WESTAMERICA BANCORPORATION
Form DEF 14A
March 12, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

Westamerica Bancorporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which the transaction applies:

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(2) Aggregate number of securities to which the transaction applies:

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(3) Per unit price or other underlying value of the transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of the transaction:

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(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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March 13, 2009

To Our Shareholders:

You are cordially invited to attend the Annual Meeting of Shareholders of Westamerica Bancorporation. It will be held at **11:00 a.m. Pacific Time on Thursday, April 23, 2009, at the Fairfield Center for Creative Arts, 1035 West Texas Street, Fairfield, California** as stated in the formal notice accompanying this letter. We hope you will plan to attend.

At the Annual Meeting, the Shareholders will be asked to (i) elect nine directors, (ii) approve the material terms of the performance criteria for performance-based awards under Westamerica s Stock Option Plan of 1995, as amended, (iii) approve a non-binding advisory vote on executive compensation, and (iv) conduct other business that properly comes before the Annual Meeting.

In order to ensure your shares are voted at the Annual Meeting, you can vote through the Internet, by telephone or by mail. Instructions regarding Internet and telephone voting are included on the Proxy Card. If you elect to vote by mail, please sign, date and return the Proxy Card in the accompanying postage-paid envelope. The Proxy Statement explains more about voting. If you attend the Annual Meeting, you may vote in person even though you previously voted your proxy.

We look forward to seeing you at the Annual Meeting on Thursday, April 23, 2009, at the Fairfield Center for Creative Arts.

Sincerely,

David L. Payne

Chairman of the Board, President

and Chief Executive Officer

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WESTAMERICA BANCORPORATION

1108 Fifth Avenue

San Rafael, California 94901

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Date and Time

Thursday, April 23, 2009, at 11:00 a.m. Pacific Time

Place

Fairfield Center for Creative Arts, 1035 West Texas Street, Fairfield, California

Items of Business

1. To elect nine Directors to serve until the 2010 Annual Meeting of Shareholders;

2. To Approve the Material Terms of the Performance Criteria for Performance-Based Awards Under the amended and Restated Westamerica Bancorporation Stock Option Plan of 1995, as amended;

3. To Approve a Non-Biding Advisory Vote on Executive Compensation, and;

4. To transact such other business as may properly come before the Annual Meeting and any adjournments or postponements.

Who Can Vote?

Shareholders of record at the close of business on February 23, 2009 are entitled to notice of, and to vote at the Annual Meeting or any postponement or adjournment thereof.

Admission to the Meeting

Unlike previous years, tickets for admission will not be issued this year. To facilitate the admission process, Shareholders of Record planning to attend the meeting should check the appropriate box on the Proxy Card. Your name will be added to a list of attendees. If you hold shares through an intermediary, such as a bank or broker, you will need to register at the registration desk. Please have the following as evidence of ownership: 1) a Legal Proxy, which you can obtain from your bank or broker or other intermediary; OR 2) your shareholder statement dated on or after February 23, 2009, the Annual Meeting Record Date; AND 3) a picture ID.

Annual Report

Westamerica Bancorporation s Annual Report on Form 10-K (Annual Report) to Shareholders for the fiscal year ended December 31, 2008 is enclosed. The Annual Report contains financial and other information about the activities of Westamerica Bancorporation, but does not constitute a part of the proxy soliciting materials.

BY ORDER OF THE BOARD OF DIRECTORS

Kris Irvine

VP/Corporate Secretary

Dated: March 13, 2009

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE

SHAREHOLDER MEETING BEING HELD ON THURSDAY, APRIL 23, 2009. THE PROXY STATEMENT AND ANNUAL REPORT ON FORM 10-K TO SHAREHOLDERS ARE AVAILABLE AT: WWW.WESTAMERICA.COM

YOUR VOTE IS IMPORTANT

YOU ARE URGED TO COMPLETE, SIGN, DATE AND PROMPTLY RETURN YOUR PROXY, OR VOTE BY TELEPHONE OR THE INTERNET USING THE PROCEDURES DESCRIBED IN THE PROXY STATEMENT, SO THAT YOUR SHARES MAY BE VOTED IN ACCORDANCE WITH YOUR WISHES.

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WESTAMERICA BANCORPORATION

1108 Fifth Avenue

San Rafael, California 94901

PROXY STATEMENT

March 13, 2009

GENERAL

This Proxy Statement and the accompanying Proxy Card are being mailed to Shareholders of Westamerica Bancorporation (Westamerica or the Corporation) beginning on or about March 13, 2009. The Westamerica Board of Directors is soliciting proxies to be used at the 2009 Annual Meeting of Westamerica Shareholders, which will be held at 11:00 a.m. Pacific Time, Thursday, April 23, 2009, or at any adjournment or postponement of the Meeting. Proxies are solicited to give all Shareholders of Record (Record Holder) an opportunity to vote on matters to be presented at the Annual Meeting. In the following pages of this Proxy Statement, you will find information on matters to be voted on at the Annual Meeting.

Voting Information

Who Can Vote. You are entitled to vote if you were a **Record Holder** of Westamerica common stock as of the close of business on February 23, 2009. Your shares can be voted at the Meeting only if you are present or represented by a valid proxy. If your shares of common stock are held by a bank, broker or other nominee in street name, you are a **beneficial owner** and will receive voting instructions from the bank, broker or other nominee (including instructions, if any, on how to vote by telephone or through the Internet). You must follow these instructions in order to have your shares voted.

Voting in Person at the Meeting. To be able to vote in person at the Annual Meeting, beneficial owners must obtain and bring to the Annual Meeting a legal proxy from the institution that holds your shares, indicating that you were the beneficial owner of the shares on February 23, 2009, the Record Date for voting.

Proxy Card. The Board has designated Arthur C. Latno, Jr., Ronald A. Nelson and Edward B. Sylvester to serve as Proxies for the Annual Meeting. As Proxies, they will vote the shares represented by proxies at the Annual Meeting. If you sign, date and return your Proxy Card but do not specify how to vote your shares, the Proxies will vote FOR the election of all of the Director nominees, FOR the approval of the material terms of the performance criteria for performance-based awards under Westamerica s Stock Option Plan of 1995, as amended, and FOR the approval of a non-binding advisory vote on executive compensation. The Proxies will also have discretionary authority to vote in accordance with their judgment on any other matter that may properly come before the Meeting that we did not have notice of by January 28, 2009.

Quorum and Shares Outstanding. A quorum, which is a majority of the total shares outstanding as of the Record Date, must be present to hold the Meeting. A quorum is calculated based on the number of shares represented by Shareholders attending in person or by proxy. On February 23, 2009, 28,875,157 shares of Westamerica common stock were outstanding. We also count broker non-votes, which we describe below, as shares present or represented at the Meeting for the purpose of determining whether a quorum exists.

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Required Votes Election of Director Nominees. Each share is entitled to one vote, except in the election of Directors where a Shareholder may cumulate votes as to candidates nominated prior to voting, but only when a Shareholder gives notice of intent to cumulate votes prior to the voting at the Meeting. If any Shareholder gives such notice, all Shareholders may cumulate their votes for nominees. Under cumulative voting, each share carries as many votes as the number of Directors to be elected, and the Shareholder may cast all of such votes for a single nominee or distribute them in any manner among as many nominees as desired. In the election of Directors, the nine nominees receiving the highest number of votes will be elected. If your proxy is marked Withhold with regard to the election of any nominee, your shares will be counted toward a quorum and for other nominees but they will not be voted for or against the election of that nominee.

Other Matters. Approval of any other matter considered at the Meeting will require the affirmative vote of a majority of the shares present or represented by proxy and voting at the Meeting.

Broker Non-Votes. Broker non-votes will be included as present for the purpose of determining the presence of a quorum. A broker non-vote occurs under the stock exchange rules when a broker is not permitted to vote on a matter without instructions from the beneficial owner of the shares and no instruction is given on a timely basis. Brokers may vote at their discretion on routine matters, such as the election of Directors, but not on non-routine matters.

How You Can Vote. Record Holders may vote by proxy or in person at the Meeting. To vote by proxy, you may select one of the following options:

Vote by Telephone. You can vote your shares by telephone by calling the toll-free telephone number shown on your Proxy Card. Telephone voting is available 24 hours a day, seven days a week. Easy-to-follow voice prompts allow you to vote your shares and confirm that your instructions have been properly recorded. Our telephone voting procedures are designed to authenticate the Shareholder by using individual control numbers, which you will find on your Proxy Card. If you vote by telephone, you should **NOT** return your Proxy Card.

Vote by Internet. You can choose to vote on the Internet. The website for Internet voting is shown on your Proxy Card. Internet voting is available 24 hours a day, seven days a week. You will be given the opportunity to confirm that your instructions have been properly recorded. Our Internet voting procedures are designed to authenticate the Shareholder by using individual control numbers, which you will find on your Proxy Card. If you vote on the Internet, you should **NOT** return your Proxy Card.

If you vote by telephone or Internet, your vote must be received by 1:00 a.m. Central Time, on April 23, 2009 to ensure that your vote is counted. For Westamerica Bancorporation Tax Deferred Savings/Retirement Plan (ESOP) participants, your vote must be received by 1:00 a.m. Central Time, on April 21, 2009.

Vote by Mail. If you choose to vote by mail, simply mark your Proxy Card, date and sign it, and return it in the postage-paid envelope provided.

Beneficial owners must follow voting instructions received from your bank, broker or other nominee in order to have your shares voted.

We have been advised by counsel that these telephone and Internet voting procedures comply with California law.

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Revocation of Proxy. Record holders who vote by proxy, whether by telephone, Internet or mail, may revoke that proxy at any time before it is voted at the Meeting. You may do this by: (a) signing another Proxy Card with a later date and delivering it to us prior to the Meeting or sending a notice of revocation to the Corporate Secretary of Westamerica at 1108 Fifth Avenue, San Rafael, CA 94901; (b) voting at a later time by telephone or on the Internet prior to 1:00 a.m. Central Time, on April 23, 2009 (April 21, 2009 for ESOP participants); or (c) attending the Meeting in person and casting a ballot. If you hold shares in street name, you may change your vote by submitting new voting instructions to your broker or other nominee.

Additional Information

Householding. As permitted by the Securities Exchange Act of 1934 (the Exchange Act) only one copy of the Annual Report and the Proxy Statement is being delivered to Shareholders residing at the same address, unless such Shareholders have notified their bank, broker, Computershare Investor Services or other holder of record that they wish to receive separate mailings. If you are a beneficial holder and own your shares in street name, contact your broker, bank or other holder of record to discontinue householding and receive your own separate copy of Proxy Statements and Annual Reports in future years. If you are a registered holder and own your shares through Computershare Investor Services, contact Computershare toll-free at 877-588-4258 or in writing directed to Computershare Investor Services, 250 Royall Street, Mail Stop 1A, Canton, MA 02021 to discontinue householding and receive multiple Annual Reports and Proxy Statements in future years. To receive an additional Annual Report or Proxy Statement this year, contact Shareholder Relations at 707-863-6992.

At least one account at your address must continue to receive an Annual Report, unless you elect to receive future Annual Reports and Proxy Statements over the Internet. Mailing of dividends, dividend reinvestment statements, and special notices will not be affected by your election to discontinue duplicate mailings of the Annual Report and Proxy Statement. Regardless of householding, each Shareholder will continue to receive a separate Proxy Card and return envelope.

Electronic Access to Proxy Materials and Annual Reports. This Proxy Statement and the 2008 Annual Report are available on the Corporation s Internet site at: **www.westamerica.com** If you hold your Westamerica common stock in street name through a broker, a bank or other nominee, you may have the option of securing your Proxy Statement and Annual Report over the Internet. If you vote this year s proxy electronically, you may also be able to elect to receive future Proxy Statements, Annual Reports and other materials electronically by following the instructions given by your bank, broker, or other holder of record when you vote. Our website is available for information purposes only and should not be relied upon for investment purposes, nor is it incorporated by reference into this Proxy Statement.

Stock Ownership

Security Ownership of Certain Beneficial Owners. Based on Schedule 13G filings, Shareholders beneficially holding more than 5% of Westamerica common stock outstanding as of December 31, 2008, in addition to those disclosed in the Security Ownership of Directors and Management below, were:

Name and Address of Beneficial Owner	Title of Class	Number of Shares Beneficially Owned	Percent of Class
Neuberger Berman, Inc. 605 Third Avenue, New York, New York 10158	Common	2,612,892 (1)	9.05%
Barclays Global Investors, N.A. Barclays Global Fund Advisors 44 Fremont Street, San Francisco, CA 94105	Common	1,775,369 (2)	6.08%
T. Rowe Price Associates, Inc. 1100 East Pratt Street, Baltimore MD 21202-1009	Common	1,675,123 (3)	5.70%

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(1) The Schedule 13G disclosed that the reporting entity held sole voting power over 26,597 shares, shared voting power over 2,158,243 shares and shared dispositive power over 2,612,892 shares.

(2) The Schedule 13G disclosed that the reporting entity, through its subsidiaries Barclays Global Fund Advisors and Barclays Global Investors, NA (Barclays), held sole voting power over 1,453,335 shares and sole dispositive power over 1,755,369 shares.

(3) The Schedule 13G disclosed that the reporting entity held sole voting power over 161,903 shares and sole dispositive power over 1,675,123 shares. These securities are owned by various individual and institutional investors which T. Rowe Price Associates, Inc. (Price Associates) serves as investment advisor with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.

Security Ownership of Directors and Management. The following table shows the number of common shares and the percentage of the common shares beneficially owned (as defined below) by each of the current Directors, by the Chief Executive Officer (CEO), by the Chief Financial Officer (CFO), and by the three other most highly compensated executive officers, and by all Directors and Officers of the Corporation as a group as of February 23, 2009. For the purpose of the disclosure of ownership of shares by Directors and Officers below, shares are considered to be beneficially owned if a person, directly or indirectly, has or shares the power to vote or direct the voting of the shares, the power to dispose of or direct the disposition of the shares, or the right to acquire beneficial ownership of shares within 60 days of February 23, 2009.

Amount and Nature of Beneficial Ownership

Name and Address**	Sole Voting and Investment Power	Shared Voting and Investment Power	Right to Acquire Within 60 days of Feb. 23. 2009	Total(1)	Percent of Class*(2)
Etta Allen	10,766 (3)			10,766	*
Louis E. Bartolini	1,800			1,800	*
E. Joseph Bowler	18	25,867 (4)		25,885	0.1%
Arthur C. Latno, Jr.	3,291 (5)			3,291	*
Patrick D. Lynch	1,000			1,000	*
Catherine Cope MacMillan	7,159 (6)			7,159	*
Ronald A. Nelson	44,000			44,000	0.2%
David L. Payne	921 (7)	794,107 (8)	1,430,280	2,225,308	7.3%
Edward B. Sylvester	84,450			84,450	0.3%
John Robert A. Thorson	860 (9)	4,313 (10)	94,586 (11)	99,759	0.3%
Jennifer J. Finger	1,127	703	185,345 (11)	187,175	0.6%
Dennis R. Hansen	30	21,341	98,441 (11)	119,812	0.4%
David L. Robinson	825	384	93,768 (11)	94,977	0.3%
All 15 Directors and Executive Officers as a Group	156,351	848,601	1,933,871	2,938,823	9.6%

* Indicates beneficial ownership of less than one-tenth of one percent (0.1 %) of the Corporation s Common Stock.

** The address of all persons listed is 1108 Fifth Avenue, San Rafael, CA 94901.

(1) None of the shares held by the Directors and Officers listed below have been pledged.

(2) In calculating the percentage of ownership, all shares which the identified person or persons have the right to acquire by exercise of options are deemed to be outstanding for the purpose of computing the percentage of the class owned by such person, but are not deemed to be outstanding for the purpose of computing the percentage of the class owned by any other person.

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(3) Includes 10,350 shares held in a trust as to which Mrs. Allen is trustee.

(4) Includes 25,867 shares held in trust as to which Mr. Bowler is co-trustee with shared voting and investment power.

(5) Includes 1,115 shares owned by Mr. Latno s wife as to which Mr. Latno disclaims beneficial ownership.

(6) Includes 5,859 shares held in a trust as to which Ms. MacMillan is trustee.

(7) Includes 921 shares held in trusts under the California Uniform Gift to Minors Act for as to which Mr. Payne is custodian.

(8) Includes 528,837 shares owned by Gibson Radio and Publishing Company, of which Mr. Payne is President and Chief Executive Officer, as to which Mr. Payne disclaims beneficial ownership, and 203,116 shares held in a trust as to which Mr. Payne is co-trustee with shared voting and investment power.

(9) Includes 830 shares held in trusts under the California Uniform Gift to Minors Act as to which Mr. Thorson is custodian.

(10) Includes 4,183 shares held in a trust as to which Mr. Thorson is co-trustee with shared voting and investment power.

(11) During 1996, the Corporation adopted the Westamerica Bancorporation Deferral Plan (the Deferral Plan) that allows recipients of Restricted Performance Shares (RPS) to defer receipt of vested RPS shares into succeeding years. Amounts shown include RPS shares that have been deferred into the Deferral Plan for the following accounts in amounts of: Ms. Finger 25,030 shares; Messrs. Thorson 0 shares; Robinson 13,430; and Hansen 6,590 shares.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Corporation s Directors and Executive Officers and persons who own more than 10% of a registered class of the Corporation s equity securities to file with the SEC and NASDAQ initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Corporation, and to send a copy to the Corporation.

To the Corporation s knowledge and based solely on a review of the copies of reports furnished to the Corporation and written representations that no other reports were required, during the fiscal year ended December 31, 2008, all Section 16(a) filing requirements were complied with timely by Westamerica s officers and Directors.

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BOARD OF DIRECTORS

Proposal 1 Election of Directors

Nine Directors have been nominated for election at the Meeting to hold office for the ensuing year or until their successors are elected and qualified. The Proxies will vote for the nine nominees named below unless you give different voting instructions on your Proxy Card. Each nominee is presently a Director of the Corporation and has consented to serve a new term. The Board does not anticipate that any of the nominees will be unavailable to serve as a Director, but if that should occur before the Meeting, the Board reserves the right to substitute another person as nominee. The Proxies will vote for any substitute nominated by the Board of Directors. The Proxies may use their discretion to cumulate votes for election of Directors and cast all of such votes for any one or more of the nominees, to the exclusion of the others, and in such order of preference as they may determine at their discretion.

Nominees

The nominees for election as Directors are named and certain information with respect to them is given below. The information has been furnished to the Corporation by the respective nominees. All of the nominees have engaged in their indicated principal occupation for more than five years, unless otherwise indicated.

Name of Nominee	Principal Occupation	Director Since
Etta Allen	Mrs. Allen, 79, is President and owner of Allen Heating and Sheet Metal of Greenbrae, California, and President and owner of Sunny Slope Vineyard, Glen Ellen, California.	1988
Louis E. Bartolini	Mr. Bartolini, 76, retired in 1988 as a Vice President and financial consultant with Merrill Lynch, Pierce, Fenner & Smith, Inc. He currently devotes some of his time to serving on various community service boards.	1991
E. Joseph Bowler	Mr. Bowler, 72, retired in 2002 as Senior Vice President and Treasurer of the Corporation. Currently, he serves as a director and trustee of various non-profit community organizations.	2003
Arthur C. Latno, Jr.	Mr. Latno, 79, was an Executive Vice President for Pacific Telesis Group (formerly Pacific Telephone Co.) in San Francisco, California. Mr. Latno retired from that company in November of 1992. He currently devotes some of his time to serving on various community service boards.	1985
Patrick D. Lynch	Mr. Lynch, 75, currently serves as a consultant to several private high technology firms.	1986

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Name of Nominee	Principal Occupation	Director Since
Catherine Cope MacMillan	Ms. MacMillan, 61, is Secretary and Chief Financial Officer for Nob Hill Properties, Inc., the owner of the Huntington Hotel in San Francisco, California. Prior to 2000, she was President and owner of the Firehouse Restaurant in Sacramento, California.	1985
Ronald A. Nelson	Mr. Nelson, 66, was Executive Vice President of Charles M. Schulz Creative Associates, and a general partner in various Schulz partnerships through 1995. He has long been involved in the development of commercial property and also devotes time to personal investments and business consulting.	1988
David L. Payne	Mr. Payne, 53, is the Chairman of the Board, President and Chief Executive Officer of the Corporation. Mr. Payne is President and Chief Executive Officer of Gibson Printing and Publishing Company and Gibson Radio and Publishing Company, which are newspaper, commercial printing and real estate investment companies headquartered in Vallejo, California.	1984
Edward B. Sylvester	Mr. Sylvester, 72, is the President of Sylvester Engineering, Inc., which is a civil engineering and planning firm in Nevada City, California. Mr. Sylvester is also the Chairman of Nevada County Broadcasters which owns radio stations in Nevada and Yuba counties.	1979

THE BOARD RECOMMENDS ELECTION OF ALL NOMINEES.

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Board of Directors and Committees

Director Independence

The Board of Directors has considered whether any relationships or transactions related to a Director were inconsistent with a Director s independence. Based on this review, the Board has determined that E. Allen, L.E. Bartolini, E.J. Bowler, A.C. Latno, Jr., P.D. Lynch, C.C. MacMillan, R.A. Nelson, and E.B. Sylvester are independent Directors as defined in Nasdaq rules.

Meetings

The Corporation expects all board members to attend all meetings, including the Annual Meeting of Shareholders, except for reasons of health or special circumstances. Last year all nine Directors attended the Annual Meeting. The Board held a total of 11 meetings during 2008. Every Director attended at least 75% of the aggregate of: (i) the Board Meetings held during that period in which they served; and (ii) the total number of meetings of any Committee of the Board on which the Director served.

Committees of the Board

Executive Committee:

Members: D.L. Payne, Chairman; A.C. Latno, Jr., P.D. Lynch and E.B. Sylvester.

Number of Meetings in 2008: Ten

Functions: The Board delegates to the Executive Committee any powers and authority of the Board in the management of the business affairs of the Corporation, which the Board is allowed to delegate under California law.

Audit Committee:

Members: R.A. Nelson, Chairman; L.E. Bartolini, E.J. Bowler, and C.C. MacMillan. The Board of Directors has determined that all members are independent, as that term is defined by applicable rules of Nasdaq. The Board has also designated Mr. Nelson as the Audit Committee financial expert as defined by the rules of the SEC and has determined that he is financially sophisticated under Nasdaq rules. In concluding that Mr. Nelson is the Audit Committee financial expert, the Board determined that he has:

an understanding of generally accepted accounting principles and financial statements;

the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;

experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation s financial statements, or experience actively supervising one or more persons engaged in such activities;

an understanding of internal control over financial reporting; and

an understanding of audit committee functions.

Designation of a person as an Audit Committee financial expert does not result in the person being deemed an expert for any purpose, including under Section 11 of the Securities Act of 1933. The designation does not impose on the person any duties, obligations or liability greater than those imposed on any other Audit Committee member or any other Director and does not affect the duties, obligations or liability of any other member of the Audit Committee or Board of Directors.

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Number of Meetings in 2008: Five

Functions: The Audit Committee provides independent, objective oversight of the integrity of the Corporation s financial statements, the Corporation s compliance with legal and regulatory requirements, the independence and performance of the Corporation s independent auditor as it performs audit, review or attest services, and the Corporation s internal audit and control function. It selects and retains the independent auditors, reviews the plan and the results of the auditing engagement. It acts pursuant to a written charter that was amended by the Board on January 25, 2007 and was attached as an exhibit to the Proxy Statement for the 2007 Annual Meeting of Shareholders. The Audit Committee Report that follows below more fully describes the responsibilities and the activities of the Audit Committee.

Employee Benefits and Compensation Committee:

Members: P.D. Lynch, Chairman; E. Allen, A.C. Latno, Jr., and R.A. Nelson.

The Employee Benefits and Compensation Committee of the Board of Directors (the Compensation Committee) is comprised solely of Directors who are not current or former employees of Westamerica or any of its affiliates. They are independent as defined by NASDAQ rules.

Number of Meetings in 2008: Five

Functions: The Compensation Committee administers Westamerica Bancorporation s Amended and Restated Stock Option Plan of 1995, Tax Deferred Savings and Retirement Plan, Deferred Profit Sharing Plan, Deferred Compensation Plan, and the Westamerica Bancorporation Deferral Plan. It administers the Corporation s compensation programs and reviews and reports to the Board the compensation level for executive officers, including the CEO, of the Corporation and its subsidiaries.

The Compensation Committee determines annual corporate performance objectives for equity compensation and cash bonuses and their related corporate, divisional and individual goals. Based on the CEO s assessment of the extent to which each executive officer met those objectives and goals, the Committee determines each executive officer s annual equity compensation and cash bonus. The Compensation Committee also establishes the individual goals and targets for the CEO. All compensation approved by the Compensation Committee is reported to the full Board of Directors. The role of the Compensation Committee is described in greater detail under the section entitled Compensation Discussion and Analysis.

The Compensation Committee does not have a charter, as it is not required by NASDAQ rules. The Compensation Committee has the authority to seek assistance from officers and employees of the Corporation as well as external legal, accounting and other advisors. It has not retained outside consultants for compensation advice, but can request assistance on an as needed basis. It does not delegate authority to anyone outside of the Compensation Committee. The Human Resources Department supports the Compensation Committee by fulfilling certain administrative duties regarding the compensation programs.

Nominating Committee:

Members: A.C. Latno, Jr., Chairman; P.D. Lynch, and E.B. Sylvester.

The Board of Directors has determined that all members are independent, as defined in NASDAQ rules.

Number of Meetings in 2008: One

Functions: The Nominating Committee is governed by a written charter, which was amended January 25, 2007 and was attached as an exhibit to the Proxy Statement for the 2007 Annual Meeting of Shareholders.

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The Nominating Committee screens and recommends qualified candidates for Board membership. This Committee recommends a slate of nominees for each Annual Meeting. As part of that process, it evaluates and considers all candidates submitted by Shareholders in accordance with the Corporation s bylaws, and considers each existing Board member s contributions. The Committee applies the same evaluation standards whether the candidate was recommended by a Shareholder or otherwise.

Nominating Directors: The Nominating Committee will consider Shareholder nominations submitted in accordance with Section 2.14 of the Bylaws of the Corporation. That section requires, among other things, that nominations be submitted in writing and must be received by the Corporate Secretary at least 45 days before the anniversary of the date on which the Corporation first mailed its proxy materials for the prior year s Annual Meeting of Shareholders. If the date for the current year s Annual Meeting changes more than 30 days from the date on which the prior year s meeting was held, the Corporation must receive notice a reasonable time before the Corporation mails its proxy materials for the current year.

Nominations must include the following information:

The principal occupation of the nominee;

The total number of shares of capital stock of the Corporation that the Shareholder expects will be voted for the nominee;

The name and address of the notifying Shareholder; and

The number of shares of capital stock of the Corporation owned by the notifying Shareholder.

The Committee has specified the following minimum qualifications it believes must be met by a nominee for a position on the Board:

Appropriate personal and professional attributes to meet the Corporation s needs;

Highest ethical standards and absolute personal integrity;

Physical and mental ability to contribute effectively as a Director;

Willingness and ability to participate actively in Board activities and deliberations;

Ability to approach problems objectively, rationally and realistically;

Ability to respond well and to function under pressure;

Willingness to respect the confidences of the Board and the Corporation;

Willingness to devote the time necessary to function effectively as a Board member;

Possess independence necessary to make unbiased evaluation of management performance;

Be free of any conflict of interest that would violate applicable law or regulation or interfere with ability to perform duties;

Broad experience, wisdom, vision and integrity;

Understanding of the Corporation s business environment; and

Significant business experience relevant to the operations of the Corporation.

Loan and Investment Committee:

Members: E.B. Sylvester, Chairman; E. Allen, A.C. Latno, Jr. and C.C. MacMillan.

Number of Meetings in 2008: Ten

Functions: This Committee reviews major loans, investment policies, and monitors Community Reinvestment Act compliance.

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DIRECTOR COMPENSATION

The following table and footnotes provide information regarding the compensation paid to the Corporation s non-employee members of the Board of Directors in the fiscal year 2008. Directors who are employees of the Corporation receive no compensation for their services as Directors.

Director Compensation Table for Fiscal Year 2008

Name [1]	Fees Earned Paid in Cash	Change in Pension Value and Nonqualified Deferred Compensation Earnings [2]	Total
Etta Allen	$ 33,200	$ 29,800	$ 63,000
Louis E. Bartolini	30,200	339	30,540
E. Joseph Bowler	30,200	0	30,200
Arthur C. Latno, Jr.	43,300	0	43,300
Patrick D. Lynch	35,050	0	35,050
Catherine Cope MacMillan	36,200	0	36,200
Ronald A. Nelson	33,250	0	33,250
Edward B. Sylvester	38,450	5,968	44,418

[1] Non-employee Directors did not receive options or stock awards. During 2008, non-employee Directors of the Corporation each received an annual retainer of $14,000. Each non-employee Director received $1,200 for each meeting of the Board attended and $600 for each Committee meeting attended. The Chairman of each Committee received an additional $250 for each Committee meeting attended. All non-employee Directors are reimbursed for expenses incurred in attending Board and Committee meetings. The Chairman of the Board, David L. Payne, is compensated as an employee and did not receive any compensation as a Director. The Deferred Compensation Plan allows non-employee Directors to defer some or all of their Director compensation with interest earnings credited on deferred compensation accounts.

[2] The amount shown is the interest on Nonqualified Deferred Compensation that exceeds 120% of the long-term Applicable Federal Rate, with compounding, on all cash compensation deferred in 2008 and in previous years.

Westamerica Bancorporation does not have a charitable donations program for Directors nor does it make donations on behalf of any Director(s). The Corporation may make a nominal donation through its Community Relations program to non-profit organizations where a Director(s) may have an affiliation.

EXECUTIVE COMPENSATION

Compensation Discussion & Analysis

The Compensation Committee governs the executive compensation program that combines three compensation elements: base salary, annual non-equity cash incentives, and long-term stock grants.

Several compensation philosophies and practices underlie this program:

Base salaries for participants in this program should be limited to foster an environment where incentive compensation motivates and rewards corporate, divisional, and individual performance.

Incentive compensation (annual non-equity cash incentives and long-term stock grants) is based

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on measurement of performance against pre-established objective measurable goals. Specific criteria for each objective are established for threshold, target, and outstanding performance. On any one measure, performance below threshold results in no credit for that objective. Threshold performance results in a 75% achievement, target performance results in 100% achievement, and outstanding performance results in 150% achievement. The performance achievement level determines the size of incentive compensation awards.

Long-term incentive stock grants will be awarded to senior management if the corporate performance level is rated threshold or better. The purpose of long-term incentive grants is to:

- motivate senior management to focus on long-term performance;

- avoid excessive risk-taking and instill conservative management practices;

- build equity ownership among Westamerica s senior management;

- link Shareholder interests to management incentives, and

- create ownership mentality among senior management.

Establishing Incentive Levels, Determining Objectives and Measuring Performance

In administering the executive compensation program, the Compensation Committee determines target incentives for each position annually. The Compensation Committee exercises discretion in establishing target incentives in an effort to provide competitive pay practices while motivating and rewarding performance that benefits the Corporation s long-term financial performance and Shareholder interests.

At the beginning of each calendar year, the Compensation Committee establishes annual corporate performance objectives. In establishing corporate performance objectives, the Compensation Committee takes into consideration the current operating environment for the commercial banking industry as well as internal management policies and practices which would, in the Compensation Committee s opinion, benefit the long-term interests of the Corporation and its Shareholders. The Compensation Committee monitors the banking industry s operating environment throughout the ensuing year, and may exercise discretion in adjusting corporate performance objectives during the year.

The operating environment for the commercial banking industry is impacted by myriads of factors including, but not limited to, local, national and global economic conditions, interest rate levels and trends, monetary policies of the Federal Reserve Board and its counterparts in other countries, fiscal policies of the United States government and other global political conditions, liquidity in capital markets, the demand for capital by commercial enterprises and consumers, new financial products, competitive response to changing conditions within the industry, trade balances, the changing values of real estate, currencies, commodities, and other assets, and other factors.

Management policies and practices the Board considers in establishing corporate performance objectives include, but are not limited to, management of the Corporation s balance sheet and product pricing in a manner which will provide consistent growth in long-term financial results for Shareholders, growth in financial products offered by the Corporation, adherence to internal controls, management of the credit risk of Corporation s loan portfolio, the results of internal, regulatory and external audits, service quality delivered to the Corporation s customers, service quality of back office support departments provided to those offices and departments directly delivering products and services to the Corporation s customers, maintenance of operating policies and procedures which remain appropriate for risk management in a dynamic environment, timely and efficient integration of acquired companies, operational efficiencies, and capital management practices.

Restricted Performance Shares (RPS) represent awards of Westamerica s common stock subject to achievement of performance objectives established by the Compensation Committee. The Amended and Restated Stock Option Plan of 1995 (Amended Stock Option Plan) defines the performance factors the Board must use in administering RPS grants as one or more of the following: earnings, diluted earnings per share, revenue and revenue per diluted share, expenses, share price, return on equity, return on equity relative to the average return on equity for similarly sized institutions, return on assets, return on assets relative to the average return on assets for similarly sized institutions, efficiency ratio (operating expenses divided by operating revenues), net loan losses as a percentage of average loans outstanding, nonperforming assets, and nonperforming assets as a percentage of total assets.

In addition to establishing corporate performance objectives, the Compensation Committee also establishes individual goals for the CEO. In regard to the other executives named in the accompanying tables, the CEO recommends divisional and individual performance objectives to the Compensation Committee, which considers, discusses, adjusts as necessary, and adopts such performance objectives.

At the beginning of each calendar year, the Compensation Committee reviews corporate, divisional, and individual performance against the performance objectives for the year just completed. After thorough review and deliberation, the Compensation Committee determines the recommended amount of individual cash incentives and stock-based incentive awards. The Compensation Committee reports such incentives to the Board of Directors. Meetings of the Compensation Committee and Board of Directors routinely occur in January, immediately following the closure of the calendar year for which performance is measured for incentive compensation purposes.

Stock Grants

Long-term stock grants may only be awarded under Shareholder approved stock-based incentive compensation plans. The Amended Stock Option Plan was approved by Shareholders in 2003. The Amended Stock Option Plan amended the Corporation s Stock Option Plan of 1995, which was previously approved by Shareholders on April 25, 1995. The Corporation s Proxy Statement dated March 17, 2003, as filed with the Securities and Exchange Commission (the SEC) on that date, summarizes the Amended Stock Option Plan s changes from the predecessor plan. Such changes included:

- disallowing re-pricing stock options for poor stock performance;
- limiting the number of shares that may be awarded, and;
- requiring the Compensation Committee to meet the definition of independence to enable any award intended to qualify as performance based compensation to meet Section 162(m) of the Internal Revenue Code.

The Amended Stock Option Plan allows four types of stock-based compensation awards:

Incentive Stock Options (ISO) allow the optionee to buy a certain number of shares of Westamerica common stock at a fixed price, which is established on the date of the option grant. ISOs are intended to meet the requirements of Section 422 of the Internal Revenue Code which provide advantages if certain conditions are met. If the optionee holds the acquired stock for the designated holding period, the optionee defers the timing of recognizing taxable income related to exercising the ISO. If the optionee complies with the ISO requirements, the Corporation does not receive a corporate tax deduction related to the shares issued.

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Nonqualified Stock Options (NQSO) also give the optionee the option to buy a certain number of shares of Westamerica common stock at a fixed price, which is established on the date of grant. Unlike ISOs, NQSO do not allow deferral of taxable income for the optionee. At the time NQSO are exercised, the optionee incurs taxable income equal to the spread between the exercise price and the market price of the stock, and the Corporation receives a corporate tax deduction in the same amount.

Stock Appreciation Rights (SAR) provide the holder a cash payment equal to the difference between the fair market value of the Corporation s common stock on the date the SAR is surrendered and the fair market value of the Corporation s common stock on the date the SAR was granted. The optionee incurs taxable income at the time the SAR is settled and the Corporation receives a corporate tax deduction in the same amount.

Restricted Performance Share Grants (RPS), as noted above, are awards of the Corporation s common stock that are subject to the achievement of performance objectives. Award recipients receive shares at the end of the performance measurement period only if performance objectives are achieved. The award recipient incurs taxable income at the time any RPS vests and the Corporation receives a corporate tax deduction in the same amount.

Determination of Awards to Grant

In determining which type of stock-based compensation awards to grant, the Compensation Committee considers the attributes of each form of incentive. For example, the ability to motivate management to make decisions based on the long-term interests of Shareholders, the desire to compensate with shares rather than cash, and the tax consequences of each type of award. The Compensation Committee retains the latitude to utilize all forms of incentives provided under the Amended Stock Option Plan. In the current and preceding years, the Compensation Committee has utilized NQSO and RPS based on the motivational aspects of stock price appreciation, the settlement in shares rather than cash, and the preservation of tax deductions for the Corporation. At February 23, 2009, the Corporation had no ISO or SAR awards outstanding.

Determination of Option Exercise Price

The Amended Stock Option Plan also requires the exercise price of each NQSO or ISO to be no less than one hundred percent (100%) of the fair market value of the Corporation s common stock on the date of grant. As described above, the Amended Stock Option Plan does not allow re-pricing stock options for poor stock price performance.

Stock-based compensation awards are submitted by the Compensation Committee to the full Board of Directors for review. As described above, these meetings have routinely occurred in the January immediately following the closure of the calendar year for which performance is measured for incentive compensation purposes. The Compensation Committee meeting has routinely been held during the same week as the related Board of Directors meeting. These January meetings follow by no more than ten business days, the Corporation s public disclosure of its financial results for the preceding year. As a result, stock option grants are awarded, and the exercise price of such grants are determined, at a time when the Corporation has broadly disseminated its financial condition and current operating results to the public. The Corporation s outstanding stock option grants are dated, and related stock option exercise prices are determined, on the January date the Compensation Committee meets to approve such grants.[1]

[1] Due to merger and acquisition activity, the Corporation converts stock option grants outstanding for acquired companies based on the terms and conditions of related merger agreements. The dating of such converted stock options generally remains as originally dated by the acquired company. As a result, the Corporation at times has options outstanding related to acquisitions with grant dates different from its routine stock option granting practices.

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Long-Term Incentive Attributes

The Board of Directors has designated the Compensation Committee as the administrator of the Amended Stock Option Plan. The Compensation Committee reports to the Board the terms and conditions of stock option awards. In carrying out this responsibility, the Compensation Committee designs such awards as long-term incentives. The terms and conditions of currently outstanding awards include:

NQSO vest one-third (1/3) on each anniversary of the grant date. As such, NQSO grants become fully vested over a three-year period. NQSO grants expire on the tenth anniversary of the grant date. The Corporation does not pay dividends on shares underlying NQSO grants until the optionee exercises the option and the shares are outstanding on a dividend record date.

RPS awards vest three years following the grant date, only if corporate performance objectives are achieved over the three-year period. The Corporation does not pay dividends on RPS shares until vesting occurs and shares awarded become outstanding on or before a dividend record date.

Compensation for the Chairman, President & CEO

Mr. Payne performs two functions for the Corporation. These two functions tend to be compensated separately at similarly sized banking institutions. Mr. Payne serves as Chairman of the Board and Chief Executive Officer with responsibilities including oversight of the organization and external strategic initiatives. Mr. Payne also serves as President and Chief Operating Officer with responsibilities including daily management of internal operations. Mr. Payne s total compensation reflects these broad responsibilities. Consistent with the overall compensation philosophy for senior executives, Mr. Payne s compensation has a greater amount of pay at-risk through incentives than through base salary. Since Mr. Payne is compensated as an executive, he is not eligible to receive compensation as a director.

As noted on page 27 of the proxy under the Pension Benefits Table, during 1997 the Corporation entered into a nonqualified pension agreement (Pension Agreement) with Mr. Payne in consideration of Mr. Payne s agreement that RPS granted in 1995, 1996 and 1997 would be canceled. In entering the Pension Agreement, the Board of Directors considered the following:

Mr. Payne had a significant beneficial interest in Corporation common stock, which was more than adequate to continue to provide motivation for Mr. Payne to continue managing the Corporation in the best interests of Shareholders.

In 1997, the Corporation had consummated its largest acquisition, with significant total asset growth of approximately 51 percent. One of the Board s objectives was to provide a compensation mechanism providing retention features for Mr. Payne. Retention of Mr. Payne as President and Chief Executive Officer was desired following the Corporation s significant growth. The RPS shares surrendered for the Pension Agreement were scheduled to vest on dates in 1998, 1999 and 2000, while the Pension Agreement was not fully vested until December 31, 2002. Additionally, the 20-year certain pension provided under the Pension Agreement commences upon Mr. Payne s attainment of age 55, while Mr. Payne was age 42 at the time of entering the Pension Agreement.

The economic value of the surrendered RPS and the Pension Agreement were considered equivalent based on actuarial assumptions.

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Compensation Awarded to Named Executive Officers

Base salaries for participants in the executive compensation program are generally limited to foster an environment where incentive compensation motivates and rewards corporate, divisional, and individual performance. As such, base pay increases are generally infrequent and limited. The non-equity cash incentive formula has the following components:

Target Cash Incentive	X	Composite Corporate, Divisional and Individual Performance Level	=	Cash Incentive Award

In structuring performance goals for the named executive officers, the Compensation Committee emphasizes goals, which if achieved, will benefit the overall Corporation. As such, senior management level positions have high relative weighting on corporate objectives, and divisional leadership positions also have significant weighting on divisional objectives. The target cash incentive and the weighting of goals for the named executive officers for 2008 performance were as follows:

	Target Cash Incentive	Goal Weighting Corporate	Divisional	Individual
Mr. Payne	$371,000	80%		20%
Mr. Thorson	82,000	55%	25%	20%
Ms. Finger	82,000	55%	25%	20%
Mr. Hansen	73,900	55%	35%	10%
Mr. Robinson	75,000	50%	40%	10%

The Compensation Committee establishes corporate goals with the intent to balance current profitability with long-term stability of the Corporation and its future earnings potential. The 2008 corporate performance goals related to current year profitability included return on equity, return on assets and diluted earnings per share. The performance goals designed to maintain the long-term stability of the Corporation include quality and control components. The quality measures include loan portfolio quality measures (classified loans and other real estate owned, non-performing loans and other real estate owned, and net loan losses to average loans) and service quality measures (external service quality to customers and internal service quality of support departments and branches). The control measures include non-interest expense to revenues (efficiency ratio), the level of non-interest expenses, and below satisfactory internal audit results. By maintaining both current year profitability goals and longer-term quality and control goals, Management has a disincentive to maximize current earnings and the expense of longer-term results.

For 2008, the Compensation Committee expected a very uncertain operating environment for commercial banks. The Committee acknowledged the Board of Directors had reviewed both a baseline budget and a budget assuming a recession would occur in 2008. The severity and duration of any recession would be uncertain. As a result, the Committee determined to initially establish only target performance goals for 2008 based on the two budgets, reserving the ability to exercise a certain degree of judgment in adjusting target goals based on the resulting operating environment.

The Compensation Committee monitors the banking industry s operating environment throughout the year, and may exercise discretion in adjusting the corporate performance objectives. The Compensation Committee determined the 2008 operating environment was generally characterized as follows:

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The economy entered a severe recession. The recession caused significant reductions in real estate values and spending by businesses, consumers and government entities. Due to the weak economy, banks tightened lending standards and borrowers financial conditions deteriorated. Average deposits per customer declined due to the weaker economy.

The Federal Reserve lowered short-term interest rates and credit risk spreads widened. Competitors challenged with weakened liquidity trends responded by offering higher rates on deposit products.

The Compensation Committee also considered management s response to the current operating environment including:

In Management s judgment, the opportunity for loan growth with high credit quality was limited. Further, offering deposit rates at elevated levels to compete with banks experiencing liquidity problems in the current environment was not prudent for the Corporation s long-term profitability.

Management chose to limit loan growth. Management maintained conservative loan underwriting practices to maintain the credit quality of the Corporation s loan portfolio.

Management applied liquidity from the investment securities portfolio to reduce short-term borrowings as a strategy to reduce the liability sensitive nature of the balance sheet. Such balance sheet restructuring would prepare the Corporation for rising interest rates in the future.

The Compensation Committee chose to make adjustments to actual results to take into account the impact of the operating environment and various non-recurring non-operating transactions such as Visa IPO securities gains and litigation liability accruals, and tax refunds. The Compensation Committee also chose to make certain adjustments relative to securities losses on government agency preferred stock brought about by, in the Committee s judgment, sub-prime underwriting and poor management of the agencies. The Committee acknowledged the Corporation had made long-term investments in such securities prior to 2000. Goals for 2008 target corporate performance and adjusted actual results were:

	Performance Target	Adjusted Actual Results
Profitability Goals:		
Return on average shareholders equity	23.1%	23.2%
Return on average assets	2.04%	2.17%
Diluted earnings per share	$ 3.17	$ 3.14
Quality Goals:		
Classified loans and other real estate owned	$ 41 million	$ 29 million
Non-performing loans and other real estate owned	$ 9.5 million	$ 6.7 million
Net loan losses to average loans	0.18%	0.20%
Service quality	Improving	Improving
Control Goals:		
Non-interest expense to revenues (efficiency ratio)	39.8%	40.1%
Non-interest expenses	$ 99.6 million	$ 100.8 million
Below satisfactory internal audits	none	none

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In reviewing the operating environment, management s response to the operating environment, and adjusted results compared to target performance goals, the Compensation Committee determined corporate performance to be 109% of target goals.

As described above, divisional and individual goals are used in conjunction with corporate performance goals to determine cash bonus awards.

In addition to daily management responsibilities, Mr. Payne s individual goals included:

Effective management of the Corporation in a recessionary environment;

Replacement of two retiring division managers with effective transition of newly placed executives;

Activities related to merger and acquisition opportunities;

Management of credit risk and classified assets, and;

Consistent customer service delivery throughout branch structure.

Based on individual performance against these goals, the Committee determined Mr. Payne s individual performance to be 75%. As a result, Mr. Payne s composite corporate and individual performance level was 101%.

In addition to routine on-going divisional responsibilities, Mr. Thorson managed the Finance Division toward functional goals, which included:

Personnel development;

Effective transfer of compliance function into division;

Improvement in divisional service quality, and;

Adoption of new accounting standards.

Based on the Finance Division s results, the Committee determined divisional performance to be 115%.

In addition to daily management responsibilities, Mr. Thorson s individual goals included:

Maintain effective communications for investors;

Accounting and tax related due diligence related to merger opportunities, and;

Develop strategic plan.

Based on individual performance against these goals, the Committee determined Mr. Thorson s individual performance to be 130%. As a result, Mr. Thorson s composite corporate, divisional, and individual performance level was 115%.

In addition to routine on-going divisional responsibilities, Ms. Finger managed the Treasury Division toward functional goals, which included:

Investment portfolio management including fulfilling Community Reinvestment Act goals;

Installation of upgraded balance sheet management software;

Management of balance sheet, including updating revenue forecasts for changes in interest rate environment;

Manage the daily funding of operations, and;

Internal service quality.

Based on the Treasury Division s results, the Committee determined divisional performance to be 115%.

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In addition to daily management responsibilities, Ms. Finger s individual goals included:

Merger and acquisition support to CEO, including economic analysis on deposit purchase opportunities;

Personnel recruiting and development for merchant credit card processing operations, and;

Management of any corporate litigation.

Based on individual performance against these goals, the Committee determined Ms. Finger s individual performance to be 116%. As a result, Ms. Finger s composite corporate, divisional and individual performance level was 112%.

In addition to routine on-going divisional responsibilities, Mr. Hansen managed the Operations and Systems Division toward functional goals, which included:

Improvement in internal service quality;

Development of information security program;

Enhancing revenue potential by reducing the cost to produce products, introducing new products, and containing operational losses;

Maintaining satisfactory internal audit and regulatory exam results throughout division, and;

Personnel recruitment and development.

Based on the Operations and Systems Division s results, the Committee determined divisional performance to be 118%.

In addition to daily management responsibilities, Mr. Hansen s individual goals included:

Developing divisional management succession plans, and;

Assessment and development of technological capabilities.

Based on individual performance against these goals, the Committee determined Mr. Hansen s individual performance to be 119%. As a result, Mr. Hansen s composite corporate, divisional and individual performance level was 113%.

In addition to routine on-going divisional responsibilities, Mr. Robinson managed the Banking Division toward functional goals which included:

Expansion and development of sales force;

Develop consistency in customer sales and service practices across geographic regions;

Maintaining strong operating controls within branch environment, and;

Improve customer service delivery.

Based on the Banking Division s results, the Committee determined divisional performance to be 113%.

In addition to daily management responsibilities, Mr. Robinson s individual goals included:

Personnel recruitment and development to position the Corporation for a period of economic growth;

Complete extensive customer sales calls, and;

Serve as interim regional manager as necessary.

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Based on individual performance against these goals, the Committee determined Mr. Robinson s individual performance to be 125%. As a result, Mr. Robinson s composite corporate, divisional and individual performance level was 112%.

Based on the above described performance against objectives, the Committee determined cash incentive awards as follows:

	Target Cash Incentive	X	Composite Corporate Divisional and Individual Performance Level	=	Cash Incentive Award
Mr. Payne	$ 371,000		101%		$ 375,000
Mr. Thorson	82,000		115%		94,000
Ms. Finger	82,000		112%		91,800
Mr. Hansen	73,900		113%		83,600
Mr. Robinson	75,000		112%		84,000

The size of stock grants is determined by corporate performance using a stated formula. For achievement of corporate performance in 2008, the following stock grants were awarded in January 2009:

	Target Nonqualified Stock Option Grant	X	Corporate Performance Level	=	Nonqualified Stock Option Award
Mr. Payne			109%		
Mr. Thorson	19,800		109%		21,600
Ms. Finger	19,800		109%		21,600
Mr. Hansen	18,000		109%		19,600
Mr. Robinson	20,000		109%		21,800

	Target RPS Grant	X	Corporate Performance Level	=	RPS Award
Mr. Payne			109%		
Mr. Thorson	2,600		109%		2,830
Ms. Finger	2,600		109%		2,830
Mr. Hansen	2,340		109%		2,550
Mr. Robinson	2,610		109%		2,850

RPS awards vest three years following the grant date, only if certain corporate performance objectives are achieved over the three-year period. In January 2009, the Compensation Committee evaluated whether the three-year corporate performance objectives were met for RPS awards granted in January 2006. The performance objectives for the RPS granted in January 2006 included:

3-year cumulative diluted earnings per share (EPS);

3-year average of annual return on average total assets (ROA);

3-year average of annual return on average shareholders equity relative to industry average ROE (ROE differential);

Ending non-performing assets to total assets (NPA); and

3-year average of annual growth in revenues per share (RevPS growth).

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The RPS would vest if any one of the following performance results were achieved:

4 of 5 objectives reaching threshold performance level;

3 of 5 objectives reaching target performance level, and;

2 of 5 objectives reaching outstanding performance level.

The goals and achieved results were:

	Threshold	Target	Outstanding	Result
EPS	$ 10.30	$ 10.60	$ 11.00	Below Threshold
ROA	2.08%	2.13%	2.18%	Target
ROE differential	3.0%	3.5%	4.5%	Outstanding
NPA	0.50%	0.35%	0.20%	Target
RevPS growth	3.0%	4.0%	6.0%	Below Threshold

With three of the five goals achieved at target performance level, or higher, the Compensation Committee determined the RPS shares awarded in 2006 were vested upon achievement of three year goals.

Nonqualified Deferred Compensation Programs

The Corporation maintains nonqualified deferred compensation programs to provide senior and mid-level executives facilities to defer compensation in excess of the annual limits imposed on the Corporation s 401(k) plan. The Corporation believes these tax deferral programs enhance loyalty and motivate retention of executives. These programs allow executives to defer cash pay and RPS shares upon vesting. The programs also allow Directors to defer Director fees.

Cash pay deferred in the program accumulates in accounts in the names of the participating Directors and executives. The Corporation credits the balance of these accounts with interest using an interest rate that approximates the crediting rate on corporate-owned life insurance policies, which finance the cash pay deferral program. Deferrals and interest credits represent general obligations of the Corporation.

The common stock the Corporation issues to executives upon the vesting of RPS grants may be deferred into the program and deposited into a Rabbi Trust. Since these shares are outstanding shares of Corporation s common stock, the Corporation pays dividends on these shares at the same rate paid to all shareholders. The shares held in the Rabbi Trust are subject to claims by the Corporation s creditors.

Employment Contracts

None of the executives named in the accompanying tables have employment contracts with the Corporation.

Compensation in the Event of a Change in Control

The banking industry has significant merger and acquisition activity. To promote retention of senior executives, unvested NQSO and RPS grants contain change in control provisions, which trigger full vesting upon a change in control. The Compensation Committee determined that these provisions were appropriate in order to retain executives to continue managing the Corporation after any change in control was announced through its ultimate consummation. Since none of the named executive officers have entered employment contracts with the Corporation, they serve in an at-will capacity and could terminate their employment at any time. The Compensation Committee felt it would be in the best interests of shareholders to have a retention mechanism in place to provide continuity of management during a change in control process. Further, the Committee expects the named executive officers would be terminated by an acquiring institution rather than retained in a similar functional capacity.

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The Corporation also maintains a Severance Payment Plan covering all employees to promote employee retention. The Severance Payment Plan provides salary continuation benefits for employees in the event of a change in control. The amount of salary continuation benefits is based on years of service and corporate title, but in no event exceed the equivalent of one times annual salary. All named executive officers are eligible for one year s salary under the plan.

Other

Internal Revenue Code (IRC) Section 162(m) places a limit on the amount of compensation that may be deducted by the Corporation in any year with respect to certain of the Corporation s highest-paid executives. Certain performance-based compensation is not counted toward this limit. The Corporation intends generally to qualify compensation paid to executive officers for deductibility under the IRC, including Section 162(m), but reserves the right to pay compensation that is not deductible under Section 162(m).

Board Compensation Committee Report

We, the Compensation Committee of the Board of Directors of the Corporation, have reviewed and discussed the Compensation Discussion and Analysis with management. Based on that review and discussion, we have recommended to the Board of Directors inclusion of the Compensation Discussion and Analysis in this Proxy Statement and the Corporation s Annual Report on Form 10-K for the year ended December, 31, 2008.

Submitted by the Employee Benefits and Compensation Committee

Patrick D. Lynch, Chairman

Etta Allen

Arthur C. Latno, Jr.

Ronald A. Nelson

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee is a current or former officer or employee of the Corporation or any of its subsidiaries, or entered into (or agreed to enter into) any transaction or series of transactions with the Corporation or any of its subsidiaries with a value in excess of $120,000. None of the executive officers of the Corporation has served on the Board of Directors or on the Compensation Committee of any other entity, where one of that entity s executive officers served either on the Board of Directors or on the Compensation Committee of the Corporation.

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Summary Compensation Table

The following table sets forth summary compensation information for the chief executive officer, chief financial officer and each of the other three most highly compensated executive officers for the fiscal years ending December 31, 2008, 2007 and 2006. These persons are referred to as named executive officers elsewhere in this proxy statement.

SUMMARY COMPENSATION TABLE FOR FISCAL YEAR 2008

Name and Principal Position	Year	Salary	Stock Awards [1]	Option Awards [2]	Non-Equity Incentive Plan Compensation [3]	Change in Pension Value and Nonqualified Deferred Compensation Earnings [4]	All Other Compensation [5]	TOTAL
David L. Payne	2008	$ 371,000	$ 160,952	$ 0	$ 375,000	$ 0	$ 18,559	$ 925,511
Chairman,	2007	371,000	0	550,833	$ 450,000	0	19,330	1,391,163
President & CEO	2006	371,000	0	1,128,333	450,000	0	22,607	1,971,940
Robert A. Thorson	2008	135,000	143,918	136,986	94,000	12,982	20,561	543,447
SVP & Chief	2007	135,000	88,327	116,477	97,800	10,216	17,082	464,902
Financial Officer	2006	135,000	90,996	96,938	97,200	9,286	13,398	442,818
Jennifer J. Finger	2008	129,996	154,000	146,061	91,800	12,346	14,291	548,494
SVP & Treasurer	2007	129,996	99,536	133,043	96,700	8,785	16,978	485,038
	2006	129,996	124,328	128,450	96,800	7,124	18,315	505,013
Dennis R. Hansen	2008	130,008	104,390	112,087	83,600	9,888	31,732	471,705
SVP/Operations & Systems	2007	130,008	51,634	84,685	84,500	7,463	32,284	390,574
Manager	2006	130,008	32,729	65,094	84,200	6,559	29,571	348,161
David L. Robinson	2008	150,000	76,587	99,932	84,000	11,005	21,164	442,688
SVP/Banking Division Manager	2007	136,875	26,240	67,213	90,100	8,616	15,048	344,092

[1] Stock Awards represent RPS shares as described in the Compensation Discussion & Analysis. The amounts shown represent the amount of employee compensation expense recognized in the Corporation s financial statements in each calendar year for grants outstanding during each year. The amount expensed is based on the market value of Westamerica common stock. The Corporation recognizes expense for RPS grants over each grant s three-year vesting period.

[2] The amounts shown represent the amount of employee compensation expense recognized in the Corporation s financial statements in each calendar year for unexercisable grants outstanding each year. The amount expensed is based on fair values determined at dates of grant. To derive that fair value, a trinomial option-pricing model was used. See the notes accompanying the Corporation s annual financial statements for the assumptions used and derived fair values.

[3] The amounts shown are non-equity incentive compensation only. No interest or other form of earnings was paid on the compensation.

[4] The amounts include interest paid on deferred cash compensation to the extent the interest exceeds 120% of the long-term Applicable Federal Rates with compounding. The Corporation has no defined benefit pension plan. Mr. Payne has a pension agreement, which is discussed under Pension Benefits.

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(5) Each of the above named executive officers received less than $10,000 of aggregate perquisites and personal benefits, except for Mr. Hansen who received a car allowance of $12,000. All other compensation includes Corporation contributions to defined contribution plans (401(k) and Profit Sharing), and amounts added to taxable wages using IRS tables for the cost of providing group term life insurance coverage that is more than the cost of $50,000 of coverage. It also includes the dollar value of the benefit to Mr. Payne for the portion of the premium payable by the Corporation with respect to a split dollar life insurance policy (projected on an actuarial basis), and a bonus paid to Mr. Payne in the amount of his portion of the split dollar life insurance premium.

Based on the compensation disclosed in the Summary Compensation Table, approximately 32% of total compensation comes from base salaries. See Compensation Analysis and Discussion for more details.

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Grants Of Plan-Based Awards Table For Fiscal Year 2008

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards Threshold $	Target $	Maximum $	All Other Stock Awards: Number of Shares of Stock or Units (1)	All Other Stock Awards: Number of Securities Underlying Options (2)	Exercise or Base Price of Option Awards ($/Share) (2)	Grant Date Fair Value (3)
David L. Payne	1/24/08	$ 0	$ 371,000	$ 556,500				
	1/24/08							