WESTERN ALLIANCE BANCORPORATION
Form 10-Q
May 10, 2007

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

(Mark One)

þ **Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Quarterly Period Ended March 31, 2007 or

o **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: 333-124406

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

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

Large accelerated filer o Accelerated filer þ Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes o No þ

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: 30,413,953 shares as of April 30, 2007.

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Part I. Financial Information
ITEM I. FINANCIAL STATEMENTS
Western Alliance Bancorporation and Subsidiaries
Consolidated Balance Sheets
March 31, 2007 and December 31, 2006
(Unaudited)

($ in thousands, except per share amounts)	March 31, 2007	December 31, 2006
Assets		
Cash and due from banks	$ 129,655	$ 143,721
Federal funds sold	166,802	121,159
Cash and cash equivalents	296,457	264,880
Securities held to maturity (approximate fair value $8,067 and $95,404, respectively)	7,908	97,495
Securities available for sale	337,098	444,826
Securities measured at fair value	285,860	
Gross loans, including net deferred loan fees	3,336,037	3,003,222
Less: Allowance for loan losses	(37,519)	(33,551)
Loans, net	3,298,518	2,969,671
Premises and equipment, net	125,570	99,859
Bank owned life insurance	85,226	82,058
Investment in restricted stock	16,845	18,483
Accrued interest receivable	19,107	17,425
Deferred tax assets, net	2,683	8,000
Goodwill	203,340	132,188
Other intangible assets, net of accumulated amortization of $1,812 and $1,457, respectively	34,069	16,042
Other assets	14,963	18,677
Total assets	$4,727,644	$4,169,604
Liabilities and Stockholders Equity		
Liabilities		
Non-interest bearing demand deposits	$1,242,979	$1,154,245
Interest bearing deposits:		
Demand	268,697	246,318
Savings and money market	1,648,106	1,407,916
Time, $100 and over	610,779	524,935
Other time	78,584	67,009

	3,849,145	3,400,423
Customer repurchase agreements	175,951	170,656
Federal Home Loan Bank advances and other borrowings		
One year or less	28,000	11,000
Over one year	28,682	58,011
Junior subordinated debt (2007 measured at fair value)	70,385	61,857
Subordinated debt	40,000	40,000
Accrued interest payable and other liabilities	24,236	19,078
Total liabilities	4,216,399	3,761,025
Commitments and Contingencies (Note 6)		
Stockholders Equity		
Preferred stock, par value $.0001; shares authorized 20,000,000; no shares issued and outstanding 2007 and 2006		
Common stock, par value $.0001; shares authorized 100,000,000; shares issued and outstanding 2007: 29,962,618; 2006: 27,084,626	3	3
Additional paid-in capital	381,271	287,553
Retained earnings	130,814	126,170
Accumulated other comprehensive loss net unrealized loss on available for sale securities	(843)	(5,147)
Total stockholders equity	511,245	408,579
Total liabilities and stockholders equity	$4,727,644	$4,169,604

See Notes to Unaudited Consolidated Financial Statements.

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Western Alliance Bancorporation and Subsidiaries
Consolidated Statements of Income
Three Months Ended March 31, 2007 and 2006
(Unaudited)

($ in thousands, except per share amounts)	2007	2006
Interest income on:		
Loans, including fees	$59,020	$34,754
Securities taxable	6,895	6,527
Securities nontaxable	58	463
Dividends taxable	420	169
Dividends nontaxable	387	
Federal funds sold and other	533	283
Total interest income	67,313	42,196
Interest expense on:		
Deposits	21,873	9,924
Short-term borrowings	2,389	1,698
Long-term borrowings	516	613
Junior subordinated debt and subordinated debt	1,679	567
Total interest expense	26,457	12,802
Net interest income	40,856	29,394
Provision for loan losses	441	542
Net interest income after provision for loan losses	40,415	28,852
Non-interest income:		
Trust and investment advisory services	2,105	1,576
Service charges	1,069	669
Income from bank owned life insurance	928	612
Other	1,488	640
Non-interest income, excluding securities and fair value gains (losses)	5,590	3,497
Investment securities gains, net	284	
Unrealized gain/loss on assets and liabilities measured at fair value, net	(13)	
Non-interest income	5,861	3,497
Other expense:		
Salaries and employee benefits	17,033	11,577
Occupancy	4,239	2,450
Advertising and other business development	1,462	1,039
Customer service	1,323	1,249

Legal, professional and director fees	1,044	645
Audits and exams	531	406
Supplies	509	285
Data processing	435	346
Correspondent and wire transfer costs	418	401
Telephone	340	206
Insurance	298	226
Travel and automobile	287	143
Intangible amortization	257	56
Other	745	491
	28,921	19,520
Income before income taxes	17,355	12,829
Income tax expense	5,952	4,391
Net income	$11,403	$ 8,438
Comprehensive income	$11,897	$ 7,879
Earnings per share:		
Basic	$ 0.42	$ 0.37
Diluted	$ 0.39	$ 0.33

See Notes to Unaudited Consolidated Financial Statements.

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Western Alliance Bancorporation and Subsidiaries
Consolidated Statements of Cash Flows
Three Months Ended March 31, 2007 and 2006
(Unaudited)
($ in thousands)

	2007	2006
Cash Flows from Operating Activities:		
Net income	$ 11,403	$ 8,438
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease in other assets	6,545	3,019
Other, net	1,313	2,215
Net cash provided by operating activities	19,261	13,672
Cash Flows from Investing Activities:		
Proceeds from maturities of securities	17,610	141,495
Purchases of securities	(52,706)	(20,000)
Proceeds from the sale of securities	8,764	
Net cash received in settlement of acquisition	46,793	50,938
Net increase in loans made to customers	(40,197)	(153,168)
Purchase of premises and equipment	(11,889)	(7,315)
Proceeds from sale of premises and equipment	2,628	
Other, net	938	(384)
Net cash provided by (used in) investing activities	(28,059)	11,566
Cash Flows from Financing Activities:		
Net increase in deposits	46,460	141,624
Net proceeds from (repayments on) borrowings	(7,103)	21,280
Proceeds from exercise of stock options and stock warrants	1,018	763
Other, net		45
Net cash provided by financing activities	40,375	163,712
Increase in cash and cash equivalents	31,577	188,950
Cash and Cash Equivalents, beginning of period	264,880	174,336
Cash and Cash Equivalents, end of period	$296,457	$ 363,286
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	$ 26,590	$ 13,180
Cash payments for income taxes	$	$ 195
Supplemental Disclosure of Noncash Investing and Financing Activities		
Stock issued in connection with acquisition	$ 91,304	$ 99,680

See Notes to Unaudited Consolidated Financial Statements.

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

(Dollars in thousands, except per share amounts)

Nature of business

Western Alliance Bancorporation is a bank holding company providing a full range of banking services to commercial and consumer customers through its wholly owned subsidiaries Bank of Nevada and First Independent Bank of Nevada, operating in Nevada, Alliance Bank of Arizona, operating in Arizona, Torrey Pines Bank and Alta Alliance Bank, operating in California, Miller/Russell & Associates, Inc., operating in Nevada, Arizona and Southern California, and Premier Trust, Inc., operating in Nevada and Arizona. These entities are collectively referred to herein as the Company. First Independent Bank was acquired on March 31, 2007. The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America and general industry practices.

Use of estimates in the preparation of financial statements

The preparation of financial statements 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. A material estimate that is particularly susceptible to significant change in the near term relates to the determination of the allowance for loan losses.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Bank of Nevada, First Independent Bank of Nevada, Alliance Bank of Arizona, Torrey Pines Bank, Alta Alliance Bank (collectively referred to herein as the Banks), Miller/Russell & Associates, Inc., and Premier Trust, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

Interim financial information

The accompanying unaudited consolidated financial statements as of March 31, 2007 and 2006 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, 2006.

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.

Condensed financial information as of December 31, 2006 has been presented next to the interim consolidated balance sheet for informational purposes.

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Note 1. Nature of Business and Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In July 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement 109 (FIN 48), which clarifies the accounting for uncertainty in tax positions. This Interpretation provides that the tax effects from an uncertain tax position can be recognized in our financial statements only if the position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. For further discussion of the impact of FIN 48, please refer to Note 8 of these financial statements.

In September 2006, the FASB ratified the consensus of the Emerging Issues Task Force (EITF) Issue No. 06-4, Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangement. EITF 06-4 applies to endorsement split dollar life insurance policies that provide a benefit to an employee that extends to postretirement periods and requires an employer to recognize a liability for future benefits over the service period based on the substantive agreement with the employee. EITF 06-4 is effective for fiscal years beginning after December 15, 2007, with early adoption permitted. We do not expect EITF 06-4 to have a material impact on our financial statements.

Note 2. Fair Value Accounting

The Company elected early adoption of SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities,* effective January 1, 2007. Instruments for which the fair value option (FVO) was adopted and the reasons therefore are as follows:

Junior subordinated debt

All investment securities previously classified as held-to-maturity, with the exception of tax-advantaged municipal bonds

All fixed-rate securities previously classified as available-for-sale

The junior subordinated debt, with a balance of $61.9 million at January 1, 2007, (before the application of SFAS 159) is a primary source of funding for the Company s held-to-maturity portfolio, which excluding tax-advantaged municipal obligations had an amortized cost of $90.5 million at the same date. The held-to-maturity portfolio consists primarily of fixed rate and hybrid adjustable rate mortgage-backed securities and collateralized mortgage obligations. The junior subordinated debt includes $20.0 million which carries a fixed rate through June 2011, with the remaining balances carrying rates which re-set at least semi-annually. This represents a natural hedge on the Company s balance sheet, with changes in fair value of the fixed rate securities and fixed rate junior subordinated debt moving inversely from one another as market rates move up and down. The early adoption of SFAS 159 on these instruments will more accurately reflect this hedge in the Company s consolidated financial statements. The FVO was not elected for tax-advantaged securities since the tax benefit is based upon the contractual rate paid on the security at time of purchase and does not include changes in fair value or accretion or amortization of discounts or premiums resulting from revaluation. The carrying value of these tax-advantaged securities was $7.9 million at March 31, 2007.

Fixed-rate available-for-sale securities had an amortized cost of $215.6 million and an aggregate net unrealized loss of $5.9 million at January 1, 2007. These securities represent some of the most volatile on the Company s balance sheet with long durations and low coupon rates relative to the market. While initially these investments were funded with relatively long duration non-interest bearing and administered rate money market deposits, as the liability structure of the company has shortened they are now preponderantly funded with overnight Federal Home Loan Bank borrowings, customer repurchase agreements and CDs. All of these sources of funding have pricing which moves with the market, and thus

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Note 2. Fair Value Accounting (continued)

there is not an effective match for the fixed rate securities on the liability side of the balance sheet. This causes much volatility in reported earnings as interest rates move and the net interest margin contracts and expands. The Company s ability to hedge the market-value risk on the securities was historically limited by the complexities of accounting for derivative financial instruments. The adoption of SFAS 159 on these securities will provide more transparency in the consolidated financial statements as users will be more able to ascertain changes in the Company s net income caused by changes in market interest rates. The FVO was not elected for variable-rate available-for-sale securities since the liability funding match is more closely aligned with these shorter duration assets.

The following table provides the impact of adoption on the Company s balance sheet as January 1, 2007 (in thousands):

Description	**Carrying Value Prior to Adoption**	**Cumulative Effect Adjustment**	**Carrying Value After Adoption**
Securities previously reported as held to maturity	$ 97,495	$ (2,267)	$ 95,228
Securities previously reported as available for sale	444,826	(5,861)	444,826
Junior subordinated debt	(61,857)	(2,270)	(64,127)
Gross cumulative effect adjustment		(10,398)	
Less reclassification from other comprehensive income		5,861	
Pre-tax cumulative effect adjustment		(4,537)	
Effect on net deferred tax asset		1,588	
Cumulative effect adjustment, net		$ (2,949)	

All securities for which the fair value measurement option has been elected are included in a separate line item on the balance sheet entitled securities measured at fair value.

For the three months ended March 31, 2007, gains and losses from fair value changes included in the Consolidated Statement of Income were as follows (in thousands):

	Changes in Fair Values for the Three-Month Period Ended March 31, 2007 for Items Measured at Fair Value Pursuant to Election of the Fair Value Option			
Description	Unrealized gain/(loss) on assets and liabilities measured at Fair Value, net	Interest Income on Securities	Interest Expense on Junior Subordinated Debt	Total Changes in Fair Values Included in Current-Period Earnings

Securities measured at fair value	$(13)	$476	$	$463
Junior Subordinated Debt			201	201

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Note 2. Fair Value Accounting (continued)

The difference between the aggregate fair value of $70.4 million and the aggregate unpaid principal balance of $69.1 million of junior subordinated debt was $1.3 million at March 31, 2007.

Interest income on securities measured at fair value are accounted for similarly to those classified as available for sale and held to maturity. As of January 1, 2007, a discount or premium was calculated for each security based upon the difference between the par value and the fair value at that date. These premiums and discounts will generally be recognized in interest income over the term of the securities. For mortgage-backed securities, estimates of prepayments are considered in the constant yield calculations. Interest expense on junior subordinated debt is also determined under a constant yield calculation. As of January 1, 2007, a premium was recorded for certain junior subordinated debt offerings. These premiums are being amortized over the expected lives of the offerings.

Concurrent with the adoption of SFAS 159, the Company adopted SFAS 157, *Fair Value Measurements*, effective January 1, 2007. SFAS 159 requires early adoption of SFAS 157 if the company chooses to early adopt SFAS 159. SFAS 157 provides a definition of fair value and provides a framework for calculating fair value.

The Company measures certain assets and liabilities at fair value on a recurring basis, including securities available for sale, securities measured at market value and junior subordinated debt. The fair value of these assets and liabilities were determined using the following inputs at March 31, 2007:

		Fair Value Measurements at Reporting Date Using:		
Description	**March 31, 2007**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
ASSETS				
Securities available for sale	$337,098	$	$ 337,098	$
Securities measured at fair value	285,860		285,860	
Total	$622,958	$	$ 622,958	$
LIABILITIES				
Junior subordinated debt	$ 70,385	$	$ 70,385	$

To value securities available for sale and securities measured at fair value the Company utilizes matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities relationship to other benchmark quoted securities.

Junior subordinated debt is valued by comparing interest rates and spreads to benchmark indices offered to institutions with similar credit profiles to our own and discounting the cash flows on our offerings using these market rates.

Note 3. Merger and Acquisition Activity

Effective March 31, 2007, the Company acquired 100% of the outstanding common stock of First Independent Capital of Nevada (FICN), headquartered in Reno, Nevada. FICN is the parent company of First Independent Bank of Nevada

(FIB). The tax-free merger was accomplished according to the Agreement and Plan of Merger (the Merger Agreement), dated December 19, 2006. At the date of

Note 3. Merger and Acquisition Activity (continued)

acquisition, FIB became a wholly-owned subsidiary of the Company. As the merger closed on March 30, 2007, FIB s results for the three months ended March 31, 2007 were not included with the Company s results of operations. The merger increases the Company s presence in Northern Nevada.

Total assets, loans and deposits acquired in this merger were $530.7 million, $292.8 million and $402.9 million, respectively and are included in the Company s consolidated balance sheet as of March 31, 2007. We also added four full service offices in Northern Nevada through this merger.

As provided by the Merger Agreement and based on valuation amounts determined as of the merger date, approximately 1.12 million shares of FICN common stock were exchanged for approximately $21.9 million in cash and approximately 2.5 million shares of the Company s common stock at a calculated exchange ratio of 2.84412. The exchange of shares represented approximately 8% of the Company s outstanding common stock as of the merger date. As part of the acquisition, 389,000 replacement options with a grant date fair value of $10.1 million were issued to FICN shareholders. As part of the merger agreement, $2.0 million of contingent consideration may be paid pro rata to the FICN shareholders at any time prior to the two-year anniversary of the merger date, depending on the performance of certain loans segregated in the FICN portfolio.

The merger was accounted for under the purchase method of accounting in accordance with SFAS No. 141, *Business Combinations.* Accordingly, the purchase price was allocated to the assets acquired and the liabilities assumed based on their estimated fair values at the merger date. Appropriate amounts and adjustments shown were recorded by FIB and included in the FIB reporting segment. Certain amounts, including goodwill, are subject to change when the determination of the asset and liability values is finalized within one year from the merger date. Valuations of certain assets and liabilities of FIB will be performed with the assistance of independent valuation consultants. None of the resulting goodwill is expected to be deductible for tax purposes.

Note 4. 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,	
	2007	2006
	(in thousands, except per share amounts)	
Basic:		
Net income applicable to common stock	$11,403	$ 8,438
Average common shares outstanding	26,950	22,999
Earnings per share	$ 0.42	$ 0.37
Diluted:		
Net income applicable to common stock	$11,403	$ 8,438
Average common shares outstanding	26,950	22,999
Stock option adjustment	1,134	1,310
Restricted stock adjustment	104	
Stock warrant adjustment	993	1,046
Average common equivalent shares outstanding	29,181	25,355
Earnings per share	$ 0.39	$ 0.33

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Note 5. Loans

The components of the Company s loan portfolio as of March 31, 2007 and December 31, 2006 are as follows (in thousands):

	March 31, 2007	December 31, 2006
Construction and land development	$ 757,498	$ 715,546
Commercial real estate	1,419,477	1,232,260
Residential real estate	403,798	384,082
Commercial and industrial	722,574	645,469
Consumer	38,218	29,561
Less: net deferred loan fees	(5,528)	(3,696)
	3,336,037	3,003,222
Less:		
Allowance for loan losses	(37,519)	(33,551)
	$3,298,518	$2,969,671

Changes in the allowance for loan losses for the three months ended March 31, 2007 and 2006 are as follows (in thousands):

	Three Months Ended March 31,	
	2007	2006
Balance, beginning	$33,551	$21,192
Acquisitions	3,706	5,877
Provision charged to operating expense	441	542
Recoveries of amounts charged off	79	163
Less amounts charged off	(258)	(85)
Balance, ending	$37,519	$27,689

At March 31, 2007, total impaired and non-accrual loans were $2.6 million, compared with $2.3 million at December 31, 2006. Loans past due 90 days or more and still accruing were $2.5 million at March 31, 2007 and $794,000 at December 31, 2006.

Note 6. Contingencies

Contingencies

In the normal course of business, the Company is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the consolidated financial statements.

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Note 6. Contingencies (continued)

Financial Instruments with Off-balance Sheet Risk

A summary of the contract amount of the Company s exposure to off-balance sheet risk is as follows:

	March 31, 2007	December 31, 2006
	(in thousands)	
Commitments to extend credit, including unsecured loan commitments of $266,238 in 2007 and $194,586 in 2006	$1,197,628	$1,083,854
Credit card commitments and guarantees	18,630	16,233
Standby letters of credit, including unsecured letters of credit of $19,823 in 2007 and $5,127 in 2006	58,562	61,157
	$1,274,820	$1,161,244

Note 7. Stock-based Compensation

For the three months ended March 31, 2007, 157,000 stock options with a weighted average exercise price of $34.80 per share were granted to certain key employees. The Company estimates the value of each option award on the date of grant using a Black-Scholes valuation model. The weighted average grant date fair value of these options was $11.43 per option. These stock options generally have a vesting period of four years and a life of seven years.

As of March 31, 2007, there were 2.6 million options outstanding, compared with 2.3 million at March 31, 2006. Related to the acquisition of FICN, 389,000 replacement options with a weighted average exercise price of $20.28 were issued. These replacement options had a total fair value of $10.1 million, were fully vested as of the grant date, and were included in the purchase price.

For the three months ended March 31, 2007 and March 31, 2006 the company recognized stock-based compensation expense related to options of $355,000 and $99,000 respectively.

For the three months ended March 31, 2007, 181,625 shares of restricted stock were also issued with a weighted average grant date fair value of $34.45 per share. The Company estimates the compensation cost for restricted stock grants based upon the grant date fair value. Generally, these restricted stock grants have a 3-year vesting period. There were 399,000 and 134,000 restricted shares outstanding at March 31, 2007 and 2006, respectively. For the three months ended March 31, 2007 and March 31, 2006 the Company recognized stock-based compensation of $915,000 and $214,000 related to the Company s restricted stock plan.

Note 8. Income Taxes

The Company files income tax returns in the U.S. federal jurisdiction and in various states. The Company is no longer subject to U.S. federal, state or local tax examinations by tax authorities for years before 2003. The Company has not undergone any recent examinations by the Internal Revenue Service.

The Company adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, on January 1, 2007. Management believes that the Company has appropriate support for the income tax positions taken and to be taken on its tax returns and that its accruals for tax liabilities are adequate for all open years on an assessment of many factors including past experience and interpretations of tax law applied to the facts of each matter. The Company would recognize interest accrued related to unrecognized tax benefits in tax expense. The Company has not recognized or accrued any interest or penalties for the periods ended March 31, 2007 and 2006.

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Note 9. Segment Information

The following is a summary of selected operating segment information as of and for the periods ended March 31, 2007 and 2006:

(in thousands)	Bank of Nevada	Alliance Bank of Arizona	Torrey Pines Bank	Alta Alliance Bank	First Independent Bank	Other	Intersegment Eliminations	Consolidated Company
At March 31, 2007:								
Assets	$2,913,926	$706,779	$616,526	$63,905	$530,670	$ 24,425	$(128,587)	$4,727,644
Gross loans and deferred fees	2,122,463	503,777	424,735	12,265	292,797		(20,000)	3,336,037
Less: Allowance for loan losses	(23,296)	(5,732)	(4,672)	(113)	(3,706)			(37,519)
Net loans	2,099,167	498,045	420,063	12,152	289,091		(20,000)	3,298,518
Deposits	2,274,568	618,822	519,382	41,131	402,865		(7,623)	3,849,145
Stockholders equity	347,210	52,859	40,609	23,681	122,748	(75,862)		511,245
Number of branches	15	10	6	2	4			37
Number of full-time employees	538	134	111	30	95	51		959
Three Months Ended March 31, 2007:								
Net interest income	$ 28,966	$ 6,694	$ 5,856	$ 379	$	$ (1,039)	$	$ 40,856
Provision for loan losses	287		121	33				441
Net interest income after provision for loan losses	28,679	6,694	5,735	346		(1,039)		40,415
Noninterest income	2,922	531	448	82		2,353	(475)	5,861
Noninterest expense	(15,053)	(5,399)	(4,324)	(1,323)		(3,297)	475	(28,921)
	16,548	1,826	1,859	(895)		(1,983)		17,355

Income before income taxes						
Income tax expense	5,510	711	727	(358)	(638)	5,952
Net income	$ 11,038	$ 1,115	$ 1,132	$ (537) $	$ (1,345) $	$ 11,403

(in thousands)	Bank of Nevada	Alliance Bank of Arizona	Torrey Pines Bank	Other	Intersegment Eliminations	Consolidated Company
At March 31, 2006:						
Assets	$2,567,971	$564,988	$438,171	$68,801	$(59,786)	$3,580,145
Gross loans and deferred fees	1,559,218	447,021	347,928			2,354,167
Less: Allowance for loan losses	(18,032)	(5,990)	(3,667)			(27,689)
Net loans	1,541,186	441,031	344,261			2,326,478
Deposits	2,121,150	509,522	328,049		(1,307)	2,957,414
Stockholders equity	256,951	46,940	35,428	17,019		356,338
Three Months Ended March 31, 2006:						
Net interest income	$ 18,693	$ 5,795	$ 4,978	$ (72)	$	$ 29,394
Provision for loan losses	(214)	534	222			542
Net interest income after provision for loan losses	18,907	5,261	4,756	(72)		28,852
Noninterest income	1,616	366	267	1,582	(334)	3,497
Noninterest expense	(10,026)	(4,386)	(3,186)	(2,256)	334	(19,520)
Income before income taxes	10,497	1,241	1,837	(746)		12,829
Income tax expense	3,461	477	746	(293)		4,391
Net income	$ 7,036	$ 764	$ 1,091	$ (453)	$	$ 8,438

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Company s Annual Report on Form 10-K for the year ended December 31, 2006 and our unaudited consolidated financial statements and related footnotes in the Quarterly Report on Form 10-Q. Unless the context requires otherwise, the terms Company , us , we , and our refer to Western Alliance Bancorporation on a consolidated basis.

Forward-Looking Information

Certain statements contained in this document, including, without limitation, statements containing the words believes , anticipates , intends , expects , should and words of similar import, constitute forward-looking statemen within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Act of 1934. Such forward looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions in those areas in which we operate, demographic changes, competition, fluctuations in interest rates, changes in business strategy or development plans, changes in governmental regulation, credit quality, the availability of capital to fund the expansion of our business, and other factors referenced in this Report. Except as required by law, we disclaim any obligation to update any such factors or to publicly announce the results of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

Overview

During the first quarter of 2007, we remained focused on increasing our earnings through growth of our interest earning assets funded with low-cost deposits. We continue to explore and invest in new and expanded business lines and products, including cash management services, credit cards, wealth management and equipment leasing. Organic loan growth for the quarter ended March 31, 2007 was $40.0 million, or 1.3%, as compared to $153.2 million, or 8.5% for the same period in 2006. Gross loans acquired in the FICN merger were $292.8 million. Organic deposit growth was $45.9 million, or 1.3%, for the three months ended March 31, 2007, compared to $141.5 million, or 5.9% for the same period in 2006. Total deposits acquired in the FICN merger were $402.9 million. We reported net income of $11.4 million, or $0.39 per diluted share, for the quarter ended March 31, 2007, as compared to $8.4 million, or $0.33 per diluted share, for the same period in 2006. The increase in earnings is primarily due to higher net interest income, due primarily to an increase in loans and the increase in interest rates. The provision for loan losses decreased $0.1 million from the three months ended March 31, 2006 to the same period in 2007, due to the lower loan growth. Non-interest income for the quarter ended March 31, 2007 increased 59.9% from the same period in the prior year, due to increases in trust and investment advisory fees, service charges and income from bank owned life insurance, as well as gain realized on the sale of a branch location. Non-interest expense for the quarter ended March 31, 2007 increased 48.2% from the same period in 2006, due primarily to increases in costs as a result of our continuing organic growth and acquisition activity.

SFAS 159 and 157 were adopted by the Company on January 31, 2007. A detailed explanation of the adoptions is included in Note 2 of the financial statements.

Selected financial highlights are presented in the table below.

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Western Alliance Bancorporation and Subsidiaries
Summary Consolidated Financial Data
Unaudited

	At or for the three months ended March 31,		
	2007	2006	Change %
Selected Balance Sheet Data:			
($ in millions)			
Total assets	$ 4,727.6	$ 3,580.1	32.1%
Gross loans, including net deferred fees	3,336.0	2,354.2	41.7
Securities	630.9	624.9	1.0
Federal funds sold and other	166.8	221.6	(24.7)
Deposits	3,849.1	2,957.4	30.2
Borrowings	56.7	108.6	(47.8)
Junior subordinated debt	110.4	41.2	168.0
Stockholders equity	511.2	356.3	43.5
Selected Income Statement Data:			
($ in thousands)			
Interest income	$ 67,313	$ 42,196	59.5%
Interest expense	26,457	12,802	106.7
Net interest income	40,856	29,394	39.0
Provision for loan losses	441	542	(18.6)
Net interest income after provision for loan losses	40,415	28,852	40.1
Net gain from sale of securities and fair value losses	271		100.0
Non-interest income, excluding gains/losses on securities	5,590	3,497	59.9
Non-interest expense	28,921	19,520	48.2
Income before income taxes	17,355	12,829	35.3
Income tax expense	5,952	4,391	35.5
Net Income	$ 11,403	$ 8,438	35.1
Memo: Intangible asset amortization expense, net of tax	$ 257	$ 56	358.9
Common Share Data:			
Diluted net income per share	$ 0.39	$ 0.33	18.2%
Book value per share	17.06	13.51	26.3
Tangible book value per share (2)	9.49	10.03	(5.4)
Average shares outstanding (in thousands):			
Basic	26,950	22,999	17.2
Diluted	29,181	25,355	15.1
Common shares outstanding	29,963	26,365	13.6

Selected Performance Ratios:			
Return on average assets (1)	1.13%	1.19%	(5.0)%
Return on average tangible assets (1)	1.16	1.19	(2.5)
Return on average stockholders equity (1)	11.17	13.75	(18.8)
Return on average tangible stockholders equity (1)	17.11	13.84	23.6
Net interest margin (1)	4.58	4.53	1.1
Net interest spread	3.40	3.50	(2.9)
Efficiency ratio tax equivalent basis	61.96	58.99	5.0
Loan to deposit ratio	86.67	79.60	8.9
Capital Ratios:			
Tangible Common Equity	6.3%	7.6%	(17.1)%
Tier 1 Leverage ratio	9.2	11.5	(20.3)
Tier 1 Risk Based Capital	8.9	11.4	(22.4)
Total Risk Based Capital	10.8	12.5	(13.6)
Asset Quality Ratios:			
Net charge-offs to average loans outstanding (1)	0.02%	(0.02)%	(200.0)%
Non-accrual loans to gross loans	0.05	0.00	100.0
Non-accrual loans to total assets	0.04	0.00	100.0
Loans past due 90 days and still accruing to total loans	0.08	0.00	100.0
Allowance for loan losses to gross loans	1.12	1.18	(5.1)
Allowance for loan losses to non-accrual loans	2113.75%	95479.31%	(97.8)

(1) Annualized for the three-month periods ended March 31, 2007 and 2006.

(2) Represents book value per share net of goodwill and other intangible assets decreased by the related deferred tax liability.

Primary Factors in Evaluating Financial Condition and Results of Operations

As a bank holding company, we focus on several factors in evaluating our financial condition and results of operations, including:

- Return on Average Equity (ROE) and Return on Tangible Average Equity (ROTE);
- Return on Average Assets (ROA) and Return on Average Tangible Assets (ROTA);
- Asset Quality;
- Asset and Deposit Growth; and
- Operating Efficiency.

Return on Average Equity. Our net income for the three months ended March 31, 2007 increased 35.1% to $11.4 million compared to $8.4 million for the three months ended March 31, 2006. The increase in net income was due primarily to an increase in interest income of $25.1 million and an increase in non-interest income of $2.1 million, offset by an increase of $13.7 million in interest expense and a $9.4 million increase in non-interest expense. Basic earnings per share increased to $0.42 per share for the three months ended March 31, 2007 compared to $0.37 per share for the same period in 2006. Diluted earnings per share was $0.39 per share for the three month period ended March 31, 2007, compared to $0.33 per share for the same period in 2006. The increase in net income offset by the increase in equity resulted in an ROE of 11.17% for the three months ended March 31, 2007 compared to 13.75% for the three months ended March 31, 2006. ROTE increased 23.6% to 17.11%.

Return on Average Assets. Our ROA for the three months ended March 31, 2007 decreased to 1.13% compared to 1.19% for the same period in 2006. The decrease in ROA are primarily due to the increases in intangible assets as a result of merger and acquisition activity. ROTA decreased to 1.16% from 1.19% for the same period in 2006.

Asset Quality. For all banks and bank holding companies, asset quality plays a significant role in the overall financial condition of the institution and results of operations. We measure asset quality in terms of non-accrual and restructured loans and assets as a percentage of gross loans and assets, and net charge-offs as a percentage of average loans. Net charge-offs are calculated as the difference between charged-off loans and recovery payments received on previously charged-off loans. As of March 31, 2007, impaired and non-accrual loans were $2.6 million compared to $2.3 million at March 31, 2006. Non-accrual loans as a percentage of gross loans as of March 31, 2007 were 0.05% compared to less than 0.01% as of March 31, 2006. For the three months ended March 31, 2007 and March 31, 2006, net charge-offs/(recoveries) as a percentage of average loans were 0.02% and (0.02)%, respectively.

Asset Growth. The ability to produce loans and generate deposits is fundamental to our asset growth. Our assets and liabilities are comprised primarily of loans and deposits, respectively.

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Total assets increased 32.1% to $4.7 billion as of March 31, 2007 from $3.6 billion as of March 31, 2006. Gross loans grew 41.7% (20.7% organically) to $3.3 billion as of March 31, 2007 from $2.4 billion as of March 31, 2006. Total deposits increased 30.2% (9.8% organically) to $3.8 billion as of March 31, 2007 from $3.0 billion as of March 31, 2006.

Operating Efficiency. Operating efficiency is measured in terms of how efficiently income before income taxes is generated as a percentage of revenue. Our tax-equivalent efficiency ratio (non-interest expenses divided by the sum of net interest income and non interest income, tax adjusted) was 62.0% for the three months ended March 31, 2007, compared to 59.0% for the same period in 2006.

Critical Accounting Policies

The Notes to Audited Consolidated Financial Statements for the year ended December 31, 2006 contain a summary of our significant accounting policies, including discussions on recently issued accounting pronouncements, our adoption of them and the related impact of their adoption. We believe that certain of these policies, along with various estimates that we are required to make in recording our financial transactions, are important to have a complete picture of our financial position. In addition, these estimates require us to make complex and subjective judgments, many of which include matters with a high degree of uncertainty. The following is a discussion of these critical accounting policies and significant estimates. In addition to the information about these policies that can be found in Note 1 of the Audited Consolidated Financial Statements filed with the Company s Annual Report on Form 10-K, the following should be considered:

The Company elected early adoption of SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities,* effective January 1, 2007. Instruments for which the fair value option (FVO) was adopted and the reasons therefore are as follows:

- Junior subordinated debt

- All investment securities previously classified as held-to-maturity, with the exception of tax-advantaged municipal bonds

- All fixed-rate securities previously classified as available-for-sale

The junior subordinated debt, with a balance of $61.9 million at January 1, 2007, (before the application of SFAS 159) is the primary source of funding for the Company s held-to-maturity portfolio, which excluding tax-advantaged municipal obligations had an amortized cost of $90.5 million at the same date. The held-to-maturity portfolio consists primarily of fixed rate and hybrid adjustable rate mortgage backed securities and collateralized mortgage obligations. The junior subordinated debt includes $20.0 million which carries a fixed rate through June 2011, with the remaining balances carrying rates which re-set at least semi-annually. This represents a natural hedge on the Company s balance sheet, with changes in fair value of the fixed rate securities and fixed rate junior subordinated debt moving inversely from one another as market rates move up and down. The early adoption of SFAS 159 on these instruments will more accurately reflect this hedge in the Company s consolidated financial statements. The FVO was not elected for tax-advantaged securities since the tax benefit is based upon the contractual rate paid on the security at time of purchase and does not include changes in fair value or accretion or amortization of discounts or premiums.

Fixed-rate available-for-sale securities had an amortized cost of $215.6 million and an aggregate net unrealized loss of $5.9 million at January 1, 2007. These securities represent some of the most volatile on the Company s balance sheet with long durations and low coupon rates relative to the market. While initially these investments were funded with relatively long duration non-interest bearing and administered rate money market deposits, as the liability structure of the company has shortened they are now preponderantly funded with overnight Federal Home Loan Bank borrowings, customer repurchase agreements and CDs. All of these sources of funding have pricing which moves with the market, and thus there is not an effective match for the fixed rate securities on the liability side of the balance sheet. This causes much volatility in reported earnings as interest rates move and the net interest margin contracts and expands. The Company s ability to hedge the market-value risk on the securities was historically limited by the complexities of accounting for derivative financial instruments. The adoption of SFAS 159 on these securities will provide more transparency in the consolidated financial statements as users will be more able to ascertain changes in the Company s net income caused by changes in market interest rates. The FVO was not elected for variable-rate available-for-sale securities since the liability funding match is more closely aligned with these shorter duration assets. The carrying value of these tax-advantaged securities was $7.9 million at March 31, 2007.

Concurrent with the adoption of SFAS 159, the Company adopted SFAS 157, *Fair Value Measurements*, effective January 1, 2007. SFAS 159 requires early adoption of SFAS 157 if the company chooses to early adopt SFAS 159. SFAS 157 provides a definition of fair value and provides a framework for calculating fair value.

The Company adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, on January 1, 2007. Management believes that the Company has appropriate support for the income tax positions taken and to be taken on its tax returns and that its accruals for tax liabilities are adequate for all open years on an assessment of many factors including past experience and interpretations of tax law applied to the facts of each matter. The Company would recognize interest accrued related to unrecognized tax benefits in tax expense. The Company has not recognized or accrued any interest or penalties for the periods ended March 31, 2007 and 2006.

Results of Operations

Our results of operations depend substantially on net interest income, which is the difference between interest income on interest-earning assets, consisting primarily of loans receivable, securities and other short-term investments, and interest expense on interest-bearing liabilities, consisting primarily of deposits and borrowings. Our results of operations are also dependent upon our generation of non-interest income, consisting primarily of income from trust and investment advisory services and banking service fees. Other factors contributing to our results of operations include our provisions for loan losses, gains or losses on sales of securities and income taxes, as well as the level of our non-interest expenses, such as compensation and benefits, occupancy and equipment and other miscellaneous operating expenses.

The following table sets forth a summary financial overview for the three months ended March 31, 2007 and 2006.

	Three Months Ended March 31,		
	2007	2006	Increase
	(in thousands, except per share amounts)		
Consolidated Statement of Earnings Data:			
Interest income	$67,313	$42,196	$25,117
Interest expense	26,457	12,802	13,655
Net interest income	40,856	29,394	11,462
Provision for loan losses	441	542	(101)
Net interest income after provision for loan losses	40,415	28,852	11,563
Investment securities gains, net	284		284
Unrealized gains/losses on assets and liabilities measured at fair value, net	(13)		(13)
Non-interest income, excluding gains/losses on securities	5,590	3,497	2,093
Non-interest expense	28,921	19,520	9,401
Net income before income taxes	17,355	12,829	4,526
Income tax expense	5,952	4,391	1,561
Net income	$11,403	$ 8,438	$ 2,965
Diluted earnings per share	$ 0.39	$ 0.33	$ 0.06

The 35.1% increase in net income in the three months ended March 31, 2007 compared to the same period in 2006 was attributable primarily to an increase in net interest income of $11.5 million, a decrease in the provision for loan losses of $0.1 million and an increase in non-interest income of $2.4, offset by an increase of $9.4 million in non-interest expense. The increase in net interest income for the three months ended March 31, 2007 over the same period 2006 was the result of an increase in the volume of and yield earned on interest-earning assets, primarily loans.

Net Interest Income and Net Interest Margin. The 39.0% increase in net interest income for the three months ended March 31, 2007 compared to the same period in 2006 was due to an increase in interest income of $11.5 million, reflecting the effect of an increase of $992.0 million in average interest-bearing assets which was funded with an increase of $965.6 million in average deposits, of which $170.6 million were non-interest bearing.

The average yield on our interest-earning assets was 7.52% for the three months ended March 31, 2007, compared to 6.49% for the same period in 2006. The increase in the yield on our interest-earning assets is a result of an increase in market rates, repricing on our adjustable rate loans, and new loans originated with higher interest rates because of the higher interest rate environment. Also, loans which typically yield more than our other interest-bearing assets, increased as a percent of total interest-bearing assets from 73.1% for the three months ended March 31, 2006, to 83.1% for the same period in 2007.

The cost of our average interest-bearing liabilities increased to 4.12% in the three months ended March 31, 2007, from 2.99% in the three months ended March 31, 2006, which is a result of higher rates paid on deposit accounts and borrowings, partially offset by a reduction in interest expense related to the adoption of FAS 159.

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Average Balances and Average Interest Rates. The tables below set forth balance sheet items on a daily average basis for the three months ended March 31, 2007 and 2006 and present the daily average interest rates earned on assets and the daily average interest rates paid on liabilities for such periods. Non-accrual loans have been included in the average loan balances. Securities include securities available for sale, securities held to maturity and securities carried at market value pursuant to the adoption of FAS 159. Securities available for sale are carried at amortized cost for purposes of calculating the average rate received on taxable securities above. Yields on tax-exempt securities and loans are computed on a tax equivalent basis.

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($ in thousands)	Three Months Ended March 31, 2007			2006		
	Average Balance	**Interest**	**Average Yield/Cost (6)**	**Average Balance**	**Interest**	**Average Yield/Cost (6)**
Earning Assets						
Securities:						
Taxable	$ 519,376	$ 7,050	5.51%	$ 617,188	$ 6,527	4.29%
Tax-exempt (1)	37,914	445	7.24%	54,661	463	4.90%
Total securities	557,290	7,495	5.62%	671,849	6,990	4.34%
Federal funds sold	39,769	533	5.44%	27,900	283	4.11%
Loans (1) (2) (3)	3,027,204	59,020	7.91%	1,935,418	34,754	7.28%
Investment in restricted stock	17,327	265	6.20%	14,450	169	4.74%
Total earnings assets	3,641,590	67,313	7.52%	2,649,617	42,196	6.49%
Non-earning Assets						
Cash and due from banks	99,123			83,040		
Allowance for loan losses	(33,593)			(21,778)		
Bank-owned life insurance	82,386			52,049		
Other assets	289,636			103,283		
Total assets	$ 4,079,142			$ 2,866,211		
Interest Bearing Liabilities						
Sources of Funds						
Interest-bearing deposits:						
Interest checking	250,219	1,612	2.61%	120,922	216	0.72%
Savings and money market	1,383,863	12,945	3.79%	976,834	6,513	2.70%
Time deposits	613,084	7,316	4.84%	354,352	3,195	3.66%
Total interest-bearing deposits	2,247,166	21,873	3.95%	1,452,108	9,924	2.77%
Short-term borrowings	209,490	2,389	4.62%	181,513	1,698	3.79%
Long-term debt	46,257	516	4.52%	73,512	613	3.38%
Junior sub. & subordinated debt	102,046	1,679	6.67%	30,928	567	7.44%
Total interest-bearing liabilities	2,604,959	26,457	4.12%	1,738,061	12,802	2.99%
Non-interest Bearing Liabilities						

Noninterest-bearing demand deposits	1,037,158			866,585		
Other liabilities	22,990			12,641		
Stockholders equity	414,035			248,924		
Total liabilities and stockholders	$ 4,079,142			$ 2,866,211		
Net interest income and margin (4)		$ 40,856	4.58%		$ 29,394	4.53%
Net interest spread (5)			3.40%			3.50%

(1) Yields on loans and securities have been adjusted to a tax equivalent basis.

(2) Net loan fees of $1.2 million and $1.5 million are included in the yield computation for March 31, 2007 and 2006, respectively.

(3) Includes average non-accrual loans of $1,276 in 2007 and $52 in 2006.

(4) Net interest margin is computed by dividing net interest income by total average earning assets.

(5) Net interest spread represents average yield earned on interest-earning assets less the

average rate paid on interest-bearing liabilities.

(6) Annualized.

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

	Three Months Ended March 31, 2007 v. 2006 Increase (Decrease) Due to Changes in (1)		
	Volume	Rate	Total
		(in thousands)	
Interest on securities:			
Taxable	$ (1,328)	$1,849	$ 521
Tax-exempt	(197)	178	(19)
Federal funds sold	159	91	250
Loans	21,277	2,992	24,269
Other investment	44	52	96
Total interest income	19,955	5,162	25,117
Interest expense:			
Interest checking	833	564	1,397
Savings and Money market	3,799	2,634	6,433
Time deposits	3,087	1,031	4,118
Short-term borrowings	319	374	693
Long-term debt	(304)	207	(97)
Junior subordinated debt	1,170	(59)	1,111
Total interest expense	8,904	4,751	13,655
Net increase	$11,051	$ 411	$11,462

(1) Changes due to both volume and rate have been allocated to volume changes.

Provision for Loan Losses. The provision for loan losses in each period is reflected as a charge against earnings in that period. The provision is equal to the amount required to maintain the allowance for loan losses at a level that, in our judgment, is adequate to absorb probable loan losses inherent in the loan portfolio.

Our provision for loan losses was $441 for the three months ended March 31, 2007, compared to $541 for the same period in 2006. Factors that impact the provision for loan losses are net charge-offs or recoveries, changes in the size and mix of the loan portfolio, and the recognition of changes in current risk factors. The decrease from 2006 to 2007 is due to slower loan growth.

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Non-Interest Income. We earn non-interest income primarily through fees related to:

Trust and investment advisory services,

Services provided to deposit customers, and

Services provided to current and potential loan customers.

The following tables present, for the periods indicated, the major categories of non-interest income:

	Three Months Ended March 31, 2007	2006	Increase (Decrease)
	(in thousands)		
Trust and investment advisory services	$2,105	$1,576	$ 529
Service charges	1,069	669	400
Income from bank owned life insurance	928	612	316
Other	1,488	640	848
Total non-interest income	$5,590	$3,497	$2,093

The $2,093, or 59.6%, increase in non-interest income from the three months ended March 31, 2006 to the same period in 2007 was due primarily to increases in Miller/Russell investment advisory revenues and income from bank owned life insurance. Assets under management at Miller/Russell were up 25.2% from March 31, 2006 to March 31, 2007, causing the increase in revenues. During 2006, we purchased $25.0 million in bank owned life insurance to help offset employee benefit costs.

Service charges increased 59.8% or $0.4 million from 2006 to 2007 due to higher deposit balances and the growth in our customer base.

Other income increased $0.8 million, due to the growth of the Company and its operations and the sale of a branch facility.

Non-Interest Expense. The following table presents, for the periods indicated, the major categories of non-interest expense:

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	Three Months Ended March 31,		Increase
	2007	2006	(Decrease)
	(in thousands)		
Salaries and employee benefits	$17,033	$11,577	$5,456
Occupancy	4,239	2,450	1,789
Advertising and other business development	1,462	1,039	423
Customer service	1,323	1,249	74
Legal, professional and director fees	1,044	645	399
Audits and exams	531	406	125
Supplies	509	285	224
Data processing	435	346	89
Correspondent and wire transfer costs	418	401	17
Telephone	340	206	134
Insurance	298	226	72
Travel and automobile	287	143	144
Intangible amortization	257	56	201
Other	745	491	254
Total non-interest expense	$28,921	$19,520	$9,401

Non-interest expense grew $9.4 million from the three months ended March 31, 2006 to the same period in 2007. This increase is attributable to our overall growth, and specifically to merger and acquisition activity, the opening of new branches and hiring of new relationship officers and other employees. At March 31, 2007, we had 959 full-time equivalent employees compared to 660 at March 31, 2006, including 95 employees added from FIB. During the twelve months ended March 31, 2007, 16 banking branches were opened or acquired and 2 were closed. The increase in salaries expense related to the above totaled $5.5 million, which is 58.0% of the total increase in non-interest expenses.

Other non-interest expense increased, in general, as a result of the growth in assets and operations of our banking subsidiaries.

Financial Condition

Total Assets

On a consolidated basis, our total assets as of March 31, 2007 and December 31, 2006 were $4.7 billion and $4.2 billion, respectively. The overall increase from December 31, 2006 to March 31, 2007 of $558.0 million, or 13.4%, was due primarily to the acquisition of First Independent Capital of Nevada on March 31, 2007. On that date, FICN had gross loans of $292.8 million and total assets of $530.7 million. Assets experienced organic growth during the same period of $27.4 million, or 0.7%, including loan growth of $40.0 million, or 1.3%.

Loans

Our gross loans including deferred loan fees on a consolidated basis as of March 31, 2007 and December 31, 2006 were $3.3 billion and $3.0 billion, respectively. Our overall growth in loans

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from December 31, 2006 to March 31, 2007 reflects our acquisition of FICN and is consistent with our focus and strategy to grow our loan portfolio by focusing on markets which we believe have attractive growth prospects.
The following table shows the amounts of loans outstanding by type of loan at the end of each of the periods indicated.

	March 31, 2007	December 31, 2006
Construction and land development	$ 757,498	$ 715,546
Commercial real estate	1,419,477	1,232,260
Residential real estate	403,798	384,082
Commercial and industrial	722,574	645,469
Consumer	38,218	29,561
Less: net deferred loan fees	(5,528)	(3,696)
	3,336,037	3,003,222
Less:		
Allowance for loan losses	(37,519)	(33,551)
	$3,298,518	$2,969,671

Non-Performing Assets.
Non-performing assets include loans past due 90 days or more and still accruing interest, non-accrual loans, restructured loans, and other real estate owned, or OREO. In general, loans are placed on non-accrual status when we determine timely recognition of interest to be in doubt due to the borrower s financial condition and collection efforts. Restructured loans have modified terms to reduce either principal or interest due to deterioration in the borrower s financial condition. OREO results from loans where we have received physical possession of the borrower s assets that collateralized the loan.
The following table summarizes the loans for which the accrual of interest has been discontinued, loans past due 90 days or more and still accruing interest, restructured loans, and OREO.

	March 31, 2007	December 31, 2006
	($ in thousands)	
Total non-accrual loans	$1,775	$ 1,417
Other impaired loans	827	839
Loans past due 90 days or more and still accruing	2,544	794
Restructured loans		
Other real estate owned (OREO)		
Non-accrual loans to gross loans	0.05%	0.05%
Loans past due 90 days or more and still accruing to total loans	0.08	0.03
Interest income received on nonaccrual loans	$ 11	$ 120
Interest income that would have been recorded under the original terms of the loans	61	147

As of March 31, 2007 and December 31, 2006, non-accrual loans totaled $1,775 and $1,417, respectively. Non-accrual loans at March 31, 2007 consisted of 11 loans.

Allowance for Loan Losses

Like all financial institutions, we must maintain an adequate allowance for loan losses. The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when we believe that collectibility of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance. The allowance is an amount that we believe will be adequate to absorb probable losses on existing loans that may become uncollectible, based on evaluation of the collectibility of loans and prior credit loss experience, together with the other factors noted earlier.

Our allowance for loan loss methodology incorporates several quantitative and qualitative risk factors used to establish the appropriate allowance for loan loss at each reporting date. Quantitative factors include our historical loss experience, peer group experience, delinquency and charge-off trends, collateral values, changes in non-performing loans, other factors, and information about individual loans including the borrower s sensitivity to interest rate movements. Qualitative factors include the economic condition of our operating markets and the state of certain industries. Specific changes in the risk factors are based on perceived risk of similar groups of loans classified by collateral type, purpose and terms. Statistics on local trends, peers, and an internal five-year loss history are also incorporated into the allowance. 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. 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 Federal Deposit Insurance Corporation, or FDIC, and state banking regulatory agencies, as an integral part of their examination processes, periodically review the Banks allowance for loan losses, and may require us to make additions to the allowance based on their judgment about information available to them at the time of their examinations. Management periodically 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 watch credits, criticized loans, and impaired loans. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan are lower than the carrying value of that loan, pursuant to Financial Accounting Standards Board, or FASB, Statement No. 114, *Accounting by Creditors for Impairment of a Loan*. The general allowance covers non-classified loans and is based on historical loss experience adjusted for the various qualitative and quantitative factors listed above, pursuant to FASB Statement No. 5, or FASB 5, *Accounting for Contingencies*. Loans graded Watch List/Special Mention and below are individually examined closely to determine the appropriate loan loss reserve.

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

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	Three months ended March 31,	
	2007	2006
	($ in thousands)	
Allowance for loan losses:		
Balance at beginning of period	$33,551	$21,192
Provisions charged to operating expenses	441	542
Acquisitions	3,706	5,877
Reclassification		
Recoveries of loans previously charged-off:		
Construction and land development		
Commercial real estate		
Residential real estate		5
Commercial and industrial	71	128
Consumer	8	30
Total recoveries	79	163
Loans charged-off:		
Construction and land development		
Commercial real estate		
Residential real estate		
Commercial and industrial	91	83
Consumer	167	2
Total charged-off	258	85
Net charge-offs (recoveries)	179	(78)
Balance at end of period	$37,519	$27,689
Net charge-offs (recoveries) to average loans outstanding	0.02%	-0.02%
Allowance for loan losses to gross loans	1.12	1.18

Net charge-offs totaled $179 for the three months ended March 31, 2007, compared to net recoveries of $78 during the same period in 2006. The provision for loan losses totaled $441 for the three months ended March 31, 2007, compared to $542 in the three months ended March 31, 2006. The decrease in the provision for loan losses is due to slower loan growth.

Investments

The Company elected early adoption of SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities,* effective January 1, 2007. Instruments for which the fair value option (FVO) was adopted and the reasons therefore are as follows:

Junior subordinated debt

All investment securities previously classified as held-to-maturity, with the exception of tax-advantaged municipal bonds

All fixed-rate securities previously classified as available-for-sale

The junior subordinated debt, with a balance of $61.9 million at January 1, 2007, (before the application of SFAS 159) is the primary source of funding for the Company s held-to-maturity portfolio, which excluding tax-advantaged municipal obligations had an amortized cost of $90.5 million at the same date. The held-to-maturity portfolio consists primarily of fixed rate and hybrid adjustable rate mortgage-backed securities and collateralized mortgage obligations. The junior subordinated debt includes $20.0 million which carries a fixed rate through June 2011, with the remaining balances carrying rates which re-set at least semi-annually. This represents a natural hedge on the Company s balance sheet, with changes in fair value of the fixed rate securities and fixed rate junior subordinated debt moving inversely from one another as market rates move up and down. The early adoption of SFAS 159 on these instruments will more accurately reflect this hedge in the Company s consolidated financial statements and will allow the Company more flexibility to engage in active balance sheet management in future periods. The FVO was not elected for tax-advantaged securities since the tax benefit is based upon the contractual rate paid on the security at time of purchase and does not include changes in fair value or accretion or amortization of discounts or premiums.

Fixed-rate available-for-sale securities had an amortized cost of $215.6 million and an aggregate net unrealized loss of $5.9 million at January 1, 2007. These securities represent some of the most volatile on the Company s balance sheet with long durations and low coupon rates relative to the market. While initially these investments were funded with relatively long duration non-interest bearing and administered rate money market deposits, as the liability structure of the company has shortened they are now preponderantly funded with overnight Federal Home Loan Bank borrowings, customer repurchase agreements and CDs. All of these sources of funding have pricing which moves with the market, and thus there is not an effective match for the fixed rate securities on the liability side of the balance sheet. This causes much volatility in reported earnings as interest rates move and the net interest margin contracts and expands. The Company s ability to hedge the market-value risk on the securities was historically limited by the complexities of accounting for derivative financial instruments. The adoption of SFAS 159 on these securities eases such accounting and will thus facilitate more active balance sheet management, and will provide more transparency in the consolidated financial statements as users will be more able to ascertain changes in the Company s net income caused by changes in market interest rates. Indeed, the Company expects greater earnings volatility from changes in market interest rates prospectively. The FVO was not elected for variable-rate available-for-sale securities since the liability funding match is more closely aligned with these shorter duration assets.

Goodwill and other intangible assets

As a result of the acquisition of FIB, we recorded goodwill of $71.6 million and a core deposit intangible asset of $17.8 million. These amounts are subject to change when the determination of the asset and liability values is finalized within one year from the merger date.

Deposits

Deposits have historically been the primary source for funding our asset growth. As of March 31, 2007, total deposits were $3.8 billion, compared to $3.4 billion as of December 31, 2006. Deposits acquired as a result of the acquisition of FIB totaled $402.9 million. The remaining organic increase in total deposits is attributable to our ability to attract a stable base of low-cost deposits.

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The following table provides the average balances and weighted average rates paid on deposits for the three months ended March 31, 2007.

	Three months ended March 31, 2007 Average Balance/Rate		Three months ended March 31, 2006 Average Balance/Rate	
	($ in thousands)			
Interest checking (NOW)	$ 250,219	2.61%	$ 120,922	0.72%
Savings and money market	1,383,863	3.79	976,834	2.70
Time	613,084	4.84	354,352	3.66
Total interest-bearing deposits	2,247,166	3.95	1,452,108	2.77
Non-interest bearing demand deposits	1,037,158		866,585	
Total deposits	$ 3,284,324	2.70%	$ 2,318,693	1.74%

Capital Resources

Current risk-based regulatory capital standards generally require banks and bank holding companies to maintain three minimum capital ratios. Tier 1 risk-based capital ratio compares Tier 1 or core capital, which consists principally of common equity, and risk-weighted assets for a minimum ratio of at least 4%. Tier 1 capital ratio compares Tier 1 capital to adjusted total assets for a minimum ratio of at least 4%. Total risk-based capital ratio compares total capital, which consists of Tier 1 capital, certain forms of subordinated debt, a portion of the allowance for loan losses, and preferred stock, to risk-weighted assets for a minimum ratio of at least 8%. Risk-weighted assets are calculated by multiplying the balance in each category of assets by a risk factor, which ranges from zero for cash assets and certain government obligations to 100% for some types of loans, and adding the products together.

The following table provides a comparison of our risk-based capital ratios and leverage ratios to the minimum regulatory requirements as of March 31, 2007.

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	Actual		Adequately-Capitalized Requirements ($ in thousands)		Minimum For Well-Capitalized Requirements	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of March 31, 2007						
Total Capital (to Risk Weighted Assets)						
Bank of Nevada	$273,432	11.0%	$199,371	8.0%	$249,214	10.0%
First Independent Bank	43,591	12.0	28,967	8.0	36,209	10.0
Alliance Bank of Arizona	68,792	11.1	49,776	8.0	62,220	10.0
Torrey Pines Bank	55,286	10.9	40,656	8.0	50,819	10.0
Alta Alliance Bank	23,775	74.9	2,538	8.0	3,173	10.0
Company	432,459	10.8	319,713	8.0	399,642	10.0
Tier I Capital (to Risk Weighted Assets)						
Bank of Nevada	209,903	8.4	99,685	4.0	149,528	6.0
First Independent Bank	39,714	11.0	14,484	4.0	21,725	6.0
Alliance Bank of Arizona	52,987	8.5	24,888	4.0	37,332	6.0
Torrey Pines Bank	40,614	8.0	20,328	4.0	30,492	6.0
Alta Alliance Bank	23,662	74.6	1,269	4.0	1,904	6.0
Company	354,416	8.9	159,857	4.0	239,785	6.0
Leverage ratio (to Average Assets)						
Bank of Nevada	209,903	7.7	109,473	4.0	136,841	5.0
First Independent Bank	39,714	11.5	13,850	4.0	17,313	5.0
Alliance Bank of Arizona	52,987	8.2	25,957	4.0	32,446	5.0
Torrey Pines Bank	40,614	7.1	22,754	4.0	28,442	5.0
Alta Alliance Bank	23,662	41.4	2,283	4.0	2,854	5.0
Company	354,416	9.2	154,136	4.0	192,670	5.0

The holding company and all of the banks were well capitalized as of March 31, 2007 and December 31, 2006.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of loss in a financial instrument arising from adverse changes in market prices and rates, foreign currency exchange rates, commodity prices and equity prices. Our market risk arises primarily from interest rate risk inherent in our lending, investing and deposit taking activities. To that end, management actively monitors and manages our interest rate risk exposure.

There have not been any material changes in the market risk disclosure contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2006.

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ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls

Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, the Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Additionally, our disclosure controls and procedures were also effective in ensuring that information required to be disclosed in our Securities Exchange Act reports is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

There have not been any changes in the Company s internal control over financial reporting during the quarter ended March 31, 2007, which have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

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Part II. Other Information

Item 1. Legal Proceedings

There are no material pending legal proceedings, other than ordinary routine litigation incidental to its business, to which Western Alliance or any of its subsidiaries is a party or of which any of their property is the subject.

Item 1A. Risk Factors

See the discussion of our risk factors in the Annual Report on Form 10-K for the year ended December 31, 2006, as filed with the SEC.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) There were no unregistered sales of equity securities during the period covered by this report.

(b) None.

(c) None.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

Not applicable.

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Item 6. Exhibits

31.1 CEO Certification Pursuant Rule 13a-14(a)/15d-a4(a)

31.2 CFO Certification Pursuant Rule 13a-14(a)/15d-14(a)

32 CEO and CFO Certification Pursuant 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes Oxley Act of 2002

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Pursuant to the requirements of section 13 or 15(d) of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	WESTERN ALLIANCE BANCORPORATION
Date: May 10, 2007	By: /s/ Robert Sarver Robert Sarver President and Chief Executive Officer
Date: May 10, 2007	By: /s/ Dale Gibbons Dale Gibbons Executive Vice President and Chief Financial Officer
Date: May 10, 2007	By: /s/ Terry A. Shirey Terry A. Shirey Controller Principal Accounting Officer

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EXHIBIT INDEX

31.1	CEO Certification Pursuant to Rule 13a-14(a)/15d-14(a)
31.2	CFO Certification Pursuant to Rule 13a-14(a)/15d-14(a)
32	CEO and CFO Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.