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WESTAMERICA BANCORPORATION

Form 8-K

October 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):
October 16, 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-4(c))

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Exhibits

99.1 Press release dated October 15, 2008

Item 2.02: Results of Operations and Financial Condition

On October 15, 2008 Westamerica Bancorporation announced their earnings for the third 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
October 16, 2008

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INDEX TO EXHIBITS

Exhibit No.	Description	Sequentially Number Page
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(99.1)	Press release dated October 15, 2008	5-13

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FOR IMMEDIATE RELEASE

October 15, 2008

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WESTAMERICA BANCORPORATION REPORTS FINANCIAL RESULTS

San Rafael, CA: Westamerica Bancorporation (NASDAQ: WABC) earned net income of \$39 million for the nine months ended September 30, 2008, representing a 13 percent annualized return on average shareholders' equity. At September 30, 2008, Westamerica maintained a reserve for loan losses equivalent to 2.08 percent of total loans and total regulatory capital of 11.3 percent. Results for the first nine months of 2008 include gains from the sale of VISA common stock and losses recognized due to the decline in value of Federal Home Loan Mortgage Corporation ("FHLMC") and Federal National Mortgage Association ("FNMA") preferred stock.

"The strength of our underlying earnings and the high-quality of our loan portfolio allowed Westamerica to generate a 13 percent return on shareholders' equity for the first nine months of 2008, exceeding average returns in the banking industry, in spite of recognizing a decline in value of FHLMC and FNMA preferred stock. Our net interest margin remained healthy in the third quarter 2008 at 5.19 percent, compared to 5.16 percent in the prior quarter. Our credit quality remained stable with non-performing assets totaling \$13 million at September 30, 2008, unchanged from June 30, 2008. We were also successful in reducing operating expenses \$1.1 million in the third quarter 2008 compared to the prior quarter," said Chairman, President and CEO David Payne. "Our high-quality loan portfolio, ample loan loss reserve, and healthy capital levels distinguish Westamerica as a safe and sound bank during this troublesome period for our industry," added Payne.

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Westamerica generated net income of \$39 million, or diluted earnings per share ("EPS") of \$1.33 for the nine months ended September 30, 2008. Results for this period include a \$5.7 million gain on the sale of VISA common stock resulting from VISA's initial public offering ("IPO"), and \$2.3 million in reduced expenses as known litigation contingencies were satisfied as a part of the VISA IPO. EPS was increased \$0.16 due to transactions recognized as a result of the VISA IPO. Results for this period also include \$34 million in losses, net of tax, recognized as a result of the decline in value of FHLMC and FNMA preferred stock, which reduced EPS by \$1.17. At September 30, 2008, the recorded value of FHLMC and FNMA preferred stock was \$2.8 million. Also, the Company recorded a \$1.0 million reduction in its tax provision primarily due to filing its 2007 tax return and adjusting 2007 tax estimates to actual amounts included in the filed tax return, which increased EPS by \$0.03. The adjustment primarily resulted from higher than anticipated tax credits earned on limited partnership investments providing low-income housing and housing for the elderly in our Northern and Central California communities.

Westamerica recorded net income of \$44 thousand for the three months ended September 30, 2008. Results for this period include \$24 million in losses, net of tax, recognized as a result of the decline in value of FHLMC and FNMA preferred stock, which reduced EPS by \$0.81. Also, the Company recorded the \$1.0 million reduction in its tax provision primarily due to filing its 2007 tax return, which increased EPS by \$0.03.

Net interest income on a fully-taxable equivalent basis ("FTE") totaled \$48.7 million in the third quarter 2008, compared to \$49.7 million in the second quarter 2008, and \$45.6 million in the third quarter 2007. For the nine month periods ended September 30, 2008 and 2007, net interest income (FTE) totaled \$146.4 million and \$138.5 million, respectively. Net interest income has increased in 2008 compared to 2007 due to a higher net interest margin, partially offset by a smaller base of earnings assets, primarily investment

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securities. Lower volumes of high-cost funding sources and lower short-term interest rates have reduced the Company's cost of funds from 1.75 percent in the nine months ended September 30, 2007 to 0.98 percent in the nine months ended September 30, 2008. The lower cost of funds has significantly improved the net interest margin (FTE) from 4.37 percent in the nine months ended September 30, 2007 to 5.04 percent in the nine months ended September 30, 2008.

The provision for credit losses was \$600 thousand for the third quarter 2008, unchanged from the previous quarter and increased from \$75 thousand for the third quarter 2007.

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Non-interest income for the first nine months of 2008 declined \$56.6 million when compared to the first nine months of 2007 due to: \$59.4 million in charges to record the decline in value of FHLMC and FNMA preferred stock, \$5.7 million gain on sale of VISA stock recognized in the first quarter 2008, \$822 thousand gain from life insurance proceeds recognized in the first quarter of 2007, and \$759 thousand lower fees on the issuance of cashiers' checks.

Non-interest expense for the first nine months of 2008 was \$74.6 million, compared to \$74.2 million for the first nine months of 2007. The \$400 thousand increase is primarily due to: \$2.3 million reversal of VISA related litigation expense in the first quarter 2008, \$1.5 million higher data processing expense, and \$894 thousand higher personnel costs. Non-interest expense for the third quarter 2008 was \$25.2 million, compared to \$26.3 million for the second quarter 2008 and \$24.9 million for the third quarter 2007. Third quarter 2008 expenses were reduced from the prior quarter primarily due to lower personnel costs, professional fees, and other expenses.

Non-performing assets as a percentage of total assets were 0.33 percent, 0.31 percent and 0.12 percent at September 30, 2008, June 30, 2008 and September 30, 2007, respectively. Annualized net loan losses as a percentage of total average loans were 0.23 percent and 0.14 percent during the nine months ended September 30, 2008 and 2007, respectively.

Shareholders' equity was \$399 million at September 30, 2008 compared to \$410 million at June 30, 2008. At September 30, 2008, total regulatory capital ratios for Westamerica Bancorporation and its subsidiary bank, Westamerica Bank, were 11.3 percent and 10.7 percent, respectively, exceeding the 10 percent requirement to be "well capitalized" under regulatory standards.

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

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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:

The following appears in accordance with the Private Securities Litigation

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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, 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
September 30, 2008

Public Information October 15, 2008

1. Net Income Summary.

	(dollars in thousands except per-share amounts)					
	Q3'08	Q3'07	Q3'08 / Q3'07	Q2'08	Q3'08 / Q2'08	9/30'08
1 Net Interest Income (Fully Taxable Equivalent)	\$48,693	\$45,563	6.9%	\$49,731	-2.1%	\$146,
2 Provision for Credit Losses	600	75	n/m	600	0.0%	1,
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	0	n/m	5,
6 Investment Securities Losses and Impairment	(41,206)	0	n/m	(18,178)	n/m	(59,
7 Other	13,707	14,644	-6.4%	14,335	-4.4%	41,
8 Total Noninterest Income	(27,499)	14,644	n/m	(3,843)	n/m	(11,
9 Noninterest Expense:						
10 VISA Litigation	0	0	n/m	0	n/m	(2,
11 Other	25,203	24,853	1.4%	26,337	-4.3%	76,

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12 Total Noninterest Expense	25,203	24,853	1.4%	26,337	-4.3%	74,
13 Income Before Taxes (FTE)	(4,609)	35,279		18,951		58,
14 Income Tax (Benefit) Provision (FTE)	(4,653)	13,257	n/m	6,749	n/m	19,
15 Net Income	\$44	\$22,022	n/m	\$12,202	n/m	\$39,
16 Average Shares Outstanding	28,908	29,532	-2.1%	28,916	-0.0%	28,
17 Diluted Average Shares Outstanding	29,273	29,915	-2.1%	29,392	-0.4%	29,
18 Operating Ratios:						
19 Basic Earnings Per Share	\$0.00	\$0.75	n/m	\$0.42	n/m	\$1
20 Diluted Earnings Per Share	0.00	0.74	n/m	0.42	n/m	1
21 Return On Assets (annualized)	0.00%	1.89%		1.15%		1
22 Return On Equity (annualized)	0.0%	21.7%		11.9%		1
23 Net Interest Margin (FTE) (annualized)	5.19%	4.34%		5.16%		5
24 Efficiency Ratio (FTE)	118.9%	41.3%		57.4%		5
25 Dividends Paid Per Share	\$0.35	\$0.34	2.9%	\$0.35	0.0%	\$1
26 Dividend Payout Ratio	n/m	46%		83%		

2. Net Interest Income.

	(dollars in thousands)					
	Q3'08	Q3'07	Q3'08 / Q3'07	Q2'08	Q3'08 / Q2'08	9/30'08
1 Interest and Fee Income (FTE)	\$56,131	\$64,708	-13.3%	\$58,117	-3.4%	\$175,
2 Interest Expense	7,438	19,145	-61.2%	8,386	-11.3%	28,
3 Net Interest Income (FTE)	\$48,693	\$45,563	6.9%	\$49,731	-2.1%	\$146,
4 Average Earning Assets	\$3,745,058	\$4,198,859	-10.8%	\$3,865,110	-3.1%	\$3,878,
5 Average Interest-Bearing Liabilities	2,486,659	2,905,457	-14.4%	2,590,406	-4.0%	2,615,
6 Yield on Earning Assets (FTE) (annualized)	5.98%	6.14%		6.03%		6
7 Cost of Funds (annualized)	0.79%	1.80%		0.87%		0
8 Net Interest Margin (FTE) (annualized)	5.19%	4.34%		5.16%		5
9 Interest Expense/Interest-Bearing Liabilities (annualized)	1.19%	2.60%		1.30%		1
10 Net Interest Spread (FTE) (annualized)	4.79%	3.54%		4.73%		4

3. Loans & Other Earning Assets.

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(average volume, dollars in thousands)						
	Q3'08	Q3'07	Q3'08 / Q3'07	Q2'08	Q3'08 / Q2'08	9/30'08
1 Total Assets	\$4,137,232	\$4,628,728	-10.6%	\$4,257,325	-2.8%	\$4,275,
2 Total Earning Assets	3,745,058	4,198,859	-10.8%	3,865,110	-3.1%	3,878,
3 Total Loans	2,414,317	2,514,685	-4.0%	2,439,062	-1.0%	2,443,
4 Commercial Loans	597,176	625,490	-4.5%	609,082	-2.0%	607,
5 Commercial Real Estate Loans	830,001	871,225	-4.7%	843,793	-1.6%	841,
6 Consumer Loans	987,140	1,017,970	-3.0%	986,187	0.1%	994,
7 Total Investment Securities	1,330,741	1,684,174	-21.0%	1,426,048	-6.7%	1,435,
8 Available For Sale (Market Value)	359,220	590,749	-39.2%	433,190	-17.1%	436,
9 Held To Maturity	971,521	1,093,425	-11.1%	992,858	-2.1%	998,
10 HTM Unrealized Loss at Period-End	(15,042)	(4,974)	n/m	(3,052)	n/m	(15,
11 Loans / Deposits	76.5%	74.9%		76.6%		7

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4. Deposits & Other Interest-Bearing Liabilities.

(average volume, dollars in thousands)						
	Q3'08	Q3'07	Q3'08 / Q3'07	Q2'08	Q3'08 / Q2'08	9/30'08
1 Total Deposits	\$3,154,340	\$3,358,163	-6.1%	\$3,183,812	-0.9%	\$3,183,
2 Noninterest Demand	1,172,953	1,254,530	-6.5%	1,186,921	-1.2%	1,186,
3 Interest-Bearing Transaction	539,286	566,556	-4.8%	547,574	-1.5%	544,
4 Savings	764,535	810,213	-5.6%	763,575	0.1%	765,
5 Time greater than \$100K	484,396	519,488	-6.8%	492,932	-1.7%	492,
6 Time less than \$100K	193,170	207,376	-6.9%	192,810	0.2%	194,
7 Total Short-Term Borrowings	470,109	764,992	-38.5%	556,794	-15.6%	582,
8 Fed Funds Purchased	342,338	621,165	-44.9%	414,632	-17.4%	440,
9 Other Short-Term Funds	127,771	143,827	-11.2%	142,162	-10.1%	142,
10 Long-Term Debt	35,163	36,832	-4.5%	36,721	-4.2%	36,
11 Shareholders' Equity	412,133	402,016	2.5%	412,263	-0.0%	406,
12 Demand Deposits / Total Deposits	37.2%	37.4%		37.3%		3
13 Transaction & Savings Deposits / Total Deposits	78.5%	78.4%		78.5%		7

5. Interest Yields Earned & Rates Paid.

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(dollars in thousands)							
Q3'08			Q2'08		Q3'07		
	Average Volume	Income/ Expense	Yield */ Rate	Yield*/ Rate	Average Volume	Incom Expen	
1	Interest & Fees Income Earned						
2	Total Earning Assets (FTE)	\$3,745,058	\$56,131	5.98%	6.03%	\$4,198,859	\$64,
3	Total Loans (FTE)	2,414,317	37,853	6.24%	6.34%	2,514,685	42,
4	Commercial Loans (FTE)	597,176	9,964	6.64%	6.84%	625,490	12,
5	Commercial Real Estate Loans	830,001	14,516	6.96%	7.14%	871,225	15,
6	Consumer Loans	987,140	13,373	5.39%	5.36%	1,017,970	13,
7	Total Investment Securities (FTE)	1,330,741	18,278	5.49%	5.51%	1,684,174	22,
8	Interest Expense Paid						
9	Total Earning Assets	3,745,058	7,438	0.79%	0.87%	4,198,859	19,
10	Total Interest-Bearing Liabilities	2,486,659	7,438	1.19%	1.30%	2,905,457	19,
11	Total Interest-Bearing Deposits	1,981,387	4,960	1.00%	1.07%	2,103,633	9,
12	Interest-Bearing Transaction	539,286	346	0.26%	0.25%	566,556	
13	Savings	764,535	1,048	0.55%	0.58%	810,213	1,
14	Time less than \$100K	193,170	1,201	2.47%	2.82%	207,376	1,
15	Time greater than \$100K	484,396	2,365	1.94%	2.06%	519,488	6,
16	Total Short-Term Borrowings	470,109	1,954	1.63%	1.77%	764,992	8,
17	Fed Funds Purchased	342,338	1,708	1.95%	2.12%	621,165	8,
18	Other Short-Term Funds	127,771	246	0.77%	0.74%	143,827	
19	Long-Term Debt	35,163	524	5.96%	6.30%	36,832	
20	Net Interest Income and Margin (FTE)		\$48,693	5.19%	5.16%		\$45,

* Annualized

6. Noninterest Income.

(dollars in thousands except per share amounts)							
	Q3'08	Q3'07	Q3'08 / Q3'07	Q2'08	Q3'08 / Q2'08	9/30'08	
1	Service Charges on Deposit Accounts	\$7,555	\$7,569	-0.2%	\$7,529	0.3%	\$22,
2	Merchant Credit Card Income	2,611	2,808	-7.0%	2,712	-3.7%	7,
3	ATM Fees & Interchange	756	723	4.6%	763	-0.9%	2,
4	Debit Card Fees	970	969	0.0%	978	-0.9%	2,
5	Financial Services Commissions	186	383	-51.4%	274	-31.9%	
6	Mortgage Banking Income	39	29	31.5%	27	43.4%	
7	Trust Fees	293	337	-13.2%	377	-22.4%	
8	Other Income	1,297	1,826	-28.9%	1,675	-22.5%	4,
9	Sub-total	13,707	14,644	-6.4%	14,335	-4.4%	41,
10	Life Insurance Gains	0	0	n/m	0	n/m	
11	Gain on Sale of Visa Common Stock	0	0	n/m	0	n/m	5,
12	Investment Securities Losses and Impairment	(41,206)	0	n/m	(18,178)	n/m	(59,
13	Total Noninterest Income	(\$27,499)	\$14,644	n/m	(\$3,843)	n/m	(\$11,

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=====						
14	Operating Ratios:					
15	Total Revenue (FTE)	\$21,194	\$60,207	-64.8%	\$45,888	-53.8%
16	Noninterest Income / Revenue (FTE)	n/m	24.3%		n/m	
17	Service Charges / Deposits (annualized)	0.95%	0.89%		0.95%	
18	Total Revenue Per Share (annualized)	\$2.92	\$8.09	-63.9%	\$6.38	-54.3%

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7. Noninterest Expense.

(dollars in thousands)						
	Q3'08	Q3'07	Q3'08 / Q3'07	Q2'08	Q3'08 / Q2'08	9/30'08
1	Salaries & Benefits	\$12,621	\$12,587	0.3%	\$13,065	-3.4%
2	Occupancy	3,465	3,327	4.1%	3,443	0.6%
3	Equipment	903	1,083	-16.6%	1,001	-9.8%
4	Data Processing	2,098	1,800	16.5%	2,105	-0.3%
5	Courier	835	854	-2.3%	824	1.2%
6	Postage	369	404	-8.8%	390	-5.4%
7	Telephone	342	342	0.1%	346	-1.1%
8	Professional Fees	485	451	7.5%	683	-29.0%
9	Stationery & Supplies	272	323	-15.8%	285	-4.7%
10	Loan Expense	246	217	13.8%	233	5.9%
11	Operational Losses	113	228	-50.2%	196	-42.1%
12	Amortization of Identifiable Intangibles	788	893	-11.8%	788	0.0%
13	Other Operating	2,666	2,344	13.7%	2,978	-10.5%
14	Sub-total	25,203	24,853	1.4%	26,337	-4.3%
15	VISA Litigation	0	0	n/m	0	n/m
16	Total Noninterest Expense	\$25,203	\$24,853	1.4%	\$26,337	-4.3%
17	Full Time Equivalent Staff	899	876	2.6%	892	0.8%
18	Average Assets / Full Time Equivalent Staff	\$4,602	\$5,284	-12.9%	\$4,773	-3.6%
19	Operating Ratios:					
20	FTE Revenue / Full Time Equiv. Staff (annualized)	\$94	\$273	-65.6%	\$207	-54.7%
21	Noninterest Expense / Earning Assets (annualized)	2.68%	2.35%		2.74%	
22	Noninterest Expense / FTE Revenues	118.9%	41.3%		57.4%	

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8. Provision for Credit Losses.

(dollars in thousands)						
	Q3'08	Q3'07	Q3'08 / Q3'07	Q2'08	Q3'08 / Q2'08	9/30'08
1 Provision for Credit Losses	\$600	\$75	n/m	\$600	0.0%	\$1,
2 Gross Loan Losses	1,786	1,031	73.3%	2,208	-19.1%	5,
3 Net Loan Losses	1,467	610	140.5%	1,870	-21.5%	4,
4 Recoveries / Gross Loan Losses	18%	41%		15%		
5 Average Total Loans	\$2,414,317	\$2,514,685	-4.0%	\$2,439,062	-1.0%	\$2,443,
6 Net Loan Losses / Loans (annualized)	0.24%	0.10%		0.31%		0
7 Provision for Credit Losses / Loans (annualized)	0.10%	0.01%		0.10%		0
8 Provision for Credit Losses / Net Loan Losses	40.9%	12.3%		32.1%		4

9. Credit Quality.

(dollars in thousands)						
	9/30/08	9/30/07	9/30/08 / 9/30/07	6/30/08	9/30/08 / 6/30/08	3/31/08
1 Nonperforming Nonaccrual Loans	\$12,132	\$3,132	287.4%	\$11,713	3.6%	\$3,
2 Performing Nonaccrual Loans	73	1,695	-95.7%	28	160.5%	1,
3 Total Nonaccrual Loans	12,205	4,827	152.8%	11,741	3.9%	5,
4 Accruing Loans 90+ Days Past Due	363	251	44.6%	254	42.9%	
5 Total Nonperforming Loans	12,568	5,078	147.5%	11,995	4.8%	5,
6 Repossessed Collateral	814	613	32.8%	920	-11.5%	
7 Total Nonperforming Loans & 8 Repossessed Collateral	\$13,382	\$5,691	135.1%	\$12,915	3.6%	\$6,
9 Classified Loans	\$38,070	\$21,403	77.9%	\$33,546	13.5%	\$33,
10 Allowance for Loan Losses	\$50,097	\$52,938	-5.4%	\$50,964	-1.7%	\$52,
11 Total Loans Outstanding	2,408,704	2,511,374	-4.1%	2,431,011	-0.9%	2,448,
12 Total Assets	4,089,482	4,657,016	-12.2%	4,188,868	-2.4%	4,342,
13 Allowance for Loan Losses / Total Loans	2.08%	2.11%		2.10%		2
14 Nonperforming Loans / Total Loans	0.52%	0.20%		0.49%		0
15 Nonperforming Loans & Repossessed 16 Collateral/Total Assets	0.33%	0.12%		0.31%		0
17 Allowance/Nonperforming Loans	399%	1042%		425%		
18 Allowance for Loan Losses / Classified Loans	132%	247%		152%		
19 Classified Loans /						

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20 (Equity + Allowance for Loan Losses) 8.5% 4.7% 7.3%

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10.Capital.

(dollars in thousands, except per-share amounts)

	9/30/08	9/30/07	9/30/08 / 9/30/07	6/30/08	9/30/08 / 6/30/08	3/31/08
1 Shareholders' Equity	\$399,128	\$403,651	-1.1%	\$410,445	-2.8%	\$399,128
2 Tier I Regulatory Capital	278,117	283,015	-1.7%	290,864	-4.4%	283,015
3 Total Regulatory Capital	314,023	322,598	-2.7%	327,631	-4.2%	321,000
4 Total Assets	4,089,482	4,657,016	-12.2%	4,188,868	-2.4%	4,342,000
5 Risk-Adjusted Assets	2,790,304	3,017,668	-7.5%	2,845,553	-1.9%	2,914,000
6 Shareholders' Equity / Total Assets	9.76%	8.67%		9.80%		9.00%
7 Shareholders' Equity / Total Loans	16.57%	16.07%		16.88%		16.00%
8 Tier I Capital /Total Assets	6.80%	6.08%		6.94%		6.00%
9 Tier I Capital / Total / Risk-Adjusted Assets	9.97%	9.38%		10.22%		9.00%
10 Total Capital / Risk-Adjusted Assets	11.25%	10.69%		11.51%		11.00%
11 Tangible Equity Ratio	6.62%	5.82%		6.71%		6.00%
12 Shares Outstanding	28,895	29,378	-1.6%	28,889	0.0%	28,895
13 Book Value Per Share	\$13.81	\$13.74	0.5%	\$14.21	-2.8%	\$13.81
14 Market Value Per Share	\$57.53	\$49.81	15.5%	\$52.59	9.4%	\$52.59

15 Share Repurchase Programs

(shares in thousands)

	Q3'08	Q3'07	Q3'08 / Q3'07	Q2'08	Q3'08 / Q2'08	9/30'08
16 Total Shares Repurchased / Canceled	108	492	-78.1%	172	-37.3%	108
17 Average Repurchase Price	\$50.10	\$43.90	14.1%	\$54.89	-8.7%	\$49.81
18 Net Shares (Issued) Repurchased	(6)	354	n/m	(117)	n/m	(6)

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11. Period-End Balance Sheets.

(unaudited, dollars in thousands)						
	9/30/08	9/30/07	9/30/08 / 9/30/07	6/30/08	9/30/08 / 6/30/08	3/31/08
1 Assets:						
2 Cash and Money Market Assets	\$142,678	\$219,960	-35.1%	\$134,432	6.1%	\$139,000
3 Investment Securities Available For Sale	304,871	570,086	-46.5%	391,028	-22.0%	477,000
4 Investment Securities Held to Maturity	962,621	1,081,009	-11.0%	978,298	-1.6%	1,016,000
5 Loans, gross	2,408,704	2,511,374	-4.1%	2,431,011	-0.9%	2,448,000
6 Allowance For Loan Losses	(50,097)	(52,938)	-5.4%	(50,964)	-1.7%	(52,000)
7 Loans, net	2,358,607	2,458,436	-4.1%	2,380,047	-0.9%	2,396,000
8 Premises and Equipment	26,789	28,666	-6.5%	27,460	-2.4%	28,000
9 Identifiable Intangible Assets	15,996	19,322	-17.2%	16,784	-4.7%	17,000
10 Goodwill	121,702	121,719	-0.0%	121,719	-0.0%	121,000
11 Interest Receivable and Interest Receivable and	156,218	157,818	-1.0%	139,100	12.3%	144,000
12 Total Assets	\$4,089,482	\$4,657,016	-12.2%	\$4,188,868	-2.4%	\$4,342,000
13 Liabilities and Shareholders' Equity:						
14 Deposits:						
15 Noninterest Bearing	\$1,173,852	\$1,251,572	-6.2%	\$1,195,004	-1.8%	\$1,202,000
16 Interest-Bearing Transaction	518,944	549,263	-5.5%	527,109	-1.5%	542,000
17 Savings	751,512	806,797	-6.9%	754,677	-0.4%	749,000
18 Time	685,480	732,582	-6.4%	686,702	-0.2%	700,000
19 Total Deposits	3,129,788	3,340,214	-6.3%	3,163,492	-1.1%	3,194,000
20 Short-Term Borrowed Funds	487,973	815,101	-40.1%	514,131	-5.1%	635,000
21 Debt Financing and Notes Payable	26,665	36,809	-27.6%	36,699	-27.3%	36,000
22 Liability For Interest, Taxes and Other	45,928	61,241	-25.0%	64,101	-28.4%	76,000
23 Total Liabilities	3,690,354	4,253,365	-13.2%	3,778,423	-2.3%	3,943,000
24 Shareholders' Equity:						
25 Paid-In Capital	\$354,537	\$337,627	5.0%	\$351,157	1.0%	\$339,000
26 Accumulated Other Comprehensive						
27 Income (Loss)	551	(412)	n/m	1,074	-48.7%	(3,000)
28 Retained Earnings	44,040	66,436	-33.7%	58,214	-24.3%	63,000
29 Total Shareholders' Equity	399,128	403,651	-1.1%	410,445	-2.8%	399,000
30 Total Liabilities and Shareholders' Equity	\$4,089,482	\$4,657,016	-12.2%	\$4,188,868	-2.4%	\$4,342,000

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12. Income Statements.

(unaudited, dollars in thousands, except per-share amounts)						
	Q3'08	Q3'07	Q3'08 / Q3'07	Q2'08	Q3'08 / Q2'08	9/30'08
1 Interest and Fee Income:						
2 Loans	\$36,710	\$41,134	-10.8%	\$37,274	-1.5%	\$112,
3 Money Market Assets and Funds Sold	1	2	n/m	1	n/m	
4 Investment Securities Available For Sale	4,041	6,713	-39.8%	4,942	-18.2%	14,
5 Investment Securities Held to Maturity	10,223	11,448	-10.7%	10,438	-2.1%	31,
6 Total Interest Income	50,975	59,297	-14.0%	52,655	-3.2%	159,
7 Interest Expense:						
8 Transaction Deposits	346	526	-34.2%	347	-0.3%	1,
9 Savings Deposits	1,048	1,649	-36.5%	1,105	-5.2%	3,
10 Time Deposits	3,566	7,791	-54.2%	3,873	-7.9%	12,
11 Short-Term Borrowed Funds	1,954	8,601	-77.3%	2,483	-21.3%	9,
12 Debt Financing and Notes Payable	524	578	-9.4%	578	-9.4%	1,
13 Total Interest Expense	7,438	19,145	-61.2%	8,386	-11.3%	28,
14 Net Interest Income	43,537	40,152	8.4%	44,269	-1.7%	130,
15 Provision for Credit Losses	600	75	n/m	600	0.0%	1,
16 Noninterest Income:						
17 Service Charges on Deposit Accounts	7,555	7,569	-0.2%	7,529	0.3%	22,
18 Merchant Credit Card	2,611	2,808	-7.0%	2,712	-3.7%	7,
19 ATM Fees & Interchange	756	723	4.6%	763	-0.9%	2,
20 Debit Card Fees	970	969	0.0%	978	-0.9%	2,
21 Financial Services Commissions	186	383	-51.4%	274	-31.9%	
22 Mortgage Banking	39	29	31.5%	27	43.4%	
23 Trust Fees	293	337	-13.2%	377	-22.4%	
24 Life Insurance Gains	0	0	n/m	0	n/m	
25 Gain on Sale of Visa Common Stock	0	0	n/m	0	n/m	5,
26 Investment Securities Losses and Impairment	(41,206)	0	n/m	(18,178)	n/m	(59,
27 Other	1,297	1,826	-28.9%	1,675	-22.5%	4,
28 Total Noninterest Income	(27,499)	14,644	n/m	(3,843)	n/m	(11,
29 Noninterest Expense:						
30 Salaries and Related Benefits	12,621	12,587	0.3%	13,065	-3.4%	38,

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31	Occupancy	3,465	3,327	4.1%	3,443	0.6%	10,
32	Equipment	903	1,083	-16.6%	1,001	-9.8%	2,
33	Data Processing	2,098	1,800	16.5%	2,105	-0.3%	6,
34	Professional Fees	485	451	7.5%	683	-29.0%	1,
35	VISA Litigation	0	0	n/m	0	n/m	(2,
36	Other	5,631	5,605	0.5%	6,040	-6.8%	17,
37 Total Noninterest Expense		25,203	24,853	1.4%	26,337	-4.3%	74,
38 Income Before Income Taxes		(9,765)	29,868	n/m	13,489	n/m	42,
39 Income Tax (Benefit) Provision		(9,809)	7,846	n/m	1,287	n/m	2,
40 Net Income		\$44	\$22,022	n/m	\$12,202	n/m	\$39,
41 Average Shares Outstanding		28,908	29,532	-2.1%	28,916	-0.0%	28,
42 Diluted Average Shares Outstanding		29,273	29,915	-2.1%	29,392	-0.4%	29,
43 Per Share Data:							
44 Basic Earnings		\$0.00	\$0.75	n/m	\$0.42	n/m	\$1
45 Diluted Earnings		0.00	0.74	n/m	0.42	n/m	1
46 Dividends Paid		0.35	0.34	2.9%	0.35	0.0%	1