

WESTERN ALLIANCE BANCORPORATION

Form 10-K

February 25, 2008

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

(Mark One)

**Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2007**

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Transition period from _____ to _____**

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

Nevada

88-0365922

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer I.D. Number)

2700 W. Sahara Avenue, Las Vegas, NV

89102

(Address of Principal Executive Offices)

(Zip Code)

(702) 248-4200

Registrant's telephone number, including area code

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Common Stock, \$0.0001 Par Value

(Title of Class)

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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

The aggregate market value of the registrant's voting stock held by non-affiliates is approximately \$552,110,000 based on the June 30, 2007 closing price of said stock on the New York Stock Exchange (\$29.85 per share).

As of February 1, 2007, 30,157,627 shares of the registrant's common stock were outstanding.

Portions of the registrant's definitive Proxy Statement for its 2008 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.

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PART I

ITEM 1. BUSINESS

WHERE YOU CAN FIND MORE INFORMATION

Under the Securities Exchange Act of 1934 Sections 13 and 15(d), periodic and current reports must be filed with the SEC. We electronically file the following reports with the SEC: Form 10-K (Annual Report), Form 10-Q (Quarterly Report), Form 8-K (Current Report), and Form DEF 14A (Proxy Statement). We may file additional forms. The SEC maintains an Internet site, www.sec.gov, in which all forms filed electronically may be accessed. Additionally, all forms filed with the SEC and additional shareholder information is available free of charge on our website: www.westernalliancebancorp.com. We post these reports to our website as soon as reasonably practicable after filing them with the SEC. None of the information on or hyperlinked from our website is incorporated into this Report.

Western Alliance Bancorporation

We are a bank holding company headquartered in Las Vegas, Nevada. We provide a full range of banking and related services to locally owned businesses, professional firms, real estate developers and investors, local non-profit organizations, high net worth individuals and other consumers through our subsidiary banks and financial services companies located in Nevada, Arizona, California and Colorado. On a consolidated basis, as of December 31, 2007, we had approximately \$5.0 billion in assets, \$3.6 billion in total loans, \$3.5 billion in deposits and \$501.5 million in stockholders' equity. We have focused our lending activities primarily on commercial loans, which comprised 85.2% of our total loan portfolio at December 31, 2007. In addition to traditional lending and deposit gathering capabilities, we also offer a broad array of financial products and services aimed at satisfying the needs of small to mid-sized businesses and their proprietors, including cash management, trust administration and estate planning, custody and investments, equipment leasing and affinity credit card services nationwide.

Bank of Nevada (formerly BankWest of Nevada) was founded in 1994 by a group of individuals with extensive community banking experience in the Las Vegas market. We believe our success has been built on the strength of our management team, our conservative credit culture, the attractive long-term growth characteristics of the markets in which we operate and our ability to expand our franchise by attracting seasoned bankers with long-standing relationships in their communities.

In 2003, with the support of local banking veterans, we opened Alliance Bank of Arizona in Phoenix, Arizona and Torrey Pines Bank in San Diego, California. Over the past four and a half years we have successfully leveraged the expertise and strengths of Western Alliance and Bank of Nevada to build and expand these new banks in a rapid and efficient manner.

In 2006, we opened Alta Alliance Bank in Oakland, California. In addition, we acquired both Nevada First Bank and Bank of Nevada as part of mergers completed in 2006. Both of these banks were merged into BankWest of Nevada (whose name was subsequently changed to Bank of Nevada).

In March 2007, we expanded our presence in Northern Nevada through the acquisition of First Independent Bank of Nevada headquartered in Reno, Nevada. First Independent Bank of Nevada is a successful community bank with a management team, credit culture and an attractive growth market similar to our other existing banks.

Through our wholly owned, non-bank subsidiaries, Miller/Russell & Associates, Inc., Shine Investment Advisory Services, Inc. and Premier Trust, Inc., we provide investment advisory and wealth management services, including trust administration and estate planning. We acquired Miller/Russell and Premier Trust in May 2004 and December 2003, respectively. We acquired Shine in July 2007. As of December 31, 2007, Miller/Russell had \$1.6 billion in assets under management, Shine had \$428 million in assets under management and Premier Trust had \$325 million in assets under management and \$520 million in total trust assets.

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The Company provides a full range of banking services, as well as trust and investment advisory services through its eight consolidated subsidiaries. The company manages its business with a primary focus on each subsidiary. Thus, the Company has identified eight operating segments. However, the trust and investment advisory segments do not meet the quantitative thresholds for disclosure and have therefore been included in the other column. Parent company information is also included in the other category because it represents an overhead function rather than an operating segment. PartnersFirst, a division of Torrey Pines Bank, is currently included in the Torrey Pines Bank segment. Western Alliance Leasing, a subsidiary of the parent company, is also included in the other column. The Company has not aggregated any operating segments.

The Company reported four segments in the financial statements issued prior to December 31, 2007. In October 2006, the Company opened a new bank subsidiary, Alta Alliance Bank, which is located in Northern California. Although Alta Alliance Bank does not meet the quantitative thresholds for disclosure at December 31, 2007, this segment is reported because it is expected to meet the quantitative thresholds for disclosure in the future. The addition of First Independent Bank of Nevada in 2007 resulted in an additional operating segment this year.

The five reported segments derive a majority of their revenues from interest income and the chief executive officer relies primarily on net interest income to assess the performance of the segments and make decisions about resources to be allocated to the segments. The accounting policies of the reported segments are the same as those of the Company as described in Note 1 to the Consolidated Financial Statements. Transactions between segments consist primarily of borrowings and loan participations. Federal funds purchases and sales and other borrowed funds transactions result in profits that are eliminated for reporting consolidated results of operations. Loan participations are recorded at par value with no resulting gain or loss. The Company allocates centrally provided services to the operating segments based upon estimated usage of those services.

Recent Developments

Acquisition of Shine Investment Advisory Services, Inc. Effective July 31, 2007, the Company acquired 80% of the outstanding common stock of Shine Investment Advisory Services, Inc. (Shine), headquartered in Lone Tree, Colorado. Since the merger closed on July 31, 2007, Shine's results of operations were not included prior to the closing date. Shine's assets under management at the date of merger were \$409.9 million. The fair value of tangible assets acquired through this merger was \$0.4 million. As provided in the purchase agreement and based on valuation amounts as of the merger date, approximately 314,000 shares of the Company's stock at a price of approximately \$25.48 were issued in connection with the Shine acquisition.

On July 12, 2007, the Company announced the formation of PartnersFirst Affinity Services, a division of its Torrey Pines Bank affiliate. PartnersFirst focuses on affinity credit card marketing using an innovative model and approach.

Our Strategy

Since 1994, we believe that we have been successful in building and developing our operations by adhering to a business strategy focused on understanding and serving the needs of our local clients and pursuing growth markets and opportunities while emphasizing a strong credit culture. Our objective is to provide our shareholders with superior returns. The critical components of our strategy include:

Leveraging our knowledge and expertise. Over the past decade we have assembled an experienced management team and built a culture committed to credit quality and operational efficiency. We have also successfully centralized a significant portion of our operations, processing, compliance, Community Reinvestment Act administration and specialty functions. We intend to grow our franchise and improve our operating efficiencies by continuing to leverage our managerial expertise and the functions we have centralized at Western Alliance.

Maintaining a strong credit culture. We adhere to a specific set of credit standards across our bank subsidiaries that ensure the proper management of credit risk. Western Alliance's management team plays an active role in monitoring compliance with our Banks' credit standards. Western Alliance also continually monitors each of our subsidiary banks' loan portfolios, which enables us to identify and take prompt corrective action on potentially problematic loans.

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Attracting seasoned relationship bankers and leveraging our local market knowledge. We believe our success has been the result, in part, of our ability to attract and retain experienced relationship bankers that have strong relationships in their communities. These professionals bring with them valuable customer relationships, and have been an integral part of our ability to expand rapidly in our market areas. These professionals allow us to be responsive to the needs of our customers and provide a high level of service to local businesses. We intend to continue to hire experienced relationship bankers as we expand our franchise.

Offering a broader array of personal financial products and services. Part of our growth strategy is to offer a broader array of personal financial products and services to high net worth individuals and to senior managers at commercial enterprises with which we have established relationships. To this end, we acquired Premier Trust, Inc. in December 2003, Miller/Russell & Associates, Inc. in May 2004, and a majority interest in Shine Investment Advisory Services, Inc. in July 2007.

Focusing on markets with attractive growth prospects. We operate in what we believe to be highly attractive markets with superior long-term growth prospects. Our metropolitan areas have a high per capita income and are expected to experience some of the fastest population growth in the country. We continuously evaluate new markets in the Western United States with similar growth characteristics as targets for expansion. Our long term strategy is to operate in six to twelve high growth markets. We intend to implement this strategy in the long term through the formation of additional *de novo* banks or acquiring other commercial banks in new market areas with attractive growth prospects. As of December 31, 2007, we maintained 39 bank branch offices located throughout our market areas. To accommodate our growth and enhance efficiency, we opened a service center facility in Las Vegas, Nevada that provides centralized back-office services and call center support for all our banking subsidiaries. We are currently focused on growing our business with existing branches.

Attracting low cost deposits. We believe we have been able to attract a stable base of low-cost deposits from customers who are attracted to our personalized level of service and local knowledge. As of December 31, 2007, our deposit base was comprised of 28.4% non-interest bearing deposits, of which 14.3% consisted of title company deposits, 79.6% consisted of other business deposits and 6.1% consisted of consumer deposits.

Our Market Areas

We believe that there is a significant market segment of small to mid-sized businesses that are looking for a locally based commercial bank capable of providing a high degree of flexibility and responsiveness, in addition to offering a broad range of financial products and services. We believe that the local community banks that compete in our markets do not offer the same breadth of products and services that our customers require to meet their growing needs, while the large, national banks lack the flexibility and personalized service that our customers desire in their banking relationships. By offering flexibility and responsiveness to our customers and providing a full range of financial products and services, we believe that we can better serve our markets.

Through our banking and non-banking subsidiaries, we serve customers in Nevada, Arizona, California and Colorado.

Nevada. In Southern Nevada, we operate in the cities of Las Vegas, Henderson, Mesquite and North Las Vegas, all of which are in the Las Vegas metropolitan area. In Northern Nevada, we operate in the cities of Reno, Sparks and Fallon which are located in or around the Reno metropolitan area. The economy of the Las Vegas and Reno metropolitan areas are primarily driven by services and industries related to gaming, entertainment and tourism.

Arizona. In Arizona, we operate in Phoenix, Scottsdale and Mesa, which are located in the Phoenix metropolitan area, Tucson, which is located in the Tucson metropolitan area, and Flagstaff and Sedona, which are located in the Flagstaff metropolitan area. These metropolitan areas contain companies in the following industries: aerospace, high-tech manufacturing, construction, energy, transportation, minerals and mining and financial services.

California. In California, we operate in the cities of San Diego, La Mesa and Carlsbad, which are in the San Diego metropolitan area, and Oakland and Piedmont, which are in the Bay Area metropolitan area. The

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business communities in the San Diego and Bay Area metropolitan areas include numerous small to medium-sized businesses and service and professional firms that operate in a diverse number of industries, including the entertainment, defense and aerospace, construction, health care and pharmaceutical, technology and computer, financial and telecommunications industries.

Colorado. In Colorado, we operate investment management services through our subsidiary, Shine.

Operations

Our operations are conducted through the following subsidiaries:

Bank of Nevada. Bank of Nevada is a Nevada-chartered commercial bank headquartered in Las Vegas, Nevada. As of December 31, 2007, the bank had \$3.0 billion in assets, \$2.2 billion in loans and \$2.0 billion in deposits. Bank of Nevada has 15 full-service offices in the Las Vegas metropolitan area.

Alliance Bank of Arizona. Alliance Bank of Arizona is an Arizona-chartered commercial bank headquartered in Phoenix, Arizona. As of December 31, 2007, the bank had \$822.6 million in assets, \$584.2 million in loans and \$613.1 million in deposits. Alliance Bank has four full-service offices in Phoenix, three in Tucson, one in Scottsdale, one in Sedona, one in Mesa and one in Flagstaff.

Torrey Pines Bank. Torrey Pines Bank is a California-chartered commercial bank headquartered in San Diego, California. As of December 31, 2007, the bank had \$759.5 million in assets, \$515.4 million in loans and \$470.4 million in deposits. Torrey Pines has five full-service offices in San Diego, one in La Mesa and one in Carlsbad.

Alta Alliance Bank. Alta Alliance Bank opened in October 2006 and is a California-chartered commercial bank headquartered in Oakland, California. As of December 31, 2007, the bank had \$91.0 million in assets, \$38.5 million in loans and \$68.7 million in deposits. Alta Alliance has one full-service office in Oakland and one in Piedmont.

First Independent Bank of Nevada. First Independent Bank of Nevada was acquired in March 2007 and is a Nevada-chartered commercial bank headquartered in Reno, Nevada. As of December 31, 2007, the bank had \$549.9 million in assets, \$322.2 million in loans and \$420.1 million in deposits. First Independent has two full-service offices in Reno, one in Sparks and one in Fallon.

Miller/Russell & Associates, Inc. Miller/Russell offers investment advisory services to businesses, individuals and non-profit entities. As of December 31, 2007, Miller/Russell had \$1.6 billion in assets under management. Miller/Russell has offices in Phoenix, Tucson, San Diego and Las Vegas.

Premier Trust, Inc. Premier Trust offers clients wealth management services, including trust administration of personal and retirement accounts, estate and financial planning, custody services and investments. As of December 31, 2007, Premier Trust had \$520 million in total trust assets and \$325 million in assets under management. Premier Trust has offices in Las Vegas and Phoenix.

Shine Investment Advisory Services, Inc. We acquired a majority interest in Shine in July 2007. Shine offers investment advisory services to businesses, individuals and non-profit entities. As of December 31, 2007, Shine had \$428 million in assets under management. Shine has one office in Lone Tree, Colorado.

Lending Activities

We provide a variety of loans to our customers, including commercial and residential real estate loans, construction and land development loans, commercial loans, and to a lesser extent, consumer loans. Our lending efforts have focused on meeting the needs of our business customers, who have typically required funding for commercial and commercial real estate enterprises. Commercial loans comprised 85.2% of our total loan portfolio at December 31, 2007.

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Commercial Real Estate Loans. The majority of our lending activity consists of loans to finance the purchase of commercial real estate and loans to finance inventory and working capital that are secured by commercial real estate. We have a commercial real estate portfolio comprised of loans on apartment buildings, professional offices, industrial facilities, retail centers and other commercial properties. As of December 31, 2007, 50.7% of our commercial real estate and construction loans were owner occupied.

Construction and Land Development Loans. The principal types of our construction loans include industrial/warehouse properties, office buildings, retail centers, medical facilities, restaurants and single-family homes. Construction and land development loans are primarily made only to experienced local developers with whom we have a sufficient lending history. An analysis of each construction project is performed as part of the underwriting process to determine whether the type of property, location, construction costs and contingency funds are appropriate and adequate. We extend raw commercial land loans primarily to borrowers who plan to initiate active development of the property within two years.

Commercial and Industrial Loans. In addition to real estate related loan products, we also originate commercial and industrial loans, including working capital lines of credit, inventory and accounts receivable lines, equipment loans and other commercial loans. We focus on making commercial loans to small and medium-sized businesses in a wide variety of industries. We also are a Preferred Lender in Arizona with the SBA.

Residential Loans. We originate residential mortgage loans secured by one to four-family properties, most of which serve as the primary residence of the owner. Most of our loan originations result from relationships with existing or past customers, members of our local community, and referrals from realtors, attorneys and builders.

Consumer Loans. We offer a variety of consumer loans to meet customer demand and to increase the yield on our loan portfolio. Consumer loans are generally offered at a higher rate and shorter term than residential mortgages. Examples of our consumer loans include:

home equity loans and lines of credit;

home improvement loans;

credit card loans;

new and used automobile loans; and

personal lines of credit.

As of December 31, 2007, our loan portfolio totaled \$3.6 billion, or approximately 72.4% of our total assets. The following tables set forth the composition of our loan portfolio as of December 31, 2007.

Loan Type	December 31, 2007	
	Amount	Percent
	(\$ in millions)	
Construction and land development	\$ 806.1	22.1%
Commercial real estate	1,514.5	41.6%
Residential real estate	492.6	13.5%
Commercial and industrial	784.4	21.5%
Consumer	43.5	1.3%
Total gross loans	3,641.1	100.0%
Less: net deferred loan fees	(8.1)	
Gross loans, net of deferred loan fees	\$ 3,633.0	

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Credit Policies and Administration

General

We adhere to a specific set of credit standards across our bank subsidiaries that ensure the proper management of credit risk. Furthermore, our holding company's management team plays an active role in monitoring compliance with such standards by our banks.

Loan originations are subject to a process that includes the credit evaluation of borrowers, established lending limits, analysis of collateral, and procedures for continual monitoring and identification of credit deterioration. Loan officers actively monitor their individual credit relationships in order to report suspected risks and potential downgrades as early as possible. The respective boards of directors of each of our banking subsidiaries establish their own loan policies, as well as loan limit authorizations. Except for variances to reflect unique aspects of state law and local market conditions, our lending policies generally incorporate consistent underwriting standards. We monitor all changes to each respective bank's loan policy to promote this philosophy. Our credit culture has helped us to identify troubled credits early, allowing us to take corrective action when necessary.

Loan Approval Procedures and Authority

Our loan approval procedures are executed through a tiered loan limit authorization process which is structured as follows:

Individual Authorities. The board of directors of each subsidiary bank sets the authorization levels for individual loan officers on a case-by-case basis. Generally, the more experienced a loan officer, the higher the authorization level. The maximum approval authority for a loan officer is \$1.5 million for real estate secured loans and \$750,000 for other loans.

Management Loan Committees. Credits in excess of individual loan limits are submitted to the appropriate bank's Management Loan Committee. The Management Loan Committees consist of members of the senior management team of that bank and are chaired by that bank's chief credit officer. The Management Loan Committees have approval authority up to \$6.0 million at Bank of Nevada, \$7.5 million at Alliance Bank of Arizona, \$5.0 million at Torrey Pines Bank and First Independent Bank of Nevada and \$5.5 million at Alta Alliance Bank.

Credit Administration. Credits in excess of the Management Loan Committee authority are submitted by the bank subsidiary to Western Alliance's Credit Administration. Credit Administration consists of the chief credit officers of Western Alliance and Bank of Nevada. Credit Administration has approval authority up to \$18.0 million.

Board of Directors Oversight. The CEO of Bank of Nevada acting with the Chairman of the Board of Directors of Bank of Nevada has approval authority up to Bank of Nevada's legal lending limit of \$66.4 million.

Our credit administration department works independent of loan production.

Loans to One Borrower. In addition to the limits set forth above, state banking law generally limits the amount of funds that a bank may lend to a single borrower. Under Nevada law, the total amount of outstanding loans that a bank may make to a single borrower generally may not exceed 25% of stockholders' tangible equity. Under Arizona law, the obligations of one borrower to a bank may not exceed 20% of the bank's capital, plus an additional 10% of its capital if the additional amounts are fully secured by readily marketable collateral. Under California law, the obligations of any one borrower to a bank generally may not exceed 25% of the sum of the bank's shareholders' equity, allowance for loan losses, capital notes and debentures.

Notwithstanding the above limits, because of our business model, our affiliate banks are able to leverage their relationships with one another to participate in loans collectively which they otherwise would not be able to accommodate on an individual basis. As of December 31, 2007, the aggregate lending limit of our subsidiary banks was approximately \$126.2 million.

Concentrations of Credit Risk. Our lending policies also establish customer and product concentration limits to control single customer and product exposures. As these policies are directional and not absolute, at any particular

point in time the ratios may be higher or lower because of funding on outstanding

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commitments. Set forth below are our lending policies and the segmentation of our loan portfolio by loan type as of December 31, 2007:

	Percent of Total Capital		Percent of Total Loans	
	Policy Limit	Actual	Policy Limit	Actual
Commercial Real Estate Term	400%	302%	65%	42%
Construction	250	161	30	22
Commercial and Industrial	200	156	30	21
Residential Real Estate	225	98	65	14
Consumer	50	9	15	1

Asset Quality**General**

One of our key strategies is to maintain high asset quality. We have instituted a loan grading system consisting of nine different categories. The first five are considered satisfactory. The other four grades range from a watch category to a loss category and are consistent with the grading systems used by the FDIC. All loans are assigned a credit risk grade at the time they are made, and each originating loan officer reviews the credit with his or her immediate supervisor on a quarterly basis to determine whether a change in the credit risk grade is warranted. In addition, the grading of our loan portfolio is reviewed annually by an external, independent loan review firm.

Collection Procedure

If a borrower fails to make a scheduled payment on a loan, we attempt to remedy the deficiency by contacting the borrower and seeking payment. Contacts generally are made within 15 business days after the payment becomes past due. Our Special Assets Department reviews all delinquencies on a monthly basis. Each bank's chief credit officer can approve charge-offs up to \$5,000. Amounts in excess of \$5,000 require the approval of each bank's respective board of directors. Loans deemed uncollectible are proposed for charge-off on a monthly basis at each respective bank's monthly board meeting.

Non-performing Loans

Our policies require that the chief credit officer of each bank continuously monitor the status of that bank's loan portfolio and prepare and present to the board of directors a monthly report listing all credits 30 days or more past due. All relationships graded substandard or worse typically are transferred to the Special Assets Department for corrective action. In addition, we prepare detailed status reports for all relationships rated watch or lower on a quarterly basis. These reports are provided to management and the board of directors of the applicable bank and Western Alliance.

Our policy is to classify all loans 90 days or more past due and all loans on a non-accrual status as substandard or worse, unless extraordinary circumstances suggest otherwise.

We generally stop accruing income on loans when interest or principal payments are in arrears for 90 days, or earlier if the bank's management deems appropriate. We designate loans on which we stop accruing income as non-accrual loans and we reverse outstanding interest that we previously accrued. We recognize income in the period in which we collect it, when the ultimate collectibility of principal is no longer in doubt. We return non-accrual loans to accrual status when factors indicating doubtful collection no longer exist and the loan has been brought current.

Criticized Assets

Federal regulations require that each insured bank classify its assets on a regular basis. In addition, in connection with examinations of insured institutions, examiners have authority to identify problem assets, and, if appropriate, classify them. We use grades six through nine of our loan grading system to identify potential problem assets.

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The following describes grades six through nine of our loan grading system:

Watch List/Special Mention. Generally these are assets that require more than normal management attention. These loans may involve borrowers with adverse financial trends, higher debt/equity ratios, or weaker liquidity positions, but not to the degree of being considered a problem loan where risk of loss may be apparent. Loans in this category are usually performing as agreed, although there may be some minor non-compliance with financial covenants.

Substandard. These assets contain well-defined credit weaknesses and are characterized by the possibility that the bank will sustain some loss if such weakness or deficiency is not corrected. These loans generally are adequately secured and in the event of a foreclosure action or liquidation, the bank should be protected from loss. All loans 90 days or more past due and all loans on non-accrual are considered at least substandard, unless extraordinary circumstances would suggest otherwise.

Doubtful. These assets have an extremely high probability of loss, but because of certain known factors which may work to the advantage and strengthening of the asset (for example, capital injection, perfecting liens on additional collateral and refinancing plans), classification as an estimated loss is deferred until a more precise status may be determined.

Loss. These assets are considered uncollectible, and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value, but rather that it is not practicable or desirable to defer writing off the asset, even though partial recovery may be achieved in the future.

Allowance for Loan Losses

The allowance for loan losses reflects our evaluation of the probable losses in our loan portfolio. Although management at each of our banking subsidiaries establishes its own allowance for loan losses, each bank utilizes consistent evaluation procedures. The allowance for loan losses is maintained at a level that represents each bank's management's best estimate of losses in the loan portfolio at the balance sheet date that are both probable and reasonably estimable. We maintain the allowance through provisions for loan losses that we charge to income. We charge losses on loans against the allowance for loan losses when we believe the collection of loan principal is unlikely. Recoveries on loans charged-off are restored to the allowance for loan losses.

Our evaluation of the adequacy of the allowance for loan losses includes the review of all loans for which the collectibility of principal may not be reasonably assured. For commercial real estate and commercial loans, review of financial performance, payment history and collateral values is conducted on a quarterly basis by the lending staff, and the results of that review are then reviewed by Credit Administration. For residential mortgage and consumer loans, this review primarily considers delinquencies and collateral values.

The criteria that we consider in connection with determining the overall allowance for loan losses include:

- results of the quarterly credit quality review;

- historical loss experience in each segment of the loan portfolio;

- general economic and business conditions affecting our key lending areas;

- credit quality trends (including trends in non-performing loans expected to result from existing conditions);

- collateral values;

- loan volumes and concentrations;

- age of the loan portfolio;

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specific industry conditions within portfolio segments;

duration of the current business cycle;

bank regulatory examination results; and

external loan review results.

Additions to the allowance for loan losses may be made when management has identified significant adverse conditions or circumstances related to a specific loan. Management continuously reviews the entire loan portfolio to determine the extent to which additional loan loss provisions might be deemed necessary. However, there can be no assurance that the allowance for loan losses will be adequate to cover all losses that may in fact be realized in the future or that additional provisions for loan losses will not be required.

Various regulatory agencies, as well as our outsourced loan review function, as an integral part of their review process, periodically review our loan portfolios and the related allowance for loan losses. Regulatory agencies may require us to increase the allowance for loan losses based on their review of information available to them at the time of their examination.

As of December 31, 2007, our allowance for loan losses was \$49.3 million or 1.36% of total loans.

Investment Activities

Each of our banking subsidiaries has its own investment policy, which is established by our board of directors and is approved by each respective bank's board of directors. These policies dictate that investment decisions will be made based on the safety of the investment, liquidity requirements, potential returns, cash flow targets, and consistency with our interest rate risk management. Each bank's chief financial officer is responsible for making securities portfolio decisions in accordance with established policies. The chief financial officer has the authority to purchase and sell securities within specified guidelines established by the investment policy. All transactions for a specific bank are reviewed by that bank's board of directors.

Our banks' investment policies generally limit securities investments to U.S. Government, agency and sponsored entity securities and municipal bonds, as well as investments in preferred and common stock of government sponsored entities, such as Fannie Mae, Freddie Mac, and the Federal Home Loan Bank. The policies also permit investments in mortgage-backed securities, including pass-through securities issued and guaranteed by Fannie Mae, Freddie Mac and Ginnie Mae, as well as collateralized mortgage obligations (CMOs) issued or backed by securities issued by these government agencies and privately issued investment grade CMOs. Privately issued CMOs typically offer higher rates than those paid on government agency CMOs, but lack the guaranty of such agencies and typically there is less market liquidity than agency bonds. The policies also permit investments in securities issued or backed by the SBA and investment grade asset-backed securities and adjustable rate preferred stock. Our current investment strategy uses a risk management approach of diversified investing in fixed-rate securities with short to intermediate-term maturities and floating-rate securities with long-term maturities. The emphasis of this approach is to increase overall securities yields while managing interest rate risk. To accomplish these objectives, we focus on investments in mortgage-backed securities and CMOs with a secondary focus on higher yielding investment grade asset-backed securities and adjustable rate preferred stock.

All of our investment securities are classified as available for sale, held to maturity or measured at fair value pursuant to SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities and SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. Available for sale securities are reported at fair value, with unrealized gains and losses excluded from earnings and instead reported as a separate component of stockholders equity. Held to maturity securities are those securities that we have both the intent and the ability to hold to maturity. These securities are carried at cost adjusted for amortization of premium and accretion of discount. Securities measured at fair value are reported at fair value, with unrealized gains and losses included in current earnings.

As of December 31, 2007, we had an investment securities portfolio of \$736.2 million, representing approximately 14.7% of our total assets, with the majority of the portfolio invested in AAA-rated

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securities. The average duration of our investment securities is 4.4 years as of December 31, 2007. The following table summarizes our investment securities portfolio as of December 31, 2007.

	Amount	Percent
	(\$ in millions)	
Mortgage-backed Securities	\$502.8	68.3%
U.S. Government Sponsored Agencies	24.1	3.3%
Adjustable Rate Preferred Stock	29.7	4.0%
Municipal Bonds, U.S. Treasuries	22.3	3.0%
Debt obligations and structured securities	142.1	19.3%
Other	15.2	2.1%
Total Investment Securities	\$736.2	100.0%

As of December 31, 2007 and December 31, 2006, we had an investment in bank-owned life insurance (BOLI) of \$88.1 million and \$82.1 million, respectively. We purchased the BOLI to help offset employee benefit costs.

Deposit Products and Other Funding Sources

We offer a variety of deposit products to our customers, including checking accounts, savings accounts, money market accounts and other deposit accounts, including fixed-rate, fixed maturity retail certificates of deposit ranging in terms from 30 days to five years, individual retirement accounts, and non-retail certificates of deposit consisting of jumbo certificates greater than or equal to \$100,000. We have historically focused on attracting low cost core deposits. As of December 31, 2007, our deposit portfolio was comprised of 28.4% non-interest bearing deposits, compared to 20.2% time deposits.

Our non-interest bearing deposits consist of non-interest bearing checking accounts, which, as of December 31, 2007, were comprised of 14.3% title company deposits, which consist primarily of deposits held in escrow pending the closing of commercial and residential real estate transactions, and, to a lesser extent, operating accounts for title companies; 79.5% other business deposits, which consist primarily of operating accounts for businesses; and 6.1% consumer deposits. We consider these deposits to be core deposits. We believe these deposits are generally not interest rate sensitive since these accounts are not created for investment purposes. The competition for these deposits in our markets is strong. We believe our success in attracting and retaining these deposits is based on several factors, including (1) the high level of service we provide to our customers; (2) our ability to attract and retain experienced relationship bankers who have strong relationships in their communities; (3) our broad array of cash management services; and (4) our competitive pricing on earnings credits paid on these deposits. We intend to continue our efforts to attract deposits from our business lending relationships in order to maintain our low cost of funds and improve our net interest margin. However, the loss of a significant part of our low-cost deposit base would negatively impact our profitability.

Deposit flows are significantly influenced by general and local economic conditions, changes in prevailing interest rates, internal pricing decisions and competition. Our deposits are primarily obtained from areas surrounding our branch offices. In order to attract and retain deposits, we rely on providing quality service and introducing new products and services that meet our customers' needs.

Each subsidiary bank's asset and liability committee sets its own deposit rates. Our banks consider a number of factors when determining their individual deposit rates, including:

Information on current and projected national and local economic conditions and the outlook for interest rates;

The competitive environment in the markets it operates in;

Loan and deposit positions and forecasts, including any concentrations in either; and

FHLB advance rates and rates charged on other sources of funds.

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As of December 31, 2007, we had approximately \$3.5 billion in total deposits. The following table shows our deposit composition as of December 31, 2007:

	December 31, 2007	
	Amount	Percent
	(\$ in thousands)	
Non-interest bearing demand	\$1,007,642	28.4%
Savings and money market	1,558,867	43.9%
Time, \$100K and over	649,351	18.3%
Interest bearing demand	264,586	7.5%
Other time	66,476	1.9%
Total deposits	\$3,546,922	100.0%

In addition to our deposit base, we have access to other sources of funding, including FHLB advances, repurchase agreements and unsecured lines of credit with other financial institutions. Additionally, in the past, we have accessed the capital markets through trust preferred offerings.

Financial Products & Services

In addition to traditional commercial banking activities, we provide other financial services to our customers, including:

Internet banking;

Wire transfers;

Electronic bill payment;

Lock box services;

Courier services;

Cash vault; and

Cash management services (including account reconciliation, collections and sweep accounts).

We have a service center facility which increased our capacity to provide courier, cash management and other business services.

Through Miller/Russell and Shine, we provide customers with asset allocation and investment advisory services. In addition, we provide wealth management services including trust administration of personal and retirement accounts, estate and financial planning, custody services and investments through Premier Trust.

Through PartnersFirst we offer credit cards using an innovative, partner-centric model serving affinity groups across a wide range of special interests and affiliations, including; colleges & universities, professional associations, sports, outdoor sporting and wildlife conservation organizations, and many more.

Customer, Product and Geographic Concentrations

Approximately 63.7% of our loan portfolio as of December 31, 2007 consisted of commercial real estate secured loans, including commercial real estate loans and construction and land development loans. Moreover, our business activities are currently focused in the Las Vegas, San Diego, Tucson, Phoenix, Reno and Oakland metropolitan areas. Consequently, our business is dependent on the trends of these regional economies. No individual or single group of related accounts is considered material in relation to our assets or deposits or in relation to our overall business.

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Competition

The banking and financial services business in our market areas is highly competitive. This increasingly competitive environment is a result primarily of growth in community banks, changes in regulation, changes in technology and product delivery systems, increased financial market volatility and the accelerating pace of consolidation among financial services providers. We compete for loans, deposits and customers with other commercial banks, local community banks, savings and loan associations, securities and brokerage companies, mortgage companies, insurance companies, finance companies, money market funds, credit unions, and other non-bank financial services providers. Many of these competitors are much larger in total assets and capitalization, have greater access to capital markets and offer a broader range of financial services than we can offer.

Competition for deposit and loan products remains strong from both banking and non-banking firms, and this competition directly affects the rates of those products and the terms on which they are offered to consumers. Technological innovation continues to contribute to greater competition in domestic and international financial services markets. Many customers now expect a choice of several delivery systems and channels, including telephone, mail, home computer and ATMs.

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

Employees

As of December 31, 2007, we had 992 full-time equivalent employees.

Legal Proceedings

There are no material pending legal proceedings to which we are a party or to which any of our properties are subject. There are no material proceedings known to us to be contemplated by any governmental authority. From time to time, we are involved in a variety of litigation matters in the ordinary course of our business and anticipate that we will become involved in new litigation matters in the future.

Financial Information Regarding Segment Reporting

We currently operate our business in eight operating segments: Bank of Nevada, Alliance Bank of Arizona, Torrey Pines Bank, Alta Alliance Bank, First Independent Bank of Nevada, Premier Trust, Inc., Miller/Russell & Associates, Inc. and Shine Investment Advisory Services, Inc. Please refer to Note 19 Segment Information to our Consolidated Financial Statements for financial information regarding segment reporting.

SUPERVISION AND REGULATION

The following discussion is only intended to summarize some of the significant statutes and regulations that affect the banking industry and therefore is not a comprehensive survey of the field. These summaries are qualified in their entirety by reference to the particular statute or regulation that is referenced or described. Changes in applicable laws or regulations or in the policies of banking supervisory agencies, or the adoption of new laws or regulations, may have a material effect on Western Alliance's business and prospects. Changes in fiscal or monetary policies also may affect Western Alliance. The probability, timing, nature or extent of such changes or their effect on Western Alliance cannot be predicted.

Bank Holding Company Regulation

General. Western Alliance Bancorporation is a bank holding company and is registered with the Board of Governors of the Federal Reserve System (Federal Reserve) under the Bank Holding Company Act of 1956 (the BHC Act). As such, the Federal Reserve is Western Alliance's primary federal regulator, and Western Alliance is subject to extensive regulation, supervision and examination by the Federal Reserve. Western

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Alliance must file reports with the Federal Reserve and provide it with such additional information as it may require.

Under Federal Reserve regulations, a bank holding company is required to serve as a source of financial and managerial strength for its subsidiary banks and may not conduct its operations in an unsafe or unsound manner. In addition, it is the Federal Reserve's policy that, in serving as a source of strength to its subsidiary banks, a bank holding company should stand ready to use its available resources to provide adequate capital to its subsidiary banks during a period of financial stress or adversity and should maintain the financial flexibility and capital-raising capacity to obtain additional resources for assisting its subsidiary banks. This expectation to serve as a source of financial strength is in addition to certain guarantees required under the prompt correction actions provisions discussed below. A bank holding company's failure to meet these obligations will generally be considered by the Federal Reserve to be an unsafe and unsound banking practice or a violation of Federal Reserve regulations, or both.

Among its powers, the Federal Reserve may require a bank holding company to terminate an activity or terminate control of, divest or liquidate subsidiaries or affiliates that the Federal Reserve determines constitute a significant risk to the financial safety or soundness of the bank holding company or any of its bank subsidiaries. Subject to certain exceptions, bank holding companies also are required to give written notice to and receive approval from the Federal Reserve before purchasing or redeeming their common stock or other equity securities. The Federal Reserve also may regulate provisions of a bank holding company's debt, including by imposing interest rate ceilings and reserve requirements. In addition, the Federal Reserve requires all bank holding companies to maintain capital at or above certain prescribed levels.

Holding Company Bank Ownership. The BHC Act requires every bank holding company to obtain the approval of the Federal Reserve before it may acquire, directly or indirectly, ownership or control of any voting shares of another bank or bank holding company if, after such acquisition, it would own or control more than 5% of any class of the outstanding voting shares of such other bank or bank holding company, acquire all or substantially all the assets of another bank or bank holding company or merge or consolidate with another bank holding company.

Holding Company Non-bank Ownership. With certain exceptions, the BHC Act prohibits a bank holding company from acquiring or retaining, directly or indirectly, ownership or control of more than 5% of the outstanding voting shares of any company that is not a bank or bank holding company, or from engaging, directly or indirectly, in activities other than those of banking, managing or controlling banks, or providing services for its subsidiaries. The principal exceptions to these prohibitions involve certain non-bank activities that have been identified, by statute or by Federal Reserve regulation or order as activities so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto. Business activities that have been determined to be so related to banking include securities brokerage services, investment advisory services, fiduciary services and certain management advisory and data processing services, among others. A bank holding company that qualifies as a financial holding company also may engage in a broader range of activities that are financial in nature (and complementary to such activities), as discussed below.

In addition, bank holding companies that qualify and elect to become financial holding companies such as Western Alliance, may engage in non-bank activities that have been identified by the Gramm-Leach-Bliley Act of 1999 (GLB Act) or by Federal Reserve and Treasury Department Regulation as financial in nature or incidental to a financial activity. The Federal Reserve may also determine that a financial holding company may engage in certain activities that are complementary to a financial activity. Activities that are defined as financial in nature include securities underwriting, dealing and market making, sponsoring mutual funds and investment companies, engaging in insurance underwriting and agency activities, and making merchant banking investments in non-financial companies. In order to become or remain a financial holding company, a bank holding company must be well-capitalized, well-managed, and, except in limited circumstances, have at least satisfactory CRA ratings. Failure by a financial holding company to maintain compliance with these requirements or correct non-compliance within a fixed time period could lead to divestiture of all subsidiary banks or a requirement to conform all non-banking activities to those permissible for a bank holding company that has not elected financial holding company status.

Change in Control. In the event that the BHC Act is not applicable to a person or entity, the Change in Bank Control Act of 1978 (CIBC Act) requires, that such person or entity give notice to the Federal Reserve and the Federal Reserve not disapprove such notice before such person or entity may acquire control of a bank or bank holding

company. A limited number of exemptions apply to such transactions. Control is conclusively presumed to exist if a person or entity acquires 25% or more of the outstanding

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shares of any class of voting stock of the bank holding company or insured depository institution. Control is rebuttably presumed to exist if a person or entity acquires 10% or more but less than 25% of such voting stock and either the issuer has a class of registered securities under Section 12 of the Securities Exchange Act of 1934, as amended (the 1934 Act), or no other person or entity will own, control or hold the power to vote a greater percentage of such voting stock immediately after the transaction.

State Law Restrictions. As a Nevada corporation, Western Alliance is subject to certain limitations and restrictions under applicable Nevada corporate law. For example, Nevada law imposes restrictions relating to indemnification of directors, maintenance of books, records and minutes and observance of certain corporate formalities. Western Alliance also is a bank holding company within the meaning of state law in the states where its subsidiary banks are located. As such, it is subject to examination by and may be required to file reports with the Nevada Financial Institutions Division (Nevada FID) under sections 666.095 and 666.105 of the Nevada Revised Statutes. Western Alliance must obtain the approval of the Nevada Commissioner of Financial Institutions (Nevada Commissioner) before it may acquire another bank. Any transfer of control of a Nevada bank holding company must be approved in advance by the Nevada Commissioner.

Under section 6-142 of the Arizona Revised Statutes, no person may acquire control of a company that controls an Arizona bank without the prior approval of the Arizona Superintendent of Financial Institutions (Arizona Superintendent). A person who has the power to vote 15% or more of the voting stock of a controlling company is presumed to control the company.

Western Alliance also is subject to examination and reporting requirements of the California Department of Financial Institutions (California DFI) under sections 3703 and 3704 of the California Financial Code. Any transfer of control of a corporation that controls a California bank requires the prior approval of the California Commissioner of Financial Institutions (California Commissioner).

Bank Regulation

General. Western Alliance controls five subsidiary banks. Bank of Nevada, located in Las Vegas, Nevada and First Independent Bank of Nevada, located in Reno, Nevada are chartered by the State of Nevada and are subject to primary regulation, supervision and examination by the Nevada FID. Alliance Bank, located in Phoenix, Arizona, is chartered by the State of Arizona and is subject to primary regulation, supervision and examination by the Arizona State Banking Department (Arizona SBD). Torrey Pines Bank, located in San Diego, California, is chartered by the State of California and is subject to primary regulation, supervision and examination by the California DFI. Bank of Nevada, Alliance Bank of Arizona, Torrey Pines Bank and First Independent Bank of Nevada also are subject to regulation by the FDIC, which is their primary federal banking agency. Alta Alliance Bank is chartered by the State of California and is subject to primary regulation, supervision and examination by the California DFI. Alta Alliance Bank is also a member of the Federal Reserve System and is subject to supervision and regulation by the Federal Reserve, which is its primary federal banking agency.

Federal and state banking laws and the implementing regulations promulgated by the federal and state banking regulatory agencies cover most aspects of the banks' operations, including capital requirements, reserve requirements against deposits and for possible loan losses and other contingencies, dividends and other distributions to shareholders, customers' interests in deposit accounts, payment of interest on certain deposits, permissible activities and investments, securities that a bank may issue and borrowings that a bank may incur, rate of growth, number and location of branch offices and acquisition and merger activity with other financial institutions.

Deposits in the banks are insured by the FDIC to applicable limits through the Deposit Insurance Fund. All of Western Alliance's subsidiary banks are required to pay deposit insurance premiums, which are assessed semiannually and paid quarterly. The premium amount is based upon a risk classification system established by the FDIC. Banks with higher levels of capital and a low degree of supervisory concern are assessed lower premiums than banks with lower levels of capital or a higher degree of supervisory concern. The Federal Deposit Insurance Reform Act of 2005 (the Reform Act) merged the Bank Insurance Fund and the Savings Association Fund into a single Deposit Insurance Fund, increased the maximum amount of the insurance coverage for certain retirement accounts and possible inflation adjustments in the maximum amount of coverage available with respect to other insured accounts, and gave the FDIC more discretion to price deposit insurance coverage according to risk for all insured institutions regardless of the

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level of the fund reserve ratio. For 2008, the FDIC maintains rates of between 5 cents and 7 cents for \$100.00 of deposits for banks with higher levels of capital and a low degree of supervisory concern, up to 43 cents per \$100.00 of deposits for institutions in the highest risk category.

If, as a result of an examination, the FDIC or the Federal Reserve, as applicable, were to determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of any of the banks' operations had become unsatisfactory, or that any of the banks or their management was in violation of any law or regulation, the FDIC or the Federal Reserve may take a number of different remedial actions as it deems appropriate. These actions include the power to enjoin unsafe or unsound practices, to require affirmative actions to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in the bank's capital, to restrict the bank's growth, to assess civil monetary penalties against the bank's officers or directors, to remove officers and directors and, if the FDIC concludes that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate the bank's deposit insurance.

Under Nevada, Arizona and California law, the respective state banking supervisory authority has many of the same remedial powers with respect to its state-chartered banks.

Change in Control. The application of the CIBC Act is described in the discussion above regarding bank holding companies. Under Nevada banking law, a Nevada bank must report a change in ownership of 10% or more of the bank's outstanding voting stock to the Nevada FID within three business days after obtaining knowledge of the change. Any person who acquires control of a Nevada bank must obtain the prior approval of the Nevada Commissioner. Arizona banking law provides that no person may acquire control of an Arizona bank without the prior approval of the Arizona Superintendent. A person who has the power to vote 15% or more of the voting stock of an Arizona bank is presumed to control the bank. California banking law requires that any person must obtain the prior approval of the California Commissioner before that person may acquire control of a California bank. A person who has the power to vote 10% or more of the voting stock of a California bank is presumed to control the bank.

Bank Merger. Section 18(c) of the Federal Deposit Insurance Act (FDI Act) requires a bank or any other insured depository institution to obtain the approval of its primary federal banking supervisory authority before it may merge or consolidate with or acquire the assets or assume the liabilities of any other insured depository institution. State law requirements are similar. Nevada banking law requires that a bank must obtain the prior approval of the Nevada Commissioner before it may merge or consolidate with or transfer its assets and liabilities to another bank. Arizona banking law requires the approval of the Arizona Superintendent before a bank may merge or consolidate with another bank. Under California law, a California bank that is the survivor of a merger must file an application for approval with the California Commissioner.

Regulation of Non-banking Subsidiaries

Miller/Russell & Associates, Inc. and Shine Investment Advisory Services, Inc. Miller/Russell & Associates, Inc., an Arizona corporation, and Shine Investment Advisory Services, Inc., a Colorado corporation, are investment advisers that are registered with the SEC under the Investment Advisers Act of 1940 (Advisers Act). Under the Advisers Act, an investment adviser is subject to supervision and inspection by the SEC. A significant element of supervision under the Advisers Act is the requirement to make significant disclosures to the public under Part II of Form ADV of the adviser's services and fees, the qualifications of its associated persons, financial difficulties and potential conflicts of interests. An investment adviser must keep extensive books and records, including all customer agreements, communications with clients, orders placed and proprietary trading by the adviser or any advisory representative.

Premier Trust Inc. Premier Trust, Inc. is a trust company licensed by the State of Nevada. Under Nevada law, a company may not transact any trust business, with certain exceptions, unless authorized by the Commissioner. The Commissioner examines the books and records of registered trust companies and may take possession of all the property and assets of a trust company whose capital is impaired or is otherwise determined to be unsafe and a danger to the public. Premier Trust, Inc. also is licensed as a trust company in Arizona and is subject to regulation and examination by the Arizona Superintendent.

Table of Contents**Capital Standards**

Regulatory Capital Guidelines. The Federal Reserve and the FDIC have risk-based capital adequacy guidelines intended to measure capital adequacy with regard to the degree of risk associated with a banking organization's operations for transactions reported on the balance sheet as assets and transactions, such as letters of credit and recourse arrangements, that are reported as off-balance-sheet items. Under these guidelines, the nominal dollar amounts of assets on the balance sheet and credit-equivalent amounts of off-balance-sheet items are multiplied by one of several risk adjustment percentages. These range from 0.0% for assets with low credit risk, such as cash and certain U.S. government securities, to 100.0% for assets with relatively higher credit risk, such as business loans. A banking organization's risk-based capital ratios are obtained by dividing its Tier 1 capital and total qualifying capital (Tier 1 capital and a limited amount of Tier 2 capital) by its total risk-adjusted assets and off-balance-sheet items. Tier 1 capital consists of common stock, retained earnings, non-cumulative perpetual preferred stock and minority interests in certain subsidiaries, less most other intangible assets. Tier 2 capital may consist of a limited amount of the allowance for loan and lease losses and certain other instruments that have some characteristics of equity. The inclusion of elements of Tier 2 capital as qualifying capital is subject to certain other requirements and limitations of the federal banking supervisory agencies. Since December 31, 1992, the Federal Reserve and the FDIC have required a minimum ratio of Tier 1 capital to risk-adjusted assets and off-balance-sheet items of 4.0% and a minimum ratio of qualifying total capital to risk-adjusted assets and off-balance-sheet items of 8.0%.

The Federal Reserve and the FDIC require banking organizations to maintain a minimum amount of Tier 1 capital relative to average total assets, referred to as the leverage ratio. The principal objective of the leverage ratio is to constrain the maximum degree to which a bank holding company may leverage its equity capital base. For a banking organization rated in the highest of the five categories used by regulators to rate banking organizations, the minimum leverage ratio of Tier 1 capital to total assets is 3.0%. However, an institution with a 3.0% leverage ratio would be unlikely to receive the highest rating since a strong capital position is a significant part of the regulators' rating criteria. All banking organizations not rated in the highest category must maintain an additional capital cushion of 100 to 200 basis points. The Federal Reserve and the FDIC have the discretion to set higher minimum capital requirements for specific institutions whose specific circumstances warrant it, such as a bank or bank holding company anticipating significant growth. A bank that does not achieve and maintain the required capital levels may be issued a capital directive by the Federal Reserve or the FDIC, as appropriate, to ensure the maintenance of required capital levels. Neither the Federal Reserve nor the FDIC has advised Western Alliance or any of its subsidiary banks that it is subject to any special capital requirements.

Prompt Corrective Action. Federal banking agencies possess broad powers to take corrective and other supervisory action to resolve the problems of insured depository institutions, including institutions that fall below one or more of the prescribed minimum capital ratios described above. An institution that is classified based upon its capital levels as well-capitalized, adequately capitalized, or undercapitalized may be treated as though it was in the next lower capital category if its primary federal banking supervisory authority, after notice and opportunity for hearing, determines that an unsafe or unsound condition or practice warrants such treatment. At each successively lower capital category, an insured depository institution is subject to additional restrictions. A bank holding company must guarantee that a subsidiary bank that adopts a capital restoration plan will meet its plan obligations, in an amount not to exceed 5% of the subsidiary bank's assets or the amount required to meet regulatory capital requirements, whichever is less. Any capital loans made by a bank holding company to a subsidiary bank are subordinated to the claims of depositors in the bank and to certain other indebtedness of the subsidiary bank. In the event of the bankruptcy of a bank holding company, any commitment by the bank holding company to a federal banking regulatory agency to maintain the capital of a subsidiary bank would be assumed by the bankruptcy trustee and would be entitled to priority of payment.

In addition to measures that may be taken under the prompt corrective action provisions, federal banking regulatory authorities may bring enforcement actions against banks and bank holding companies for unsafe or unsound practices in the conduct of their businesses or for violations of any law, rule or regulation, any condition imposed in writing by the appropriate federal banking regulatory authority or any written agreement with the authority. Possible enforcement actions include the appointment of a conservator or receiver, the issuance of a cease-and-desist order that could be judicially enforced, the termination of insurance of deposits (in the case of a

depository institution), the imposition of civil money penalties, the issuance of directives to increase capital, the issuance of formal and informal agreements, the issuance of removal and prohibition orders against institution-affiliated parties and the enforcement of such

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actions through injunctions or restraining orders. In addition, a bank holding company's inability to serve as a source of strength for its subsidiary banks could serve as an additional basis for a regulatory action against the bank holding company.

Under Nevada law, if the stockholders' equity of a Nevada state-chartered bank becomes impaired, the Nevada Commissioner must require the bank to make the impairment good within three months after receiving notice from the Nevada Commissioner. If the impairment is not made good, the Nevada Commissioner may take possession of the bank and liquidate it.

Dividends. Western Alliance has never declared or paid cash dividends on its capital stock. Western Alliance currently intends to retain any future earnings for future growth and does not anticipate paying any cash dividends in the foreseeable future. Any determination in the future to pay dividends will be at the discretion of Western Alliance's board of directors and will depend on the company's earnings, financial condition, results of operations, business prospects, capital requirements, regulatory restrictions, contractual restrictions and other factors that the board of directors may deem relevant.

Western Alliance's ability to pay dividends is subject to the regulatory authority of the Federal Reserve. Although there are no specific federal laws or regulations restricting dividend payments by bank holding companies, the supervisory concern of the Federal Reserve focuses on a holding company's capital position, its ability to meet its financial obligations as they come due, and its capacity to act as a source of financial strength to its subsidiaries. In addition, Federal Reserve policy discourages the payment of dividends by a bank holding company that are not supported by current operating earnings.

As a bank holding company registered with the State of Nevada, Western Alliance also is subject to limitations under Nevada law on the payment of dividends. Nevada banking law imposes no restrictions on bank holding companies regarding the payment of dividends. Under Nevada corporate law, section 78.288 of the Nevada Revised Statutes provides that no cash dividend or other distribution to shareholders, other than a stock dividend, may be made if, after giving effect to the dividend, the corporation would not be able to pay its debts as they become due or, unless specifically allowed by the articles of incorporation, the corporation's total assets would be less than the sum of its total liabilities and the claims of preferred stockholders upon dissolution of the corporation.

From time to time, Western Alliance may become a party to financing agreements and other contractual obligations that have the effect of limiting or prohibiting the declaration or payment of dividends. Holding company expenses and obligations with respect to its outstanding trust preferred securities and corresponding subordinated debt also may limit or impair Western Alliance's ability to declare and pay dividends.

Since Western Alliance has no significant assets other than the voting stock of its subsidiaries, it currently depends on dividends from its bank subsidiaries and, to a lesser extent, its non-bank subsidiaries, for a substantial portion of its revenue. The ability of a state non-member bank to pay cash dividends is not restricted by federal law or regulations. Under Federal Reserve regulations, Alta Alliance Bank, as a state member bank, may not, without the prior approval of the Federal Reserve pay dividends that exceed the sum of the bank's net income during the year and the retained net income of the prior two years. State law imposes restrictions on the ability of each of Western Alliance's subsidiary banks to pay dividends:

Under sections 661.235 and 661.240 of the Nevada Revised Statutes, Bank of Nevada and First Independent Bank of Nevada may not pay dividends unless the bank's surplus fund, not including any initial surplus fund, equals the bank's initial stockholders' equity, plus 10% of the previous year's net profits, and the dividend would not reduce the bank's stockholders' equity below the initial stockholders' equity of the bank, which must be at least 6% of the total deposit liability of the bank.

Under section 6-187 of the Arizona Revised Statutes, Alliance Bank of Arizona may pay dividends on the same basis as any other Arizona corporation. Under section 10-640 of the Arizona Revised Statutes, a corporation may not make a distribution to shareholders if to do so would render the corporation insolvent or unable to pay its debts as they become due. However, an Arizona bank may not declare a non-stock dividend out of capital surplus without the approval of the Superintendent.

Under section 642 of the California Financial Code, Torrey Pines Bank and Alta Alliance Bank may not, without the prior approval of the California Commissioner, make a distribution to its shareholders in an amount exceeding the bank's retained earnings or its net income during its last three fiscal years, less any previous distributions made during that period by the bank or its subsidiaries, whichever is less. Under section 643 of the California Financial Code, the California

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Commissioner may approve a larger distribution, but in no event to exceed the bank's net income during the year, net income during the prior fiscal year or retained earnings, whichever is greatest.

Redemption. A bank holding company may not purchase or redeem its equity securities without the prior written approval of the Federal Reserve if the purchase or redemption combined with all other purchases and redemptions by the bank holding company during the preceding 12 months equals or exceeds 10% of the bank holding company's consolidated net worth. However, prior approval is not required if the bank holding company is well-managed, not the subject of any unresolved supervisory issues and both before and immediately after the purchase or redemption is well-capitalized.

Increasing Competition in Financial Services

Interstate Banking And Branching. The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (Riegle-Neal Act) generally authorizes interstate branching. Currently, bank holding companies may purchase banks in any state, and banks may merge with banks in other states, unless the home state of the bank holding company or either merging bank has opted out under the legislation. After properly entering a state, an out-of-state bank may establish de novo branches or acquire branches or acquire other banks on the same terms as a bank that is chartered by the state.

Selected Regulation of Banking Activities

Transactions with Affiliates. Banks are subject to restrictions imposed by the FRA and regulations adopted by the Federal Reserve to implement it with regard to extensions of credit to affiliates, investments in securities issued by affiliates and the use of affiliates' securities as collateral for loans to any borrower. These laws and regulations may limit the ability of Western Alliance to obtain funds from its subsidiary banks for its cash needs, including funds for payment of dividends, interest and operational expenses.

Additionally, banks may generally engage in transactions with affiliates only on terms that are substantially, the same, or at least as favorable to the bank, as prevailing market terms.

Insider Credit Transactions. Banks also are subject to certain restrictions regarding extensions of credit to executive officers, directors or principal shareholders of a bank and its affiliates or to any related interests of such persons (i.e., insiders). All extensions of credit to insiders must be made on substantially the same terms and pursuant to the same credit underwriting procedures as are applicable to comparable transactions with persons who are neither insiders nor employees, and must not involve more than the normal risk of repayment or present other unfavorable features. Insider loans also are subject to certain lending limits, restrictions on overdrafts to insiders and requirements for prior approval by the bank's board of directors.

Lending Limits. In addition to the limits set forth above, state banking law generally limits the amount of funds that a bank may lend to a single borrower. Under Nevada law, the total obligations owed to a bank by one person generally may not exceed 25% of stockholders' tangible equity. Under Arizona law, the obligations of one borrower to a bank may not exceed 20% of the bank's capital, plus an additional 10% of its capital if the additional amounts are fully secured by readily marketable collateral. Under California law, the obligations of any one borrower to a bank generally may not exceed 25% of an amount equal to the sum of the bank's shareholders' equity, allowance for loan losses, capital notes and debentures, provided that the total unsecured obligations may not exceed 15% of such amount.

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Recent Banking Agency Loan Guidance. In December 2006, the Federal Reserve, FDIC and other federal banking agencies issues final guidance on sound risk management practices for concentrations in commercial real estate (CRE) lending. The CRE guidance provided supervisory criteria, including numerical indicators to direct examiners in identifying institutions with potentially significant CRE loan concentrations that may warrant greater supervisory scrutiny. The CRE criteria do not constitute limits on CRE lending, but the CRE guidance does provide certain additional expectations, such as enhanced risk management practices and levels of capital, for banks with concentrations in CRE lending.

During 2007, the Federal Reserve, FDIC and other federal banking agencies issued final guidance on subprime mortgage lending to address issues relating to certain subprime mortgages, especially adjustable-rate mortgage (ARM) products that can cause payment shock. The subprime guidance described the prudent safety and soundness and consumer protection standards that the regulators expect banks and financial institutions, such as Webster and Webster Bank, to follow to ensure borrowers obtain loans they can afford to repay.

Tying Arrangements. Western Alliance and its subsidiary banks are prohibited from engaging in certain tying arrangements in connection with any extension of credit, sale or lease of property or furnishing of services. With certain exceptions for traditional banking services, Western Alliance's subsidiary banks may not condition an extension of credit to a customer on a requirement that the customer obtain additional credit, property or services from the bank, Western Alliance or any of Western Alliance's other subsidiaries, that the customer provide some additional credit, property or services to the bank, Western Alliance or any of Western Alliance's other subsidiaries or that the customer refrain from obtaining credit, property or other services from a competitor.

Regulation of Management. Federal law sets forth circumstances under which officers or directors of a bank or bank holding company may be removed by the institution's primary federal banking supervisory authority. Federal law also prohibits a management official of a bank or bank holding company from serving as a management official with an unaffiliated bank or bank holding company that has offices within a specified geographic area that is related to the location of the bank's offices and the asset size of the institutions.

Safety and Soundness Standards. Federal law imposes upon banks certain non-capital safety and soundness standards. These standards cover internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation and benefits. Additional standards apply to asset quality, earnings and stock valuation. An institution that fails to meet these standards must develop a plan, acceptable to its regulators, specifying the steps that the institution will take to meet the standards. Failure to submit or implement such a plan may subject the institution to regulatory sanctions.

Consumer Protection Laws and Regulations

The banking regulatory authorities have increased their attention in recent years to compliance with consumer protection laws and their implementing regulations. Examination and enforcement have become more intense in nature, and insured institutions have been advised to monitor carefully compliance with such laws and regulations. The bank is subject to many federal consumer protection statutes and regulations, some of which are discussed below.

Community Reinvestment Act. The Community Reinvestment Act (CRA) is intended to encourage insured depository institutions, while operating safely and soundly, to help meet the credit needs of their communities. The CRA specifically directs the federal regulatory agencies, when examining insured depository institutions, to assess a bank's record of helping meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound banking practices. The CRA further requires the agencies to take a financial institution's record of meeting its community credit needs into account when evaluating applications for, among other things, domestic branches, mergers or acquisitions, or holding company formations. The agencies use the CRA assessment factors in order to provide a rating to the financial institution. The ratings range from a high of outstanding to a low of substantial noncompliance. Bank of Nevada has consistently been rated Outstanding for CRA performance by the FDIC, most recently as of October 10, 2006. First Independent Bank of Nevada also was rated Outstanding for CRA performance by the FDIC as of October 29, 2001. Alliance Bank of Arizona and Torrey Pines Bank were rated Satisfactory for CRA performance by the FDIC as of November 1, 2005 and September 1, 2006, respectively. Western's other subsidiary bank, Alta Alliance Bank, opened on October 16, 2006, and has not yet had its first CRA examination.

Equal Credit Opportunity Act. The Equal Credit Opportunity Act generally prohibits discrimination in any credit transaction, whether for consumer or business purposes, on the basis of race, color, religion, national origin, sex, marital status, age (except in limited circumstances), receipt of income from public assistance programs, or good faith exercise of any rights under the Consumer Credit Protection Act.

Truth in Lending Act. The Truth in Lending Act (TILA) is designed to ensure that credit terms are disclosed in a meaningful way so that consumers may compare credit terms more readily and knowledgeably. As a result of TILA, all creditors must use the same credit terminology to express rates and payments, including the annual percentage rate, the finance charge, the amount financed, the total of payments and the payment schedule, among other things.

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Fair Housing Act. The Fair Housing Act (FHA) regulates many practices, and makes it unlawful for any lender to discriminate in its housing-related lending activities against any person because of race, color, religion, national origin, sex, handicap or familial status. A number of lending practices have been found by the courts to be illegal under the FHA, including some practices that are not specifically mentioned in the FHA.

Home Mortgage Disclosure Act. The Home Mortgage Disclosure Act (HMDA) grew out of public concern over credit shortages in certain urban neighborhoods and provides public information that is intended to help to show whether financial institutions are serving the housing credit needs of the neighborhoods and communities in which they are located. The HMDA also includes a fair lending aspect that requires the collection and disclosure of data about applicant and borrower characteristics as a way of identifying possible discriminatory lending patterns and enforcing anti-discrimination statutes. Beginning with data reported for 2005, the amount of information that financial institutions collect and disclose concerning applicants and borrowers has expanded, which has increased the attention that HMDA data receives from state and federal banking supervisory authorities, community-oriented organizations and the general public.

Real Estate Settlement Procedures Act. The Real Estate Settlement Procedures Act (RESPA) requires lenders to provide borrowers with disclosures regarding the nature and cost of real estate settlements. RESPA also prohibits certain abusive practices, such as kickbacks and fee-splitting without providing settlement services.

Penalties under the above laws may include fines, reimbursements and other penalties. Due to heightened regulatory concern related to compliance with these laws generally, Western Alliance and its subsidiary banks may incur additional compliance costs or be required to expend additional funds for investments in its local community.

Predatory Lending

Predatory lending is a far-reaching concept and potentially covers a broad range of behavior. As such, it does not lend itself to a concise or comprehensive definition. However, predatory lending typically involves one or more of the following elements:

- making unaffordable loans based on the borrower's assets rather than the borrower's ability to repay an obligation;

- inducing a borrower to refinance a loan repeatedly in order to charge high points and fees each time the loan is refinanced, or loan flipping; and

- engaging in fraud or deception to conceal the true nature of the loan obligation from an unsuspecting or unsophisticated borrower.

The Home Ownership Equity and Protection Act of 1994 (HOEPA) and regulations adopted by the Federal Reserve to implement it require extra disclosures and extend additional protection to borrowers in closed end consumer credit transactions, such as home repairs or renovation, that are secured by a mortgage on the borrower's primary residence. The HOEPA disclosures and protections are applicable to such high cost transactions with any of the following features:

- interest rates for first lien mortgage loans more than eight percentage points above the yield on U.S. Treasury securities having a comparable maturity;

- interest rates for subordinate lien mortgage loans more than 10 percentage points above the yield on U.S. Treasury securities having a comparable maturity; or

- total points and fees paid in connection with the credit transaction exceed the greater of either 8% of the loan amount or a specified dollar amount that is inflation-adjusted each year.

HOEPA prohibits or restricts numerous credit practices including loan flipping by the same lender or loan servicer within a year of the loan being refinanced. Lenders are presumed to have violated the law unless they document that the borrower has the ability to repay. Lenders that violate the rules face cancellation of loans and penalties equal to the finance charges paid. HOEPA also regulates so-called reverse mortgages.

In December 2007, the Federal Reserve issued proposed rules under HOEPA in order to address recent practices in the subprime mortgage market. The proposed rules would require disclosures and additional protections or prohibitions on certain practices connected with higher-priced mortgages, which the proposed rules define as closed-end mortgage loans that are secured by a consumer's principal dwelling that carry interest rates that exceed the yield on comparable U.S. Treasury securities by at least 3 percentage points for first-lien loans, or 5 percentage points for subordinate-lien loans.

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Privacy

Under the GLB Act, all financial institutions, including Western Alliance, its bank subsidiaries and certain of their non-banking affiliates and subsidiaries are required to establish policies and procedures to restrict the sharing of non-public customer data with non-affiliated parties at the customer's request and to protect customer data from unauthorized access. In addition, the Fair Credit Reporting Act of 1971 (FCRA) includes many provisions concerning national credit reporting standards and permits consumers, including customers of Western Alliance's subsidiary banks, to opt out of information-sharing for marketing purposes among affiliated companies. The Fair and Accurate Credit Transactions Act of 2004 amended certain provisions of the FCRA and requires banks and other financial institutions to notify their customers if they report negative information about them to a credit bureau or if they are granted credit on terms less favorable than those generally available. The Federal Reserve and the Federal Trade Commission have extensive rulemaking authority under the FCRA, and Western Alliance and its subsidiary banks are subject to these provisions. Western Alliance has developed policies and procedures for itself and its subsidiaries to maintain compliance and believes it is in compliance with all privacy, information sharing and notification provisions of the GLB Act and the FCRA.

Under California law, every business that owns or licenses personal information about a California resident must maintain reasonable security procedures and policies to protect that information. All customer records that contain personal information and that are no longer required to be retained must be destroyed. Any person that conducts business in California, maintains customers' personal information in unencrypted computer records and experiences a breach of security with regard to those records must promptly disclose the breach to all California residents whose personal information was or is reasonably believed to have been acquired by unauthorized persons as a result of such breach. Any person who maintains computerized personal data for others and experiences a breach of security must promptly inform the owner or licensee of the breach. A business may not provide personal information of its customers to third parties for direct mailing purposes unless the customer opts in to such information sharing. A business that fails to provide this privilege to its customers must report the uses made of its customers' data upon a customer's request.

Compliance

In order to assure that Western Alliance and its subsidiary banks are in compliance with the laws and regulations that apply to their operations, including those summarized herein, Western Alliance and each of its subsidiary banks employs a compliance officer. Western Alliance is regularly reviewed by the Federal Reserve and the subsidiary banks are regularly reviewed by their respective state and federal banking agencies, as part of which their compliance with applicable laws and regulations is assessed. Based on the assessments of its outside compliance auditors and state and federal banking supervisory authorities of Western Alliance and its subsidiary banks, Western Alliance believes that it materially complies with all the laws and regulations that apply to its operations.

Corporate Governance and Accounting Legislation

Sarbanes-Oxley Act of 2003. The Sarbanes-Oxley Act (SOX) was adopted for the stated purpose to increase corporate responsibility, enhance penalties for accounting and auditing improprieties at publicly traded companies, and protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws. It applies generally to all companies that file or are required to file periodic reports with the SEC under the Securities Exchange Act of 1934 (Exchange Act), which includes Western Alliance. SOX requires the SEC and securities exchanges to adopt extensive additional disclosure, corporate governance and other related rules and mandates further studies of certain issues by the SEC and the Comptroller General. Among its provisions, SOX subjects bonuses issued to top executives to disgorgement if a subsequent restatement of a company's financial statements was due to corporate misconduct, prohibits an officer or director from misleading or coercing an auditor, prohibits insider trades during pension fund blackout periods, imposes new criminal penalties for fraud and other wrongful acts and extends the period during which certain securities fraud lawsuits can be brought against a company or its officers.

Anti-Money Laundering and Anti-Terrorism Legislation

Congress enacted the Bank Secrecy Act of 1970 (the BSA) to require financial institutions, including Western Alliance and its subsidiary banks, to maintain certain records and to report certain transactions to

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prevent such institutions from being used to hide money derived from criminal activity and tax evasion. The BSA establishes, among other things, (a) record keeping requirements to assist government enforcement agencies in tracing financial transactions and flow of funds; (b) reporting requirements for Suspicious Activity Reports and Currency Transaction Reports to assist government enforcement agencies in detecting patterns of criminal activity; (c) enforcement provisions authorizing criminal and civil penalties for illegal activities and violations of the BSA and its implementing regulations; and (d) safe harbor provisions that protect financial institutions from civil liability for their cooperative efforts.

Title III of the USA PATRIOT Act of 2001 (the USA PATRIOT Act) amended the BSA and incorporates anti-terrorist financing provisions into the requirements of the BSA and its implementing regulations. Among other things, the USA PATRIOT Act requires all financial institutions, including Western Alliance, its subsidiary banks and several of their non-banking affiliates and subsidiaries, to institute and maintain a risk-based anti-money laundering compliance program that includes a customer identification program, provides for information sharing with law enforcement and between certain financial institutions by means of an exemption from the privacy provisions of the GLB Act, prohibits U.S. banks and broker-dealers from maintaining accounts with foreign shell banks, establishes due diligence and enhanced due diligence requirements for certain foreign correspondent banking and foreign private banking accounts and imposes additional record keeping requirements for certain correspondent banking arrangements. The USA PATRIOT Act also grants broad authority to the Secretary of the Treasury to take actions to combat money laundering, and federal bank regulators are required to evaluate the effectiveness of an applicant in combating money laundering in determining whether to approve any application submitted by a financial institution. Western Alliance and its affiliates have adopted policies, procedures and controls to comply with the BSA and the USA PATRIOT Act, and they engage in very few transactions of any kind with foreign financial institutions or foreign persons.

The Department of the Treasury's Office of Foreign Asset Control (OFAC) administers and enforces economic and trade sanctions against targeted foreign countries, entities and individuals based on U.S. foreign policy and national security goals. As a result, financial institutions, including Western Alliance, its subsidiary banks and several of their non-banking affiliates and subsidiaries, must scrutinize transactions to ensure that they do not represent obligations of, or ownership interests in, entities owned or controlled by sanctioned targets. In addition, Western Alliance, its subsidiary banks and several of their non-banking affiliates and subsidiaries restrict transactions with certain targeted countries except as permitted by OFAC.

ITEM IA. RISK FACTORS

Our businesses face risks and uncertainties, including those discussed below and elsewhere in this report. These factors represent risks and uncertainties that could have a material adverse effect on our business, results of operations and financial condition. These risks and uncertainties are not the only ones we face. Others that we do not know about now, or that we do not now think are significant, may impair our business or the trading price of our securities. The following are significant risks we have identified.

Risks Related to Our Market and Business

Our current primary market area is substantially dependent on gaming and tourism revenue, and a downturn in gaming or tourism could hurt our business and our prospects.

Our business is currently concentrated in the Las Vegas metropolitan area. The economy of the Las Vegas metropolitan area is unique in the United States for its level of dependence on services and industries related to gaming and tourism. Any event that negatively impacts the gaming or tourism industry will adversely impact the Las Vegas economy.

Gaming and tourism revenue (whether or not such tourism is directly related to gaming) is vulnerable to fluctuations in the national economy. A prolonged downturn in the national economy could have a significant adverse effect on the economy of the Las Vegas area. Virtually any development or event that could dissuade travel or spending related to gaming and tourism, whether inside or outside of Las Vegas, could adversely affect the Las Vegas economy. In this regard, the Las Vegas economy is more susceptible than the economies of other cities to issues such as higher gasoline and other fuel prices, increased airfares, unemployment levels, recession, rising interest rates, and other economic conditions, whether domestic or foreign. Gaming and tourism are also susceptible to certain political

conditions or events, such as military hostilities and acts of terrorism, whether domestic or foreign. A terrorist act, or the mere threat of a terrorist

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act, may adversely affect gaming and tourism and the Las Vegas economy and may cause substantial harm to our business.

In addition, Las Vegas competes with other areas of the country for gaming revenue, and it is possible that the expansion of gaming operations in other states, such as California, as a result of changes in laws or otherwise, could significantly reduce gaming revenue in the Las Vegas area.

Although we have no substantial customer relationships in the gaming and tourism industries, a downturn in the Las Vegas economy, generally, could have an adverse effect on our customers and result in an increase in loan delinquencies and foreclosures, a reduction in the demand for our products and services and a reduction of the value of our collateral for loans which could result in the reduction of a customer's borrowing power, any of which could adversely affect our business, financial condition, results of operations and prospects.

We are highly dependent on real estate and events that negatively impact the real estate market could hurt our business.

A significant portion of our loan portfolio is dependent on real estate. As of December 31, 2007, real estate related loans accounted for approximately 77.2% of total loans. Our financial condition may be adversely affected by a decline in the value of the real estate securing our loans. Real estate values have recently been declining in most of our markets, which may adversely affect our financial condition. In addition, acts of nature, including earthquakes, fires and floods, which may cause uninsured damage and other loss of value to real estate that secures these loans, may also negatively impact our financial condition.

In addition, title company deposits comprised 14.3% of our total non-interest bearing deposits as of December 31, 2007. A slowdown in real estate activity in the markets we serve may cause a decline in our deposit growth and may negatively impact our financial condition.

Our high concentration of commercial real estate, construction and land development and commercial, industrial loans expose us to increased lending risks.

As of December 31, 2007, the composition of our loan portfolio was as follows:

commercial real estate loans of \$1.5 billion, or 41.6% of total loans,

construction and land development loans of \$806.1 million, or 22.1% of total loans,

commercial and industrial loans of \$784.4 million, or 21.5% of total loans,

residential real estate loans of \$492.6 million, or 13.5% of total loans, and

consumer loans of \$43.5 million, or 1.3% of total loans.

Commercial real estate, construction and land development and commercial and industrial loans, which comprised 85.2% of our total loan portfolio as of December 31, 2007, expose us to a greater risk of loss than our residential real estate and consumer loans, which comprised 14.8% of our total loan portfolio as of December 31, 2007. Commercial real estate and land development loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to residential loans. Consequently, an adverse development with respect to one commercial loan or one credit relationship may expose us to a significantly greater risk of loss compared to an adverse development with respect to one residential mortgage loan.

We may not be able to continue our growth at the rate we have in the past.

We have grown substantially, from having one chartered bank with \$443.7 million in total assets and \$410.2 million in total deposits as of December 31, 2000, to five chartered banks with \$5.0 billion in total assets and \$3.5 billion in total deposits as of December 31, 2007. If we are unable to effectively execute on our strategy, we may not be able to continue to grow at our historical rates. In particular, Alliance Bank of Arizona and Torrey Pines Bank have achieved unusually high annual rates of growth as compared to other

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banks opened since 2004. We do not expect this high level of growth at Alliance Bank of Arizona and Torrey Pines Bank to continue in the future.

Our growth and expansion strategy may not prove to be successful and our market value and profitability may suffer.

Growth through acquisitions of banks or the organization of new banks in high-growth markets, especially in markets outside of our current markets, represents an important component of our business strategy. Any future acquisitions will be accompanied by the risks commonly encountered in acquisitions. These risks include, among other things:

difficulty of integrating the operations and personnel;

potential disruption of our ongoing business; and

inability of our management to maximize our financial and strategic position by the successful implementation of uniform product offerings and the incorporation of uniform technology into our product offerings and control systems.

We expect that competition for suitable acquisition candidates may be significant. We may compete with other banks or financial service companies with similar acquisition strategies, many of which are larger and have greater financial and other resources. We cannot assure you that we will be able to successfully identify and acquire suitable acquisition targets on acceptable terms and conditions.

In addition to the acquisition of existing financial institutions, we may consider the organization of new banks in new market areas. We do not have any current plan to organize a new bank. Any acquisition or organization of a new bank carries with it numerous risks, including the following:

the inability to obtain all required regulatory approvals;

significant costs and anticipated operating losses during the application and organizational phases, and the first years of operation of the new bank;

the inability to secure the services of qualified senior management;

the local market may not accept the services of a new bank owned and managed by a bank holding company headquartered outside of the market area of the new bank;

the inability to obtain attractive locations within a new market at a reasonable cost; and

the additional strain on management resources and internal systems and controls.

We cannot assure you that we will be successful in overcoming these risks or any other problems encountered in connection with acquisitions and the organization of new banks. Our inability to overcome these risks could have an adverse effect on our ability to achieve our business strategy and maintain our market value and profitability growth.

If we continue to grow as planned, we may not be able to control costs and maintain our asset quality.

We expect to continue to grow our assets and deposits, the products and services which we offer and the scale of our operations, generally, both internally and through acquisitions. Our ability to manage our growth successfully will depend on our ability to maintain cost controls and asset quality while attracting additional loans and deposits on favorable terms. If we grow too quickly and are not able to control costs and maintain asset quality, this rapid growth could materially adversely affect our financial performance.

We may have difficulty managing our growth, which may divert resources and limit our ability to successfully expand our operations.

Our rapid growth has placed, and it may continue to place, significant demands on our operations and management. Our future success will depend on the ability of our officers and other key employees to

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continue to implement and improve our operational, credit, financial, management and other internal risk controls and processes and our reporting systems and procedures, and to manage a growing number of client relationships. We may not successfully implement improvements to our management information and control systems and control procedures and processes in an efficient or timely manner and may discover deficiencies in existing systems and controls. In particular, our controls and procedures must be able to accommodate an increase in expected loan volume and the infrastructure that comes with new branches and banks. Thus, our growth strategy may divert management from our existing businesses and may require us to incur additional expenditures to expand our administrative and operational infrastructure. If we are unable to manage future expansion in our operations, we may experience compliance and operational problems, have to slow the pace of growth, or have to incur additional expenditures beyond current projections to support such growth, any one of which could adversely affect our business.

Our future growth is dependent upon our ability to recruit additional, qualified employees, especially seasoned relationship bankers.

Our market areas are experiencing a period of rapid growth, placing a premium on highly qualified employees in a number of industries, including the financial services industry. Our business plan includes, and is dependent upon, hiring and retaining highly qualified and motivated executives and employees at every level. In particular, our success has been partly the result of our management's ability to seek and retain highly qualified relationship bankers that have long-standing relationships in their communities. These professionals bring with them valuable customer relationships, and have been an integral part of our ability to attract deposits and to expand rapidly in our market areas. We expect to experience substantial competition in our endeavor to identify, hire and retain the top-quality employees that we believe are key to our future success. If we are unable to hire and retain qualified employees, we may not be able to grow our franchise and successfully execute our business strategy.

If we lost a significant portion of our low-cost deposits, it would negatively impact our profitability.

Our profitability depends in part on our success in attracting and retaining a stable base of low-cost deposits. As of December 31, 2007, our deposit base was comprised of 28.4% non-interest bearing deposits, of which 14.3% consisted of title company deposits, which consist primarily of deposits held in escrow pending the closing of commercial and residential real estate transactions, and to a lesser extent, operating accounts for title companies; 79.6% consisted of other business deposits, which consist primarily of operating accounts for businesses; and 6.1% consisted of consumer deposits. We consider these deposits to be core deposits. While we generally do not believe these deposits are sensitive to interest rate fluctuations, the competition for these deposits in our markets is strong and if we lost a significant portion of these low-cost deposits, it would negatively impact our profitability.

Many of our loans have been made recently, and in certain circumstances there is limited repayment history against which we can fully assess the adequacy of our allowance for loan losses. If our allowance for loan losses is not adequate to cover actual loan losses, our earnings will decrease.

The risk of nonpayment of loans is inherent in all lending activities, and nonpayment, if it occurs, may negatively impact our earnings and overall financial condition, as well as the value of our common stock. Also, many of our loans have been made over the last three years and in certain circumstances there is limited repayment history against which we can fully assess the adequacy of our allowance for loan losses. We make various assumptions and judgments about the collectibility of our loan portfolio and provide an allowance for probable losses based on several factors. If our assumptions are wrong, our allowance for loan losses may not be sufficient to cover our losses, which would have an adverse effect on our operating results. Additions to our allowance for loan losses decrease our net income. While we have not experienced any significant charge-offs or had large numbers of non-performing loans, due to the significant increase in loans originated during this period, we cannot assure you that we will not experience an increase in delinquencies and losses as these loans continue to mature. The actual amount of future provisions for loan losses cannot be determined at this time and may exceed the amounts of past provisions.

Our future success will depend on our ability to compete effectively in a highly competitive market.

We face substantial competition in all phases of our operations from a variety of different competitors. Our competitors, including commercial banks, community banks, savings and loan associations, mutual savings banks, credit unions, consumer finance companies, insurance companies, securities dealers, brokers, mortgage bankers, investment advisors, money market mutual funds and other financial

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institutions, compete with lending and deposit-gathering services offered by us. Increased competition in our markets may result in reduced loans and deposits.

There is very strong competition for financial services in the market areas in which we conduct our businesses from many local commercial banks as well as numerous regionally based commercial banks. Many of these competing institutions have much greater financial and marketing resources than we have. Due to their size, many competitors can achieve larger economies of scale and may offer a broader range of products and services than us. If we are unable to offer competitive products and services, our earnings may be negatively affected.

Some of the financial services organizations with which we compete are not subject to the same degree of regulation as is imposed on bank holding companies and federally insured financial institutions. As a result, these non-bank competitors have certain advantages over us in accessing funding and in providing various services. The banking business in our primary market areas is very competitive, and the level of competition facing us may increase further, which may limit our asset growth and profitability. For more information on the competition we have in our markets, see Business Competition.

Our business would be harmed if we lost the services of any of our senior management team or senior relationship bankers.

We believe that our success to date has been substantially dependent on our senior management team, which includes Robert Sarver, our Chairman, President and Chief Executive Officer and Chief Executive Officer of Bank of Nevada, Dale Gibbons, our Chief Financial Officer, Bruce Hendricks, President of Bank of Nevada, James Lundy, President and Chief Executive Officer of Alliance Bank of Arizona, Gerald Cady, President and Chief Executive Officer of Torrey Pines Bank, Grant Markham, President and Chief Executive Officer of First Independent Bank of Nevada, Arnold Grisham, President and Chief Executive Officer of Alta Alliance Bank and certain of our senior relationship bankers. We also believe that our prospects for success in the future are dependent on retaining our senior management team and senior relationship bankers. In addition to their skills and experience as bankers, these persons provide us with extensive community ties upon which our competitive strategy is based. Our ability to retain these persons may be hindered by the fact that we have not entered into employment agreements with any of them. The loss of the services of any of these persons, particularly Mr. Sarver, could have an adverse effect on our business if we cannot replace them with equally qualified persons who are also familiar with our market areas.

Mr. Sarver's involvement in outside business interests requires substantial time and attention and may adversely affect our ability to achieve our strategic plan and maintain our current growth.

Mr. Sarver joined us in December of 2002 and has been an integral part of our recent growth. He has substantial business interests that are unrelated to us, including his ownership interest in the Phoenix Suns NBA franchise. Mr. Sarver's other business interests demand significant time commitments, the intensity of which may vary throughout the year. Mr. Sarver's other commitments may reduce the amount of time he has available to devote to our business. We believe that Mr. Sarver spends the substantial majority of his business time on matters related to our company. However, a significant reduction in the amount of time Mr. Sarver devotes to our business may adversely affect our ability to achieve our strategic plan and maintain our current growth.

Deterioration in economic conditions generally could adversely affect our business, financial condition, results of operations and prospects.

Deterioration in economic conditions generally could adversely affect our business, financial condition, results of operations and prospects. Such deterioration could result in a variety of adverse consequences to us, including a reduction in net income and the following:

Loan delinquencies, non-performing assets and foreclosures may increase, which could result in higher operating costs, as well as increases in our loan loss provisions;

Demand for our products and services may decline, including the demand for loans, which would adversely affect our revenues; and

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Collateral for loans made by us may decline in value, reducing a customer's borrowing power, and reducing the value of assets and collateral associated with our loans which would cause decreases in net interest income and increasing loan loss provisions.

Economic conditions either nationally or locally in areas in which our operations are concentrated may continue to soften.

Deterioration in local, regional, national or global economic conditions could result in, among other things, an increase in loan delinquencies, a general decrease in credit quality, a decrease in property values, a change in housing turnover rate or a reduction in the level of bank deposits. Particularly, continued weakening of the real estate or employment market in our primary market areas of Las Vegas, San Diego, Tucson, Phoenix, Reno and Oakland could result in an increase in the number of borrowers who default on their loans and a reduction in the value of the collateral securing their loans, which in turn could have an adverse effect on our profitability and asset quality.

Terrorist attacks and threats of war or actual war may impact all aspects of our operations, revenues, costs and stock price in unpredictable ways.

Terrorist attacks in the United States, as well as future events occurring in response or in connection to them including, without limitation, future terrorist attacks against United States targets, rumors or threats of war, actual conflicts involving the United States or its allies or military or trade disruptions, may impact our operations. Any of these events could cause consumer confidence and savings to decrease or result in increased volatility in the United States and worldwide financial markets and economy. Any of these occurrences could have an adverse impact on our operating results, revenues and costs and may result in the volatility of the market price for our common stock and impair its future price.

If our Real Estate Investment Trust (REIT) affiliate fails to qualify as a REIT, we may be subject to a higher consolidated effective tax rate

The Company holds certain commercial real estate loans, residential real estate loans and other loans in a real estate investment trust through its wholly owned subsidiary, Bank of Nevada. Qualification as a REIT involves application of specific provisions of the Internal Revenue Code relating to various assets. If the REIT fails to meet any of the required provisions for REITs, or there are changes in tax laws or interpretations thereof, it could no longer qualify as a REIT and the resulting tax consequences would increase our effective tax rate or cause us to have a tax liability for prior years.

We do not anticipate paying any dividends on our common stock. As a result, capital appreciation, if any, of our common stock may be an investor's sole source of gains in the future.

We have never paid a cash dividend, and do not anticipate paying a cash dividend in the foreseeable future. As a result, investors may only receive a return on their investment in the common stock if the market price of the common stock increases.

The current liquidity disruptions in the financial markets may adversely affect our ability to borrow funds as well as cause significant impairments of our asset holdings.

The deteriorating credit quality of assets linked to the U.S. subprime mortgage market, caused by rising mortgage delinquency rates and questionable business practices among mortgage originators, has led to a decrease in the credit quality of mortgage-backed and asset-backed securities. This, in turn, has triggered a broad-based liquidity shortfall in the global financial system. The subsequent increase in risk aversion triggered a decline in credit availability in the financial markets.

Some of our assets may become difficult to sell without a loss. Should market conditions necessitate the sale of some of our assets, we may realize material losses. A continued lack of liquidity may also require further impairment write downs on some of our asset holdings. Our mortgage-backed and asset-backed security holdings are particularly susceptible to this type of risk.

Our financial instruments expose the Company to certain market risks and may increase the volatility of reported earnings.

Our financial instruments, including investment securities, junior subordinated debt and other borrowings, are exposed to market risks related to changes in interest rates and market-based credit spreads, as well as to the risk of default by specific obligors. Changes in the market values of these financial instruments could have a material adverse

impact on our financial condition or results of operations. Effective January 1, 2007, the Company adopted Statement of Financial Accounting Standards (SFAS) Nos. 157 and 159. In connection with this adoption the Company elected to record selected investment securities previously reported as held to maturity and available for sale and junior subordinated debt liabilities at fair value. In addition, the Company recorded certain assets and liabilities acquired during 2007 at fair value, including investment securities and fixed rate borrowings, and the Company entered into interest rate swaps and other hedging transactions which are also recorded at fair value. The changes in fair value of the financial instruments elected to be carried at fair value pursuant to the provisions of SFAS No. 159 and the interest rate swaps and other hedges are recognized in earnings. We may classify additional financial assets or financial liabilities at fair value and enter into further hedging transactions in the future.

Our revenues derived from our investment securities may be volatile and subject to a variety of risks.

We generally maintain investment portfolios in the fixed income and preferred equity markets. Unrealized gains and losses associated with our investment portfolio and mark to market gains and losses associated with our portfolio carried at fair value are affected by many factors, including our credit position, interest rate volatility, volatility in capital markets and other economic factors. Our return on such investments and trading have in the past experienced, and will likely in the future experience, volatility and such volatility may materially adversely affect our financial condition and results of operations.

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Risks Related to the Banking Industry

We operate in a highly regulated environment; changes in laws and regulations and accounting principles may adversely affect us.

We are subject to extensive regulation, supervision, and legislation which govern almost all aspects of our operations. See Supervision and Regulation. The laws and regulations applicable to the banking industry could change at any time and are primarily intended for the protection of customers, depositors and the deposit insurance funds. Any changes to these laws or any applicable accounting principles could make it more difficult and expensive for us to comply and could affect the way that we conduct business, which may negatively impact our results of operations and financial condition. While we cannot predict what effect any presently contemplated or future changes in the laws or regulations or their interpretations would have on us, these changes could be materially adverse to our investors and stockholders.

Changes in interest rates could adversely affect our profitability, business and prospects.

Increases or decreases in prevailing interest rates could have an adverse effect on our business, asset quality and prospects. Our operating income and net income depend to a great extent on our net interest margin. Net interest margin is the difference between the interest yields we receive on loans, securities and other interest earning assets and the interest rates we pay on interest bearing deposits, borrowings and other liabilities. These rates are highly sensitive to many factors beyond our control, including competition, general economic conditions and monetary and fiscal policies of various governmental and regulatory authorities, including the Board of Governors of the Federal Reserve System, referred to as the FRB. If the rate of interest we pay on our interest bearing deposits, borrowings and other liabilities increases more than the rate of interest we receive on loans, securities and other interest earning assets, our net interest income, and therefore our earnings, could be adversely affected. Our earnings could also be adversely affected if the rates on our loans and other investments fall more quickly than those on our deposits and other liabilities.

In addition, loan volumes are affected by market interest rates on loans; rising interest rates generally are associated with a lower volume of loan originations while lower interest rates are usually associated with higher loan originations. Conversely, in rising interest rate environments, loan repayment rates will decline and in falling interest rate environments, loan repayment rates will increase. We cannot assure you that we will be able to minimize our interest rate risk. In addition, an increase in the general level of interest rates may adversely affect the ability of certain borrowers to pay the interest on and principal of their obligations.

Interest rates also affect how much money we can lend. When interest rates rise, the cost of borrowing increases. Accordingly, changes in market interest rates could materially and adversely affect our net interest spread, asset quality, loan origination volume, business, financial condition, results of operations and cash flows.

We are required to maintain an allowance for loan losses. This allowance for loan losses may have to be adjusted in the future. Any adjustment to the allowance for loan losses, whether due to regulatory changes, economic changes or other factors, may affect our financial condition and earnings.

We maintain an allowance for loan losses. The allowance is established through a provision for loan losses based on our management's evaluation of the risks inherent in our loan portfolio and the general economy. The allowance is based upon a number of factors, including the size of the loan portfolio, asset classifications, economic trends, industry experience and trends, industry and geographic concentrations, estimated collateral values, management's assessment of the credit risk inherent in the portfolio, historical loan loss experience and loan underwriting policies. In addition, we evaluate all loans identified as problem loans and augment the allowance based upon our estimation of the potential loss associated with those problem loans.

The federal regulators, in reviewing our loan portfolio as part of a regulatory examination, may request us to increase our allowance for loan losses, thereby negatively affecting our financial condition and earnings at that time. Moreover, additions to the allowance may be necessary based on changes in economic and real estate market conditions, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our management's control.

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We are exposed to risk of environmental liabilities with respect to properties to which we take title.

About 77.2 % of our outstanding loan portfolio as of December 31, 2007 was secured by real estate. In the course of our business, we may foreclose and take title to real estate, and could be subject to environmental liabilities with respect to these properties. We may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination, or may be required to investigate or clean up hazardous or toxic substances, or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. In addition, if we are the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. These costs and claims could adversely affect our business and prospects.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

At December 31, 2007, the Company operated 39 domestic locations of which 19 are owned and 20 are on leased premises. In addition, the Company opened a 7,000 square foot service center in San Diego and owns a 36,000 square feet operations facility in Las Vegas, Nevada. The Company has two leased properties under construction, owns three parcels of land for future development and has two leased branches that are not in use. The Company's corporate headquarters in Las Vegas, Nevada is the collateral for a loan in the amount of \$9.6 million. For information regarding rental payments, see Note 12 of the Consolidated Financial Statements.

ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings to which Western Alliance is a party or to which any of our properties are subject. There are no material proceedings known to us to be contemplated by any governmental authority. From time to time, we are involved in a variety of litigation matters in the ordinary course of our business and anticipate that we will become involved in new litigation matters in the future.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of 2007.

Table of Contents**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock began trading on the New York Stock Exchange under the symbol WAL on June 30, 2005.

The high and low closing sale prices per share of our common stock for each quarter during the year ended December 31, 2007 and 2006 are shown in the table below.

Quarter Ended	Closing Prices	
	Low	High
March 31, 2006	\$ 28.60	\$ 37.15
June 30, 2006	\$ 31.70	\$ 38.28
September 30, 2006	\$ 32.90	\$ 38.41
December 31, 2006	\$ 31.94	\$ 37.01
March 31, 2007	\$ 31.04	\$ 35.30
June 30, 2007	\$ 29.13	\$ 32.76
September 30, 2007	\$ 23.05	\$ 30.17
December 31, 2007	\$ 18.20	\$ 25.95

 Holders

As of February 1, 2008, there were approximately 652 stockholders of record of our common stock. At such date, our directors and executive officers owned approximately 39% of our outstanding shares. There are no other classes of common equity outstanding.

 Dividends

Western Alliance is a legal entity separate and distinct from the banks and our other non-bank subsidiaries. Since we are a holding company with no significant assets other than the capital stock of our subsidiaries, we depend upon dividends from our subsidiaries for a substantial part of our revenue. Accordingly, our ability to pay dividends depends primarily upon the receipt of dividends or other capital distributions from our subsidiaries. Our subsidiaries ability to pay dividends to Western Alliance is subject to, among other things, their earnings, financial condition and need for funds, as well as federal and state governmental policies and regulations applicable to us and each of those subsidiaries, which limit the amount that may be paid as dividends without prior approval. See *Supervision and Regulation* for information regarding our ability to pay cash dividends. In addition, if any required payments on outstanding trust preferred securities are not made, we will be prohibited from paying dividends on our common stock. Western Alliance has never paid a cash dividend on its common stock and does not anticipate paying any cash dividends in the foreseeable future.

 Sale of Unregistered Securities

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

 Performance Graph

Below is a graph which summarizes the cumulative return earned by the Company's stockholders since its shares of common stock were registered under Section 12 of the Exchange Act in June of 2005, compared with the cumulative total return on the S&P 500 Index and KBW Regional Banking Index. This presentation assumes that the value of the investment in the Company's common stock and each index was \$100.00 on June 30, 2005 and that subsequent cash dividends were reinvested.

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	Measurement Point					
	Jun 05	Dec 05	Jun 06	Dec 06	Jun 07	Dec 07
Western Alliance Bancorporation	100.00	117.60	136.93	136.89	117.52	73.90
S&P 500 Index	100.00	105.76	108.61	122.42	130.94	129.13
KBW Regional Banking Index	100.00	103.38	105.67	112.21	104.64	87.61

Share Repurchases

A summary of our repurchases (in thousands, except average price per share) during the quarter under the \$50 million stock repurchase program authorized by our Board of Directors and publicly announced on April 23, 2007, and expiring on December 31, 2008, is as follows:

Period	Total Shares Repurchased	Average Price Per Share	Total Shares Repurchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased
				\$
October 1 - October 31	144,200	\$ 22.3995	144,200	34,631,348
November 1 - November 30	10,000	20.4699	10,000	31,401,342
December 1 - December 31	16,900	19.0766	16,900	31,196,643
Total	171,100	\$ 21.9585	171,100	30,874,249

ITEM 6. SELECTED FINANCIAL DATA

The selected financial information in the table below as of and for the years ended December 31, 2007, 2006, 2005, 2004 and 2003 is derived from our audited consolidated financial statements. Results for past periods are not necessarily indicative of results that may be expected for any future period.

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	2007	At or for the Year Ended December 31,			2003
		2006	2005	2004	
		(in thousands, except per share data)			
Selected Income Data:					
Interest income	\$ 305,822	\$ 233,085	\$ 134,910	\$ 90,855	\$ 53,823
Interest expense	125,933	84,297	32,568	19,720	12,798
Net interest income	179,889	148,788	102,342	71,135	41,025
Provision for loan losses	20,259	4,660	6,179	3,914	5,145
Net interest income after provision for loan losses	159,630	144,128	96,163	67,221	35,880
Investment security gains (losses), net	434	(4,436)	69	19	(265)
Derivative losses	(1,833)				
Securities impairment charges	(2,861)				
Unrealized gains (losses) on assets and liabilities measured at fair value, net	2,418				
Other income, excluding securities and fair value gains (losses)	24,380	17,870	12,069	8,707	4,535
Non-interest expense	133,670	96,086	64,864	44,929	27,290
Income before income taxes	48,498	61,476	43,437	31,018	12,860
Minority interest	110				
Provision for income taxes	15,513	21,587	15,372	10,961	4,171
Net Income	\$ 32,875	\$ 39,889	\$ 28,065	\$ 20,057	\$ 8,689
Share data:					
Earnings per share basic	\$ 1.14	\$ 1.56	\$ 1.36	\$ 1.17	\$ 0.61
Earnings per share diluted	\$ 1.06	\$ 1.41	\$ 1.24	\$ 1.09	\$ 0.59
Book value per share	\$ 16.63	\$ 15.09	\$ 10.71	\$ 7.32	\$ 5.84
Tangible book value per share (net of tax) (3)	\$ 8.88	\$ 9.81	\$ 10.48	\$ 7.02	\$ 5.80
Shares outstanding at period end	30,157	27,085	22,810	18,250	16,681
Weighted average shares outstanding basic	28,918	25,623	20,583	17,190	14,314
Weighted average shares outstanding diluted	31,019	28,218	22,666	18,405	14,613
Selected Balance Sheet Data:					
Cash and cash equivalents	\$ 115,629	\$ 264,880	\$ 174,336	\$ 115,397	\$ 65,908
Investments and other securities	736,200	542,321	748,533	788,622	715,978
	3,633,009	3,003,222	1,793,337	1,188,535	733,078

Gross loans, including net deferred loan fees					
Allowance for loan losses	49,305	33,551	21,192	15,271	11,378
Assets	5,016,096	4,169,604	2,857,271	2,176,849	1,576,773
Deposits	3,546,922	3,400,423	2,393,812	1,756,036	1,094,646
Junior subordinated and subordinated debt	122,240	101,857	30,928	30,928	30,928
Stockholders equity	501,518	408,579	244,223	133,571	97,451

Selected Other Balance Sheet**Data:**

Average assets	\$ 4,667,243	\$ 3,668,405	\$ 2,488,740	\$ 1,902,947	\$ 1,148,820
Average earning assets	4,123,956	3,304,325	2,324,463	1,776,362	1,069,990
Average stockholders equity	493,365	348,294	195,284	114,765	71,276

Selected Financial and**Liquidity Ratios:**

Return on average assets	0.70%	1.09%	1.13%	1.05%	0.76%
Return on average tangible assets (4)	0.74%	1.12%	1.13%	1.06%	0.76%
Return on average stockholders equity	6.66%	11.45%	14.37%	17.48%	12.19%
Return on average tangible stockholders equity (5)	11.94%	16.47%	14.77%	18.07%	12.19%
Net interest margin (1)	4.40%	4.52%	4.41%	4.00%	3.83%
Efficiency ratio tax equivalent basis (2)	64.67%	57.51%	56.69%	56.26%	59.90%
Loan to deposit ratio	102.43%	88.32%	74.92%	67.68%	66.97%

Capital Ratios (Company):

Leverage ratio	7.4%	8.2%	10.2%	7.7%	8.9%
Tier 1 risk-based capital ratio	7.9%	9.4%	12.8%	10.9%	13.3%
Total risk-based capital ratio	10.3%	11.5%	13.8%	12.0%	14.4%
Average assets to average equity	9.46	10.53	12.74	16.58	16.12

Selected Asset Quality Ratios:

Non-accrual loans to gross loans	0.49%	0.05%	0.01%	0.13%	0.03%
Non-accrual loans and OREO to total assets	0.42%	0.03%	0.00%	0.07%	0.01%
Loans past due 90 days or more and still accruing to total loans	0.02%	0.03%	0.00%	0.00%	0.01%
Allowance for loan losses to total loans	1.36%	1.12%	1.18%	1.28%	1.55%
Allowance for loan losses to non-accrual loans	275.86%	2367.75%	19805.61%	959.84%	4137.45%
Net charge-offs to average loans	0.23%	0.04%	0.02%	0.00%	0.17%

(1) Net interest margin

represents net interest income as a percentage of average interest-earning assets.

(2) Efficiency ratio represents noninterest expenses as a percentage of the total of net interest income plus noninterest income (tax equivalent basis).

(3) Tangible book value per share (net of tax) represents stockholders equity less intangibles, adjusted for taxes, as a percentage of the shares outstanding at the end of the period.

(4) Return on average tangible assets represents net income as a percentage of average total assets less average intangible assets.

(5) Return on average tangible stockholders equity represents net income as a

percentage of
average total
stockholders
equity less
average
intangible
assets.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in Management's Discussion and Analysis of Financial Condition and Results of Operations, Business and elsewhere in this prospectus constitute forward-looking statements. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward looking statements by terms such as may, will, should, expect, intend, plan, anticipate, believe, estimate, the negative of these terms or other comparable terminology.

The forward-looking statements contained in this prospectus reflect our current views about future events and financial performance and are subject to risks, uncertainties, assumptions and changes in circumstances that may cause our actual results to differ significantly from historical results and those expressed in any forward-looking statement, including those risks discussed under the heading Risk Factors in this annual report. Some factors that could cause actual results to differ materially from historical or expected results include:

changes in general economic conditions, either nationally or locally in the areas in which we conduct or will conduct our business;

inflation, interest rate, market and monetary fluctuations;

changes in gaming or tourism in our primary market area;

risks associated with our growth and expansion strategy and related costs;

increased lending risks associated with our concentration of commercial real estate, construction and land development and commercial and industrial loans;

increases in competitive pressures among financial institutions and businesses offering similar products and services;

higher defaults on our loan portfolio than we expect;

changes in management's estimate of the adequacy of the allowance for loan losses;

legislative or regulatory changes or changes in accounting principles, policies or guidelines;

management's estimates and projections of interest rates and interest rate policy;

the execution of our business plan; and

other factors affecting the financial services industry generally or the banking industry in particular.

For more information regarding risks that may cause our actual results to differ materially from any forward-looking statements, see Risk Factors beginning on page 23. We do not intend and disclaim any duty or obligation to update or revise any industry information or forward-looking statements set forth in this prospectus to reflect new information, future events or otherwise, except as may be required by the securities laws.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with Selected Consolidated Financial Data and our consolidated financial statements and related notes included elsewhere in this annual report. This discussion and analysis contains forward-looking statements that involve risk, uncertainties and assumptions. Certain risks, uncertainties and other factors, including but not limited to those set forth under Cautionary Note Regarding Forward-Looking Statements may cause actual results to differ materially from those projected in the forward-looking

statements.

Table of Contents**Overview and History**

We are a bank holding company headquartered in Las Vegas, Nevada. We provide a full range of banking and related services to locally owned businesses, professional firms, real estate developers and investors, local nonprofit organizations, high net worth individuals and consumers through our subsidiary banks and financial services companies located in Nevada, Arizona, California and Colorado. In addition to traditional lending and deposit gathering capabilities, we also offer a broad array of financial products and services aimed at satisfying the needs of small to mid-sized businesses and their proprietors, including cash management, trust administration and estate planning, custody and investments and equipment leasing.

We generate the majority of our revenue from interest on loans, service charges on customer accounts and income from investment securities. This revenue is offset by interest expense paid on deposits and other borrowings and non-interest expense such as administrative and occupancy expenses. Net interest income is the difference between interest income on interest-earning assets such as loans and securities and interest expense on interest-bearing liabilities such as customer deposits and other borrowings which are used to fund those assets. Net interest income is our largest source of net income. Interest rate fluctuations, as well as changes in the amount and type of earning assets and liabilities, combine to affect net interest income.

We provide a variety of loans to our customers, including commercial and residential real estate loans, construction and land development loans, commercial and industrial loans, Small Business Administration, or SBA loans, and to a lesser extent, consumer loans. We rely primarily on locally generated deposits to provide us with funds for making loans.

In addition to these traditional commercial banking capabilities, we also provide our customers with cash management, trust administration and estate planning, equipment leasing, custody and investment services and affinity card services resulting in revenue generated from non-interest income. We receive fees from our deposit customers in the form of service fees, checking fees and other fees. Other services such as safe deposit and wire transfers provide additional fee income. We may also generate income from time to time from the sale of investment securities. The fees collected by us are found in our Consolidated Statements of Income under non-interest income. Offsetting these earnings are operating expenses referred to as non-interest expense. Because banking is a very people intensive industry, our largest operating expense is employee compensation and related expenses.

	At or for the Year Ended December 31,		
	2007	2006	2005
	(\$ in thousands, except per share amounts)		
Net income	\$ 32,875	\$ 39,889	\$ 28,065
Basic earnings per share	1.14	1.56	1.36
Diluted earnings per share	1.06	1.41	1.24
Total assets	5,016,096	4,169,604	2,857,271
Gross loans	3,633,009	3,003,222	1,793,337
Total deposits	3,546,922	3,400,423	2,393,812
Net interest margin	4.40%	4.52%	4.41%
Efficiency ratio	64.67	57.51	56.69
Return on average assets	0.70	1.09	1.13
Return on average equity	6.66	11.45	14.37
Return on average tangible equity	11.94	16.47	14.77

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 Average Tangible Equity (ROTE);

Return on Average Assets (ROA) and Return on Average Tangible Assets (ROTA);

Asset Quality;

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Asset and Deposit Growth; and

Operating Efficiency.

Return on Average Equity and Tangible Equity. Our net income for the year ended December 31, 2007 decreased 17.6% to \$32.9 million compared to \$39.9 million for the year ended December 31, 2006. The decrease in net income was due primarily to a \$37.6 million increase in non-interest expenses related primarily to expansion efforts and a \$15.6 million increase to the provision for loan losses, offset by a \$31.1 million increase in net interest income. Basic earnings per share decreased to \$1.14 per share for the year ended December 31, 2007, compared to \$1.56 per share for the same period in 2006. Diluted earnings per share decreased to \$1.06 per share for the year ended December 31, 2007, compared to \$1.41 per share for the same period last year. Average shares outstanding increased 3.3 million from 25.6 million for the year ended December 31, 2006 to 28.9 million for the year ended December 31, 2007. Average stockholders' equity increased \$145.1 million for the same periods. The increase in shares outstanding and average stockholders' equity was due primarily to our acquisitions of First Independent Bank of Nevada and Shine Investment Advisory Services. The decrease in net income and increase in shares outstanding resulted in an ROE of 6.7% for the year ended December 31, 2007, compared to 11.5% for the year ended December 31, 2006, and ROTE of 11.9% for the year ended December 31, 2007, compared to 16.5% for the year ended December 31, 2006.

Return on Average Assets. Our ROA for the year ended December 31, 2007 decreased to 0.70% compared to 1.09% for the same period in 2006. The ROTA decreased to 11.94% for the year ended December 31, 2007 compared to 16.47% for the same period in 2006. The decrease in ROA and ROTA is primarily due to the decrease in net income discussed above.

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 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 December 31, 2007, non-accrual loans were \$17.9 million compared to \$1.4 million at December 31, 2006. Non-accrual loans as a percentage of gross loans were 0.49% as of December 31, 2007, compared to 0.05% as of December 31, 2006. At December 31, 2007 and December 31, 2006, our non-performing assets were comprised of non-accrual loans, other impaired loans, loans past due 90 days or more and still accruing and other real estate. For the year ended December 31, 2007, net charge-offs as a percentage of average loans were 0.23%, compared to 0.04% for the year ended December 31, 2006.

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. Total assets increased 20.3% to \$5.0 billion as of December 31, 2007 from \$4.2 billion as of December 31, 2006. Gross loans grew 21.0% (11.3% organically) to \$3.6 billion as of December 31, 2007 from \$3.0 billion as of December 31, 2006. Total deposits increased 4.3% (7.6% organic decline) to \$3.5 billion as of December 31, 2007 from \$3.4 billion as of December 31, 2006. Loans and deposits acquired through the First Independent Bank acquisition in 2007 were \$290.7 million and \$402.3 million at March 31, 2007, respectively.

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 64.67% for the year ended December 31, 2007 compared to 57.51% for the same period in 2006. We recently implemented an initiative designed to reduce our efficiency ratio, which will include more efficient deployment of FTE. In the short term we expect our branch expansion to slow significantly, which should lead to a lower efficiency ratio as the opened branches become profitable.

Critical Accounting Policies

The Notes to Consolidated Financial Statements 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

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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. Additional information about these policies can be found in Note 1 of the Consolidated Financial Statements.

Allowance for Loan Losses. The allowance for loan losses is a valuation allowance for probable losses incurred in the loan portfolio. Our allowance for loan loss methodology incorporates a variety of risk considerations in establishing an allowance for loan losses that we believe is adequate to absorb probable losses in the existing portfolio. Such analysis addresses our historical loss experience, delinquency and charge-off trends, collateral values, changes in non-performing loans, economic conditions, peer group experience and other considerations. This information is then analyzed to determine estimated loss factors which, in turn, is assigned to each loan category. These factors also incorporate known information about individual loans, including the borrowers' sensitivity to interest rate movements. Changes in the factors themselves are driven by perceived risk in pools of homogenous loans classified by collateral type, purpose and term. Management monitors local trends to anticipate future delinquency potential on a quarterly basis. In addition to ongoing internal loan reviews and risk assessment, the audit committee utilizes an independent loan review firm to provide advice on the appropriateness of the allowance for loan losses.

The allowance for loan losses is increased by the provision for loan losses charged to expense and reduced by loans charged off, net of recoveries. Provisions for loan losses are provided on both a specific and general basis. Specific allowances are provided for watch, criticized, and impaired credits for which the expected/anticipated loss may be measurable. General valuation allowances are based on a portfolio segmentation based on collateral type, purpose and risk grading, with a further evaluation of various factors noted above.

We incorporate our internal loss history to establish potential risk based on collateral type securing each loan. As an additional comparison, we examine peer group banks to determine the nature and scope of their losses. Finally, we closely examine each credit graded Watch List/Special Mention and below to individually assess the appropriate specific loan loss reserve for such credit.

At least annually, we review the assumptions and formulae by which additions are made to the specific and general valuation allowances for loan losses in an effort to refine such allowance in light of the current status of the factors described above. The total loan portfolio is thoroughly reviewed at least quarterly for satisfactory levels of general and specific reserves together with impaired loans to determine if write downs are necessary.

Although we believe the levels of the allowance as of December 31, 2007 and 2006 were adequate to absorb probable losses in the loan portfolio, a decline in local economic conditions or other factors could result in increasing losses that cannot be reasonably estimated at this time.

Available-for-Sale Securities. Statement of Financial Accounting Standards (SFAS) No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, requires that available-for-sale securities be carried at fair value. Management utilizes the services of a third party vendor to assist with the determination of estimated fair values. Adjustments to the available-for-sale securities fair value impact the consolidated financial statements by increasing or decreasing assets and stockholders' equity.

Securities Measured at Fair Value. The Company elected early adoption of SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, effective January 1, 2007. Concurrent with the adoption of SFAS 159, the Company adopted SFAS No. 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. Election of SFAS No. 159 requires elected securities to be carried at fair value with changes in value running through the income statement. See further discussion in the notes to the consolidated financial statements.

Other than Temporary Impairment of Securities. We regularly review investment securities for impairment based on criteria that include the extent to which cost exceeds market value, the duration of that market decline, our intent and ability to hold to recovery and the financial health and specific prospects for the issuer. We perform comprehensive market research and analysis and monitor market conditions to identify potential impairments. Further information about actual and potential impairment losses is provided in the notes to the financial statements.

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Goodwill. The Company evaluates goodwill for impairment on at least an annual basis pursuant to SFAS 142, *Goodwill and Other Intangible Assets*. The first step of the impairment evaluation involves the determination of the fair value of each reporting unit to which goodwill has been assigned. Goodwill is not impaired if the fair value of the reporting unit exceeds its carrying value. The Company's fair value measurements were based on recent sales of similar companies. The Company determined that none of its goodwill was impaired as of October 1, 2007.

Stock Based Compensation. SFAS 123R requires the Company to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. Since an observable market price of an option with the same or similar terms and conditions is not available, the Company estimates the fair value of stock options using the Black Scholes option-pricing model. The Black Scholes model requires the Company to make assumptions regarding the expected term of the option, the expected volatility of the price of the underlying share for the expected term of the option, the expected dividends on the underlying share for the expected term of the option, and the risk-free interest rates for the expected term of the option. The assumptions and the methods used to determine those assumptions are described in Note 13 of the financial statements included in this Form 10-K.

Trends and Developments Impacting Our Recent Results

Certain trends emerged and developments have occurred that are important in understanding our recent results and that are potentially significant in assessing future performance.

Growth in our market areas. Our growth has been fueled in particular by the significant population and economic growth of the greater Las Vegas area where we conduct the majority of our operations. The growth in this area has coincided with significant investments in the gaming and tourism industry. The significant population increase has resulted in an increase in the acquisition of raw land for residential and commercial development, the construction of residential communities, shopping centers and office buildings, and the development and expansion of the businesses and professions that provide essential goods and services to this expanded population. Similarly, growth in the Phoenix, Tucson, San Diego, Reno and Oakland markets has contributed to our growth.

Recent trends in our local markets have been influenced by the weakening market nationwide. Specifically, the real estate market has deteriorated considerably in the past year. This has led to declines in our organic growth and decreases in future projected growth.

Asset sensitivity. Management uses various modeling strategies to manage the repricing characteristics of our assets and liabilities. These models contain a number of assumptions and cannot take into account all the various factors that influence the sensitivities of our assets and liabilities. Despite these limitations, our models at December 31, 2007 indicated that our balance sheet was modestly asset sensitive. A company is considered to be asset sensitive if the amount of its interest earning assets maturing or repricing within a certain time period exceed the amount of its interest-bearing liabilities also maturing or repricing within the same period. Being asset sensitive means generally that in times of rising interest rates, a company's net interest income will increase, and in times of falling interest rates, net interest income will decrease.

See Quantitative and Qualitative Disclosure about Market Risk.

Impact of expansion on non-interest expense. We plan to open 2 additional branches in our existing markets over the next 12 months. We anticipate that the expansion will result in an increase in occupancy and equipment expense. The cost to construct and furnish a new branch is approximately \$2.5 million, excluding the cost to lease or purchase the land on which the branch is located. Consistent with our historical growth strategy, as we open new offices and expand both within and outside our current markets, we plan to recruit seasoned relationship bankers, thereby increasing our salary expenses. Initially, this increase in salary expense is expected to be higher than the revenues to be received from the customer relationships brought to us by the new relationship bankers.

In October 2006, Alta Alliance Bank opened to the public. Alta Alliance Bank is a wholly owned subsidiary of the Company, headquartered in Oakland, CA. The opening of Alta had a significant impact on the financial statements of the Company in 2007. Alta reported a \$2.0 million net loss in its first full year of operations.

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On March 31, 2007, we completed our acquisition of First Independent Bank of Nevada. Total loans and deposits acquired in this merger were \$290.7 million and \$402.3 million. We also added a total of 4 full service branches in the Reno, Nevada area through this merger.

On July 31, 2007, we acquired a majority interest in Shine Investment Advisory Services. Assets under management were \$410 million as of the acquisition date. Shine has one office in Lone Tree, Colorado.

Impact of service center on non-interest income. We have a service center facility which became operational in the fourth quarter of 2006. This facility provides increased capacity for courier, cash management and other business services. We anticipate this will have a long-term favorable impact on our non-interest income.

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 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.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

The following table sets forth a summary financial overview for the years ended December 31, 2007 and 2006.

	Year Ended December 31,		Increase (Decrease)
	2007	2006	
	(in thousands, except per share amounts)		
Consolidated Statement of Earnings Data:			
Interest income	\$305,822	\$233,085	\$ 72,737
Interest expense	125,933	84,297	41,636
Net interest income	179,889	148,788	31,101
Provision for loan losses	20,259	4,660	15,599
Net interest income after provision for loan losses	159,630	144,128	15,502
Investment security gains/(losses)	434	(4,436)	4,870
Derivative swap losses	(1,833)		(1,833)
Security impairment charges	(2,861)		(2,861)
Unrealized gains on assets and liabilities measured at fair value	2,418		2,418
Other income, excluding security and fair value gains/(losses)	24,380	17,870	6,510
Other expense	133,670	96,086	37,584
Net income before income taxes	48,498	61,476	(12,978)
Minority interest	110		110
Income tax expense	15,513	21,587	(6,074)
Net income	\$ 32,875	\$ 39,889	\$ (7,014)
Earnings per share basic	\$ 1.14	\$ 1.56	\$ (0.42)

Earnings per share	diluted	\$ 1.06	\$ 1.41	\$ (0.35)
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The 17.6% decrease in net income was due primarily to a \$37.6 million increase in non-interest expenses related to expansion efforts and a \$15.6 million increase to the provision for loan losses related to the challenging economic conditions in our primary markets, offset by a \$31.1 million increase in net interest income compared with the same period in 2006.

Net Interest Income and Net Interest Margin. The 20.9% increase in net interest income for year ended December 31, 2007 compared to the year ended December 31, 2006 was due to an increase in interest

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income of \$72.7 million, reflecting the effect of an increase of \$819.6 million in average interest-bearing assets which was primarily funded with an increase of \$692.6 million in average deposits, of which \$64.9 million were non-interest bearing.

The average yield on our interest-earning assets was 7.45% for the year ended December 31, 2007, compared to 7.07% for the year ended December 31, 2006, an increase of 5.0%. The increase in the yield on our interest-earning assets is primarily the result of an increase in the volume of loans held in our portfolio. Other factors contributing to the higher yield are adjustments related to the adoption of SFAS 159 and some changes in the investment portfolio mix to higher yielding securities.

The cost of our average interest-bearing liabilities increased to 4.08% in the year ended December 31, 2007, from 3.67% in the year ended December 31, 2006, which is a result of higher balances in our interest bearing deposits and higher rates paid on deposit accounts and borrowings, partially offset by a reduction in interest expense related to the election of the fair value option for trust preferred securities upon early adoption of SFAS 159.

Our average rate on our interest-bearing deposits increased 12.9% from 3.42% for the year ended December 31, 2006, to 3.86% for the year ended December 31, 2007, reflecting increases in general market rates. Our average rate on total deposits (including non-interest bearing deposits) increased 20.9% from 2.25% for the year ended December 31, 2006, to 2.72% for the year ended December 31, 2007.

Our interest margin of 4.40% for the year ended December 31, 2007 was lower than our margin for the previous year of 4.52% due to the increase in our cost of funds exceeding the increase in our yield on earning assets. Our cost of funds increased more than the increase in market rates due to an unfavorable shift in our deposit mix. Average non-interest bearing deposits increased 6.5% while interest bearing deposits increased 32.8%.

Average Balances and Average Interest Rates. The table below sets forth balance sheet items on a daily average basis for the years ended December 31, 2007 and 2006 and presents 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 and securities held to maturity. Securities available for sale are carried at amortized cost for purposes of calculating the average rate received on taxable securities below.

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(\$ in thousands)	Year Ended December 31,					
	2007		2006		2005	
	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost
Earning Assets						
<i>Securities:</i>						
Taxable	\$ 629,846	\$ 36,320	5.77%	\$ 591,904	\$ 25,886	4.37%
Tax-exempt (1)	50,432	2,396	7.46%	18,609	455	4.70%
Total securities	680,278	38,716	5.89%	610,513	26,341	4.31%
Federal funds sold and other	30,900	1,644	5.32%	35,149	1,798	5.12%
Loans (1) (2) (3)	3,393,299	264,480	7.79%	2,641,636	203,792	7.71%
Restricted stock	19,479	982	5.04%	17,027	1,154	6.78%
Total earnings assets	4,123,956	305,822	7.45%	3,304,325	233,085	7.07%
Non-earning Assets						
Cash and due from banks	103,163			101,749		
Allowance for loan losses	(37,935)			(29,442)		
Bank-owned life insurance	85,509			58,022		
Other assets	392,550			233,751		
Total assets	\$ 4,667,243			\$ 3,668,405		
Interest Bearing Liabilities						
<i>Sources of Funds</i>						
<i>Interest-bearing deposits:</i>						
Interest checking	259,774	6,391	2.46%	222,851	5,319	2.39%
Savings and money market	1,602,980	58,867	3.67%	1,215,139	40,097	3.30%
Time deposits	681,229	32,870	4.83%	478,228	20,196	4.22%
Total interest-bearing deposits	2,543,983	98,128	3.86%	1,916,218	65,612	3.42%
Short-term borrowings	372,547	17,097	4.59%	243,780	11,101	4.55%
Long-term debt	61,119	3,092	5.06%	73,155	2,724	3.72%
Junior subordinated and subordinated debt	106,802	7,616	7.13%	63,330	4,860	7.67%
Total interest-bearing liabilities	3,084,451	125,933	4.08%	2,296,483	84,297	3.67%
Non-interest Bearing Liabilities						
<i>Noninterest-bearing</i>						
demand deposits	1,065,592			1,000,726		
Other liabilities	23,835			22,902		
Stockholders equity	493,365			348,294		

Total liabilities and stockholders equity	\$ 4,667,243		\$ 3,668,405	
Net interest income and margin (4)	\$ 179,889	4.40%	\$ 148,788	4.52%
Net interest spread (5)		3.37%		3.40%
(1) Yields on loans and securities have been adjusted to a tax equivalent basis. Interest income has not been adjusted to a tax equivalent basis.				
(2) Net loan fees of \$6.3 million and \$7.4 million are included in the yield computation for 2007 and 2006, respectively.				
(3) Includes average non-accrual loans of \$9.3 million in 2007 and \$0.4 million 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.

Net Interest Income. The table below sets forth 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.

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	Years Ended December 31, 2007 v. 2006		
	Increase (Decrease) Due to Changes in (1)(2)		
	Volume	Rate (in thousands)	Total
Interest on securities:			
Taxable	\$ 2,188	\$ 8,246	\$10,434
Tax-exempt	1,512	429	1,941
Federal funds sold and other	(226)	72	(154)
Loans	58,586	2,102	60,688
Restricted stock	124	(296)	(172)
Total interest income	62,184	10,553	72,737
Interest expense:			
Interest checking	908	164	1,072
Savings and Money market	14,243	4,527	18,770
Time deposits	9,795	2,879	12,674
Short-term borrowings	5,909	87	5,996
Long-term debt	(609)	977	368
Junior subordinated debt	3,100	(344)	2,756
Total interest expense	33,346	8,290	41,636
Net increase	\$28,838	\$ 2,263	\$31,101

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

(2) Changes due to mark-to-market gains/losses under SFAS 159 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 \$20.3 million for the year ended December 31, 2007, compared with \$4.7 million for the year ended December 31, 2006. The provision increased primarily because of increases in net charge-offs and specific reserves applied to internally classified loans.

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

Trust and investment advisory services,

Services provided to deposit customers,

Services provided to current and potential loan customers, and

Bank owned life insurance.

The following tables present, for the periods indicated, the major categories of non-interest income (excluding securities and fair value gains/(losses):

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	Year Ended December 31,		Increase (Decrease)
	2007	2006 (in thousands)	
Trust and investment advisory services	\$ 9,764	\$ 7,346	\$2,418
Service charges	4,828	3,450	1,378
Income from bank owned life insurance	3,763	2,661	1,102
Other	6,025	4,413	1,612
Non-interest income, excluding securities and fair value gains (losses)	\$24,380	\$17,870	\$6,510

The \$6.5 million, or 36.4%, increase in non-interest income was influenced by several factors. Collectively, Premier Trust, Inc., Miller/Russell Associates, Inc. and Shine Investment Advisory Services, Inc. produced \$9.8 million in trust and investment advisory fees in the year ended December 31, 2007, compared to \$7.3 million in the year ended December 31, 2006. The increase was due to an increase in volume of business from Premier and Miller Russell and the acquisition of Shine in July 2007. Trust assets and assets under management have increased from a combined amount of \$1.83 billion at December 31, 2006 to \$2.51 billion at December 31, 2007.

Service charges increased \$1.4 million from 2006 to 2007 due to higher deposit balances, increased fee charges on existing accounts and the growth in our customer base.

Income from bank owned life insurance, or BOLI, increased \$1.1 million. In addition to \$2.2 million of BOLI added through the First Independent acquisition, we purchased additional BOLI products with a face amount of \$25.0 million in late 2006 to help offset employee benefit costs.

Other income increased \$1.6 million, due to the growth of the Company and its operations and the sale of a branch facility in 2007. Other income also includes broker fees received on sales of leases and mortgages and gains on sales of SBA loans.

Unrealized gains/losses on assets and liabilities measured at fair value. During the year ended December 31, 2007, we recognized net unrealized gains on assets and liabilities measured at fair value of \$2.4 million. These gains and losses are primarily the result of changes in market yields on securities similar to those in our portfolio. We view the majority of these gains and losses as temporary in nature since the changes in value on most of our securities were not related to a deterioration or improvement in credit profile, but rather such gains and losses were the result of fluctuations in market yields.

During the year ended December 31, 2007, we recognized an impairment charge on one collateralized debt obligation that has exposure to subprime mortgages. The reduction in fair value of \$2.9 million, or 57%, was deemed to be other than temporary due to a substantial deterioration in the credit profile of the security as indicated by a credit rating downgrade.

SFAS 159 and 157 were adopted by the Company on January 1, 2007. A detailed explanation of the adoptions is included in the notes to the financial statements.

During the year ended December 31, 2007, we recognized a gain on interest rate swap derivatives of \$0.7 million and losses of \$2.5 million on credit default swap derivatives embedded in certain structured securities.

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

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	Year Ended December 31,		Increase (Decrease)
	2007	2006 (in thousands)	
Salaries and employee benefits	\$ 76,582	\$54,767	\$21,815
Occupancy	18,120	12,958	5,162
Advertising, public relations and business development	6,815	4,242	2,573
Customer service	6,708	6,684	24
Legal, professional and director fees	3,862	2,798	1,064
Insurance	3,324	1,048	2,276
Data processing	2,278	1,748	530
Audits and exams	2,059	2,375	(316)
Supplies	1,942	1,710	232
Correspondent banking service charges and wire transfer costs	1,669	1,662	7
Telephone	1,492	1,093	399
Intangible amortization	1,455	607	848
Travel and automobile	1,425	790	635
Merger expenses	747		747
Organizational costs		977	(977)
Other	5,192	2,627	2,565
Total non-interest expense	\$ 133,670	\$96,086	\$37,584

Non-interest expense grew \$37.6 million, or 39.1%. These increases are 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 December 31, 2007, we had 992 full-time equivalent employees compared to 785 at December 31, 2006. Given current market conditions, we expect branch expansion activity to slow dramatically in 2008.

The increase in salaries and occupancy expenses related to the growth discussed above totaled \$27.0 million, which is 71.8% of the total increase in non-interest expenses.

Insurance expense increased \$2.3 million from the year ended December 31, 2006 to the same period in 2007 primarily due to significant FDIC depository insurance rate increases assessed for the 2007 year.

Other non-interest expense increased \$2.6 million from December 31, 2006 to December 31, 2007. Other non-interest expense increased, in general, as a result of the growth in assets and operations of the Company.

Provision for Income Taxes. We recorded tax provisions of \$15.5 million and \$21.6 million for the years ended December 31, 2007 and 2006, respectively. Our effective tax rates were 31.9% and 35.1% for 2007 and 2006, respectively.

The effective tax rate decreased from 35.1% for the year ended December 31, 2006 to 31.9% for the same period in 2007 primarily due to an increase in securities yielding dividends received deductions, non-taxable increases in the cash surrender value of life insurance and increased tax-exempt income from a larger tax-exempt loan and bond portfolio.

Table of Contents**Year Ended December 31, 2006 Compared to Year Ended December 31, 2005**

The following table sets forth a summary financial overview for the years ended December 31, 2006 and 2005.

	Year Ended December 31,		Increase (Decrease)
	2006	2005	
(in thousands, except per share amounts)			
Consolidated Statement of Earnings Data:			
Interest income	\$233,085	\$134,910	\$98,175
Interest expense	84,297	32,568	51,729
Net interest income	148,788	102,342	46,446
Provision for loan losses	4,660	6,179	(1,519)
Net interest income after provision for loan losses	144,128	96,163	47,965
Investment security gains/(losses)	(4,436)	69	(4,505)
Other income, excluding security gains/(losses)	17,870	12,069	5,801
Other expense	96,086	64,864	31,222
Net income before income taxes	61,476	43,437	18,039
Income tax expense	21,587	15,372	6,215
Net income	\$ 39,889	\$ 28,065	\$ 11,824
Earnings per share basic	\$ 1.56	\$ 1.36	\$ 0.20
Earnings per share diluted	\$ 1.41	\$ 1.24	\$ 0.17

The 42.1% increase in net income in the year ended December 31, 2006 compared to the year ended December 31, 2005 was due primarily to increases in net interest income of \$46.4 million and other income of \$5.8 million, partially offset by an increase of \$31.2 million in other expenses and a loss on portfolio restructuring of \$4.4 million. Also contributing to the increase in net income was a decrease in the provision for loan losses of \$1.5 million. The increase in net interest income was the result of an increase in the volume of interest-earning assets, primarily loans, partially offset by an increase in our cost of funds, due principally to a rising deposit market rate environment and an increase in borrowing rates.

Net Interest Income and Net Interest Margin. The 45.4% increase in net interest income for the year ended December 31, 2006 compared to the year ended December 31, 2005 was due to an increase in interest income of \$98.2 million, reflecting the effect of an increase of \$980 million in average interest-bearing assets which was funded with an increase of \$847 million in average deposits, of which \$155 million were non-interest bearing.

The average yield on our interest-earning assets was 7.07% for the year ended December 31, 2006, compared to 5.81% for the year ended December 31, 2005, an increase of 21.7%. The increase in the yield on our interest-earning assets is primarily a result of an increase in the yield earned on our loan portfolio and a shift of funds previously held in securities into higher-yielding loans. The increase in the yield on our loan portfolio from 6.83% in 2005 to 7.71% in 2006 was due to two factors: (1) market rates in 2006 were higher than those in 2005, and therefore the new loans booked in 2006 were generally at higher rates than the average portfolio rate at December 31, 2005; and (2) approximately one-half of our loan portfolio is variable rate, and therefore these loans reprice at higher rates in a rising rate environment as was seen in the year ended December 31, 2006.

The cost of our average interest-bearing liabilities increased to 3.67% in the year ended December 31, 2006, from 2.27% in the year ended December 31, 2005, which is a result of higher rates paid on deposit accounts, borrowings

and junior subordinated debt caused by the steady upward pressure on short-term interest rates driven by the Federal Open Market Committee's (FOMC) rate increases through the first half of 2006. Due in part to our acquisitions, we have also seen a shift in our deposit mix whereby non-interest bearing deposits comprise a smaller percentage of our entire deposit portfolio, thus increasing our funding costs.

Our average rate on our interest-bearing deposits increased 63.6% from 2.09% for the year ended December 31, 2005, to 3.42% for the year ended December 31, 2006, reflecting increases in general market

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rates. Our average rate on total deposits (including non-interest bearing deposits) increased 82.9% from 1.23% for the year ended December 31, 2005, to 2.25% for the year ended December 31, 2006.

Our interest margin of 4.52% for the year ended December 31, 2006 was higher than our margin for the previous year of 4.41% due to an increase in our yield on interest-bearing assets and our elevated mix of variable rate loans to our total portfolio, offset by a smaller relative increase in our overall cost of funds.

Average Balances and Average Interest Rates. The table below sets forth balance sheet items on a daily average basis for the years ended December 31, 2006 and 2005 and presents 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 and securities held to maturity. Securities available for sale are carried at amortized cost for purposes of calculating the average rate received on taxable securities below.

(\$ in thousands)	Year Ended December 31,					
	2006		2005			
	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost
Earning Assets						
<i>Securities:</i>						
Taxable	\$ 591,904	\$ 25,886	4.37%	\$ 729,884	\$ 29,099	3.99%
Tax-exempt (1)	18,609	455	4.70%	8,558	394	6.30%
Total securities	610,513	26,341	4.31%	738,442	29,493	3.99%
Federal funds sold and other	35,149	1,798	5.12%	71,450	2,341	3.28%
Loans (1) (2) (3)	2,641,636	203,792	7.71%	1,501,089	102,481	6.83%
Restricted stock	17,027	1,154	6.78%	13,482	595	4.41%
Total earnings assets	3,304,325	233,085	7.07%	2,324,463	134,910	5.81%
Non-earning Assets						
Cash and due from banks	101,749			77,347		
Allowance for loan losses	(29,442)			(17,954)		
Bank-owned life insurance	58,022			36,200		
Other assets	233,751			68,684		
Total assets	\$ 3,668,405			\$ 2,488,740		
Interest Bearing Liabilities						
<i>Sources of Funds</i>						
<i>Interest-bearing deposits:</i>						
Interest checking	\$ 222,851	\$ 5,319	2.39%	\$ 109,415	\$ 594	0.54%
Savings and money market	1,215,139	40,097	3.30%	827,886	16,908	2.04%
Time deposits	478,228	20,196	4.22%	287,083	8,044	2.80%
Total interest-bearing deposits	1,916,218	65,612	3.42%	1,224,384	25,546	2.09%
Short-term borrowings	243,780	11,101	4.55%	117,703	3,234	2.75%
Long-term debt	73,155	2,724	3.72%	63,754	1,675	2.63%
	63,330	4,860	7.67%	30,928	2,113	6.83%

Junior subordinated and
subordinated debt

Total interest-bearing liabilities	2,296,483	84,297	3.67%	1,436,769	32,568	2.27%
Non-interest Bearing Liabilities						
Noninterest-bearing demand deposits	1,000,726			845,581		
Other liabilities	22,902			11,106		
Stockholders equity	348,294			195,284		
Total liabilities and stockholders equity	\$ 3,668,405			\$ 2,488,740		

Net interest income and margin (4)		\$ 148,788	4.52%		\$ 102,342	4.41%
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Net interest spread (5)			3.40%			3.54%
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(1) Yields on loans and securities have been adjusted to a tax equivalent basis. Interest income has not been adjusted to a tax equivalent basis.

(2) Net loan fees of \$7,365,000 and \$5,051,000 are included in the yield computation for 2006 and 2005, respectively.

(3) Includes average non-accrual loans of \$374,000 in 2006 and \$481,000 in 2005.

(4) Net interest margin is computed by

dividing net
interest income
by total average
earning assets.

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- (5) Net interest spread represents average yield earned on interest-earning assets less the average rate paid on interest bearing liabilities.

Net Interest Income. The table below sets forth 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.

	Years Ended December 31, 2006 v. 2005		
	Volume	Increase (Decrease) Due to Changes in (1)	
		Rate (in thousands)	Total
Interest on securities:			
Taxable	\$ (6,034)	\$ 2,821	\$ (3,213)
Tax-exempt	246	(185)	61
Federal funds sold and other	(1,857)	1,314	(543)
Loans	87,989	13,322	101,311
Restricted stock	240	319	559
Total interest income	80,584	17,591	98,175
Interest expense:			
Interest checking	2,707	2,018	4,725
Savings and Money market	12,779	10,410	23,189
Time deposits	8,072	4,080	12,152
Short-term borrowings	5,741	2,126	7,867
Long-term debt	350	699	1,049
Junior subordinated debt	2,487	260	2,747
Total interest expense	32,136	19,593	51,729
Net increase	\$48,448	\$ (2,002)	\$ 46,446

- (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 \$4.7 million for the year ended December 31, 2006, compared with \$6.2 million for the year ended December 31, 2005. The provision decreased primarily because of our low level of historical charge-offs, which yielded lower loss experience factors in our required reserve calculations.

Investment Security Losses. During the fourth quarter of 2006, we liquidated \$159 million of our securities portfolio and recognized a pre-tax loss of \$4.4 million.

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

Trust and investment advisory services,

Services provided to deposit customers,

Services provided to current and potential loan customers, and

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Bank owned life insurance.

The following tables present, for the periods indicated, the major categories of non-interest income (excluding securities gains/(losses)):

	Year Ended December 31,		Increase (Decrease)
	2006	2005	
	(in thousands)		
Trust and investment advisory services	\$ 7,346	\$ 5,699	\$ 1,647
Service charges	3,450	2,495	955
Income from bank owned life insurance	2,661	1,664	997
Other	4,413	2,211	2,202
Total non-interest income	\$ 17,870	\$ 12,069	\$ 5,801

The \$5.8 million, or 48%, increase in non-interest income was influenced by several factors. Collectively, Premier Trust, Inc. and Miller/Russell Associates, Inc. produced \$7.3 million in trust and investment advisory fees in the year ended December 31, 2006, compared to \$5.7 million in the year ended December 31, 2005. The increase was due to an increase in volume of business from both entities. Trust assets and assets under management have increased at both entities from a combined amount of \$1.41 billion at December 31, 2005 to \$1.83 billion at December 31, 2006.

Service charges increased \$955,000 from 2005 to 2006 due to higher deposit balances and the growth in our customer base.

Income from bank owned life insurance, or BOLI, increased \$997,000. In addition to \$2.7 million of BOLI acquired through merger, we purchased additional BOLI products with a face amount of \$25.0 million in 2006 to help offset employee benefit costs.

Other income increased \$2.2 million, due to the growth of the Company and its operations, and includes broker fees received on sales of leases and mortgages and gains on sales of SBA loans.

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

	Year Ended December 31,		Increase (Decrease)
	2006	2005	
	(in thousands)		
Salaries and employee benefits	\$54,767	\$36,816	\$17,951
Occupancy	12,958	9,819	3,139
Customer service	6,684	3,720	2,964
Advertising, public relations and business development	4,242	2,806	1,436
Legal, professional and director fees	2,798	2,051	747
Correspondent banking service charges and wire transfer costs	1,662	1,651	11
Audits and exams	2,375	1,538	837
Supplies	1,710	1,083	627
Data processing	1,748	1,053	695
Telephone	1,093	759	334
Insurance	1,048	752	296
Organizational Costs	977		977
Travel and automobile	790	684	106
Other	3,234	2,132	1,102

Total non-interest expense	\$96,086	\$64,864	\$31,222
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Non-interest expense grew \$31.2 million, or 48.1%. This growth is attributable to our overall growth, and specifically to the acquisition of Bank of Nevada and First Intermountain Bancorp, the opening of new branches and the hiring of new relationship officers and other employees. At December 31, 2006, we had 785 full-time equivalent employees compared to 537 at December 31, 2005. The increase in salaries and occupancy expenses related to the growth discussed above totaled \$21 million, which is 67.6% of the total increase in non-interest expenses.

Also affecting non-interest expenses was the increase in our customer service costs. This line item grew \$3.0 million, or 79.7%, due primarily to an increase in analysis earnings credit rates during the year ended December 31, 2006 compared to those during the year ended December 31, 2005.

Advertising, public relations and business development increased \$1.4 million, or 51.2%. This increase is a result of the growth in assets and operations of the Company.

Audits and exams increased \$837,000 to \$2.4 million. The increase is primarily attributable to 2006 being the first year in which we were subject to the Sarbanes-Oxley Rule 404.

The \$977,000 in organizational costs relates to the opening of Alta Alliance Bank in October 2006. This total includes salaries, marketing, legal and other professional costs incurred prior to the opening of the bank.

Other non-interest expense increased \$1.1 million from December 31, 2006 to December 31, 2005. Other non-interest expense increased, in general, as a result of the growth in assets and operations of the Company.

We incurred \$100,000 of audit, legal and recovery costs, net of insurance proceeds, due to the defalcation which was discovered in the third quarter of 2006. The defalcation also resulted in \$350,000 in fraud losses, net of insurance proceeds, which are included in other expenses.

Provision for Income Taxes. We recorded tax provisions of \$21.6 million and \$15.4 million for the years ended December 31, 2006 and 2005, respectively. Our effective tax rates were 35.1% and 35.4% for 2006 and 2005, respectively.

Financial Condition***Total Assets***

On a consolidated basis, our total assets as of December 31, 2007, December 31, 2006 and December 31, 2005 were \$5.0 billion, \$4.2 billion, and \$2.9 billion, respectively. The overall increase from December 31, 2006 to December 31, 2007 was primarily due to a \$629.8 million, or 21.0% (11.3% organic), increase in gross loans, a \$194.1 million, or 35.8% increase in securities and a \$43.6 million, or 43.6% increase in premises and equipment. The overall increase from December 31, 2005 to December 31, 2006 was primarily due to a \$1.2 billion, or 67.6%, increase in gross loans, a \$90.5 million, or 51.9% increase in cash and cash equivalents and a \$41.4 million, or 70.1% increase in premises and equipment.

Loans

Our gross loans, including deferred loan fees, on a consolidated basis as of December 31, 2007, December 31, 2006, and December 31, 2005 were \$3.6 billion, \$3.0 billion, and \$1.8 billion, respectively. Since January 1, 2003, residential real estate loans experienced the highest percentage growth within the portfolio, growing from \$21.9 million to \$447.6 million as of December 31, 2007. Our overall growth in loans from December 31, 2003 to December 31, 2007 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.

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	2007	2006	December 31, 2005	2004	2003
			(in thousands)		
Construction and land development	\$ 806,110	\$ 715,546	\$ 432,668	\$ 323,176	\$ 195,182
Commercial real estate	1,514,533	1,232,260	727,210	491,949	324,702
Residential real estate	492,551	384,082	272,861	116,360	42,773
Commercial and industrial	784,378	645,469	342,452	241,292	159,889
Consumer	43,517	29,561	20,434	17,682	11,802
Net deferred loan fees	(8,080)	(3,696)	(2,288)	(1,924)	(1,270)
Gross loans, net of deferred fees	3,633,009	3,003,222	1,793,337	1,188,535	733,078
Less: Allowance for loan losses	(49,305)	(33,551)	(21,192)	(15,271)	(11,378)
	 \$ 3,583,704	 \$ 2,969,671	 \$ 1,772,145	 \$ 1,173,264	 \$ 721,700

The following tables set forth the amount of loans outstanding by type of loan as of December 31, 2007 which were contractually due in one year or less, more than one year and less than five years, and more than five years based on remaining scheduled repayments of principal. Lines of credit or other loans having no stated final maturity and no stated schedule of repayments are reported as due in one year or less. The tables also present an analysis of the rate structure for loans within the same maturity time periods.

	December 31, 2007			
	Due Within One Year	Due 1-5 Years	Due Over Five Years	Total
				(in thousands)
Construction and land development	\$ 658,983	\$ 103,130	\$ 43,997	\$ 806,110
Commercial real estate	180,688	496,397	837,448	1,514,533
Residential real estate	67,582	49,708	375,261	492,551
Commercial and industrial	440,090	306,348	37,940	784,378
Consumer	14,087	8,299	21,131	43,517
Net deferred loan fees				(8,080)
Gross loans, net of deferred fees	\$ 1,361,430	\$ 963,882	\$ 1,315,777	\$ 3,633,009
Interest rates:				
Fixed	\$ 251,299	\$ 620,467	\$ 844,991	\$ 1,716,757
Variable	1,110,131	343,415	470,786	1,924,332
Net deferred loan fees				(8,080)
Gross loans, net of deferred fees	\$ 1,361,430	\$ 963,882	\$ 1,315,777	\$ 3,633,009

Concentrations. Our loan portfolio has a concentration of loans in commercial real-estate related loans and includes significant credit exposure to the commercial real estate industry. As of December 31, 2007, December 31, 2006 and December 31, 2005, commercial real estate-related loans comprised 63.7%, 64.9%, and 64.7% of total gross loans, respectively. Substantially all of these loans are secured by first liens with an initial loan to value ratio of generally no more than 80%. Approximately one-half of these commercial real estate loans are owner occupied. One-to-four family residential real estate loans have a lower risk than commercial real estate and construction and land development loans due to lower loan balances to single borrowers. Our policy for requiring collateral is to obtain collateral whenever it is available or desirable, depending upon the degree of risk we are willing to accept. Repayment of loans is expected from the sale proceeds of the collateral or from the borrower's cash flows. Deterioration in the performance of the economy or real estate values in our primary market areas, in particular, could have an adverse impact on collectibility, and consequently have an adverse effect on our profitability.

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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. 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.

	2007	2006	December 31, 2005	2004	2003
			(\$ in thousands)		
Total non-accrual loans	\$ 17,873	\$ 1,417	\$ 107	\$ 1,591	\$ 210
Impaired loans acquired through merger	2,760	839			
Other impaired loans, excluding restructured loans	9,920			127	
Loans past due 90 days or more and still accruing	779	794	34	2	65
Restructured loans	3,782				
Other real estate owned (OREO)	3,412				
Non-accrual loans to gross loans	0.49%	0.05%	0.01%	0.13%	0.03%
Loans past due 90 days or more and still accruing to total loans	0.02	0.03	0.00	0.00	0.01
Interest income received on nonaccrual loans	\$ 30	\$ 120	\$ 1	\$ 61	\$ 6
Interest income that would have been recorded under the original terms of the loans	\$ 765	\$ 147	\$ 10	\$ 96	\$ 29

As of December 31, 2007 and December 31, 2006, non-accrual loans totaled \$17.9 million and \$1.4 million, respectively. Non-accrual loans at December 31, 2007 consisted of 28 customer relationships with no single customer relationship having a principal balance greater than \$8.3 million.

Impaired Loans. A loan is impaired when it is probable we will be unable to collect all contractual principal and interest payments due in accordance with the terms of the loan agreement. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. The categories of non-accrual loans and impaired loans overlap, although they are not coextensive. We consider all circumstances regarding the loan and borrower on an individual basis when determining whether a loan is impaired such as the collateral value, reasons for the delay, payment record, the amount past due, and number of days past due.

As of December 31, 2007, December 31, 2006 and December 31, 2005, the aggregate total amount of loans classified as impaired, excluding restructured loans, was \$30.6 million, \$2.3 million and \$0.1 million, respectively. The total specific allowance for loan losses related to these loans was \$6.6 million, \$0.5 million and \$26,000 for December 31, 2007, 2006 and 2005, respectively.

The amount of interest income recognized on impaired loans for the years ended December 31, 2007, 2006 and 2005 was \$30,000, \$120,000 and \$1,000, respectively. We would have recorded interest income of \$765,000, \$147,000 and \$10,000 on non-accrual loans had the loans been current for the years ended December 31, 2007, 2006 and 2005, respectively.

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

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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 Bank's 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 impaired loans. For such loans, 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.

	Year Ended December 31,				
	2007	2006	2005	2004	2003
	(\$ in thousands)				
Allowance for loan losses:					
Balance at beginning of period	\$33,551	\$21,192	\$15,271	\$11,378	\$ 6,449
Provisions charged to operating expenses	20,259	4,660	6,179	3,914	5,145
Acquisitions	3,419	8,768			
Reclassification (1)					737
<i>Recoveries of loans previously charged-off:</i>					
Construction and land development					
Commercial real estate					140
Residential real estate		5	3	15	1
Commercial and industrial	213	324	164	132	272
Consumer	49	107	29	10	7
Total recoveries	262	436	196	157	420
<i>Loans charged-off:</i>					
Construction and land development	2,361	64			
Commercial real estate					140
Residential real estate	49			9	20
Commercial and industrial	5,304	1,273	194	115	1,090

Consumer	472	168	260	54	123
Total charged-off	8,186	1,505	454	178	1,373
Net charge-offs	7,924	1,069	258	21	953
Balance at end of period	\$49,305	\$33,551	\$21,192	\$15,271	\$11,378
Net charge-offs to average loans outstanding	0.23%	0.04%	0.02%	0.00%	0.17%
Allowance for loan losses to gross loans	1.36	1.12	1.18	1.28	1.55

(1) In accordance with regulatory reporting requirements and American Institute of Certified Public Accountants Statement of Position 01-06, Accounting by Certain Entities that Lend to or Finance the Activities of Others, the Company has reclassified the portion of its allowance for loan losses that relates to undisbursed commitments during the year ended December 31, 2002. During the year ended

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December 31, 2003, management reevaluated its methodology for calculating this amount and reclassified an amount from other liabilities to the allowance for loan losses.

The following table details the allocation of the allowance for loan losses to the various categories. The allocation is made for analytical purposes and it is not necessarily indicative of the categories in which future credit losses may occur. The total allowance is available to absorb losses from any segment of loans. The allocations in the table below were determined by a combination of the following factors: specific allocations made on loans considered impaired as determined by management and the loan review committee, a general allocation on certain other impaired loans, and historical losses in each loan type category combined with a weighting of the current loan composition.

	Allowance for Loan Losses at December 31,									
	2007		2006		2005		2004		2003	
	(\$ in thousands)									
	Amount	% of Loans	Amount	% of Loans	Amount	% of Loans	Amount	% of Loans	Amount	% of Loans
		in Each Category to Gross Loans		in Each Category to Gross Loans		in Each Category to Gross Loans		in Each Category to Gross Loans		in Each Category to Gross Loans
Construction and land development	\$ 18,979	22.1%	\$ 13,456	23.8%	\$ 6,646	24.1%	\$ 4,920	27.1%	\$ 3,252	26.6%
Commercial real estate	10,929	41.6	6,483	41.0	3,050	40.5	2,095	41.3	1,446	44.2
Residential real estate	3,184	13.5	1,729	12.8	1,219	15.2	327	9.8	179	5.8
Commercial and industrial	15,442	21.5	11,312	21.5	9,842	19.1	7,502	20.3	6,192	21.8
Consumer	771	1.3	571	0.9	435	1.1	427	1.5	309	1.6
Total	\$49,305	100%	\$33,551	100%	\$21,192	100%	\$15,271	100%	\$11,378	100%

Historically, the Commercial and Industrial Loans category represents the highest risk category for commercial banks. Our largest source of losses has been in this category in prior years. As a result, we utilize a larger estimated loss factor for this category than we do for real estate secured loans. The reserve related to our commercial loan

portfolio as of December 31, 2007 was \$15.4 million, or 31.3% of the total allowance. As a result of current market conditions in the areas in which we operate, the reserve in the Construction and Land Development has increased significantly as of December 31, 2007 to \$19.0 million, or 38.5% of the total allowance. Other categories, such as stock and bond secured or assignment of cash collateral loans are provided a nominal loss factor based upon a history of comparatively lower losses. We believe that the allowance allocation is adequate when considering the current composition of our loan portfolio and related loss factors.

Our Construction and Land Development category reflects some borrower concentration risk and carries the enhanced risk encountered with construction loans in general. Currently, the markets in which we primarily operate are experiencing a slowdown in construction and development activity. Property values have declined and construction financing has generally become more difficult to obtain, especially for projects without a very low loan-to-value ratio. As a result, a higher loan loss provision is allocated to this loan category than to other loan categories.

Our Commercial Real Estate loan category contains a mixture of new and seasoned properties, retail, office, warehouse, medical and some special purpose. Loans on properties are generally underwritten at a loan to value ratio of less than 80% with a minimum debt coverage ratio of 1.20. Historically, our losses on this product have been minimal and the portfolio continues to exhibit exceptionally high credit quality. Moreover, a large percentage of the Commercial Real Estate loan portfolio is comprised of owner-occupied relationships, which usually reflect a relatively low risk profile. Consequently, the estimated loan loss factor applied to this sub-category is comparatively low.

Investments

Securities are identified as either held-to-maturity, available-for-sale, or measured at fair value based upon various factors, including asset/liability management strategies, liquidity and profitability objectives, and regulatory requirements. Held-to-maturity securities are carried at cost, adjusted for amortization of premiums or accretion of discounts. Available-for-sale securities are securities that may be sold prior to maturity based upon asset/liability management decisions. Securities identified as available-for-sale are carried at fair value. Unrealized gains or losses on available-for-sale securities are recorded as accumulated

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other comprehensive income in stockholders' equity. Amortization of premiums or accretion of discounts on mortgage-backed securities is periodically adjusted for estimated prepayments. Securities measured at fair value are reported at fair value, with unrealized gains and losses included in current earnings.

We use our investment securities portfolio to ensure liquidity for cash requirements, manage interest rate risk, provide a source of income and to manage asset quality. The carrying value of our investment securities as of December 31, 2007 totaled \$736.2 million, compared to \$542.3 million at December 31, 2006, and \$748.5 million as of December 31, 2005. The increase experienced from December 31, 2006 to December 31, 2007 was primarily the result of the acquisition of FICN and the purchase of additional higher yielding, investment grade securities, including collateralized mortgage obligations, adjustable rate preferred stock and collateralized debt obligations. The decrease experienced from December 31, 2005 to December 31, 2006 was a result of the maturity of our Auction Rate Securities portfolio, called U.S. Government-sponsored agency obligations and the liquidation of securities with a book value of \$159 million in December 2006.

Our portfolio of investment securities during 2006 and 2005 consisted primarily of mortgage-backed obligations, asset-backed securities and adjustable rate preferred stock. In 2007 we maintained a high level of investment in mortgage-backed securities while shifting from U.S. Government agency obligations to higher yielding asset-backed securities and adjustable rate preferred stock.

The carrying value of our portfolio of investment securities at December 31, 2007, 2006 and 2005 was as follows:

	Carrying Value At December 31,		
	2007	2006	2005
U.S. Treasury securities	\$	\$ 3,646	\$ 3,498
U.S. Government-sponsored agencies	24,128	27,747	137,578
Mortgage-backed obligations	502,496	379,497	519,858
SBA Loan Pools	288	392	426
State and Municipal obligations	22,211	10,502	7,128
Adjustable rate preferred stock	29,710	49,065	
Auction rate securities			67,999
Debt obligations and structured securities	142,127	47,983	
Other	15,240	23,489	12,046
Total investment securities	\$736,200	\$542,321	\$748,533

The maturity distribution and weighted average yield of our investment securities portfolios at December 31, 2007 are summarized in the table below. This table excludes investments in equity securities with amortized cost of \$53.0 million as such securities have no stated maturity. Weighted average yield is calculated by dividing income within each maturity range by the outstanding amount of the related investment and has not been tax affected on tax-exempt obligations. Securities available for sale are carried at amortized cost in the table below for purposes of calculating the weighted average yield received on such securities.

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December 31, 2007 (\$ in thousands)	Due Under 1		Due 1-5		Due 5-10		Due Over 10		Total	
	Year	Amount/Yield	Years	Amount/Yield	Years	Amount/Yield	Years	Amount/Yield	Amount/Yield	Amount/Yield
<i>Available for Sale</i>										
U.S.										
Government-sponsored										
Agency obligations	\$	0.00%	\$ 1,350	5.28%	\$ 8,621	5.82%	\$ 5,000	5.88%	\$ 14,971	5.50%
Mortgage-backed obligations		0.00		0.00	943	5.23	272,425	5.41	273,368	5.40
State and Municipal obligations		373 5.16	7,066	3.55	4,939	3.98	1,765	5.93	14,143	3.69
Debt obligations and structured securities		0.00	240	7.13		0.00	162,615	7.22	162,855	7.22
Other		13,890 4.20		0.00		0.00		0.00	13,890	4.20
Total available for sale	\$	14,263 4.23%	\$ 8,656	3.92%	\$ 14,503	5.16%	\$ 441,805	6.08%	\$ 479,227	5.94%
<i>Held to Maturity</i>										
State and Municipal obligations	\$	650 4.70%	\$	0.00%	\$	0.00%	\$ 7,256	4.20%	\$ 7,906	4.24%
Total held to maturity	\$	650 4.70%	\$	0.00	\$	0.00%	\$ 7,256	4.20%	\$ 7,906	4.24%
<i>Measured at fair value</i>										
U.S.										
Government-sponsored										
Agency obligations	\$	0.00%	\$ 448	5.31%	\$ 8,525	5.86%	\$	0.00%	\$ 8,973	5.84%
Mortgage-backed obligations		0.00		0.00		0.00	227,431	5.31	227,431	5.31
State and Municipal obligations		0.00		0.00		0.00	107	6.29	107	6.29
Other		0.00		0.00		0.00	5,000	8.34	5,000	8.34
Total measured at fair value	\$	0.00%	\$ 448	5.31%	\$ 8,525	5.86%	\$ 232,538	5.38%	\$ 241,511	5.39%

We had a concentration of mortgage-backed securities during the year ended December 31, 2007. The aggregate carrying value and aggregate fair value of these securities at December 31, 2007 are \$499.4 million and \$502.6 million, respectively.

We had a concentration of U.S. Government sponsored agencies and mortgage-backed securities during each of the years ended December 31, 2006 and 2005. The aggregate carrying value and aggregate fair value of these securities at

December 31, 2006 and 2005 are as follows.

	December 31,	
	2006	2005
	(in thousands)	
Aggregate carrying value	\$407,244	\$657,436
Aggregate fair value	\$404,937	\$654,636

At December 31, 2007, the combined unrealized loss on our adjustable rate preferred stock and debt and other structured securities portfolios classified as available for sale was \$45.3 million, which is discussed in Note 5 to our Consolidated Financial Statements. Of this amount \$7.5 million is related to leveraged exposure to Merrill Lynch and Bank of America adjustable rate preferred stock in two securities. The rate earned on these two securities is set through a quarterly auction. Recent debt market dislocations have resulted in failed auctions for similarly structured securities. Beginning in the third quarter 2007, certain of the auctions related to our two holdings failed, resulting in the Company's yield on these securities being reduced to 0% through year-end. As discussed in Note 5, we concluded that the two securities had not suffered declines that were considered other than temporary due to the lack of credit rating downgrades of our holdings and macroeconomic conditions widening the spreads of virtually all types of corporate debt. Should auctions continue to fail in future periods, we have the option to purchase securities in tranches which are senior to our positions and convert our holdings to the underlying Merrill Lynch and Bank of America adjustable rate preferred stock. If we are unable to accomplish this without incurring additional losses it may be necessary to recognize an impairment charge in a future period.

Table of Contents**Premises and Equipment**

On December 30, 2005, the Company purchased the corporate headquarters of Bank of Nevada for a total acquisition price of approximately \$16.3 million. The location was previously leased by the Company. In connection with this purchase, the Company assumed a note on the building. The note amount at December 31, 2007 is \$9.6 million, has a fixed interest rate of 8.79%, and matures in 2010. The note is collateralized by the purchased building.

Due to a combination of acquisitions and investment in new branch and operations locations, premises and equipment increased \$43.6 million from December 31, 2006 to December 31, 2007. Premises and equipment acquired through the First Independent acquisition totaled \$17.5 million with the remaining increase attributable to new branch locations in various locations and the new operations center in Las Vegas, Nevada.

Goodwill and other intangible assets

As a result of the acquisition of FICN on March 30, 2007, we recorded goodwill of \$79.2 million and a core deposit intangible asset of \$8.0 million. As a result of the acquisition of Shine on July 31, 2007, we recorded goodwill of \$7.6 million. These amounts are subject to further change when the determination of the asset and liability values is finalized within one year from the merger date.

Deposits

Deposits historically have been the primary source of funding our asset growth. As of December 31, 2007, total deposits were \$3.5 billion, compared to \$3.4 billion as of December 31, 2006 and \$2.4 billion as of December 31, 2005. As of December 31, 2007, non-interest bearing deposits were \$1.0 billion, compared to \$1.2 billion as of December 31, 2006 and \$980.0 million as of December 31, 2005. As of December 31, 2007, title company deposits comprised 14.3% of our total non-interest bearing deposits. Interest-bearing accounts have also experienced growth. As of December 31, 2007, interest-bearing deposits were \$2.5 billion, compared to \$2.2 billion and \$1.4 billion as of December 31, 2006 and 2005, respectively. Interest-bearing deposits are comprised of NOW accounts, savings and money market accounts, certificates of deposit under \$100,000, and certificates of deposit over \$100,000.

The average balances and weighted average rates paid on deposits for the years ended December 31, 2007, 2006 and 2005, are presented below.

	2007 Average		Year Ended December 31,		2005 Average	
	Balance	Rate	2006 Average	2006 Average	Balance	Rate
			Balance	Rate		
			(\$ in thousands)			
Interest checking (NOW)	\$ 259,774	2.46%	\$ 222,851	2.39%	\$ 109,415	0.54%
Savings and money market	1,602,980	3.67	1,215,139	3.30	827,886	2.04
Time	681,229	4.83	478,228	4.22	287,083	2.80
Total interest-bearing deposits	2,543,983	3.86	1,916,218	3.42	1,224,384	2.09
Non-interest bearing demand deposits	1,065,592		1,000,726		845,581	
Total deposits	\$ 3,609,575	2.72%	\$ 2,916,944	2.25%	\$ 2,069,965	1.23%

At December 31, 2007, deposits at acquired branches totaled \$760 million, a decline of \$292 million from the dates of acquisition and an organic decline of \$167 million from December 31, 2006. The organic decline from December 31, 2006 through December 31, 2007 is primarily attributable to the following:

Certificates of deposit declined by \$23 million. This is a continuation of the run-off of non-core, interest rate sensitive CDs which began prior to December 31, 2006.

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Approximately \$12 million of deposits moved into customer repurchase agreements and remain on our balance sheet, but not in the deposit totals. This was an account option not offered by the acquired Bank of Nevada and Nevada First Bank (Intermountain First Bancorporation).

Consistent with our strategy listed on page 4 of our Form 10-K of attracting low cost deposits, as part of the acquisitions, management determined that approximately \$57 million of deposits did not fit our customer profile or were excessively interest rate sensitive (i.e., interest tied to the Prime Rate, which is not offered by the Company) and thus were managed out of the Company.

The remaining decline from the acquisition dates through December 31, 2007 of \$70 million, or 8% of December 31, 2006 balances and First Independent Bank acquired balances, is attributable to declines in deposit accounts which routinely occur shortly after mergers are consummated combined with reduced escrow account and other deposit declines experienced throughout the Company.

The remaining maturity for certificates of deposit of \$100,000 or more as of December 31, 2007 is presented in the following table.

	December 31, 2007
	(in thousands)
3 months or less	\$ 346,434
3 to 6 months	199,756
6 to 12 months	83,792
Over 12 months	19,369
 Total	 \$ 649,351

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%. 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 and certain off-balance sheet obligations 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 for the periods indicated.

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	Actual		Adequately-Capitalized Requirements (\$ in thousands)		Minimum For Well-Capitalized Requirements	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2007						
Total Capital (to Risk Weighted Assets)						
Bank of Nevada	\$297,613	11.0%	\$215,760	8.0%	\$269,700	10.0%
Alliance Bank of Arizona	81,781	10.8	60,674	8.0	75,842	10.0
Torrey Pines Bank	71,695	11.0	52,257	8.0	65,321	10.0
Alta Alliance Bank	22,984	36.5	5,037	8.0	6,296	10.0
First Independent Bank	47,066	12.1	31,168	8.0	38,960	10.0
Company	466,138	10.3	361,059	8.0	451,324	10.0
 Tier I Capital (Tier 1 to Risk Weighted Assets)						
Bank of Nevada	\$204,387	7.6%	\$107,880	4.0%	\$161,820	6.0%
Alliance Bank of Arizona	56,960	7.5	30,337	4.0	45,505	6.0
Torrey Pines Bank	46,513	7.1	26,128	4.0	39,192	6.0
Alta Alliance Bank	22,607	35.9	2,518	4.0	3,778	6.0
First Independent Bank	38,071	9.8	15,584	4.0	23,376	6.0
Company	356,536	7.9	180,530	4.0	270,795	6.0
 Leverage ratio (Tier 1 to Average Assets)						
Bank of Nevada	\$204,387	6.9%	\$117,937	4.0%	\$147,422	5.0%
Alliance Bank of Arizona	56,960	7.0	32,634	4.0	40,793	5.0
Torrey Pines Bank	46,513	6.5	28,553	4.0	35,692	5.0
Alta Alliance Bank	22,607	25.1	3,598	4.0	4,498	5.0
First Independent Bank	38,071	7.8	19,429	4.0	24,286	5.0
Company	356,536	7.4	192,716	4.0	240,895	5.0

Alta Alliance Bank has agreed to maintain a total Tier I capital to average assets ratio of at least 9% for its first three years of existence.

We were well capitalized at all the banks and the holding company as of December 31, 2007.

Junior Subordinated and Subordinated Debt

In order to manage our capital position more efficiently, we have formed or acquired through merger seven statutory business trusts for the sole purpose of issuing trust preferred securities. The junior subordinated debt has maturity dates as follows:

Name of Trust	Maturity	2007	2006
BankWest Nevada Capital Trust I	2031	\$	\$15,464
BankWest Nevada Capital Trust II	2033	15,464	15,464
Intermountain First Statutory Trust I	2034	10,310	10,310
WAL Trust No. 1	2036	20,619	20,619
First Independent Capital Trust I	2034	7,217	
WAL Statutory Trust No. 2	2037	5,155	
WAL Statutory Trust No. 3	2037	7,732	

	\$ 66,497	\$ 61,857
Unrealized gains on trust preferred securities measured at fair value, net	(4,257)	
	\$ 62,240	

The weighted average contractual rate of the junior subordinated debt was 7.36% as of December 31, 2007.

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In the event of certain changes or amendments to regulatory requirements or Federal tax rules, the debt is redeemable in whole. The obligations under these instruments are fully and unconditionally guaranteed by the Company and rank subordinate and junior in right of payment to all other liabilities of the Company. The trust preferred securities qualify as Tier 1 Capital for the Company, subject to certain limitations, with the excess being included in total capital for regulatory purposes.

In 2006, Bank of Nevada issued \$40.0 million in floating rate unsecured subordinated debt. The rate is based on three month LIBOR plus 1.20%. The debt requires quarterly interest payments and matures in September 2016.

In 2007, Bank of Nevada issued \$20.0 million in floating rate unsecured subordinated debt. The rate is based on three month LIBOR plus 1.60%. The debt requires quarterly interest payments and matures in September 2017.

Contractual Obligations and Off-Balance Sheet Arrangements

We routinely enter into contracts for services in the conduct of ordinary business operations which may require payment for services to be provided in the future and may contain penalty clauses for early termination of the contracts. To meet the financing needs of our customers, we are also parties to financial instruments with off-balance sheet risk including commitments to extend credit and standby letters of credit. We have also committed to irrevocably and unconditionally guarantee the following payments or distributions with respect to the holders of preferred securities to the extent that BankWest Nevada Trust I, BankWest Nevada Trust II, Intermountain First Statutory Trust I, and WAL Trust No. 1 have not made such payments or distributions: (1) accrued and unpaid distributions, (2) the redemption price, and (3) upon a dissolution or termination of the trust, the lesser of the liquidation amount and all accrued and unpaid distributions and the amount of assets of the trust remaining available for distribution. We do not believe that these off-balance sheet arrangements have or are reasonably likely to have a material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources. However, there can be no assurance that such arrangements will not have a future effect.

Long-Term Borrowed Funds. We also have entered into long-term contractual obligations consisting of advances from Federal Home Loan Bank (FHLB). These advances are secured with collateral generally consisting of securities. As of December 31, 2007, these long-term FHLB advances totaled \$45.0 million and will mature by June 30, 2012. Interest payments are due semi-annually. The weighted average rate of the long-term FHLB advances as of December 31, 2007 was 4.63%.

The following table sets forth our significant contractual obligations as of December 31, 2007.

	Total	Payments Due by Period (in thousands)			
		Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
Contractual Obligations					
Long term borrowed funds	\$ 55,369	\$ 5,118	\$ 40,251	\$ 10,000	\$
Junior subordinated deferrable interest debentures	62,240				62,240
Subordinated debt	60,000				60,000
Construction contracts	1,283	1,283			
Purchase obligations	2,351	1,451	450	450	
Operating lease obligations	30,297	4,255	8,405	8,178	9,459
Total	\$ 211,540	\$ 12,107	\$ 49,106	\$ 18,628	\$ 131,699

Our commitments associated with outstanding letters of credit, commitments to extend credit, and credit card guarantees as of December 31, 2007 are summarized below. Since commitments associated with letters of credit and commitments to extend credit may expire unused, the amounts shown do not necessarily reflect the actual future cash

funding requirements.

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	Total Amounts Committed	Amount of Commitment Expiration Per Period			
		Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
Other Commitments		(In thousands)			
Commitments to extend credit	\$ 1,193,522	\$ 922,368	\$ 104,775	\$ 22,713	\$ 143,666
Credit card commitments and guarantees	26,507	26,507			
Standby letters of credit	80,790	78,842	1,948		
Total	\$ 1,300,819	\$ 1,027,717	\$ 106,723	\$ 22,713	\$ 143,666

Short-Term Borrowed Funds. Short-term borrowed funds are used to support liquidity needs created by seasonal deposit flows, to temporarily satisfy funding needs from increased loan demand, and for other short-term purposes. The majority of these short-term borrowed funds consist of advances from FHLB and customer repurchase agreements. The borrowing capacity at FHLB is determined based on collateral pledged, generally consisting of securities and loans, at the time of borrowing. We also have borrowings from other sources pledged by securities including securities sold under agreements to repurchase, which are reflected at the amount of cash received in connection with the transaction, and may require additional collateral based on the fair value of the underlying securities. As of December 31, 2007, total short-term borrowed funds were \$744.3 million with a weighted average interest rate at period end of 3.41%, compared to total short-term borrowed funds of \$181.7 million as of December 31, 2006 with a weighted average interest rate at year end of 4.47%. The increase of \$562.6 million was primarily the result of loan growth in excess of deposit growth.

The following table sets forth certain information regarding FHLB advances and repurchase agreements at the dates or for the periods indicated.

	2007	December 31, 2006	2005
		(\$ in thousands)	
FHLB Advances and other:			
Maximum month-end balance	\$489,330	\$ 52,000	\$155,400
Balance at end of year	489,330	11,000	7,000
Average balance	149,278	145,586	71,075
Customer Repurchase Accounts:			
Maximum month-end balance	\$275,016	\$170,656	\$ 78,170
Balance at end of year	275,016	170,656	78,170
Average balance	200,043	98,194	46,628
Total Short-Term Borrowed Funds	\$764,346	\$181,656	\$ 85,170
Weighted average interest rate at end of year	3.41%	4.47%	2.85%
Weighted average interest rate during year	4.44%	4.56%	2.75%

Since growth in core deposits may be at intervals different from loan demand, we may follow a pattern of funding irregular growth in assets with short-term borrowings, which are then replaced with core deposits. This temporary funding source is likely to be utilized for generally short-term periods, although no assurance can be given that this will, in fact, occur.

Liquidity

The ability to have readily available funds sufficient to repay fully maturing liabilities is of primary importance to depositors, creditors and regulators. Our liquidity, represented by cash and due from banks, federal funds sold and available-for-sale securities, is a result of our operating, investing and financing activities and related cash flows. In order to ensure funds are available at all times, on at least a quarterly basis, we project the amount of funds that will be required and maintain relationships with a diversified customer base so funds are accessible. Liquidity requirements can also be met through short-term borrowings or the disposition of short-term assets. We have borrowing lines at correspondent banks totaling \$160.0 million. In addition, securities and loans are pledged to the FHLB totaling \$1.72 billion and \$65.3 million, respectively, on total borrowings from the FHLB of \$492.6 million as of December 31, 2007.

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We have a formal liquidity policy, and in the opinion of management, our liquid assets are considered adequate to meet our cash flow needs for loan funding and deposit cash withdrawal for the next 60-90 days. At December 31, 2007, we had \$602.0 million in liquid assets comprised of \$115.6 million in cash and cash equivalents (including federal funds sold of \$11.0 million) and \$486.4 million in available-for-sale securities.

On a long-term basis, our liquidity will be met by changing the relative distribution of our asset portfolios, for example, reducing investment or loan volumes, or selling or encumbering assets. Further, we will increase liquidity by soliciting higher levels of deposit accounts through promotional activities and/or borrowing from our correspondent banks as well as the Federal Home Loan Bank of San Francisco. At the current time, our long-term liquidity needs primarily relate to funds required to support loan originations and commitments and deposit withdrawals. All of these needs can currently be met by cash flows from investment payments and maturities, and investment sales if the need arises.

Our liquidity is comprised of three primary classifications: (i) cash flows provided by operating activities; (ii) cash flows used in investing activities; and (iii) cash flows provided by financing activities. Net cash provided by or used in operating activities consists primarily of net income adjusted for changes in certain other asset and liability accounts and certain non-cash income and expense items such as the loan loss provision, investment and other amortization and depreciation. For the years ended December 31, 2007, 2006 and 2005 net cash provided by operating activities was \$54.8, \$43.8 and \$34.4 million, respectively.

Our primary investing activities are the origination of real estate, commercial and consumer loans and purchase and sale of securities. Our net cash provided by and used in investing activities has been primarily influenced by our loan and securities activities. The net organic increase in loans for the years ended December 31, 2007, 2006 and 2005 was \$347.0 million, \$602.2 million and \$574.5 million, respectively. Purchases of securities, net of proceeds from the maturities and sales of securities for the year ended December 31, 2007 were \$180.2 million. Proceeds from the maturities and sales of securities, net of purchases of securities for the year ended December 31, 2006 were \$241.6 million. Net proceeds from the maturities and sales of securities were \$50.3 million for the year ended December 31, 2005.

Net cash provided by financing activities has been impacted significantly by increases in deposit levels in prior years. During the years ended December 31, 2007, 2006 and 2005, deposits decreased organically by \$255.8 million, and increased \$339.1 million and \$637.8 million, respectively. The net increase in our borrowings combined with proceeds from the issuance of junior subordinated and subordinated debt totaled \$594.4 million for the year ended December 31, 2007, compared with a net increase in borrowings of \$122.0 million for 2006.

Our federal funds sold decreased \$110.2 million from December 31, 2006 to December 31, 2007. This is due to the lack of growth in our deposits combined with the increase of our investment portfolio over the same period.

Federal and state banking regulations place certain restrictions on dividends paid by the Banks to Western Alliance. The total amount of dividends which may be paid at any date is generally limited to the retained earnings of each Bank. Dividends paid by the Banks to the Company would be prohibited if the effect thereof would cause the respective Bank's capital to be reduced below applicable minimum capital requirements.

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. We do not have any market risk sensitive instruments entered into for trading purposes. We manage our interest rate sensitivity by matching the re-pricing opportunities on our earning assets to those on our funding liabilities.

Management uses various asset/liability strategies to manage the re-pricing characteristics of our assets and liabilities designed to ensure that exposure to interest rate fluctuations is limited within our guidelines of acceptable levels of risk-taking. Hedging strategies, including the terms and pricing of loans and

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deposits, and management of the deployment of our securities are used to reduce mismatches in interest rate re-pricing opportunities of portfolio assets and their funding sources.

Interest rate risk is addressed by each bank's respective Asset Liability Management Committee, or ALCO, (or its equivalent) which is comprised of senior finance, operations, human resources and lending officers. ALCO monitors interest rate risk by analyzing the potential impact on the net economic value of equity and net interest income from potential changes in interest rates, and consider the impact of alternative strategies or changes in balance sheet structure. We manage our balance sheet in part to maintain the potential impact on economic value of equity and net interest income within acceptable ranges despite changes in interest rates.

Our exposure to interest rate risk is reviewed on at least a quarterly basis by the ALCO. Interest rate risk exposure is measured using interest rate sensitivity analysis to determine our change in economic value of equity in the event of hypothetical changes in interest rates. If potential changes to net economic value of equity and net interest income resulting from hypothetical interest rate changes are not within the limits established by each bank's Board of Directors, the respective Board of Directors may direct management to adjust the asset and liability mix to bring interest rate risk within board-approved limits.

Economic Value of Equity. We measure the impact of market interest rate changes on the net present value of estimated cash flows from our assets, liabilities and off-balance sheet items, defined as economic value of equity, using a simulation model. This simulation model assesses the changes in the market value of interest rate sensitive financial instruments that would occur in response to an instantaneous and sustained increase or decrease (shock) in market interest rates.

At December 31, 2007, our economic value of equity exposure related to these hypothetical changes in market interest rates was within the current guidelines established by us. The following table shows our projected change in economic value of equity for this set of rate shocks at December 31, 2007.

Economic Value of Equity

Interest Rate Scenario	Economic Value of Equity			Percentage of Equity Book Value
	Economic Value	Percentage Change from Base	Percentage of Total Assets	
(\$ in millions)				
Up 300 basis points	\$652.8	(2.0)%	13.0%	130.2%
Up 200 basis points	661.2	(0.8)	13.2	131.8
Up 100 basis points	667.0	0.1	13.3	133.0
BASE	666.4		13.3	132.9
Down 100 basis points	666.2	(0.0)	13.3	132.8
Down 200 basis points	656.0	(1.6)	13.1	130.8
Down 300 basis points	642.4	(3.6)	12.8	128.1

The computation of prospective effects of hypothetical interest rate changes are based on numerous assumptions, including relative levels of market interest rates, asset prepayments and deposit decay, and should not be relied upon as indicative of actual results. Further, the computations do not contemplate any actions we may undertake in response to changes in interest rates. Actual amounts may differ from the projections set forth above should market conditions vary from the underlying assumptions.

Net Interest Income Simulation. In order to measure interest rate risk at December 31, 2007, we used a simulation model to project changes in net interest income that result from forecasted changes in interest rates. This analysis calculates the difference between net interest income forecasted using a rising and a falling interest rate scenario and a net interest income using a base market interest rate derived from the current treasury yield curve. The income simulation model includes various assumptions regarding the re-pricing relationships for each of our products. Many of our assets are floating rate loans, which are assumed to re-price immediately, and proportional to the change in market rates, depending on their contracted index. Some loans and investments include the opportunity of prepayment

(embedded options), and accordingly the simulation model uses indexes to estimate these prepayments and reinvest their proceeds at current yields. Our non-term deposit products re-price more slowly, usually changing less than the change in market rates and at our discretion.

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This analysis indicates the impact of changes in net interest income for the given set of rate changes and assumptions. It assumes the balance sheet remains static and that its structure does not change over the course of the year. It does not account for all factors that impact this analysis, including changes by management to mitigate the impact of interest rate changes or secondary impacts such as changes to our credit risk profile as interest rates change.

Furthermore, loan prepayment rate estimates and spread relationships change regularly. Interest rate changes create changes in actual loan prepayment rates that will differ from the market estimates incorporated in this analysis. Changes that vary significantly from the assumptions may have significant effects on our net interest income.

For the rising and falling interest rate scenarios, the base market interest rate forecast was increased and decreased over twelve months by 300 basis points. At December 31, 2007, our net interest margin exposure related to these hypothetical changes in market interest rates was within the current guidelines established by us.

Sensitivity of Net Interest Income

Interest Rate Scenario	Adjusted Net Interest Income (in millions)	Percentage Change from Base
Up 300 basis points	\$ 203.2	6.7%
Up 200 basis points	199.2	4.6
Up 100 basis points	194.0	1.8
BASE	190.5	
Down 100 basis points	186.3	(2.2)
Down 200 basis points	182.4	(4.3)
Down 300 basis points	178.5	(6.3)

Derivative Contracts. In the normal course of business, the Company uses derivative instruments to meet the needs of its customers and manage exposure to fluctuations in interest rates. The following table summarizes the aggregate notional amounts and terms of the Company's derivative holdings.

Derivative Contracts

	Notional Amounts (in thousands)	Weighted Average Term (in years)
Fixed-to-floating interest rate swaps	\$ 51,418	5.3
Floating-to-fixed interest rate swaps	50,000	4.0
Credit default swap	10,000	20.0

Recent Accounting Pronouncements

On January 1, 2007, the Company adopted 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. We had no cumulative adjustment to retained earnings on our financial statements related to FIN 48.

Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. The Company adopted SFAS 157 on January 1, 2007. The impact of this new standard on our financial statements is discussed in the notes to the financial statements.

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The Company adopted SFAS 159, *The Fair Value Option for Assets and Financial Liabilities-Including an Amendment of FASB Statement No. 115*, on January 1, 2007. SFAS 159 permits an entity to choose to measure many financial instruments and certain other items at fair value. For financial instruments elected to be accounted for at fair value, the Company reports the unrealized gains and losses in earnings. The impact of this new standard on our financial statements is discussed in Note 2 to the consolidated financial statements.

In September 2007, 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. EITF 06-4 does not have a material impact on our financial statements.

In September 2007, the FASB ratified the consensus reached by the Emerging Issues Task Force in Issue No. 06-5, Accounting for Purchases of Life Insurance - Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4, Accounting for Purchases of Life Insurance (EITF 06-5). EITF 06-5 is effective for fiscal years beginning after December 15, 2007. EITF 06-5 is not expected to have a material impact on our financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a discussion of quantitative and qualitative disclosures about market risk, please see Item 7 Management's Discussion and Analysis of Financial Condition and results of Operations - Quantitative and Qualitative Disclosure about Market Risk on page 62.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements and supplementary data included in this annual report are listed in Item 15 and begin at page F-1 immediately following the signature page.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

As of December 31, 2007, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer along with the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15(b), as adopted by the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934 (Exchange Act). Based upon that evaluation, the Company's Chief Executive Officer along with the Company's Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to timely alert them to material information relating to the Company (including its consolidated subsidiary) required to be included in the Company's periodic SEC filings.

Disclosure controls and procedures are the controls and other procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

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There have been no changes in the Company's internal controls, or in other factors which could significantly affect these controls, over financial reporting that have materially affected, or are or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

As of December 31, 2007, management assessed the effectiveness of the Company's internal control over financial reporting based on the criteria for effective internal control over financial reporting established in *Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)*. Based on the assessment, management determined that the Company maintained effective internal control over financial reporting as of December 31, 2007, based on those criteria.

The Company acquired First Independent Capital of Nevada, parent company of First Independent Bank of Nevada on March 30, 2007, and management excluded the operations of First Independent Bank from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2007. First Independent Bank had total assets of approximately \$549.9 million as of December 31, 2007. The Company acquired a majority interest in Shine Investment Advisory Services, Inc. on July 31, 2007, and management excluded Shine Investment Advisory Services, Inc. from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2007. Shine Investment Advisory Services, Inc. had total assets under management of \$428 million as of December 31, 2007. While the acquisitions were considered material to the Company, it did not result in a material change in our internal controls over financial reporting.

The Company's independent registered public accounting firm, McGladrey & Pullen, LLP, has audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2007, as stated in their report, which is included herein.

The Company's management, including its Chief Executive Officer and Chief Financial Officer, does not expect that its disclosure controls and procedures, or its internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefit of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

/s/ Robert Sarver

/s/ Dale Gibbons

Robert Sarver
Chief Executive Officer

Dale Gibbons
Executive Vice President, Chief
Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Western Alliance Bancorporation
Las Vegas, Nevada

We have audited Western Alliance Bancorporation's internal control over financial reporting as of December 31, 2007, based on *criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)*. Western Alliance Bancorporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in

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the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

The Company acquired First Independent Bank of Nevada on March 30, 2007 and Shine Investment Advisory Services on July 31, 2007, and management excluded all of the operations of these acquired entities from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2007. First Independent Bank had \$549.9 million in assets as of December 31, 2007 and net income of \$4.4 million for the period from April 1, 2007 to December 31, 2007. Shine Investment Advisory Services had total assets under management of \$428 million as of December 31, 2007. Our audit of internal controls over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of First Independent Bank of Nevada and Shine Investment Advisory Services.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Western Alliance Bancorporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on *criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)*.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Western Alliance Bancorporation and our report dated February 21, 2008 expressed an unqualified opinion.

/s/ McGLADREY & PULLEN, LLP

Las Vegas, Nevada

February 21, 2008

ITEM 9B. OTHER INFORMATION

Not applicable.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 of Form 10-K is incorporated by reference from the information contained in the Company's Proxy Statement for the 2008 Annual Meeting of Shareholders which will be filed pursuant to Regulation 14A.

The Company has adopted a Code of Conduct applicable to all of our directors and employees, including the principal executive officer, principal financial officer and principal accounting officer. A copy of the Code of Conduct is available on the Company's website at www.westernalliancebancorp.com.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 of Form 10-K is incorporated by reference from the information contained in the Company's Proxy Statement for the 2008 Annual Meeting of Shareholders which will be filed pursuant to Regulation 14A.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 of Form 10-K is incorporated by reference from the information contained in the Company's Proxy Statement for the 2008 Annual Meeting of Shareholders which will be filed pursuant to Regulation 14A.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by Item 13 of Form 10-K is incorporated by reference from the information contained in the Company's Proxy Statement for the 2008 Annual Meeting of Shareholders which will be filed pursuant to Regulation 14A.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 of Form 10-K is incorporated by reference from the information contained in the Company's Proxy Statement for the 2008 Annual Meeting of Shareholders which will be filed pursuant to Regulation 14A.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) *Documents Filed as Part of this Report*

(1) The following financial statements are incorporated by reference from Item 8 hereto:

Consolidated Balance Sheets as of December 31, 2007 and 2006 Page F-2

Consolidated Statements of Income for the three years ended December 31, 2007, 2006 and 2005 Page F-3

Consolidated Statements of Stockholders Equity for the three years ended December 31, 2007, 2006 and 2005 Page F-4

Consolidated Statements of Cash Flows for the three years ended December 31, 2007, 2006 and 2005 Page F-5

Notes to Consolidated Financial Statements Page F-6

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Report of Independent Registered Public
Accounting Firm

(2) *Financial Statement Schedules*

Not applicable.

On the Exhibit Index, a ± identifies each management contract or compensatory plan or arrangement required to be filed as an exhibit to this Annual Report, and such listing is incorporated herein by reference.

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EXHIBITS

- 3.1 Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to Amendment No. 1 to Western Alliance's Registration Statement on Form S-1 filed with the SEC on June 7, 2005).
- 3.2 Amended and Restated By-Laws (incorporated by reference to Exhibit 3.1 to Western Alliance's Form 8-K filed with the SEC on January 25, 2008).
- 4.1 Form of common stock certificate (incorporated by reference to Exhibit 4.1 to Amendment No. 3 to Western Alliance's Registration Statement on Form S-1 filed with the SEC on June 27, 2005).
- 10.1 Employment Agreement by and between Western Alliance Bancorporation and Mr. Markham (incorporated by reference to Exhibit 5.1 to Western Alliance's Registration Statement on Form 8-K filed with the SEC on April 23, 2007).±
- 10.2 Employment Agreement by and between Western Alliance Bancorporation and Mr. Grisham (incorporated by reference to Exhibit 10.1 to Western Alliance's Registration Statement on Form 8-K filed with the SEC on April 2, 2007).±
- 10.3 Employment Agreement by and between Western Alliance Bancorporation and Mr. Woodrum (incorporated by reference to Exhibit 10.2 to Western Alliance's Registration Statement on Form 8-K filed with the SEC on April 2, 2007).±
- 10.4 Agreement and Plan of Merger By and Between Western Alliance Bancorporation and First Independent Capital of Nevada (incorporated by reference to Appendix A to Western Alliance's Form S-4 filed with the SEC on February 1, 2007).±
- 10.5 Western Alliance Bancorporation 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to Amendment No. 1 to Western Alliance's Registration Statement on Form S-1 filed with the SEC on June 7, 2005).±
- 10.6 Form of BankWest Nevada Corporation Incentive Stock Option Plan Agreement (incorporated by reference to Exhibit 10.3 to Western Alliance's Registration Statement on Form S-1 filed with the SEC on April 28, 2005).±
- 10.7 Form of Western Alliance Incentive Stock Option Plan Agreement (incorporated by reference to Exhibit 10.4 to Western Alliance's Registration Statement on Form S-1 filed with the SEC on April 28, 2005).±
- 10.8 Form of Western Alliance 2002 Stock Option Plan Agreement (incorporated by reference to Exhibit 10.5 to Western Alliance's Registration Statement on Form S-1 filed with the SEC on April 28, 2005).±
- 10.9 Form of Western Alliance 2002 Stock Option Plan Agreement (with double trigger acceleration clause) (incorporated by reference to Exhibit 10.6 to Western Alliance's Registration Statement on Form S-1 filed with the SEC on April 28, 2005).±

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- 10.10 Form of Indemnification Agreement by and between Western Alliance Bancorporation and the following directors and officers: Messrs. Baker, Beach, Boyd, Cady, Froeschle, Gibbons, Hilton, Lundy, Mack, A. Marshall, T. Marshall, Nigro, Sarver, Snyder, Wall and Woodrum, Drs. Nagy and Nave, and Meses. Boyd Johnson and Mahan (incorporated by reference to Exhibit 10.7 to Western Alliance's Registration Statement on Form S-1 filed with the SEC on April 28, 2005).±
- 10.11 Form of Non-Competition Agreement by and between Western Alliance Bancorporation and the following directors and officers: Messrs. Froeschle, Sarver, Lundy, Snyder and Woodrum (incorporated by reference to Exhibit 10.8 to Western Alliance's Registration Statement on Form S-1 filed with the SEC on April 28, 2005).±
- 10.12 Form of Warrant to purchase shares of Western Alliance Bancorporation common stock, dated December 12, 2003, together with a schedule of warrant holders (incorporated by reference to Exhibit 10.9 to Western Alliance's Registration Statement on Form S-1 filed with the SEC on April 28, 2005).±
- 10.13 Real Estate Purchase Agreement between GRS Sahara Ave. Corp. and BankWest of Nevada (incorporated by reference to Exhibit 10.1 to Western Alliance's Form 8-K filed with the SEC on September 26, 2005).
- 21.1 List of Subsidiaries of Western Alliance Bancorporation
- 23.1 Consent of McGladrey & Pullen, LLP.
- 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 2003

Shareholders may obtain copies of exhibits by writing to: Dale Gibbons, Western Alliance Bancorporation, 2700 West Sahara Avenue, Las Vegas, Nevada 89102.

SIGNATURES

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

**WESTERN ALLIANCE
BANCORPORATION**

February 22, 2008

By: /s/ Robert Sarver

Robert Sarver
Chairman of the Board; President
and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this registration statement has been signed by the following persons on behalf of the Company in their listed capacities on February 22, 2008:

Name

Title

/s/ Robert Sarver

Robert Sarver

Chairman of the Board; President and Chief
Executive Officer
(Principal Executive Officer)

/s/ Dale Gibbons

Dale Gibbons

Executive Vice President and Chief Financial
Officer
(Principal Financial Officer)

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Name	Title
/s/ Terry A. Shirey	
Terry A. Shirey	Senior Vice President and Controller (Principal Accounting Officer)
/s/ John P. Sande III	
John P. Sande III	Director
/s/ Bruce Beach	
Bruce Beach	Director
/s/ William S. Boyd	
William S. Boyd	Director
/s/ Steve Hilton	
Steve Hilton	Director
/s/ Marianne Boyd Johnson	
Marianne Boyd Johnson	Director
/s/ Cary Mack	
Cary Mack	Director
/s/ George J. Maloof, Jr.	
George J. Maloof, Jr.	Director
/s/ Arthur Marshall	
Arthur Marshall	Director
Todd Marshall	Director
/s/ M. Nafees Nagy, M.D.	
M. Nafees Nagy, M.D.	Director
James Nave, D.V.M.	Director
/s/ Donald Synder	
Donald Snyder	Director
/s/	
Kenneth A. Vecchione	Director
Larry Woodrum	Director

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WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2007 and 2006

	2007	2006
	(in thousands, except per share amounts)	
Assets		
Cash and due from banks	\$ 104,650	\$ 143,721
Federal funds sold and other	10,979	121,159
Cash and cash equivalents	115,629	264,880
Securities held to maturity (approximate fair value \$9,530 and \$95,404, respectively)	9,406	97,495
Securities available for sale	486,354	444,826
Securities measured at fair value	240,440	
Gross loans, including net deferred loan fees	3,633,009	3,003,222
Less: Allowance for loan losses	(49,305)	(33,551)
Loans, net	3,583,704	2,969,671
Premises and equipment, net	143,421	99,859
Bank owned life insurance	88,061	82,058
Investment in restricted stock	27,003	18,483
Accrued interest receivable	22,344	17,425
Deferred tax assets, net	25,900	8,000
Goodwill	217,810	132,188
Other intangible assets, net of accumulated amortization of \$3,693 and \$1,457, respectively	24,370	16,042
Other assets	31,654	18,677
Total assets	\$5,016,096	\$4,169,604
Liabilities and Stockholders Equity		
Liabilities		
Non-interest bearing demand deposits	\$1,007,642	\$1,154,245
Interest bearing deposits:		
Demand	264,586	246,318
Savings and money market	1,558,867	1,407,916
Time, \$100 and over	649,351	524,935
Other time	66,476	67,009

	3,546,922	3,400,423
Customer repurchase agreements	275,016	170,656
Federal Home Loan Bank advances and other borrowings:		
One year or less	489,330	11,000
Over one year (2007 \$30,768 measured at fair value)	55,369	58,011
Junior subordinated debt (2007 measured at fair value)	62,240	61,857
Subordinated debt	60,000	40,000
Accrued interest payable and other liabilities	25,591	19,078
Total liabilities	4,514,468	3,761,025
Commitments and Contingencies (Notes 7, 9, 10 and 12)		
Minority Interest	110	
Stockholders' Equity		
Preferred stock, par value \$.0001; shares authorized 20,000; no shares issued and outstanding 2007 and 2006		
Common stock, par value \$.0001; shares authorized 100,000; shares issued and outstanding 2007: 30,157; 2006: 27,085	3	3
Additional paid-in capital	377,973	287,553
Retained earnings	152,286	126,170
Accumulated other comprehensive loss - net unrealized loss on available for sale securities	(28,744)	(5,147)
Total stockholders' equity	501,518	408,579
Total liabilities and stockholders' equity	\$5,016,096	\$4,169,604

See Notes to Consolidated Financial Statements.

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WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2007, 2006 and 2005

	2007	2006	2005
	(in thousands, except per share amounts)		
Interest income on:			
Loans, including fees	\$ 264,480	\$ 203,792	\$ 102,481
Securities taxable	35,602	25,886	29,099
Securities nontaxable	720	455	394
Dividends taxable	1,700	1,004	595
Dividends nontaxable	1,676	150	
Federal funds sold and other	1,644	1,798	2,341
Total interest income	305,822	233,085	134,910
Interest expense on:			
Deposits	98,128	65,612	25,546
Customer repurchase agreements	8,397	5,156	1,217
Short-term borrowings	8,700	5,945	2,017
Long-term borrowings	3,092	2,724	1,675
Junior subordinated debt	4,318	4,134	2,113
Subordinated debt	3,298	726	
Total interest expense	125,933	84,297	32,568
Net interest income	179,889	148,788	102,342
Provision for loan losses	20,259	4,660	6,179
Net interest income after provision for loan losses	159,630	144,128	96,163
Other income:			
Trust and investment advisory services	9,764	7,346	5,699
Service charges	4,828	3,450	2,495
Income from bank owned life insurance	3,763	2,661	1,664
Other	6,025	4,413	2,211
Other income, excluding securities and fair value gains (losses)	24,380	17,870	12,069
Investment securities gains (losses), net	434	(4,436)	69
Derivative losses	(1,833)		
Securities impairment charges	(2,861)		
Unrealized gains on assets and liabilities measured at fair value, net	2,418		
	22,538	13,434	12,138
Other expense:			
Salaries and employee benefits	76,582	54,767	36,816

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Occupancy	18,120	12,958	9,819
Advertising, public relations and business development	6,815	4,242	2,806
Customer service	6,708	6,684	3,720
Legal, professional and director fees	3,862	2,798	2,051
Insurance	3,324	1,048	752
Data processing	2,278	1,748	1,053
Audits and exams	2,059	2,375	1,538
Supplies	1,942	1,710	1,083
Correspondent banking service charges and wire transfer costs	1,669	1,662	1,651
Telephone	1,492	1,093	759
Intangible amortization	1,455	607	68
Travel and automobile	1,425	790	684
Merger expenses	747		
Organizational costs		977	
Other	5,192	2,627	2,064
	133,670	96,086	64,864
Income before income taxes	48,498	61,476	43,437
Minority interest	110		
Income tax expense	15,513	21,587	15,372
Net income	\$ 32,875	\$ 39,889	\$ 28,065
Earnings per share:			
Basic	\$ 1.14	\$ 1.56	\$ 1.36
Diluted	\$ 1.06	\$ 1.41	\$ 1.24

See Notes to Consolidated Financial Statements.

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WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended December 31, 2007, 2006 and 2005

(in thousands, except per share amounts)	Comprehensive Income	Common Stock Shares Issued	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Description							
Balance, December 31, 2004		18,249	\$ 2	\$ 80,459	\$ 58,216	\$ (5,106)	\$ 133,571
Stock options exercised		228		1,222			1,222
Stock warrants exercised		106		806			806
Issuance of 4,200 shares of common stock net of offering costs of \$7,337		4,200		85,063			85,063
Restricted stock granted		27		82			82
Comprehensive income:							
Net income	\$ 28,065				28,065		28,065
Other comprehensive income							
Unrealized holding losses on securities available for sale arising during the period, net of taxes of \$2,679	(4,541)						
Less reclassification adjustment for gains included in net income, net of taxes of \$24	(45)						
Net unrealized holding losses	(4,586)					(4,586)	(4,586)
	\$ 23,479						
Balance, December 31, 2005		22,810	2	167,632	86,281	(9,692)	244,223
Stock options exercised, including tax benefit of \$362		319		2,549			2,549
Stock warrants exercised		72		546			546
Issuance of common stock in connection with acquisition, net of offering costs of \$264		3,390	1	101,003			101,004
Stock options converted at acquisition				3,406			3,406
Issuance of 263 shares of common stock, net of offering costs of \$46		263		9,057			9,057
Restricted stock granted, net of forfeitures		208		1,857			1,857
Stock based compensation expense		23		1,503			1,503
Comprehensive income:							

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Net income	\$ 39,889			39,889		39,889
Other comprehensive income						
Unrealized holding gains on securities available for sale arising during the period, net of taxes of \$949	1,662					
Plus reclassification adjustment for losses included in net income, net of taxes of \$1,553	2,883					
Net unrealized holding gains	4,545			4,545		4,545
	\$ 44,434					

Balance, December 31, 2006	27,085	3	287,553	126,170	(5,147)	408,579
Stock options exercised, including tax benefit of \$115	431		3,336			3,336
Stock warrants exercised	30		26			26
Issuance of common stock in connection with acquisition, net of offering costs of \$361	2,862		89,197			89,197
Stock options converted at acquisition			10,075			10,075
Restricted stock granted, net of forfeitures	456		4,101			4,101
Stock-based compensation expense	44		2,755			2,755
Adoption of FAS 159				(6,759)	3,810	(2,949)
Stock repurchases	(751)		(19,070)			(19,070)
Comprehensive income:						
Net income	\$ 32,875			32,875		32,875
Other comprehensive income						
Unrealized holding losses on securities available for sale arising during the period, net of taxes of \$14,605	(27,125)					
Plus reclassification adjustment for gains included in net income, net of taxes of \$152	(282)					
Net unrealized holding losses	(27,407)			(27,407)		(27,407)
	\$ 5,468					

Balance, December 31, 2007 **30,157** **\$ 3** **\$ 377,973** **\$ 152,286** **\$ (28,744)** **\$ 501,518**

See Notes to Consolidated Financial Statements.

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WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2007, 2006 and 2005

	2007	2006	2005
		(\$ in thousands)	
Cash Flows from Operating Activities:			
Net income	\$ 32,875	\$ 39,889	\$ 28,065
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	12,086	6,668	3,783
Net amortization of securities premiums (discounts)	696	1,066	1,219
Stock dividends received	(982)	(875)	(890)
Provision for loan losses	20,259	4,660	6,179
(Gain) loss on sale of securities	(434)	4,436	(69)
Securities impairment charges	2,861		
Change in fair value of assets and liabilities measured at fair value	(4,583)		
Derivative losses	1,833		
Deferred taxes	(4,219)	2,968	(2,158)
Compensation cost on restricted stock	4,101	1,857	
Stock based compensation expense	2,755	1,503	
(Increase) in accrued interest receivable	(3,045)	(3,772)	(2,186)
(Increase) in bank-owned life insurance	(3,763)	(2,661)	(1,664)
(Increase) in other assets	(7,293)	(6,161)	(479)
Increase (decrease) in accrued interest payable and other liabilities	905	(5,720)	2,530
Other, net	703	(94)	29
Net cash provided by operating activities	54,755	43,764	34,359
Cash Flows from Investing Activities:			
Purchases of securities held to maturity	(1,527)	(2,927)	(13,209)
Proceeds from maturities of securities held to maturity	16	20,571	27,373
Purchases of securities available for sale	(360,610)	(202,821)	(135,271)
Proceeds from maturities of securities available for sale	49,335	272,637	152,707
Proceeds from the sale of securities available for sale	87,114	154,177	18,728
Purchases of securities measured at fair value	(14,612)		
Proceeds from maturities of securities measured at fair value	54,379		
Proceeds from the sale of securities measured at fair value	5,712		
Net cash paid (received) in settlement of acquisition	47,491	(5,965)	
Liquidation (purchase) of restricted stock	(7,596)	459	1,531
Net increase in loans made to customers	(350,402)	(602,176)	(574,456)
Purchased mortgages			(30,346)
Purchase of premises and equipment	(35,873)	(35,172)	(22,756)
Purchase of bank-owned life insurance		(25,000)	(24,000)
Other, net			(264)

Net cash used in investing activities	(526,573)	(426,217)	(599,963)
Cash Flows from Financing Activities:			
Net increase (decrease) in deposits	(255,762)	339,124	637,776
Net (repayments) proceeds from borrowings	579,280	61,985	(100,324)
Proceeds from issuance of junior subordinated and subordinated debt	32,000	60,000	
Repayment of junior subordinated debt	(16,882)		
Proceeds from exercise of stock options and stock warrants	3,247	2,733	2,028
Excess tax benefits from share-based payment arrangements	115	362	
Cost of issuing stock in acquisition	(361)	(264)	
Stock repurchases	(19,070)		
Proceeds from stock issuance, net		9,057	85,063
Net cash provided by financing activities	322,567	472,997	624,543
Increase (decrease) in cash and cash equivalents	(149,251)	90,544	58,939
Cash and Cash Equivalents, beginning of year	264,880	174,336	115,397
Cash and Cash Equivalents, end of year	\$ 115,629	\$ 264,880	\$ 174,336
Supplemental Disclosure of Cash Flow Information:			
Cash payments for interest, net of capitalized interest (Note 6)	\$ 125,612	\$ 81,667	\$ 32,373
Cash payments for income taxes	\$ 22,127	\$ 23,385	\$ 17,481
Supplemental Disclosure of Noncash Investing and Financing Activities			
Acquisition of premises and equipment funded with borrowings	\$	\$	\$ 9,812
Loan transferred to other real estate	\$ 3,412	\$	\$
Securities available for sale in process of settlement	\$	\$	\$ 20,000
Stock and stock options issued in connection with acquisitions	\$ 99,633	\$ 104,674	\$
Business combination:			
Fair value of assets acquired, excluding intangibles	\$ 446,114	\$ 755,514	
Goodwill and other intangibles acquired	95,975	144,118	
Liabilities assumed	(417,630)	(711,969)	
Common stock and options issued	(99,633)	(104,674)	
Cash acquired from acquisitions	(72,317)	(77,024)	
Cash paid (received) for acquisitions	\$ (47,491)	\$ 5,965	

See Notes to Consolidated Financial Statements.

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**WESTERN ALLIANCE BANCORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share amounts)**

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

Nature of business

Western Alliance Bancorporation is a bank holding company providing a full range of banking services to commercial and consumer clientele 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, Premier Trust, Inc., operating in Nevada and Arizona and Shine Investment Advisory Services, Inc., operating in Colorado. These entities are collectively referred to herein as the Company. First Independent Bank was acquired on March 30, 2007. The Company acquired a majority interest in Shine Investment Advisory Services on July 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.

A summary of the significant accounting policies of the Company follows:

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. Material estimates that are particularly susceptible to significant changes in the near term relate to the determination of the allowance for loan losses; fair value of collateralized debt obligations (CDOs); synthetic CDOs and related embedded derivatives; classification of impaired securities as other than temporary; and impairment of goodwill and other intangible assets.

Principles of consolidation

With the exception of certain trust subsidiaries (Note 11) which do not meet the criteria for consolidation pursuant to Financial Accounting Standards Board (FASB) Interpretation No. 46 (FIN 46), *Consolidation of Variable Interest Entities*, the consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Bank of Nevada and its subsidiary BW Real Estate, Inc., Alliance Bank of Arizona, Torrey Pines Bank, Alta Alliance Bank, First Independent Bank of Nevada (collectively referred to herein as the Banks), Miller/Russell & Associates, Inc., Premier Trust, Inc., and Shine Investment Advisory Services, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

Repurchase program

For the year ended December 31, 2007, the Company repurchased approximately 751,000 shares of common stock on the open market with a weighted average price of \$25.47 per share. The Company has the remaining authority to repurchase shares with an aggregate purchase price of \$30.9 million under a share repurchase program authorized by the Board of Directors through December 31, 2008. All repurchased shares are retired as soon as is practicable after settlement.

Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks (including cash items in process of clearing) and federal funds sold. Cash flows from loans originated by the Company and deposits are reported net.

The Company maintains amounts due from banks, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Table of Contents***Securities***

Securities classified as held to maturity are those debt securities the Company has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or general economic conditions. These securities are carried at amortized cost. The sale of a security within three months of its maturity date or after at least 85% of the principal outstanding has been collected is considered a maturity for purposes of classification and disclosure.

Securities classified as available for sale are equity securities and those debt securities the Company intends to hold for an indefinite period of time, but not necessarily to maturity. Any decision to sell a security classified as available for sale would be based on various factors, including significant movements in interest rates, changes in the maturity mix of the Company's assets and liabilities, liquidity needs, regulatory capital considerations and other similar factors. Securities available for sale are reported at fair value with unrealized gains or losses reported as other comprehensive income (loss), net of the related deferred tax effect. Realized gains or losses, determined on the basis of the cost of specific securities sold, are included in earnings.

Purchase premiums and discounts are generally recognized in interest income using the interest method over the term of the securities. For mortgage-backed securities, estimates of prepayments are considered in the constant yield calculations.

Declines in the fair value of individual securities classified as held to maturity or available for sale below their amortized cost that are determined to be other than temporary result in write-downs of the individual securities to their fair value with the resulting write-downs included in current earnings as realized losses. In determining other than temporary losses, management considers many factors, including: (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, (3) whether the market decline was affected by macroeconomic conditions, and (4) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. The assessment of whether an other than temporary decline exists involves a high degree of subjectivity and judgment and is based on the information available to management at a point in time.

Securities classified as measured at fair value are equity and debt securities for which the company elected early adoption of Statement of Financial Accounting Standards (SFAS) No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, effective January 1, 2007. Securities for which the measured at fair value classification was made were generally fixed rate securities with a relatively long duration and low coupon rates. Securities measured at fair value are reported at fair value with unrealized gains or losses included in earnings.

Derivative financial instruments

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

The Company occasionally purchases a financial instrument or originates a loan that contains an embedded derivative instrument. Upon purchasing the instrument or originating the loan, the Company assesses whether the economic characteristics of the embedded derivative are clearly and closely related to the economic characteristics of the remaining component of the financial instrument (i.e., the host contract) and whether a separate instrument with the same terms as the embedded instrument would meet the definition of a derivative instrument. When it is determined that (1) the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract, and (2) a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is separated from the host contract and carried at fair value. However, in cases where (1) the host contract is measured at fair value, with changes in fair value reported in current earnings or (2) the Company is unable to reliably identify and measure an embedded derivative for separation from its host contract, the entire contract is carried on the balance sheet at fair value and is not designated as a hedging instrument.

Table of Contents***Loans***

Loans are stated at the amount of unpaid principal, reduced by unearned net loan fees and 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 management believes that collectibility of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance.

The allowance is an amount that management believes 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. This evaluation also takes into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem credits, peer bank information and current economic conditions that may affect the borrower's ability to pay. Due to the credit concentration of the Company's 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 (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 the Banks to make additions to the allowance based on their judgment about information available to them at the time of their examinations.

The allowance consists of specific and general components. The specific component relates to loans that are classified as impaired. For such loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan, pursuant to SFAS 114, *Accounting by Creditors for Impairment of a Loan*. The general component covers non-impaired loans and is based on historical loss experience adjusted for qualitative and environmental factors, pursuant to SFAS 5, *Accounting for Contingencies*.

A loan is impaired when it is probable the Company will be unable to collect all contractual principal and interest payments due in accordance with the terms of the loan agreement. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. The amount of impairment, if any, and any subsequent changes are included in the allowance for loan losses.

Interest and fees on loans

Interest on loans is recognized over the terms of the loans and is calculated under the effective interest method. The accrual of interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to make payments as they become due.

The Company determines a loan to be delinquent when payments have not been made according to contractual terms, typically evidenced by nonpayment of a monthly installment by the due date. The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in the process of collection. Credit card loans and other personal loans are typically charged off no later than 180 days delinquent.

All interest accrued but not collected for loans that are placed on non-accrual status or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loan origination and commitment fees and certain direct loan origination costs are deferred and the net amount amortized as an adjustment to the related loan's yield. The Company is generally amortizing these amounts over the contractual life of the loan. Commitment fees, based upon a percentage of a customer's unused line of credit, and fees related to standby letters of credit are recognized over the commitment period.

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As a service for customers, the Company has entered into agreements with unaffiliated mortgage companies to complete applications, loan documents and perform pre-underwriting activities for certain residential mortgages. The mortgage loan pre-underwriting fees from these agreements are recognized as income when earned.

Transfers of financial assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Advertising costs

Advertising costs are expensed as incurred.

Bank owned life insurance

Bank owned life insurance is stated at its cash surrender value. The face amount of the underlying policies is \$217.3 million as of December 31, 2007. There are no loans offset against cash surrender values, and there are no restrictions as to the use of proceeds.

Federal Home Loan Bank stock

The Banks, as members of the Federal Home Loan Bank (FHLB) system, are required to maintain an investment in capital stock of the FHLB in an amount equal to 5% of its advances from the FHLB. These investments are recorded at cost since no ready market exists for them, and they have no quoted market value.

Other real estate owned

Other real estate owned (OREO) is real estate that is held for sale and is carried at the lower of cost or fair value of the property based on appraisal, less estimated costs of disposal. Any write-down to fair value at the time of transfer to OREO is charged to the allowance for loan losses. Property is evaluated regularly to ensure the recorded amount is supported by its current fair value and valuation allowances. In turn, a reduction in the carrying amount to fair value less estimated costs to dispose are recorded as necessary. Costs relating to the development and improvement of the property are capitalized. OREO is included in other assets on the balance sheet. Revenue and expense from the operations of OREO and changes to the valuation allowance are included in other non-interest expense.

Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed principally by the straight-line method over the estimated useful lives of the assets. Improvements to leased property are amortized over the lesser of the term of the lease or life of the improvements. Depreciation and amortization is computed using the following estimated lives:

	Years
Bank premises	31
Equipment and furniture	3 - 10
Leasehold improvements	6 - 10

Organization and start-up costs

Organization and start-up costs are charged to operations as they are incurred pursuant to Statement of Position 98-5, *Reporting on the Costs of Start-Up Activities*. There were no organization and start-up costs charged to operations during the years ended December 31, 2007 and 2005. Approximately \$1.0 million of organization and start-up costs were charged to operations during the year ended December 31, 2006.

Table of Contents***Other intangible assets***

Intangible assets consist of core deposit intangible assets, investment advisory and trust customer relationships, and are amortized over periods ranging from 6 to 12 years.

Goodwill

The Company records as goodwill the excess of the purchase price over the fair value of the identifiable net assets acquired. SFAS No. 142, *Goodwill and Other Intangible Assets*, prescribes a two-step process for impairment testing of goodwill, which is performed annually, as well as when an event triggering impairment may have occurred. The first step tests for impairment, while the second step, if necessary, measures the impairment. The Company has elected to perform its annual analysis during the fourth quarter of each fiscal year as of October 1st. The Company determined that goodwill was not impaired as of October 1, 2007.

Income taxes

Western Alliance Bancorporation and its subsidiaries, other than BW Real Estate, Inc., file a consolidated federal tax return. Deferred taxes are provided on an asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates on the date of enactment.

Stock compensation plans

The Company has the 2005 Stock Incentive Plan (the Plan), as amended, which is described more fully in Note 13. Effective January 1, 2006 (the adoption date), the Company adopted SFAS No. 123 (revised 2006), *Share Based Payment* (SFAS 123R). SFAS 123R requires the Company to record the fair value of stock options granted to employees as expense over the vesting period. Except as discussed below, the cost of the award is based on the grant-date fair value. Prior to adoption of SFAS 123R, the Company accounted for stock option grants using the recognition and measurement principles of APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. Therefore, no stock option-based compensation was reflected in net income, as all options are required by the Plan to be granted with an exercise price equal to the estimated fair value of the underlying common stock on the date of grant.

Prior to the adoption of SFAS 123R, the Company applied the disclosure provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*. SFAS 123 required the disclosure of the pro forma impact on net income and earnings per share as if the value of the options were calculated at fair value. SFAS 123 permitted private companies to calculate the fair value of stock options using the minimum value method while public companies were required to use a fair value model. Prior to the Company's initial public offering (IPO) the Company used the minimum value method to calculate the fair value of stock options. Subsequent to the Company's IPO, the Company utilizes the Black-Scholes model to calculate the fair value of stock options.

The Company has adopted SFAS 123R using the prospective method for options granted prior to the IPO and the modified prospective method for options granted subsequent to the IPO. Under the Company's transition method, SFAS 123R applies to new awards and to awards that were outstanding on the adoption date that are subsequently modified, repurchased, or cancelled. In addition, the expense recognition provision of SFAS 123R applies to options granted prior to the adoption date but subsequent to the IPO that were unvested at the adoption date.

During the year ended December 31, 2006, the Company granted stock options to the directors of its subsidiaries. Directors of subsidiaries do not meet the definition of an employee under SFAS 123R. Accordingly, the Company applies EITF Issue No. 96-18, *Accounting for Equity Instruments that are Issued to Other than Employees for Acquiring, or in Conjunction with Selling Goods or Services* to

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determine the measurement date for options granted to these directors. Therefore, the expense related to these options is remeasured each reporting date until the options are vested.

The following table illustrates the effect on net income and earnings per share had compensation cost for all of the stock-based compensation plans been determined based on the grant date fair values of awards (the method described in SFAS 123, *Accounting for Stock-Based Compensation*):

	2007	2006	2005
Net income:			
As reported	\$32,875	\$39,889	\$28,065
Deduct stock-based employee compensation expense determined under the minimum value method for all awards issued prior to the IPO	(919)	(960)	(893)
Deduct stock-based employee compensation expense determined under the Black Scholes for awards issued subsequent to the IPO			(118)
Related tax benefit for nonqualified stock options	73	74	60
Pro forma	\$32,029	\$39,003	\$27,114
Earnings per share:			
Basic as reported	\$ 1.14	\$ 1.56	\$ 1.36
Basic pro forma	1.11	1.52	1.31
Diluted as reported	1.06	1.41	1.24
Diluted pro forma	1.03	1.38	1.20

Preferred stock

No shares of preferred stock are issued and outstanding, and we have no current intent to issue preferred stock in the immediate future. The Board of Directors has the authority, without further action by the stockholders, to issue preferred stock in one or more series and to fix the number of shares, designations, preferences, powers, and relative, participating, optional or other special rights. The issuance of preferred stock could decrease the amount of earnings and assets available for distribution to holders of common stock or adversely affect the rights and powers, including voting rights, of the holders of common stock, and may have the effect of delaying, deferring or preventing a change in control of the Company.

Off-balance sheet instruments

In the ordinary course of business, the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the consolidated financial statements when they are funded.

Trust assets and investment advisory assets under management

Customer property, other than funds on deposit, held in a fiduciary or agency capacity by the Company is not included in the consolidated balance sheet because they are not assets of the Company. Trust and investment advisory service income is recorded on an accrual basis. At December 31, 2007 and 2006, Premier Trust had \$325 million and \$256 million, respectively, in assets under management and \$520 million and \$430 million, respectively, in total trust assets. At December 31, 2007 and 2006, Miller/ Russell & Associates had \$1.56 billion and \$1.40 billion, respectively, in assets under management. Shine Investment Advisory Services was acquired in July 2007. At December 31, 2007 Shine had \$428 million in assets under management.

Fair values of financial instruments

The Company adopted the provisions of SFAS No. 157, *Fair Value Measurements*, effective January 1, 2007. Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a

liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

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In determining fair value, the Company uses various valuation approaches, including market, income and/or cost approaches. SFAS No. 157 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Assets and liabilities utilizing Level 1 inputs include adjustable-rate preferred stock and some U.S. Treasury securities.

Level 2 Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Assets and liabilities utilizing Level 2 inputs generally include interest rate swap derivatives; municipal obligations; mortgage-backed securities and asset-backed securities.

Level 3 Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Assets and liabilities utilizing Level 3 inputs include certain collateralized debt obligations and structured notes, including those with embedded basket credit default derivatives.

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

Fair value is a market-based measure considered from the perspective of a market participant who holds the asset or owes the liability rather than an entity-specific measure. When market assumptions are available, SFAS 157 requires the Company to make assumptions regarding the assumptions that market participants would use to estimate the fair value of the financial instrument at the measurement date.

FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*, requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value.

Management uses its best judgment in estimating the fair value of the Company's financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented herein are not necessarily indicative of the amounts the Company could have realized in a sales transaction at December 31, 2007 or 2006. The estimated fair value amounts for 2007 and 2006 have been measured as of their year end, and have not been reevaluated or updated for purposes of these consolidated financial statements subsequent to those dates. As such, the estimated fair values of these financial instruments subsequent to the reporting date may be different than the amounts reported at year end.

The information in Note 17 should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only required for a limited portion of the Company's assets.

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

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

Cash and cash equivalents

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

Securities

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

With the exception of certain collateralized debt obligations (CDO) and structured notes, the fair value of most other investment securities are determined based on matrix pricing. Matrix pricing is a mathematical technique that utilizes observable market inputs including, for example, yield curves, credit ratings and prepayment speeds. Fair values determined using matrix pricing are generally categorized as Level 2 in the fair value hierarchy.

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

Restricted stock

The Company's subsidiary banks are members of the FHLB system and maintain an investment in capital stock of the FHLB in an amount equal to 5% of its advances from the FHLB. Alta Alliance Bank is a member of the Federal Reserve Bank (FRB) system and maintains an investment in capital stock of the FRB. The Company's subsidiary banks also maintain an investment in their primary correspondent bank. These investments are carried at cost since no ready market exists for them, and they have no quoted market value.

Loans

For variable rate loans that reprice frequently and that have experienced no significant change in credit risk, fair values are based on carrying values. Variable rate loans comprised approximately 53% and 52% of the loan portfolio at December 31, 2007 and 2006, respectively. Fair value for all other loans is estimated based on discounted cash flows using interest rates currently being offered for loans with similar terms to borrowers with similar credit quality. As a result, the fair value for loans disclosed in Note 17 is categorized as Level 3 in the fair value hierarchy.

Accrued interest receivable and payable

The carrying amounts reported in the consolidated balance sheets for accrued interest receivable and payable approximate their fair value. Accrued interest receivable and payable fair value measurements disclosed in Note 17 are classified as Level 3 in the fair value hierarchy.

Derivative financial instruments

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

Table of Contents*Deposit liabilities*

The fair value disclosed for demand and savings deposits is by definition equal to the amount payable on demand at their reporting date (that is, their carrying amount). The carrying amount for variable-rate deposit accounts approximates their fair value. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on these deposits. The fair value measurement of the deposit liabilities disclosed in Note 17 is categorized as Level 2 in the fair value hierarchy.

Federal Home Loan Bank and other borrowings

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

Junior subordinated and subordinated debt

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

Off-balance sheet instruments

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

Earnings per share

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

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

	2007	2006	2005
Basic:			
Net income applicable to common stock	\$32,875	\$39,889	\$28,065
Average common shares outstanding	28,918	25,623	20,583
Earnings per share	\$ 1.14	\$ 1.56	\$ 1.36
Diluted:			
Net income applicable to common stock	\$32,875	\$39,889	\$28,065
Average common shares outstanding	28,918	25,623	20,583
Stock option adjustment	1,075	1,355	1,168
Stock warrant adjustment	919	1,044	915
Restricted stock award adjustment	107	196	
Average common shares outstanding	31,019	28,218	22,666
Earnings per share	\$ 1.06	\$ 1.41	\$ 1.24

As of December 31, 2007, approximately 556,000 stock options and 131,000 stock warrants were considered ant-dilutive and excluded for purposes of calculating diluted earnings per share.

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Certain amounts in the consolidated financial statements as of and for the years ended December 31, 2006 and 2005 have been reclassified to conform to the current presentation. The reclassifications have no effect on net income or stockholders' equity as previously reported.

Recent accounting pronouncements

On January 1, 2007, the Company adopted 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. We had no cumulative adjustment to retained earnings on our financial statements related to FIN 48.

SFAS No. 157, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. The Company adopted SFAS 157 on January 1, 2007. The impact of this new standard on our financial statements is discussed in Note 2 to the consolidated financial statements.

The Company adopted SFAS 159, *The Fair Value Option for Assets and Financial Liabilities-Including an Amendment of FASB Statement No. 115*, on January 1, 2007. SFAS 159 permits an entity to choose to measure many financial instruments and certain other items at fair value. For financial instruments elected to be accounted for at fair value, the Company reports the unrealized gains and losses in earnings. The impact of this new standard on our financial statements is discussed in Note 2 to the consolidated financial statements.

In September 2007, 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. EITF 06-4 is not expected to have a material impact on our financial statements.

In September 2007, the FASB ratified the consensus reached by the EITF in Issue No. 06-5, *Accounting for Purchases of Life Insurance - Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4, Accounting for Purchases of Life Insurance* (EITF 06-5). EITF 06-5 is effective for fiscal years beginning after December 15, 2007. EITF 06-5 is not expected to have a material impact on our financial statements.

Note 2. Fair Value Accounting

The Company elected early adoption of SFAS No. 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 \$88.2 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 reset

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at least quarterly. 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 December 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 FHLB 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 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 provides 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 of January 1, 2007:

Description	Carrying Value Prior to Adoption	Cumulative Effect Adjustment	Carrying Value After Adoption
Securities previously reported as held to maturity	\$ 88,224	\$ (2,267)	\$ 85,957
Securities previously reported as available for sale	209,775	(5,861)	203,414
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 year ended December 31, 2007, gains and losses from fair value changes included in the Consolidated Statement of Income were as follows:

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**Changes in Fair Values for the Year Ended
December 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 and Borrowings	Total Changes in Fair Values Included in Current- Period Earnings
Securities measured at fair value	\$ (1,071)	\$ 1,777	\$	\$ 706
Junior subordinated debt	4,257		388	4,645
Fixed-rate term borrowings	(768)			(768)
	\$ 2,418	\$ 1,777	\$ 388	\$ 4,583

The difference between the aggregate fair value of \$62.2 million and the aggregate unpaid principal balance of \$66.5 million of junior subordinated debt was \$4.3 million at December 31, 2007.

The difference between the aggregate fair value of \$30.8 million and the aggregate unpaid principal balance of \$30.0 million of fixed-rate term borrowings measured at fair value was \$0.8 million at December 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 are 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.

During the year ended December 31, 2007, the Company elected the FVO for two newly acquired financial instruments. These financial instruments and the reasons for the election are as follows:

Collateralized debt obligation

Fixed-rate term advance from the FHLB

The collateralized debt obligation's fair value is influenced by the perceived credit risk of the underlying collateral. The election of the FVO will allow the Company to better reflect the potential market value volatility of this instrument in its consolidated financial statements.

The fixed-rate term advance from the FHLB, with a par value of \$30.0 million, has an interest rate of 4.91% and is due in May 2010. The Company secured this advance primarily as a means of hedging a portion of the market value risk inherent in our securities measured at fair value portfolio.

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 December 31, 2007:

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Description	December 31, 2007	Fair Value Measurements at Reporting Date Using:		
		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	\$486,354	\$53,664	\$316,769	\$115,921
Securities measured at fair value	240,440		237,653	2,787
Interest rate swaps	2,101		2,101	
Total	\$728,895	\$53,664	\$556,523	\$118,708
Liabilities:				
Fixed-rate term borrowings	\$ 30,768	\$	\$ 30,768	\$
Junior subordinated debt	62,240			62,240
Interest rate swaps	1,326		1,326	
Total	\$ 94,334	\$	\$ 32,094	\$ 62,240

**Fair Value Measurements Using
Significant Unobservable Inputs
(Level 3)**

	Securities Available For Sale	Securities Measured at Fair Value	Junior Subordinated Debt
Beginning balance January 1, 2007	\$ 63,149	\$	\$ (64,127)
Total gains or losses (realized/unrealized)			
Included in earnings	(5,427)	(2,213)	4,645
Included in other comprehensive income	(27,962)		
Purchases, issuances, and settlements, net	86,161	5,000	(2,758)
Transfers in and/or out of Level 3			
Ending balance December 31, 2007	\$115,921	\$ 2,787	\$ (62,240)
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at	\$ (5,427)	\$ (2,213)	\$ 4,645

the reporting date

Note 3. Mergers and Acquisition Activity

First Independent Acquisition

Effective March 30, 2007, the Company acquired 100% of the outstanding common stock of First Independent Capital of Nevada (FICN), headquartered in Reno, Nevada. FICN was 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 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, gross loans and deposits acquired in this merger were \$532.7 million, \$290.7 million and \$402.3 million, respectively, and are included in the Company's consolidated balance sheet as of December 31, 2007. The Company 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

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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, 388,000 replacement options were issued to FICN directors and employees. 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.

Pretax amortization of core deposit intangible assets acquired in the FICN merger is expected to be \$0.8 million for each of the years in the ten year period ending December 31, 2017.

The allocation of the FICN purchase price is summarized in the table below:

Cash and due from banks	\$ 72,150
Loans, net of allowance of \$3,419	287,303
Securities	62,609
Goodwill	79,242
Core deposit intangibles	8,038
Fixed assets	17,510
Other assets	5,835
Deposits	(402,261)
Junior subordinated debt	(7,217)
Deferred tax liability	(1,819)
Other liabilities	(5,261)
Net assets acquired	\$ 116,129

Shine Acquisition

Effective July 31, 2007, the Company acquired 80% of the outstanding common stock of Shine Investment Advisory Services, Inc., headquartered in Lone Tree, Colorado. Since the merger closed on July 31, 2007, Shine's results of operations were not included prior to the closing date.

Shine's assets under management at the date of merger were \$409.9 million. The fair value of tangible assets acquired through this merger was \$0.4 million.

As provided in the purchase agreement and based on valuation amounts as of the merger date, approximately 314,000 shares of the Company's stock at a price of approximately \$25.48 were issued in connection with the Shine acquisition.

Both mergers were 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 or Shine and included in the respective 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 and Shine will be performed with the assistance of independent valuation consultants. None of the resulting goodwill is expected to be deductible for tax purposes. The goodwill related to the FICN merger is allocated to the First Independent Bank operating segment, and the goodwill related to the Shine acquisition is allocated to the other operating segment.

Intangible Assets

The following is a summary of acquired intangible assets as of December 31, 2007:

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Subject to amortization:	Gross Carrying Amount	Accumulated Amortization
Core deposit intangibles	\$24,579	\$ 2,841
Other	3,484	852
	\$28,063	\$ 3,693

Amortization expense recognized on all amortizable intangibles totaled \$1.5 million, \$0.6 million and \$0.1 million for the years ended December 31, 2007, 2006 and 2005, respectively.

Estimated aggregate amortization expense for each of the next five years is as follows:

Year ending December 31:

2008	\$2,494
2009	2,494
2010	2,399
2011	2,340
2012	2,340

Merger related expense in the twelve months ended December 31, 2007 of \$0.7 million relate to costs associated with the FICN merger and Shine purchase and consist primarily of costs associated with branch consolidations.

Intermountain Acquisition

Effective March 31, 2006, the Company acquired 100% of the outstanding common stock of Intermountain First Bancorporation (Intermountain), headquartered in Las Vegas, Nevada. Intermountain was the parent company of Nevada First Bank. The merger was accomplished according to the Agreement and Plan of Merger (the Merger Agreement), dated December 30, 2005. At the date of acquisition, Nevada First Bank became a wholly-owned subsidiary of the Company, and on April 29, 2006, Nevada First Bank was merged into BankWest of Nevada. As the merger closed on March 31, 2006, Intermountain's results for the three months ended March 31, 2006 were not included with the Company's results of operations. The merger increased the Company's presence in Las Vegas, Nevada and expanded the Company's market into Northern Nevada.

As provided by the Merger Agreement and based on valuation amounts determined as of the merger date, approximately 1.486 million shares of Intermountain common stock were exchanged for \$6.85 million in cash and 3.39 million shares of the Company's common stock at a calculated exchange ratio of 2.44. The exchange of shares represented approximately 13% of the Company's outstanding common stock as of the merger date.

Intermountain had 57,150 employee stock options outstanding at the acquisition date (March 31, 2006). All of the Intermountain stock options vested upon change in control. On the acquisition date, the Company replaced the Intermountain stock options with options to purchase shares of the Company's stock. In order to determine the number of options to be granted, the number of Intermountain options was multiplied by the exchange ratio of 2.44 and the exercise price was divided by the exchange ratio. All other terms (vesting, contractual life, etc.) were carried forward from the Intermountain options. As a result, the Company granted a total of approximately 140,000 stock options with a weighted average exercise price of \$5.91 to former Intermountain employees on the acquisition date. The fair value of the stock options of \$3.4 million is included in the purchase price.

The following table shows the condensed balance sheet of amounts assigned to assets and liabilities, including all purchase adjustments at the time of acquisition, of Intermountain as of March 31, 2006:

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Cash and due from banks	\$ 35,938
Loans, net of allowance	402,063
Securities	33,776
Goodwill and core deposit intangible	85,326
Fixed assets	7,210
Other assets	7,339
Deposits	(421,978)
Borrowed funds	(19,000)
Junior subordinated debt	(10,310)
Other liabilities	(7,600)
 Net assets acquired	 \$ 112,764

The merger was accounted for under the purchase method of accounting. Accordingly, the results of operations of Intermountain since the date of acquisition are included in the consolidated financial statements. The purchase price was allocated to the assets acquired and the liabilities assumed based on their estimated fair values at the merger date. None of the goodwill is expected to be deductible for tax purposes. All of the goodwill is allocated to the Bank of Nevada operating segment. This is summarized below as of December 31, 2006:

Number of shares of Company stock issued for Intermountain stock	3,390,306	
Price of the Company's stock on the date of Merger Agreement	\$ 29.87	
Total stock consideration		\$ 101,268
Fair value of Intermountain's stock options converted to Company stock options at merger date		3,406
 Total common stock and replacement stock options issued		 104,674
Cash consideration		6,847
 Total stock and cash consideration		 111,521
Acquisition costs:		
Direct costs of acquisition		1,243
 Total purchase price and acquisition costs		 112,764
Less: fair value of Intermountain tangible net assets acquired		(27,438)
Less: estimated value of core deposit intangible (estimated life is 12 years)		(9,166)
 Estimated goodwill arising from transaction		 \$ 76,160

Bank of Nevada Acquisition

Effective April 29, 2006, the Company acquired 100% of the outstanding common stock of Bank of Nevada, headquartered in Las Vegas, Nevada. The merger was accomplished according to the Agreement and Plan of Merger (the Bank of Nevada Merger Agreement), dated January 16, 2006. At the date of acquisition, Bank of Nevada was merged into BankWest of Nevada (whose name was subsequently changed to Bank of Nevada). As the merger closed on April 29, 2006, Bank of Nevada's results for the four months ended April 30, 2006 were not included with the Company's results of operations.

As provided by the Bank of Nevada Merger Agreement, approximately 844,000 shares of Bank of Nevada common stock and 119,000 stock options were exchanged for \$74.0 million in cash.

The following table shows the condensed balance sheet of amounts assigned to assets and liabilities, including all purchase adjustments at the time of acquisition, of Bank of Nevada as of April 30, 2006:

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Cash and due from banks	\$ 41,086
Loans, net of allowance	197,947
Securities	19,960
Goodwill and core deposit intangible	58,792
Fixed assets	4,663
Other assets	5,532
Deposits	(245,509)
Other liabilities	(7,572)
Net assets acquired	\$ 74,899

The merger was accounted for under the purchase method of accounting. Accordingly, the results of operations of Bank of Nevada since the date of acquisition are included in the consolidated financial statements. The purchase price was allocated to the assets acquired and the liabilities assumed based on their estimated fair values at the merger date. This is summarized below as of December 31, 2006:

Cash consideration	\$ 73,997
Acquisition costs:	
Direct costs of acquisition	902
Total purchase price and acquisition costs	74,899
Less: fair value of Bank of Nevada tangible net assets acquired	(16,107)
Less: estimated value of core deposit intangible (estimated life is 14 years)	(6,710)
Estimated goodwill arising from transaction	\$ 52,082

Pre-tax amortization of core deposit intangible assets acquired in the Intermountain and Bank of Nevada mergers is expected to be \$2,634 for each of the years in the five year period ending December 31, 2012. All of the goodwill is allocated to the Bank of Nevada operating segment.

The following unaudited pro forma condensed combined financial information presents the Company's results of operations for the years indicated had the Intermountain and Bank of Nevada mergers taken place as of January 1, 2005:

	Years ended December 31,	
	2006	2005
Net interest income	\$ 159,494	\$ 130,805
Provision for loan losses	(7,650)	(7,386)
Gain (loss) on sale of securities	(4,436)	69
Non-interest income	18,126	13,739
Merger-related expense	(4,960)	
Other non-interest expense	(101,781)	(84,885)
Income before income taxes	58,793	52,342
Income taxes	20,627	18,817
Net income	\$ 38,166	\$ 33,525

Pro forma earnings per share		
Basic	\$ 1.44	\$ 1.40
Diluted	\$ 1.31	\$ 1.28
Pro forma weighted average shares outstanding during the period		
Basic	26,469	23,991
Diluted	29,064	26,077

Note 4. Restrictions on Cash and Due from Banks

The Company is required to maintain balances in cash or on deposit with the FRB. The total of those reserve balances was approximately \$15.2 million and \$15.1 million as of December 31, 2007 and 2006, respectively.

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

	2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Securities held to maturity				
Municipal obligations	\$ 7,906	\$ 124	\$	\$ 8,030
Other	1,500			1,500
	\$ 9,406	\$ 124	\$	\$ 9,530
Securities available for sale				
U.S. Government-sponsored agencies	\$ 14,971	\$ 128	\$ (20)	\$ 15,079
Municipal obligations	14,143	88	(36)	14,195
Mortgage-backed securities	273,368	2,429	(1,507)	274,290
Adjustable-rate preferred stock	51,506		(21,796)	29,710
Debt obligations and structured securities	162,855		(23,515)	139,340
Other	13,890		(150)	13,740
	\$ 530,733	\$ 2,645	\$ (47,024)	\$ 486,354
Securities measured at fair value				
U.S. Government-sponsored agencies				\$ 9,049
Municipal obligations				110
Mortgage-backed securities				228,494
Debt obligations and structured securities				2,787
				\$ 240,440

	2006			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Securities held to maturity				
U. S. Treasury securities	\$ 1,980	\$	\$ (3)	\$ 1,977
Small Business Administration loan pools	392	2		394
Municipal obligations	7,086	217		7,303
Mortgage-backed securities	88,037	43	(2,350)	85,730
	\$ 97,495	\$262	\$(2,353)	\$ 95,404

Securities available for sale

U.S. Treasury securities	\$ 1,669	\$	\$ (3)	\$ 1,666
U.S. Government-sponsored agencies	27,964		(217)	27,747
Municipal obligations	3,415	1		3,416
Mortgage-backed securities	299,483	26	(8,049)	291,460
Debt obligations and structured securities	48,069	2	(88)	47,983
Adjustable-rate preferred stock	48,979	103	(17)	49,065
Other	23,327	507	(345)	23,489
	\$452,906	\$639	\$(8,719)	\$444,826

Securities with carrying amounts of approximately \$521.9 million and \$374.5 million at December 31, 2007 and 2006, respectively, were pledged for various purposes as required or permitted by law.

Information pertaining to securities with gross unrealized losses at December 31, 2007 and 2006, aggregated by investment category and length of time that individual securities have been in a continuous loss position follows:

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	2007			
	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities available for sale				
U.S. Government-sponsored agencies	\$ 20	\$ 2,479	\$	\$
Municipal obligations	19	4,622	17	693
Mortgage-backed securities	396	48,786	1,111	57,996
Adjustable-rate preferred stock	21,796	29,710		
Debt obligations and structured securities	20,538	124,021	2,977	15,319
Other	150	13,740		
	\$42,919	\$223,358	\$4,105	\$74,008
	2006			
	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities held to maturity				
U. S. Treasury securities	\$3	\$1,977	\$	\$
Mortgage-backed securities			2,350	76,535
	\$3	\$1,977	\$2,350	\$76,535
	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities available for sale				
U.S. Treasury securities	\$ 3	\$ 1,667	\$	\$
U.S. Government-sponsored agencies	7	4,993	210	22,795
Mortgage-backed securities	1	141	8,048	225,620
Adjustable-rate preferred stock	88	4,916		
Debt obligations and structured securities	17	7,012		
Other			345	14,692
	\$ 116	\$18,729	\$8,603	\$263,107

At December 31, 2007 and 2006, 51 and 81 debt securities (excluding adjustable rate preferred stock and debt obligations and other structured securities), respectively, have unrealized losses with aggregate depreciation of approximately 1.3% and 3.0%, respectively, from the Company's amortized cost basis. These unrealized losses relate primarily to fluctuations in the current interest rate environment. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analysis reports. Since material downgrades have occurred and management has the ability and intent to hold debt securities for the foreseeable future, none of the securities described in the above table or in this paragraph were deemed to be other than temporarily impaired.

At December 31, 2007 and 2006, 34 and 1 debt obligations and structured securities, respectively, have unrealized losses with aggregate depreciation of approximately 14.4% and 0.3%, respectively, from the Company's amortized cost basis. These unrealized losses relate primarily to fluctuations in the current interest rate environment, and specifically to the widening of credit spreads on virtually all corporate and structured debt which began in the third quarter of 2007. There have been no material downgrades in any of the securities. The Company does not believe it is probable that it will be unable to collect all amounts due according to the contractual terms of the investments. Therefore, it is expected that the bonds would not be settled at a price less than the amortized cost of the investments. Because the Company has the ability and intent to hold the investments until a recovery of fair value, which may be maturity, it does not consider any of these investments to be other than temporarily impaired.

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During the year ended December 31, 2007, the Company recognized an impairment charge on one collateralized debt obligation that has exposure to subprime mortgages. The reduction in fair value of \$2.9 million, or 57%, was deemed to be other than temporary due to a substantial deterioration in the credit profile of the security as indicated by a credit rating downgrade.

At December 31, 2007 and 2006, 19 and 2 investments in adjustable rate preferred stock, respectively, have unrealized losses with aggregate depreciation of 42.3% and 1.8%, respectively, from the Company's amortized cost basis. Of the aggregate depreciation of 42.3% at December 31, 2007, approximately 27.9% relates primarily to the widening of credit spreads on virtually all corporate and structured debt which began in the third quarter of 2007. The remaining 14.4% relates to leveraged exposure to Merrill Lynch and Bank of America adjustable rate preferred stock. The magnitude of the loss is primarily due to the widening of credit spreads and was made larger due to the leverage inherent in the Merrill Lynch and Bank of America investments rather than deterioration in the financial condition and near term prospects of any of the holdings. The securities have been in a loss position for less than 6 months. The decline in fair value is likely due to macroeconomic conditions arising from uncertainty in the debt markets as well as failed auctions in the auction rate securities market, and management expects that the securities will recover as credit markets stabilize. Finally, the Company has the positive intent and ability to hold the securities. Based upon this analysis, management has concluded that at this time the declines in fair value are not other than temporary.

The amortized cost and fair value of securities as of December 31, 2007 by contractual maturities are shown below. The actual maturities of the mortgage-backed securities may differ from their contractual maturities because the loans underlying the securities may be repaid without any penalties. Therefore, these securities are listed separately in the maturity summary. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Securities held to maturity		
Due in one year or less	\$ 650	\$ 652
Due after one year through five years	2,020	2,058
Due after five years through ten years	2,766	2,836
Due after ten years	2,470	2,484
Other	1,500	1,500
	\$ 9,406	\$ 9,530
Securities available for sale		
Due in one year or less	\$ 1,301	\$ 1,297
Due after one year through five years	15,052	14,488
Due after five years through ten years	12,440	12,575
Due after ten years	163,176	140,267
Mortgage backed securities	273,368	274,290
Other	65,396	43,437
	\$530,733	\$486,354

Gross gains and losses from sales of investment securities available for sale of \$554 and \$120 in 2007, \$0 and \$4,436 in 2006, and \$138 and \$69 in 2005, respectively, were recognized on the sale of securities.

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The components of the Company's loan portfolio as of December 31 are as follows:

	2007	2006
Construction and land development	\$ 806,110	\$ 715,546
Commercial real estate	1,514,533	1,232,260
Residential real estate	492,551	384,082
Commercial and industrial	784,378	645,469
Consumer	43,517	29,561
Less: net deferred loan fees	(8,080)	(3,696)
	3,633,009	3,003,222
Less:		
Allowance for loan losses	(49,305)	(33,551)
	\$3,583,704	\$2,969,671

Information about impaired and non-accrual loans as of and for the years ended December 31 is as follows:

	2007	2006
Total impaired loans, excluding restructured loans, all with an allowance for loan losses	\$30,553	\$2,256
Related allowance for loan losses on impaired loans	\$ 6,597	\$ 489
Total non accrual loans	\$17,873	\$1,417
Loans past due 90 days or more and still accruing	\$ 779	\$ 794
Restructured loans	\$ 3,782	\$

	2007	2006	2005
Average balance during the year on impaired loans	\$13,425	\$2,294	\$115
Interest income recognized on impaired loans	\$ 30	\$ 120	\$ 1
Interest income recognized on a cash basis	\$ 30	\$ 120	\$ 1

The Company is not committed to lend significant additional funds on these impaired loans.
 Changes in the allowance for loan losses for the years ended December 31 are as follows:

	2007	2006	2005
Balance, beginning	\$33,551	\$21,192	\$15,271
Acquisitions	3,419	8,768	
Provision charged to operating expense	20,259	4,660	6,179
Recoveries of amounts charged off	262	436	196
Less amounts charged off	(8,186)	(1,505)	(454)
Balance, ending	\$49,305	\$33,551	\$21,192

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The major classes of premises and equipment and the total accumulated depreciation and amortization as of December 31 are as follows:

	2007	2006
Land	\$ 36,513	\$ 31,191
Bank premises	73,867	45,298
Equipment and furniture	52,828	30,494
Leasehold improvements	10,304	7,545
Construction in progress	2,643	7,819
	176,155	122,347
Less: accumulated depreciation and amortization	(32,734)	(22,488)
Net premises and equipment	\$143,421	\$ 99,859

Our remaining commitment related to our construction in progress at December 31, 2007 is \$1.3 million.

During the year ended December 31, 2007, the Company capitalized interest on construction in progress in the amount of \$0.4 million.

Note 8. Income Tax Matters

The cumulative tax effects of the primary temporary differences as of December 31 are shown in the following table:

	2007	2006
Deferred tax assets:		
Allowance for loan losses	\$ 17,800	\$12,300
Unrealized loss on available for sale securities	16,200	2,900
Organizational costs	300	800
Stock based compensation	2,000	
Deferred compensation	200	200
Unrealized losses on financial instruments measured at fair value	4,300	
Other	700	400
Total deferred tax assets	41,500	16,600
Deferred tax liabilities:		
Deferred loan costs	(2,400)	(2,000)
Premises and equipment	(3,600)	(400)
FHLB dividend	(1,200)	(800)
Core deposit intangible	(7,600)	(5,400)
Other	(800)	
Total deferred tax liabilities	(15,600)	(8,600)
Net deferred tax asset	\$ 25,900	\$ 8,000

As of December 31, 2007 and 2006, no valuation allowance was considered necessary as management believes it is more likely than not that the deferred tax assets will be realized due to taxes paid in prior years or future operations. The provision for income taxes charged to operations consists of the following for the years ended December 31:

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	2007	2006	2005
Current	\$19,732	\$18,619	\$17,530
Deferred	(4,219)	2,968	(2,158)
Total provision for income taxes	\$15,513	\$21,587	\$15,372

The reasons for the differences between the statutory federal income tax rate and the effective tax rates are summarized as follows:

	2007	2006	2005
Computed expected tax expense	\$16,974	\$21,517	\$15,203
Increase (decrease) resulting from:			
State income taxes, net of federal benefits	632	955	670
Dividends received deductions	(627)	(50)	
Bank-owned life insurance	(1,317)	(924)	(582)
Tax-exempt income	(330)	(183)	(133)
Nondeductible expenses	246	203	168
Other	(65)	69	46
	\$15,513	\$21,587	\$15,372

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 FIN. 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 December 31, 2007, 2006 or 2005, respectively.

Note 9. Deposits

At December 31, 2007, the scheduled maturities of all time deposits are as follows:

2008	\$ 692,676
2009	22,081
2010	935
2011	122
2012	13
	\$ 715,827

As of December 31, 2007 and 2006, approximately \$144.3 million and \$313.9 million, respectively, of the Company's non-interest bearing demand deposits consisted of demand accounts maintained by title insurance companies. The Company provides an analysis earnings credit for certain title company depositors, which credit is calculated by applying a variable crediting rate to such customers' average monthly deposit balances, less any internal

charges incurred, which are comprised of common deposit service charges. The Company then purchases external services on behalf of these customers or grant below-market rate loans based on the amount of the earnings credit. These external services, which are commonly offered in the banking industry, include courier, bookkeeping and data processing services. The expense of these external services combined with the cost of the below-market rate loans totaled \$3.5 million, \$4.3 million and \$2.1 million for the years ended December 31, 2007, 2006 and 2005, respectively, and is included in customer service expense in the accompanying statements of income.

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Table of Contents**Note 10. Borrowed Funds**

The Company has a line of credit available from the FHLB. Borrowing capacity is determined based on collateral pledged, generally consisting of securities and loans, at the time of the borrowing. The Company also has borrowings from other sources pledged by securities. A summary of the Company's borrowings as of December 31, 2007 and 2006 follows:

	2007	2006
Short Term		
FHLB Advances (weighted average rate is 2007: 3.30% and 2006: 5.26%)	\$447,600	\$11,000
Other short term debt (weighted average rate is 4.83%)	41,730	
Due in one year or less	\$489,330	\$11,000
Long Term		
FHLB Advances (weighted average rate is 2007: 4.63% and 2006: 3.07%)	\$ 45,768	\$48,300
Other long term debt (weighted average rate is 8.79%)	9,601	9,711
Due in over one year	\$ 55,369	\$58,011

Long term FHLB advances and other borrowings mature as follows:

Year ending December 31:

2008	\$ 5,118
2009	131
2010	40,120
2011	
2012	10,000
Thereafter	
	\$ 55,369

On December 30, 2005, the Company purchased the corporate headquarters of Bank of Nevada. The location was previously leased by the Company. In connection with this purchase, the Company assumed a note on the building. The note amount at December 31, 2007 is \$9.6 million, has a fixed interest rate of 8.79%, and matures in 2010. The note is collateralized by the purchased building.

The Banks have entered into agreements with other financial institutions under which they can borrow up to \$160.0 million on an unsecured basis. The lending institutions will determine the interest rate charged on borrowings at the time of the borrowing. The Company has also entered into an agreement under which it can borrow up to \$50.0 million. The line of credit is secured by subsidiary bank stock and carries an interest rate at the federal funds borrowing rate plus 1.00%. There were borrowings of \$21.7 million against these lines of credit at December 31, 2007. There were no borrowings against these lines of credit at December 31, 2006.

The Company was not in compliance with a loan covenant with a single lending institution. The lending institution waived this requirement as of December 31, 2007.

Note 11. Junior Subordinated and Subordinated Debt

The Company has formed or acquired through mergers seven statutory business trusts which exist for the exclusive purpose of issuing Cumulative Trust Preferred Securities. All of the funds raised from the issuance of these securities were passed to the Company and are reflected in the accompanying balance sheet as junior subordinated debt in the amount of \$62.2 million. The junior subordinated debt has contractual balances and maturity dates as follows:

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Name of Trust	Maturity	2007	2006
BankWest Nevada Capital Trust I	2031	\$	\$ 15,464
BankWest Nevada Capital Trust II	2033	15,464	15,464
Intermountain First Statutory Trust I	2034	10,310	10,310
WAL Trust No. 1	2036	20,619	20,619
First Independent Capital Trust I	2034	7,217	
WAL Trust Statutory No. 2	2037	5,155	
WAL Trust Statutory No. 3	2037	7,732	
		\$ 66,497	\$ 61,857
Unrealized gains on trust preferred securities measured at fair value, net		(4,257)	
		\$ 62,240	

The weighted average contractual rate of the junior subordinated debt was 7.36% as of December 31, 2007.

In the event of certain changes or amendments to regulatory requirements or Federal tax rules, the debt is redeemable in whole. The obligations under these instruments are fully and unconditionally guaranteed by the Company and rank subordinate and junior in right of payment to all other liabilities of the Company. The trust preferred securities qualify as Tier 1 Capital for the Company, subject to certain limitations, with the excess being included in total capital for regulatory purposes.

In 2006, Bank of Nevada issued \$40.0 million in floating rate unsecured subordinated debt. The rate is based on three month LIBOR plus 1.20%. The debt requires quarterly interest payments and matures in September 2016.

In 2007, Bank of Nevada issued \$20.0 million in floating rate unsecured subordinated debt. The rate is based on three month LIBOR plus 1.60%. The debt requires quarterly interest payments and matures in September 2017.

Note 12. Commitments and 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.

Financial instruments with off-balance sheet risk

The Company is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. They involve, to varying degrees, elements of credit risk in excess of amounts recognized in the consolidated balance sheets.

The Company's exposure to credit loss in the event of non-performance by the other parties to the financial instrument for these commitments is represented by the contractual amounts of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. A summary of the contract amount of the Company's exposure to off-balance sheet risk as of December 31 is as follows:

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	2007	2006
Commitments to extend credit, including unsecured loan commitments of \$230,677 in 2007 and \$194,586 in 2006	\$1,193,522	\$1,083,854
Credit card commitments and guarantees	26,507	16,233
Standby letters of credit, including unsecured letters of credit of \$14,543 in 2007 and \$17,815 in 2006	80,790	61,157
	\$1,300,819	\$1,161,244

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the party. Collateral held varies, but may include accounts receivable, inventory, property and equipment, residential real estate and income-producing commercial properties.

The Company guarantees certain customer credit card balances held by an unrelated third party. These unsecured guarantees act to streamline the credit underwriting process and are issued as a service to certain customers who wish to obtain a credit card from the third party vendor. The Company recognizes nominal fees from these arrangements and views them strictly as a means of maintaining good customer relationships. The guarantee is offered to those customers who, based solely upon management's evaluation, maintain a relationship with the Company that justifies the inherent risk. All such guarantees exist for the life of each respective credit card relationship. The Company would be required to perform under the guarantee upon a customer's default on the credit card relationship with the third party. Historical losses under this program have been nominal. Upon entering into a credit card guarantee, the Company records the related liability at fair value pursuant to FASB Interpretation 45 (FIN 45), *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. Thereafter, the related liability is evaluated pursuant to FASB 5. The total credit card balances outstanding at December 31, 2007 and 2006 were \$5.6 million and \$1.6 million, respectively.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Collateral held varies as specified above and is required as the Company deems necessary. Essentially all letters of credit issued have expiration dates within one year. Upon entering into a letter of credit, the Company records the related liability at fair value pursuant to FIN 45. Thereafter, the related liability is evaluated pursuant to FASB 5.

The total liability for financial instruments with off-balance sheet risk as of December 31, 2007 and 2006 was \$0.3 million and \$0.5 million, respectively.

Lease Commitments

The Company leases certain premises and equipment under non-cancelable operating leases expiring through 2015. The following is a schedule of future minimum rental payments under these leases at December 31, 2007:

Year ending December 31:	
2008	\$ 4,255
2009	4,172
2010	4,233
2011	4,265

2012	3,913
Thereafter	9,459
	\$ 30,297

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Rent expense of \$4.7 million, \$3.5 million and \$3.9 million is included in occupancy expenses for the years ended December 31, 2007, 2006 and 2005, respectively.

Concentrations

The Company grants commercial, construction, real estate and consumer loans to customers through branch offices located in the Company's primary markets. The Company's business is concentrated in these areas and the loan portfolio includes significant credit exposure to the commercial real estate industry of these areas. As of December 31, 2007 and 2006, commercial real estate related loans accounted for approximately 64% and 65% of total loans, respectively, and approximately 13% and 7% of commercial real estate loans, respectively, are secured by undeveloped land. Substantially all of these loans are secured by first liens with an initial loan to value ratio of generally not more than 80%. Approximately 51% of these real estate loans are owner occupied. In addition, approximately 6% of total loans are unsecured as of December 31, 2007 and 2006. At December 31, 2007, approximately 26% of our residential real estate loan portfolio is comprised of interest only loans. These loans have an average loan-to-value of less than 63%.

The loans are expected to be repaid from cash flows or proceeds from the sale of selected assets of the borrowers. The Company's policy for requiring collateral is to obtain collateral whenever it is available or desirable, depending upon the degree of risk the Company is willing to take.

Note 13. Stock Options, Stock Warrants and Restricted Stock Awards

The 2005 Stock Incentive Plan (the Plan), as amended, gives the Board of Directors the authority to grant up to 4.5 million stock awards consisting of unrestricted stock, stock units, dividend equivalent rights, stock options (incentive and non-qualified), stock appreciation rights, restricted stock, and performance and annual incentive awards. Stock awards available to grant at December 31, 2007 are 1.1 million.

The Plan contains certain individual limits on the maximum amount that can be paid in cash under the Plan and on the maximum number of shares of common stock that may be issued pursuant to the Plan in a calendar year. The maximum number of shares subject to options or stock appreciation rights that can be issued under the Plan to any person is 150,000 shares in any calendar year. The maximum number of shares that can be issued under the Plan to any person, other than pursuant to an option or stock appreciation right, is 150,000 in any calendar year. The maximum amount that may be earned as an annual incentive award or other cash award in any fiscal year by any one person is \$5.0 million and the maximum amount that may be earned as a performance award or other cash award by any one person is \$15.0 million.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model that uses the assumptions noted in the following table. The expected volatility is based on the historical volatility of the stock of similar companies that have traded at least as long as the expected life of the Company's options. Except for replacement options, the Company estimates the life of the options by calculating the average of the vesting period and the contractual life. The expected life of replacement options was estimated based on management's judgment. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of the grant. The dividends rate assumption of zero is based on management's intention not to pay dividends for the foreseeable future. A summary of the assumptions used in calculating the fair value of option awards during the years ended December 31, 2007 and 2006 are as follows:

	Replacement Options - 2007	Year ended December 31, 2007	Replacement Options - 2006	Year ended December 31, 2006
Expected life in years	2	5	2	5
Risk-free interest rate	4.5%	4.7%	4.3%	4.6%
Dividends rate	None	None	None	None
Fair value per optional share	\$25.92	\$ 11.43	\$ 24.43	\$ 10.93

Volatility	18%	28%	23%	28%
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Stock options granted in 2007 generally have a vesting period of 4 years and a contractual life of 7 years.
Restricted stock awards granted in 2007 generally have a vesting period of 3 years. The Company

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recognizes compensation cost for options with a graded vesting on a straight-line basis over the requisite service period for the entire award.

A summary of option activity under the Plan during the year ended December 31, 2007 is presented below:

	Shares (in thousands)	Weighted Average Exercise Price
Outstanding options, beginning of period	2,196	\$ 13.94
Granted	169	34.63
Replacement options (see Note 3)	388	7.04
Exercised	(431)	7.46
Forfeited or expired	(30)	20.99
Outstanding options, end of period	2,292	\$ 15.42
Options exercisable, end of period	1,437	\$ 10.39

At December 31, 2007 and 2006, the weighted average remaining contractual terms of outstanding stock options were 5.6 years and 6.6 years, respectively. The weighted average contractual terms of vested stock options for the same dates were 5.3 years and 6.2 years, respectively. At December 31, 2007 and 2006, the aggregate intrinsic values of outstanding stock options were \$15.7 million and \$45.8 million, respectively. At the same dates, the aggregate intrinsic values of vested stock options were \$13.3 million and \$26.6 million, respectively.

A summary of the status of the Company's non-vested shares of restricted stock as of December 31, 2007 and changes during the year then ended is presented below:

Nonvested Restricted Stock	Year ended December 31, 2007	
	Shares (in thousands)	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2007	230	\$ 30.90
Granted	497	27.53
Vested	(17)	30.14
Forfeited	(41)	33.52
Nonvested at December 31, 2007	669	\$ 28.26

As of December 31, 2007, there was \$17.4 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted average period of 2.2 years. The total intrinsic value of options exercised during the years ended December 31, 2007 and 2006 were \$9.6 million and \$8.9 million, respectively. The total fair value of restricted stock that vested during the years ended December 31, 2007 and 2006 was \$0.6 million and \$0.2 million, respectively.

At December 31, 2007, there were 1,398 warrants outstanding with a weighted average exercise price of \$10.15. These warrants are immediately exercisable and expire December 2012.

Note 14. Regulatory Capital

The Company and the Banks are subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's and the Bank's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Banks must

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meet specific capital guidelines that involve qualitative measures of their assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Banks to maintain minimum amounts and ratios (set forth in the following table) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2007, that the Company and the Banks meet all capital adequacy requirements to which they are subject.

As of December 31, 2007, the most recent notification from federal banking agencies categorized the Company, Bank of Nevada, Alliance Bank of Arizona, Torrey Pines Bank, Alta Alliance Bank and First Independent Bank of Nevada as well-capitalized as defined by the banking agencies. To be categorized as well-capitalized, the Banks must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the table below.

The actual capital amounts and ratios for the Banks and Company as of December 31 are presented in the following table:

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	Actual		For Capital Adequacy Purposes		To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2007:						
Total Capital (to Risk Weighted Assets)						
Bank of Nevada	\$297,613	11.0%	\$215,760	8.0%	\$269,700	10.0%
Alliance Bank of Arizona	81,781	10.8%	60,674	8.0%	75,842	10.0%
Torrey Pines Bank	71,695	11.0%	52,257	8.0%	65,321	10.0%
Alta Alliance Bank	22,984	36.5%	5,037	8.0%	6,296	10.0%
First Independent Bank	47,066	12.1%	31,168	8.0%	38,960	10.0%
Company	466,138	10.3%	361,059	8.0%	451,324	10.0%
Tier I Capital (to Risk Weighted Assets)						
Bank of Nevada	204,387	7.6%	107,880	4.0%	161,820	6.0%
Alliance Bank of Arizona	56,960	7.5%	30,337	4.0%	45,505	6.0%
Torrey Pines Bank	46,513	7.1%	26,128	4.0%	39,192	6.0%
Alta Alliance Bank	22,607	35.9%	2,518	4.0%	3,778	6.0%
First Independent Bank	38,071	9.8%	15,584	4.0%	23,376	6.0%
Company	356,536	7.9%	180,530	4.0%	270,795	6.0%
Tier I Capital (to Average Assets)						
Bank of Nevada	204,387	6.9%	117,937	4.0%	147,422	5.0%
Alliance Bank of Arizona	56,960	7.0%	32,634	4.0%	40,793	5.0%
Torrey Pines Bank	46,513	6.5%	28,553	4.0%	35,692	5.0%
Alta Alliance Bank	22,607	25.1%	3,598	4.0%	4,498	5.0%
First Independent Bank	38,071	7.8%	19,429	4.0%	24,286	5.0%
Company	356,536	7.4%	192,716	4.0%	240,895	5.0%
As of December 31, 2006:						
Total Capital (to Risk Weighted Assets)						
Bank of Nevada	\$265,562	10.8%	\$196,443	8.0%	\$245,554	10.0%
Alliance Bank of Arizona	67,864	11.2%	48,424	8.0%	60,530	10.0%
Torrey Pines Bank	54,467	11.5%	37,859	8.0%	47,324	10.0%
Alta Alliance Bank	24,169	89.9%	2,150	8.0%	2,688	10.0%
Company	409,481	11.5%	285,294	8.0%	356,617	10.0%
Tier I Capital (to Risk Weighted Assets)						
Bank of Nevada	202,141	8.2%	98,222	4.0%	147,332	6.0%
Alliance Bank of Arizona	52,064	8.6%	24,212	4.0%	36,318	6.0%
Torrey Pines Bank	39,917	8.4%	18,929	4.0%	28,394	6.0%
Alta Alliance Bank	24,088	89.6%	1,075	4.0%	1,613	6.0%
Company	335,629	9.4%	142,647	4.0%	213,970	6.0%
Tier I Capital (to Average Assets)						
Bank of Nevada	202,141	7.2%	111,862	4.0%	139,828	5.0%
Alliance Bank of Arizona	52,064	7.8%	26,543	4.0%	33,179	5.0%
Torrey Pines Bank	39,917	6.9%	23,147	4.0%	28,934	5.0%
Alta Alliance Bank	24,088	80.3%	1,200	4.0%	1,500	5.0%
Company	335,629	8.2%	162,755	4.0%	203,443	5.0%

Additionally, State of Nevada banking regulations restrict distribution of the net assets of Bank of Nevada and First Independent Bank of Nevada because such regulations require the sum of each bank's stockholders' equity and reserve

for loan losses to be at least 6% of the average of each bank's total daily deposit liabilities for the preceding 60 days. As a result of these regulations, approximately \$121.2 and \$136.7 million of Bank of Nevada's stockholders' equity was restricted at December 31, 2007 and 2006, respectively. Approximately \$25.9 million of First Independent's stockholders' equity was restricted at December 31, 2007.

Alta Alliance Bank has agreed to maintain a total Tier I capital to average assets ratio of at least 9% for its first three years of existence.

The States of Nevada and Arizona require that trust companies maintain capital of at least \$300 and \$500, respectively. Premier Trust meets these capital requirements as of December 31, 2007 and 2006.

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The Company has a qualified 401(k) employee benefit plan for all eligible employees. Participants are able to defer between 1% and 15% (up to a maximum of \$15,500 for those under 50 years of age in 2007) of their annual compensation. The Company may elect to contribute a discretionary amount each year. The Company's total contribution was \$1.2 million, \$0.9 million and \$0.6 million for the years ended December 31, 2007, 2006 and 2005, respectively.

Note 16. Transactions with Related Parties

Principal stockholders of the Company and officers and directors, including their families and companies of which they are principal owners, are considered to be related parties. These related parties were loan customers of, and had other transactions with, the Company in the ordinary course of business. In management's opinion, these loans and transactions were on the same terms as those for comparable loans and transactions with unrelated parties. The aggregate activity in such loans for the years ended December 31 was as follows:

	2007	2006
Balance, beginning	\$ 63,131	\$ 27,608
New loans	77,368	64,421
Repayments	(50,086)	(28,898)
Balance, ending	\$ 90,413	\$ 63,131

None of these loans are past due, on non-accrual or have been restructured to provide a reduction or deferral of interest or principal because of deterioration in the financial position of the borrower. There were no loans to a related party that were considered classified loans at December 31, 2007 or 2006.

Total loan commitments outstanding with related parties total approximately \$52.5 million and \$44.6 million at December 31, 2007 and 2006, respectively.

Note 17. Fair Value of Financial Instruments

The estimated fair value of the Company's financial instruments at December 31 is as follows:

	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and due from banks	\$ 104,650	\$ 104,650	\$ 143,721	\$ 143,721
Federal funds sold	10,979	10,979	121,159	121,159
Securities held to maturity	9,406	9,530	97,495	95,404
Securities available for sale	486,354	486,354	444,826	444,826
Securities measured at fair value	240,440	240,440		
Derivatives	2,101	2,101		
Restricted stock	27,003	27,003	18,483	18,483
Loans, net	3,583,704	3,580,108	2,969,671	2,943,370
Accrued interest receivable	22,344	22,344	17,425	17,425
Financial liabilities:				
Deposits	3,546,922	3,550,115	3,400,423	3,400,095
Accrued interest payable	5,585	5,585	5,264	5,264
Customer repurchases	275,016	275,016	170,656	170,656
Other borrowed funds	544,699	544,699	69,011	69,011

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Junior subordinated debt	62,240	62,240	61,857	64,127
Subordinated debt	60,000	60,000	40,000	40,000
Derivatives	1,326	1,326		

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The Company assumes interest rate risk (the risk to the Company's earnings and capital from changes in interest rate levels) as a result of its normal operations. As a result, the fair values of the Company's financial instruments as well as its future net interest income will change when interest rate levels change and that change may be either favorable or unfavorable to the Company.

Interest rate risk exposure is measured using interest rate sensitivity analysis to determine our change in net portfolio value and net interest income resulting from hypothetical changes in interest rates. If potential changes to net portfolio value and net interest income resulting from hypothetical interest rate changes are not within the limits established by the Board of Directors, the Board of Directors may direct management to adjust the asset and liability mix to bring interest rate risk within board-approved limits. As of December 31, 2007, the Company's interest rate risk profile was within all Board-prescribed limits.

The Company manages its interest rate risk through its investment and repurchase activities. The Company seeks to maintain a modestly asset sensitive position (i.e., interest income in a rising rate environment would rise farther than the Company's interest expense and conversely in a falling interest rate environment).

Fair value of commitments

The estimated fair value of the standby letters of credit at December 31, 2007 and 2006 is insignificant. Loan commitments on which the committed interest rate is less than the current market rate are also insignificant at December 31, 2007 and 2006.

Note 18. Parent Company Financial Information

**Condensed Balance Sheets
December 31, 2007 and 2006**

	2007	2006
ASSETS		
Cash and cash equivalents	\$ 2,056	\$ 720
Securities available for sale	1,997	8,514
Investment in subsidiaries	580,522	460,972
Other assets	3,226	2,514
	\$587,801	\$472,720
LIABILITIES AND STOCKHOLDERS' EQUITY		
Borrowings	\$ 21,730	\$
Accrued interest and other liabilities	2,313	2,284
Junior subordinated debt	62,240	61,857
Total liabilities	86,283	64,141
Stockholders' equity:		
Common stock	3	3
Additional paid-in capital	377,973	287,553
Retained earnings	152,286	126,170
Accumulated other comprehensive loss	(28,744)	(5,147)
Total stockholders' equity	501,518	408,579
	\$587,801	\$472,720

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Condensed Statements of Income
Years Ended December 31, 2007, 2006 and 2005

	2007	2006	2005
Interest and dividend income	\$ 206	\$ 716	\$ 929
Interest expense on borrowings	5,665	4,331	2,112
Net interest expense	(5,459)	(3,615)	(1,183)
Other income:			
Income from consolidated subsidiaries	37,734	45,469	30,629
Fair value gains	4,513		
Other income	390	68	77
Total other income	42,637	45,537	30,706
Expenses:			
Salaries and employee benefits	4,849	3,059	1,783
Other	2,295	1,620	466
	7,144	4,679	2,249
Income before income tax benefit	30,034	37,243	27,274
Income tax benefit	2,841	2,646	791
Net income	\$32,875	\$39,889	\$28,065

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Condensed Statements of Cash Flows
Years ended December 31, 2007, 2006 and 2005

	2007	2006	2005
Cash Flows from Operating Activities:			
Net income	\$ 32,875	\$ 39,889	\$ 28,065
Adjustments to reconcile net income to net cash used in operating activities:			
Equity in net undistributed earnings of consolidated subsidiaries	(37,734)	(45,469)	(30,629)
Dividends received from subsidiaries	32,000	30,000	
Net accretion of securities discounts			(877)
Stock-based compensation expense	543	263	26
Compensation cost on restricted stock	208	99	
Trust preferred securities fair value gains	(4,645)		
(Increase) decrease in other assets	963	(633)	44
Increase in other liabilities	29	820	731
Other, net	(1,424)	845	
Net cash provided by (used in) operating activities	22,815	25,814	(2,640)
Cash Flows from Investing Activities:			
Purchases of securities available for sale		(8,000)	(57,118)
Proceeds from maturities of securities available for sale	8,568	57,989	
Net cash paid in settlement of acquisition	(24,826)	(82,989)	
Investment in subsidiaries	(6,000)	(28,500)	(30,000)
Net cash used in investing activities	(22,258)	(61,500)	(87,118)
Cash Flows from Financing Activities:			
Proceeds from issuance of junior subordinated debt	12,000	20,000	
Repayments of junior subordinated debt	(16,882)		
Net proceeds from borrowings	21,730		
Proceeds from exercise of stock options and stock warrants	3,247	2,733	2,028
Excess tax benefits on share-based payment arrangements	115	362	
Cost of issuing stock in acquisition	(361)	(264)	
Share repurchases	(19,070)		
Proceeds from stock issuance, net		9,057	85,063
Net cash provided by financing activities	779	31,888	87,091
Decrease in cash and cash equivalents	1,336	(3,798)	(2,667)
Cash and Cash Equivalents, beginning of year	720	4,518	7,185
Cash and Cash Equivalents, end of year	\$ 2,056	\$ 720	\$ 4,518

Note 19. Segment Information

The Company provides a full range of banking services, as well as trust and investment advisory services through its eight consolidated subsidiaries. The company manages its business with a primary focus on each subsidiary. Thus, the Company has identified eight operating segments. However, the trust and investment advisory segments do not meet the quantitative thresholds for disclosure and have therefore been included in the other column. Parent company information is also included in the other category because it represents an overhead function rather than an operating segment. The Company has not aggregated any operating segments.

The Company reported three segments in the financial statements issued prior to December 31, 2006. In October 2006, the Company opened a new bank subsidiary, Alta Alliance Bank, which is located in Northern California. Although Alta Alliance Bank does not meet the quantitative thresholds for disclosure at December 31, 2007, this segment is reported because it is expected to meet the quantitative thresholds for disclosure in the future. First Independent Bank of Nevada was acquired in March 2007. First Independent meets the quantitative thresholds for disclosure at December 31, 2007 and is reported separately.

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The five reported segments derive a majority of their revenues from interest income and the chief operating decision maker relies primarily on net interest income to assess the performance of the segments and make decisions about resources to be allocated to the segments. The accounting policies of the reported segments are the same as those of the Company as described in Note 1. Transactions between segments consist primarily of borrowings and loan participations. Federal funds purchases and sales and other borrowed funds transactions result in profits that are eliminated for reporting consolidated results of operations. Loan participations are recorded at par value with no resulting gain or loss. The Company allocates centrally provided services to the operating segments based upon estimated usage of those services.

The Company does not have a single external customer from which it derives 10 percent or more of its revenues.

The following is a summary of selected operating segment information as of and for the years ended December 31, 2007, 2006 and 2005:

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	Bank of Nevada	Alliance Bank of Arizona	Torrey Pines Bank	Alta Alliance Bank	First Independent Bank	Other	Intersegment Eliminations	Consolidated Company
2007:								
Assets	\$3,041,263	\$822,575	\$759,532	\$90,961	\$549,894	\$ 24,713	\$(272,842)	\$5,016,096
Gross loans and deferred fees	2,215,676	584,249	515,432	38,500	322,152		(43,000)	3,633,009
Less:								
Allowance for loan losses	(33,050)	(6,772)	(5,135)	(377)	(3,971)			(49,305)
Net loans	2,182,626	577,477	510,297	38,123	318,181		(43,000)	3,583,704
Goodwill	127,827				79,242	10,741		217,810
Deposits	1,979,446	613,131	470,429	68,672	420,086		(4,842)	3,546,922
Stockholders equity	320,388	54,502	45,586	22,104	120,522	(61,584)		501,518
Number of branch locations	15	11	7	2	4			39
Full-time equivalent employees	505	139	132	32	114	70		992
Net interest income (loss)	\$ 113,987	\$ 28,260	\$ 25,360	\$ 2,127	\$ 15,536	\$ (5,381)		\$ 179,889
Provision for loan losses	15,510	3,391	763	296	299			20,259
Net interest income (loss) after provision for loan losses	98,477	24,869	24,597	1,831	15,237	(5,381)		159,630
Gain (loss) on sale of securities	238	(60)				256		434
Mark-to-market gains (losses), net	(7,349)	88	728			4,257		(2,276)
Noninterest income, excluding securities and fair value gains (losses)	10,753 (62,779)	2,859 (22,981)	1,699 (20,360)	371 (5,491)	717 (9,378)	9,778 (14,478)	(1,797) 1,797	24,380 (133,670)

Noninterest
expense

Income
(loss) before
income taxes
Minority
interest
Income tax
expense
(benefit)

	39,340	4,775	6,664	(3,289)	6,576	(5,568)		48,498
						110		110
	12,372	1,681	2,562	(1,318)	2,172	(1,956)		15,513
Net income (loss)	\$ 26,968	\$ 3,094	\$ 4,102	\$ (1,971)	\$ 4,404	\$ (3,722)	\$	\$ 32,875

	Bank of Nevada	Alliance Bank of Arizona	Torrey Pines Bank	Alta Alliance Bank	Other	Intersegment Eliminations	Consolidated Company
2006:							
Assets	\$2,904,117	\$643,298	\$581,640	\$56,227	\$ 21,526	\$(37,204)	\$4,169,604
Gross loans and deferred fees	2,094,454	506,710	414,390	7,668		(20,000)	3,003,222
Less: Allowance for loan losses	(23,188)	(5,732)	(4,550)	(81)			(33,551)
Net loans	2,071,266	500,978	409,840	7,587		(20,000)	2,969,671
Goodwill	128,242				3,946		132,188
Deposits	2,326,412	552,901	491,647	31,339		(1,876)	3,400,423
Stockholders equity	336,184	51,497	39,424	24,089	(42,615)		408,579
Number of branch locations	15	9	6	1			31
Full-time equivalent employees	472	135	110	9	59		785
Net interest income (loss)	\$ 105,127	\$ 24,615	\$ 22,397	\$ 226	\$ (3,577)	\$	\$ 148,788
Provision for loan losses	3,134	340	1,105	81			4,660
Net interest income (loss) after provision for loan losses	101,993	24,275	21,292	145	(3,577)		144,128
Loss from sale of securities	(3,374)	(908)	(154)				(4,436)

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Noninterest income	7,979	2,523	1,479	45	7,170	(1,326)	17,870
Noninterest expense	(50,867)	(19,128)	(15,005)	(1,859)	(10,793)	1,566	(96,086)
Income (loss) before income taxes	55,731	6,762	7,612	(1,669)	(7,200)	240	61,476
Income tax expense (benefit)	18,668	2,563	3,088	(659)	(2,073)		21,587
Net income (loss)	\$ 37,063	\$ 4,199	\$ 4,524	\$ (1,010)	\$ (5,127)	\$ 240	\$ 39,889

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	Bank of Nevada	Alliance Bank of Arizona	Torrey Pines Bank	Other	Intersegment Eliminations	Consolidated Company
2005:						
Assets	\$1,886,742	\$519,961	\$405,011	\$79,388	\$(33,831)	\$2,857,271
Gross loans and deferred fees	1,083,599	404,644	305,094			1,793,337
Less: Allowance for loan losses	(12,291)	(5,456)	(3,445)			(21,192)
Net loans	1,071,308	399,188	301,649			1,772,145
Deposits	1,606,750	457,177	335,292		(5,407)	2,393,812
Stockholders' equity	127,969	43,627	33,386	39,241		244,223
Number of branch locations	5	7	4			16
Full-time equivalent employees	299	122	77	39		537
Net interest income (loss)	\$ 70,004	\$ 18,878	\$ 14,646	\$ (1,168)	\$ (18)	\$ 102,342
Provision for loan losses	2,692	2,040	1,447			6,179
Net interest income (loss) after provision for loan losses	67,312	16,838	13,199	(1,168)	(18)	96,163
Gain from sale of securities	69					69
Noninterest income	5,266	1,359	738	5,804	(1,098)	12,069
Noninterest expense	(34,669)	(13,298)	(10,234)	(7,719)	1,056	(64,864)
Income (loss) before income taxes	37,978	4,899	3,703	(3,083)	(60)	43,437
Income tax expense (benefit)	12,636	1,874	1,497	(635)		15,372
Net income (loss)	\$ 25,342	\$ 3,025	\$ 2,206	\$ (2,448)	\$ (60)	\$ 28,065

Note 20. Quarterly Data (Unaudited)

	Years Ended December 31,							
	2007				2006			
	<i>Fourth Quarter</i>	<i>Third Quarter</i>	<i>Second Quarter</i>	<i>First Quarter</i>	<i>Fourth Quarter</i>	<i>Third Quarter</i>	<i>Second Quarter</i>	<i>First Quarter</i>
Interest and dividend income	\$ 81,190	\$ 80,473	\$ 76,846	\$ 67,313	\$ 67,163	\$ 64,344	\$ 59,382	\$ 42,196

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Interest expense	34,757	33,699	31,020	26,457	26,588	25,068	19,839	12,802
Net interest income	46,433	46,774	45,826	40,856	40,575	39,276	39,543	29,394
Provision for loan losses (1)	13,881	3,925	2,012	441	709	953	2,456	542
Net interest income, after provision for loan losses	32,552	42,849	43,814	40,415	39,866	38,323	37,087	28,852
Gain (loss) on sale of securities	(230)	380		284	(4,436)			
Mark-to-market gains (losses), net	(173)	1,676	(3,766)	(13)				
Noninterest income, excluding securities and fair value gains (losses)	6,872	5,899	6,019	5,590	5,260	4,631	4,482	3,497
Noninterest expenses	(35,895)	(34,580)	(34,274)	(28,921)	(26,939)	(25,057)	(24,570)	(19,520)
Income before income taxes	3,126	16,224	11,793	17,355	13,751	17,897	16,999	12,829
Minority interest	69	41						
Income tax expense	614	5,100	3,847	5,952	4,744	6,330	6,122	4,391
Net income	\$ 2,443	\$ 11,083	\$ 7,946	\$ 11,403	\$ 9,007	\$ 11,567	\$ 10,877	\$ 8,438
Earnings per share:								
Basic	\$ 0.08	\$ 0.38	\$ 0.27	\$ 0.42	\$ 0.34	\$ 0.44	\$ 0.41	\$ 0.37
Diluted	\$ 0.08	\$ 0.35	\$ 0.25	\$ 0.39	\$ 0.31	\$ 0.40	\$ 0.38	\$ 0.33

(1) The increase in the provision for loan losses in the fourth quarter 2007 was due to increases in risks inherent in

our loan
portfolio and the
general
economy.

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Note 21. Employee Defalcation

In July 2006, the Company identified evidence of an employee defalcation pertaining to certain accounts at a branch office of its Bank of Nevada subsidiary. The alleged defalcation primarily involved improper draws and payments on legitimate notes and the creation of fraudulent loans, resulting in fraudulent balances and the potential for legitimate loans with undetected credit problems. The Company understands the employee made payments on impaired credits to avoid scrutiny of other loans in the affected portfolio.

For the year ended December 31, 2006, the total pretax impact of the defalcation was \$0.5 million, including our insurance deductible of \$0.4 million and audit, legal and recovery costs. These amounts are net of insurance proceeds and cash restitution the Company has secured from the former employee.

Note 22. Stock Offerings

On June 29, 2005, the Company's registration statement on Form S-1 related to the initial public offering of shares of the Company's common stock was declared effective. The Company signed an underwriting agreement on June 29, 2005, which was on a firm commitment basis, pursuant to which the underwriters agreed to purchase 3,750,000 shares of common stock. On July 1, 2005, the principal underwriter exercised the over-allotment to purchase an additional 450,000 shares of the Company's common stock.

The total price to the public for the shares offered and sold by the Company, including the over-allotment, was \$92.4 million. The amount of expenses incurred by the Company in connection with the offering includes approximately \$6.0 million of underwriting discounts and commission and offering expenses of approximately \$1.3 million.

On September 1, 2006, the Company issued 263,000 shares of common stock at a purchase price of \$34.56 per share, and warrants to purchase 132,000 shares of common stock at \$34.56, resulting in gross proceeds of \$9.1 million. For every two full shares purchased by an investor in the offering, the investor received a warrant to purchase an additional share at the same purchase price. The foregoing were issued under circumstances that comply with the requirements of Section 4(2) under the Securities Act. The proceeds of the offering were used to partially capitalize Alta Alliance Bank.

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McGladrey & Pullen

Certified Public Accountants

Report of Independent Registered Public Accounting Firm

To the Board of Directors

Western Alliance Bancorporation

Las Vegas, Nevada

We have audited the consolidated balance sheets of Western Alliance Bancorporation and subsidiaries (collectively referred to as the Company) as of December 31, 2007 and 2006, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

As described in Notes 1 and 2 to the consolidated financial statements, effective January 1, 2007, the Company early adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, and SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)* and our report dated February 21, 2007 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ MCGLADREY & PULLEN, LLP

Las Vegas, Nevada

February 21, 2008

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