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WESTAMERICA BANCORPORATION

Form 8-K

January 18, 2008

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 8-K

CURRENT REPORT PURSUANT  
TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported):  
January 17, 2008

WESTAMERICA BANCORPORATION  
-----  
(Exact Name of Registrant as Specified in Its Charter)

CALIFORNIA  
-----  
(State or Other Jurisdiction of Incorporation)

001-9383 94-2156203  
-----  
(Commission File Number) (IRS Employer Identification No.)

1108 Fifth Avenue, San Rafael, California 94901  
-----  
(Address of Principal Executive Offices) (Zip Code)

(707) 863-6000  
-----  
(Registrant's Telephone Number, Including Area Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4c)

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Exhibits  
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99.1 Press release dated January 17, 2008

Item 2.02: Results of Operations and Financial Condition  
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On January 17, 2008 Westamerica Bancorporation announced their earnings for the fourth quarter of 2007. A copy of the press release is attached as Exhibit 99.1 to this Form 8-K and is incorporated herein by reference.

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Signatures

Pursuant to the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Westamerica Bancorporation

/s/ JOHN "ROBERT" THORSON  
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John "Robert" Thorson  
Senior Vice President and Chief Financial Officer  
January 17, 2008

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| Exhibit No. | Description                             | Sequentially<br>Number Page |
|-------------|---|-----------------------------|
| -----       | -----                                   | -----                       |
| (99.1)      | Press release dated<br>January 17, 2008 | 5-13                        |

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WESTAMERICA BANCORPORATION REPORTS ANNUAL EARNINGS

San Rafael, CA: Westamerica Bancorporation (NASDAQ: WABC), parent company of

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Westamerica Bank, today reported net income for the year ended December 31, 2007 of \$89.8 million, compared to \$98.8 million for 2006. Diluted earnings per share (EPS) for 2007 were \$2.98, compared to \$3.11 for the year 2006. Return on shareholders' equity for the year 2007 was 22.1 percent and return on assets was 1.93 percent, compared to 23.4 percent and 2.01 percent, respectively, for the year 2006.

Net income for the fourth quarter 2007 totaled \$21.8 million, or EPS of \$0.74, compared to net income of \$22.0 million and EPS of \$0.74 for the third quarter 2007, and net income of \$24.0 million and EPS of \$0.77 for the fourth quarter 2006. Fourth quarter 2007 results include a \$2.3 million litigation expense for Westamerica's proportionate share of Visa's litigation exposure for which Visa's members are responsible. Management currently anticipates that the Company's proportional share of the proceeds of the planned initial public offering by Visa will more than offset any liabilities related to Visa litigation. Fourth quarter 2007 results also include a \$700 thousand income tax refund, derived from an amended 2003 tax return, which reduced income tax expense. The expense for Visa litigation and the income tax refund combined to reduce net income by \$590 thousand, or diluted earnings per share by \$0.02.

"Our net interest margin increased to 4.53 percent in the fourth quarter 2007, compared to 4.34 percent in the third quarter 2007. The margin improvement was in large part due to declining short-term interest rates, which allowed us to reduce our cost of funds. Our consistent application of traditional, conservative loan underwriting practices over the last several years has helped maintain relatively steady loan quality. Our total non-performing assets were \$5.8 million at December 31, 2007, compared to \$5.7 million at September 30, 2007, \$5.2 million at December 31, 2006 and \$6.5 million at December 31, 2005," said Chairman, President and CEO David Payne. "Throughout 2007, we also focused on improving our fee income, which increased seven percent over 2006, and reducing our ongoing operating expenses, which fell two percent from 2006. We are proud to have generated a 22 percent return on our shareholders' equity in 2007," continued Payne.

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Net interest income on a fully taxable equivalent basis was \$46.8 million in the fourth quarter of 2007 compared to \$45.6 million in the prior quarter and \$49.0 million in the same quarter a year ago. The fourth quarter 2007 net interest margin on a fully taxable equivalent basis was 4.53 percent, compared to 4.34 percent for the previous quarter and 4.49 percent for the fourth quarter of 2006. For the full year 2007, net interest income and the net interest margin on a fully taxable equivalent basis were \$185.3 million and 4.40 percent, compared to \$204.7 million and 4.57 percent, respectively, for 2006.

The provision for credit losses was \$475 thousand for the fourth quarter of 2007, compared to \$75 thousand for the previous quarter and \$70 thousand for the year ago quarter. The increase in the provision for credit losses in the fourth quarter 2007 reflects Management's assessment of credit risk for the Company. In addition to increasing the provision for credit losses, Management reduced the reserve for unfunded credit commitments by \$400 thousand during the fourth quarter 2007 to reflect a reduction in unfunded construction loan commitments. As discussed below, the reduction in the reserve for unfunded credit commitments was recorded in other expenses.

Noninterest income in the fourth quarter of 2007 totaled \$14.7 million, unchanged from the prior quarter and compared to \$13.7 million reported for the year ago quarter. The increase from the year ago quarter is due to higher deposit service charges and merchant card processing fees. For the full year 2007, noninterest income increased to \$59.3 million from \$55.3 million for 2006. The \$4.0 million annual increase is primarily attributable to higher deposit

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service charges, merchant card processing fees, debit card fees, and \$822 thousand company owned life insurance proceeds recognized in 2007.

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Noninterest expense for the fourth quarter of 2007 totaled \$27.2 million compared to \$24.9 million in the prior quarter and \$24.5 million in the year ago quarter. The increase from the prior quarter is primarily attributable to:

- \* A \$402 thousand increase in data processing costs,
- \* A \$221 thousand reduction in personnel expenses,
- \* A \$149 thousand reduction in equipment costs,
- \* Lower other expenses primarily attributable to a \$400 thousand reduction in the reserve for unfunded credit commitments, and
- \* The \$2.3 million Visa litigation charge.

The higher data processing expenses and lower personnel and equipment costs are primarily due to conversion of the Company's item processing function to an outside vendor. This conversion occurred during the third quarter 2007 and is not expected to change overall expenses by a meaningful amount.

The increase in noninterest expense from the year ago quarter is primarily attributable to higher data processing expenses and the Visa litigation, offset in part by the reduction in the reserve for unfunded credit commitments, all of which are described above.

For the full year 2007, noninterest expense was \$101.4 million, down from \$101.7 million for 2006. The decrease is primarily attributable to:

- \* A \$2.2 million reduction in personnel costs,
- \* A \$647 thousand reduction in equipment costs,
- \* A \$548 thousand reduction in professional fees,
- \* \$434 thousand lower intangible asset amortization,
- \* A \$1.0 million increase in data processing costs,
- \* A \$299 increase in occupancy costs,
- \* The \$400 thousand reduction in the reserve for unfunded credit commitments, and
- \* The \$2.3 million Visa litigation charge.

Shareholders' equity was \$395 million at December 31, 2007, and the equity-to-asset ratio was 8.7 percent. At December 31, 2007, there were approximately 1.4 million shares remaining to purchase under the Company's existing share repurchase program. At December 31, 2007, the Company's assets totaled \$4.6 billion and loans outstanding totaled \$2.5 billion.

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Westamerica Bancorporation, through its wholly owned subsidiary Westamerica Bank, operates 86 branches throughout 21 Northern and Central California counties.

Westamerica Bancorporation Web Address: [www.westamerica.com](http://www.westamerica.com)

For additional information contact:

Westamerica Bancorporation  
Robert A. Thorson - SVP & Chief Financial Officer  
707-863-6840

### FORWARD-LOOKING INFORMATION:

The following appears in accordance with the Private Securities Litigation Reform Act of 1995:

This press release may contain forward-looking statements about the Company,

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including descriptions of plans or objectives of its management for future operations, products or services, and forecasts of its revenues, earnings or other measures of economic performance. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include the words "believe," "expect," "anticipate," "intend," "plan," "estimate," or words of similar meaning, or future or conditional verbs such as "will," "would," "should," "could," or "may."

Forward-looking statements, by their nature, are subject to risks and uncertainties. A number of factors - many of which are beyond the Company's control - could cause actual conditions, events or results to differ significantly from those described in the forward-looking statements. The Company's most recent annual and quarterly reports filed with the Securities and Exchange Commission, including the Company's Form 10-Q for the quarter ended September 30, 2007 and Form 10-K for the year ended December 31, 2006, describe some of these factors, including certain credit, market, operational, liquidity and interest rate risks associated with the Company's business and operations. Other factors described in these reports include changes in business and economic conditions, competition, fiscal and monetary policies, disintermediation, legislation including the Sarbanes-Oxley Act of 2002 and the Gramm-Leach-Bliley Act of 1999, and mergers and acquisitions.

Forward-looking statements speak only as of the date they are made. The Company does not undertake to update forward-looking statements to reflect circumstances or events that occur after the date forward looking statements are made.

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WESTAMERICA BANCORPORATION  
FINANCIAL HIGHLIGHTS  
December 31, 2007

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### 1. Net Income Summary.

|   | (dollars in thousands except per-share amounts) |          |                  |          |                  |
|---|---|----------|------------------|----------|------------------|
|   | Q4'07   | Q4'06    | Q4'07 /<br>Q4'06 | Q3'07    | Q4'07 /<br>Q3'07 |
| 1 Net Interest Income<br>(Fully Taxable Equivalent) | \$46,812  | \$49,029 | -4.5%            | \$45,563 | 2.7%             |
| 2 Provision for Credit Losses                       | 475   | 70       | 578.6%           | 75       | 533.3%           |
| 3 Noninterest Income:                               |   |          |                  |          |                  |
| 4 Life Insurance Gains                              | 0   | 0        | n/m              | 0        | n/m              |
| 5 Other   | 14,657  | 13,747   | 6.6%             | 14,644   | 0.1%             |
| 6 Total Noninterest Income                          | 14,657  | 13,747   | 6.6%             | 14,644   | 0.1%             |
| 7 Noninterest Expense:                              |   |          |                  |          |                  |
| 8 VISA Litigation                                   | 2,338   | 0        | n/m              | 0        | n/m              |
| 9 Other   | 24,868  | 24,492   | 1.5%             | 24,853   | 0.1%             |
| 10 Total Noninterest Expense                        | 27,206  | 24,492   | 11.1%            | 24,853   | 9.5%             |
| 11 Income Before Taxes (FTE)                        | 33,788  | 38,214   |                  | 35,279   |                  |
| 12 Income Tax Provision (FTE)                       | 11,956  | 14,256   | -16.1%           | 13,257   | -9.8%            |

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|                                       |          |          |       |          |       |
|---------------------------------------|----------|----------|-------|----------|-------|
| 13 Net Income                         | \$21,832 | \$23,958 | -8.9% | \$22,022 | -0.9% |
| 14 Average Shares Outstanding         | 29,213   | 30,699   | -4.8% | 29,532   | -1.1% |
| 15 Diluted Average Shares Outstanding | 29,575   | 31,204   | -5.2% | 29,915   | -1.1% |
| 16 Operating Ratios:                  |          |          |       |          |       |
| 17 Basic Earnings Per Share           | \$0.75   | \$0.78   | -4.2% | \$0.75   | 0.0%  |
| 18 Diluted Earnings Per Share         | \$0.74   | 0.77     | -3.9% | 0.74     | 0.0%  |
| 19 Return On Assets                   | 1.90%    | 1.98%    |       | 1.89%    |       |
| 20 Return On Equity                   | 21.7%    | 22.8%    |       | 21.7%    |       |
| 21 Net Interest Margin (FTE)          | 4.53%    | 4.49%    |       | 4.34%    |       |
| 22 Efficiency Ratio (FTE)             | 44.3%    | 39.0%    |       | 41.3%    |       |
| 23 Dividends Paid Per Share           | \$0.34   | \$0.34   | 0.0%  | \$0.34   | 0.0%  |
| 24 Dividend Payout Ratio              | 46%      | 44%      |       | 46%      |       |

2. Net Interest Income.

|   | (dollars in thousands) |             |                  |             |                  |    |
|---|------------------------|-------------|------------------|-------------|------------------|----|
|   | Q4'07                  | Q4'06       | Q4'07 /<br>Q4'06 | Q3'07       | Q4'07 /<br>Q3'07 | 12 |
| 1 Interest and Fee Income (FTE)                 | \$63,295               | \$66,512    | -4.8%            | \$64,708    | -2.2%            |    |
| 2 Interest Expense                              | 16,483                 | 17,483      | -5.7%            | 19,145      | -13.9%           |    |
| 3 Net Interest Income (FTE)                     | \$46,812               | \$49,029    | -4.5%            | \$45,563    | 2.7%             |    |
| 4 Average Earning Assets                        | \$4,124,196            | \$4,366,675 | -5.6%            | \$4,198,859 | -1.8%            | \$ |
| 5 Average Interest-Bearing Liabilities          | 2,830,235              | 2,975,221   | -4.9%            | 2,905,457   | -2.6%            |    |
| 6 Yield on Earning Assets (FTE)                 | 6.11%                  | 6.07%       |                  | 6.14%       |                  |    |
| 7 Cost of Funds                                 | 1.58%                  | 1.58%       |                  | 1.80%       |                  |    |
| 8 Net Interest Margin (FTE)                     | 4.53%                  | 4.49%       |                  | 4.34%       |                  |    |
| 9 Interest Expense/Interest-Bearing Liabilities | 2.30%                  | 2.32%       |                  | 2.60%       |                  |    |
| 10 Net Interest Spread (FTE)                    | 3.81%                  | 3.75%       |                  | 3.54%       |                  |    |

3. Loans & Other Earning Assets.

|                        | (average volume, dollars in thousands) |             |                  |             |                  |    |
|------------------------|--|-------------|------------------|-------------|------------------|----|
|                        | Q4'07                                  | Q4'06       | Q4'07 /<br>Q4'06 | Q3'07       | Q4'07 /<br>Q3'07 | 12 |
| 1 Total Assets         | \$4,556,715                            | \$4,793,700 | -4.9%            | \$4,628,728 | -1.6%            | \$ |
| 2 Total Earning Assets | 4,124,196                              | 4,366,675   | -5.6%            | 4,198,859   | -1.8%            |    |
| 3 Total Loans          | 2,496,403                              | 2,547,524   | -2.0%            | 2,514,685   | -0.7%            |    |

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|    |   |           |           |        |           |       |
|----|---|-----------|-----------|--------|-----------|-------|
| 4  | Commercial Loans                            | 615,093   | 637,194   | -3.5%  | 625,490   | -1.7% |
| 5  | Commercial Real Estate Loans                | 864,464   | 915,577   | -5.6%  | 871,225   | -0.8% |
| 6  | Consumer Loans                              | 1,016,846 | 994,753   | 2.2%   | 1,017,970 | -0.1% |
| 7  | Total Investment Securities                 | 1,627,793 | 1,819,151 | -10.5% | 1,684,174 | -3.3% |
| 8  | Available For Sale<br>(Market Value)        | 569,832   | 630,826   | -9.7%  | 590,749   | -3.5% |
| 9  | Held To Maturity                            | 1,057,961 | 1,188,325 | -11.0% | 1,093,425 | -3.2% |
| 10 | HTM Unrealized Gain<br>(Loss) at Period-End | 4,134     | (9,356)   | n/m    | (4,974)   | n/m   |
| 11 | Loans / Deposits                            | 75.1%     | 71.7%     |        | 74.9%     |       |

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4. Deposits & Other Interest-Bearing Liabilities.

(average volume, dollars in thousands)

|   | Q4'07       | Q4'06       | Q4'07 /<br>Q4'06 | Q3'07       | Q4'07 /<br>Q3'07 | 12 |
|---|-------------|-------------|------------------|-------------|------------------|----|
| 1 Total Deposits                                      | \$3,325,154 | \$3,553,379 | -6.4%            | \$3,358,163 | -1.0%            | \$ |
| 2 Noninterest Demand                                  | 1,258,496   | 1,332,213   | -5.5%            | 1,254,530   | 0.3%             |    |
| 3 Interest-Bearing Transaction                        | 546,485     | 593,236     | -7.9%            | 566,556     | -3.5%            |    |
| 4 Savings   | 805,321     | 896,538     | -10.2%           | 810,213     | -0.6%            |    |
| 5 Time greater than \$100K                            | 512,610     | 505,390     | 1.4%             | 519,488     | -1.3%            |    |
| 6 Time less than \$100K                               | 202,242     | 226,002     | -10.5%           | 207,376     | -2.5%            |    |
| 7 Total Short-Term Borrowings                         | 726,783     | 717,114     | 1.3%             | 764,992     | -5.0%            |    |
| 8 Fed Funds Purchased                                 | 544,640     | 517,913     | 5.2%             | 621,165     | -12.3%           |    |
| 9 Other Short-Term Funds                              | 182,143     | 199,201     | -8.6%            | 143,827     | 26.6%            |    |
| 10 Long-Term Debt                                     | 36,794      | 36,941      | -0.4%            | 36,832      | -0.1%            |    |
| 11 Shareholders' Equity                               | 398,703     | 417,597     | -4.5%            | 402,016     | -0.8%            |    |
| 12 Demand Deposits /<br>Total Deposits                | 37.8%       | 37.5%       |                  | 37.4%       |                  |    |
| 13 Transaction & Savings Deposits<br>/ Total Deposits | 78.5%       | 79.4%       |                  | 78.4%       |                  |    |

5. Interest Yields Earned & Rates Paid.

(dollars in thousands)

|  | Q4'07             |                    |                | Q3'07          |                   |
|--|-------------------|--------------------|----------------|----------------|-------------------|
|  | Average<br>Volume | Income/<br>Expense | Yield/<br>Rate | Yield/<br>Rate | Average<br>Volume |
|  |                   |                    |                |                |                   |

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|    |                                       |             |          |       |       |             |
|----|---------------------------------------|-------------|----------|-------|-------|-------------|
| 1  | Interest & Fees Income Earned         |             |          |       |       |             |
| 2  | Total Earning Assets (FTE)            | \$4,124,196 | \$63,295 | 6.11% | 6.14% | \$4,366,675 |
| 3  | Total Loans (FTE)                     | 2,496,403   | 41,389   | 6.58% | 6.68% | 2,547,524   |
| 4  | Commercial Loans (FTE)                | 615,093     | 11,986   | 7.73% | 8.07% | 637,194     |
| 5  | Commercial Real Estate<br>Loans       | 864,464     | 15,492   | 7.11% | 7.10% | 915,577     |
| 6  | Consumer Loans                        | 1,016,846   | 13,911   | 5.43% | 5.45% | 994,753     |
| 7  | Total Investment<br>Securities (FTE)  | 1,627,793   | 21,906   | 5.38% | 5.32% | 1,819,151   |
| 8  | Interest Expense Paid                 |             |          |       |       |             |
| 9  | Total Earning Assets                  | 4,124,196   | 16,483   | 1.58% | 1.80% | 4,366,675   |
| 10 | Total Interest-Bearing<br>Liabilities | 2,830,235   | 16,483   | 2.30% | 2.60% | 2,975,221   |
| 11 | Total Interest-Bearing<br>Deposits    | 2,066,658   | 9,126    | 1.75% | 1.88% | 2,221,166   |
| 12 | Interest-Bearing<br>Transaction       | 546,485     | 515      | 0.37% | 0.37% | 593,236     |
| 13 | Savings                               | 805,321     | 1,636    | 0.81% | 0.81% | 896,538     |
| 14 | Time less than \$100K                 | 202,242     | 1,716    | 3.37% | 3.36% | 226,002     |
| 15 | Time greater than \$100K              | 512,610     | 5,259    | 4.07% | 4.61% | 505,390     |
| 16 | Total Short-Term Borrowings           | 726,783     | 6,779    | 3.65% | 4.40% | 717,114     |
| 17 | Fed Funds Purchased                   | 544,640     | 6,341    | 4.56% | 5.15% | 517,913     |
| 18 | Other Short-Term Funds                | 182,143     | 438      | 0.95% | 1.18% | 199,201     |
| 19 | Long-Term Debt                        | 36,794      | 578      | 6.29% | 6.28% | 36,941      |
| 20 | Net Interest Income and Margin (FTE)  |             | \$46,812 | 4.53% | 4.34% |             |

6. Noninterest Income.

(dollars in thousands except per share amounts)

|    | Q4'07                                      | Q4'06    | Q4'07 /<br>Q4'06 | Q3'07  | Q4'07 /<br>Q3'07 | 12     |
|----|--|----------|------------------|--------|------------------|--------|
| 1  | Service Charges on Deposit<br>Accounts     | \$7,422  | \$6,990          | 6.2%   | \$7,569          | -1.9%  |
| 2  | Merchant Credit Card Income                | 2,817    | 2,652            | 6.2%   | 2,808            | 0.3%   |
| 3  | ATM Fees & Interchange                     | 709      | 676              | 4.9%   | 723              | -1.9%  |
| 4  | Debit Card Fees                            | 972      | 902              | 7.8%   | 969              | 0.3%   |
| 5  | Financial Services Commissions             | 265      | 331              | -19.9% | 383              | -30.8% |
| 6  | Mortgage Banking Income                    | 32       | 45               | -28.9% | 29               | 10.3%  |
| 7  | Trust Fees                                 | 303      | 311              | -2.6%  | 337              | -10.1% |
| 8  | Other Income                               | 2,137    | 1,840            | 16.2%  | 1,826            | 17.0%  |
| 9  | Sub-total                                  | 14,657   | 13,747           | 6.6%   | 14,644           | 0.1%   |
| 10 | Life Insurance Gains                       | 0        | 0                | n/m    | 0                | n/m    |
| 11 | Total Noninterest Income                   | \$14,657 | \$13,747         | 6.6%   | \$14,644         | 0.1%   |
| 12 | Operating Ratios:                          |          |                  |        |                  |        |
| 13 | Total Revenue (FTE)                        | \$61,469 | \$62,776         | -2.1%  | \$60,207         | 2.1%   |
| 14 | Noninterest Income /<br>Revenue (FTE)      | 23.8%    | 21.9%            |        | 24.3%            |        |
| 15 | Service Charges /<br>Deposits (annualized) | 0.89%    | 0.78%            |        | 0.89%            |        |
| 16 | Total Revenue Per Share                    | \$8.35   | \$8.11           | 2.9%   | \$8.09           | 3.2%   |



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(annualized)

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## 7. Noninterest Expense.

|  | (dollars in thousands) |          |                  |          |                  |
|--|------------------------|----------|------------------|----------|------------------|
|  | Q4'07                  | Q4'06    | Q4'07 /<br>Q4'06 | Q3'07    | Q4'07 /<br>Q3'07 |
| 1 Salaries & Benefits                                      | \$12,366               | \$12,405 | -0.3%            | \$12,587 | -1.8%            |
| 2 Occupancy  | 3,386                  | 3,227    | 4.9%             | 3,327    | 1.8%             |
| 3 Equipment  | 934                    | 1,174    | -20.4%           | 1,083    | -13.8%           |
| 4 Data Processing  | 2,202                  | 1,529    | 44.0%            | 1,800    | 22.3%            |
| 5 Courier  | 845                    | 891      | -5.2%            | 854      | -1.1%            |
| 6 Postage  | 391                    | 431      | -9.3%            | 404      | -3.2%            |
| 7 Telephone  | 343                    | 365      | -6.0%            | 342      | 0.3%             |
| 8 Professional Fees  | 534                    | 614      | -13.0%           | 451      | 18.4%            |
| 9 Stationery & Supplies                                    | 365                    | 314      | 16.2%            | 323      | 13.0%            |
| 10 Loan Expense  | 195                    | 199      | -2.0%            | 217      | -10.1%           |
| 11 Operational Losses                                      | 234                    | 320      | -26.9%           | 228      | 2.6%             |
| 12 Amortization of Identifiable<br>Intangibles             | 893                    | 1,016    | -12.1%           | 893      | 0.0%             |
| 13 Other Operating   | 2,180                  | 2,007    | 8.6%             | 2,344    | -7.0%            |
| 14 Sub-total   | 24,868                 | 24,492   | 1.5%             | 24,853   | 0.1%             |
| 15 VISA Litigation   | 2,338                  | 0        | n/m              | 0        | n/m              |
| 16 Total Noninterest Expense                               | \$27,206               | \$24,492 | 11.1%            | \$24,853 | 9.5%             |
| 17 Full Time Equivalent Staff                              | 868                    | 891      | -2.6%            | 876      | -0.9%            |
| 18 Average Assets / Full Time<br>Equivalent Staff          | \$5,250                | \$5,380  | -2.4%            | \$5,284  | -0.6%            |
| 19 Operating Ratios:                                       |                        |          |                  |          |                  |
| 20 FTE Revenue / Full Time<br>Equiv. Staff (annualized)    | \$281                  | \$280    | 0.5%             | \$273    | 3.0%             |
| 21 Noninterest Expense /<br>Earning Assets<br>(annualized) | 2.62%                  | 2.23%    |                  | 2.35%    |                  |
| 22 Noninterest Expense /<br>Revenues                       | 44.3%                  | 39.0%    |                  | 41.3%    |                  |

## 8. Provision for Credit Losses.

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(dollars in thousands)

|   | Q4'07       | Q4'06       | Q4'07 /<br>Q4'06 | Q3'07       | Q4'07 /<br>Q3'07 | 12 |
|---|-------------|-------------|------------------|-------------|------------------|----|
| 1 Provision for Credit Losses                         | \$475       | \$70        | 578.6%           | \$75        | 533.3%           |    |
| 2 Gross Loan Losses                                   | 1,162       | 848         | 37.1%            | 1,031       | 12.7%            |    |
| 3 Net Loan Losses                                     | 906         | 78          | 1063.2%          | 610         | 48.5%            |    |
| 4 Recoveries / Gross Loan Losses                      | 22%         | 91%         |                  | 41%         |                  |    |
| 5 Average Total Loans                                 | \$2,496,403 | \$2,547,524 | -2.0%            | \$2,514,685 | -0.7%            | \$ |
| 6 Net Loan Losses / Loans<br>(annualized)             | 0.14%       | 0.01%       |                  | 0.10%       |                  |    |
| 7 Provision for Credit Losses /<br>Loans (annualized) | 0.08%       | 0.01%       |                  | 0.01%       |                  |    |
| 8 Provision for Credit Losses /<br>Net Loan Losses    | 52.4%       | 89.9%       |                  | 12.3%       |                  |    |

9. Credit Quality.

(dollars in thousands)

|   | 12/31/07  | 12/31/06  | 12/31/07 /<br>12/31/06 | 9/30/07   | 12/31/07 /<br>9/30/07 |  |
|---|-----------|-----------|------------------------|-----------|-----------------------|--|
| 1 Nonperforming Nonaccrual Loans                                    | \$3,164   | \$61      | n/m                    | \$3,132   | 1.0%                  |  |
| 2 Performing Nonaccrual Loans                                       | 1,688     | 4,404     | -61.7%                 | 1,695     | -0.4%                 |  |
| 3 Total Nonaccrual Loans  | 4,852     | 4,465     | 8.7%                   | 4,827     | 0.5%                  |  |
| 4 Accruing Loans 90+ Days<br>Past Due                               | 297       | 65        | 356.9%                 | 251       | 18.3%                 |  |
| 5 Total Nonperforming Loans   | 5,149     | 4,530     | 13.7%                  | 5,078     | 1.4%                  |  |
| 6 Repossessed Collateral  | 613       | 647       | -5.3%                  | 613       | 0.0%                  |  |
| 7 Total Nonperforming Loans &<br>8 Repossessed Collateral           | \$5,762   | \$5,177   | 11.3%                  | \$5,691   | 1.2%                  |  |
| 9 Classified Loans  | \$24,419  | \$20,180  | 21.0%                  | \$21,403  | 14.1%                 |  |
| 10 Allowance for Loan Losses  | \$52,506  | \$55,330  | -5.1%                  | \$52,938  | -0.8%                 |  |
| 11 Total Loans Outstanding  | 2,502,976 | 2,531,734 | -1.1%                  | 2,511,374 | -0.3%                 |  |
| 12 Total Assets   | 4,558,959 | 4,769,335 | -4.4%                  | 4,657,016 | -2.1%                 |  |
| 13 Allowance for Loan Losses /<br>Total Loans                       | 2.10%     | 2.19%     |                        | 2.11%     |                       |  |
| 14 Nonperforming Loans /<br>Total Loans                             | 0.21%     | 0.18%     |                        | 0.20%     |                       |  |
| 15 Nonperforming Loans & Repossessed<br>16 Collateral/Total Assets  | 0.13%     | 0.11%     |                        | 0.12%     |                       |  |
| 17 Allowance/Nonperforming Loans                                    | 1020%     | 1221%     |                        | 1042%     |                       |  |
| 18 Allowance for Loan Losses /<br>Classified Loans                  | 215%      | 274%      |                        | 247%      |                       |  |
| 19 Classified Loans /<br>20 (Equity + Allowance for<br>Loan Losses) | 5.5%      | 4.2%      |                        | 4.7%      |                       |  |

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10.Capital.

(dollars in thousands, except per-share amounts)

|  | 12/31/07  | 12/31/06  | 12/31/07 /<br>12/31/06 | 9/30/07   | 12/31/07 /<br>9/30/07 |
|--|-----------|-----------|------------------------|-----------|-----------------------|
| 1 Shareholders' Equity                     | \$394,603 | \$424,235 | -7.0%                  | \$403,651 | -2.2%                 |
| 2 Tier I Regulatory Capital                | 278,970   | 298,576   | -6.6%                  | 283,015   | -1.4%                 |
| 3 Total Regulatory Capital                 | 318,089   | 339,114   | -6.2%                  | 322,598   | -1.4%                 |
| 4 Total Assets                             | 4,558,959 | 4,769,335 | -4.4%                  | 4,657,016 | -2.1%                 |
| 5 Risk-Adjusted Assets                     | 2,986,737 | 3,057,054 | -2.3%                  | 3,017,668 | -1.0%                 |
| 6 Shareholders' Equity /<br>Total Assets   | 8.66%     | 8.90%     |                        | 8.67%     |                       |
| 7 Shareholders' Equity /<br>Total Loans    | 15.77%    | 16.76%    |                        | 16.07%    |                       |
| 8 Tier I Capital /Total Assets             | 6.12%     | 6.26%     |                        | 6.08%     |                       |
| 9 Tier I Capital / Risk-Adjusted<br>Assets | 9.34%     | 9.77%     |                        | 9.38%     |                       |
| 10 Total Capital / Risk-Adjusted<br>Assets | 10.65%    | 11.09%    |                        | 10.69%    |                       |
| 11 Shares Outstanding                      | 29,018    | 30,547    | -5.0%                  | 29,378    | -1.2%                 |
| 12 Book Value Per Share                    | \$13.60   | \$13.89   | -2.1%                  | \$13.74   | -1.0%                 |
| 13 Market Value Per Share                  | \$44.55   | \$50.63   | -12.0%                 | \$49.81   | -10.6%                |

14 Share Repurchase Programs

(shares in thousands)

|   | Q4'07   | Q4'06   | Q4'07 /<br>Q4'06 | Q3'07   | Q4'07 /<br>Q3'07 | 12 |
|---|---------|---------|------------------|---------|------------------|----|
| 15 Total Shares Repurchased /<br>Canceled | 491     | 410     | 19.5%            | 492     | -0.3%            |    |
| 16 Average Repurchase Price               | \$44.88 | \$49.49 | -9.3%            | \$43.90 | 2.2%             |    |
| 17 Net Shares Repurchased                 | 360     | 363     | -0.8%            | 354     | 1.8%             |    |

11.Period-End Balance Sheets.

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| (unaudited, dollars in thousands)               |             |             |                        |             |                       |
|---|-------------|-------------|------------------------|-------------|-----------------------|
|   | 12/31/07    | 12/31/06    | 12/31/07 /<br>12/31/06 | 9/30/07     | 12/31/07 /<br>9/30/07 |
| <b>1 Assets:</b>                                |             |             |                        |             |                       |
| 2 Cash and Money Market Assets                  | \$210,097   | \$185,009   | 13.6%                  | \$219,960   | -4.5%                 |
| 3 Investment Securities                         | 532,821     | 615,525     | -13.4%                 | 570,086     | -6.5%                 |
| Available For Sale                              |             |             |                        |             |                       |
| 4 Investment Securities                         | 1,045,288   | 1,165,092   | -10.3%                 | 1,081,009   | -3.3%                 |
| Held to Maturity                                |             |             |                        |             |                       |
| 5 Loans, gross                                  | 2,502,976   | 2,531,734   | -1.1%                  | 2,511,374   | -0.3%                 |
| 6 Allowance For Loan Losses                     | (52,506)    | (55,330)    | -5.1%                  | (52,938)    | -0.8%                 |
| 7 Loans, net                                    | 2,450,470   | 2,476,404   | -1.0%                  | 2,458,436   | -0.3%                 |
| 8 Premises and Equipment                        | 28,380      | 30,188      | -6.0%                  | 28,666      | -1.0%                 |
| 9 Identifiable Intangible                       | 18,429      | 22,082      | -16.5%                 | 19,322      | -4.6%                 |
| Assets  |             |             |                        |             |                       |
| 10 Goodwill                                     | 121,719     | 121,719     | 0.0%                   | 121,719     | 0.0%                  |
| 11 Interest Receivable and                      | 151,755     | 153,316     | -1.0%                  | 157,818     | -3.8%                 |
| Other Assets                                    |             |             |                        |             |                       |
| 12 Total Assets                                 | \$4,558,959 | \$4,769,335 | -4.4%                  | \$4,657,016 | -2.1%                 |
| <b>13 Liabilities and Shareholders' Equity:</b> |             |             |                        |             |                       |
| <b>14 Deposits:</b>                             |             |             |                        |             |                       |
| 15 Noninterest Bearing                          | \$1,245,500 | \$1,341,019 | -7.1%                  | \$1,251,572 | -0.5%                 |
| 16 Interest-Bearing                             | 544,411     | 588,668     | -7.5%                  | 549,263     | -0.9%                 |
| Transaction                                     |             |             |                        |             |                       |
| 17 Savings                                      | 760,006     | 865,268     | -12.2%                 | 806,797     | -5.8%                 |
| 18 Time   | 714,873     | 721,779     | -1.0%                  | 732,582     | -2.4%                 |
| 19 Total Deposits                               | 3,264,790   | 3,516,734   | -7.2%                  | 3,340,214   | -2.3%                 |
| 20 Short-Term Borrowed Funds                    | 798,599     | 731,977     | 9.1%                   | 815,101     | -2.0%                 |
| 21 Debt Financing and                           | 36,773      | 36,920      | -0.4%                  | 36,809      | -0.1%                 |
| Notes Payable                                   |             |             |                        |             |                       |
| 22 Liability For Interest,                      | 64,194      | 59,469      | 7.9%                   | 61,241      | 4.8%                  |
| Taxes and Other                                 |             |             |                        |             |                       |
| 23 Total Liabilities                            | 4,164,356   | 4,345,100   | -4.2%                  | 4,253,365   | -2.1%                 |
| <b>24 Shareholders' Equity:</b>                 |             |             |                        |             |                       |
| 25 Paid-In Capital                              | \$337,201   | \$344,263   | -2.1%                  | \$337,627   | -0.1%                 |
| 26 Accumulated Other Comprehensive              |             |             |                        |             |                       |
| 27 (Loss) Income                                | (4,520)     | 1,850       | -344.3%                | (412)       | 997.2%                |
| 28 Retained Earnings                            | 61,922      | 78,122      | -20.7%                 | 66,436      | -6.8%                 |
| 29 Total Shareholders' Equity                   | 394,603     | 424,235     | -7.0%                  | 403,651     | -2.2%                 |
| 30 Total Liabilities and                        | \$4,558,959 | \$4,769,335 | -4.4%                  | \$4,657,016 | -2.1%                 |
| Shareholders' Equity                            |             |             |                        |             |                       |

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12. Income Statements.

|   | (unaudited, dollars in thousands, except per-share amounts) |          |                  |          |                  |    |
|---|---|----------|------------------|----------|------------------|----|
|   | Q4'07   | Q4'06    | Q4'07 /<br>Q4'06 | Q3'07    | Q4'07 /<br>Q3'07 | 12 |
| 1 Interest and Fee Income:                    |   |          |                  |          |                  |    |
| 2 Loans                                       | \$40,214  | \$41,198 | -2.4%            | \$41,134 | -2.2%            |    |
| 3 Money Market Assets and<br>Funds Sold       | 3   | 2        | n/m              | 2        | n/m              |    |
| 4 Investment Securities<br>Available For Sale | 6,528   | 7,185    | -9.1%            | 6,713    | -2.8%            |    |
| 5 Investment Securities<br>Held to Maturity   | 11,116  | 12,421   | -10.5%           | 11,448   | -2.9%            |    |
| 6 Total Interest Income                       | 57,861  | 60,806   | -4.8%            | 59,297   | -2.4%            |    |
| 7 Interest Expense:                           |   |          |                  |          |                  |    |
| 8 Transaction Deposits                        | 515   | 486      | 6.0%             | 526      | -2.1%            |    |
| 9 Savings Deposits                            | 1,636   | 1,203    | 36.0%            | 1,649    | -0.8%            |    |
| 10 Time Deposits                              | 6,975   | 7,594    | -8.2%            | 7,791    | -10.5%           |    |
| 11 Short-Term Borrowed Funds                  | 6,779   | 7,622    | -11.1%           | 8,601    | -21.2%           |    |
| 12 Debt Financing and<br>Notes Payable        | 578   | 578      | -0.0%            | 578      | -0.0%            |    |
| 13 Total Interest Expense                     | 16,483  | 17,483   | -5.7%            | 19,145   | -13.9%           |    |
| 14 Net Interest Income                        | 41,378  | 43,323   | -4.5%            | 40,152   | 3.1%             |    |
| 15 Provision for Credit Losses                | 475   | 70       | 578.6%           | 75       | 533.3%           |    |
| 16 Noninterest Income:                        |   |          |                  |          |                  |    |
| 17 Service Charges on<br>Deposit Accounts     | 7,422   | 6,990    | 6.2%             | 7,569    | -1.9%            |    |
| 18 Merchant Credit Card                       | 2,817   | 2,652    | 6.2%             | 2,808    | 0.3%             |    |
| 19 ATM Fees & Interchange                     | 709   | 676      | 4.9%             | 723      | -1.9%            |    |
| 20 Debit Card Fees                            | 972   | 902      | 7.8%             | 969      | 0.3%             |    |
| 21 Financial Services<br>Commissions          | 265   | 331      | -19.9%           | 383      | -30.8%           |    |
| 22 Mortgage Banking                           | 32  | 45       | -28.9%           | 29       | 10.3%            |    |
| 23 Trust Fees                                 | 303   | 311      | -2.6%            | 337      | -10.1%           |    |
| 24 Life Insurance Gains                       | 0   | 0        | n/m              | 0        | n/m              |    |
| 25 Other                                      | 2,137   | 1,840    | 16.2%            | 1,826    | 17.0%            |    |
| 26 Total Noninterest Income                   | 14,657  | 13,747   | 6.6%             | 14,644   | 0.1%             |    |
| 27 Noninterest Expense:                       |   |          |                  |          |                  |    |
| 28 Salaries and Related<br>Benefits           | 12,366  | 12,405   | -0.3%            | 12,587   | -1.8%            |    |
| 29 Occupancy                                  | 3,386   | 3,227    | 4.9%             | 3,327    | 1.8%             |    |
| 30 Equipment                                  | 934   | 1,174    | -20.4%           | 1,083    | -13.8%           |    |
| 31 Data Processing                            | 2,202   | 1,529    | 44.0%            | 1,800    | 22.3%            |    |
| 32 Professional Fees                          | 534   | 614      | -13.0%           | 451      | 18.4%            |    |

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|    |                                       |          |          |        |          |        |
|----|---------------------------------------|----------|----------|--------|----------|--------|
| 33 | VISA Litigation                       | 2,338    | 0        | n/m    | 0        | n/m    |
| 34 | Other                                 | 5,446    | 5,543    | -1.7%  | 5,605    | -2.8%  |
|    |                                       | -----    |          | -----  |          | -----  |
| 35 | Total Noninterest Expense             | 27,206   | 24,492   | 11.1%  | 24,853   | 9.5%   |
|    |                                       | -----    |          | -----  |          | -----  |
| 36 | Income Before Income Taxes            | 28,354   | 32,508   | -12.8% | 29,868   | -5.1%  |
| 37 | Provision for income taxes            | 6,522    | 8,550    | -23.7% | 7,846    | -16.9% |
|    |                                       | -----    |          | -----  |          | -----  |
| 38 | Net Income                            | \$21,832 | \$23,958 | -8.9%  | \$22,022 | -0.9%  |
|    |                                       | =====    |          | =====  |          | =====  |
| 39 | Average Shares Outstanding            | 29,213   | 30,699   | -4.8%  | 29,532   | -1.1%  |
| 40 | Diluted Average Shares<br>Outstanding | 29,575   | 31,204   | -5.2%  | 29,915   | -1.1%  |
| 41 | Per Share Data:                       |          |          |        |          |        |
| 42 | Basic Earnings                        | \$0.75   | \$0.78   | -4.2%  | \$0.75   | 0.0%   |
| 43 | Diluted Earnings                      | 0.74     | 0.77     | -3.9%  | 0.74     | 0.0%   |
| 44 | Dividends Paid                        | 0.34     | 0.34     | 0.0%   | 0.34     | 0.0%   |