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WESTAMERICA BANCORPORATION

Form 8-K

October 20, 2004

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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):

October 19, 2004  
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WESTAMERICA BANCORPORATION  
-----

(Exact Name of Registrant as Specified in Its Charter)

CALIFORNIA  
-----

(State or Other Jurisdiction of Incorporation)

001-9383  
-----

(Commission File Number)

94-2156203  
-----

(IRS Employer Identification No.)

1108 Fifth Avenue, San Rafael, California  
-----

(Address of Principal Executive Offices)

94901  
-----

(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 October 19, 2004

Item 2.02: Results of Operations and Financial Condition  
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On October 19, 2004 Westamerica Bancorporation announced their quarterly earnings for the third quarter of 2004. 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/ DENNIS R. HANSEN  
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Dennis R. Hansen, SVP and Controller  
October 20, 2004

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INDEX TO EXHIBITS  
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| Exhibit No.<br>----- | Description<br>-----                    | Sequentially<br>Number Page<br>----- |
|----------------------|---|--------------------------------------|
| (99.1)               | Press release dated<br>October 19, 2004 | 5-16                                 |

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FOR IMMEDIATE RELEASE

October 19, 2004

## Edgar Filing: WESTAMERICA BANCORPORATION - Form 8-K

### WESTAMERICA BANCORPORATION REPORTS RECORD QUARTERLY EARNINGS FOR THIRD QUARTER 2004

San Rafael, CA: Westamerica Bancorporation (NASDAQ: WABC), parent company of Westamerica Bank, today reported record net income of \$25.1 million for the third quarter of 2004, up from \$24.1 million for the third quarter of 2003. Third quarter 2004 diluted earnings per share increased 7.2 percent to \$0.78 from \$0.72 for the third quarter of 2003. Return on average common equity (ROE) for the third quarter of 2004 was 30.1 percent and return on assets (ROA) was 2.19 percent, compared to 29.2 percent and 2.18 percent, respectively, in the third quarter of 2003.

For the first nine months of 2004, net income totaled \$74.1 million, an increase of \$3.3 million compared to \$70.8 million for the same period in 2003. Diluted earnings per share were \$2.28 for the first nine months of 2004, an increase of 7.9 percent compared to \$2.12 for the same period in 2003. ROE and ROA were 30.6 percent and 2.20 percent, respectively, for the first nine months of 2004, compared to 29.4 percent and 2.20 percent, respectively, for the same period in 2003.

"The third quarter of 2004 benefited from higher fee income, efficiency, and improving credit quality," said Chairman, President and CEO David Payne. "New deposit service products fueled a \$775 thousand increase in fee income over the third quarter of last year. This improvement in revenue, combined with our efficient cost structure resulted in an efficiency ratio of 36.9 percent in the third quarter of 2004. Our year-to-date annualized net charge-offs to average loans declined to 0.10 percent through September 30, 2004 compared to 0.15 percent in 2003," added Payne.

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Net interest income on a fully taxable equivalent basis was \$54.5 million in the third quarter of 2004 compared to \$54.3 million in the prior quarter and \$54.3 million in the third quarter of 2003. The third quarter of 2004 net interest margin was 5.11 percent, down from 5.21 percent in the prior quarter and 5.31 percent in the third quarter of 2003. A reduction in commercial real estate loans combined with a sustained period of low interest rates have resulted in an operating environment with declining net interest margins.

Noninterest income in the third quarter of 2004 totaled \$11.8 million, compared to \$11.7 million in the prior quarter and \$11.0 million in the third quarter of 2003. In comparison to both the prior quarter and third quarter of 2003, the third quarter of 2004 benefited from higher service charges on deposit accounts and financial services fees offset in part by lower merchant credit card income and mortgage banking income.

Noninterest expense for the third quarter of 2004 was \$24.5 million, a reduction of \$500 thousand from the prior quarter. The decrease is due to lower expenses for personnel, equipment, professional fees, and postage offset in part by higher occupancy costs. Compared to the third quarter of 2003, noninterest expense decreased \$1 million in the third quarter of 2004. The decrease is due to lower expenses for personnel, equipment, and professional fees.

The efficiency ratio for the third quarter of 2004 was 36.9 percent, compared to the prior quarter at 37.9 percent and the third quarter of 2003 at 39.1 percent.

The provision for loan losses was \$600 thousand for the third quarter of 2004, reduced from \$750 thousand in both the previous quarter and third quarter of 2003. The reduced provision for loan losses reflects management's assessment of credit risk for the loan portfolio.

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Shareholders' equity was \$352 million at September 30, 2004, which represents an increase of \$22 million from \$330 at June 30, 2004. The increase is attributable to retained earnings, net of shareholder dividends, of \$16 million and other comprehensive income of \$10 million related to unrealized appreciation in available for sale investment securities, reduced by purchase and retirement of company common stock of \$4 million, net of stock option proceeds. Net repurchases of the Company's common stock in the third quarter 2004 totaled 68 thousand shares.

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As announced August 25, 2004, Westamerica signed a definitive agreement to acquire Redwood Empire Bancorp, parent company of National Bank of the Redwoods. The transaction is valued at approximately \$148 million, of which, approximately \$57 million will be paid in cash and the remainder by issuance of Westamerica common stock. Within this earlier announcement, Westamerica stated its intention to reduce the allocation of its operating cash flow toward the repurchase and retirement of its common stock in order to meet the approximate \$57 million cash payment for this transaction.

Westamerica Bancorporation, through its wholly owned subsidiary Westamerica Bank, operates 87 branches throughout 22 Northern and Central California counties. At September 30, 2004, the company had total assets outstanding of \$4.6 billion.

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

For additional information contact:

Westamerica Bancorporation  
Robert A. Thorson - SVP & Treasurer  
707-863-6840

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### 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, 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 June 30, 2004 and Form 10-K for the year ended December 31, 2003, 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

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circumstances or events that occur after the date forward looking statements are made.

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WESTAMERICA BANCORPORATION  
FINANCIAL HIGHLIGHTS  
September 30, 2004

Public Information October 19, 2004

### 1. Net Income Summary.

|  |          |          | (dollars in thousands except per-share) |          |                  |         |
|--|----------|----------|---|----------|------------------|---------|
|  | Q3'04    | Q3'03    | Q3'04 /<br>Q3'03                        | Q2'04    | Q3'04 /<br>Q2'04 | 9/30'04 |
| 1. Net Interest Income<br>(Fully Taxable Equivalent) | \$54,528 | \$54,264 | 0.5%                                    | \$54,271 | 0.5%             | \$163,  |
| 2. Loan Loss Provision                               | 600      | 750      | -20.0%                                  | 750      | -20.0%           | 2,      |
| 3. Noninterest Income:                               |          |          |   |          |                  |         |
| 4. Investment Securities Gains<br>(Losses)           | (14)     | 2,150    | n/m                                     | 395      | n/m              | 2,      |
| 5. Loss on Extinguishment<br>of Debt                 | 0        | (2,166)  | n/m                                     | (390)    | n/m              | (2,     |
| 6. Other   | 11,802   | 11,029   | 7.0%                                    | 11,656   | 1.3%             | 34,     |
| 7. Total Noninterest Income                          | 11,788   | 11,013   | 7.0%                                    | 11,661   | 1.1%             | 34,     |
| 8. Noninterest Expense                               | 24,491   | 25,534   | -4.1%                                   | 24,990   | -2.0%            | 74,     |
| 9. Income Tax Provision (FTE)                        | 16,130   | 14,920   | 8.1%                                    | 15,548   | 3.7%             | 47,     |
| 10. Net Income                                       | \$25,095 | \$24,073 | 4.2%                                    | \$24,644 | 1.8%             | \$74,   |
| 11. Average Shares Outstanding                       | 31,713   | 32,770   | -3.2%                                   | 31,760   | -0.1%            | 31,     |
| 12. Diluted Average Shares<br>Outstanding            | 32,352   | 33,273   | -2.8%                                   | 32,343   | 0.0%             | 32,     |
| 13. Operating Ratios:                                |          |          |   |          |                  |         |
| 14. Basic Earnings Per Share                         | \$0.79   | \$0.73   | 7.7%                                    | \$0.78   | 2.0%             | \$2,    |
| 15. Diluted Earnings Per Share                       | 0.78     | 0.72     | 7.2%                                    | 0.76     | 1.8%             | 2,      |
| 16. Return On Assets                                 | 2.19%    | 2.18%    |   | 2.21%    |                  | 2,      |
| 17. Return On Equity                                 | 30.1%    | 29.2%    |   | 31.1%    |                  | 3,      |
| 18. Net Interest Margin (FTE)                        | 5.11%    | 5.31%    |   | 5.21%    |                  | 5,      |
| 19. Efficiency Ratio (FTE)                           | 36.9%    | 39.1%    |   | 37.9%    |                  | 3,      |
| 20. Dividends Paid Per Share                         | \$0.28   | \$0.26   | 7.7%                                    | \$0.28   | 0.0%             | \$0,    |
| 21. Dividend Payout Ratio                            | 36%      | 36%      |   | 37%      |                  |         |

### 2. Net Interest Income.

(dollars in thousands)

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|  | Q3'04       | Q3'03       | Q3'04 /<br>Q3'03 | Q2'04       | Q3'04 /<br>Q2'04 | 9/30'04  |
|--|-------------|-------------|------------------|-------------|------------------|----------|
| 1. Interest and Fee Income (FTE)                 | \$59,570    | \$60,553    | -1.6%            | \$58,868    | 1.2%             | \$178,   |
| 2. Interest Expense                              | 5,042       | 6,289       | -19.8%           | 4,597       | 9.7%             | 15,      |
| 3. Net Interest Income (FTE)                     | \$54,528    | \$54,264    | 0.5%             | \$54,271    | 0.5%             | \$163,   |
| 4. Average Earning Assets                        | \$4,260,701 | \$4,072,793 | 4.6%             | \$4,177,358 | 2.0%             | \$4,198, |
| 5. Average Interest-Bearing Liabilities          | 2,882,817   | 2,806,275   | 2.7%             | 2,868,615   | 0.5%             | 2,877,   |
| 6. Yield on Earning Assets (FTE)                 | 5.58%       | 5.92%       |                  | 5.65%       |                  | 5        |
| 7. Cost of Funds                                 | 0.47%       | 0.61%       |                  | 0.44%       |                  | 0        |
| 8. Net Interest Margin (FTE)                     | 5.11%       | 5.31%       |                  | 5.21%       |                  | 5        |
| 9. Interest Expense/Interest-Bearing Liabilities | 0.69%       | 0.89%       |                  | 0.64%       |                  | 0        |
| 10. Net Interest Spread (FTE)                    | 4.89%       | 5.03%       |                  | 5.01%       |                  | 4        |

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3. Loans & Other Earning Assets.

|  | Q3'04       | Q3'03       | Q3'04 /<br>Q3'03 | Q2'04       | Q3'04 /<br>Q2'04 | 9/30'04  |
|--|-------------|-------------|------------------|-------------|------------------|----------|
| (average volume, dollars in thousands)       |             |             |                  |             |                  |          |
| 1. Total Assets                              | \$4,557,925 | \$4,373,156 | 4.2%             | \$4,482,261 | 1.7%             | \$4,497, |
| 2. Total Earning Assets                      | 4,260,701   | 4,072,793   | 4.6%             | 4,177,358   | 2.0%             | 4,198,   |
| 3. Total Loans                               | 2,247,664   | 2,331,855   | -3.6%            | 2,268,989   | -0.9%            | 2,266,   |
| 4. Commercial Loans                          | 624,925     | 616,140     | 1.4%             | 623,688     | 0.2%             | 621,     |
| 5. Commercial Real Estate Loans              | 752,395     | 867,421     | -13.3%           | 779,408     | -3.5%            | 779,     |
| 6. Consumer Loans                            | 870,344     | 848,294     | 2.6%             | 865,893     | 0.5%             | 865,     |
| 7. Total Investment Securities               | 2,013,037   | 1,740,938   | 15.6%            | 1,908,369   | 5.5%             | 1,932,   |
| 8. Available For Sale (Market Value)         | 928,930     | 1,179,781   | -21.3%           | 1,092,295   | -15.0%           | 1,148,   |
| 9. Held To Maturity                          | 1,084,107   | 561,157     | 93.2%            | 816,074     | 32.8%            | 783,     |
| 10. HTM Unrealized (Loss) Gain at Period-End | 9,176       | 5,866       | n/m              | (11,265)    | n/m              | 9,       |
| 11. Loans / Deposits                         | 62.2%       | 66.6%       |                  | 65.0%       |                  | 6        |

4. Deposits & Other Interest-Bearing Liabilities.

|  | Q3'04       | Q3'03       | Q3'04 /<br>Q3'03 | Q2'04       | Q3'04 /<br>Q2'04 | 9/30'04  |
|--|-------------|-------------|------------------|-------------|------------------|----------|
| (average volume, dollars in thousands) |             |             |                  |             |                  |          |
| 1. Total Deposits                      | \$3,616,319 | \$3,500,911 | 3.3%             | \$3,489,250 | 3.6%             | \$3,514, |

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|   |           |           |        |           |        |        |
|---|-----------|-----------|--------|-----------|--------|--------|
| 2. Noninterest Demand                                 | 1,305,840 | 1,203,378 | 8.5%   | 1,256,128 | 4.0%   | 1,257, |
| 3. Interest-Bearing Transaction                       | 581,264   | 565,437   | 2.8%   | 574,854   | 1.1%   | 573,   |
| 4. Savings  | 1,115,052 | 1,034,480 | 7.8%   | 1,044,943 | 6.7%   | 1,066, |
| 5. Other Time >\$100K                                 | 347,579   | 394,282   | -11.8% | 339,773   | 2.3%   | 342,   |
| 6. Other Time <\$100K                                 | 266,584   | 303,334   | -12.1% | 273,552   | -2.5%  | 274,2  |
| 7. Total Short-Term Borrowings                        | 550,909   | 363,394   | 51.6%  | 614,065   | -10.3% | 566,   |
| 8. Fed Funds Purchased                                | 350,071   | 214,333   | 63.3%  | 323,953   | 8.1%   | 357,   |
| 9. Other Short-Term Funds                             | 200,838   | 149,061   | 34.7%  | 290,112   | -30.8% | 208,   |
| 10. FHLB Debt   | 0         | 124,086   | n/m    | 0         | n/m    | 32,    |
| 11. Long-Term Debt                                    | 21,429    | 21,262    | 0.8%   | 21,428    | 0.0%   | 21,    |
| 12. Shareholders' Equity                              | 332,219   | 326,529   | 1.7%   | 318,560   | 4.3%   | 323,   |
| 13. Demand Deposits/Total Deposits                    | 36.1%     | 34.4%     |        | 36.0%     |        | 3      |
| 14. Transaction & Savings Deposits/<br>Total Deposits | 83.0%     | 80.1%     |        | 82.4%     |        | 8      |

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5. Interest Yields Earned & Rates Paid.

|   | (dollars in thousands) |                    |                |                |                   |                   |
|---|------------------------|--------------------|----------------|----------------|-------------------|-------------------|
|   | Q3'04                  |                    |                | Q2'04          |                   | Q3'04             |
|   | Average<br>Volume      | Income/<br>Expense | Yield/<br>Rate | Yield/<br>Rate | Average<br>Volume | Income<br>Expense |
| 1. Interest Income Earned to:               |                        |                    |                |                |                   |                   |
| 2. Total Earning Assets (FTE)               | \$4,260,701            | \$59,570           | 5.58%          | 5.65%          | \$4,072,793       | \$60,             |
| 3. Total Loans (FTE)                        | 2,247,664              | 34,302             | 6.07%          | 6.16%          | 2,331,855         | 38,               |
| 4. Commercial Loans (FTE)                   | 624,925                | 9,754              | 6.16%          | 5.99%          | 616,140           | 9,                |
| 5. Commercial Real Estate<br>Loans          | 752,395                | 13,955             | 7.38%          | 7.59%          | 867,421           | 17,               |
| 6. Consumer Loans                           | 870,344                | 10,593             | 4.95%          | 5.04%          | 848,294           | 11,               |
| 7. Total Investment<br>Securities (FTE)     | 2,013,037              | 25,268             | 5.02%          | 5.05%          | 1,740,938         | 21,               |
| 8. Interest Expense Paid to:                |                        |                    |                |                |                   |                   |
| 9. Total Earning Assets                     | 4,260,701              | 5,042              | 0.47%          | 0.44%          | 4,072,793         | 6,                |
| 10. Total Interest-Bearing<br>Liabilities   | 2,882,817              | 5,042              | 0.69%          | 0.64%          | 2,806,275         | 6,                |
| 11. Total Interest-Bearing<br>Deposits      | 2,310,479              | 3,253              | 0.56%          | 0.54%          | 2,297,533         | 3,                |
| 12. Interest-Bearing<br>Transaction         | 581,264                | 163                | 0.11%          | 0.09%          | 565,437           |                   |
| 13. Savings                                 | 1,115,052              | 955                | 0.34%          | 0.38%          | 1,034,480         | 1,                |
| 14. Other Time <\$100K                      | 266,584                | 999                | 1.49%          | 1.41%          | 303,334           | 1,                |
| 15. Other Time >\$100K                      | 347,579                | 1,136              | 1.30%          | 1.09%          | 394,282           | 1,                |
| 16. Total Short-Term Borrowings             | 550,909                | 1,473              | 1.05%          | 0.83%          | 363,394           |                   |
| 17. Fed Funds Purchased                     | 350,071                | 1,282              | 1.43%          | 1.01%          | 214,333           |                   |
| 18. Other Short-Term Funds                  | 200,838                | 191                | 0.38%          | 0.63%          | 149,061           |                   |
| 19. FHLB Debt                               | 0                      | 0                  | 0.00%          | 0.00%          | 124,086           | 1,                |
| 20. Long-Term Debt                          | 21,429                 | 316                | 5.90%          | 5.90%          | 21,262            |                   |
| 21. Net Interest Income and<br>Margin (FTE) |                        | \$54,528           | 5.11%          | 5.21%          |                   | \$54,             |

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6. Noninterest Income.

|   | (dollars in thousands) |          |                  |          |                  |         |
|---|------------------------|----------|------------------|----------|------------------|---------|
|   | Q3'04                  | Q3'03    | Q3'04 /<br>Q3'03 | Q2'04    | Q3'04 /<br>Q2'04 | 9/30'04 |
| 1. Service Charges on Deposit Accounts      | \$7,465                | \$6,735  | 10.8%            | \$7,360  | 1.4%             | \$21,   |
| 2. Merchant Credit Card Income              | 899                    | 993      | -9.5%            | 909      | -1.1%            | 2,      |
| 3. ATM Fees & Interchange                   | 664                    | 644      | 3.1%             | 643      | 3.3%             | 1,      |
| 4. Debit Card Fees                          | 654                    | 556      | 17.6%            | 638      | 2.5%             | 1,      |
| 5. Financial Services Fees                  | 409                    | 249      | 64.3%            | 360      | 13.6%            |         |
| 6. Mortgage Banking Income                  | 41                     | 185      | -77.8%           | 131      | -68.7%           |         |
| 7. Trust Fees                               | 265                    | 245      | 8.2%             | 258      | 2.7%             |         |
| 8. Other Income                             | 1,405                  | 1,422    | -1.2%            | 1,357    | 3.5%             | 4,      |
| 9. Sub-total                                | 11,802                 | 11,029   | 7.0%             | 11,656   | 1.3%             | 34,     |
| 10. Investment Securities Gains (Losses)    | (14)                   | 2,150    | n/m              | 395      | n/m              | 2,      |
| 11. Loss on Extinguishment of Debt          | 0                      | (2,166)  | n/m              | (390)    | n/m              | (2,     |
| 12. Total Noninterest Income                | \$11,788               | \$11,013 | 7.0%             | \$11,661 | 1.1%             | \$34,   |
| 13. Operating Ratios:                       |                        |          |                  |          |                  |         |
| 14. Total Revenue (FTE)                     | \$66,316               | \$65,277 | 1.6%             | \$65,932 | 0.6%             | \$197,  |
| 15. Noninterest Income / Revenue (FTE)      | 17.8%                  | 16.9%    |                  | 17.7%    |                  | 1       |
| 16. Service Charges / Deposits (annualized) | 0.82%                  | 0.76%    |                  | 0.85%    |                  | 0       |
| 17. Total Revenue Per Share (annualized)    | \$8.32                 | \$7.90   | 5.3%             | \$8.35   | -0.4%            | \$8     |

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7. Noninterest Expense.

|                        | (dollars in thousands) |          |                  |          |                  |         |
|------------------------|------------------------|----------|------------------|----------|------------------|---------|
|                        | Q3'04                  | Q3'03    | Q3'04 /<br>Q3'03 | Q2'04    | Q3'04 /<br>Q2'04 | 9/30'04 |
| 1. Salaries & Benefits | \$13,054               | \$13,495 | -3.3%            | \$13,332 | -2.1%            | \$39,   |
| 2. Occupancy           | 3,022                  | 3,076    | -1.8%            | 2,944    | 2.6%             | 8,      |
| 3. Equipment           | 1,101                  | 1,319    | -16.5%           | 1,273    | -13.5%           | 3,      |
| 4. Data Processing     | 1,525                  | 1,520    | 0.3%             | 1,521    | 0.3%             | 4,      |
| 5. Courier             | 923                    | 941      | -1.9%            | 888      | 3.9%             | 2,      |
| 6. Postage             | 288                    | 381      | -24.4%           | 364      | -20.9%           | 1,      |
| 7. Telephone           | 529                    | 519      | 1.9%             | 535      | -1.1%            | 1,      |



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|  |          |          |        |          |        |       |
|--|----------|----------|--------|----------|--------|-------|
| 8. Professional Fees   | 411      | 529      | -22.3% | 511      | -19.6% | 1,    |
| 9. Stationery & Supplies                                     | 333      | 331      | 0.6%   | 309      | 7.8%   |       |
| 10. Loan Expense   | 289      | 339      | -14.7% | 295      | -2.0%  |       |
| 11. Merchant Card Expense                                    | 292      | 317      | -7.9%  | 268      | 9.0%   |       |
| 12. Operational Losses                                       | 265      | 237      | 11.8%  | 238      | 11.3%  |       |
| 13. Amortization of Core<br>Deposit Intangibles              | 136      | 165      | -17.6% | 136      | 0.0%   |       |
| 14. Other Operating  | 2,323    | 2,365    | -1.8%  | 2,376    | -2.2%  | 7,    |
| 15. Total Noninterest Expense                                | \$24,491 | \$25,534 | -4.1%  | \$24,990 | -2.0%  | \$74, |
| 16. Full Time Equivalent Staff                               | 980      | 1,016    | -3.5%  | 995      | -1.5%  |       |
| 17. Average Assets / Full Time<br>Equivalent Staff           | \$4,651  | \$4,304  | 8.1%   | \$4,505  | 3.2%   | \$4,  |
| 18. Operating Ratios:  |          |          |        |          |        |       |
| 19. FTE Revenue / Full Time<br>Equivalent Staff (annualized) | \$269    | \$255    | 5.6%   | \$267    | 1.0%   | \$    |
| 20. Noninterest Expense /<br>Earning Assets (annualized)     | 2.29%    | 2.49%    |        | 2.41%    |        | 2     |
| 21. Noninterest Expense /<br>Revenues                        | 36.9%    | 39.1%    |        | 37.9%    |        | 3     |

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8. Loan Loss Provision.

|  | (dollars in thousands) |             |                  |             |                  |          |
|--|------------------------|-------------|------------------|-------------|------------------|----------|
|  | Q3'04                  | Q3'03       | Q3'04 /<br>Q3'03 | Q2'04       | Q3'04 /<br>Q2'04 | 9/30'04  |
| 1. Loan Loss Provision                         | \$600                  | \$750       | -20.0%           | \$750       | -20.0%           | \$2,     |
| 2. Gross Loan Losses                           | 1,115                  | 1,422       | -21.6%           | 1,324       | -15.8%           | 3,       |
| 3. Net Loan Losses                             | 161                    | 729         | -77.9%           | 636         | -74.7%           | 1,       |
| 4. Recoveries/Gross Losses                     | 86%                    | 49%         |                  | 52%         |                  |          |
| 5. Average Total Loans                         | \$2,247,664            | \$2,331,855 | -3.6%            | \$2,268,989 | -0.9%            | \$2,266, |
| 6. Net Loan Losses / Loans<br>(annualized)     | 0.03%                  | 0.12%       |                  | 0.11%       |                  | 0        |
| 7. Loan Loss Provision / Loans<br>(annualized) | 0.11%                  | 0.13%       |                  | 0.13%       |                  | 0        |
| 8. Loan Loss Provision /<br>Net Loan Losses    | 372.7%                 | 102.9%      |                  | 117.9%      |                  | 12       |

9. Credit Quality.

|  | (dollars in thousands) |         |                      |         |                      |         |
|--|------------------------|---------|----------------------|---------|----------------------|---------|
|  | 9/30/04                | 9/30/03 | 9/30/04 /<br>9/30/03 | 6/30/04 | 9/30/04 /<br>6/30/04 | 3/31/04 |
|  |                        |         |                      |         |                      |         |

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|  |           |           |        |           |        |        |
|--|-----------|-----------|--------|-----------|--------|--------|
| 1. Nonperforming Nonaccrual Loans                                    | \$3,996   | \$5,484   | -27.1% | \$4,695   | -14.9% | \$5,   |
| 2. Performing Nonaccrual Loans                                       | 2,777     | 2,145     | 29.5%  | 2,233     | 24.4%  | 2,     |
| 3. Total Nonaccrual Loans  | 6,773     | 7,629     | -11.2% | 6,928     | -2.2%  | 7,     |
| 4. Accruing Loans 90+ Days<br>Days Past Due                          | 182       | 272       | -33.1% | 202       | -9.9%  |        |
| 5. Total Nonperforming Loans   | 6,955     | 7,901     | -12.0% | 7,130     | -2.5%  | 7,     |
| 6. Repossessed Collateral  | 0         | 742       | n/m    | 0         | n/m    |        |
| 7. Total Nonperforming Loans &<br>8. Repossessed Collateral          | \$6,955   | \$8,643   | -19.5% | \$7,130   | -2.5%  | \$7,   |
| 9. Classified Loans  | \$20,868  | \$23,479  | -11.1% | \$21,495  | -2.9%  | \$22,  |
| 10.Allowance for Loan Losses   | \$54,388  | \$54,180  | 0.4%   | \$53,949  | 0.8%   | \$53,  |
| 11.Total Loans Outstanding   | 2,301,991 | 2,364,418 | -2.6%  | 2,319,255 | -0.7%  | 2,322, |
| 12.Total Assets  | 4,636,071 | 4,482,793 | 3.4%   | 4,611,811 | 0.5%   | 4,424, |
| 13.Allowance for Loan Losses /<br>Total Loans                        | 2.36%     | 2.29%     |        | 2.33%     |        | 2      |
| 14.Nonperforming Loans /<br>Total Loans                              | 0.30%     | 0.33%     |        | 0.31%     |        | 0      |
| 15.Nonperforming Loans & Repossessed<br>16. Assets/Total Assets      | 0.15%     | 0.19%     |        | 0.15%     |        | 0      |
| 17.Allowance/Nonperforming Loans                                     | 782%      | 686%      |        | 757%      |        |        |
| 18.Allowance for Loan Losses /<br>Classified Loans                   | 261%      | 231%      |        | 251%      |        |        |
| 19.Classified Loans /<br>20. (Equity + Allowance for<br>Loan Losses) | 5.1%      | 5.8%      |        | 5.6%      |        |        |

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10.Capital.

|   | (dollars in thousands, except per-share) |           |                      |           |                      |         |
|---|--|-----------|----------------------|-----------|----------------------|---------|
|   | 9/30/04                                  | 9/30/03   | 9/30/04 /<br>9/30/03 | 6/30/04   | 9/30/04 /<br>6/30/04 | 3/31/04 |
| 1. Shareholders' Equity                     | \$351,924                                | \$350,922 | 0.3%                 | \$329,795 | 6.7%                 | \$338,  |
| 2. Tier I Regulatory Capital                | 321,700                                  | 312,308   | 3.0%                 | 309,037   | 4.1%                 | 295,    |
| 3. Total Regulatory Capital                 | 361,868                                  | 350,380   | 3.3%                 | 350,834   | 3.1%                 | 335,    |
| 4. Total Assets                             | 4,636,071                                | 4,482,793 | 3.4%                 | 4,611,811 | 0.5%                 | 4,424,  |
| 5. Risk-Adjusted Assets                     | 2,964,945                                | 3,018,061 | -1.8%                | 2,979,145 | -0.5%                | 2,983,  |
| 6. Shareholders' Equity /<br>Total Assets   | 7.59%                                    | 7.83%     |                      | 7.15%     |                      | 7       |
| 7. Shareholders' Equity /<br>Total Loans    | 15.29%                                   | 14.84%    |                      | 14.22%    |                      | 14      |
| 8. Tier I Capital / Total Assets            | 6.94%                                    | 6.97%     |                      | 6.70%     |                      | 6       |
| 9. Tier I Capital /<br>Risk-Adjusted Assets | 10.85%                                   | 10.35%    |                      | 10.37%    |                      | 9       |
| 10.Total Capital /                          | 12.20%                                   | 11.61%    |                      | 11.78%    |                      | 11      |

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| Risk-Adjusted Assets            |         |         |       |         |       |         |
|---------------------------------|---------|---------|-------|---------|-------|---------|
| 11. Shares Outstanding          | 31,716  | 32,723  | -3.1% | 31,784  | -0.2% | 31,784  |
| 12. Book Value Per Share (\$)   | \$11.10 | \$10.72 | 3.5%  | \$10.38 | 6.9%  | \$10.38 |
| 13. Market Value Per Share (\$) | 54.89   | 44.48   | 23.4% | 52.45   | 4.7%  | 52.45   |

14. Share Repurchase Programs

|  | (shares in thousands) |         |                  |         |                  |         |
|--|-----------------------|---------|------------------|---------|------------------|---------|
|  | Q3'04                 | Q3'03   | Q3'04 /<br>Q3'03 | Q2'04   | Q3'04 /<br>Q2'04 | 9/30'04 |
| 15. Total Shares Repurchased /<br>Canceled | 92                    | 354     | -74.0%           | 154     | -40.3%           |         |
| 16. Average Repurchase Price               | \$51.95               | \$44.43 | 16.9%            | \$49.17 | 5.7%             | \$49.17 |
| 17. Net Shares Repurchased<br>(Issued)     | 68                    | 214     | n/m              | 3       | 2567.7%          |         |

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11. Period-End Balance Sheets.

|  | (dollars in thousands) |             |                      |             |                      |             |
|--|------------------------|-------------|----------------------|-------------|----------------------|-------------|
|  | 9/30/04                | 9/30/03     | 9/30/04 /<br>9/30/03 | 6/30/04     | 9/30/04 /<br>6/30/04 | 3/31/04     |
| 1. Assets:                                     |                        |             |                      |             |                      |             |
| 2. Cash and Money Market Assets                | \$165,811              | \$189,902   | -12.7%               | \$186,056   | -10.9%               | \$167,000   |
| 3. Investment Securities<br>Available For Sale | 967,266                | 1,245,311   | -22.3%               | 1,024,798   | -5.6%                | 1,219,000   |
| 4. Investment Securities<br>Held to Maturity   | 1,080,392              | 569,996     | 89.5%                | 960,522     | 12.5%                | 586,000     |
| 5. Loans, gross                                | 2,301,991              | 2,364,418   | -2.6%                | 2,319,255   | -0.7%                | 2,322,000   |
| 6. Allowance For Loan Losses                   | (54,388)               | (54,180)    | 0.4%                 | (53,949)    | 0.8%                 | (53,000)    |
| 7. Loans, net                                  | 2,247,603              | 2,310,238   | -2.7%                | 2,265,306   | -0.8%                | 2,269,000   |
| 9. Premises and Equipment                      | 35,267                 | 35,566      | -0.8%                | 35,343      | -0.2%                | 35,000      |
| 10. Core Deposit Intangible<br>Assets          | 3,030                  | 3,602       | -15.9%               | 3,166       | -4.3%                | 3,000       |
| 11. Goodwill                                   | 18,996                 | 18,996      | 0.0%                 | 18,996      | 0.0%                 | 18,000      |
| 12. Interest Receivable and<br>Other Assets    | 117,706                | 109,182     | 7.8%                 | 117,624     | 0.1%                 | 125,000     |
| 13. Total Assets                               | \$4,636,071            | \$4,482,793 | 3.4%                 | \$4,611,811 | 0.5%                 | \$4,424,000 |
| 14. Liabilities and Shareholders' Equity:      |                        |             |                      |             |                      |             |
| 15. Deposits:                                  |                        |             |                      |             |                      |             |
| 16. Noninterest Bearing                        | \$1,323,446            | \$1,213,578 | 9.1%                 | \$1,272,278 | 4.0%                 | \$1,210,000 |
| 17. Interest-Bearing                           | 561,206                | 559,031     | 0.4%                 | 569,575     | -1.5%                | 562,000     |

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| Transaction  |             |             |        |             |        |          |  |
|--|-------------|-------------|--------|-------------|--------|----------|--|
| 18. Savings  | 1,119,356   | 1,075,625   | 4.1%   | 1,072,701   | 4.3%   | 1,049,   |  |
| 19. Time   | 641,798     | 687,895     | -6.7%  | 590,875     | 8.6%   | 624,     |  |
| 20. Total Deposits                                     | 3,645,806   | 3,536,129   | 3.1%   | 3,505,429   | 4.0%   | 3,447,   |  |
| 21. Short-Term Borrowed Funds                          | 578,285     | 433,348     | 33.4%  | 712,553     | -18.8% | 491,     |  |
| 22. FHLB Debt  | 0           | 105,000     | n/m    | 0           | n/m    | 20,      |  |
| 23. Debt Financing and                                 | 21,429      | 9,643       | 122.2% | 21,429      | 0.0%   | 21,      |  |
| 24. Notes Payable                                      |             |             |        |             |        |          |  |
| 25. Liability For Interest,<br>Taxes and Other         | 38,627      | 47,751      | -19.1% | 42,605      | -9.3%  | 105,     |  |
| 26. Total Liabilities                                  | 4,284,147   | 4,131,871   | 3.7%   | 4,282,016   | 0.0%   | 4,086,   |  |
| 27. Shareholders' Equity:                              |             |             |        |             |        |          |  |
| 28. Paid-In Capital                                    | \$224,489   | \$220,527   | 1.8%   | \$224,042   | 0.2%   | \$219,   |  |
| 29. Unrealized (Loss) Gain on<br>Investment Securities |             |             |        |             |        |          |  |
| 30. Available For Sale                                 | 8,185       | 16,004      | n/m    | (1,416)     | n/m    | 21,      |  |
| 31. Retained Earnings                                  | 119,250     | 114,391     | 4.2%   | 107,169     | 11.3%  | 98,      |  |
| 32. Total Shareholders' Equity                         | 351,924     | 350,922     | 0.3%   | 329,795     | 6.7%   | 338,     |  |
| 33. Total Liabilities and<br>Shareholders' Equity      | \$4,636,071 | \$4,482,793 | 3.4%   | \$4,611,811 | 0.5%   | \$4,424, |  |

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12. Income Statements.

|  | (dollars in thousands, except per-share amounts) |          |                  |          |                  |         |
|--|--|----------|------------------|----------|------------------|---------|
|  | Q3'04  | Q3'03    | Q3'04 /<br>Q3'03 | Q2'04    | Q3'04 /<br>Q2'04 | 9/30'04 |
| 1. Interest and Fee Income:                    |  |          |                  |          |                  |         |
| 2. Loans                                       | \$32,911   | \$37,491 | -12.2%           | \$33,403 | -1.5%            | \$100,  |
| 3. Money Market Assets and<br>Funds Sold       | 0  | 2        | n/m              | 0        | n/m              |         |
| 4. Investment Securities<br>Available For Sale | 10,721   | 12,554   | -14.6%           | 11,679   | -8.2%            | 37,     |
| 5. Investment Securities<br>Held to Maturity   | 10,272   | 4,913    | 109.1%           | 8,189    | 25.4%            | 23,     |
| 6. Total Interest Income                       | 53,904   | 54,960   | -1.9%            | 53,271   | 1.2%             | 161,    |
| 7. Interest Expense:                           |  |          |                  |          |                  |         |
| 8. Transaction Deposits                        | 163  | 145      | 12.4%            | 124      | 31.5%            |         |
| 9. Savings Deposits                            | 955  | 1,440    | -33.7%           | 992      | -3.7%            | 3,      |
| 10. Time Deposits                              | 2,135  | 2,400    | -11.0%           | 1,878    | 13.7%            | 5,      |
| 11. Short-Term Borrowed Funds                  | 1,473  | 747      | 97.2%            | 1,285    | 14.6%            | 3,      |
| 12. Federal Home Loan Bank<br>Advances         | 0  | 1,172    | n/m              | 2        | n/m              |         |
| 13. Debt Financing and<br>Notes Payable        | 316  | 385      | -17.9%           | 316      | 0.0%             |         |

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|  |          |          |        |          |        |       |
|--|----------|----------|--------|----------|--------|-------|
| 14.Total Interest Expense                  | 5,042    | 6,289    | -19.8% | 4,597    | 9.7%   | 15,   |
| 15.Net Interest Income                     | 48,862   | 48,671   | 0.4%   | 48,674   | 0.4%   | 146,  |
| 16.Provision for Loan Losses               | 600      | 750      | -20.0% | 750      | -20.0% | 2,    |
| 17.Noninterest Income:                     |          |          |        |          |        |       |
| 18. Service Charges on<br>Deposit Accounts | 7,465    | 6,735    | 10.8%  | 7,360    | 1.4%   | 21,   |
| 19. Merchant Credit Card                   | 899      | 993      | -9.5%  | 909      | -1.1%  | 2,    |
| 20. Financial Services<br>Commissions      | 409      | 249      | 64.3%  | 360      | 13.6%  |       |
| 21. Mortgage Banking                       | 41       | 185      | -77.8% | 131      | -68.7% |       |
| 22. Trust Fees                             | 265      | 245      | 8.2%   | 258      | 2.7%   |       |
| 23. Securities Gains (Losses)              | (14)     | 2,150    | n/m    | 395      | n/m    | 2,    |
| 24. Loss on Extinguishment<br>of Debt      | 0        | (2,166)  | n/m    | (390)    | n/m    | (2,   |
| 25. Other                                  | 2,723    | 2,622    | 3.9%   | 2,638    | 3.2%   | 7,    |
| 26.Total Noninterest Income                | 11,788   | 11,013   | 7.0%   | 11,661   | 1.1%   | 34,   |
| 27.Noninterest Expense:                    |          |          |        |          |        |       |
| 28. Salaries and Related Benefits          | 13,054   | 13,495   | -3.3%  | 13,332   | -2.1%  | 39,   |
| 29. Occupancy                              | 3,022    | 3,076    | -1.8%  | 2,944    | 2.6%   | 8,    |
| 30. Equipment                              | 1,101    | 1,319    | -16.5% | 1,273    | -13.5% | 3,    |
| 31. Data Processing                        | 1,525    | 1,520    | 0.3%   | 1,521    | 0.3%   | 4,    |
| 32. Professional Fees                      | 411      | 529      | -22.3% | 511      | -19.6% | 1,    |
| 33. Other                                  | 5,378    | 5,595    | -3.9%  | 5,409    | -0.6%  | 16,   |
| 34.Total Noninterest Expense               | 24,491   | 25,534   | -4.1%  | 24,990   | -2.0%  | 74,   |
| 35.Income Before Income Taxes              | 35,559   | 33,400   | 6.5%   | 34,595   | 2.8%   | 104,  |
| 36.Provision for income taxes              | 10,464   | 9,327    | 12.2%  | 9,951    | 5.2%   | 30,   |
| 37.Net Income                              | \$25,095 | \$24,073 | 4.2%   | \$24,644 | 1.8%   | \$74, |
| 38.Average Shares Outstanding              | 31,713   | 32,770   | -3.2%  | 31,760   | -0.1%  | 31,   |
| 39.Diluted Average Shares<br>Outstanding   | 32,352   | 33,273   | -2.8%  | 32,343   | 0.0%   | 32,   |
| 40.Per Share Data:                         |          |          |        |          |        |       |
| 41. Basic Earnings                         | \$0.79   | \$0.73   | 7.7%   | \$0.78   | 2.0%   | \$2   |
| 42. Diluted Earnings                       | 0.78     | 0.72     | 7.2%   | 0.76     | 1.8%   | 2     |
| 43. Dividends Paid                         | 0.28     | 0.26     | 7.7%   | 0.28     | 0.0%   | 0     |