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WESTAMERICA BANCORPORATION

Form 8-K

July 16, 2008

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 8-K

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

Date of Report (Date of earliest event reported):  
July 15, 2008  
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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  
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99.1 Press release dated July 15, 2008

Item 2.02: Results of Operations and Financial Condition  
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On July 15, 2008 Westamerica Bancorporation announced their earnings for the second quarter of 2008. A copy of the press release is attached as Exhibit 99.1 to this Form 8-K and is incorporated herein by reference.

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Signatures

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

Westamerica Bancorporation

/s/ JOHN "ROBERT" THORSON  
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John "Robert" Thorson  
Senior Vice President and Chief Financial Officer  
July 15, 2008

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

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FOR IMMEDIATE RELEASE

July 15, 2008

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WESTAMERICA BANCORPORATION REPORTS  
SECOND QUARTER 2008

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

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

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

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

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

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

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

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

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

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

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

For additional information contact:

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

FORWARD-LOOKING INFORMATION:

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

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

Forward-looking statements, by their nature, are subject to risks and uncertainties. A number of factors - many of which are beyond the Company's control - could cause actual conditions, events or results to differ significantly from those described in the forward-looking statements. The Company's most recent annual and quarterly reports filed with the Securities and Exchange Commission, including the Company's Form 10-Q for the quarter ended March 31, 2008, and Form 10-K for the year ended December 31, 2007, describe some of these factors, including certain credit, market, operational, liquidity and interest rate risks associated with the Company's business and operations. Other factors described in these reports include changes in business and economic conditions, competition, fiscal and monetary policies, disintermediation, legislation including the Sarbanes-Oxley Act of 2002 and the Gramm-Leach-Bliley Act of 1999, and mergers and acquisitions.

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

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WESTAMERICA BANCORPORATION  
FINANCIAL HIGHLIGHTS  
June 30, 2008

Public Information July 15, 2008

### 1. Net Income Summary.

| (dollars in thousands except per-share amounts)  |          |          |                  |          |                  |            |
|--|----------|----------|------------------|----------|------------------|------------|
|  | Q2'08    | Q2'07    | Q2'08 /<br>Q2'07 | Q1'08    | Q2'08 /<br>Q1'08 | 6/30'08YTD |
| 1 Net Interest Income (Fully Taxable Equivalent) | \$49,731 | \$46,059 | 8.0%             | \$47,982 | 3.6%             | \$97,715   |
| 2 Provision for Credit Losses                    | 600      | 75       | 700.0%           | 600      | 0.0%             | 1,200      |
| 3 Noninterest Income:                            |          |          |                  |          |                  |            |
| 4 Life Insurance Gains                           | 0        | 0        | n/m              | 0        | n/m              |            |
| 5 Gain on Sale of Visa Common Stock              | 0        | 0        | n/m              | 5,698    | n/m              | 5,698      |
| 6 Investment Securities (Impairment)             | (18,178) | 0        | n/m              | 0        | n/m              | (18,178)   |
| 7 Other  | 14,335   | 14,700   | -2.5%            | 13,680   | 4.8%             | 28,010     |

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

2. Net Interest Income.

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

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3. Loans & Other Earning Assets.

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

4. Deposits & Other Interest-Bearing Liabilities.

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

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5. Interest Yields Earned & Rates Paid.

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

\* Annualized

6. Noninterest Income.

| (dollars in thousands except per share amounts) |                                     |         |               |        |               |           |          |
|---|-------------------------------------|---------|---------------|--------|---------------|-----------|----------|
|   | Q2'08                               | Q2'07   | Q2'08 / Q2'07 | Q1'08  | Q2'08 / Q1'08 | 6/30'08YT |          |
| 1   | Service Charges on Deposit Accounts | \$7,529 | \$7,716       | -2.4%  | \$7,296       | 3.2%      | \$14,822 |
| 2   | Merchant Credit Card Income         | 2,712   | 2,768         | -2.0%  | 2,580         | 5.1%      | 5,299    |
| 3   | ATM Fees & Interchange              | 763     | 714           | 6.9%   | 718           | 6.3%      | 1,488    |
| 4   | Debit Card Fees                     | 978     | 960           | 1.9%   | 904           | 8.3%      | 1,888    |
| 5   | Financial Services Commissions      | 274     | 363           | -24.6% | 230           | 18.9%     | 500      |
| 6   | Mortgage Banking Income             | 27      | 33            | -17.4% | 40            | -33.0%    | 60       |
| 7   | Trust Fees                          | 377     | 304           | 24.0%  | 303           | 24.6%     | 688      |
| 8   | Other Income                        | 1,675   | 1,842         | -9.1%  | 1,609         | 4.1%      | 3,288    |
| 9   | Sub-total                           | 14,335  | 14,700        | -2.5%  | 13,680        | 4.8%      | 28,016   |
| 10  | Life Insurance Gains                | 0       | 0             | n/m    | 0             | n/m       |          |



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

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7. Noninterest Expense.

(dollars in thousands)

|                      | Q2'08   | Q2'07    | Q2'08 / Q2'07 | Q1'08  | Q2'08 / Q1'08 | 6/30'08YT |          |
|----------------------|---|----------|---------------|--------|---------------|-----------|----------|
| 1                    | Salaries & Benefits                               | \$13,065 | \$12,622      | 3.5%   | \$12,984      | 0.6%      | \$26,040 |
| 2                    | Occupancy   | 3,443    | 3,342         | 3.0%   | 3,390         | 1.6%      | 6,830    |
| 3                    | Equipment   | 1,001    | 1,147         | -12.7% | 921           | 8.7%      | 1,920    |
| 4                    | Data Processing                                   | 2,105    | 1,543         | 36.4%  | 2,120         | -0.7%     | 4,220    |
| 5                    | Courier   | 824      | 857           | -3.9%  | 829           | -0.6%     | 1,650    |
| 6                    | Postage   | 390      | 396           | -1.6%  | 383           | 1.7%      | 770      |
| 7                    | Telephone   | 346      | 354           | -2.2%  | 335           | 3.1%      | 680      |
| 8                    | Professional Fees                                 | 683      | 409           | 67.1%  | 536           | 27.6%     | 1,210    |
| 9                    | Stationery & Supplies                             | 285      | 269           | 6.3%   | 279           | 2.5%      | 560      |
| 10                   | Loan Expense                                      | 233      | 171           | 36.3%  | 170           | 36.8%     | 400      |
| 11                   | Operational Losses                                | 196      | 171           | 14.6%  | 184           | 6.3%      | 380      |
| 12                   | Amortization of Identifiable Intangibles          | 788      | 893           | -11.8% | 858           | -8.2%     | 1,640    |
| 13                   | Other Operating                                   | 2,978    | 2,532         | 17.6%  | 2,405         | 23.8%     | 5,380    |
| 14                   | Sub-total   | 26,337   | 24,706        | 6.6%   | 25,394        | 3.7%      | 51,730   |
| 15                   | VISA Litigation                                   | 0        | 0             | n/m    | (2,338)       | n/m       | (2,330)  |
| 16                   | Total Noninterest Expense                         | \$26,337 | \$24,706      | 6.6%   | \$23,056      | 14.2%     | \$49,390 |
| 17                   | Full Time Equivalent Staff                        | 892      | 910           | -2.0%  | 886           | 0.7%      | 880      |
| 18                   | Average Assets / Full Time Equivalent Staff       | \$4,773  | \$5,130       | -7.0%  | \$5,004       | -4.6%     | \$4,880  |
| 19 Operating Ratios: |   |          |               |        |               |           |          |
| 20                   | FTE Revenue / Full Time Equiv. Staff (annualized) | \$207    | \$268         | -22.7% | \$306         | -32.3%    | \$250    |
| 21                   | Noninterest Expense / Earning Assets (annualized) | 2.74%    | 2.33%         |        | 2.30%         |           | 2.5%     |
| 22                   | Noninterest Expense / FTE Revenues                | 57.4%    | 40.7%         |        | 34.2%         |           | 43.0%    |

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8. Provision for Credit Losses.

(dollars in thousands)

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

9. Credit Quality.

(dollars in thousands)

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

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

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10.Capital.

(dollars in thousands, except per-share amounts)  
06/30/2008 06/30/2007 06/30/2008 / 06/30/08 /  
06/30/2003/31/2008 03/31/20012/31/200

|  |           |           |        |           |        |          |
|--|-----------|-----------|--------|-----------|--------|----------|
| 1 Shareholders' Equity                     | \$410,445 | \$407,982 | 0.6%   | \$399,109 | 2.8%   | \$394,60 |
| 2 Tier I Regulatory Capital                | 290,864   | 286,818   | 1.4%   | 283,768   | 2.5%   | 278,97   |
| 3 Total Regulatory Capital                 | 327,631   | 326,582   | 0.3%   | 321,819   | 1.8%   | 318,08   |
| 4 Total Assets                             | 4,188,868 | 4,647,069 | -9.9%  | 4,342,302 | -3.5%  | 4,558,95 |
| 5 Risk-Adjusted Assets                     | 2,485,553 | 3,014,947 | -17.6% | 2,914,007 | -14.7% | 2,986,73 |
| 6 Shareholders' Equity /<br>Total Assets   | 9.80%     | 8.78%     |        | 9.19%     |        | 8.6      |
| 7 Shareholders' Equity / Total Loans       | 16.88%    | 16.18%    |        | 16.30%    |        | 15.7     |
| 8 Tier I Capital /Total Assets             | 6.94%     | 6.17%     |        | 6.53%     |        | 6.1      |
| 9 Tier I Capital /<br>Risk-Adjusted Assets | 10.22%    | 9.51%     |        | 9.74%     |        | 9.3      |
| 10 Total Capital /<br>Risk-Adjusted Assets | 11.51%    | 10.83%    |        | 11.04%    |        | 10.6     |
| 11 Shares Outstanding                      | 28,889    | 29,732    | -2.8%  | 28,772    | 0.4%   | 29,01    |
| 12 Book Value Per Share                    | \$14.21   | \$13.72   | 3.5%   | \$13.87   | 2.4%   | \$13.6   |
| 13 Market Value Per Share                  | \$52.59   | \$44.24   | 18.9%  | \$52.60   | -0.0%  | \$44.5   |

14 Share Repurchase Programs

(shares in thousands)

|   |         |         |                  |         |                  |           |
|---|---------|---------|------------------|---------|------------------|-----------|
|   | Q2'08   | Q2'07   | Q2'08 /<br>Q2'07 | Q1'08   | Q2'08 /<br>Q1'08 | 6/30'08YT |
| 15 Total Shares Repurchased /<br>Canceled | 172     | 456     | -62.4%           | 424     | -59.5%           | 59        |
| 16 Average Repurchase Price               | \$54.89 | \$46.77 | 17.4%            | \$47.68 | 15.1%            | \$49.7    |
| 17 Net Shares (Issued) Repurchased        | (117)   | 426     | -127.6%          | 246     | -147.7%          | 12        |

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11. Period-End Balance Sheets.

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

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12. Income Statements.

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

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