

WESTERN ALLIANCE BANCORPORATION

Form 10-Q

November 09, 2009

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

**(Mark One)**

**Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the Quarterly Period Ended September 30, 2009**

**or**

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the Transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: 001-32550**

**WESTERN ALLIANCE BANCORPORATION  
(Exact Name of Registrant as Specified in Its Charter)**

**Nevada  
(State or Other Jurisdiction  
of Incorporation or Organization)**

**88-0365922  
(I.R.S. Employer I.D. Number)**

**2700 W. Sahara Avenue, Las Vegas, NV  
(Address of Principal Executive Offices)**

**89102  
(Zip Code)**

**(702) 248-4200  
(Registrant's telephone number, including area code)**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No   
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

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

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

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

Common stock issued and outstanding: 72,482,477 shares as of October 31, 2009.



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**Table of Contents****Part I. Financial Information****ITEM I. FINANCIAL STATEMENTS****Western Alliance Bancorporation and Subsidiaries****Consolidated Balance Sheets****September 30, 2009 and December 31, 2008****(Unaudited)**

| <i>(\$ in thousands, except per share amounts)</i>   | <b>September 30,<br/>2009</b> | <b>December 31,<br/>2008</b> |
|--|-------------------------------|------------------------------|
| <b>Assets</b>  |                               |                              |
| Cash and due from banks  | \$ 752,867                    | \$ 136,791                   |
| Federal funds sold and other   | 4,998                         | 3,163                        |
| <b>Cash and cash equivalents</b>   | <b>757,865</b>                | <b>139,954</b>               |
| Money market investments   | 55,051                        |                              |
| Securities held to maturity (approximate fair value \$7,483 and \$8,382, respectively)         | 7,483                         | 8,278                        |
| Securities available for sale  | 588,431                       | 437,862                      |
| Securities measured at fair value  | 76,834                        | 119,237                      |
| Gross loans, including net deferred loan fees  | 3,967,962                     | 4,095,711                    |
| Less: Allowance for loan losses  | (104,181)                     | (74,827)                     |
| <b>Loans, net</b>  | <b>3,863,781</b>              | <b>4,020,884</b>             |
| Premises and equipment, net  | 128,647                       | 140,910                      |
| Other real estate owned  | 72,795                        | 14,545                       |
| Bank owned life insurance  | 91,841                        | 90,700                       |
| Investment in restricted stock   | 41,061                        | 41,047                       |
| Accrued interest receivable  | 19,090                        | 19,719                       |
| Deferred tax assets, net   | 56,241                        | 34,400                       |
| Goodwill   | 33,390                        | 78,966                       |
| Other intangible assets, net of accumulated amortization of \$10,159 and \$7,324, respectively | 18,199                        | 21,034                       |
| Income tax receivable  | 2,236                         | 48,367                       |
| Other assets   | 18,372                        | 26,858                       |
| <b>Total assets</b>  | <b>\$5,831,317</b>            | <b>\$5,242,761</b>           |
| <b>Liabilities and Stockholders Equity</b>   |                               |                              |
| Liabilities  |                               |                              |
| Noninterest-bearing demand deposits  | \$1,154,770                   | \$1,010,625                  |
| Interest-bearing deposits:   |                               |                              |
| Demand   | 339,431                       | 253,529                      |

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|   |                  |           |
|---|------------------|-----------|
| Savings and money market  | <b>1,802,602</b> | 1,351,502 |
| Time, \$100 and over  | <b>874,969</b>   | 638,806   |
| Other time  | <b>580,463</b>   | 397,804   |
|   | <b>4,752,235</b> | 3,652,266 |
| Customer repurchase agreements  | <b>264,143</b>   | 321,004   |
| Federal Home Loan Bank/Federal Reserve advances and other borrowings: |                  |           |
| One year or less  | <b>70,000</b>    | 586,120   |
| Over one year (\$0 and \$31,515 measured at fair value, respectively) | <b>9,386</b>     | 50,998    |
| Junior subordinated debt measured at fair value                       | <b>41,859</b>    | 43,038    |
| Subordinated debt   | <b>60,000</b>    | 60,000    |
| Accrued interest payable and other liabilities                        | <b>30,727</b>    | 33,838    |
| <b>Total liabilities</b>  | <b>5,228,350</b> | 4,747,264 |

Commitments and Contingencies (Note 9)

Stockholders' Equity

|   |                    |             |
|---|--------------------|-------------|
| Preferred stock, par value \$.0001; shares authorized 20,000,000; shares issued and outstanding 2009: 140,000; 2008: 140,000. Total liquidation preference of outstanding shares of \$140,000 | <b>127,248</b>     | 125,203     |
| Common stock, par value \$.0001; shares authorized 100,000,000; shares issued and outstanding 2009: 72,489,100; 2008: 38,600,788  | <b>7</b>           | 4           |
| Additional paid-in capital  | <b>682,043</b>     | 484,205     |
| Retained earnings (deficit)   | <b>(212,365)</b>   | (85,424)    |
| Accumulated other comprehensive loss - net unrealized loss on held-to-maturity securities   | <b>(1,318)</b>     |             |
| Accumulated other comprehensive income (loss) - net unrealized gain (loss) on available-for-sale securities   | <b>7,352</b>       | (28,491)    |
| <b>Total stockholders' equity</b>   | <b>602,967</b>     | 495,497     |
| <b>Total liabilities and stockholders' equity</b>   | <b>\$5,831,317</b> | \$5,242,761 |

See Notes to Unaudited Consolidated Financial Statements.

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**Western Alliance Bancorporation and Subsidiaries**  
**Consolidated Statements of Operations**  
**Three and Nine Months Ended September 30, 2009 and 2008**  
**(Unaudited)**

| (\$ in thousands, except per share amounts)   | Three Months Ended<br>September 30, |               | Nine Months Ended<br>September 30, |                |
|---|-------------------------------------|---------------|------------------------------------|----------------|
|   | 2009                                | 2008          | 2009                               | 2008           |
| Interest income on:   |                                     |               |                                    |                |
| Loans, including fees   | \$ 61,380                           | \$ 64,977     | \$ 187,901                         | \$ 193,498     |
| Securities taxable  | 5,730                               | 7,239         | 17,939                             | 24,883         |
| Securities nontaxable   | 55                                  | 311           | 350                                | 996            |
| Dividends taxable   | 32                                  | 854           | 335                                | 2,310          |
| Dividends nontaxable  | 74                                  | 564           | 796                                | 1,541          |
| Short term investments  | 334                                 |               | 519                                |                |
| Federal funds sold and other  | 141                                 | 80            | 370                                | 275            |
| <b>Total interest income</b>  | <b>67,746</b>                       | <b>74,025</b> | <b>208,210</b>                     | <b>223,503</b> |
| Interest expense on:  |                                     |               |                                    |                |
| Deposits  | 16,067                              | 16,844        | 48,130                             | 53,566         |
| Customer repurchase agreements  | 867                                 | 1,233         | 3,163                              | 4,263          |
| Short-term borrowings   | 374                                 | 3,744         | 1,298                              | 13,468         |
| Long-term borrowings  | 211                                 | 700           | 1,399                              | 2,110          |
| Junior subordinated debt  | 735                                 | 1,004         | 2,377                              | 3,171          |
| Subordinated debt   | 522                                 | 638           | 1,342                              | 2,199          |
| <b>Total interest expense</b>   | <b>18,776</b>                       | <b>24,163</b> | <b>57,709</b>                      | <b>78,777</b>  |
| <b>Net interest income</b>  | <b>48,970</b>                       | <b>49,862</b> | <b>150,501</b>                     | <b>144,726</b> |
| Provision for loan losses   | 50,750                              | 14,716        | 108,307                            | 35,927         |
| <b>Net interest income (loss) after provision for loan losses</b>                   | <b>(1,780)</b>                      | <b>35,146</b> | <b>42,194</b>                      | <b>108,799</b> |
| Noninterest income (loss):  |                                     |               |                                    |                |
| Securities impairment charges   | (1,044)                             | (32,688)      | (44,083)                           | (37,968)       |
| Portion of impairment charges recognized in other comprehensive loss (before taxes) |                                     |               | 2,047                              |                |
| Net securities impairment charges recognized in earnings                            | (1,044)                             | (32,688)      | (42,036)                           | (37,968)       |
| Derivative gain (loss)  | (70)                                | 176           | (200)                              | 983            |
| Unrealized gain (loss) on assets and liabilities measured at fair value, net        | 1,987                               | 5,075         | 5,609                              | 6,343          |
| Net gain on sale of investment securities   | 4,146                               | 87            | 15,933                             | 304            |
| Net gain (loss) on repossessed assets   | (7,283)                             | (32)          | (16,193)                           | 321            |

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|   |                    |                    |                     |                    |
|---|--------------------|--------------------|---------------------|--------------------|
|   | (2,264)            | (27,382)           | (36,887)            | (30,017)           |
| Trust and investment advisory services                        | 2,369              | 2,668              | 6,967               | 8,199              |
| Service charges   | 2,212              | 1,586              | 5,874               | 4,424              |
| Income from bank owned life insurance                         | 574                | 593                | 1,523               | 1,966              |
| Miscellaneous noninterest income                              | 2,987              | 2,565              | 7,803               | 7,840              |
| <b>Total noninterest income (loss)</b>                        | <b>5,878</b>       | <b>(19,970)</b>    | <b>(14,720)</b>     | <b>(7,588)</b>     |
| Noninterest expense:  |                    |                    |                     |                    |
| Salaries and employee benefits                                | 24,488             | 21,812             | 73,839              | 65,263             |
| Occupancy   | 5,428              | 5,280              | 15,953              | 15,487             |
| Customer service  | 2,827              | 910                | 8,777               | 3,223              |
| Insurance   | 2,328              | 1,006              | 9,039               | 2,851              |
| Legal, professional and director fees                         | 1,827              | 1,066              | 5,077               | 3,234              |
| Data processing   | 951                | 1,695              | 3,303               | 3,901              |
| Intangible amortization                                       | 945                | 920                | 2,835               | 2,624              |
| Advertising, public relations and business development        | 936                | 3,123              | 4,185               | 7,596              |
| Travel and automobile   | 549                | 604                | 1,391               | 1,306              |
| Telephone   | 513                | 415                | 1,500               | 1,200              |
| Audits and exams  | 397                | 278                | 1,368               | 1,563              |
| Correspondent banking service charges and wire transfer costs | 380                | 382                | 1,159               | 1,017              |
| Supplies  | 330                | 374                | 1,220               | 1,156              |
| Goodwill impairment charge                                    | 576                | 79,242             | 45,576              | 79,242             |
| Other   | 2,953              | 2,817              | 7,318               | 7,456              |
| <b>Total noninterest expenses</b>                             | <b>45,428</b>      | <b>119,924</b>     | <b>182,540</b>      | <b>197,119</b>     |
| <b>Income (loss) before income taxes</b>                      | <b>(41,330)</b>    | <b>(104,748)</b>   | <b>(155,066)</b>    | <b>(95,908)</b>    |
| Income tax expense (benefit)                                  | (17,415)           | (10,040)           | (30,572)            | (7,757)            |
| <b>Net income (loss)</b>                                      | <b>(23,915)</b>    | <b>(94,708)</b>    | <b>(124,494)</b>    | <b>(88,151)</b>    |
| Preferred stock dividends                                     | 1,750              |                    | 5,250               |                    |
| Accretion on preferred stock discount                         | 689                |                    | 2,045               |                    |
| <b>Net income (loss) available to common stockholders</b>     | <b>\$ (26,354)</b> | <b>\$ (94,708)</b> | <b>\$ (131,789)</b> | <b>\$ (88,151)</b> |
| Earnings (loss) per share:                                    |                    |                    |                     |                    |
| Basic   | \$ (0.37)          | \$ (2.84)          | \$ (2.42)           | \$ (2.86)          |
| Diluted   | \$ (0.37)          | \$ (2.84)          | \$ (2.42)           | \$ (2.86)          |

See Notes to Unaudited Consolidated Financial Statements.





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**Western Alliance Bancorporation and Subsidiaries**  
**Consolidated Statement of Stockholders Equity**  
**Nine Months Ended September 30, 2009 (Unaudited)**  
*(in thousands)*

| Description  | Comprehensive<br>Income<br>(loss) | Common<br>Stock  |        | Preferred<br>Stock |            | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Total             |
|--|-----------------------------------|------------------|--------|--------------------|------------|----------------------------------|----------------------|---|-------------------|
|  |                                   | Shares<br>Issued | Amount | Shares<br>Issued   | Amount     |                                  |                      |   |                   |
| Balance, December 31, 2008   |                                   | 38,601           | \$ 4   | 140                | \$ 125,203 | \$ 484,205                       | \$ (85,424)          | \$ (28,491)   | \$ <b>495,497</b> |
| Cumulative effect from adoption of FSP FAS 115-2 and FAS 124-2, net of taxes of \$2,688                      |                                   |                  |        |                    |            |                                  | 4,848                | (4,848)   |                   |
| Balance, January 1, 2009   |                                   | 38,601           | 4      | 140                | 125,203    | 484,205                          | (80,576)             | (33,339)  | <b>495,497</b>    |
| Issuance of 33,441 shares of common stock, net of offering costs of \$9,582                                  |                                   | 33,441           | 3      |                    |            | 191,059                          |                      |   | <b>191,062</b>    |
| Stock options exercised  |                                   | 28               |        |                    |            | 78                               |                      |   | <b>78</b>         |
| Stock-based compensation expense   |                                   | 171              |        |                    |            | 2,352                            |                      |   | <b>2,352</b>      |
| Restricted stock granted, net of forfeitures   |                                   | 248              |        |                    |            | 4,349                            |                      |   | <b>4,349</b>      |
| Accretion on preferred stock discount  |                                   |                  |        |                    | 2,045      |                                  | (2,045)              |   |                   |
| Dividends on preferred stock   |                                   |                  |        |                    |            |                                  | (5,250)              |   | <b>(5,250)</b>    |
| Comprehensive income (loss):   |                                   |                  |        |                    |            |                                  |                      |   |                   |
| Net loss   | \$ (124,494)                      |                  |        |                    |            |                                  | (124,494)            |   | <b>(124,494)</b>  |
| Other comprehensive income (loss):   |                                   |                  |        |                    |            |                                  |                      |   |                   |
| Unrealized holding gains on securities available for sale arising during the period, net of taxes of \$5,323 | 9,886                             |                  |        |                    |            |                                  |                      |   |                   |
| Less reclassification adjustment for impairment losses included in net loss, net of taxes of \$2,835         | 39,201                            |                  |        |                    |            |                                  |                      |   |                   |
| Plus reclassification adjustment for gains included in net loss, net of taxes of \$6,219                     | (9,714)                           |                  |        |                    |            |                                  |                      |   |                   |
| Net unrealized holding gains   | 39,373                            |                  |        |                    |            |                                  |                      | 39,373  | <b>39,373</b>     |
|  | \$ (85,121)                       |                  |        |                    |            |                                  |                      |   |                   |

**Balance, September 30, 2009**                      **72,489** \$ **7**   **140** \$ **127,248** \$ **682,043** \$ **(212,365)** \$   **6,034** \$ **602,967**

See Notes to Unaudited Consolidated Financial Statements.

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**Western Alliance Bancorporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Nine Months Ended September 30, 2009 and 2008 (Unaudited)**  
*(\$ in thousands)*

|  | <b>2009</b>      | 2008             |
|--|------------------|------------------|
| Cash Flows from Operating Activities:  |                  |                  |
| Net income (loss)  | \$ (124,494)     | \$ (88,151)      |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |                  |                  |
| Provision for loan losses  | 108,307          | 35,927           |
| Goodwill impairment charge   | 45,576           | 79,242           |
| Securities impairment charges  | 42,036           | 37,968           |
| Change in fair value of assets and liabilities measured at fair value                    | (5,409)          | (7,326)          |
| Net gain on sale of investment securities  | (15,933)         | (304)            |
| Net loss on repossessed assets   | 16,193           | 321              |
| Depreciation and amortization  | 8,865            | 9,390            |
| Deferred taxes and income taxes receivable   | (40,173)         | (15,221)         |
| Decrease (increase) in other assets  | 54,617           | (2,056)          |
| (Decrease) increase in other liabilities   | (3,111)          | 9,064            |
| Other operating activities, net  | 4,866            | 3,926            |
| <b>Net cash provided by operating activities</b>   | <b>91,340</b>    | <b>62,780</b>    |
| Cash Flows from Investing Activities:  |                  |                  |
| Proceeds from maturities of securities   | 106,649          | 86,052           |
| Purchases of securities and short term investments                                       | (375,128)        | (167,233)        |
| Proceeds from the sale of securities   | 146,787          | 114,409          |
| Net increase in loans made to customers, net of charge-offs                              | (25,648)         | (342,337)        |
| Purchase of premises and equipment   | 2,054            | (6,482)          |
| Proceeds from sale of premises and equipment   |                  | 20               |
| Purchases (liquidations) of restricted stock   | 2                | (14,478)         |
| Other investing activities, net  | 383              |                  |
| <b>Net cash (used in) investing activities</b>   | <b>(144,901)</b> | <b>(330,049)</b> |
| Cash Flows from Financing Activities:  |                  |                  |
| Net proceeds from stock issued in offerings  | 191,268          | 80,156           |
| Net increase (decrease) in deposits  | 1,099,969        | (37,917)         |
| Net (repayments on) proceeds from borrowings   | (614,593)        | 280,723          |
| Proceeds from exercise of stock options and stock warrants                               | 78               | 1,930            |
| Cash dividends paid  | (5,250)          |                  |
| Stock repurchases  |                  | (356)            |
| <b>Net cash provided by financing activities</b>   | <b>671,472</b>   | <b>324,536</b>   |
| <b>Increase in cash and cash equivalents</b>   | <b>617,911</b>   | <b>57,267</b>    |
| Cash and Cash Equivalents, beginning of period   | 139,954          | 115,629          |

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|   |            |            |
|---|------------|------------|
| Cash and Cash Equivalents, end of period                              | \$ 757,865 | \$ 172,896 |
| Supplemental Disclosure of Cash Flow Information                      |            |            |
| Cash payments for interest  | \$ 56,731  | \$ 88,261  |
| Cash payments for income taxes  | \$         | \$ 6,983   |
| Supplemental Disclosure of Noncash Investing and Financing Activities |            |            |
| Transfers of loans to other real estate owned, net                    | \$ 73,457  | \$ 19,528  |
| See Notes to Unaudited Consolidated Financial Statements.             |            |            |

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**Note 1. Nature of Business and Summary of Significant Accounting Policies**

**Nature of**