WESTERN ALLIANCE BANCORPORATION
Form 10-Q
May 03, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Quarterly Period Ended March 31, 2013

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)**
One E. Washington Street, **Phoenix, AZ** **(Address of Principal Executive Offices)**	**85004** **(Zip Code)**

(602) 389-3500

(Registrant s telephone number, including area code)

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

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

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

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

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

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

Common stock issued and outstanding: 86,946,543 shares as of April 30, 2013.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	March 31, 2013 (unaudited)	December 31, 2012
	(in thousands, except share amounts)	
Assets:		
Cash and due from banks	**$ 125,490**	$ 141,789
Securities purchased under agreement to resell	**134,010**	
Interest-bearing deposits in other financial institutions	**296,775**	62,836
Cash and cash equivalents	**556,275**	204,625
Money market investments	**796**	664
Investment securities measured, at fair value	**4,781**	5,061
Investment securities available-for-sale, at fair value; amortized cost of $994,056 at March 31, 2013 and $926,050 at December 31, 2012	**1,006,185**	939,590
Investment securities held-to-maturity, at amortized cost; fair value of $296,018 at March 31, 2013 and $292,819 at December 31, 2012	**290,591**	291,333
Investments in restricted stock, at cost	**29,767**	30,936
Loans:		
Held for sale	**27,942**	31,124
Held for investment, net of deferred fees	**5,827,414**	5,678,194
Less: allowance for credit losses	**95,494**	95,427
Total loans	**5,731,920**	5,582,767
Premises and equipment, net	**107,105**	107,910
Goodwill	**23,224**	23,224
Other intangible assets, net	**5,942**	6,539
Other assets acquired through foreclosure, net	**77,921**	77,247
Bank owned life insurance	**139,372**	138,336
Deferred tax assets, net	**54,060**	51,757
Prepaid expenses	**10,017**	12,029
Other assets	**108,206**	119,495
Total assets	**$ 8,174,104**	$ 7,622,637
Liabilities:		
Deposits:		
Non-interest-bearing demand	**$ 1,930,426**	$ 1,933,169
Interest-bearing	**4,804,488**	4,522,008
Total deposits	**6,734,914**	6,455,177
Customer repurchase agreements	**64,692**	79,034
Securities sold short	**132,614**	
Other borrowings	**293,822**	193,717
Junior subordinated debt, at fair value	**36,687**	36,218
Other liabilities	**130,080**	98,875

Total liabilities	**7,392,809**	6,863,021
Commitments and contingencies (Note 9)		
Stockholders equity:		
Preferred stock par value $.0001 and liquidation value per share of $1,000; 20,000,000 authorized; 141,000 issued and outstanding at March 31, 2013 and December 31, 2012	**141,000**	141,000
Common stock par value $.0001; 200,000,000 authorized; 87,079,016 shares issued and outstanding at March 31, 2013 and 86,465,050 at December 31, 2012	**9**	9
Additional paid in capital	**786,941**	784,852
Accumulated deficit	**(153,860)**	(174,471)
Accumulated other comprehensive income	**7,205**	8,226
Total stockholders equity	**781,295**	759,616
Total liabilities and stockholders equity	**$ 8,174,104**	$ 7,622,637

See the accompanying notes.

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WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS (unaudited)

	Three Months Ended March 31, 2013	2012
	(in thousands except per share amounts)	
Interest income:		
Loans, including fees	**$ 74,725**	$ 67,760
Investment securities taxable	**3,832**	6,412
Investment securities non-taxable	**3,129**	2,240
Dividends taxable	**359**	280
Dividends non-taxable	**838**	653
Other	**225**	92
Total interest income	**83,108**	77,437
Interest expense:		
Deposits	**3,732**	4,762
Customer repurchase agreements	**35**	63
Other borrowings	**2,672**	2,071
Junior subordinated debt	**466**	484
Total interest expense	**6,905**	7,380
Net interest income	**76,203**	70,057
Provision for credit losses	**5,439**	13,081
Net interest income after provision for credit losses	**70,764**	56,976
Non-interest income:		
Gain on sales of securities, net	**147**	361
Mark to market gains (losses), net	**(471)**	(333)
Service charges and fees	**2,534**	2,285
Investment advisory fees		619
Other fee revenue	**957**	1,000
Income from bank owned life insurance	**1,036**	1,123
Amortization of affordable housing investments	**(900)**	
Other	**596**	829
Total non-interest income	**3,899**	5,884
Non-interest expense:		
Salaries and employee benefits	**26,574**	26,664
Occupancy expense, net	**4,846**	4,722
Net loss on sales/valuations of repossessed assets and bank premises, net	**519**	2,651
Insurance	**2,370**	2,050
Loan and repossessed asset expense	**1,596**	1,684
Legal, professional and director fees	**2,784**	1,572
Marketing	**1,764**	1,371
Data processing	**1,865**	995
Intangible amortization	**597**	890
Customer service	**643**	591
Merger/restructure expenses	**195**	

Operating lease depreciation	**142**	208
Other	**3,034**	3,499
Total non-interest expense	**46,929**	46,897
Income from continuing operations before provision income taxes	**27,734**	15,963
Income tax provision	**6,808**	4,441
Income from continuing operations	**20,926**	11,522
Income (loss) from discontinued operations, net of tax benefit	**38**	(222)
Net income	**20,964**	11,300
Dividends and accretion on preferred stock	**353**	1,763
Net income available to common shareholders	**$ 20,611**	$ 9,537

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WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS (unaudited)

(continued)

	Three Months Ended March 31,	
	2013	2012
	(in thousands except per share amounts)	
Earnings per share from continuing operations:		
Basic	**$ 0.24**	$ 0.12
Diluted	**$ 0.24**	$ 0.12
Income (loss) per share from discontinued operations:		
Basic	**$ 0.00**	$ (0.00)
Diluted	**$ 0.00**	$ (0.00)
Earnings per share applicable to common shareholders:		
Basic	**85,324**	81,359
Diluted	**85,980**	82,227
Dividends declared per common share	**$**	$

See the accompanying notes.

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WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

	Three Months Ended March 31,	
	2013	2012
	(in thousands)	
Net income	**$ 20,964**	$ 11,300
Other comprehensive income, net:		
Unrealized (loss) gain on securities available-for-sale (AFS), net	**(890)**	6,205
Unrealized (loss) on cash flow hedge, net	**(34)**	
Realized gain on cash flow hedge, net		(519)
Realized gain on sale of securities AFS included in income, net	**(97)**	(225)
Net other comprehensive (loss) income	**(1,021)**	5,461
Comprehensive income	**$ 19,943**	$ 16,761

See the accompanying notes.

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WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (unaudited)

	Preferred Stock		*Common Stock*		*Additional Paid In*	*Accumulated Other Comprehensive Income*	*Accumulated*	*Total Stockholders*
	Shares	*Amount*	*Shares*	*Amount*	*Capital*	*(Loss)*	*Deficit*	*Equity*
					(in thousands)			
Balance, December 31, 2012:	141	$ 141,000	86,465	$ 9	$ 784,852	$ 8,226	$ (174,471)	$ 759,616
Net income							20,964	20,964
Exercise of stock options			156		1,118			1,118
Stock-based compensation			59		803			803
Restricted stock grants, net			399		168			168
Dividends on preferred stock							(353)	(353)
Other comprehensive loss, net						(1,021)		(1,021)
Balance, March 31, 2013	**141**	**$ 141,000**	**87,079**	**$ 9**	**$ 786,941**	**$ 7,205**	**$ (153,860)**	**$ 781,295**

See the accompanying notes.

WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	Three Months Ended March 31,	
	2013	2012
	(in thousands)	
Cash flows from operating activities:		
Net income	**$ 20,964**	$ 11,300
Adjustments to reconcile net income to cash provided by operating activities:		
Provision for credit losses	**5,439**	13,081
Depreciation and amortization	**2,153**	3,228
Stock-based compensation	**971**	1,811
Deferred income taxes and income taxes receivable	**(1,754)**	3,487
Net amortization of discounts and premiums for investment securities	**2,577**	2,656
Accretion of discounts on loans acquired	**(3,288)**	
(Gains)/Losses on:		
Sales of securities, AFS	**(147)**	(361)
Derivatives	**48**	49
Sale of repossessed assets, net	**562**	2,587
Sale of premises and equipment, net	**(43)**	64
Sale of loans, net	**6**	6
Changes in:		
Other assets	**7,138**	6,356
Other liabilities	**828**	(8,169)
Fair value of assets and liabilities measured at fair value	**471**	333
Net cash provided by operating activities	**35,925**	36,428
Cash flows from investing activities:		
Proceeds from loan sales		3,445
Principal pay downs and maturities of securities measured at fair value	**279**	303
Proceeds from sale of available-for-sale securities	**4,072**	15,224
Principal pay downs and maturities of available-for-sale securities	**51,196**	163,449
Purchase of available-for-sale securities	**(124,909)**	(106,995)
Purchases of securities held-to-maturity		(3)
Loan originations and principal collections, net	**(124,390)**	(168,648)
Investment in money market	**(132)**	2,489
Liquidation of restricted stock	**1,169**	934
Purchase of investment tax credits	**5,084**	
Sale and purchase of premises and equipment, net	**(761)**	(1,911)
Proceeds from sale of other real estate owned and repossessed assets, net	**5,343**	9,986
Net cash (used) in investing activities	**(183,049)**	(81,727)

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WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(continued)

	Three Months Ended March 31,	
	2013	2012
	(in thousands)	
Cash flows from financing activities:		
Net increase in deposits	**279,737**	240,542
Net increase (decrease) in borrowings	**218,272**	(169,274)
Proceeds from exercise of stock options	**1,118**	552
Cash dividends paid on preferred stock	**(353)**	(1,763)
Net cash provided by financing activities	**498,774**	70,057
Net increase in cash and cash equivalents	**351,650**	24,758
Cash and cash equivalents at beginning of year	**204,625**	154,995
Cash and cash equivalents at end of period	**$ 556,275**	$ 179,753
Supplemental disclosure:		
Cash paid during the period for:		
Interest	**$ 7,132**	$ 9,256
Income taxes	**1,450**	1,040
Non-cash investing and financing activity:		
Transfers to other assets acquired through foreclosure, net	**7,035**	4,914
Unfunded commitments to purchase investment tax credits	**46,582**	

See the accompanying notes.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

Western Alliance Bancorporation (WAL or the Company), incorporated under the laws of the state of Nevada, is a bank holding company providing full service banking and related services to locally owned businesses, professional firms, real estate developers and investors, local non-profit organizations, high net worth individuals and other consumers through its three wholly owned subsidiary banks: Bank of Nevada, operating in Southern Nevada, Western Alliance Bank, operating in Arizona and Northern Nevada, and Torrey Pines Bank, operating in California. In addition, two non-bank subsidiaries, Western Alliance Equipment Finance, which offers equipment finance services nationwide, and Las Vegas Sunset Properties, which holds certain non-performing assets. These entities are collectively referred to herein as the Company.

Basis of presentation

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

Use of estimates

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

Principles of consolidation

WAL has 11 wholly-owned subsidiaries: Bank of Nevada (BON), Western Alliance Bank (WAB), Torrey Pines Bank (TPB), which are all banking subsidiaries; Western Alliance Equipment Finance, Inc. (WAEF), which provides equipment finance services; Las Vegas Sunset Properties (LVSP), which holds certain non-performing assets; and six unconsolidated subsidiaries used as business trusts in connection with issuance of trust-preferred securities. In addition, until October 31, 2012, WAL maintained an 80 percent interest in Shine Investment Advisory Services Inc. (Shine), a registered investment advisor. WAL divested its formerly owned 80 percent interest in Shine Investment Advisory Services, Inc. as of October 31, 2012. On April 30, 2013, the Company completed its acquisition of Centennial Bank (Centennial). The Company paid $57.5 million for all equity interests in Centennial. The Company merged Centennial Bank into WAB effective April 30, 2013. None of the assets or liabilities of Centennial are included in the Company s financials at March 31, 2013. The merger was completed because the purchase price of Centennial was at a discount to tangible book value and is expected to be accretive to capital at close. The combined bank had approximately $3.27 billion of assets and $2.78 billion of deposits immediately following the merger and continues to operate as Western Alliance Bank. As of March 31, 2013, acquisition related expenses have been minimal. The Company has undertaken an additional review and valuation of Centennial s assets and liabilities, which will be reflected in the combined entities financial statements as of the acquisition date.

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

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

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

Reclassifications

Certain amounts in the consolidated financial statements as of December 31, 2012 and for the three months ended March 31, 2012 have been reclassified to conform to the current presentation. The reclassifications have no effect on net income or stockholders equity as previously reported.

Interim financial information

The accompanying unaudited consolidated financial statements as of March 31, 2013 and 2012 have been prepared in condensed format, and therefore do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These statements have been prepared on a basis that is substantially consistent with the accounting principles applied to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012.

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

Investment securities

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

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

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

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

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

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

Derivative financial instruments

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

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.

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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 actual loss experience, as well as perceived risk of similar groups of loans classified by collateral type, purpose and term. An internal one-year and five-year loss history are also incorporated into the allowance calculation model. Due to the credit concentration of our loan portfolio in real estate secured loans, the value of collateral is heavily dependent on real estate values in Nevada, Arizona and California, which have declined substantially from their peak. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic or other conditions. In addition, the FDIC and state bank regulatory agencies, as an integral part of their examination processes, periodically review our subsidiary banks allowances for credit losses, and may require us to make additions to our allowance based on their judgment about information available to them at the time of their examinations. Management regularly reviews the assumptions and formulae used in determining the allowance and makes adjustments if required to reflect the current risk profile of the portfolio.

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

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

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

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

2. Not all impaired accounts require a specific reserve. The payment performance of the borrower may require an impaired classification, but the collateral evaluation may support adequate collateral coverage. For a number of impaired accounts in which borrower performance has ceased, the collateral coverage is now sufficient because a partial charge off of the account has been taken. However, in those instances, although the specific reserve calculation results in no allowance, the Company may record a reserve due to qualitative considerations.

Other assets acquired through foreclosure

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

Investments in low income housing credits

Starting in 2012, the Company invested in limited partnerships formed for the purpose of investing in low income housing projects, which qualify for federal low income housing tax credits. These investments are expected to generate tax credits over the next ten years. The investments are accounted for under the equity method of accounting. At March 31, 2013, other assets included $74.8 million related to these investments and other liabilities include $46.6 million related to future unconditional equity commitments.

Income taxes

Western Alliance Bancorporation and its subsidiaries, other than BW Real Estate, Inc., file a consolidated federal tax return. Due to tax regulations, several items of income and expense are recognized in different periods for tax return purposes than for financial reporting purposes. These items represent temporary differences. Deferred taxes are provided on an asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and tax credit carry-forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. 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. 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 $54.1 million at March 31, 2013 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.

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

Fair values of financial instruments

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

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

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

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

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

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

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

Management uses its best judgment in estimating the fair value of the Company s financial instruments; however, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented herein are not necessarily indicative of the amounts the Company could have realized in a sales transaction at March 31, 2013 or December 31, 2012. The estimated fair value amounts for March 31, 2013 and December 31, 2012 have been measured as of period-end, and have not been reevaluated or updated for purposes of these consolidated financial statements subsequent to those dates. As such, the estimated fair values of these financial instruments subsequent to the reporting date may be different than the amounts reported at the period-end.

The information beginning on page 32 in Note 10, Fair Value Accounting, should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only required for a limited portion of the Company s assets and liabilities.

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

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

Cash and cash equivalents

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

Money market and certificates of deposit investments

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

Investment securities

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

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

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

Restricted stock

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

Loans

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

Accrued interest receivable and payable

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

Derivative financial instruments

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

Deposit liabilities

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

Federal Home Loan Bank and Federal Reserve advances and other borrowings

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

Junior subordinated debt

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

Off-balance sheet instruments

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

Recent accounting pronouncements

In January 2013, the FASB issued guidance within ASU 2013-01 Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. The amendments in ASU 2013-01 to Topic 210, *Balance Sheet,* clarify that the scope of ASU 2011-11 Disclosures about Offsetting Assets and Liabilities, would apply to derivatives including bifurcated embedded derivatives, repurchase agreements and reverse agreements, and securities borrowing and securities lending transactions that are either offset or subject to a master netting arrangement. The amendments are effective for fiscal years beginning on or after January 1, 2013, and interim periods within those annual periods. The adoption of this guidance did not have a material impact on the Company s consolidated statement of operations, its consolidated balance sheet, or its consolidated cash flows.

In February 2013, the FASB issued guidance within ASU 2013-02 Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. The amendments in ASU 2013-02 to Topic 220, *Comprehensive Income,* update, supersede and replace the presentation requirements for reclassifications out of accumulated other comprehensive income in ASUs 2011-05 and 2011-12. The amendments require an entity to provide additional information about reclassifications out of accumulated other comprehensive income. The amendments are effective prospectively for reporting periods beginning after December 15, 2012. Early adoption is permitted. The adoption of this guidance did not have a material impact on the Company s consolidated statement of operations, its consolidated balance sheet, or its consolidated cash flows and will only impacted the presentation of other comprehensive income in the consolidated financial statements.

In February 2013, the FASB issued guidance within ASU 2013-04 Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date. The amendments in ASU 2013-04 to Topic 405, *Liabilities,* provide guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of the Update is fixed at the reporting date, except for obligations addressed with existing U.S. GAAP. The guidance requires an entity to measure those obligations as the sum of the amount the reporting entity agreed to pay on behalf of its co-obligors. The guidance also requires an entity to disclose the nature and amount of the obligation, as well as other information about those obligations. The amendment is effective retrospectively for reporting periods beginning after December 15, 2013. Early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the Company s consolidated statement of operations, its consolidated balance sheet, or its consolidated cash flows.

2. DISCONTINUED OPERATIONS

The Company has discontinued its affinity credit card platform, PartnersFirst, and has presented these activities as discontinued operations. At March 31, 2013 and December 31, 2012, the outstanding credit card loans held for sale were $27.9 million and $31.1 million, respectively.

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

	Three Months Ended March 31,	
	2013	**2012**
	(in thousands)	
Affinity card revenue	**$ 1,139**	$ 295
Non-interest expenses	**(1,074)**	(678)
Income (loss) before income taxes	**65**	(383)
Income tax expense (benefit)	**27**	(161)
Net income (loss)	**$ 38**	$ (222)

3. EARNINGS PER SHARE

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

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

	Three Months Ended March 31,	
	2013	**2012**
	(in thousands, except per share amounts)	
Weighted average shares basic	85,324	81,359
Dilutive effect of stock awards	656	868
Weighted average shares diluted	85,980	82,227
Net income (loss) available to common shareholders	**$ 20,611**	$ 9,537
Earnings per share basic	**0.24**	0.12
Earnings per share diluted	**0.24**	0.12

The Company had 770,135 and 1,053,045 stock options outstanding as of March 31, 2013 and December 31, 2012, respectively, that were not included in the computation of diluted earnings per common share because their effect would be anti-dilutive.

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4. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table summarizes the changes in accumulated other comprehensive income by component, net of tax for the period indicated:

	Three Months Ended March 31, 2013		
	Unrealized holding gains (losses) on AFS	Unrealized gain on cash flow hedge	Total
		(in thousands)	
Beginning balance	$ 8,209	$ 17	$ 8,226
Other comprehensive income before reclassifications	(890)	(34)	(924)
Amounts reclassified from accumulated other comprehensive income	(97)		(97)
Net current-period other comprehensive income	(987)	(34)	(1,021)
Ending Balance	$ 7,222	$ (17)	$ 7,205

The following table presents reclassifications out of accumulated other comprehensive income:

Three Months Ended March 31, 2013		
Details about accumulated other comprehensive income components	Amount reclassified from accumulated other comprehensive income	Affected line item in the statement where net income is presented
	(in thousands)	
Unrealized gains and losses on AFS		
	$ 147	Realized gain on sale of Investment securities
	(50)	Income tax expense
	$ 97	Net of tax

5. INVESTMENT SECURITIES

Carrying amounts and fair values of investment securities at March 31, 2013 and December 31, 2012 are summarized as follows:

	March 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
		(in thousands)		
Securities held-to-maturity				
Collateralized debt obligations	$ 50	$ 1,095	$	$ 1,145
Corporate bonds (2)	97,780	1,009	(4,724)	94,065
Municipal obligations (1)	191,161	8,225	(178)	199,208
CRA investments	1,600			1,600
	$ 290,591	$ 10,329	$ (4,902)	$ 296,018

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	Amortized Cost	OTTI Recognized in Other Comprehensive Loss	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
			(in thousands)		
Securities available-for-sale					
U.S. government sponsored agency securities	$ 18,692	$	$	$ (124)	$ 18,568
Municipal obligations (1)	87,193		1,960	(759)	88,394
Adjustable-rate preferred stock	72,653		4,467	(19)	77,101
Mutual funds (2)	32,422		1,466		33,888
Direct U.S. obligations and GSE residential mortgage-backed securities (3)	688,206		12,396	(903)	699,699
Private label residential mortgage-backed securities	34,086	(1,811)	1,856	(631)	33,500
Private label commercial mortgage-backed securities	5,341		316		5,657
Trust preferred securities	32,000			(6,800)	25,200
CRA investments	23,463		715		24,178
	$ 994,056	$ (1,811)	$ 23,176	$ (9,236)	$ 1,006,185
Securities measured at fair value					
Direct U.S. obligations and GSE residential mortgage-backed securities (3)					$ 4,781

(1) These consist of revenue obligations.
(2) These are investment grade corporate bonds.
(3) These are primarily agency collateralized mortgage obligations.

	December 31, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
		(in thousands)		
Securities held-to-maturity				
Collateralized debt obligations	$ 50	$ 1,401	$	$ 1,451
Corporate bonds (2)	97,781	984	(6,684)	92,081
Municipal obligations (1)	191,902	5,887	(102)	197,687
CRA investments	1,600			1,600
	$ 291,333	$ 8,272	$ (6,786)	$ 292,819

	Amortized Cost	OTTI Recognized in Other Comprehensive Loss	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
			(in thousands)		
Securities available-for-sale					
Municipal obligations (1)	$ 71,777	$	$ 1,578	$ (184)	$ 73,171
Adjustable-rate preferred stock	72,717		3,591	(753)	75,555
Mutual funds (2)	36,314		1,647		37,961
Direct U.S. obligations and GSE residential mortgage-backed securities (3)	648,641		14,573	(10)	663,204

Private label residential mortgage-backed securities	35,868	(1,811)	2,067	(517)	35,607
Private label commercial mortgage-backed securities	5,365		376		5,741
Trust preferred securities	32,000			(7,865)	24,135
CRA investments	23,368		848		24,216
	$ 926,050	$ (1,811)	$ 24,680	$ (9,329)	$ 939,590
Securities measured at fair value					
Direct U.S. obligations and GSE residential mortgage-backed securities (3)					$ 5,061

(1) These consist of revenue obligations.
(2) These are investment grade corporate bonds.
(3) These are primarily agency collateralized mortgage obligations.

For additional information on the fair value changes of the securities measured at fair value, see the trading securities table in Note 10 Fair Value Accounting .

The Company conducts an other-than-temporary impairment (OTTI) analysis on a quarterly basis. The initial indication of OTTI for both debt and equity securities is a decline in the market value below the amount recorded for an investment, and the severity and duration of the decline. Another potential indication of OTTI is a downgrade below investment grade. In determining whether an impairment is OTTI, the Company considers the length of time and the extent to which the market value has been below cost, recent events specific to the issuer, including investment downgrades by rating agencies and economic conditions of its industry, and the Company s ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery. For marketable equity securities, the Company also considers the issuer s financial condition, capital strength, and near-term prospects.

For debt securities and for adjustable-rate preferred stock (ARPS) that are treated as debt securities for the purpose of OTTI analysis, the Company also considers the cause of the price decline (general level of interest rates and industry-and issuer-specific factors), the issuer s financial condition, near-term prospects and current ability to make future payments in a timely manner, the issuer s ability to service debt, and any change in agencies ratings at evaluation date from acquisition date and any likely imminent action. For ARPS with a fair value below cost that is not attributable to the credit deterioration of the issuer, such as a decline in cash flows from the security or a downgrade in the security s rating below investment grade, the Company does not recognize an OTTI charge where it is able to assert that it has the intent and ability to retain its investment for a period of time sufficient to allow for any anticipated recovery in fair value.

Gross unrealized losses at March 31, 2013 and December 31, 2012 are primarily caused by interest rate fluctuations, credit spread widening and reduced liquidity in applicable markets. The Company has reviewed securities on which there is an unrealized loss in accordance with its accounting policy for OTTI described above and determined there were no securities impairment charges needed for the three months ended March 31, 2013 and 2012.

The Company does not consider any other securities to be other-than-temporarily impaired as of March 31, 2013 and December 31, 2012. OTTI is reassessed quarterly. No assurance can be made that additional OTTI will not occur in future periods.

Information pertaining to securities with gross unrealized losses at March 31, 2013 and December 31, 2012, aggregated by investment category and length of time that individual securities have been in a continuous loss position follows:

	March 31, 2013					
	Less Than Twelve Months		More Than Twelve Months		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(in thousands)					
Securities held-to-maturity						
Corporate bonds	$	$	$ 4,724	$ 80,276	$ 4,724	$ 80,276
Municipal obligations	178	9,264			178	9,264
	$ 178	$ 9,264	$ 4,724	$ 80,276	$ 4,902	$ 89,540
Securities available-for-sale						
U.S. Government-sponsored agency securities	$ 124	$ 18,569	$	$	$ 124	$ 18,569
Adjustable-rate preferred stock	19	5,787			19	5,787
Direct U.S obligations and GSE residential mortgage-backed securities	897	105,310	6	1,793	903	107,103
Municipal obligations	759	30,761			759	30,761
Private label residential mortgage-backed securities	538	23,433	93	6,534	631	29,967
Private label commercial mortgage-backed securities						
Trust preferred securities			6,800	25,200	6,800	25,200

	$ 2,337	$ 183,860	$ 6,899	$ 33,527	$ 9,236	$ 217,387

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	December 31, 2012					
	Less Than Twelve Months		More Than Twelve Months		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(in thousands)					
Securities held-to-maturity						
Corporate bonds	$ 206	$ 14,794	$ 6,478	$ 63,522	$ 6,684	$ 78,316
Municipal obligations	102	10,908			102	10,908
	$ 308	$ 25,702	$ 6,478	$ 63,522	$ 6,786	$ 89,224
Securities available-for-sale						
Adjustable-rate preferred stock	$ 110	$ 7,811	$ 643	$ 8,723	$ 753	$ 16,534
Direct U.S obligations and GSE residential mortgage-backed securities	2	557	8	1,938	10	2,495
Municipal obligations	184	15,713			184	15,713
Private label residential mortgage-backed securities	120	16,901	397	6,986	517	23,887
Trust preferred securities			7,865	24,135	7,865	24,135
	$ 416	$ 40,982	$ 8,913	$ 41,782	$ 9,329	$ 82,764

The total number of securities in an unrealized loss position at March 31, 2013 was 68 compared to 66 at December 31, 2012. In analyzing an issuer s financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analysis reports. Since material downgrades have not occurred and management does not intend to sell the debt securities for the foreseeable future, none of the securities described in the above table or in this paragraph were deemed to be other than temporarily impaired.

At March 31, 2013, the net unrealized loss on trust preferred securities classified as AFS was $6.8 million, compared with $7.9 million at December 31, 2012. The Company actively monitors its debt and other structured securities portfolios classified as AFS for declines in fair value. At March 31, 2013, the gross unrealized loss on the corporate bond portfolio classified as HTM was $4.7 million compared to $6.7 million at December 31, 2012. During last year, the Federal Reserve announced its intention to keep interest rates at historically low levels into 2015. The yields of most of the bonds in the portfolio are tied to LIBOR, thus negatively affecting their anticipated returns. Additionally, Moody s had downgraded certain bonds held in the portfolio during last year. However, all of the bonds remain investment grade.

The amortized cost and fair value of securities as of March 31, 2013 and December 31, 2012, by contractual maturities, are shown below. The actual maturities of the mortgage-backed securities may differ from their contractual maturities because the loans underlying the securities may be repaid without any penalties due to borrowers that have the right to call or prepay obligations with or without call or prepayment penalties. Therefore, these securities are listed separately in the maturity summary.

	March 31, 2013		December 31, 2012	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(in thousands)			
Securities held to maturity				
Due in one year or less	$ 1,600	$ 1,600	$ 1,600	$ 1,600
After one year through five years	13,594	14,034	13,596	13,934
After five years through ten years	121,075	118,175	121,238	116,020
After ten years	154,322	162,209	154,899	161,265
	$ 290,591	$ 296,018	$ 291,333	$ 292,819
Securities available for sale				
Due in one year or less	$ 57,745	$ 59,954	$ 65,190	$ 67,794

After one year through five years	27,820	29,817	24,261	25,906
After five years through ten years	26,313	26,092	8,165	8,000
After ten years	193,972	190,623	179,793	174,686
Mortgage backed securities	688,206	699,699	648,641	663,204
	$ 994,056	$ 1,006,185	$ 926,050	$ 939,590

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The following table summarizes the Company s investment ratings position as of March 31, 2013:

	As of March 31, 2013						
	AAA	Split-rated AAA/AA+	AA+ to AA-	A+ to A- (in thousands)	BBB+ to BBB-	BB+ and below	Totals
Municipal obligations	$ 8,081	$	$ 134,992	$ 121,336	$		