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WESTAMERICA BANCORPORATION

Form 8-K

July 22, 2004

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of the Report (Date of earliest event reported):

July 20, 2004

Commission File Number: 001-9383

WESTAMERICA BANCORPORATION

(Exact name of registrant as specified in its chapter)

CALIFORNIA

(State of incorporation)

94-2156203

(I.R.S. Employer Identification Number)

1108 Fifth Avenue, San Rafael, California 94901

(Address of principal executive offices and zip code)

(707) 863-6000

(Registrant's area code and telephone number)

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Item 7: Exhibits

99.1 Press release dated July 20, 2004

Item 12: Results of Operations and Financial Condition

On July 20, 2004 Westamerica Bancorporation announced their quarterly earnings for the second 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

Dennis R. Hansen, SVP and Controller
July 22, 2004

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INDEX TO EXHIBITS

| Exhibit No. | Description | Sequentially Number Page |
|-------------|--------------------------------------|-----------------------------|
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| (99.1) | Press release dated July 20, 2004 | 5-14 |

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FOR IMMEDIATE RELEASE

July 20, 2004

WESTAMERICA BANCORPORATION REPORTS RECORD \$24.6 MILLION QUARTERLY EARNINGS

San Rafael, CA: Westamerica Bancorporation (NASDAQ: WABC), parent company of Westamerica Bank, today reported record quarterly net income for the second quarter of 2004 of \$24.6 million, or \$0.76 diluted earnings per share, compared to net income of \$24.3 million, or \$0.74 diluted earnings per share, for the prior quarter, and \$23.7 million, or \$0.71 diluted earnings per share for the second quarter of 2003. Return on assets was 2.21 percent and return on equity was 31.1 percent for the second quarter of 2004. For the first six months of 2004, diluted earnings per share were \$1.51 based on year-to-date net income of \$49.0 million, while diluted earnings per share for the first six months of 2003 were \$1.39 based on year-to-date net income of \$46.7 million.

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"New deposit service offerings as well as rising mutual fund and annuity sales have generated growing noninterest revenues. Second quarter 2004 noninterest income has risen \$795 thousand, or 7.3 percent, from the prior quarter.

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Westamerica's low cost of funds at 0.44 percent and low efficiency ratio at 37.9 percent for the second quarter of 2004 remain hallmarks for the Company," said Chairman, President and CEO David Payne. "We are proud to be delivering consistent growth in diluted earnings per share, and 31 percent return on equity to our shareholders," Payne added.

Net interest income on a taxable equivalent basis was \$54.3 million for the second quarter of 2004, essentially unchanged from \$54.3 million for the second quarter of 2003. The second quarter 2004 net interest margin on a taxable equivalent basis was 5.21 percent, compared with 5.43 percent for the second quarter of 2003. The reduced net interest margin primarily resulted from earning asset yields declining more than the cost of funds.

The provision for loan losses was \$750 thousand for the second quarter of 2004 unchanged from the prior quarter and down from \$900 thousand for the second quarter of 2003. Net charge-offs for the second quarter of 2004 totaled \$636 thousand, or 0.11 percent (annualized) of average loans compared to 0.15 percent (annualized) of average loans for the prior quarter and second quarter of 2003.

Noninterest income for the second quarter of 2004 was \$11.7 million, compared to \$10.9 million for the previous quarter and \$11.0 million for the second quarter of 2003. The increase over both the prior quarter and second quarter of 2003 is attributable to increased service charges on deposit accounts, financial services fees, and debit card fees offset in part by lower mortgage banking income. Investment securities gains totaled \$395 thousand, \$1.8 million, and \$277 thousand in the second quarter of 2004, first quarter of 2004, and second quarter of 2003, respectively. Losses on the extinguishment of FHLB advances totaled \$390 thousand, \$1.8 million, and none in the second quarter of 2004, first quarter of 2004, and second quarter of 2003, respectively. Other noninterest income for the first quarter of 2004 included gains on the sale of repossessed loan collateral totaling \$223 thousand.

Noninterest expense for the second quarter of 2004 totaled \$25.0 million, essentially unchanged from \$25.0 million for the prior quarter, and down 1.9 percent from \$25.5 million for the second quarter of 2003. Comparing the second quarter of 2004 to the prior quarter, lower personnel costs offset increased equipment expense and professional fees. Comparing the second quarter of 2004 to the second quarter of 2003, lower personnel, occupancy, and equipment expenses offset increased telephone expenses. The second quarter 2004 efficiency ratio (expenses divided by revenues) was 37.9 percent, compared to 38.2 percent for the prior quarter and 39.0 percent for the second quarter of 2003.

Non-performing loans and repossessed loan collateral at June 30, 2004 totaled \$7.1 million, down from \$7.5 million at March 31, 2004 and \$9.1 million at June 30, 2003.

Shareholders' equity at June 30, 2004 was \$330 million, down from \$339 million at March 31, 2004. The decrease is primarily due to retained earnings, net of dividends paid, of \$16 million, reduced by depreciation in the available for sale investment portfolio of \$23 million, net of tax, and the net cost of share repurchases, totaling \$2 million. The Company's equity-to-asset ratio was 7.2 percent at June 30, 2004.

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Westamerica Bancorporation, through its wholly owned subsidiary Westamerica Bank, operates 87 branches throughout 22 Northern and Central California counties. At June 30, 2004, the Company's total assets and total loans outstanding were \$4.6 billion and \$2.3 billion, respectively.

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Westamerica Bancorporation Web Address: www.westamerica.com

For additional information contact:
 Westamerica Bancorporation
 Robert A. Thorson - SVP & Treasurer
 707-863-6840

FORWARD-LOOKING INFORMATION:

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

This press release may contain forward-looking statements about the Company, 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, 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, the combination of the former Kerman State Bank and other 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, 2004

Public Information July 20, 2004

1. Net Income Summary.

| | | | (dollars in thousands except per-share) | | | |
|-------------------------------|----------|----------|---|----------|------------------|---------|
| | Q2'04 | Q2'03 | Q2'04 / Q2'03 | Q1'04 | Q2'04 / Q1'04 | 6/30'04 |
| | | | | | | |
| 1. Net Interest Income (Fully | \$54,271 | \$54,324 | -0.1% | \$54,605 | -0.6% | \$108, |

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| | Taxable Equivalent) | | | | | |
|---|---------------------|----------|--------|----------|-------|-------|
| 2. Loan Loss Provision | 750 | 900 | -16.7% | 750 | 0.0% | 1, |
| 3. Noninterest Income: | | | | | | |
| 4. Investment Securities Gains | 395 | 277 | 42.6% | 1,788 | n/m | 2, |
| 5. Loss on Extinguishment of Debt | (390) | 0 | n/m | (1,814) | n/m | (2, |
| 6. Other | 11,656 | 10,759 | 8.3% | 10,892 | 7.0% | 22, |
| 7. Total Noninterest Income | 11,661 | 11,036 | 5.7% | 10,866 | 7.3% | 22, |
| 8. Noninterest Expense | 24,990 | 25,476 | -1.9% | 24,992 | -0.0% | 49, |
| 9. Income Tax Provision (FTE) | 15,548 | 15,313 | 1.5% | 15,415 | 0.9% | 30, |
| 10. Net Income | \$24,644 | \$23,671 | 4.1% | \$24,314 | 1.4% | \$48, |
| 11. Average Shares Outstanding | 31,760 | 33,000 | -3.8% | 32,051 | -0.9% | 31, |
| 12. Diluted Average Shares Outstanding | 32,343 | 33,492 | -3.4% | 32,662 | -1.0% | 32, |
| 13. Operating Ratios: | | | | | | |
| 14. Basic Earnings Per Share | \$0.78 | \$0.72 | 8.2% | \$0.76 | 2.3% | \$1 |
| 15. Diluted Earnings Per Share | 0.76 | 0.71 | 7.8% | 0.74 | 2.4% | 1 |
| 16. Return On Assets | 2.21% | 2.21% | | 2.20% | | 2 |
| 17. Return On Equity | 31.1% | 29.3% | | 30.5% | | 3 |
| 18. Net Interest Margin (FTE) | 5.21% | 5.43% | | 5.27% | | 5 |
| 19. Efficiency Ratio (FTE) | 37.9% | 39.0% | | 38.2% | | 3 |
| 20. Dividends Paid Per Share | \$0.28 | \$0.24 | 16.7% | \$0.26 | 7.7% | \$0 |
| 21. Dividend Payout Ratio | 37% | 34% | | 35% | | |

2. Net Interest Income.

| | (dollars in thousands) | | | | | |
|--|------------------------|-------------|------------------|-------------|------------------|----------|
| | Q2'04 | Q2'03 | Q2'04 / Q2'03 | Q1'04 | Q2'04 / Q1'04 | 6/30'04 |
| 1. Interest and Fee Income (FTE) | \$58,868 | \$61,733 | -4.6% | \$60,120 | -2.1% | \$118, |
| 2. Interest Expense | 4,597 | 7,409 | -38.0% | 5,515 | -16.6% | 10, |
| 3. Net Interest Income (FTE) | \$54,271 | \$54,324 | -0.1% | \$54,605 | -0.6% | \$108, |
| 4. Average Earning Assets | \$4,177,358 | \$4,007,049 | 4.3% | \$4,157,061 | 0.5% | \$4,167, |
| 5. Average Interest-Bearing Liabilities | 2,868,615 | 2,813,895 | 1.9% | 2,880,558 | -0.4% | 2,874, |
| 6. Yield on Earning Assets (FTE) | 5.65% | 6.17% | | 5.80% | | 5 |
| 7. Cost of Funds | 0.44% | 0.74% | | 0.53% | | 0 |
| 8. Net Interest Margin (FTE) | 5.21% | 5.43% | | 5.27% | | 5 |
| 9. Interest Expense/Interest- Bearing Liabilities | 0.64% | 1.05% | | 0.77% | | 0 |
| 10. Net Interest Spread (FTE) | 5.01% | 5.12% | | 5.03% | | 5 |

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WESTAMERICA BANCORPORATION
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June 30, 2004

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3. Loans & Other Earning Assets.

| | (average volume, dollars in thousands) | | | | | |
|---|--|-------------|------------------|-------------|------------------|----------|
| | Q2'04 | Q2'03 | Q2'04 / Q2'03 | Q1'04 | Q2'04 / Q1'04 | 6/30'04 |
| 1. Total Assets | \$4,482,261 | \$4,304,387 | 4.1% | \$4,451,674 | 0.7% | \$4,466, |
| 2. Total Earning Assets | 4,177,358 | 4,007,049 | 4.3% | 4,157,061 | 0.5% | 4,167, |
| 3. Total Loans | 2,268,989 | 2,375,491 | -4.5% | 2,281,900 | -0.6% | 2,275, |
| 4. Commercial Loans | 623,688 | 613,062 | 1.7% | 616,110 | 1.2% | 619, |
| 5. Commercial Real Estate Loans | 779,408 | 915,817 | -14.9% | 805,420 | -3.2% | 792, |
| 6. Consumer Loans | 865,893 | 846,612 | 2.3% | 860,370 | 0.6% | 863, |
| 7. Total Investment Securities | 1,908,369 | 1,631,558 | 17.0% | 1,875,161 | 1.8% | 1,891, |
| 8. Available For Sale (Market Value) | 1,092,295 | 1,100,239 | -0.7% | 1,357,097 | -19.5% | 1,227, |
| 9. Held To Maturity | 816,074 | 531,319 | 53.6% | 518,064 | 57.5% | 664, |
| 10. HTM Unrealized (Loss) Gain at Period-End | (11,265) | 11,253 | n/m | 9,008 | n/m | (11, |
| 11. Loans / Deposits | 65.0% | 70.5% | | 66.4% | | 6 |

4. Deposits & Other Interest-Bearing Liabilities.

| | (average volume, dollars in thousands) | | | | | |
|---|--|-------------|------------------|-------------|------------------|----------|
| | Q2'04 | Q2'03 | Q2'04 / Q2'03 | Q1'04 | Q2'04 / Q1'04 | 6/30'04 |
| 1. Total Deposits | \$3,489,250 | \$3,370,433 | 3.5% | \$3,437,549 | 1.5% | \$3,463, |
| 2. Noninterest Demand | 1,256,128 | 1,130,608 | 11.1% | 1,209,299 | 3.9% | 1,232, |
| 3. Interest-Bearing Transaction | 574,854 | 559,459 | 2.8% | 564,703 | 1.8% | 569, |
| 4. Savings | 1,044,943 | 977,704 | 6.9% | 1,040,497 | 0.4% | 1,042, |
| 5. Other Time >\$100K | 339,773 | 390,730 | -13.0% | 340,403 | -0.2% | 340, |
| 6. Other Time <\$100K | 273,552 | 311,932 | -12.3% | 282,647 | -3.2% | 278,0 |
| 7. Total Short-Term Borrowings | 614,065 | 382,677 | 60.5% | 533,158 | 15.2% | 573, |
| 8. Fed Funds Purchased | 323,953 | 228,499 | 41.8% | 399,075 | -18.8% | 361, |
| 9. Other Short-Term Funds | 290,112 | 154,178 | 88.2% | 134,083 | 116.4% | 212, |
| 10. FHLB Debt | 0 | 170,000 | n/m | 96,613 | n/m | 48, |
| 11. Long-Term Debt | 21,428 | 21,393 | 0.2% | 22,537 | -4.9% | 21, |
| 12. Shareholders' Equity | 318,560 | 324,350 | -1.8% | 320,390 | -0.6% | 319, |
| 13. Demand Deposits/Total Deposits | 36.0% | 33.5% | | 35.2% | | 3 |
| 14. Transaction & Savings Deposits/ Total Deposits | 82.4% | 79.2% | | 81.9% | | 8 |

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5. Interest Yields Earned & Rates Paid.

| | (dollars in thousands) | | | | | |
|---|------------------------|--------------------|----------------|----------------|-------------------|--------------------|
| | Q2'04 | | Q1'04 | | Q2'04 | |
| | Average Volume | Income/ Expense | Yield/ Rate | Yield/ Rate | Average Volume | Income/ Expense |
| 1. Interest & Fee Income Earned to: | | | | | | |
| 2. Total Earning Assets (FTE) | \$4,177,358 | \$58,868 | 5.65% | 5.80% | \$4,007,049 | \$61,000 |
| 3. Total Loans (FTE) | 2,268,989 | 34,771 | 6.16% | 6.23% | 2,375,491 | 40,000 |
| 4. Commercial Loans (FTE) | 623,688 | 9,337 | 6.00% | 6.17% | 613,062 | 9,000 |
| 5. Commercial Real Estate Loans | 779,408 | 14,709 | 7.57% | 7.40% | 915,817 | 18,000 |
| 6. Consumer Loans | 865,893 | 10,725 | 5.02% | 5.21% | 846,612 | 12,000 |
| 7. Total Investment Securities (FTE) | 1,908,369 | 24,097 | 5.05% | 5.28% | 1,631,558 | 21,000 |
| 8. Interest Expense Paid to: | | | | | | |
| 9. Total Earning Assets | 4,177,358 | 4,597 | 0.44% | 0.53% | 4,007,049 | 7,000 |
| 10. Total Interest-Bearing Liabilities | 2,868,615 | 4,597 | 0.64% | 0.77% | 2,813,895 | 7,000 |
| 11. Total Interest-Bearing Deposits | 2,233,122 | 2,994 | 0.54% | 0.57% | 2,239,825 | 4,000 |
| 12. Interest-Bearing Transaction | 574,854 | 124 | 0.09% | 0.08% | 559,459 | 0 |
| 13. Savings | 1,044,943 | 992 | 0.38% | 0.43% | 977,704 | 1,000 |
| 14. Other Time <\$100K | 273,552 | 956 | 1.41% | 1.43% | 311,932 | 1,000 |
| 15. Other Time >\$100K | 339,773 | 922 | 1.08% | 1.09% | 390,730 | 1,000 |
| 16. Total Short-Term Borrowings | 614,065 | 1,285 | 0.83% | 0.84% | 382,677 | 0 |
| 17. Fed Funds Purchased | 323,953 | 828 | 1.01% | 1.00% | 228,499 | 0 |
| 18. Other Short-Term Funds | 290,112 | 457 | 0.62% | 0.38% | 154,178 | 0 |
| 19. FHLB Debt | 0 | 2 | 0.00% | 3.75% | 170,000 | 1,000 |
| 20. Long-Term Debt | 21,428 | 316 | 5.90% | 5.95% | 21,393 | 0 |
| 21. Net Interest Income and Margin (FTE) | | \$54,271 | 5.21% | 5.27% | | \$54,000 |

6. Noninterest Income.

| | (dollars in thousands) | | | | | |
|-------------------------------|------------------------|---------|------------------|---------|------------------|----------|
| | Q2'04 | Q2'03 | Q2'04 / Q2'03 | Q1'04 | Q2'04 / Q1'04 | 6/30'04 |
| 1. Service Charges on Deposit | \$7,360 | \$6,648 | 10.7% | \$6,868 | 7.2% | \$14,000 |

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| Accounts | | | | | | |
|---|----------|----------|--------|----------|-------|--------|
| 2. Merchant Credit Card Income | 909 | 900 | 1.0% | 825 | 10.2% | 1, |
| 3. ATM Fees & Interchange | 643 | 601 | 7.0% | 583 | 10.3% | 1, |
| 4. Debit Card Fees | 638 | 563 | 13.3% | 549 | 16.2% | 1, |
| 5. Financial Services Fees | 360 | 210 | 71.4% | 187 | 92.5% | |
| 6. Mortgage Banking Income | 131 | 301 | -56.5% | 133 | -1.5% | |
| 7. Trust Fees | 258 | 277 | -6.9% | 250 | 3.2% | |
| 8. Other Income | 1,357 | 1,259 | 7.8% | 1,497 | -9.4% | 2, |
| ----- | | | | | | |
| 9. Sub-total | 11,656 | 10,759 | 8.3% | 10,892 | 7.0% | 22, |
| 10. Investment Securities Gains | 395 | 277 | 42.6% | 1,788 | n/m | 2, |
| 11. Loss on Extinguishment of Debt | (390) | 0 | | (1,814) | n/m | (2, |
| ----- | | | | | | |
| 12. Total Noninterest Income | \$11,661 | \$11,036 | 5.7% | \$10,866 | 7.3% | \$22, |
| ===== | | | | | | |
| 13. Operating Ratios: | | | | | | |
| 14. Total Revenue (FTE) | \$65,932 | \$65,360 | 0.9% | \$65,471 | 0.7% | \$131, |
| 15. Noninterest Income / Revenue (FTE) | 17.7% | 16.9% | | 16.6% | | 1 |
| 16. Service Charges / Deposits (annualized) | 0.85% | 0.79% | | 0.80% | | 0 |
| 17. Total Revenue Per Share (annualized) | \$8.35 | \$7.94 | 5.1% | \$8.22 | 1.6% | \$8 |

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7. Noninterest Expense.

| | (dollars in thousands) | | | | | |
|--|------------------------|----------|---------------|----------|---------------|---------|
| | Q2'04 | Q2'03 | Q2'04 / Q2'03 | Q1'04 | Q2'04 / Q1'04 | 6/30'04 |
| ----- | | | | | | |
| 1. Salaries & Benefits | \$13,332 | \$13,598 | -2.0% | \$13,526 | -1.4% | \$26, |
| 2. Occupancy | 2,944 | 3,044 | -3.3% | 2,948 | -0.1% | 5, |
| 3. Equipment | 1,273 | 1,381 | -7.8% | 1,162 | 9.6% | 2, |
| 4. Data Processing | 1,521 | 1,518 | 0.2% | 1,517 | 0.3% | 3, |
| 5. Courier | 888 | 926 | -4.1% | 884 | 0.5% | 1, |
| 6. Postage | 364 | 401 | -9.2% | 395 | -7.8% | |
| 7. Telephone | 535 | 423 | 26.5% | 572 | -6.5% | 1, |
| 8. Professional Fees | 511 | 457 | 11.8% | 409 | 24.9% | |
| 9. Stationery & Supplies | 309 | 308 | 0.3% | 288 | 7.3% | |
| 10. Loan Expense | 295 | 380 | -22.4% | 255 | 15.7% | |
| 11. Merchant Card Expense | 268 | 316 | -15.2% | 272 | -1.5% | |
| 12. Operational Losses | 238 | 228 | 4.4% | 243 | -2.1% | |
| 13. Amortization of Core Deposit Intangibles | 136 | 165 | -17.6% | 136 | 0.0% | |
| 14. Other Operating | 2,376 | 2,331 | 1.9% | 2,385 | -0.4% | 4, |
| ----- | | | | | | |
| 15. Total Noninterest Expense | \$24,990 | \$25,476 | -1.9% | \$24,992 | -0.0% | \$49, |
| ===== | | | | | | |

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| | | | | | | |
|---|---------|---------|-------|---------|-------|------|
| 16. Full Time Equivalent Staff | 995 | 1,033 | -3.7% | 1,001 | -0.6% | |
| 17. Average Assets / Full Time Equivalent Staff | \$4,505 | \$4,167 | 8.1% | \$4,447 | 1.3% | \$4, |
| 18. Operating Ratios: | | | | | | |
| 19. FTE Revenue / Full Time Equivalent Staff (annualized) | \$267 | \$254 | 5.0% | \$263 | 1.3% | \$ |
| 20. Noninterest Expense / Earning Assets (annualized) | 2.41% | 2.55% | | 2.42% | | 2 |
| 21. Noninterest Expense / Revenues | 37.9% | 39.0% | | 38.2% | | 3 |

8. Loan Loss Provision.

| | (dollars in thousands) | | | | | |
|---|------------------------|-------------|---------------|-------------|---------------|----------|
| | Q2'04 | Q2'03 | Q2'04 / Q2'03 | Q1'04 | Q2'04 / Q1'04 | 6/30'04 |
| 1. Loan Loss Provision | \$750 | \$900 | -16.7% | \$750 | 0.0% | \$1, |
| 2. Gross Loan Losses | 1,324 | 1,841 | -28.1% | 1,558 | -15.0% | 2, |
| 3. Net Loan Losses | 636 | 895 | -28.9% | 826 | -23.0% | 1, |
| 4. Recoveries/Gross Losses | 52% | 51% | | 47% | | |
| 5. Average Total Loans | \$2,268,989 | \$2,375,491 | -4.5% | \$2,281,900 | -0.6% | \$2,275, |
| 6. Net Loan Losses / Loans (annualized) | 0.11% | 0.15% | | 0.15% | | 0 |
| 7. Loan Loss Provision / Loans (annualized) | 0.13% | 0.15% | | 0.13% | | 0 |
| 8. Loan Loss Provision / Net Loan Losses | 117.9% | 100.6% | | 90.8% | | 10 |

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9. Credit Quality.

| | (dollars in thousand) | | | | | |
|-------------------------------------|-----------------------|---------|-------------------|---------|-------------------|----------|
| | 6/30/04 | 6/30/03 | 6/30/04 / 6/30/03 | 3/31/04 | 6/30/04 / 3/31/04 | 12/31/03 |
| 1. Nonperforming Nonaccrual Loans | \$4,695 | \$5,484 | -14.4% | \$5,045 | -6.9% | \$5, |
| 2. Performing Nonaccrual Loans | 2,233 | 1,353 | 65.0% | 2,212 | 0.9% | 1, |
| 3. Total Nonaccrual Loans | 6,928 | 6,837 | 1.3% | 7,257 | -4.5% | 7, |
| 4. Accruing Loans 90+ Days Past Due | 202 | 386 | -47.7% | 190 | 6.3% | |

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| | | | | | | |
|--|-----------|-----------|--------|-----------|-------|-----------|
| 5. Total Nonperforming Loans | 7,130 | 7,223 | -1.3% | 7,447 | -4.3% | 7,447 |
| 6. Repossessed Collateral | 0 | 1,888 | | 80 | n | |
| 7. Total Nonperforming Loans & Repossessed Collateral | \$7,130 | \$9,111 | -21.7% | \$7,527 | -5.3% | \$7,527 |
| 9. Classified Loans | \$21,495 | \$27,324 | -21.3% | \$22,965 | -6.4% | \$23,000 |
| 10.Allowance for Loan Losses | \$53,949 | \$54,159 | -0.4% | \$53,834 | 0.2% | \$53,834 |
| 11.Total Loans Outstanding | 2,319,255 | 2,406,889 | -3.6% | 2,322,881 | -0.2% | 2,323,000 |
| 12.Total Assets | 4,611,811 | 4,564,692 | 1.0% | 4,424,816 | 4.2% | 4,576,000 |
| 13.Allowance for Loan Losses / Total Loans | 2.33% | 2.25% | | 2.32% | | 2.32% |
| 14.Nonperforming Loans / Total Loans | 0.31% | 0.30% | | 0.32% | | 0.32% |
| 15.Nonperforming Loans & Repossessed Assets / Total Assets | 0.15% | 0.20% | | 0.17% | | 0.17% |
| 17.Allowance for Loan Losses / Nonperforming Loans | 757% | 750% | | 723% | | 723% |
| 18.Allowance for Loan Losses / Classified Loans | 251% | 198% | | 234% | | 234% |
| 19.Classified Loans / (Equity + Allowance for Loan Losses) | 5.6% | 6.6% | | 5.9% | | 5.9% |

10.Capital.

| | (dollars in thousands, except per-share) | | | | | |
|--|--|-----------|-------------------|-------------------|--------------------|--------------------|
| | 6/30/04 | 6/30/03 | 6/30/03 / 3/31/04 | 6/30/04 / 3/31/04 | 6/30/04 / 12/31/03 | 6/30/04 / 12/31/03 |
| 1. Shareholders' Equity | \$329,795 | \$357,311 | -7.7% | \$338,600 | -2.6% | \$340,000 |
| 2. Tier I Regulatory Capital | 309,037 | 308,534 | 0.2% | 295,076 | 4.7% | 304,000 |
| 3. Total Regulatory Capital | 350,834 | 347,219 | 1.0% | 335,535 | 4.6% | 342,000 |
| 4. Total Assets | 4,611,811 | 4,564,692 | 1.0% | 4,424,816 | 4.2% | 4,576,000 |
| 5. Risk-Adjusted Assets | 2,979,145 | 3,067,975 | -2.9% | 2,983,467 | -0.1% | 3,007,000 |
| 6. Shareholders' Equity / Total Assets | 7.15% | 7.83% | | 7.65% | | 7.65% |
| 7. Shareholders' Equity / Total Loans | 14.22% | 14.85% | | 14.58% | | 14.58% |
| 8. Tier I Capital/Total Assets | 6.70% | 6.76% | | 6.67% | | 6.67% |
| 9. Tier I Capital/Risk-Adjusted Assets | 10.37% | 10.06% | | 9.89% | | 10.06% |
| 10.Total Capital/Risk-Adjusted Assets | 11.78% | 11.32% | | 11.25% | | 11.25% |
| 11.Shares Outstanding | 31,784 | 32,937 | -3.5% | 31,787 | -0.0% | 32,937 |
| 12.Book Value Per Share (\$) | \$10.38 | \$10.85 | -4.4% | \$10.65 | -2.6% | \$10.85 |
| 13.Market Value Per Share (\$) | 52.45 | 43.08 | 21.8% | 50.46 | 3.9% | 49.00 |

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14. Share Repurchase Programs

| | (shares in thousands) | | | | | |
|--|-----------------------|---------|------------------|---------|------------------|---------|
| | Q2'04 | Q2'03 | Q2'04 / Q2'03 | Q1'04 | Q2'04 / Q1'04 | 6/30'04 |
| 15. Total Shares Repurchased / Canceled | 154 | 118 | 30.5% | 574 | -73.2% | |
| 16. Average Repurchase Price | \$49.17 | \$43.35 | 13.4% | \$49.88 | -1.4% | \$49.88 |
| 17. Net Shares Repurchased (Issued) | 3 | (30) | n/m | 500 | -99.5% | |

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11. Period-End Balance Sheets.

| | (dollars in thousands) | | | | | |
|--|------------------------|-------------|----------------------|-------------|----------------------|-------------|
| | 6/30/04 | 6/30/03 | 6/30/04 / 6/30/03 | 3/31/04 | 6/30/04 / 3/31/04 | 12/31/03 |
| 1. Assets: | | | | | | |
| 2. Cash and Money Market Assets | \$186,056 | \$202,193 | -8.0% | \$167,183 | 11.3% | \$190,000 |
| 3. Investment Securities Available For Sale | 1,024,798 | 1,251,341 | -18.1% | 1,219,364 | -16.0% | 1,413,000 |
| 4. Investment Securities Held to Maturity | 960,522 | 588,231 | 63.3% | 586,171 | 63.9% | 535,000 |
| 5. Loans, gross | 2,319,255 | 2,406,889 | -3.6% | 2,322,881 | -0.2% | 2,323,000 |
| 6. Allowance For Loan Losses | (53,949) | (54,159) | -0.4% | (53,834) | 0.2% | (53,000) |
| 7. Loans, net | 2,265,306 | 2,352,730 | -3.7% | 2,269,047 | -0.2% | 2,269,000 |
| 8. Premises and Equipment | 35,343 | 36,408 | -2.9% | 35,412 | -0.2% | 35,000 |
| 10. Core Deposit Intangible Assets | 3,166 | 3,800 | -16.7% | 3,302 | -4.1% | 3,000 |
| 11. Goodwill | 18,996 | 18,996 | 0.0% | 18,996 | 0.0% | 18,000 |
| 12. Interest Receivable and Other Assets | 117,624 | 110,993 | 6.0% | 125,341 | -6.2% | 109,000 |
| 13. Total Assets | \$4,611,811 | \$4,564,692 | 1.0% | \$4,424,816 | 4.2% | \$4,576,000 |

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14. Liabilities and Shareholders' Equity:

15. Deposits:

| | | | | | | |
|---|-------------|-------------|--------|-------------|--------|----------|
| 16. Noninterest Bearing | \$1,272,278 | \$1,194,847 | 6.5% | \$1,210,829 | 5.1% | \$1,240, |
| 17. Interest-Bearing Transaction | 569,575 | 554,568 | 2.7% | 562,369 | 1.3% | 561, |
| 18. Savings | 1,072,701 | 962,967 | 11.4% | 1,049,435 | 2.2% | 1,058, |
| 19. Time | 590,875 | 741,249 | -20.3% | 624,543 | -5.4% | 603, |
| 20. Total Deposits | 3,505,429 | 3,453,631 | 1.5% | 3,447,176 | 1.7% | 3,463, |
| 21. Short-Term Borrowed Funds | 712,553 | 393,287 | 81.2% | 491,704 | 44.9% | 590, |
| 22. FHLB Debt | 0 | 170,000 | n/m | 20,000 | n/m | 105, |
| 23. | | | | | | |
| 24. Debt Financing and Notes Payable | 21,429 | 21,393 | 0.2% | 21,429 | 0.0% | 24, |
| 25. Liability For Interest, Taxes and Other | 42,605 | 169,070 | -74.8% | 105,907 | -59.8% | 51, |
| 26. Total Liabilities | 4,282,016 | 4,207,381 | 1.8% | 4,086,216 | 4.8% | 4,236, |
| 27. Shareholders' Equity: | | | | | | |
| 28. Paid-In Capital | \$224,042 | \$219,060 | 2.3% | \$219,301 | 2.2% | \$220, |
| 29. Unrealized (Loss) Gain on Investment Securities | | | | | | |
| 30. Available For Sale | (1,416) | 26,001 | n/m | 21,213 | n/m | 13, |
| 31. Retained Earnings | 107,169 | 112,250 | -4.5% | 98,086 | 9.3% | 106, |
| 32. Total Shareholders' Equity | 329,795 | 357,311 | -7.7% | 338,600 | -2.6% | 340, |
| 33. Total Liabilities and Shareholders' Equity | \$4,611,811 | \$4,564,692 | 1.0% | \$4,424,816 | 4.2% | \$4,576, |

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12. Income Statements.

(dollars in thousands, except per-share amounts)

| | Q2'04 | Q2'03 | Q2'04 / Q2'03 | Q1'04 | Q2'04 / Q1'04 | 6/30'04 |
|---|----------|----------|------------------|----------|------------------|---------|
| 1. Interest and Fee Income: | | | | | | |
| 2. Loans | \$33,403 | \$39,419 | -15.3% | \$34,023 | -1.8% | \$67, |
| 3. Money Market Assets and Funds Sold | 0 | 3 | n/m | 0 | n/m | |
| 4. Investment Securities Available For Sale | 11,655 | 12,311 | -5.3% | 15,010 | -22.4% | 26, |
| 5. Investment Securities Held to Maturity | 8,213 | 4,866 | 68.8% | 5,378 | 52.7% | 13, |
| 6. Total Interest Income | 53,271 | 56,599 | -5.9% | 54,411 | -2.1% | 107, |

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| | | | | | | |
|--|----------|----------|--------|----------|--------|-------|
| 7. Interest Expense: | | | | | | |
| 8. Transaction Deposits | 124 | 212 | -41.5% | 112 | 10.7% | |
| 9. Savings Deposits | 992 | 1,561 | -36.5% | 1,111 | -10.7% | 2, |
| 10. Time Deposits | 1,878 | 2,697 | -30.4% | 1,930 | -2.7% | 3, |
| 11. Short-Term Borrowed Funds | 1,285 | 962 | 33.6% | 1,131 | 13.6% | 2, |
| 12. Federal Home Loan Bank Advances | 2 | 1,592 | -99.9% | 896 | -99.8% | |
| 13. Debt Financing and Notes Payable | 316 | 385 | -17.9% | 335 | -5.7% | |
| 14.Total Interest Expense | 4,597 | 7,409 | -38.0% | 5,515 | -16.6% | 10, |
| 15.Net Interest Income | 48,674 | 49,190 | -1.0% | 48,896 | -0.5% | 97, |
| 16.Provision for Loan Losses | 750 | 900 | -16.7% | 750 | 0.0% | 1, |
| 17.Noninterest Income: | | | | | | |
| 18. Service Charges on Deposit Accounts | 7,360 | 6,648 | 10.7% | 6,868 | 7.2% | 14, |
| 19. Merchant Credit Card | 909 | 900 | 1.0% | 825 | 10.2% | 1, |
| 20. Financial Services Commissions | 360 | 210 | 71.4% | 187 | 92.5% | |
| 21. Mortgage Banking | 131 | 301 | -56.5% | 133 | -1.5% | |
| 22. Trust Fees | 258 | 277 | -6.9% | 250 | 3.2% | |
| 23. Securities Gains | 395 | 277 | 42.6% | 1,788 | n/m | 2, |
| 24. Loss on Extinguishment of Debt | (390) | 0 | n/m | (1,814) | n/m | (2, |
| 25. Other | 2,638 | 2,423 | 8.9% | 2,629 | 0.3% | 5, |
| 26.Total Noninterest Income | 11,661 | 11,036 | 5.7% | 10,866 | 7.3% | 22, |
| 27.Noninterest Expense: | | | | | | |
| 28. Salaries & Related Benefits | 13,332 | 13,598 | -2.0% | 13,526 | -1.4% | 26, |
| 29. Occupancy | 2,944 | 3,044 | -3.3% | 2,948 | -0.1% | 5, |
| 30. Equipment | 1,273 | 1,381 | -7.8% | 1,162 | 9.6% | 2, |
| 31. Data Processing | 1,521 | 1,518 | 0.2% | 1,517 | 0.3% | 3, |
| 32. Professional Fees | 511 | 457 | 11.8% | 409 | 24.9% | |
| 33. Other | 5,409 | 5,478 | -1.3% | 5,430 | -0.4% | 10, |
| 34.Total Noninterest Expense | 24,990 | 25,476 | -1.9% | 24,992 | -0.0% | 49, |
| 35.Income Before Income Taxes | 34,595 | 33,850 | 2.2% | 34,020 | 1.7% | 68, |
| 36.Provision for income taxes | 9,951 | 10,179 | -2.2% | 9,706 | 2.5% | 19, |
| 37.Net Income | \$24,644 | \$23,671 | 4.1% | \$24,314 | 1.4% | \$48, |
| 38.Average Shares Outstanding | 31,760 | 33,000 | -3.8% | 32,051 | -0.9% | 31, |
| 39.Diluted Average Shares Outstanding | 32,343 | 33,492 | -3.4% | 32,662 | -1.0% | 32, |
| 40.Per Share Data: | | | | | | |
| 41. Basic Earnings | \$0.78 | \$0.72 | 8.2% | \$0.76 | 2.3% | \$1 |
| 42. Diluted Earnings | 0.76 | 0.71 | 7.8% | 0.74 | 2.4% | 1 |
| 43. Dividends Paid | 0.28 | 0.24 | 16.7% | 0.26 | 7.7% | 0 |

