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WAL - Western Alliance Bancorp at Barclays Global Financial Service Conference

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CORPORATE PARTICIPANTS

Robert Gary Sarver *Western Alliance Bancorporation - Chairman & CEO*

CONFERENCE CALL PARTICIPANTS

Matthew John Keating *Barclays PLC, Research Division - Director and Senior Analyst*

PRESENTATION

Matthew John Keating - *Barclays PLC, Research Division - Director and Senior Analyst*

Welcome back from the lunchtime session. My name is Matthew Keating. I cover the U.S. mid cap banks for Barclays .We're very pleased to have Western Alliance returning to our Global Financial Services Conference this year. This is a company that consistently posted comparatively attractive loan growth, looking for low-teens growth this year in terms of loans and financial returns. Company normally posts returns on tangible common equity in the high-teens, 17%, 18%, it's not higher range. It's also in an asset-sensitive position, which positions the company well to continue to drive positive operating leverage to the extent we continue to see additional federal funds rate hikes over time. With us from the company for this fireside chat is Chairman and CEO, Robert Sarver. Robert, thank you for joining me.

Robert Gary Sarver - *Western Alliance Bancorporation - Chairman & CEO*

Thank you. Where is the fire?

Matthew John Keating - *Barclays PLC, Research Division - Director and Senior Analyst*

Yes, exactly. So I guess, maybe we will start with one of the most common questions we've been asking CEOs at this event has been loan growth trajectory in the third quarter. We've seen the data from the Federal Reserve, the H8 weekly data, hasn't been particularly robust. Even Western Alliance, I think last quarter mentioned that this risk appetite for loans was weaning a bit off late. So I would appreciate your perspective on has some of the frothiness you've observed in the marketplace gotten better or worse as well as we move further into the third quarter?

Robert Gary Sarver - *Western Alliance Bancorporation - Chairman & CEO*

Yes, I mean, speaking in terms of just the market in general, the banking market in general, as you can see, loan growth has been more muted recently than previously and expectations are down, already some of the data you see, the third quarter is down a little bit too. I think there's a few things that worked there. One, I would say, competition from nonbank lenders in some of the real estate and larger corporate areas. Secondly, I'd say the securitization markets are very healthy and so that's providing a level payoffs for bank loans. And then finally I'd say it's -- the confidence level of businesses out there and consumers out there is I think weaning a little bit. A lot of high expectations around the election in terms of what impact that could have for businesses, less regulation, retail, healthcare, lower taxes and infrastructure spending, and I think some of that is dragging on a little bit .So I think the [TaxAct] will be pretty important, that's coming up and how that impacts the sediment of commercial customers. So I think that's kind of the big picture. In terms of Western Alliance, we're somewhat fortunate where we're able to grow a little faster than most of our peers for a few reasons; #1, a couple of our main markets, Arizona and Nevada, have a lot less competition than the most other states have. I think they ranked 49 and 48 in terms of local bank deposit market shares. These are markets that were hit really hard in the last recession. We only have 16 banks in Arizona and like 14 in Nevada, compared to most states that would have a 100 to 200 banks, so I think there's little less competition there which helps us. The second thing is, we did a lot of expansion in different geographic and product types over the last 7 or 8 years and so, unlike most banks our size, we have a lot more products to sell to a lot more different people all again on the commercial side, the lot more products to sell. And because of that, we're able to get more growth because we have more potential customers to target. So have been able to keep pretty good loan growth, but deposit growth has been very strong and deposit growth looks to be outpacing loan growth. And whether we're bringing in new customers that have checking accounts or whether they borrow money either one, they are good business for us, but we're still not seeing

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the level of demand on lines of credit and usage rates and things like that we saw before the last recession. So I think loan growth in general is well on the timid side for the industry.

Matthew John Keating - *Barclays PLC, Research Division - Director and Senior Analyst*

So is it a bad enough of an environment where Western Alliance might say that low double-digit loan growth for this year may not be within reach at this point or is that little too early to [Multiple Speaker]

Robert Gary Sarver - *Western Alliance Bancorporation - Chairman & CEO*

I don't know what it is or not, I mean, I'm really more focused on EPS, EPS growth and earnings. So if you're okay, you're in 17% to 19% of equities and you still feel okay with us.

Matthew John Keating - *Barclays PLC, Research Division - Director and Senior Analyst*

You mentioned that the bank's geographies Arizona, Nevada, California, and you also have a bunch of national business lines. I guess out of the principle sort of in footprint markets, any areas that you feel are growing [particularly] stronger than others at this point?

Robert Gary Sarver - *Western Alliance Bancorporation - Chairman & CEO*

Yes, we have about a half a dozen national business lines. About 40% of the business they do is actually within Arizona, California, Nevada, but what we trying to do is diversify more in terms of different products and try to diversify in areas where as a bank we can add a little value to our customers because on a number of these areas that we lend money in and actually take deposits into, in order for the bank to be effective, the bankers have to have deep industry expertise in areas . So when you talk about financing life science or technology or mortgage warehouse lending or timeshare receivables financing, hospital lending, certain types of municipal finance, these are all areas where the banker has to have significant expertise and there is really kind of less competition. So the way I phrase it is, if a customer can walk into a Citibank or a Chase Bank or Wells regional loan center and has to speak to a loan officer and get a loan then that's probably a loan that is really more of a commodity and the risk adjusted returns for those type of credits are maybe so good. So we target a number of areas where this specialty expertise translates into less banks competing for the business and that's enabled us to get better risk adjusted returns. So there are certain areas of our business where there is more opportunity. For example, life science , technology , we're seeing a lot of opportunity for new business and new growth. On the other hand, we have a hotel portfolio that we bought, franchise hotel finance platform we bought from General Electric little over a year ago and that's a market we're being pretty cautious in because while the business is good, hotel valuations have come up a lot over the last 8 to 10 years. So we're underwriting those credits to more like 11% and 12% debt yields, which we are very cautious. The residential real estate book we have in terms of construction lending on subdivisions, that business has been picking up and is pretty strong right now as the housing business is ticked up a little bit. We've financed a lot, and we financed the houses for larger production home builders, underwriting criteria has been pretty good there, typically advancing 50% on cost for the horizontal development in 80% on cost for the vertical for housing and that business has been pretty strong. Our timeshare business has slowed a little bit because the securitization market is very strong right now and so that papers have been able to be securitized at rates that are lower than what we would offer on our warehouse lines. So it's a little bit of mix, and that's one of the benefits of having a number different verticals is, you can kind of adjust them based on risk-adjusted returns and market competition.

Matthew John Keating - *Barclays PLC, Research Division - Director and Senior Analyst*

Great. I guess, while we're on talking about the national business lines, I believe the bank also has a homeowners association business and I think some of that business is in Florida. So have you had time to check in on what impact Hurricane Irma if any could have on that or is it mainly not in the areas of Florida that were impacted the worst?

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Robert Gary Sarver - *Western Alliance Bancorporation - Chairman & CEO*

Well, it's, yes, I mean, I did a little bit -- I have got a kind of update on all the hurricane stuff and what it does, and interestingly enough on our hotel franchise finance, when we bought that, actually Barclays sold it to us and they tried to slip in a few loans on us down there and I think the salesman is over here some where -- tried to slip in a few loans in Beaumont, Texas on us, which we caught but we thought maybe those would be our worst exposure of our loans because the business was really soft there because of the energy but with the hurricane actually they are full now. So I'll say we got (inaudible). But now we took a look at all the impact and our homeowner association business is mostly deposit business and so we think there could be a little bit of slippage in terms of our customers collecting the fees from some of these homeowners but we don't really have credit exposure there. But we've put in some great technology in that business which has allowed us to grow. We've organically grown that deposit business over the last 6 years, 7 years from [$0 to $2.3 billion] and it's been a really good source of low cost funding for us.

Matthew John Keating - *Barclays PLC, Research Division - Director and Senior Analyst*

Let's move over to deposits. It's obviously been a hot topic of late. Investors concerned about potentially mounting deposit price competition. You referenced that Western Alliance is in the fortunate position of operating in states where banking industry has been pretty consolidated not as many independent players. So maybe you could comment on how the bank is viewing deposit pricing pressures. I think last quarter overall deposit costs rose by about 5 basis points linked quarter. So do you think things will get worse from there? Is that it seems...

Robert Gary Sarver - *Western Alliance Bancorporation - Chairman & CEO*

Yes, I think depositors are paying more attention to rates now and paying more attention to earnings, credit rates on corporate checking accounts and they were during the first rate increase or so. So we had said at the last first couple increases that the deposit beta for us was maybe about 20%. So if rates go up 50 basis points, deposits will go up 10 and I think we said probably going forward it is going to be more like 40, 45 basis points. So customers are a little more sensitive to rates now that they've gotten a little higher and they looked out and say I get 1% here, they are paying a little more attention, but still we can make a lot of money with those deposits. As you mentioned our biggest deposit markets are dominated 80% by 2 or 3 of the largest banks and those big money-center banks right now are so quick to raise rates. So we're just kind of right behind them.

Matthew John Keating - *Barclays PLC, Research Division - Director and Senior Analyst*

So in view of that (inaudible) immediately to a 45% deposit beta or is that just a trajectory over the near term like, from the next rate hike you think honestly that's next time time rates move you will be at a 45% beta. So that's a little higher than what most are seeing.

Robert Gary Sarver - *Western Alliance Bancorporation - Chairman & CEO*

I think I am not on the ALCO Committee. You have to talk to Dale. But I know in terms of dollars, we're still making a lot of money when the rates go up.

Matthew John Keating - *Barclays PLC, Research Division - Director and Senior Analyst*

So one of the more significant changes that I hope to discuss with you at the bank over the past 6 months has been the extent of depth and breadth of the organization, executive management team. So maybe you can talk about having added Jim Haught as Chief Operating Officer and then bringing back Ken Vecchione as President. I mean usually sometimes when a company builds the executive depth and breadth as an advance of more significant strategic changes, maybe you can talk about why you're treating now as the appropriate time to add to the executive ranks?

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Robert Gary Sarver - *Western Alliance Bancorporation - Chairman & CEO*

That's a good question. We run a very flat organization. We run a low efficiency rate and up until recently I had 17 direct reports. We don't have a Head of IR. You see Dale or I doing this all the time. We don't have the head of acquisitions, that's me. We're very hands-on, and I think we saw we got to the point in terms of size and complexity we need to bring a couple of more people in it. And so bringing Jim in was really to take some of the load off of Dale Gibbons, our CFO, and I. And so he's overseeing all of the technology piece and that technology piece is going to be real important going forward, making sure we're being proactive not reactive to what we need to do in services and how our customers want to do business with us. He is also building out the risk management component for us. So what I (inaudible), hey over the next 2 years take us to the risk management capacity of a $50 billion bank. We are a growth company. Our people like to grow our business and we're going to keep growing our business. And so how do we go from where we are today to the capacity of the $50 billion bank and part of that has to do with building out that second line of expense, I mean, second line to defense, excuse me, where you're basically building out a sophisticated organization that is able to underwrite the different models we have and can challenge those models and capital planning and stress testing all those kind of things . So Jim is going to build out that enterprise risk management system, take us from the $10 billion kind of where you need to be to the $50 billion where you needed to be and the technology piece. And then Ken coming in, he is going to take some of the daily operating responsibilities off of me. Right now, I have been, as I said, I had 17 direct reports and he was very active and instrumental enough developing some of these national lines of businesses. He is a smart dude. He was a banker for a long time. He was the CFO of Apollo and he was kind of my #2 guy for a while then he wouldn't take the CEO job and I just hired him back. So he's coming back to help me and kind of get me out of lot of the day to day grind and focus a little more big picture. And the bigger you get, you have to work differently and harder on how to keep growing that pile. So if you are making $10 million a year and you want to go 20% that means you got to make an extra $2 million, okay. If you are making $300 million, you want to go 20%, you got to make an extra $60 million. So my job keeps getting a little harder as the company gets bigger and we want to continue growing that earnings by 20% a year like we have the last 5 years. That's the value of our company.

Matthew John Keating - *Barclays PLC, Research Division - Director and Senior Analyst*

So your company's been very innovative in terms of thinking outside the box, entering new business lines, et cetera, and of course obviously consistently attracting highly-qualified bankers to help drive that growth. So maybe you could comment on one, the recruiting environment right now for Western Alliance in terms of bringing in top caliber types of people to help foster that growth and #2 I guess any other new initiatives planned for the organization at new business lines or maybe is that a continual process at the organization?

Robert Gary Sarver - *Western Alliance Bancorporation - Chairman & CEO*

Yes, it is the continual process. If you're sitting still you're kind of falling behind. Our industry is changing a lot, things change a lot quicker. Banking is all about people. So the key for us is getting people that are motivated and excited and smart and capable of running a business and being able to offer them the products and services and the backup and the sophistication to help them be really successful, so they can serve the customers. So we will recruit someone to move a book of business over us, first thing they go through their mind is, okay I get all my certain customers, now am I going to be able to move these customers over and I am going to be able to bank these customers and we say, yes, you can, because we have all these products and services. So we have the depth and experience in the product array of a large bank, but at the same time not only we could be able to handle their accounts, we're going to get answers much quicker, because we are a flatter organization structure and you're going to make a shitload of money because we got really good incentive plans and our company makes a shitload of money, so we're able to share that with you, and you're also going to be part of a little bit smaller organization. So it's a little more family like. And that's a good sell for bankers who want to be successful and want to really feel that they are part of that. We got our top 220 managers next month come to Phoenix for 2 days. We get together every year and kind of get everybody together and make them feel a part of the whole organization and know what they do, ties right into our bottom line every quarter and every year and it's a family -- that's a good close-knit family feeling, but yet big enough that people can really make a difference and make some good money.

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Matthew John Keating - *Barclays PLC, Research Division - Director and Senior Analyst*

With this I would like to transition to the audience response questions. We want to get the audience out there involved. So you can please bring up the first question that will be great. First question for the group is, do you own shares of Western Alliance at the moment. Choice 1 is yes, I am [overweight]. Choice 2, yes, but I have a market weight position. Choice 3 is, yes, but I'm underweight or net short. Choice 4 is, no, I'm not involved in Western Alliance? We will take a few seconds to vote. (Voting)

Matthew John Keating - *Barclays PLC, Research Division - Director and Senior Analyst*

So we'll give people 5 seconds. I don't think that they need full 10 seconds, but the results are in and the #1 choice is while, 46% are involved in the stock at the moment, followed by 38% who are overweight on Western Alliance, 15% hold on market weight position in the stock and no one is underweight or net short.

Robert Gary Sarver - *Western Alliance Bancorporation - Chairman & CEO*

That's why -- because I don't have to (expletive) anybody.

Matthew John Keating - *Barclays PLC, Research Division - Director and Senior Analyst*

Okay, next question please. Improvement in which factor would have the greatest influence on potentially increasing your exposure to Western Alliance? One, stronger net interest income trends; 2, higher fee income levels; 3, expense efficiency ratio improvement; 4, stronger asset quality metrics; 5, profitability metrics improving further or 6, higher levels of capital returns? We'll take a few seconds to vote. (Voting)

Matthew John Keating - *Barclays PLC, Research Division - Director and Senior Analyst*

And the audience believe that the single best -- a tie actually factors that would increase their exposure would be stronger higher net interest income levels followed by asset quality improving. Maybe can talk about -- when you talk about growth main with the industry slowing down potentially a little bit but asset quality remains pretty pristine at the organization. So..

Robert Gary Sarver - *Western Alliance Bancorporation - Chairman & CEO*

Yes, it does. I mean we're not seeing much out there in the horizon. I don't imagine most of the bank's you're talking to really see much. But people say what would be your average net charge-offs and I say well, for our book of business, 35 to 50 basis points a year average. But there's never an average year. There is no such thing as average year. So it's pretty clean for everybody. The key is looking down the road, and my position on that is, we may be in the fifth or sixth inning, but I want to pretend more in the ninth inning. So I want to make sure from a credit standpoint that we are in a position to withstand a recession right now and be able to play offense and take advantage of the issues out in the market. And so we're going let our capital increase a little bit, we're going to be in a good position with liquidity not depending on secondary markets to do things, good asset quality, good capital levels, good liquidity and be in a position. We are 10 years into recovery. Things are [never for] as good as long as people think they're going to be. And so we're just, from our perspective, it's, hey lets be ready. And we have enough business out there -- enough business lines out there and enough customers who don't require high amount of leverage that we can do enough business with it. We can run a pretty good bank from the current earnings stand but at the same time protect us on the downside. Commercial real estate prices dropped 25%, we are going to be fine. We don't want to be worried about that. So I think that's the quality. The key for you guys is not looking at the numbers today but trying to figure out what that asset quality is going to be like during the next recession and how company is going to be impacted by that and how prepared are they for that. In terms of net interest income, more net interest income bank, we don't have to be consumer franchise, (inaudible), trust franchise, so we don't have a lot of fee income. We're expanding our fee income by developing more treasury management products, deposit products, corporate credit cards, things like that but that net interest income really drives us. And so the opportunity for us is if rates go little bit

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higher, the risk for us is if that yield curve starts going the other direction. And that's kind of how I look at those 2 and then some of you greedy dude's out there, 22% want a higher than 18% return on equity. That's okay, that's good, I do too, I am with you.

Matthew John Keating - *Barclays PLC, Research Division - Director and Senior Analyst*

I guess before we move off to asset quality, can we talk a little bit about -- last quarter you mentioned there might be some new regulatory guidance around preprofit technology companies that could lead potentially to some higher level. So it's not nonperformers with more special mention credits, but you can still talk about what -- if that's actually playing out or is that more of a longer term?

Robert Gary Sarver - *Western Alliance Bancorporation - Chairman & CEO*

Just a little bit, not a lot, I mean. So you've got companies that we bank in our technology group and life science group that don't make any money. There is still net pre-profit period and so a lot of the source repayment comes from additional rounds of funding that come in from investors and that's a part of the secret sauce that ourselves along with a handful of other banks that are pretty successful in this niche to take care of. So the regulators got together with the Federal Reserve, the OCC, the FDIC got together and it came out with little more clarity on how they're going to grade those credits. And the change basically is that if you've got a company who has less than 6 months remaining liquidity, RML -- it's a term in the industry and sometimes a covenant, but remaining months of liquidity, if you have less than 6 months remaining months of liquidity, even if you are highly confident there's another round coming, you have to take that credit to a special mention credit. Now obviously if there -- you don't think there's another round coming then there is a real problem and that would be a substandard credit and nonaccrual credit and that's always been the case. But what this means is we'll see more credits coming in and out of that special mention bucket. It won't really have much of an impact I think on the overall provisioning or profitability or charge-offs or anything. But you're going to potentially see some lumpiness in the special mention bucket. Bridge Bank, which is our platform for these types of credits, company we bought a couple years ago, got a 13-year history in track record with 25% annual net charge-offs over the last 13 years and they've been through some different technology cycles and do a really good job.

Matthew John Keating - *Barclays PLC, Research Division - Director and Senior Analyst*

Great, we're moving up to next audience question, please. Okay, so what is the greatest risk in your view associated with investing in Western Alliance. One is recent low to mid teens loan growth trends moderating; 2, less frequent fed funds rate hikes; 3, expenses exceeding forecast; 4, potentially overpaying for an acquisition; 5, asset quality concerns once the cycle begins to turn or 6, something else entirely? We'll take a few seconds to vote. (Voting).

Matthew John Keating - *Barclays PLC, Research Division - Director and Senior Analyst*

See how consistent the audience is. And so the #1 choice here is asset quality concerns again once the cycle turns, which of course is difficult to prove at this point followed by loan growth trends moderating. So I think we talked about both of those issues and maybe we'll move on to the last audience.

Robert Gary Sarver - *Western Alliance Bancorporation - Chairman & CEO*

I think that's pretty good though. I those are pretty good. I think that those are really pretty much the right buckets. So the key for us is next recession, can we make sure we don't get hit as hard as we did last recession? Last recession, we had 70% of our assets in Las Vegas and our home mortgages got killed. It was tough. So we -- I think we've diversified quite a bit out of one market and I think we're fair better. The yield, the rate environment is an issue and I think the Fed's got a balancing act there with rates. And as you can see some of the longer-term rates are actually lower than before the election. And the question is, is that really a lack of confidence on behalf of the markets or is that maybe something more temporary having to do with issues in Korea and things like that, I'm not really sure. But if that yield curve were to go the other way, that would be a risk to us and all

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banks. And in terms of not overpaying -- that we're not going to do, is overpay because I don't -- I mean [my net worth] by buying loan, selling high [enough], by buying high and selling low. So that we're not going to do.

Matthew John Keating - *Barclays PLC, Research Division - Director and Senior Analyst*

If we could leave in to our next audience question perhaps. And your view over the next couple of years is Western Alliance more likely to; 1, to acquire small banks; 2, enter into a merger with [equal pay] transaction; 3, sell to a larger bank or; 4, refrain from M&A entirely. We'll take a few seconds to vote. (Voting)

Robert Gary Sarver - *Western Alliance Bancorporation - Chairman & CEO*

I'll give you a hint. There is no wrong answer on this one.

Matthew John Keating - *Barclays PLC, Research Division - Director and Senior Analyst*

And the results are in. I forgot, the clock has stopped, someone has taken the time out. It's not...

Robert Gary Sarver - *Western Alliance Bancorporation - Chairman & CEO*

We are going to replay (inaudible).

Unidentified Analyst

(technical difficulty)

Matthew John Keating - *Barclays PLC, Research Division - Director and Senior Analyst*

Okay, guys. You got to vote people, come on, please, try it one more time. (Voting)

Matthew John Keating - *Barclays PLC, Research Division - Director and Senior Analyst*

And the results -- #1 is sell to a larger bank at 50%, followed by acquire smaller banks at 30% and refrain from doing deals at 20%. It's interesting, we had a mid cap banks panel present here yesterday, and all 4 of these banks were involved in pending M&A activity. And we asked them looking forward whether they were still as enthusiastic about doing additional deals and pretty much they also said, no not really, as given where some of the target valuations are, during it's accretion is getting a bit more challenging to come by, wondering if that's something that Western Alliance is also observing?

Robert Gary Sarver - *Western Alliance Bancorporation - Chairman & CEO*

Well, Yes, I think so, because a number of the deal that people have done haven't really worked out that great. You got to refrain from trying to financially engineer something to convince yourself to make look -- it's good. I remember a while back Hugh McCaw gave a speech and someone asked him why so much M&A and he said by the way if you have looked at the proxy statements for banks, the bigger bank CEOs make more money than the smaller banks CEOs. And that's not really a good reason to do M&A, but a lot of companies are trying to push growth for growth and then the numbers don't pan out quite as well, and they get into a deal and they find out, well, I can't get this and it's like buying a car in the summer.

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You buy a car in the summer, you don't check to see if the heater works. Then all of the sudden you get to the summer and the heater in -- you get to the winter and the heater doesn't work, and you, [Oh Jezz].

M&A is like that too. So I think a lot the companies that are bought banks haven't seen their stock do that well, because those numbers haven't been so encouraging. And so that's a little bit of challenge for us too. We've grown over the last 5 years our EPS by 20% a year, but we're trading to 15%-16% multiple. So if I use that stock to go and buy something, what kind of returns do I have to get on that something I'm buying, I got to get 25%. Going forward, those kind of returns, those are big returns and so it makes it tough. In terms of sell to the larger banks, we're for sale every day on the stock exchange and anybody comes with an offer, obviously we'll do what's in the best interests of our shareholders. Pretty tough right now though to find someone that can pay the kind of money it would take to buy the company. In terms of acquiring smaller banks that's something definitely we're looking at. But again, the M&A to me -- for us it's all about what is our long-term EPS growth, and those are what the decisions need to be made up, not well strategically if this or you rationalize this, and I'm going to cut this and do this and do that, and so therefore I'm to make an extra 2 pennies per share next year, those kind of deals are aren't so good.

Matthew John Keating - *Barclays PLC, Research Division - Director and Senior Analyst*

With the next deal, would it necessarily be a depository institution or you continue to look at potential portfolio --

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Robert Gary Sarver - *Western Alliance Bancorporation - Chairman & CEO*

No, we're looking at nonstop. The best sellers right now, the people that are more interested in selling tend to be the companies that are invested by private equity, and so maybe they've hit a time horizon, they've reached their objectives of their hurdles, and they want to kind of do something. And some of those companies are nonbank lenders. We'd like niches, where there is a secret sauce to it, whether something that not everybody does well, not everybody knows about it. Customers are willing to pay a premium for that relationship, and so we're constantly looking at opportunities that fit into that kind of category. All on the commercial side, we don't have any interest as jumping into being a big consumer lender.

Matthew John Keating - *Barclays PLC, Research Division - Director and Senior Analyst*

I [don't want to] monopolize the conversation here [so they sent us] questions from the audience perhaps we can take a few of those at this point, at the end in the front.

Unidentified Analyst

[Technical Difficultly].

Robert Gary Sarver - *Western Alliance Bancorporation - Chairman & CEO*

Yes, we've talked about that. We actually spent some time talking about at our last board meeting. Does it make sense to pay a little bit of the dividend, a, to to get your stock opened up to other types of investors or does -- what you do this excess capital? Do you buy shares back, do you start creating excess capital? And what we decided the best course of action for us is to just kind of rattle that capital away a little bit and save it for opportunities. So and I'm talking about now looking over the next 12 to 18 months, so maybe 3 years or 4 years it's a different story. But over the next 12 to 18 months, we think we can absorb the excess capital so maybe our ROE goes to 17% instead of 18% or 19%, that's okay. But we think over time and I'm talking about in the near term over the next 18 months, we'll be able to deploy that capital into something that really works well for our shareholders. So you'll most likely see as you said that capital ratio go up a little bit, because if you're growing your balance sheet at 12% and you're growing your capital at 18%, you're going to be augmenting capital. So we decided we'll just let a pile up a little bit and feel comfortable we'll find a good opportunity for it.

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Matthew John Keating - *Barclays PLC, Research Division - Director and Senior Analyst*

Other questions from the audience. May be I'll ask another question. If you look at last quarter the composition of the company's growth, around 75% came from the national business lines that we talked about earlier, is that a concentration of growth that you're comfortable with, and I think the company is relatively agnostic in terms of where the loan growth comes from?.

Robert Gary Sarver - *Western Alliance Bancorporation - Chairman & CEO*

Yes, totally, I mean we're more interested in where our best risk adjusted returns are going to be and managing the risk and picking areas -- our national business lines for one carry about a 10% higher credit quality rating within our system is the rest of our business. Our loss rates have been very low there. And about 45% of those loans are actually originated in Arizona, California, Nevada , but I'd like those niches and by the way, we have a lot of niches within our regular business lines. We bank a lot of medical practices. We have a deal program with Attorneys. We've -- I'd like niches where you're just not selling a commodity. To me when you're in the commodity business, you're just asking for low risk-adjusted returns and you really not adding a lot of value to your shareholders so...

Matthew John Keating - *Barclays PLC, Research Division - Director and Senior Analyst*

Other questions from the audience at this point. I think we're pretty much done with my questions, but please join me in banking Western Alliance and Robert for his presentation. There will be a breakout session immediately after this in the Morgan Suite. So if you'd like to come and ask questions there, please feel free to do so. Robert, thank you so much.

Robert Gary Sarver - *Western Alliance Bancorporation - Chairman & CEO*

Thanks. I appreciate. Thanks for having me. Thank you.

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