Company uses an appraised value method to determine the need for a reserve on impaired, collateral dependent loans and further discounts the appraisal for disposition costs. Due to the rapidly changing economic and market conditions of the regions within which we operate, the Company obtains independent collateral valuation analysis on a regular basis for each loan, typically every nine months.

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

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

2. Not all impaired accounts require a specific reserve. The payment performance of the borrower may require an impaired classification, but the collateral evaluation may support adequate collateral coverage. For a number of impaired accounts in which borrower performance has ceased, the collateral coverage is now sufficient because a partial charge off of the account has been taken. In those instances, neither a general reserve nor a specific reserve is assessed.

Investment securities

Investment securities may be classified as held-to-maturity (HTM), available-for-sale (AFS) or trading. The appropriate classification is initially decided at the time of purchase. Securities classified as held-to-maturity are those debt securities the Company has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or general economic conditions. These securities are carried at amortized cost. The sale of a security within three months of its maturity date or after at least 85 percent of the principal outstanding has been collected is considered a maturity for purposes of classification and disclosure.

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

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

In estimating whether there are any other than temporary impairment losses, management considers 1) the length of time and the extent to which the fair value has been less than amortized cost, 2) the financial condition and near term prospects of the issuer, 3) the impact of changes in market interest rates, and 4) the intent and ability of the Company to retain its investment for a period of time sufficient to allow for any anticipated recovery in fair value.

Declines in the fair value of individual debt securities available for sale that are deemed to be other than temporary are reflected in earnings when identified. The fair value of the debt security then becomes the new cost basis. For individual debt securities where the Company does not intend to sell the security and it is not more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis, the other than temporary decline in fair value of the debt security related to 1) credit loss is recognized in earnings, and 2) market or other factors is recognized in other comprehensive income or loss. Credit loss is recorded if the present value of cash flows is less than amortized cost. For individual debt securities where the Company intends to sell the security or more likely than not will not recover all of its amortized cost, the other than temporary impairment is recognized in earnings equal to the entire difference between the securities cost basis and its fair value at the balance sheet date. For individual debt securities for which a credit loss has been recognized in earnings, interest accruals and amortization and accretion of premiums and discounts are suspended when the credit loss is recognized. Interest received after accruals have been suspended is recognized on a cash basis.

Derivative financial instruments

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

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

Goodwill

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

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Other intangible assets

The Company s intangible assets consist of core deposit intangible assets, investment advisory and trust customer relationship intangibles, and are amortized over periods ranging from 6 to 12 years. The Company evaluates the remaining useful lives of its core deposit intangible assets each reporting period, as required by FASB ASC 350, *Intangibles Goodwill and Other,* to determine whether events and circumstances warrant a revision to the remaining period of amortization. If the estimate of an intangible asset s remaining useful life has changed, the remaining carrying amount of the intangible asset is amortized prospectively over that revised remaining useful life. As a result of current economic conditions, the Company revised its estimates of the useful lives of its core deposit intangibles during the year ended December 31, 2008. The Company made no further changes to these revised lives in 2011 or 2010.

Stock compensation plans

The Company has the 2005 Stock Incentive Plan as amended (the Incentive Plan), which is described more fully in Note 13, Stockholders Equity. Compensation expense for stock options and non-vested restricted stock awards is based on the fair value of the award on the measurement date, which, for the Company, is the date of the grant and is recognized ratably over the service period of the award. Prior to the Company s initial public offering (IPO), the Company used the minimum value method to calculate the fair value of stock options. Subsequent to the Company s IPO, the Company utilizes the Black-Scholes option-pricing model to calculate the fair value of stock options. The fair value of non-vested restricted stock awards is the market price of the Company s stock on the date of grant.

During the years ended December 31, 2011, 2010 and 2009, the Company granted stock options to the non-executive directors of its subsidiaries. These directors do not meet the definition of an employee under FASB ASC 718 *Compensation*. Accordingly, the Company applies FASB ASC 505 *Equity* to determine the measurement date for options granted to these directors. Therefore, the expense related to these options is re-measured each reporting date until the options are vested.

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 $61.7 million at December 31, 2011 is more likely than not based on expectations as to future taxable income and based on available tax planning strategies as defined in FASB ASC 740, *Income Taxes* (ASC 740) that could be implemented if necessary to prevent a carryforward from expiring.

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

As a result of the losses incurred in 2009 and 2010, the Company is in a three-year cumulative pretax loss position at December 31, 2011. A cumulative loss position is considered significant negative evidence in assessing the realizability of a deferred tax asset. The Company has concluded that there is sufficient positive evidence to overcome this negative evidence. This positive evidence includes Company forecasts, exclusive of tax planning strategies, that show full utilization of the net operating losses by the end of 2013 based on current projections. In addition, the Company has evaluated tax planning strategies, including potential sales of businesses and assets in which it could realize the excess of appreciated value over the tax basis of its assets. The amount of deferred tax assets considered realizable, however, could be significantly reduced in the near term if estimates of future taxable income during the carryforward period are significantly lower than forecasted due to deterioration in market conditions.

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

Liquidity

Liquidity is the ongoing ability to accommodate liability maturities and deposit withdrawals, fund asset growth and business operations, and meet contractual obligations through unconstrained access to funding at reasonable market rates. Liquidity management involves forecasting funding requirements and maintaining sufficient capacity to meet the needs and accommodate fluctuations in asset and liability levels due to changes in our business operations or unanticipated events.

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The ability to have readily available funds sufficient to repay fully maturing liabilities is of primary importance to depositors, creditors and regulators. Our liquidity, represented by cash and amounts due from banks, federal funds sold and non-pledged marketable securities, is a result of our operating, investing and financing activities and related cash flows. In order to ensure funds are available when necessary, on at least a quarterly basis, we project the amount of funds that will be required, and we strive to maintain relationships with a diversified customer base. Liquidity requirements can also be met through short-term borrowings or the disposition of short-term assets. The Company has unsecured borrowing lines at correspondent banks totaling $55.0 million. In addition, loans and securities are pledged to the FHLB providing $1.20 billion in borrowing capacity with outstanding borrowings and letters of credit of $280.0 million and $72.0 million, respectively, leaving $843.4 million in available credit as of December 31, 2011. Loans and securities pledged to the FRB discount window provided $696.6 million in borrowing capacity. As of December 31, 2011, there were no outstanding borrowings from the FRB, thus our available credit totaled $696.6 million.

The Company has a formal liquidity policy, and in the opinion of management, our liquid assets are considered adequate to meet cash flow needs for loan funding and deposit cash withdrawals for the next 90-120 days. At December 31, 2011, there was $891.2 million in liquid assets comprised of $162.3 million in cash and cash equivalents and $728.9 million in unpledged marketable securities. At December 31, 2010, the Company maintained $1.03 billion in liquid assets comprised of $254.5 million of cash and cash equivalents (including federal funds sold of $0.9 million) and $780.0 million of unpledged marketable securities.

The holding company maintains additional liquidity that would be sufficient to fund its operations and certain nonbank affiliate operations for an extended period should funding from normal sources be disrupted. Since deposits are taken by the bank operating subsidiaries and not by the parent company, parent company liquidity is not dependant on the bank operating subsidiaries deposit balances. In our analysis of parent company liquidity, we assume that the parent company is unable to generate funds from additional debt or equity issuance, receives no dividend income from subsidiaries, and does not pay dividends to shareholders, while continuing to meet nondiscretionary uses needed to maintain operations and repayment of contractual principal and interest payments owed by the parent company and affiliated companies. Under this scenario, the amount of time the parent company and its nonbank subsidiaries can operate and meet all obligations before the current liquid assets are exhausted is considered as part of the parent company liquidity analysis. Management believes the parent company maintains adequate liquidity capacity to operate without additional funding from new sources for over 12 months. The Banks maintain sufficient funding capacity to address large increases in funding requirements, such as deposit outflows. This capacity is comprised of liquidity derived from a reduction in asset levels and various secured funding sources.

On a long-term basis, the Company s liquidity will be met by changing the relative distribution of our asset portfolios, for example by reducing investment or loan volumes, or selling or encumbering assets. Further, the Company can increase liquidity by soliciting higher levels of deposit accounts through promotional activities and/or borrowing from correspondent banks, the FHLB of San Francisco and the FRB. At December 31, 2011, our long-term liquidity needs primarily relate to funds required to support loan originations and commitments and deposit withdrawals which can be met by cash flows from investment payments and maturities, and investment sales if necessary.

The Company s liquidity is comprised of three primary classifications: (i) cash flows provided by operating activities; (ii) cash flows used in investing activities; and (iii) cash flows provided by financing activities. Net cash provided by or used in operating activities consists primarily of net income, adjusted for changes in certain other asset and liability accounts and certain non-cash income and expense items, such as the loan loss provision, investment and other amortization and depreciation. For the years ended December 31, 2011, 2010 and 2009, net cash provided by operating activities was $142.5 million, $0.3 million and $74.8 million, respectively.

Our primary investing activities are the origination of real estate, commercial and consumer loans and purchase and sale of securities. Our net cash provided by and used in investing activities has been primarily influenced by our loan and securities activities. The net increase in loans for the years ended December 31, 2011, 2010 and 2009, was $644.8 million, $339.3 million and $112.1 million, respectively.

Net cash provided by financing activities has been impacted significantly by increased deposit levels. During the years ended December 31, 2011, 2010 and 2009, deposits increased $320.1 million, $616.3 million and $938.1 million, respectively.

Fluctuations in core deposit levels may increase our need for liquidity as certificates of deposit mature or are withdrawn before maturity and as non-maturity deposits, such as checking and savings account balances, are withdrawn. Additionally, we are exposed to the risk that customers with large deposit balances will withdraw all or a portion of such deposits, due in part to the FDIC limitations on the amount of insurance coverage provided to depositors. To mitigate the uninsured deposit risk, we have joined the Certificate of Deposit Account Registry Service (CDARS), a program that allows customers to invest up to $50.0 million in certificates of deposit through one participating financial institution, with the entire amount being covered by FDIC insurance. As of December 31, 2011, we had $376.0 million of CDARS deposits.

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As of December 31, 2011, we had $35.8 million of wholesale brokered deposits outstanding. Brokered deposits are generally considered to be deposits that have been received from a third party that is acting on behalf of that party s customer. Often, a broker will direct a customer s deposits to the banking institution offering the highest interest rate available. Federal banking law and regulation places restrictions on depository institutions regarding brokered deposits because of the general concern that these deposits are at a greater risk of being withdrawn and placed on deposit at another institution offering a higher interest rate, thus posing liquidity risk for institutions that gather brokered deposits in significant amounts. The Company does not anticipate using brokered deposits as a significant liquidity source in the near future.

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

Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of loss in a financial instrument arising from adverse changes in market prices and rates, foreign currency exchange rates, commodity prices and equity prices. Our market risk arises primarily from interest rate risk inherent in our lending, investing and deposit taking activities. To that end, management actively monitors and manages our interest rate risk exposure. We generally manage our interest rate sensitivity by evaluating re-pricing opportunities on our earning assets to those on our funding liabilities.

Management uses various asset/liability strategies to manage the re-pricing characteristics of our assets and liabilities, all of which are designed to ensure that exposure to interest rate fluctuations is limited to within our guidelines of acceptable levels of risk-taking. Hedging strategies, including the terms and pricing of loans and deposits and management of the deployment of our securities, are used to reduce mismatches in interest rate re-pricing opportunities of portfolio assets and their funding sources.

Interest rate risk is addressed by each Bank s respective Asset and Liability Management Committee, or ALCO (or its equivalent), which includes members of executive management, senior finance and operations. ALCO monitors interest rate risk by analyzing the potential impact on the net economic value of equity and net interest income from potential changes in interest rates, and considers the impact of alternative strategies or changes in balance sheet structure. We manage our balance sheet in part to maintain the potential impact on economic value of equity and net interest income within acceptable ranges despite changes in interest rates.

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

Net Interest Income Simulation. In order to measure interest rate risk at December 31, 2011, we used a simulation model to project changes in net interest income that result from forecasted changes in interest rates. This analysis calculates the difference between net interest income forecasted using an immediate increase and decrease in interest rates and a net interest income forecast using a flat market interest rate environment derived from spot yield curves typically used to price our assets and liabilities. The income simulation model includes various assumptions regarding the re-pricing relationships for each of our products. Many of our assets are floating rate loans, which are assumed to re-price immediately, and proportional to the change in market rates, depending on their contracted index. Some loans and investments include the opportunity of prepayment (embedded options), and accordingly the simulation model uses estimated market speeds to derive prepayments and reinvests proceeds at modeled yields. Our non-term deposit products re-price more slowly, usually changing less than the change in market rates and at our discretion.

This analysis indicates the impact of changes in net interest income for the given set of rate changes and assumptions. It assumes the balance sheet remains static and that its structure does not change over the course of the year. It does not account for all factors that could impact our results, including changes by management to mitigate interest rate changes or secondary factors such as changes to our credit risk profile as interest rates change.

Furthermore, loan prepayment rate estimates and spread relationships change regularly. Interest rate changes create changes in actual loan prepayment speeds that will differ from the market estimates incorporated in this analysis. Changes that vary significantly from the modeled assumptions may have significant effects on our actual net interest income.

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This simulation model assesses the changes in net interest income that would occur in response to an instantaneous and sustained increase or decrease (shock) in market interest rates. At December 31, 2011, our net interest margin exposure for the next twelve months related to these hypothetical changes in market interest rates was within our current guidelines.

Sensitivity of Net Interest Income

	Interest Rate Scenario (change in basis points from Base)					
(in 000 s)	**Down 100**	**Base**	**UP 100**	**UP 200**	**Up 300**	**Up 400**
Interest Income	$ 289,110	$ 297,528	$ 310,190	$ 328,472	$ 349,778	$ 370,606
Interest Expense	$ 32,304	$ 32,366	$ 49,647	$ 67,884	$ 86,625	$ 104,822
Net Interest Income	**$ 256,806**	**$ 265,162**	**$ 260,543**	**$ 260,588**	**$ 263,153**	**$ 265,784**
% Change	-3.2%		-1.7%	-1.7%	-0.8%	0.2%

Economic Value of Equity. We measure the impact of market interest rate changes on the net present value of estimated cash flows from our assets, liabilities and off-balance sheet items, defined as economic value of equity, using a simulation model. This simulation model assesses the changes in the market value of interest rate sensitive financial instruments that would occur in response to an instantaneous and sustained increase or decrease (shock) in market interest rates.

At December 31, 2011, our economic value of equity exposure related to these hypothetical changes in market interest rates was within the current guidelines established by us. The following table shows our projected change in economic value of equity for this set of rate shocks at December 31, 2011.

Economic Value of Equity

	Interest Rate Scenario (change in basis points from Base)					
	Down 100	**Base**	**UP 100**	**UP 200**	**Up 300**	**Up 400**
Present Value (000 s)						
Assets	$ 7,066,745	$ 7,009,647	$ 6,876,426	$ 6,734,122	$ 6,593,772	$ 6,457,387
Liabilities	$ 6,213,671	$ 6,145,421	$ 6,032,661	$ 5,911,335	$ 5,790,353	$ 5,682,208
Adjustments						
Goodwill & Intangibles	$ (36,867)	$ (36,867)	$ (36,867)	$ (36,867)	$ (36,867)	$ (36,867)
AFS Fair Market Value	$ 6,746	$ 6,746	$ 6,746	$ 6,746	$ 6,746	$ 6,746
Net Present Value	**$ 822,953**	**$ 834,105**	**$ 813,644**	**$ 792,666**	**$ 773,298**	**$ 745,058**
% Change	-1.3%		-2.5%	-5.0%	-7.3%	-10.7%

The computation of prospective effects of hypothetical interest rate changes are based on numerous assumptions, including relative levels of market interest rates, asset prepayments and deposit decay, and should not be relied upon as indicative of actual results. Further, the computations do not contemplate any actions we may undertake in response to changes in interest rates. Actual amounts may differ from the projections set forth above should market conditions vary from the underlying assumptions.

Derivative Contracts. In the normal course of business, the Company uses derivative instruments to meet the needs of its customers and manage exposure to fluctuations in interest rates. The following table summarizes the aggregate notional amounts, market values and terms of the Company s derivative positions with derivative market makers as of December 31, 2011.

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Outstanding Derivatives Positions

Notional	Net Value	Weighted Average Term (in yrs)
32,880,403	(163,316)	3.8

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

Outstanding Derivatives Positions

Notional	Net Value	Weighted Average Term (in yrs)
12,860,170	(1,395,856)	3.9

Recent accounting pronouncements

In December 2010, the Financial Accounting Standards Board (FASB) issued guidance within the Accounting Standards Update (ASU) 2010-20 Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses. ASU 2010-20 requires entities to provide disclosures designed to facilitate financial statement users evaluation of (i) the nature of credit risk inherent in the entity s portfolio of financing receivables, (ii) how that risk is analyzed and assessed in arriving at the allowance for credit losses, and (iii) the changes and reasons for those changes in the allowance for credit losses. Disclosures must be disaggregated by portfolio segment, the level at which an entity develops and documents a systematic method for determining its allowance for credit losses, and class of financing receivable, which is generally a disa