WESTERN ALLIANCE BANCORPORATION
Form 10-K
March 16, 2010

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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, 2009
Commission File Number: 001-32550
WESTERN ALLIANCE BANCORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Nevada	88-0365922
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer I.D. Number)
2700 W. Sahara Avenue, Las Vegas, NV	89102
(Address of Principal Executive Offices)	(Zip Code)

(702)-248-4200
(Registrant s telephone number, including area code)
SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Each Class	**Name on Each Exchange in 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 o No þ

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 o No þ

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

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

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. o

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 o Accelerated filer þ Non-accelerated filer o Smaller reporting company o

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

The aggregate market value of the registrant s voting stock held by non-affiliates is approximately $495.5 million based on the June 30, 2009 closing price of said stock on the New York Stock Exchange ($6.84 per share).

As of February 28, 2010, 73,005,930 shares of the registrant s common stock were outstanding.

Portions of the registrant s definitive proxy statement for its 2010 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 2009 Form 10K. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, the following possibilities: 1) the decline in economic conditions and disruptions to the financial markets around the world; 2) recent legislative and regulatory initiatives, including EESA, ARRA, and the rules and regulations that might be promulgated thereunder; 3) the soundness of other financial institutions with which we do business; 4) our ability to raise capital, attract deposits and borrow from the Federal Home Loan Bank (FHLB) and the Federal Reserve (FRB); 5) the possibility of asset, including goodwill, write-downs; 6) the effect of fair value accounting on the financial instruments that we hold; 7) defaults on our loan portfolio; 8) changes in management s estimate of the adequacy of the allowance for credit losses; 9) our ability to recruit and retain qualified employees, especially seasoned relationship bankers; 10) inflation, interest rate, market and monetary fluctuations; 11) changes in gaming or tourism in Las Vegas, Nevada, our primary market area; 12) risks associated with the execution of our business strategy and related costs; 13) increased lending risks associated with our concentration of commercial real estate, construction and land development and commercial and industrial loans; 14) supervisory actions by regulatory agencies which limit our ability to pursue certain growth opportunities; 15) competitive pressures among financial institutions and businesses offering similar products and services; 16) the effects of interest rates and interest rate policy; and 17) other factors affecting the financial services industry generally or the banking industry in particular.

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 14. 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 and we refers to the Company s Management. This discussion should be read in conjunction with the Company s Consolidated Financial Statements and notes to the Consolidated Financial Statement, herein referred to as the Consolidated Financial Statements . These Consolidated Financial Statements are presented on pages 74 through 124 of this Form 10-K.

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ITEM 1. BUSINESS

Organization Structure and Description of Services

Western Alliance Bancorporation, incorporated in the state of Nevada, is a multi-bank holding company headquartered in Las Vegas, Nevada, providing full service banking and related services to locally owned businesses, professional firms, real estate developers and investors, local non-profit organizations, high net worth individuals and other consumers through its subsidiary banks and financial services companies located in Nevada, Arizona, California and Colorado. The Company provides all aspects of commercial and consumer lending and deposit services including cash management and credit card services. In addition, its non-bank subsidiaries offer a broad array of financial products and services aimed at satisfying the needs of small to mid-sized businesses and their proprietors, including trust administration and estate planning, custody and investments and equipment leasing.

WAL has 13 wholly-owned subsidiaries. Bank of Nevada (BON) Alliance Bank of Arizona (ABA), Torrey Pines Bank (TPB), Alta Alliance Bank (AAB), First Independent Bank of Nevada (FIBN) all of which are banking subsidiaries, Premier Trust, Inc. (PTI), a State Chartered Trust Company, Western Alliance Equipment Finance, Inc. (WAEF) which provides equipment leasing, and six unconsolidated subsidiaries used as business trusts in connection with issuance of trust-preferred securities as described in Note 10, Junior Subordinated and Subordinated Debt beginning on page 107 of this Form 10-K. In addition, in July 2007, WAL made an 80 percent interest investment in Shine Investment Advisory Services Inc. (Shine), a registered investment advisor.

Bank Subsidiaries

Bank Name	Headquarter	Year Founded/ Acquired	Number of Branch Locations	Location Cities	Total Assets	Net Loans	Deposits
						(in millions)	
BON (1)	Las Vegas Nevada	1994	12	Las Vegas, North Las Vegas, Henderson, and Mesquite	**$ 2,779.1**	**$ 2,004.6**	**$ 2,203.8**
FIBN	Reno, Nevada	2007	6	Reno, Sparks, Fallon, and Spanish Springs	**$ 517.9**	**$ 370.5**	**$ 455.4**
ABA	Phoenix, Arizona	2003	10	Phoenix, Tucson, Scottsdale, Sedona, Mesa, and Flagstaff	**$ 1,122.9**	**$ 728.6**	**$ 984.4**
TPB	San Diego, CA	2003	7	San Diego, La Mesa, and Carlsbad	**$ 1,161.8**	**$ 807.9**	**$ 931.4**
AAB	Oakland, CA	2006	2	Oakland and Piedmont	**$ 176.3**	**$ 102.4**	**$ 150.5**

(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 two 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, and. BW Nevada Holdings, LLC, which owns the Company s building located at 2700 West Sahara Avenue, Las Vegas, Nevada.

In the third quarter of 2009, the Company announced a strategic cost reduction program, which includes the consolidation of four branch locations in Arizona and Nevada into other nearby branch facilities, operational efficiency enhancements and other cost reduction programs. The Company is also evaluating consolidation of its banking subsidiary charters. The Company expects to see positive net operating results in 2010 from these and other recent efficiency improvement initiatives.

Non-Bank Subsidiaries and Affiliates

In December 2003, WAL acquired PTI located in Las Vegas, Nevada, which provides trust and investment services to businesses, individuals and non-profit entities. PTI has one wholly owned subsidiary, PT Insurance, LLC which is inactive.

WAL acquired Miller/Russell & Associates, Inc. (MRA), an Arizona registered investment advisor in 2004. MRA provides investment advisory services to individuals, foundations, retirement plans and corporations. On December 31, 2009, the Company completed the sale of a 75 percent interest in Miller/Russell to certain members of the Miller/Russell management team in exchange for approximately $2.7 million. The purchase price included $600,000 in cash and proceeds from a $2.1 million secured term loan extended by ABA. The transaction closed on December 31, 2009.

The Company provides a full range of banking services, as well as trust and 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.

Market Segments

The Company had six reportable operating segments at December 31, 2009. The Company s reporting segments were modified in the second quarter of 2008 to reflect the way the Company manages and assesses the performance of the business. The Company reports the banking operations on a state-by-state basis rather than on a per bank basis, as was done in the past. The Company also created two new segments to report the asset management and credit card operations.

Previously, the asset management operations were included in Other and the credit card operations were included in Torrey Pines Bank.

The six reportable operating segments are Nevada (Bank of Nevada and First Independent Bank of Nevada), Arizona (Alliance Bank of Arizona), California (Torrey Pines Bank and Alta Alliance Bank), Asset Management (Miller/Russell, Premier Trust and Shine), Credit Card Services (PartnersFirst) and Other (Western Alliance Bancorporation holding company and the Company s Equipment Leasing unit). Prior period balances were reclassified to reflect the change.

The accounting policies of the reported segments are the same as those of the Company as described in Note 1. Nature of Business and Summary of Significant Accounting Policies beginning on page 80. Transactions between segments consisted primarily of borrowings and loan participations. 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 20, Segments in our Consolidated Financial Statements for financial information regarding segment reporting beginning on page 121.

The state-by-state bank and credit card 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 asset management segment derives a majority of its revenue from fees based on assets under management. The Company s chief executive officer relies primarily on fees and managed assets when assessing the performance of and allocating resources to this segment

Nevada Segment

The Nevada banking operations include Bank of Nevada, a Nevada-chartered commercial bank headquartered in Las Vegas, Nevada and First Independent Bank of Nevada, a Nevada-chartered commercial bank headquartered in Reno, Nevada.

Arizona Segment

The Arizona banking operations include Alliance Bank of Arizona, an Arizona-chartered commercial bank headquartered in Phoenix, Arizona.

California Segment

The California banking operations includes Torrey Pines Bank, a California-chartered commercial bank headquartered in San Diego, California, and Alta Alliance Bank, a California-chartered commercial bank headquartered in Oakland, California.

Asset Management Segment

Our asset management operating segment included the former Miller/Russell & Associates, Inc., Shine Investment Advisory Services, Inc., and Premier Trust, Inc., all of which offer investment advisory services to businesses, individuals, and non-profit entities. Other services offered include wealth management services such as trust administration of personal and retirement accounts, estate and financial planning, custody services and other investments. As of December 31, 2009, the asset management operating segment had $1.7 billion in total assets under management and $518.5 million in total trust assets. The asset management operating segment had offices in Phoenix, Arizona; Las Vegas, Nevada; and Lone Tree, Colorado.

Credit Card Services Segment

The credit card services segment consists of PartnersFirst Affinity Services (PartnersFirst), a division of Torrey Pines Bank. PartnersFirst focuses on affinity credit card marketing using an innovative model and approach. As of December 31, 2009, it had $50.2 million in credit card loans outstanding.

Other

The other segment consists of the holding company, Western Alliance Bancorporation and Western Alliance Equipment Finance, Inc., which generates equipment leasing and loan transactions for the Company s banking subsidiaries and provides administrative support services for these transactions.

Lending Activities

Through its banking segments, the Company provides a variety of financial services to customers, including commercial and residential 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 business comprised 84.1% and 83.9% of the total loan portfolio at December 31, 2009 and 2008, respectively.

Commercial Real Estate (CRE): Loans to finance the purchase 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, 2009 and 2008, 53.9% and 58.1% of our CRE loans were owner-occupied.

Construction and Land Development: Construction and land development loans include industrial/warehouse properties, office buildings, retail centers, medical facilities, restaurants and single-family homes. 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, equipment loans and other commercial loans. Commercial loans are primarily originated to small and medium-sized businesses in a wide variety of industries. ABA is designated a Preferred Lender in Arizona with the Small Business Association (SBA) under its Preferred Lender Program.

Residential Real Estate: We originate residential mortgage loans secured by one to four single family properties, the majority of which serve as the primary residence of the borrower. These loans generally result from relationships with existing or past customers, members of our local community, and referrals from realtors, attorneys and builders.

Consumer: A variety of consumer loan types 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; new and used automobile loans; and personal lines of credit.

As of December 31, 2009, our loan portfolio totaled $4.1 billion, or approximately 70.9% of our total assets. The following table sets forth the composition of our loan portfolio as of December 31, 2009 and 2008.

	December 31,			
	2009		2008	
	Amount	**Percent**	Amount	Percent
	(dollars in thousands)			
Commercial real estate-owner occupied	**$ 1,091,363**	**26.7%**	$ 1,024,947	25.0%
Commercial real estate-non-owner	**933,261**	**22.7%**	738,445	17.9%
Commercial and industrial	**802,193**	**19.5%**	860,280	21.0%
Construction and land development	**623,198**	**15.2%**	820,874	20.0%
Residential real estate	**568,319**	**13.9%**	589,196	14.4%
Consumer	**80,300**	**2.0%**	71,148	1.7%
Total loans	**4,098,634**	**100.0%**	4,104,890	100.0%
Net deferred fees and unearned income	**(18,995)**		(9,179)	

Total loans, net of deferred loan fees	**$ 4,079,639**	$ 4,095,711

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 discussion beginning on page 36.

General

The Company adheres to a specific set of credit standards across our 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, 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 establish 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 philosophy. 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 $6.0 million at Bank of Nevada, $7.5 million at Alliance Bank of Arizona, $5.0 million at Torrey Pines Bank and First Independent Bank of Nevada and $5.5 million at Alta Alliance Bank.

Credit Administration. Credits in excess of the Management Loan Committee authority are submitted by the bank subsidiary to Western Alliance s Credit Administration (WACA). WACA consists of the CCOs of Western Alliance and Bank of Nevada. WACA has approval authority up to established house concentration limits which range from $10 million to $35 million, depending on quality risk rating.

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 up to the bank s legal lending limit.

Our credit administration department works independent of loan production.

Loans to One Borrower. In addition to the limits set forth above, 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 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 loan 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 loan 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, 2009:

	Percent of Total Capital		**Percent of Total Loans**	
	Policy Limit	**Actual**	**Policy Limit**	**Actual**
Commercial Real Estate Term	350%	305%	65%	50%
Construction	140	92	30	15
Commercial and Industrial	225	118	30	19

Residential Real Estate	125	85	65	14
Consumer	25	12	15	2

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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 ar 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, 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. Bank of Nevada, Alliance Bank of Arizona and Torrey Pines Bank each maintain a Special Assets Department, which generally services and collects loans rated substandard or worse. Due to a smaller volume of classified loans, Alta Alliance Bank and First Independent Bank of Nevada have collection of classified loans supervised by a senior executive. 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 $25,000 require the formal review of 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, restructured loans, and other repossessed assets including other real estate owned (OREO). In general, loans are placed on nonaccrual status when we determine timely recognition of interest to be in doubt due to the borrower s financial condition and collection efforts. Restructured loans have modified terms to reduce either principal or interest due to deterioration in the borrower s financial condition. Other repossessed assets resulted from loans where we have received title or physical possession of the borrower s assets. The Company attempts to sell these assets, which has resulted in losses on repossessed assets of $21.3 million and $0.7 million for the years ended December 31, 2009 and 2008, 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, classify them. Loan grades six through nine of our loan grading system are utilized to identify potential problem assets.

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.

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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 noted earlier. 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 47.

Investment Activities

Each of our banking subsidiaries 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 chief financial officer (CFO) is responsible for making securities portfolio decisions in accordance with established policies. The CFO has 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 are reviewed by that bank s asset and liability management committee or board of directors.

Based on changes to the policies made in 2008, our banks investment policies generally limit securities investments to cash and cash equivalents, which includes short-term investments with a duration of less than 180 days issued by companies rated A or better; 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 (and may in the future encompass certain securities associated with the TARP program); mortgage-backed securities (MBS) or collateralized mortgage obligations (CMO) issued by a government-sponsored enterprise (GSE) such as Fannie Mae, Freddie Mac, or Ginnie Mae; municipal securities with a rating of AAA, and mandatory purchases of equity securities of the FRB and FHLB. The Company no longer purchases (although we may continue to hold previously acquired) collateralized debt obligations, adjustable rate preferred securities, or private label collateralized mortgage 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 Critical Accounting Policies Investment Securities beginning on page 47.

As of December 31, 2009, the Company had an investment securities portfolio of $810.8 million, representing approximately 14.1% of our total assets, with the majority of the portfolio invested in AAA-rated securities. The average duration of our investment securities is 5.0 years as of December 31, 2009. The following table summarizes the investment securities portfolio as of December 31, 2009 and 2008.

	December 31,					
	2009			2008		
	Amount		Percent	Amount		Percent
	(dollars in millions)					
Direct obligation and GSE residential mortgage-backed	$	**655.1**	**80.8%**	$	436.8	77.3%
Private label residential mortgage-backed		**18.2**	**2.2%**		38.4	6.8%
U.S. Treasury securities		**0.0**	**0.0%**		8.2	1.5%
U.S. Government sponsored agency securities		**2.5**	**0.3%**		2.5	0.4%
Adjustable rate preferred stock		**18.3**	**2.3%**		27.7	4.9%
Trust preferred securities		**22.0**	**2.7%**		16.3	2.9%
Municipal obligations		**5.4**	**0.7%**		19.0	3.4%
Collateralized debt obligations		**0.9**	**0.1%**		1.2	0.2%
FDIC guaranteed corporate bonds		**71.2**	**8.8%**		0.0	0.0%
Other		**17.2**	**2.1%**		15.3	2.7%
Total	$	**810.8**	**100.0%**	$	565.4	100.0%

As of December 31, 2009 and 2008, the Company had an investment in bank-owned life insurance (BOLI) of $92.5 million and $90.7 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, 2009, the deposit portfolio was comprised of 24.5% non-interest bearing deposits and 75.5% interest-bearing deposits.

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

The competition for deposits in our markets is fierce. The Company has historically been successful in attracting and retaining deposits due to several factors, including (1) the high level of customer service we provide; (2) our experienced relationship bankers who have strong relationships within their communities; (3) the broad selection of cash management services we offer; (4) competitive pricing on earnings credits paid for deposits; and (5) the ability to leverage our multiple bank charters to provide extended federal deposit insurance. 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 and FRB advance rates and rates charged on other funding sources.

The following table shows our deposit composition:

	December 31,			
	2009		2008	
	Amount	Percent	Amount	Percent
	(dollars in thousands)			
Non-interest bearing demand	**$ 1,157.013**	**24.5%**	$ 1,010,625	27.7%
Interest-bearing demand	**362,682**	**7.7%**	253,529	6.9%
Savings and money market	**1,752,450**	**37.1%**	1,351,502	37.0%
Time certificates of $100,000 or more	**1,205,162**	**18.8%**	638,806	17.5%
Other time deposits	**244,795**	**11.9%**	397,804	10.9%
Total deposits	**$ 4,722,102**	**100.0%**	$ 3,652,266	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. Additionally, in the past, we have 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 beginning on page 42.

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 the Asset Management segment, the Company offers asset allocation and investment advisory services, wealth management services including trust administration of personal and retirement accounts, estate and financial planning, and custody services.

Customer, Product and Geographic Concentrations

Approximately 64.6% of the loan portfolio at December 31, 2009 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, San Diego, Tucson, Phoenix, Reno and Oakland 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.

Acquisitions

In February 2009, BON was selected to acquire the deposits and certain assets of a failed institution in Nevada. See Recent Developments and Company Response beginning on page 12 for further detailed information.

Foreign Operations

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

Competition

The banking and financial services industries in our market areas remain highly competitive despite the recent economic downturn. 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.

This increasingly competitive environment is primarily a result of changes in regulation that made mergers and geographic expansion easier; changes in technology and product delivery systems, such as ATM networks 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 commercial banks, local community banks, savings and loan associations, securities and brokerage companies, mortgage companies, insurance companies, finance companies, money market funds, credit unions, and other non-bank financial services providers. In recent periods, we have also had the opportunity to bid on resolutions of a number of financial

institutions and the asset portfolios of other institutions, and we face stiff competition for these investment opportunities from these same competitors, and also from well-funded investment vehicles that have been formed to capitalize on the recent market distress.

Competition for deposit and loan products remains strong from both banking and non-banking firms, and this competition directly affects the rates of those products and the terms on which they are offered to consumers. Competition for deposits has increased markedly, with many bank customers turning to deposit accounts at the largest, most-well capitalized financial institutions or the purchase of U.S. treasury securities.

Technological innovation continues to contribute to greater competition in domestic and international financial services markets. Many customers now expect a choice of several delivery systems and channels, including telephone, mail, home computer and ATMs.

Mergers between financial institutions have placed additional pressure on banks to consolidate their operations, reduce expenses and increase revenues to remain competitive. In addition, competition has intensified due to federal and state interstate banking laws, which permit banking organizations to expand geographically with fewer restrictions than in the past. These laws allow banks to merge with other banks across state lines, thereby enabling banks to establish or expand banking operations in our market. The competitive environment is also significantly impacted by federal and state legislation that makes it easier for non-bank financial institutions to compete with us.

Employees

As of December 31, 2009, the Company had 930 full-time equivalent employees. 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 2009 we continued to grow net interest income to $202.3 million, up 3.7% from $194.9 million in 2008. However, as with many financial institutions, we suffered losses resulting primarily from significant provisions for credit losses, and write-downs of securities holdings and goodwill.

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. In the United States, the federal government has adopted 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, the Company took advantage of TARP to raise new capital and strengthen its balance sheet. This capital, and capital that was raised in 2009 from private investors, provides us with the flexibility to take advantage of opportunities that may arise out of the current disruption in the financial institution market.

The Company s Bank of Nevada subsidiary was notified by banking regulators that its operations and activities will be subject to additional informal supervisory oversight in the form of a Memorandum of Understanding following their September 30, 2008 examination of the bank. During the fourth quarter 2008, the Bank of Nevada board of directors formed a regulatory oversight committee to ensure timely and complete resolution to all issues raised during its regulatory examination. Since that time, the regulatory oversight committee has met on average no less than monthly. During 2009, management of Bank of Nevada, under the supervision of the regulatory oversight committee, has completed the following: (a) revised the policy for allowance for loan and lease losses, (b) adopted a written model governance process for measuring, monitoring, controlling and reporting loan and investment portfolio risks, and

(c) revised its policy on asset liability management, with guidelines for interest rate risk modeling, monitoring results for adherence to board risk tolerances, and guidelines for periodic validation and back testing. The bank has adopted a three year strategic plan to be updated annually. The bank has further adopted formal written plans to: (1) improve loan underwriting and administration, (2) manage delinquent and non-performing loans, (3) reduce loan concentration risks, (4) improve identification of other than temporary impairment within its investment portfolio, and (5) improve liquidity. Each of the above documents has been formally approved by the Bank of Nevada board of directors. Additionally, the board of directors expanded oversight and governance by requiring formal quarterly reporting by management on specified topics as part of a standing agenda.

On November 16, 2009, the Federal Deposit Insurance Corporation (FDIC) issued a Consent Order with respect to the Company s Torrey Pines Bank subsidiary. Pursuant to the Order, Torrey Pines Bank has consented to take certain actions to enhance a variety of its policies, procedures and processes regarding management and board oversight, holding company and affiliate transactions, compliance programs with training, monitoring and audit procedures, and risk management. Under the oversight of its Board of Directors, Torrey Pines Bank has taken a number of steps to fully comply with each of the requirements set forth in the Consent Order. Specifically, the bank has enhanced its compliance management system and its policies in the following areas: (a) transactions with affiliates, (b) allowance for credit losses, (c) vendor management, (d) ACH transactions; (e) business continuity planning, (f) remote deposit capture. In addition, the bank has enhanced its monitoring, training and audit procedures, and developed written plans to: (1) maintain Tier 1 capital at no less than 8 percent of the bank s total assets for the duration of the Order, (2) dispose of large classified assets, (3) reduce and collect delinquent loans, and (4) reduce its commercial real estate loan concentrations, The bank also has adopted a written three-year strategic plan, formulated a written profit plan, and strengthened its information technology programs.

The Company s Alliance Bank of Arizona subsidiary executed a Memorandum of Understanding with the FDIC and the Arizona Department of Financial Institutions (DFI) on November 24, 2009, following examination of the bank by the FDIC and DFI. Pursuant to the Memorandum of Understanding, the board of directors of Alliance Bank of Arizona agreed to take certain actions to enhance a variety of its policies, procedures and processes regarding board oversight and participation, management, asset quality and credit underwriting and administration, concentrations of credit, earnings and capital planning, and violations of laws and regulations. Under the oversight of its Board of Directors, Alliance Bank of Arizona has taken a number of steps to fully comply with each of the requirements set forth in the Memorandum of Understanding. Specifically, the bank has enhanced its methodology for allowance for credit losses, and adopted a comprehensive three year strategic plan. The bank also has adopted formal written plans to: (1) improve loan underwriting and administration, (2) manage delinquent and non-performing loans, and (3) reduce loan concentration risks. In addition, the Board of Directors has increased the frequency of its regular meetings to monthly, and created additional committees to strengthen its oversight of the bank.

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

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

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 on pages 56 through 71.

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 th