

WESTAMERICA BANCORPORATION

Form 8-K

July 16, 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):
July 15, 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

99.1 Press release dated July 15, 2008

Item 2.02: Results of Operations and Financial Condition

On July 15, 2008 Westamerica Bancorporation announced their earnings for the second quarter of 2008. 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

John "Robert" Thorson
Senior Vice President and Chief Financial Officer
July 15, 2008

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Exhibit No.	Description	Sequentially Number Page
(99.1)	Press release dated July 15, 2008	5-16

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FOR IMMEDIATE RELEASE

July 15, 2008

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WESTAMERICA BANCORPORATION REPORTS
SECOND QUARTER 2008

San Rafael, CA: Westamerica Bancorporation (NASDAQ: WABC), parent company of Westamerica Bank, today reported quarterly net income for the second quarter of 2008 of \$12.2 million, or \$0.42 diluted earnings per share (EPS), compared to net income of \$22.4 million, or \$0.74 EPS for the second quarter of 2007. Second quarter 2008 results include a \$18.2 million "other than temporary impairment charge" (OTTI) related to FHLMC and FNMA preferred stock which reduced net income \$10.5 million and reduced EPS \$0.35.

Net income for the six months ended June 30, 2008 was \$39.0 million or \$1.33 diluted earnings per share including the OTTI charge, and benefits from Visa's initial public offering which increased net income by \$4.7 million and EPS by \$0.16. Net income for the six months ended June 30, 2007 was \$45.9 million or \$1.50 diluted earnings per share including a \$822 thousand gain on company-owned life insurance which contributed \$0.02 to diluted earnings per share.

"Our net interest margin expanded to 5.16 percent in the second quarter 2008, compared to 4.79 percent for the first quarter 2008. Lower short-term interest rates allowed us to manage a 0.40 percent decline in our funding costs to generate this improved margin. Our credit quality remains sound. Non-performing loans totaled \$12.0 million at June 30, 2008, or 0.49 percent of total loans, while our reserve for loan losses totaled 2.10 percent of total loans. Classified loans remained relatively stable at \$33.5 million at June 30, 2008 compared to \$33.3 million at March 31, 2008," said Chairman, President and CEO David Payne. "Our capital grew \$11 million in the second quarter 2008 in spite of the OTTI charge. Our return on shareholders' equity was 19.4 percent for the first six months of 2008," Payne added.

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Net interest income on a fully taxable equivalent basis (FTE) was \$49.7 million for the second quarter of 2008, compared to \$48.0 million (FTE) for the prior quarter and \$46.1 million (FTE) reported for the second quarter of 2007. The second quarter 2008 net interest margin was 5.16 percent (FTE), compared to 4.79 percent (FTE) for the prior quarter and 4.36 percent (FTE) for the second quarter of 2007. Net interest income for the six months ended June 30, 2008 was \$97.7 million (FTE) generating a margin of 4.97 percent (FTE), compared to net interest income of \$93.0 million (FTE) and a margin of 4.38 percent (FTE) for the six months ended June 30, 2007. The improved net interest income is attributable to a higher net interest margin offset partially by lower average earning assets. The net interest margin has increased as lower short-term interest rates caused funding costs to decline at a faster pace than earning asset yields.

The provision for loan losses was \$1.2 million for the six months ended June 30, 2008 compared to \$150 thousand for the six months ended June 30, 2007. Net charge-offs for the six months ended June 30, 2008 totaled \$2.7 million, or 0.22 percent (annualized) of average loans, compared to \$2.0 million, or 0.16 percent (annualized) of average loans for the six months ended June 30, 2007. Non-performing loans at June 30, 2008 totaled \$12.0 million, increased from \$5.6 million at March 31, 2008. Classified loans, which include loans graded "substandard," "doubtful" and "loss" using regulatory guidelines, totaled \$33.5 million at June 30, 2008 compared to \$33.3 million at March 31, 2008. The increase in net charge-offs and non-performing loans is generally attributable to one construction loan relationship with loan collateral comprised of developed land and residential real estate properties located north of Sacramento, California. The borrower has marketed and received purchase offers on thirteen of the project's seventeen finished and nearly completed properties, and is negotiating a sale of a portion of the remaining developed land with an

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interested party. Management is aggressively pursuing collection of this loan relationship.

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Noninterest income for the six months ended June 30, 2008 was \$15.5 million, compared to \$30.0 million for the six months ended June 30, 2007. Non-interest income for the 2008 period included the \$18.2 million OTTI charge and \$5.7 million in securities gains from the redemption of Visa Class B common stock as part of Visa's initial public offering. Non-interest income for the first six months of 2007 included a \$822 thousand gain on company-owned life insurance. During 2008, the Company began issuing its own cashiers checks rather than use a vendor which paid the Company fees based on the availability of funds while the cashiers checks remained outstanding ("float"). By issuing its own cashiers' checks, the Company uses the related float as a source of funding and reduces its interest expense. Such vendor fees were \$500 thousand lower in the six months ended June 30, 2008 compared to the six months ended June 30, 2007.

Noninterest expense for the second quarter of 2008 totaled \$26.3 million, compared to \$23.1 million for the prior quarter and \$24.7 million for the second quarter of 2007. The increase in expenses from the prior quarter was primarily due to the first quarter 2008 reversal of a \$2.3 million accrual for Visa related litigation, which was reversed with the funding of a litigation escrow as a part of the Visa IPO. In addition, professional fees were \$147 thousand higher in the second quarter 2008 compared to the first quarter 2008. The increase in expenses from the second quarter 2007 to the second quarter 2008 was attributable to higher data processing, personnel, professional, and occupancy costs. Data processing costs were higher due to conversion of the Company's item processing function to an outside vendor in the third quarter 2007.

Shareholders' equity at June 30, 2008 was \$410 million, increased from \$399 million at March 31, 2008. During the second quarter 2008, the number of shares issued due to the exercise of stock options exceeded shares repurchased by the Company by 117 thousand shares. At June 30, 2008, 777 thousand shares of Company common stock may be purchased and retired under repurchase programs approved by the Company's Board of Directors. At June 30, 2008, Westamerica Bancorporation's total regulatory capital ratio was 11.5 percent and Westamerica Bank's total regulatory capital ratio was 11.0 percent; both measurements exceed the "well-capitalized" level of ten percent under regulatory requirements.

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Westamerica Bancorporation, through its wholly owned subsidiary Westamerica Bank, operates 86 branches and two trust offices throughout 21 Northern and Central California counties. At June 30, 2008, the Company's total assets and total loans outstanding were \$4.2 billion and \$2.4 billion, respectively.

Westamerica Bancorporation Web Address: www.westamerica.com

For additional information contact:

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

FORWARD-LOOKING INFORMATION:

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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, 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 March 31, 2008, and Form 10-K for the year ended December 31, 2007, 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
June 30, 2008

Public Information July 15, 2008

1. Net Income Summary.

(dollars in thousands except per-share amounts)						
	Q2'08	Q2'07	Q2'08 / Q2'07	Q1'08	Q2'08 / Q1'08	6/30'08YT

1 Net Interest Income (Fully Taxable Equivalent)	\$49,731	\$46,059	8.0%	\$47,982	3.6%	\$97,71
2 Provision for Credit Losses	600	75	700.0%	600	0.0%	1,20
3 Noninterest Income:						
4 Life Insurance Gains	0	0	n/m	0	n/m	
5 Gain on Sale of Visa Common Stock	0	0	n/m	5,698	n/m	5,69
6 Investment Securities (Impairment)	(18,178)	0	n/m	0	n/m	(18,17
7 Other	14,335	14,700	-2.5%	13,680	4.8%	28,01

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8 Total Noninterest Income	(3,843)	14,700	-126.1%	19,378	-119.8%	15,53
9 Noninterest Expense:						
10 VISA Litigation	0	0	n/m	(2,338)	n/m	(2,33
11 Other	26,337	24,706	6.6%	25,394	3.7%	51,73
12 Total Noninterest Expense	26,337	24,706	6.6%	23,056	14.2%	49,39
13 Income Before Taxes (FTE)	18,951	35,978		43,704		62,65
14 Income Tax Provision (FTE)	6,749	13,627	-50.5%	16,926	-60.1%	23,67
15 Net Income	\$12,202	\$22,351	-45.4%	\$26,778	-54.4%	\$38,98
16 Average Shares Outstanding	28,916	29,938	-3.4%	28,861	0.2%	28,88
17 Diluted Average Shares Outstanding	29,392	30,365	-3.2%	29,210	0.6%	29,30
18 Operating Ratios:						
19 Basic Earnings Per Share	\$0.42	\$0.75	-43.5%	\$0.93	-54.8%	\$1.3
20 Diluted Earnings Per Share	0.42	0.74	-43.6%	0.92	-54.3%	1.3
21 Return On Assets (annualized)	1.15%	1.92%		2.43%		1.8
22 Return On Equity (annualized)	11.9%	21.9%		27.3%		19.
23 Net Interest Margin (FTE) (annualized)	5.16%	4.36%		4.79%		4.9
24 Efficiency Ratio (FTE)	57.4%	40.7%		34.2%		43.
25 Dividends Paid Per Share	\$0.35	\$0.34	2.9%	\$0.34	2.9%	\$0.6
26 Dividend Payout Ratio	83%	46%		37%		5

2. Net Interest Income.

	(dollars in thousands)					
	Q2'08	Q2'07	Q2'08 / Q2'07	Q1'08	Q2'08 / Q1'08	6/30'08YTD
1 Interest and Fee Income (FTE)	\$58,117	\$64,875	-10.4%	\$60,810	-4.4%	\$118,92
2 Interest Expense	8,386	18,816	-55.4%	12,828	-34.6%	21,21
3 Net Interest Income (FTE)	\$49,731	\$46,059	8.0%	\$47,982	3.6%	\$97,71
4 Average Earning Assets	\$3,865,110	\$4,245,342	-9.0%	\$4,028,221	-4.0%	\$3,946,66
5 Average Interest-Bearing Liabilities	2,590,406	2,926,090	-11.5%	2,771,526	-6.5%	2,680,96
6 Yield on Earning Assets (FTE) (annualized)	6.03%	6.12%		6.06%		6.0
7 Cost of Funds (annualized)	0.87%	1.76%		1.27%		1.0
8 Net Interest Margin (FTE) (annualized)	5.16%	4.36%		4.79%		4.9
9 Interest Expense/Interest-Bearing Liabilities (annued)	1.30%	2.56%		1.85%		1.5
10 Net Interest Spread (FTE) (annualized)	4.73%	3.56%		4.21%		4.4

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3. Loans & Other Earning Assets.

	(average volume, dollars in thousands)					
	Q2'08	Q2'07	Q2'08 / Q2'07	Q1'08	Q2'08 / Q1'08	6/30'08YT
1 Total Assets	\$4,257,325	\$4,668,627	-8.8%	\$4,433,934	-4.0%	\$4,345,63
2 Total Earning Assets	3,865,110	4,245,342	-9.0%	4,028,221	-4.0%	3,946,66
3 Total Loans	2,439,062	2,516,114	-3.1%	2,477,666	-1.6%	2,458,36
4 Commercial Loans	609,082	626,270	-2.7%	616,994	-1.3%	613,03
5 Commercial Real Estate Loans	843,793	883,942	-4.5%	850,504	-0.8%	847,14
6 Consumer Loans	986,187	1,005,902	-2.0%	1,010,168	-2.4%	998,17
7 Total Investment Securities	1,426,048	1,729,228	-17.5%	1,550,555	-8.0%	1,488,30
8 Available For Sale (Market Value)	433,190	602,667	-28.1%	518,217	-16.4%	475,70
9 Held To Maturity	992,858	1,126,561	-11.9%	1,032,338	-3.8%	1,012,59
10 HTM Unrealized (Loss) Gain at Period-End	(3,052)	(18,668)	n/m	13,324	n/m	(3,05
11 Loans / Deposits	76.6%	74.5%		77.1%		76.

4. Deposits & Other Interest-Bearing Liabilities.

	(average volume, dollars in thousands)					
	Q2'08	Q2'07	Q2'08 / Q2'07	Q1'08	Q2'08 / Q1'08	6/30'08YT
1 Total Deposits	\$3,183,812	\$3,377,413	-5.7%	\$3,212,347	-0.9%	\$3,198,07
2 Noninterest Demand	1,186,921	1,267,032	-6.3%	1,199,604	-1.1%	1,193,26
3 Interest-Bearing Transaction	547,574	577,554	-5.2%	546,417	0.2%	546,99
4 Savings	763,575	824,300	-7.4%	768,443	-0.6%	766,00
5 Time greater than \$100K	492,932	496,338	-0.7%	500,936	-1.6%	496,93
6 Time less than \$100K	192,810	212,189	-9.1%	196,947	-2.1%	194,87
7 Total Short-Term Borrowings	556,794	778,841	-28.5%	722,025	-22.9%	639,41
8 Fed Funds Purchased	414,632	625,060	-33.7%	565,415	-26.7%	490,02
9 Other Short-Term Funds	142,162	153,781	-7.6%	156,610	-9.2%	149,38
10 Long-Term Debt	36,721	36,868	-0.4%	36,758	-0.1%	36,73
11 Shareholders' Equity	412,263	408,564	0.9%	394,273	4.6%	403,26
12 Demand Deposits / Total Deposits	37.3%	37.5%		37.3%		37.
13 Transaction & Savings Deposits / Total Deposits	78.5%	79.0%		78.3%		78.

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5. Interest Yields Earned & Rates Paid.

(dollars in thousands)							
Q2'08				Q1'08		Q2'07	
	Average Volume	Income/Expense	Yield */Rate	Yield*/Rate	Average Volume	Income/Expense	
1	Interest & Fees Income Earned						
2	Total Earning Assets (FTE)	\$3,865,110	\$58,117	6.03%	6.06%	\$4,245,342	\$64,877
3	Total Loans (FTE)	2,439,062	38,469	6.34%	6.48%	2,516,114	41,933
4	Commercial Loans (FTE)	609,082	10,364	6.84%	7.36%	626,270	12,493
5	Commercial Real Estate Loans	843,793	14,972	7.14%	7.07%	883,942	15,800
6	Consumer Loans	986,187	13,133	5.36%	5.44%	1,005,902	13,633
7	Total Investment Securities (FTE)	1,426,048	19,648	5.51%	5.40%	1,729,228	22,933
8	Interest Expense Paid						
9	Total Earning Assets	3,865,110	8,386	0.87%	1.27%	4,245,342	18,811
10	Total Interest-Bearing Liabilities	2,590,406	8,386	1.30%	1.85%	2,926,090	18,811
11	Total Interest-Bearing Deposits	1,996,891	5,325	1.07%	1.46%	1,110,381	9,522
12	Interest-Bearing Transaction	547,574	347	0.25%	0.33%	577,554	52
13	Savings	763,575	1,105	0.58%	0.70%	824,300	1,455
14	Time less than \$100K	192,810	1,354	2.82%	3.25%	212,189	1,755
15	Time greater than \$100K	492,932	2,519	2.06%	3.18%	496,338	5,788
16	Total Short-Term Borrowings	556,794	2,483	1.77%	2.70%	778,841	8,711
17	Fed Funds Purchased	414,632	2,220	2.12%	3.22%	625,060	8,299
18	Other Short-Term Funds	142,162	263	0.74%	0.83%	153,781	42
19	Long-Term Debt	36,721	578	6.30%	6.29%	36,868	57
20	Net Interest Income and Margin (FTE)		\$49,731	5.16%	4.79%		\$46,055

* Annualized

6. Noninterest Income.

(dollars in thousands except per share amounts)							
	Q2'08	Q2'07	Q2'08 / Q2'07	Q1'08	Q2'08 / Q1'08	6/30'08YT	
1	Service Charges on Deposit Accounts	\$7,529	\$7,716	-2.4%	\$7,296	3.2%	\$14,822
2	Merchant Credit Card Income	2,712	2,768	-2.0%	2,580	5.1%	5,299
3	ATM Fees & Interchange	763	714	6.9%	718	6.3%	1,488
4	Debit Card Fees	978	960	1.9%	904	8.3%	1,888
5	Financial Services Commissions	274	363	-24.6%	230	18.9%	50
6	Mortgage Banking Income	27	33	-17.4%	40	-33.0%	6
7	Trust Fees	377	304	24.0%	303	24.6%	68
8	Other Income	1,675	1,842	-9.1%	1,609	4.1%	3,288
9	Sub-total	14,335	14,700	-2.5%	13,680	4.8%	28,011
10	Life Insurance Gains	0	0	n/m	0	n/m	

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11	Gain on Sale of Visa Common Stock	0	0	n/m	5,698	n/m	5,698
12	Investment Securities (Impairment)	(18,178)	0	n/m	0	n/m	(18,178)
13 Total Noninterest Income		(\$3,843)	\$14,700	-126.1%	\$19,378	-119.8%	\$15,530
14 Operating Ratios:							
15	Total Revenue (FTE)	\$45,888	\$60,759	-24.5%	\$67,360	-31.9%	\$113,240
16	Noninterest Income / Revenue (FTE)	-8.4%	24.2%		28.8%		13.1%
17	Service Charges / Deposits (annualized)	0.95%	0.92%		0.91%		0.9%
18	Total Revenue Per Share (annualized)	\$6.38	\$8.14	-21.6%	\$9.39	-32.0%	\$7.80

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7. Noninterest Expense.

(dollars in thousands)

	Q2'08	Q2'07	Q2'08 / Q2'07	Q1'08	Q2'08 / Q1'08	6/30'08YT	
1	Salaries & Benefits	\$13,065	\$12,622	3.5%	\$12,984	0.6%	\$26,046
2	Occupancy	3,443	3,342	3.0%	3,390	1.6%	6,833
3	Equipment	1,001	1,147	-12.7%	921	8.7%	1,922
4	Data Processing	2,105	1,543	36.4%	2,120	-0.7%	4,225
5	Courier	824	857	-3.9%	829	-0.6%	1,653
6	Postage	390	396	-1.6%	383	1.7%	777
7	Telephone	346	354	-2.2%	335	3.1%	681
8	Professional Fees	683	409	67.1%	536	27.6%	1,219
9	Stationery & Supplies	285	269	6.3%	279	2.5%	564
10	Loan Expense	233	171	36.3%	170	36.8%	401
11	Operational Losses	196	171	14.6%	184	6.3%	381
12	Amortization of Identifiable Intangibles	788	893	-11.8%	858	-8.2%	1,641
13	Other Operating	2,978	2,532	17.6%	2,405	23.8%	5,383
14	Sub-total	26,337	24,706	6.6%	25,394	3.7%	51,730
15	VISA Litigation	0	0	n/m	(2,338)	n/m	(2,338)
16	Total Noninterest Expense	\$26,337	\$24,706	6.6%	\$23,056	14.2%	\$49,392
17	Full Time Equivalent Staff	892	910	-2.0%	886	0.7%	886
18	Average Assets / Full Time Equivalent Staff	\$4,773	\$5,130	-7.0%	\$5,004	-4.6%	\$4,886
19 Operating Ratios:							
20	FTE Revenue / Full Time Equiv. Staff (annualized)	\$207	\$268	-22.7%	\$306	-32.3%	\$255
21	Noninterest Expense / Earning Assets (annualized)	2.74%	2.33%		2.30%		2.5%
22	Noninterest Expense / FTE Revenues	57.4%	40.7%		34.2%		43.1%

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8. Provision for Credit Losses.

(dollars in thousands)

	Q2'08	Q2'07	Q2'08 / Q2'07	Q1'08	Q2'08 / Q1'08	6/30'08YT
1 Provision for Credit Losses	\$600	\$75	700.0%	\$600	0.0%	\$1,200
2 Gross Loan Losses	2,208	2,244	-1.6%	1,537	43.6%	3,744
3 Net Loan Losses	1,870	1,491	25.4%	872	114.4%	2,744
4 Recoveries / Gross Loan Losses	15%	34%		43%		2%
5 Average Total Loans	\$2,439,062	\$2,516,114	-3.1%	\$2,477,666	-1.6%	\$2,458,366
6 Net Loan Losses / Loans (annualized)	0.31%	0.24%		0.14%		0.2%
7 Provision for Credit Losses / Loans (annualized)	0.10%	0.01%		0.10%		0.1%
8 Provision for Credit Losses / Net Loan Losses	32.1%	5.0%		68.8%		43.1%

9. Credit Quality.

(dollars in thousands)

	06/30/2008	06/30/2007	06/30/08 / 06/30/2007	06/30/2008 / 03/31/2008	06/30/08 / 03/31/2007	06/30/2008 / 12/31/2007
1 Nonperforming Nonaccrual Loans	\$11,713	\$3,140	273.0%	\$3,728	214.2%	\$3,160
2 Performing Nonaccrual Loans	28	1,898	-98.5%	1,652	-98.3%	1,680
3 Total Nonaccrual Loans	11,741	5,038	133.1%	5,380	118.2%	4,840
4 Accruing Loans 90+ Days Past Due	254	179	41.9%	268	-5.2%	290
5 Total Nonperforming Loans	11,995	5,217	129.9%	5,648	112.4%	5,130
6 Repossessed Collateral	920	613	50.0%	954	-3.6%	610
7 Total Nonperforming Loans & 8 Repossessed Collateral	\$12,915	\$5,830	121.5%	\$6,602	95.6%	\$5,740
9 Classified Loans	\$33,546	\$22,498	49.1%	\$33,303	0.7%	\$24,410
10 Allowance for Loan Losses	\$50,964	\$53,473	-4.7%	\$52,234	-2.4%	\$52,500
11 Total Loans Outstanding	2,431,011	2,521,738	-3.6%	2,448,320	-0.7%	2,502,970
12 Total Assets	4,188,868	4,647,069	-9.9%	4,342,302	-3.5%	4,558,950
13 Allowance for Loan Losses / Total Loans	2.10%	2.12%		2.13%		2.1%

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14 Nonperforming Loans / Total Loans	0.49%	0.21%	0.23%	0.2
15 Nonperforming Loans & Repossessed				
16 Collateral/Total Assets	0.31%	0.13%	0.15%	0.1
17 Allowance/Nonperforming Loans	425%	1025%	925%	102
18 Allowance for Loan Losses / Classified Loans	152%	238%	157%	21
19 Classified Loans /				
20 (Equity + Allowance for Loan Losses)	7.3%	4.9%	7.4%	5.

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10.Capital.

(dollars in thousands, except per-share amounts)

	06/30/2008	06/30/2007	06/30/2008 / 06/30/2007	06/30/2008 / 03/31/2007	03/31/2008 / 03/31/2007	03/31/2008 / 03/31/2007
1 Shareholders' Equity	\$410,445	\$407,982	0.6%	\$399,109	2.8%	\$394,600
2 Tier I Regulatory Capital	290,864	286,818	1.4%	283,768	2.5%	278,970
3 Total Regulatory Capital	327,631	326,582	0.3%	321,819	1.8%	318,080
4 Total Assets	4,188,868	4,647,069	-9.9%	4,342,302	-3.5%	4,558,950
5 Risk-Adjusted Assets	2,485,553	3,014,947	-17.6%	2,914,007	-14.7%	2,986,730
6 Shareholders' Equity / Total Assets	9.80%	8.78%		9.19%		8.6%
7 Shareholders' Equity / Total Loans	16.88%	16.18%		16.30%		15.7%
8 Tier I Capital /Total Assets	6.94%	6.17%		6.53%		6.1%
9 Tier I Capital / Risk-Adjusted Assets	10.22%	9.51%		9.74%		9.3%
10 Total Capital / Risk-Adjusted Assets	11.51%	10.83%		11.04%		10.6%
11 Shares Outstanding	28,889	29,732	-2.8%	28,772	0.4%	29,010
12 Book Value Per Share	\$14.21	\$13.72	3.5%	\$13.87	2.4%	\$13.60
13 Market Value Per Share	\$52.59	\$44.24	18.9%	\$52.60	-0.0%	\$44.50

14 Share Repurchase Programs

(shares in thousands)

	Q2'08	Q2'07	Q2'08 / Q2'07	Q1'08	Q2'08 / Q1'08	6/30'08YTD
15 Total Shares Repurchased / Canceled	172	456	-62.4%	424	-59.5%	590
16 Average Repurchase Price	\$54.89	\$46.77	17.4%	\$47.68	15.1%	\$49.70
17 Net Shares (Issued) Repurchased	(117)	426	-127.6%	246	-147.7%	120

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11. Period-End Balance Sheets.

		(unaudited, dollars in thousands)					
				06/30/08 /		06/30/08 /	
		06/30/2008	06/30/2007	06/30/2008	03/31/2008	03/31/2008	12/31/2007
1 Assets:							
2	Cash and Money Market Assets	\$134,432	\$164,390	-18.2%	\$139,957	-3.9%	\$210,090
3	Investment Securities Available For Sale	391,028	582,959	-32.9%	477,686	-18.1%	532,820
4	Investment Securities Held to Maturity	978,298	1,104,132	-11.4%	1,016,613	-3.8%	1,045,280
5	Loans, gross	2,431,011	2,521,738	-3.6%	2,448,320	-0.7%	2,502,970
6	Allowance For Loan Losses	(50,964)	(53,473)	-4.7%	(52,234)	-2.4%	(52,500)
7	Loans, net	2,380,047	2,468,265	-3.6%	2,396,086	-0.7%	2,450,470
8	Premises and Equipment	27,460	29,169	-5.9%	28,031	-2.0%	28,380
9	Identifiable Intangible Assets	16,784	20,215	-17.0%	17,571	-4.5%	18,420
10	Goodwill	121,719	121,719	0.0%	121,719	0.0%	121,710
11	Interest Receivable and Other Assets	139,100	156,220	-11.0%	144,639	-3.8%	151,750
12	Total Assets	\$4,188,868	\$4,647,069	-9.9%	\$4,342,302	-3.5%	\$4,558,950
13 Liabilities and Shareholders' Equity:							
14 Deposits:							
15	Noninterest Bearing	\$1,195,004	\$1,266,941	-5.7%	\$1,202,165	-0.6%	\$1,245,500
16	Interest-Bearing Transaction	527,109	554,036	-4.9%	542,468	-2.8%	544,410
17	Savings	754,677	809,791	-6.8%	749,471	0.7%	760,000
18	Time	686,702	704,264	-2.5%	700,534	-2.0%	714,870
19	Total Deposits	3,163,492	3,335,032	-5.1%	3,194,638	-1.0%	3,264,790
20	Short-Term Borrowed Funds	514,131	809,261	-36.5%	635,264	-19.1%	798,590
21	Debt Financing and Notes Payable	36,699	36,846	-0.4%	36,736	-0.1%	36,770
22	Liability For Interest, Taxes and Other	64,101	57,948	10.6%	76,555	-16.3%	64,190
23	Total Liabilities	3,778,423	4,239,087	-10.9%	3,943,193	-4.2%	4,164,350
24 Shareholders' Equity:							
25	Paid-In Capital	\$351,157	\$338,290	3.8%	\$339,468	3.4%	\$337,200
26	Accumulated Other Comprehensive						
27	Income (Loss)	1,074	(777)	-238.2%	(3,954)	-127.2%	(4,520)
28	Retained Earnings	58,214	70,469	-17.4%	63,595	-8.5%	61,920
29	Total Shareholders' Equity	410,445	407,982	0.6%	399,109	2.8%	394,600
30	Total Liabilities and Shareholders' Equity	\$4,188,868	\$4,647,069	-9.9%	\$4,342,302	-3.5%	\$4,558,950

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12. Income Statements.

	(unaudited, dollars in thousands, except per-share amounts)					
	Q2'08	Q2'07	Q2'08 / Q2'07	Q1'08	Q1'08 / Q2'08	6/30'08YTD
1 Interest and Fee Income:						
2 Loans	\$37,274	\$40,727	-8.5%	\$38,732	-3.8%	\$76,000
3 Money Market Assets and Funds Sold	1	2	n/m	1	n/m	
4 Investment Securities Available For Sale	4,942	6,841	-27.8%	5,802	-14.8%	10,740
5 Investment Securities Held to Maturity	10,438	11,771	-11.3%	10,859	-3.9%	21,290
6 Total Interest Income	52,655	59,341	-11.3%	55,394	-4.9%	108,040
7 Interest Expense:						
8 Transaction Deposits	347	528	-34.3%	452	-23.3%	790
9 Savings Deposits	1,105	1,452	-23.9%	1,330	-16.9%	2,430
10 Time Deposits	3,873	7,540	-48.6%	5,546	-30.2%	9,410
11 Short-Term Borrowed Funds	2,483	8,718	-71.5%	4,922	-49.6%	7,400
12 Debt Financing and Notes Payable	578	578	-0.0%	578	-0.0%	1,150
13 Total Interest Expense	8,386	18,816	-55.4%	12,828	-34.6%	21,210
14 Net Interest Income	44,269	40,525	9.2%	42,566	4.0%	86,830
15 Provision for Credit Losses	600	75	700.0%	600	0.0%	1,200
16 Noninterest Income:						
17 Service Charges on Deposit Accounts	7,529	7,716	-2.4%	7,296	3.2%	14,820
18 Merchant Credit Card	2,712	2,768	-2.0%	2,580	5.1%	5,290
19 ATM Fees & Interchange	763	714	6.9%	718	6.3%	1,480
20 Debit Card Fees	978	960	1.9%	904	8.3%	1,880
21 Financial Services Commissions	274	363	-24.6%	230	18.9%	500
22 Mortgage Banking	27	33	-17.4%	40	-33.0%	60
23 Trust Fees	377	304	24.0%	303	24.6%	680
24 Life Insurance Gains	0	0	n/m	0	n/m	
25 Gain on Sale of Visa Common Stock	0	0	n/m	5,698	n/m	5,690
26 Investment Securities (Impairment)	(18,178)	0	n/m	0	n/m	(18,170)
27 Other	1,675	1,842	-9.1%	1,609	4.1%	3,280
28 Total Noninterest Income	(3,843)	14,700	-126.1%	19,378	-119.8%	15,530
29 Noninterest Expense:						
30 Salaries and Related Benefits	13,065	12,622	3.5%	12,984	0.6%	26,040
31 Occupancy	3,443	3,342	3.0%	3,390	1.6%	6,830

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32	Equipment	1,001	1,147	-12.7%	921	8.7%	1,92
33	Data Processing	2,105	1,543	36.4%	2,120	-0.7%	4,22
34	Professional Fees	683	409	67.1%	536	27.6%	1,21
35	VISA Litigation	0	0	n/m	(2,338)	n/m	(2,33
36	Other	6,040	5,643	7.0%	5,443	11.0%	11,48
37 Total Noninterest Expense		26,337	24,706	6.6%	23,056	14.2%	49,39
38 Income Before Income Taxes		13,489	30,444	-55.7%	38,288	-64.8%	51,77
39 Provision for Income Taxes		1,287	8,093	-84.1%	11,510	-88.8%	12,79
40 Net Income		\$12,202	\$22,351	-45.4%	\$26,778	-54.4%	\$38,98
41 Average Shares Outstanding		28,916	29,938	-3.4%	28,861	0.2%	28,88
42 Diluted Average Shares Outstanding		29,392	30,365	-3.2%	29,210	0.6%	29,30
43 Per Share Data:							
44 Basic Earnings		\$0.42	\$0.75	-43.5%	\$0.93	-54.8%	\$1.3
45 Diluted Earnings		0.42	0.74	-43.6%	0.92	-54.3%	1.3
46 Dividends Paid		0.35	0.34	2.9%	0.34	2.9%	0.6