Westamerica

2016 ANNUAL REPORT | 2017 PROXY STATEMENT | NOTICE OF ANNUAL MEETING

WESTAMERICA BANCORPORATION

1108 Fifth Avenue
San Rafael, California 94901

March 13, 2017

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 27, 2017, at the Hilton Garden Inn Fairfield, 2200 Gateway Court, 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 a non-binding advisory vote on the compensation of our named executive officers; (iii) re-approve the performance criteria for incentive compensation; (iv) approve a non-binding advisory vote on the frequency of the advisory vote on compensation of our named executive officers; (v) ratify the selection of the independent auditor; (vi) consider and vote upon a shareholder proposal regarding an independent board chairman; and (vii) conduct other business that may properly come 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 in the section entitled "Voting Information – How You Can Vote."

We look forward to seeing you at the Annual Meeting on Thursday, April 27, 2017, at the Hilton Garden Inn Fairfield, in Fairfield, California.

Sincerely,

David L. Payne

David L. Payne
Chairman of the Board, President
and Chief Executive Officer

WESTAMERICA BANCORPORATION
1108 Fifth Avenue
San Rafael, California 94901

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Date: Thursday, April 27, 2017

Time: 11:00 a.m. Pacific Time

Place: Hilton Garden Inn Fairfield, 2200 Gateway Court, Fairfield, California.

Items of Business

1. Elect nine Directors to serve until the 2018 Annual Meeting of Shareholders;
2. Approve a non-binding advisory vote on the compensation of our named executive officers;
3. Re-approve the performance criteria for incentive compensation;
4. Approve a non-binding advisory vote on the frequency of the advisory vote on the compensation of our named executive officers;
5. Ratify selection of independent auditor;
6. Consider and vote upon a shareholder proposal regarding an independent board chairman; and
7. Conduct other business that 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 27, 2017 are entitled to notice of, and to vote at the Annual Meeting or any postponement or adjournment thereof.

Admission to the Annual Meeting

No ticket will be necessary for admission to the Annual Meeting. However, to facilitate the admission process, Shareholders of Record ("registered holder") planning to attend the Annual 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 ("beneficial holder"), you may need to register at the desk in the lobby. Please bring the following as evidence of ownership: 1) a legal proxy, or your brokerage statement dated on or after February 27, 2017, evidencing your ownership on February 27, 2017, the record date; and 2) photo identification.

Annual Report

Westamerica Bancorporation's Annual Report on Form 10-K ("Annual Report") to shareholders for the fiscal year ended December 31, 2016 is enclosed or is available for viewing as indicated on the Shareholder Meeting Notice and on the Company's website at: www.westamerica.com, under "Shareholders." 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

March 13, 2017

IMPORTANT: The availability of proxy materials for the shareholder meeting being held on Thursday, April 27, 2017, the Proxy Statement, and the Annual Report on Form 10-K are available at: www.westamerica.com.

YOUR VOTE IS IMPORTANT
PLEASE COMPLETE, SIGN, DATE AND PROMPTLY RETURN YOUR PROXY, OR VOTE BY TELEPHONE OR ONLINE USING THE PROCEDURES DESCRIBED IN THE PROXY STATEMENT.

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WESTAMERICA BANCORPORATION

1108 Fifth Avenue
San Rafael, California 94901

PROXY STATEMENT

March 13, 2017

GENERAL

The Westamerica Board of Directors is soliciting proxies to be used at the 2017 Annual Meeting of Shareholders of Westamerica Bancorporation (the "Company"), which will be held at 11:00 a.m. Pacific Time, Thursday, April 27, 2017, or at any adjournment or postponement of the Annual Meeting. Proxies are solicited to give all Shareholders of Record ("registered 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 at the Annual Meeting.

Voting Information

Internet Availability of Proxy Materials. We are providing proxy materials to our shareholders primarily via the internet, instead of mailing printed copies of those materials to each shareholder. By doing so, we save costs and reduce the environmental impact of our Annual Meeting. On or about March 13, 2017, we mailed a Notice of Internet Availability of Proxy Materials ("Notice") to certain of our shareholders. The Notice contains instructions about how to access our proxy materials and vote online or vote by telephone. If you would like to receive a paper copy of our proxy materials, please follow the instructions included in the Notice. If you previously chose to receive our proxy materials electronically, you will continue to receive access to these materials via email unless you elect otherwise.

Proof of Ownership May Be Required for Attending Annual Meeting in Person. You are entitled to attend the Annual Meeting only if you are a shareholder as of the close of business on February 27, 2017, the record date, or hold a valid proxy for the meeting. In order to be admitted to the Annual Meeting, the Company reserves the right to request proof of ownership of Westamerica Bancorporation common stock on the record date. This can be:

- A brokerage statement or letter from a bank or broker indicating ownership on February 27, 2017;
- The Notice of Internet Availability of Proxy Materials;
- A printout of proxy distribution email (if you received your materials electronically);
- A Proxy Card;
- A voting instruction form; or
- A legal proxy provided by your broker, bank or nominee.

Any holder of a proxy from a shareholder must present the Proxy Card properly executed, and a copy of the proof of ownership. The Company reserves the right to ask shareholders and proxy holders to present a form of photo identification such as a driver's license.

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 approval of the advisory vote on the compensation of our named executive officers, FOR the re-approval of our performance criteria for incentive compensation; EVERY ONE YEAR for the advisory vote on the frequency of the advisory vote on compensation of our named executive officers, FOR ratifying the selection of independent auditor, and AGAINST the shareholder proposal regarding an independent board chairman. The Proxies will also have discretionary authority to vote in accordance with their judgment on any other matter that may properly come before the Annual Meeting that we did not have notice of by January 28, 2017.

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 Annual Meeting. A quorum is calculated based on the number of shares represented by shareholders attending in person or by proxy. On February 27, 2017, 26,273,817 shares of Westamerica Bancorporation common stock were outstanding. We also count broker non-votes, which we describe below, as shares present or represented at the Annual Meeting for the purpose of determining whether a quorum exists.

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 Annual 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. This Proxy Statement solicits the discretionary authority to cumulate votes and allocate them in the Proxy Holders' discretion if any shareholder requests cumulative voting. 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 the election of that nominee. If you attend the Annual Meeting and have already voted, you may vote in person in order to rescind your previous vote.

Vote Required; Effect of Abstentions and Broker Non-Votes. The shares of a shareholder whose ballot on any or all proposals is marked as "abstain" will be included in the number of shares present at the Annual Meeting to determine whether a quorum is present. If you are the beneficial holder of shares held by a broker or other custodian, you may instruct your broker how to vote your shares through the voting instruction form included with this Proxy Statement. If you wish to vote the shares you own beneficially at the meeting, you must first request and obtain a legal proxy from your broker or other custodian. If you choose not to provide instructions or a legal proxy, your shares are referred to as "uninstructed shares." Whether your broker or custodian has the discretion to vote these shares on your behalf depends on the ballot item. The following table summarizes the votes required for passage of each proposal and the effect of abstentions and uninstructed shares held by brokers.

Brokers and custodians cannot vote uninstructed shares on your behalf in director elections or advisory votes on executive compensation. For your vote to be counted, you must submit your voting instruction form to your broker or custodian.

Proposal Number	Proposals	Votes Required for Approval	Abstentions	Uninstructed Shares	Board Vote Recommendation
1	Election of directors	Nine nominees receiving the most votes	Not voted	Not voted	FOR
2	Advisory vote on executive compensation "Say on Pay"	Majority of shares voted	Not voted	Not voted	FOR
3	Re-approve the performance criteria for incentive compensation	Majority of shares voted	Not voted	Not voted	FOR
4	Advisory vote on the frequency of "Say on Pay"	Majority of shares voted	Not voted	Not voted	EVERY ONE YEAR
5	Ratification of independent auditor	Majority of shares voted	Not voted	Broker discretionary vote	FOR
6	Shareholder proposal - independent board chairman	Majority of shares voted	Not voted	Not voted	AGAINST

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

How You Can Vote. Your vote is very important and we hope that you will attend the Annual Meeting. However, whether or not you plan to attend the Annual Meeting, please vote by proxy.

Registered Holders. If your shares are registered directly in your name with the Company's transfer agent, Computershare Investor Services, LLC, you are considered a registered holder of those shares. Please vote by proxy in accordance with the instructions on your Proxy Card, or the instruction you received by email.

A registered holder can vote in one of the following four ways:

- **Via the Internet**. Go to the website noted on your Proxy Card in order to vote via the internet. Internet voting is available 24 hours a day. We encourage you to vote via the internet, as it is the most cost-effective way to vote. When voting via the internet, you do not need to return your Proxy Card.

- **By Telephone**. Call the toll-free telephone number indicated on your Proxy Card and follow the voice prompt instructions to vote by telephone. Telephone voting is available 24 hours a day. When voting by telephone, you do not need to return your Proxy Card.

- **By Mail**. Mark your Proxy Card, sign and date it, and return it in the enclosed postage-paid envelope. If you elected to electronically access the Proxy Statement and Annual Report, you will not be receiving a Proxy Card and must vote via the internet or by telephone.

- **In person**. You may vote your shares at the Annual Meeting if you attend in person, even if you previously submitted a Proxy Card or voted via internet or telephone. Whether or not you plan to attend the Annual Meeting, however, we strongly encourage you to vote your shares by proxy before the meeting.

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

Beneficial Shareholders. If your shares are held in a brokerage account in the name of your bank, broker, or other holder of record ("beneficial holder" or "street name"), you are not a registered holder, but rather are considered a beneficial holder of those shares. Your bank, broker, or other holder of record will send you instructions on how to vote your shares. If you are a beneficial holder, you must obtain a legal proxy, executed in your favor, from the holder of record to be able to vote in person at the Annual Meeting.

Voting Deadlines. If you are a participant in the Westamerica Bancorporation Tax Deferred Savings/Retirement Plan (ESOP) your vote must be received by 11:59 p.m. Central Time, on April 24, 2017. All other shareholders voting by telephone or internet must vote by 12:01 a.m. Central Time, on April 27, 2017 to ensure that their vote is counted.

Revocation of Proxy. Registered Holders who vote by proxy, whether by telephone, internet or mail, may revoke that proxy at any time before it is voted at the Annual Meeting. You may do this by: (a) signing another Proxy Card with a later date and delivering it to us prior to the Annual 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 12:01 a.m. Central Time, on April 27, 2017 (prior to 11:59 p.m. Central Time, on April 24, 2017 for ESOP participants); or (c) attending the Annual Meeting in person and casting a ballot. If you are a beneficial holder, 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 envelope containing two or more Notices of Internet Availability of Proxy Materials 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 the Notice 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 Notices in future years. To receive an additional Annual Report or Proxy Statement this year, contact Shareholder Relations at 707-863-6992 or follow the instructions on the Notice. Mailing of dividends, dividend reinvestment statements, and special notices will not be affected by your election to discontinue duplicate mailings of the Notice.

Electronic Access to Proxy Materials and Annual Reports. Whether you received the Notice of Internet Availability of Proxy Materials or paper copies of proxy materials, this Proxy Statement and the 2016 Annual Report are available on the Company's website at: www.westamerica.com. If you hold your Westamerica Bancorporation 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 via the internet. If you vote this year's proxy electronically, you may also 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 Holders. Based on Schedule 13G filings, shareholders beneficially holding more than 5% of Westamerica Bancorporation common stock outstanding as of December 31, 2016, in addition to those disclosed in the Security Ownership of Directors and Management section below, were:

Name and Address of Beneficial Owner	Title of Class	Number of Shares Beneficially Owned	Percent of Class
BlackRock, Inc. 55 East 52nd Street, New York, NY 10055	Common	2,930,402 (1)	11.40%
Eaton Vance Management 2 International Place, Boston, MA 02110	Common	2,413,519 (2)	9.40%
The Vanguard Group, Inc. 100 Vanguard Boulevard, Malvern, PA 19355	Common	2,197,036 (3)	8.55%
T. Rowe Price Associates, Inc 100 East Pratt Street, Baltimore, MD 21202-1009	Common	2,193,328 (4)	8.50%
American Century Investment Management, Inc. 4500 Main Street, Kansas City, MO 64111	Common	2,094,922 (5)	8.16%

(1) The Schedule 13G filed with the SEC on January 17, 2017 disclosed that the reporting entity, BlackRock, Inc., held sole voting power over 2,872,299 shares and sole dispositive power over 2,930,402 shares.

(2) The Schedule 13G filed with the SEC on February 15, 2017 disclosed that the reporting entity, Eaton Vance Management, held sole voting power over 2,413,519 shares and sole dispositive power over 2,413,519 shares.

(3) The Schedule 13G filed with the SEC on February 10, 2017 disclosed that the reporting entity, The Vanguard Group, Inc., held sole voting power over 30,091 shares and sole dispositive power over 2,164,259 shares, and shared dispositive power over 32,777 shares.

(4) The Schedule 13G was filed with the SEC on February 7, 2017. These securities are owned by various individual and institutional investors, which T. Rowe Price Associates, Inc. (Price Associates) serves as investment adviser 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 holder of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial holder of such securities.

(5) The Schedule 13G filed with the SEC on February 10, 2017 disclosed that the reporting entity, American Century Investment Management, Inc., held sole voting power over 2,056,143 shares and sole dispositive power over 2,094,922 shares.

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 Company as a group as of February 27, 2017. As of February 27, 2017, there were 26,273,817 outstanding shares of Westamerica Bancorporation's common stock. 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 December 31, 2016.

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 December 31, 2016	Total[1]	Percent of Class[2]
Etta Allen	10,882 [3]	-	-	10,882	*
Louis E. Bartolini	1,700	-	-	1,700	*
E. Joseph Bowler	-	25,887 [4]	-	25,887	0.1%
Arthur C. Latno, Jr.	3,460 [5]	-	-	3,460	*
Patrick D. Lynch	1,000	-	-	1,000	*
Catherine Cope MacMillan	8,600 [6]	-	-	8,600	*
Ronald A. Nelson	44,000	-	-	44,000	0.2%
David L. Payne	1,453 [7]	885,570 [8]	-	887,023	3.4%
Edward B. Sylvester	73,750	-	-	73,750	0.3%
John "Robert" A. Thorson	415 [9]	7,865 [10]	23,100	31,380	0.1%
David L. Robinson	4	1,939	42,360 [11]	44,303	0.2%
Dennis R. Hansen	30	29,074	79,361 [11]	108,465	0.4%
Russell W. Rizzardi[12]	10	1	-	11	-
All 14 Directors and Executives					
Directors and Officers as a Group	145,329	951,193	190,755	1,287,277	4.9%

* Indicates beneficial ownership of less than one-tenth of one percent (0.1%) of the Company's common shares.
** 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 above 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.

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

(4) Includes 25,887 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 6,000 shares held in a trust as to which Ms. MacMillan is trustee and 400 shares held in trust under the California Uniform Gift to Minors Act as to which Ms. MacMillan is custodian.

(7) Includes 462 shares held in a trust under the California Uniform Gift to Minors Act 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 CEO, as to which Mr. Payne disclaims beneficial ownership, and 345,808 shares held in a trust as to which Mr. Payne is co-trustee with shared voting and investment power.

(9) Includes 415 shares held in a trust under the California Uniform Gift to Minors Act as to which Mr. Thorson is custodian.

(10) Includes 7,152 shares held in a trust as to which Mr. Thorson is co-trustee with shared voting and investment power.

(11) During 1996, the Company 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: Messrs. Hansen - 14,780 shares; and Robinson - 19,140 shares.

(12) Mr. Rizzardi's compensation is subject to garnishments and liens pursuant to certain domestic relations orders.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities and Exchange Act requires the Company's Directors and Executive Officers and persons who own more than ten percent (10%) of a registered class of the Company's equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Our employees generally prepare these reports on the basis of information received from each Director and Officer. Based on the review of copies of the forms filed, the Company believes that, during the last fiscal year, all filing requirements under Section 16(a) applicable to its directors, officers, and 10% shareholders were filed timely.

PROPOSAL 1 – ELECTION OF DIRECTORS

Board of Directors

Nine Directors have been nominated for election at the Annual Meeting to hold office until the next Annual Meeting 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 Company 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 Annual 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. Our nominees are seasoned leaders who bring to the Board an array of financial services, public and private company, non-profit, and other business experience. As a group they possess experience in leadership, consumer banking, commercial and small business banking, investment banking, capital markets, financial advisory services, finance and accounting, risk management and real estate. Many of the Board Members have seen the Company through a variety of economic conditions. The information below has been furnished to the Company by the respective nominees. All of the nominees have engaged in their indicated principal occupation for more than five years, unless otherwise indicated and no nominee has served on the Board of Directors of another public company during the past five years.

Name of Nominees, Principal Occupations, and Qualifications

Etta Allen – Director since 1988

Etta Allen (87) is President and CEO of Allen Heating and Sheet Metal and President and CEO of Sunny Slope Vineyard in Sonoma County, California. She is a member of the Employee Benefits and Compensation Committee and the Loan and Investment Committee. Mrs. Allen is also a Director of Westamerica Bank.

In 1972, she became the second woman in the state of California to become a licensed contractor in heating, ventilation, air conditioning and sheet metal, and in 1974 she became President and CEO of Allen Heating and Sheet Metal. Under her leadership the company became recognized throughout California. She was the first woman president of Marin Builders Exchange and during her time on the executive committee she also served as a trustee and later as chairman of their successful insurance trust. She was the first woman contractor on the Executive Committee of the California Association of Builders Exchanges.

Etta Allen is one of the pioneers for women in non-traditional careers. As an entrepreneur, businesswoman and an involved community leader, she brings independence, operations management and executive experience to the Board.

Louis E. Bartolini – Director since 1991

Louis E. Bartolini (84) retired from Merrill Lynch, Pierce, Fenner & Smith, Inc. (now Merrill Lynch and Co.) as a financial consultant. He currently serves on the Audit Committee and is also a Director of Westamerica Bank. Mr. Bartolini has 34 years of experience in the financial industry serving as a financial consultant and branch manager for Merrill Lynch and Co. and has been active for over 36 years in the non-profit community in Marin County. He has served on the boards of many non-profit organizations, including a five-year term as president of the Marin Symphony, a Board member of the Association of California Symphony Orchestras, and a past District Governor of Rotary International.

Mr. Bartolini's continuing interest in the financial industry, his leadership skills, and financial and investment expertise are of great value to the Board. His extensive ties to local community and business leaders through his long-term volunteer involvement provide the Board with a broad prospective and insights into key segments of our markets and customer base.

E. Joseph Bowler – Director since 2003

E. Joseph Bowler (80) retired as Senior Vice President and Treasurer of the Company in 2002. He currently serves as a member of the Audit Committee and is also a Director of Westamerica Bank. Mr. Bowler holds a Masters of Business Administration from Stanford University.

With many years of direct banking experience, Mr. Bowler brings strong financial and investment expertise important to the oversight of our financial reporting and interest rate risk management. In addition, Mr. Bowler's experience as a director and trustee of various non-profit community and educational organizations brings strategic planning and corporate governance skills to the Board.

Arthur C. Latno, Jr. – Director since 1985

Arthur C. Latno, Jr. (87) retired from Pacific Telesis Group (now Pacific Bell Telephone Company) as an Executive Vice President. He currently serves on the Company's Executive Committee, the Employee Benefits and Compensation Committee, and the Loan and Investment Committee and is Chairman of the Nominating Committee. Mr. Latno is also a Director of Westamerica Bank. His expertise stems from his wide-ranging responsibilities at Pacific Bell, which included operations, regulatory responsibilities, and public and governmental relations. His proficiency in strategic planning was recognized by the City of San Francisco when he was selected to serve on the City's Port of San Francisco Strategic Planning Advisory Panel. He has also been involved with the Marin General Hospital Foundation, the Fine Arts Museum of San Francisco and numerous other community organizations in the locations where the Company has a significant presence. Mr. Latno is also a former U.S. Ambassador and Chairman of the U.S. Delegation Treaty Conference (rank accorded by President Reagan) in Melbourne, Australia, and a former Chairman of the Board of Trustees and Past President of Board of Regents of St. Mary's College in California. He was a recipient of the Anti-Defamation League's Americanism Award and the Friends of the Human Rights Commission's Human Rights Award.

Mr. Latno's most important contributions to the Board are his executive leadership, strategic planning skills, and regulatory and public relations experience.

Patrick D. Lynch – Director since 1986

Patrick D. Lynch (83) retired as Vice President and General Manager of the U.S. Semiconductor Division of Motorola. He currently serves as Chairman of the Employee Benefits and Compensation Committee, is a member of the Executive Committee and the Nominating Committee, and is also a Director of Westamerica Bank. Mr. Lynch has held executive positions at Nicolet Instrument Company and several venture capital high-tech start-up companies.

Mr. Lynch brings to the Board operations, financial and marketing expertise as well as a valued historical perspective.

Catherine Cope MacMillan – Director since 1985
Catherine Cope MacMillan (69) is a former owner of the Huntington Hotel in San Francisco and La Playa Hotel in Carmel-by-the-Sea. She is a member of the Loan and Investment Committee and the Audit Committee. She is also a Director of Westamerica Bank. Ms. MacMillan previously operated a prominent restaurant for nearly 20 years. She is a graduate of the University of California at Davis and Pacific McGeorge School of Law. She has also served in numerous leadership capacities for community organizations.

Ms. MacMillan's experience in administration and operational aspects of various businesses and organizations provides the Board with sound leadership.

Ronald A. Nelson – Director since 1988
Ronald A. Nelson (74) was Executive Vice President of Charles M. Schulz Creative Associates through 1995. He serves as the Chairman of the Audit Committee and is a member of the Employee Benefits and Compensation Committee. He is also a Director of Westamerica Bank. Mr. Nelson has a background as a Certified Public Accountant and has been designated as the Audit Committee's "financial expert." He has been a resident of Sonoma County since 1970, which is one of the bank's primary markets and where he has been involved in business management, investment management, and the development of commercial real estate. He also served as a board member and chairman of Santa Rosa Memorial Hospital, which is the area's primary acute care hospital.

Mr. Nelson's extensive business and financial expertise provides important oversight of our financial reporting and risk management.

David L. Payne – Director since 1984
David L. Payne (61) is Chairman, President & CEO of Westamerica Bancorporation. He was appointed Chairman in 1988 and Chief Executive Officer in 1989 and is Chairman of the Executive Committee. Mr. Payne is also Chairman, President & CEO of Westamerica Bank. He brings to the Board strong leadership and a vision for the future. He has a thorough knowledge of the banking industry, manages regulatory and business development issues, and has extensive financial and accounting expertise. Mr. Payne possesses excellent management, strategic development and business skills.

Since Mr. Payne's appointment as Chairman of the Board, Westamerica's dividends per share have risen twelve-fold and capital levels have increased nine-fold. Total assets have quadrupled during his tenure and net income has risen by a multiple of 12. Return on equity was 10.9% for the year ended December 31, 2016.

Mr. Payne has successfully negotiated and led the Company through many mergers including: John Muir National Bank, Napa Valley Bancorporation, PV Financial, CapitolBank – Sacramento, North Bay Bancorp, ValliCorp Holdings, First Counties Bank, Kerman State Bank, Redwood Empire Bancorp, County Bank, and Sonoma Valley Bank. Mr. Payne also manages his family printing, publishing and cable television business.

Edward B. Sylvester – Director since 1979
Edward Sylvester (80) is a licensed civil engineer and the founder of SCO Planning and Engineering. He retired from the day-to-day engineering profession in 2007, but continues as a private consultant. Mr. Sylvester is currently a member of the Executive Committee, the Nominating Committee, Chairman of the Loan and Investment Committee, and serves as Lead Independent Director of Westamerica Bancorporation. He was a founding Director of Gold Country Bank headquartered in Grass Valley until the bank merged with Westamerica's predecessor, Independent Bankshares, at which time he was nominated to serve on the corporate Board by his peers. Mr. Sylvester is the Chairman of the Board of Nevada County Broadcasters. He is a member and Past Chairman of the Board of Sierra Nevada Memorial Hospital where he is also a member of their Finance Committee and a member of the Strategy Committee. He is the liaison from the hospital board to the Sierra Nevada Memorial Hospital Foundation and a member of the Foundation Board. Mr. Sylvester has previously served as a member and Chairman of the California

Transportation Commission that prioritizes state transportation projects and allocates funding. He is a past President of the Rotary Club of Grass Valley and past Chairman of the Grass Valley Chamber of Commerce. Mr. Sylvester has run 23 marathons to date and was the 14th person in the world to complete a full marathon on all seven continents including Antarctica.

The depth of Mr. Sylvester's experience gives him first-hand understanding of all the nuances of development and development funding, a current knowledge of the retail economy, and a state-wide perspective and experience in funding allocation. His long tenure on the Board brings a historical and long-term perspective while he remains current on financial issues with his continuing leadership role in the community and active management positions.

THE BOARD OF DIRECTORS RECOMMENDS ELECTION OF ALL NOMINEES

Board of Directors and Committees

Director Independence and Leadership Structure

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.

Our Board has carefully considered the critical issue of Board leadership. In the context of risk management, the leadership of each Board committee primarily responsible for risk management is vested in an independent committee chair. With regard to the leadership of the meetings of the full Board, our Board of Directors has carefully evaluated whether the positions of chairman and CEO should be separate or combined. Our Board believes that the most effective leadership structure for the Company at this time is to combine the responsibilities of the Chairman and CEO, a structure that has been successful since 1989. The combined positions avoid a duplication of efforts, enable decisive leadership, ensure a clear accountability for the performance of the Company, a more rapid implementation of decisions, and a consistent vision. Given the size of our employee base and our level of assets relative to larger, more complex banking structures, our Company is particularly well suited to combine the Chairman and CEO functions. Furthermore, our management team has an average tenure of 23 years and does not require the substantial oversight needed by a less experienced team, which has allowed our Chairman and CEO to lead the Company through eleven acquisitions since 1992.

To ensure strong Board oversight eight of our nine Directors are, as noted above, independent as defined by NASDAQ. Only non-management directors sit on Board committees, with the exception of the Executive Committee, and every non-management director sits on one or more of these Committees. All non-management directors meet at least four times a year outside the presence of the Chairman and CEO. The Board completes an annual board evaluation that is discussed by the Nominating Committee and presented to the full Board.

Although the Board believes that it is more effective to have one person serve as the Chairman and CEO at this time, it also recognizes the importance of strong independent leadership on the Board, accordingly, the Board has established a strong, independent Lead Director, Mr. Sylvester, who must serve at least one year and has the following clearly delineated and comprehensive duties:

- Presides at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent Directors;
- Serves as liaison between the Chairman and the independent Directors;
- Approves information sent to the Board;
- Approves meeting agendas for the Board;
- Approves meeting schedules to assure that there is sufficient time for discussion of all agenda items;
- Has the authority to call meetings of the independent Directors; and

- If requested by major shareholders, ensures that he or she is available for consultation and direct communication.

The Board does not believe that the fact an independent Lead Director does not preside over the normal Board meeting business sessions limits the ability of the Board to have open exchanges of views, or to address any issues the Board chooses, independently of the Chairman.

The Board of Directors of the Company also serve as the Board of Directors of Westamerica Bank, and as such are well informed of Bank operations through regular reports and discussions on the operations of the Bank. The Directors' longevity with the Company has exposed them to a wide range of business cycles, which plays a critical role in managing the risk profile and profitability of the Company through the current economic environment.

Role of the Board of Directors in Risk Oversight

The Board is also responsible for overseeing all aspects of management of the Company, including risk oversight, which is effected through all Board committees, but primarily through the Board's Audit Committee. The Internal Audit Department reports directly to the Board's Audit Committee. It presents its independently prepared company-wide annual risk assessment, its evaluation of Management's prepared risk assessment and its audit plan incorporating the risk assessment, including the policies and procedures utilized to monitor and control such exposures, to the Board's Audit Committee.

The internal loan review function reports directly to the Board's Loan and Investment Committee. It reports ongoing evaluations of loan portfolios and the risk rating of individual loans using guidelines established by bank regulatory authorities, to the Board's Loan and Investment Committee.

Meetings

The Company expects all Board members to attend all meetings, including the Annual Meeting of Shareholders, except for reasons of health or special circumstances. The Board held a total of ten meetings during 2016. 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. Each individual who served on the Board of the Company on the date of the 2016 Annual Meeting of Shareholders attended the meeting, except for Mr. Bartolini.

Committees of the Board

Director Name	Executive Committee	Audit Committee	Employee Benefits and Compensation Committee	Loan and Investment Committee	Nominating Committee
Etta Allen			X	X	
Louis E. Bartolini		X			
E. Joseph Bowler		X			
Arthur C. Latno, Jr.	X		X	X	Chair
Patrick D. Lynch	X		Chair		X
Catherine Cope MacMillan		X		X	
Ronald A. Nelson		Chair	X		
David L. Payne	Chair				
Edward B. Sylvester	X			Chair	X
Number of Meetings in 2016	9	5	5	9	1

Executive Committee

Functions: The Board delegates to the Executive Committee all powers and authority of the Board in the management of the business affairs of the Company between board meetings, which the Board is allowed to delegate under California law.

Audit Committee

The Board of Directors has determined that all members are independent, as that term is defined by applicable rules of NASDAQ for Audit Committee purposes. 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 Company'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.

Functions: The Audit Committee provides independent, objective oversight of the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the independence and performance of the Company's independent auditor as it performs audit, review or attest services, and the Company's internal audit and control function. It selects and retains the independent registered public accounting firm, and reviews the plan and the results of the auditing engagement. It acts pursuant to a written charter that was reaffirmed by the Board of Directors in January 2017 and is attached as Exhibit A to the Proxy Statement for this 2017 Annual Meeting of Shareholders.

Employee Benefits and Compensation Committee

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.

Functions: The Compensation Committee administers Westamerica Bancorporation's 2012 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 Company's compensation programs and reviews and reports to the Board the compensation level for executive officers, including the CEO, of the Company and its subsidiaries and determines that compensation plans are balanced between financial results and prudent risk taking. 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 is governed by a written charter as required by NASDAQ rules. The charter was reaffirmed by the Board of Directors in January 2017 and is attached as Exhibit B to the Proxy Statement for this 2017 Annual Meeting of Shareholders. The Compensation Committee has the authority to seek assistance from officers and employees of the Company 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 Payroll and Employee Benefits Department supports the Compensation Committee by fulfilling certain administrative duties regarding the compensation programs.

Nominating Committee

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

Functions: 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 Company'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 the Board. The Nominating Committee is governed by a written charter, which was reaffirmed January 27, 2016 and attached as Exhibit B to the Proxy Statement for the 2016 Annual Meeting of Shareholders.

While the Board does not have a formal diversity policy, it broadly defines diversity to encompass a diverse range of skills and expertise sufficient to provide prudent guidance to the Company. In addition to the qualifications and characteristics described below, it considers whether the potential Director assists in achieving a mix of Board members that represents a diversity of background, perspective, and experience. Our Board includes Directors with experience in public corporations and non-profit organizations, as well as entrepreneurial individuals who have successfully run their own private enterprise. Our Board also has a broad set of skills necessary for providing oversight to a financial institution, which includes proven leadership, and expertise in capital management, finance, accounting, regulatory affairs, and investment management.

Nominating Directors. The Nominating Committee will consider shareholder nominations submitted in accordance with Section 2.14 of the Bylaws of the Company. 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 Company 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 Company must receive notice with a reasonable amount of time before the Company 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 Company that the shareholder expects will be voted for the nominee;
- The name and address of the nominating shareholder; and
- The number of shares of capital stock of the Company owned by the nominating 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 Company'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 Company;
- 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 Company's business environment; and
- Significant business experience relevant to the operations of the Company.

Loan and Investment Committee

Functions: This Committee reviews major loans and investment policies.

Director Compensation

The following table and footnotes provide information regarding the compensation paid to the Company's non-employee members of the Board of Directors in the fiscal year 2016. Directors who are employees of the Company receive no compensation for their services as Directors.

Director Compensation Table For Fiscal Year 2016

Name[1]	Fees Earned Paid in Cash	Change in Pension Value and Nonqualified Deferred Compensation Earnings[2]	Total
Etta Allen	$42,400	$66,563	$108,963
Louis E. Bartolini	37,000	660	37,660
E. Joseph Bowler	37,000	-	37,000
Arthur C. Latno, Jr.	48,650	-	48,650
Patrick D. Lynch	44,250	-	44,250
Catherine Cope MacMillan	40,600	-	40,600
Ronald A. Nelson	41,250	-	41,250
Edward B. Sylvester	45,600	11,582	57,182

(1) Non-employee Directors did not receive options or stock awards. During 2016, non-employee Directors of the Company each received an annual retainer of $22,000. 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.

(2) 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. 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 2016 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 Company may make a nominal donation through its Community Relations program to non-profit organizations where a Director(s) may have an affiliation.

EXECUTIVE COMPENSATION

Executive Officers

The executive officers of the Company and Westamerica Bank serve at the pleasure of the Board of Directors and are subject to annual appointment by the Board at its first meeting following the Annual Meeting of Shareholders. It is anticipated that each of the executive officers listed below will be reappointed to serve in such capacities at that meeting.

David L. Payne – Held since 1984

David L. Payne (61) is the Chairman of the Board, President and CEO of the Company and Westamerica Bank. Mr. Payne also manages his family printing, publishing and cable television business.

John "Robert" Thorson – Held since 2005

John "Robert" Thorson (56) is Senior Vice President and Chief Financial Officer of the Company. Mr. Thorson joined Westamerica Bancorporation in 1989, was Vice President and Manager of Human Resources from 1995 until 2001 and was Senior Vice President and Treasurer from 2002 until 2005.

Dennis R. Hansen – Held since 2005

Dennis R. Hansen (66) is Senior Vice President and Manager of the Operations and Systems Administration of Community Banker Services Corporation. Mr. Hansen joined Westamerica Bancorporation in 1978 and was Senior Vice President and Controller for the Company until 2005.

David L. Robinson – Held since 2007

David L. Robinson (57) is Senior Vice President and Banking Division Manager of Westamerica Bank. Mr. Robinson joined Westamerica Bancorporation in 1993 and has held several banking positions, most recently, Senior Vice President and Southern Banking Division Manager until 2007.

Russell W. Rizzardi – Held since 2008

Russell W. Rizzardi (61) is Senior Vice President and Chief Credit Administrator of Westamerica Bank. Mr. Rizzardi joined Westamerica Bank in 2007. He has been in the banking industry since 1979 and was previously with Wells Fargo Bank and U.S. Bank.

The Company has adopted a Code of Ethics (as defined in Item 406 of Regulation S-K of the Securities Act of 1933) that is applicable to its senior financial officers including its chief executive officer, chief financial officer, and principal accounting officer.

Compensation Discussion and Analysis

The executive compensation practices described below have been followed consistently for twenty-four years. At each Annual Meeting of Shareholders since 2010, a majority of our shareholders approved an advisory proposal on the Company's executive compensation.

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 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 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.

In February 2013, the Board of Directors adopted a clawback policy that requires executive officers to forfeit previously awarded incentive compensation if the incentives were based on materially inaccurate financial statements or other performance measures that are later proven to be materially inaccurate or the achievement of which were due to fraud or other misconduct.

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 Company's long-term financial performance and shareholder interests, and avoiding excessive risk-taking.

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 Company and its shareholders. Corporate performance measures include risk management elements considered to be responsive to the impact that current operating conditions could have on the long-term performance of the Company. The Compensation Committee monitors the economy and 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 a myriad 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, regulations and legislation, 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 Company's balance sheet and product pricing in a manner which will benefit the long-term financial interests of shareholders, the type and variety of financial products offered by the Company, adherence to internal controls, management of the credit risk of the Company's loan and investment portfolios, the results of internal, regulatory and external audits, service quality delivered to the Company's customers, service quality of "back office" support departments provided to those offices and departments directly delivering products and services to the Company'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 Bancorporation's common stock subject to achievement of performance objectives established by the Compensation Committee. The 2012 Amended and Restated Stock Option Plan of 1995 (the "2012 Amended Plan"), which was originally approved by shareholders in 1995, and amended with shareholder approval in 2003 and again in 2012, 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.

Upon the closure 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 non-equity 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 Company's Proxy Statement dated March 12, 2012, as filed with the SEC on March 13, 2012, summarizes the 2012 Amended Plan's changes from the predecessor plan. Such changes included:

- reducing the issuable shares to 1,500,000 (plus shares that become available if awards under prior plans expire unexercised or are cancelled, forfeited or terminated before being exercised);
- any additional authorization of shares available for issuance must be approved by shareholders; and
- establishing a plan expiration date of April 26, 2022 after which shareholder approval is again required to extend the term or approve a new stock option plan.

The 2012 Amended 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 Bancorporation 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 Company does not receive a corporate tax deduction related to the shares issued.

Nonqualified Stock Options ("NQSO") also give the optionee the option to buy a certain number of shares of Westamerica Bancorporation common stock at a fixed price, which is established on the date of grant. Unlike ISOs, NQSOs do not allow deferral of taxable income for the optionee. At the time NQSOs are exercised, the optionee incurs taxable income equal to the spread between the exercise price and the market price of the stock, and the Company 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 Westamerica Bancorporation's common stock on the date the SAR is surrendered and the fair market value of the Company's common stock on the date the SAR was granted. The optionee incurs taxable income at the time the SAR is settled and the Company receives a corporate tax deduction in the same amount.

Restricted Performance Share Grants, as noted above, are awards of the Westamerica Bancorporation'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 Company 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. Examples include 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 2012 Amended 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 Company. As of February 27, 2017, the Company had no ISO or SAR awards outstanding.

Determination of Option Exercise Price

The 2012 Amended 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 Company's common stock on the date of grant. The 2012 Amended 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 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 Company'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 Company has broadly disseminated its financial condition and current operating results to the public. The Company'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.

Long-Term Incentive Attributes

The Board of Directors has designated the Compensation Committee as the administrator of the 2012 Amended 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 grants 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 Company 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 Company does not pay dividends on RPS shares until vesting occurs and shares awarded become outstanding on a dividend record date.

Compensation for the Chairman, President & CEO

Mr. Payne performs two functions for the Company. These two functions tend to be compensated separately at similarly sized banking institutions. Mr. Payne serves as Chairman of the Board and CEO with responsibilities including oversight of the organization and external strategic initiatives. Mr. Payne also serves as President and CEO 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 30 of the Proxy under the Pension Benefits Table, during 1997 the Company 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 cancelled.[(1)] In entering the Pension Agreement, the Board of Directors considered the following:

- Mr. Payne had a significant beneficial interest in Westamerica Bancorporation common stock, which was more than adequate to continue to provide motivation for Mr. Payne to continue managing the Company in the best interests of shareholders.
- In 1997, the Company 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

[(1)] The value of the surrendered RPS shares and the Pension Agreement were considered equivalent based on actuarial assumptions.

providing retention features for Mr. Payne. Retention of Mr. Payne as President and CEO was desired following the Company'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 was to commence upon Mr. Payne's attainment of age 55. Mr. Payne was age 42 at the time of entering the Pension Agreement.

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 to "control points" assigned to each position. 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 Company. 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 2016 performance were as follows:

	"Target" Cash Incentive	Goal Weighting		
		Corporate	Divisional	Individual
Mr. Payne	$371,000	80%	–	20%
Mr. Thorson	105,000	55%	25%	20%
Mr. Robinson	82,500	50%	40%	10%
Mr. Hansen	73,900	55%	25%	20%
Mr. Rizzardi	60,500	55%	35%	10%

The Compensation Committee establishes corporate goals with the intent to balance current profitability with long-term stability of the Company and its future earnings potential. The 2016 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 Company include "quality" and "control" components. The "quality" measures include loan portfolio quality measures (originated classified loans and other real estate owned, originated non-performing loans and originated other real estate owned, and net loan losses to average originated 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 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 at the expense of longer-term results.

For 2016, the Compensation Committee expected nominal economic growth with a high level of uncertainty, particularly in regard to the interest rate environment. As a result, the Committee reserved the ability to exercise a certain degree of judgment in adjusting target goals based on the resulting operating environment.

The Compensation Committee determined the 2016 operating environment was generally characterized as follows:

- Growth in the United States' economy was positive, but generally below potential;
- Inflation remained below targets established by the Federal Open Market Committee in spite of continuing high levels of monetary policy accommodation and improving employment conditions;
- Interest rates were volatile, with longer-term rates declining at times during the year; the Federal Open Market Committee did not change the federal funds rate until December 2016;
- Interest rates on loans and investment securities remain relatively low compared to interest rates which would exist with moderated monetary policies and economic conditions. Competitors offered loan interest rates well below the yields required for the Company to deliver satisfactory financial results throughout a full business cycle;
- Real estate values in the Company's metropolitan geographies appeared to increase to levels above those which could be sustained by prevailing economic conditions; and
- Regulations imposed on banks continued to pressure compliance costs, revenue opportunities, and increased operational risks.

The Compensation Committee considered Management's response to the current operating environment including:

- Management positioned the Company's loans, investment securities and deposits, in anticipation of rising interest rates;
- Management consistently maintained conservative loan underwriting practices to appropriately manage the Company's exposure to credit risk;
- Management increased the value of the Company's deposit base by increasing checking and savings deposits and reducing time deposits;
- Management lowered operating costs to offset market interest rate pressure on revenues;
- Management maintained high levels of customer service; and
- Management prudently managed capital enabling the Company to continue delivering increasing annual levels of dividends per share and position the Company for growth opportunities.

The Compensation Committee chose to make adjustments to actual results to take into account the impact of the operating environment. Adjusted actual results against "target" performance goals were:

	Performance "Target"	Adjusted Actual Results
Profitability Goals:		
Return on average shareholders' equity	11.2%	11.3%
Return on average assets	1.14%	1.13%
Diluted earnings per share	$2.26	$2.33
Quality Goals:		
Classified originated loans and other real estate owned	$52 million	$31 million
Non-performing originated loans and other real estate owned	$11.0 million	$6.6 million
Net loan losses to average originated loans	0.15%	0.10%
Service quality	Improving	Improving

<u>Control Goals</u>:		
Non-interest expense to revenues (efficiency ratio)	53.3%	52.1%
Non-interest expenses	$103.5 million	$101.2 million
Below satisfactory internal audits	none	none

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 110.1% 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:

- Manage the Company to achievement of financial goals without compromising on credit quality standards as to underwriting or to pricing;
- Prepare the Company's financial condition for a period of rising interest rates;
- Control operating costs by managing to a neutral position relative to 2015;
- Maintain a strong internal control environment and risk management practices;
- Satisfactory regulatory examinations and external and internal audit results;
- Pursue mergers and acquisitions; and
- Personnel development within divisional and middle management positions.

Based on individual performance against these goals, the Committee exercised its discretion and assigned Mr. Payne a composite corporate and individual performance level of 61%.

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

- Manage the level of earning assets to achieve desired financial results;
- Manage the investment securities portfolio in anticipation of rising interest rates: maximize the possible yield while meeting duration objectives and maintaining high credit quality;
- Develop personnel and operating systems to foster business continuity;
- Manage the process of adopting new accounting standards;
- Manage the Trust Department toward achieving fee growth goals, maintain satisfactory audit results, and personnel development activities; and
- Satisfactory regulatory examinations, external audits, and internal audits with all areas of responsibility.

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

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

- Provide financial management support to potential merger and acquisitions activities;
- Support cross-divisional regulatory compliance initiatives; and
- Solicit shareholder votes which support the Board of Directors proxy recommendations.

Based on individual performance against these goals, the Committee determined Mr. Thorson's individual performance to be 138%. In considering all elements of performance, the Committee exercised its discretion and assigned Mr. Thorson a composite corporate, divisional and individual performance level of 143%.

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

- Regional sales management responsibilities;
- Achievement of deposit goals;
- Sales management of non-interest income generated through the branch system; and
- Hiring of sales personnel.

Based on the Banking Division's results, the Committee determined divisional performance to be 100%.

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

- Coach and mentor subordinates to higher levels of performance;
- Outbound customer calling activities;
- Leadership in the career development initiatives; and
- Management of service quality standards within the Banking Division.

Based on individual performance against these goals, the Committee determined Mr. Robinson's individual performance to be 138%. As a result, Mr. Robinson's composite corporate, divisional and individual performance level was 109%. In considering all elements of performance, the Committee exercised its discretion and assigned Mr. Robinson a composite corporate, divisional and individual performance level of 133%.

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

- Maintain and improve customer service quality;
- Meet or exceed non-interest expense goals without compromising service quality and internal controls;
- Satisfactory risk management as measured by the results of internal, third-party and regulatory examinations;
- Meet personnel development objectives;
- Management and satisfactory completion of information technology projects; and
- Successful transition of third-party vendor relationship.

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:

- Managerial oversight of marketing and merchant processing services functions;
- Management of divisional internal controls and risks;
- Satisfactory audit results; and
- Personnel management objectives.

Based on individual performance against these goals, the Committee determined Mr. Hansen's individual performance to be 138%. As a result, Mr. Hansen's composite corporate, divisional and individual performance level was 117%.

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

- Properly underwriting loan facilities and maintain high quality loan underwriting standards;
- Maintain credit quality as measured by net loan charge-offs, levels of non-performing loan and other real estate owned, classified and criticized loan volumes, and consumer and commercial loan delinquencies;
- Direct supervision within commercial loan underwriting offices;

- Update credit policies and procedures;
- Delivery of superior customer service; and
- Satisfactory regulatory examination results.

Based on the Credit Division's results, the Committee determined divisional performance to be 100%.

In addition to daily management responsibilities, Mr. Rizzardi's individual goals included:
- Enhancement of Board and management reporting functions; and
- Increase participation in development of customer relationships.

Based on individual performance against these goals, the Committee determined Mr. Rizzardi's individual performance to be 75%. As a result, Mr. Rizzardi's composite corporate, divisional and individual performance level was 103%.

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		61%		$225,000
Mr. Thorson	105,000		143%		150,200
Mr. Robinson	82,500		133%		109,800
Mr. Hansen	73,900		117%		86,700
Mr. Rizzardi	60,500		103%		62,300

The size of stock grants is determined by corporate performance using stated formulas. The formulas used to determine "target" NQSO and RPS grant sizes adjust for changes in the underlying value of one share of Westamerica Bancorporation common stock. For achievement of corporate performance in 2016, the following stock grants were awarded in January 2017:

	"Target" Nonqualified Stock Option Grant	X	Corporate Performance Level	=	Nonqualified Stock Option Award
Mr. Payne	–		110.1%		–
Mr. Thorson	19,700		110.1%		21,700
Mr. Robinson	19,800		110.1%		21,800
Mr. Hansen	17,600		110.1%		19,400
Mr. Rizzardi	15,900		110.1%		17,500

	"Target" RPS Grant	X	Corporate Performance Level	=	RPS Award
Mr. Payne	–		110.1%		–
Mr. Thorson	1,950		110.1%		2,150
Mr. Robinson	1,970		110.1%		2,170
Mr. Hansen	1,760		110.1%		1,940
Mr. Rizzardi	1,590		110.1%		1,750

RPS awards vest three years following the grant date, only if certain corporate performance objectives are achieved over the three-year period. In January 2017, the Compensation Committee evaluated whether the three year corporate performance objectives were met for RPS awards granted in January 2014. The performance objectives for the RPS granted in January 2014 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 originated non-performing assets to total originated assets (NPA); and
- Efficiency ratio over three years.

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; or
- 2 of 5 objectives reaching "outstanding" performance level.

The goals and achieved results were:

	Threshold	Target	Outstanding	Result
EPS	$7.00	$7.05	$7.15	Outstanding
ROA	1.21%	1.23%	1.27%	Threshold
ROE differential	1.85%	2.00%	2.30%	Outstanding
NPA	0.50%	0.35%	0.25%	Outstanding
Efficiency Ratio	56.00%	53.00%	50.00%	Target

With five of the goals achieving the "threshold" performance level or better, the Compensation Committee determined the RPS shares awarded in 2014 vested upon achievement of three year goals.

Nonqualified Deferred Compensation Programs

The Company maintains nonqualified deferred compensation programs to provide senior and mid-level executives the ability to defer compensation in excess of the annual limits imposed on the Company's ESOP plan. The Company 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 Company credits the balance of these accounts with interest using an interest rate that approximates the crediting rate on corporate-owned life insurance policies, under which Directors and executives are the named insured. Deferrals and interest credits represent general obligations of the Company.
- The common stock the Company 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 the Company's common stock, the Company 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 Company's creditors.

Employment Contracts

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

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 a "change in control" provision, which trigger full vesting upon a change in control. The Compensation Committee determined these provisions were appropriate in order to retain executives to continue managing the Company after any "change in control" was announced through its ultimate consummation. Since none of the named executive officers have entered employment contracts with the Company, 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.

The Company 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 Company in any year with respect to certain of the Company's highest-paid executives. Certain "performance-based compensation" is not counted toward this limit. The Company 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.

Employee Benefits Compensation Committee Report

We, the Compensation Committee of the Board of Directors of the Company, 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 Company's Annual Report on Form 10-K for the year ended December 31, 2016.

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 Company or any of its subsidiaries, or entered into (or agreed to enter into) any transaction or series of transactions with the Company or any of its subsidiaries with a value in excess of $120,000. None of the executive officers of the Company 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 Company.

Summary Compensation

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, 2016, 2015, and 2014. These persons are referred to as named executive officers elsewhere in this Proxy Statement.

Summary Compensation Table For Fiscal Year 2016

Name / Position	Year	Salary	Stock Awards[1]	Option Awards[2]	Non-Stock Incentive Plan Compensation[3]	Change in Pension Value and Nonqualified Deferred Compensation Earnings[4]	All Other Compensation[5]	TOTAL
David L. Payne	2016	$371,000	$-	$-	$225,000	$-	$19,535	$615,535
Chairman,	2015	371,000	-	-	225,000	-	19,557	615,557
President & CEO	2014	371,000	-	-	225,000	-	15,471	611,471
John "Robert" A. Thorson	2016	149,000	124,027	164,175	150,200	42,431	28,749	658,582
SVP & Chief	2015	149,000	124,669	144,144	141,600	38,786	27,788	625,987
Financial Officer	2014	149,000	122,705	128,838	132,100	25,287	25,117	583,047
David L. Robinson	2016	150,000	124,450	164,772	109,800	36,094	18,491	603,607
SVP/Banking Division	2015	150,000	125,523	145,236	110,000	33,782	16,027	580,568
Manager	2014	150,000	123,772	130,611	90,300	21,734	18,587	535,004
Dennis R. Hansen	2016	130,008	111,751	147,459	86,700	28,092	37,854	541,864
SVP/Operations & Systems	2015	130,008	112,288	129,948	85,200	26,485	33,140	517,069
Division Manager	2014	130,008	110,968	116,427	86,400	17,018	30,028	490,849
Russell W. Rizzardi[6]	2016	120,960	100,322	133,131	62,300	-	7,695	424,408
SVP/Credit Administrator	2015	120,960	101,187	116,844	67,000	-	7,466	413,457
	2014	120,960	99,765	105,198	66,200	-	6,817	398,940

(1) Stock Awards represent RPS shares as described in the Compensation Discussion & Analysis. The amounts shown represent the aggregate grant date fair market value.

(2) Option awards represent Nonqualified Stock Options as described in the Compensation Discussion & Analysis. The amounts shown represent the aggregate grant date fair market value.

(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 Company has no defined benefit pension plan. Mr. Payne has a pension agreement, which is discussed under "Pension Benefits for Fiscal Year 2016."

(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 Company contributions to defined contribution plans (ESOP and Deferred 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 Company 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.

(6) Mr. Rizzardi's compensation is subject to garnishments and liens pursuant to certain domestic relations orders.

Based on the compensation disclosed in the Summary Compensation Table, approximately 34% of total compensation comes from base salaries. See Compensation Discussion and Analysis for more details.

Grants of Plan-Based Awards Table For Fiscal Year 2016

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			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]
		Threshold	Target	Maximum				
David L. Payne	1/28/16	$-	$371,000	$556,500	-	-	$-	$-
	1/28/16	-	-	-	-	-	-	-
	1/28/16	-	-	-	-	-	42.33	-
John "Robert" A. Thorson	1/28/16	-	105,000	157,500	-	-	-	-
	1/28/16	-	-	-	2,930	-	-	124,027
	1/28/16	-	-	-	-	27,500	42.33	164,175
David L. Robinson	1/28/16	-	82,500	123,750	-	-	-	-
	1/28/16	-	-	-	2,940	-	-	124,450
	1/28/16	-	-	-	-	27,600	42.33	164,772
Dennis R. Hansen	1/28/16	-	73,900	110,850	-	-	-	-
	1/28/16	-	-	-	2,640	-	-	111,751
	1/28/16	-	-	-	-	24,700	42.33	147,459
Russell W. Rizzardi[4]	1/28/16	-	60,500	90,750	-	-	-	-
	1/28/16	-	-	-	2,370	-	-	100,322
	1/28/16	-	-	-	-	22,300	42.33	133,131

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(1) Includes RPS grants. There is no dollar amount of consideration paid by any executive officer on the grant or vesting date of an award.
The material terms of the RPS grants are as follows:
- The performance and vesting period is three years;
- Multiple performance goals are established by the Compensation Committee for each grant;
- The Compensation Committee may revise the goals upon significant events;
- Three-year performance criteria are limited to those provided in the 2012 Amended Plan, as described on page 17;
- Accelerated vesting occurs upon a “change in control” as defined in the 2012 Amended Plan as described on page 25 of this Proxy statement; and
- No dividends are paid or accrued prior to settlement or deferral delivery of shares which takes place approximately two months after vesting.

(2) Includes NQSO grants with an exercise price of not less than 100% of fair market value as of the date of grant.
The material terms of the NQSO’s listed in the table are as follows:
- Options vest ratably over three years beginning one year from date of grant;
- Options expire 10 years following grant date;
- Exercise price is 100% of fair market value as defined in the 2012 Amended Plan;
- Dividends are not paid on unexercised options;
- Vesting ceases upon termination of employment, whatever the reason, except if vesting is accelerated as described below;
- Vested options may be exercised within 90 days of termination of employment and within one year upon death or disability; and
- Accelerated vesting occurs upon a “change in control” as defined in the 2012 Amended Plan as described on page 25 of this Proxy statement.

(3) The amounts shown for NQSOs and RPS awards represent the aggregate grant date fair market value.

(4) Mr. Rizzardi's compensation is subject to garnishments and liens pursuant to certain domestic relations orders.

Outstanding Equity Awards Table at Fiscal Year End 2016

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable[1]	Number of Securities Underlying Unexercised Options (#) Unexercisable[1]	Option Exercise Price ($)[1]	Option Expiration Date[1]	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)[2]	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) valued at 12/31/16[2]
David L. Payne	-	-	$-	-	-	$-
John "Robert" A. Thorson	20,800	-	56.625	1/28/2020		
	21,200	-	50.760	1/27/2021		
	14,533	7,267	53.350	1/23/2024		
	-	17,600	42.695	1/22/2025		
	-	27,500	42.330	1/28/2026	8,150	$512,880
David L. Robinson	20,900	-	56.625	1/28/2020		
	21,300	-	50.760	1/27/2021		
	14,733	7,367	53.350	1/23/2024		
	-	17,733	42.695	1/22/2025		
	-	27,600	42.330	1/28/2026	8,200	$516,026
Dennis R. Hansen	19,882	-	48.390	1/25/2017		
	20,930	-	47.130	1/24/2018		
	19,600	-	43.015	1/21/2019		
	18,700	-	56.625	1/28/2020		
	19,200	-	50.760	1/27/2021		
	19,400	-	45.930	1/26/2022		
	22,100	-	43.710	1/24/2023		
	13,133	6,567	53.350	1/23/2024		
	7,934	15,866	42.695	1/22/2025		
	-	24,700	42.330	1/28/2026	7,350	$462,536
Russell W. Rizzardi[3]	-	5,933	53.350	1/23/2024		
	-	14,266	42.695	1/22/2025		
	-	22,300	42.330	1/28/2026	6,610	$415,967

(1) Option Awards vest ratably over three years beginning one year from date of grant. Options expiring in 2024 fully vested in January 2017. Options expiring in 2025 fully vest in January 2018. Options expiring in 2026 fully vest in January 2019.

(2) RPS shares fully vest three years from date of grant if performance goals are met. RPS grants vest as follows: Messrs. Thorson - 2,300 vested in January 2017, 2,920 shares vest in January 2018 and 2,930 shares vest in January 2019; Robinson - 2,320 shares vested in January 2017, 2,940 shares vest in January 2018, and 2,940 shares vest in January 2019; Hansen - 2,080 shares vested in January 2017, 2,630 shares vest in January 2018, and 2,640 shares vest in January 2019; and Rizzardi - 1,870 shares vested in January 2017, 2,370 shares vest in January 2018, and 2,370 shares vest in January 2019.

(3) Mr. Rizzardi's compensation is subject to garnishments and liens pursuant to certain domestic relations orders.

Option Exercises And Stock Vested Table For Fiscal Year 2016

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise($)	Number of Shares Acquired on Vesting	Value Realized on Vesting($)[1]
David L. Payne	-	$-	-	$-
John "Robert" A. Thorson	33,300	224,559	2,810	138,674
David L. Robinson	89,928	413,636	2,830	139,661
Dennis R. Hansen	-	-	2,530	124,856
Russell W. Rizzardi[2]	59,768	227,713	2,280	112,518

[1] Amounts represent value upon vesting of RPS shares.

[2] Mr. Rizzardi's compensation is subject to garnishments and liens pursuant to certain domestic relations orders.

Pension Benefits For Fiscal Year 2016

Name	Plan Name	Present Value of Accumulated Benefit	Payments during Last Fiscal Year
David L. Payne	Non-Qualified Pension Agreement	$5,140,075	$511,950

During 1997, the Company entered into a nonqualified pension agreement with Mr. Payne in consideration of Mr. Payne's agreement that RPS awards granted in 1995, 1996 and 1997 would be cancelled. In January 2000, the Compensation Committee, based on the Company's achievement of certain performance goals which had first been established for Mr. Payne's 1995, 1996 and 1997 RPS awards, determined Mr. Payne's annual pension would be $511,950. The pension commenced in 2010 and will be paid to Mr. Payne for 20 years.

The discount rate used to determine the present value is 4.10%, as used by the Company in determining benefit obligations for its post-employment retirement benefits as of December 31, 2016. The obligation is an unfunded general obligation of the Company.

Nonqualified Deferred Compensation Table For Fiscal Year 2016

Name	Executive Contributions in Last Fiscal Year[1]	Aggregate Earnings in Last Fiscal Year[2]	Aggregate Withdrawls/ Distributions[3]	Aggregate Balance at Last Fiscal Year End[4]
David L. Payne	$-	$-	$-	$-
John "Robert" A. Thorson	60,000	97,986	-	1,854,512
David L. Robinson	12,000	422,895	(29,858)	2,783,960
Dennis R. Hansen	-	327,070	(23,057)	2,154,514
Russell W. Rizzardi	-	-	-	-

[1] No RPS shares were deferred upon vesting in 2016. Non-equity incentive plan compensation deferred in 2016 was earned in 2015 and disclosed as compensation in the Summary Compensation Table for 2015 and is therefore excluded from the Summary Compensation Table for Fiscal Year 2016.

[2] Includes change in value of deferred RPS shares, dividends earned on deferred RPS shares, and interest earned on deferred cash compensation. The amounts included in the Summary Compensation Table for Fiscal Year 2016 on page 24 are as follows: Messrs. Thorson - $42,431; Robinson - $36,094; Hansen - $28,092.

[3] Includes dividends paid on deferred RPS shares.

[4] Aggregate balance of deferred compensation reported as compensation prior to 2016 is as follows: Messrs. Thorson - $1,756,526; Robinson - $2,378,923; Hansen - $1,850,501.

Under the Westamerica Bancorporation and Subsidiaries Deferred Compensation Plan (the "Deferred Compensation Plan"), Directors and Officers may defer up to 100% of their Director's compensation, salary and/or non-equity incentive compensation (cash bonus) into a non-qualified, unfunded deferred compensation program. The interest rate paid during 2016 was 5.45%. The interest rate may be changed annually. Interest is compounded semi-monthly. Participants choose in advance from the following distribution commencement dates: termination of employment, January 1 following termination of employment, or a specific date at least five years from date of deferral. Payment is made in a lump sum unless the participant chooses a four year, five year or ten year annual installment.

Under the Westamerica Bancorporation Deferral Plan, 100% of vested RPS grants may be deferred. Dividends paid on such issued and outstanding shares are paid in cash to the deferral participants, and are paid at the same rate as is paid to all other shareholders. The distribution of deferred RPS shares occurs at least two years after deferral, one month following termination, or the January 1 immediately following termination as elected by the participant at the time of deferral. If the participant is one of the named executive officers, benefit distributions that are made upon termination of employment may not start earlier than six months after the date of termination.

Potential Payments Upon Termination or Change in Control

Payments to be made to the named executive officers in the event of termination of employment or change in control are described below.

Termination

Vested NQSOs may be exercised within 90 days of termination and within one year of death or disability. RPS shares vest if the Compensation Committee determines performance goals are met. Terminated employees will receive vested RPS shares if the settlement date of the RPS grant occurs within 90 days of termination. Employees separating from service due to death, disability or retirement are eligible to receive a pro rata portion of granted RPS shares if the Compensation Committee determines that the performance goals are likely to be met for the grant period. The pro rata basis is determined by the number of full years of the vesting period completed before date of death, disability or retirement.

Deferred compensation account balances are distributed on January 1 following termination, or a specific date at least five years from the date of deferral in the form of annual payments over four years. Payment may also be made in a lump sum or in annual payments for five or 10 years as elected by the participant at the time of deferral. If the participant is one of the named executive officers, benefit distributions that are made upon termination of employment may not start earlier than six months after the date of termination.

Change in Control

A change in control is defined under the 2012 Amended Plan as shareholder approval of a dissolution or liquidation of the Company or a sale of substantially all of the Company's assets to another company, or a tender offer for 5% or more of the Company's outstanding common stock or a merger in which the Company's shareholders before the merger hold less than 50% of the voting power of the surviving company after the merger.

In the event of a change in control, unvested NQSOs and RPS shares immediately vest. The value of in-the-money options and RPS shares subject to accelerated vesting for each of the named executive officers is as follows: Messrs. Payne: $0; Thorson: $1,505,133; Robinson: $1,513,989; Hansen: $1,355,316; and Rizzardi[2] $1,220,858. The value is computed by multiplying the difference between the market value on December 30, 2016, the last business day of 2016, and the exercise price of each option by the number of shares subject to accelerated vesting.

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[2] Mr. Rizzardi's compensation is subject to garnishments and liens pursuant to certain domestic relations orders.

Under the Company's Severance Payment Plan, executive officers receive six week's pay for every year or partial year of service up to one year's base salary (see Summary Compensation Table for Fiscal Year 2016 for annual base salary for all named executive officers). All named executive officers have met the service requirement for one year's base salary. Severance pay is paid in a lump sum or on a semi-monthly basis at the discretion of the Company. The Severance Payment Plan is subject to Section 409A of the Internal Revenue Code.

Certain Relationships and Related Party Transactions

In accordance with the Audit Committee Charter, the Audit Committee is responsible for reviewing and approving or disapproving all related party transactions required to be disclosed by Item 404 of Regulation S-K for potential conflicts of interest. Additionally, the Company's Code of Conduct and Ethics provides rules that restrict transactions with affiliated persons.

Certain of the Directors, executive officers and their associates have had banking transactions with subsidiaries of the Company in the ordinary course of business. With the exception of the Company's Employee Loan Program, all outstanding loans and commitments included in such transactions were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons not related to the Company, did not involve more than a normal risk of collectability, and did not present other favorable features. As part of the Employee Loan Program, all employees, including executive officers, are eligible to receive mortgage loans with interest rates one percent (1%) below Westamerica Bank's prevailing interest rate at the time of loan origination. Westamerica Bank makes all loans to executive officers under the Employee Loan Program in compliance with the applicable restrictions of Section 22(h) of the Federal Reserve Act. Messrs. Payne, Thorson, and Hansen have mortgage loans through this Program. The largest aggregate amount of principal during 2016 was $404,058, $282,451, and $224,274, respectively. The principal amount outstanding at December 31, 2016 was $384,877, $267,611, and $214,079, respectively. The amount of principal paid during 2016 was $19,181, $14,840, and $10,195, respectively. The amount of interest paid during 2016 was $8,513, $5,519, and $4,871, respectively. The rate of interest payable on the loan is 2.375%, 2.375%, and 2.50%, respectively.

PROPOSAL 2 – APPROVE A NON-BINDING ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

Background

The 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") requires that shareholders cast a non-binding advisory vote on the executive compensation paid to the executive officers listed in the Summary Compensation Table (a so-called "say on pay" vote) as well as an advisory vote with respect to whether future say on pay votes will be held every one, two or three years. The result of the shareholder vote on the proposal to determine the frequency of future say on pay proposals was that shareholders should review executive compensation annually. Therefore, Proposal 2 requests that shareholders again approve the compensation paid to our named executive officers. Last year 95% of the shares voting on this proposal voted to support our Corporation's executive compensation strategy. The proposal to determine how often the say on pay proposal should be voted on by shareholders will again be brought to a shareholder vote in 2017, six years after the first frequency vote.

We believe that our compensation policies and procedures are centered on a pay-for-performance culture and are strongly aligned with the long-term interests of our shareholders. Our incentive compensation plan provides for the grant of incentive stock options, non-qualified stock options, stock appreciation rights, and restricted performance shares. The Summary Compensation Table shows very stable base salaries indicative of our greater emphasis on performance-based stock and non-stock awards. Our stock and option awards are based on a minimum achievement of meeting the "threshold" level for each pre-established objective. Both awards have a three-year vesting period. Our annual incentive plan incorporates at least four financial and/or strategic performance metrics in order to properly balance risk with the incentives to drive our key annual financial and/or strategic initiatives; in addition, the annual incentive program incorporates a 150% maximum payout to further manage risk and the possibility of excessive payments.

In 2003, shareholders approved the Company's 2003 Amended Plan to include the following changes:

- 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.

In 2009, shareholders re-approved the performance criteria for performance-based awards under the 2003 Amended Plan.

In 2012, shareholders approved the Company's 2012 Amended and Restated Stock Option Plan of 1995. The 2012 Amended Plan includes the following changes:

- Reduced the number of shares available for future issuance from 4,307,593 to 1,500,000 (plus shares that become available if awards under prior plans expire unexercised or are cancelled, forfeited or terminated before being exercised; and
- Extended the term of the 2012 Amended Plan to April 26, 2022 from April 24, 2013.

Vote Required

The "say on pay" proposal gives you as a shareholder the opportunity to endorse or not endorse our executive pay program through the following resolution:

> "Resolved, that the shareholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, which disclosure includes the compensation discussion and analysis, the compensation tables and any related footnotes and narratives in the Company's proxy statement for the Annual Meeting of Shareholders."

Because your vote is advisory, it will not be binding on the Board or create or imply any additional fiduciary duty by the Board. However, the Compensation Committee may take into account the outcome of the vote when considering future executive compensation arrangements.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS, AS DISCLOSED IN THIS PROXY STATEMENT PURSUANT TO THE COMPENSATION DISCLOSURE RULES OF THE SECURITIES AND EXCHANGE COMMISSION

PROPOSAL 3 – RE-APPROVE THE PERFORMANCE CRITERIA FOR INCENTIVE COMPENSATION

Compensation of an executive in excess of $1,000,000 per year is not deductible for tax purposes unless it qualifies as "performance-based compensation" under Code Section 162(m), one requirement is that a corporation's shareholders approve the "material terms of the performance goals" under which performance-based compensation is to be paid, at least every five (5) years if (as is the case under the 2012 Amended Plan) the plan's committee has authority to change the specific targets under the shareholder approved performance goal(s). Under Code Section 162(m), the material terms of performance goal ("Material Terms") requiring shareholder approval are:

- The employees eligible to receive the performance-based compensation;
- A description of the business criteria on which each performance goal is based; and
- Either the formula used to calculate the performance-based compensation, or, alternatively, the maximum amount of such compensation that could be awarded or paid to any eligible employee if the applicable performance goals are met.

Participant Eligibility

Our executives, other employees and directors are eligible to receive awards under the 2012 Amended Plan.

Performance Condition Business Criteria and Formulas

The Compensation Committee establishes corporate goals with the intent to balance current profitability with long-term stability of the Company and its future earnings potential. The 2016 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 Company include "quality" and "control" components. The "quality" measures include loan portfolio quality measures (originated classified loans and other real estate owned, originated non-performing loans and originated other real estate owned, and net loan losses to average originated 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 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 at the expense of longer-term results.

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

Upon the closure 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 non-equity 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.

The 2012 Amended Plan and other compensation policies specify performance conditions that the Committee may include in awards intended to qualify as performance-based compensation under Code Section 162(m). These policies and conditions are described more fully above under "Compensation discussion and Analysis." These performance criteria include the following target objectives:

- Incentive compensation (annual non-equity cash incentives and long-term stock grants) is based 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 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.
- Restricted performance shares (“RPS”) represent awards of Westamerica Bancorporation’s common stock subject to achievement of performance objectives established by the Compensation Committee. The criteria for these objectives include:
  - 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;
  - Non-performing assets; and
  - Non-performing assets as a percentage of total assets.
- RPS awards vest three years following the grant date, only if certain corporate performance objectives are achieved over the three-year period. The performance objectives for the RPS granted in January 2014 and potentially vesting in 2017 include:
  - 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 originated non-performing assets to total originated assets (NPA); and
  - Efficiency ratio over three years.

  The RPS would only vest if any one of the following performance results were achieved: 3 year cumulative diluted earnings per share (EPS);
  - 4 of 5 objectives reaching “threshold” performance level;
  - 3 of 5 objectives reaching “target” performance level; or
  - 2 of 5 objectives reaching “outstanding” performance level.

If this Proposal 3 is approved by shareholders, then each of the above performance criteria would be approved for use (until the earlier of our annual meeting of shareholders in 2022 or the expiration of the 2012 Amended Plan), at the Committee's discretion, in awards that are intended to qualify as performance-based compensation under Code Section 162(m). While the Committee intends to include one or more of the foregoing performance conditions in awards of restricted stock and stock units made under the 2012 Amended Plan, due to the complexities of Section 162(m) and technical requirements related thereto that may change from time to time, we can provide no assurance that such awards would qualify as "performance-based compensation" such that the Company would be able to claim a tax deduction for such awards without limitation under Code Section 162(m). Certain other awards, such as stock options, may also qualify as performance-based compensation under Code Section 162(m) without including of any of the above performance conditions.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE RE-APPROVAL OF THE PERFORMANCE CRITERIA FOR INCENTIVE COMPENSATION, AS DISCLOSED ABOVE AND ELSEWHERE IN THIS PROXY STATEMENT

PROPOSAL 4 – APPROVE A NON-BINDING ADVISORY VOTE ON THE FREQUENCY OF THE ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

Background

In addition to the non-binding advisory vote on executive compensation, the Dodd-Frank Act required the Securities and Exchange Commission to amend its rules to require that a non-binding advisory proposal be submitted to shareholders once every six years that would determine the frequency of the advisory vote on the compensation paid to the Corporation's named executive officers as seen in Proposal 2 above.

After careful consideration of this proposal, our Board has determined that continuing an advisory vote on executive compensation annually is most appropriate for the Company, and therefore our Board recommends that you vote for a one-year interval for the advisory vote on executive compensation.

In formulation of its recommendation, our Board considered that an advisory vote on executive compensation every year will allow our shareholders to provide us with their direct input on our compensation philosophy, policies and practices and disclosed in the proxy statement every year. Setting a one year period for holding this shareholder vote will enhance shareholder communication by providing a clear, simple means for the Company to obtain information on investor sentiment about our executive compensation philosophy.

You may cast your vote on your preferred voting frequency by choosing the option of one year, two years, three years or abstain from voting when you vote.

The choice of frequency that receives the highest number of "FOR" votes will be considered the advisory vote of the shareholders. Abstentions and broker non-votes will not count as votes cast for any frequency choice, and will have no direct affect on the outcome of this proposal. A signed, uninstructed proxy will be voted for "EVERY ONE YEAR". However, because this vote is advisory and not binding on the Board in any way, the Board may decide that it is in the best interest of our shareholders and the Company to hold an advisory vote on executive compensation more or less frequently than the option approved by shareholders.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR "EVERY ONE YEAR"

PROPOSAL 5 – RATIFY SELECTION OF INDEPENDENT AUDITOR

Ratify Selection of Independent Auditor

Action by the shareholders is not required by law in the appointment of independent auditors, but their appointment is submitted by the Audit Committee and the Board of Directors in order to give the shareholders an opportunity to present their views. If the proposal is approved, the Audit Committee, in its discretion, may direct the appointment of different independent auditors at any time during the year if it determines that such a change would be in the best interests of the Company and its shareholders. If the proposal to ratify the selection of Crowe Horwath LLP as the Company's independent auditors is rejected by the shareholders, then the Audit Committee will reconsider its choice of independent auditors. A representative of Crowe Horwath LLP is expected to be present at the Annual Meeting and will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Audit Fees

The aggregate fees billed to the Company by Crowe Horwath LLP with respect to services performed for fiscal 2016 and 2015 are as follows:

	2016	2015
Audit Fees [(1)]	$510,000	$510,000
Audit related fees [(2)]	34,450	33,875
Tax fees [(3)]	39,000	38,050
All other fees	-	-
Total	$583,450	$581,925

(1) Audit fees consisted of fees billed by Crowe Horwath LLP for professional services rendered for the audit of the Company's consolidated financial statements, reviews of the consolidated financial statements included in the Company's quarterly reports on Form 10-Q, and the audit of the Company's internal controls over financial reporting. The audit fees also relate to services such as consents and audits of mortgage banking subsidiaries.

(2) Audit-related fees consisted of fees billed by Crowe Horwath LLP for audits of certain employee benefits plans.

(3) Tax fees consisted of fees billed by Crowe Horwath LLP for the compilation and review of the Company's tax returns.

Preapproval Policies and Procedures

The Audit Committee is responsible for the appointment, compensation, retention and oversight of the work of any public accounting firm engaged by the Company for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. Any accounting firm appointed by the Company reports directly to the Audit Committee.

The Audit Committee must preapprove all auditing services and permitted non-audit services by its independent auditors and the fees to be paid by the Company for these services, except for those fees qualifying for the "de minimis exception" which provides that the preapproval requirement for certain non-audit services may be waived if certain express standards and requirements are satisfied prior to completion of the audit under certain conditions. This exception requires that the aggregate amount of all such services provided constitutes no more than five percent of the total amount of revenue paid to the audit firm by the Company during the fiscal year in which the services are provided. This exception also requires that at the time of the engagement, the Company did not recognize such services to be non-audit services, and such services are promptly brought to the attention of the Audit Committee and approved prior to the completion of the audit by the Audit Committee. During fiscal year 2016, there were no non-audit services that were provided using this exception.

The Audit Committee may delegate to one or more members of the Audit Committee the authority to grant preapprovals of non-audit services and fees. In such event, the decisions of the member or members of the Committee regarding preapprovals are presented to the full Audit Committee at its next meeting. The Audit Committee preapproved 100% of all services performed on behalf of the Company by Crowe Horwath LLP during fiscal year 2016.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THE RATIFICATION OF THE SELECTION OF CROWE HORWATH LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

AUDIT COMMITTEE REPORT

The material in this report is not soliciting material and is not deemed filed with the SEC. It is not incorporated by reference in any of the Company's filings under the Securities Act of 1933 or the Exchange Act, whether made in the past or in the future even if any of those filings contain any general incorporation language.

The Audit Committee is composed of four Directors who are neither officers nor employees of the Company, and who meet the NASDAQ independence requirements for Audit Committee members. The Audit Committee selects, appoints and retains the Company's independent auditors and is responsible for their compensation and oversight.

In performing its functions, the Audit Committee acts only in an oversight capacity and necessarily relies on the work and assurances of the Company's management, which has the primary responsibility for financial statements and reports, and of the independent auditors. The auditors express an opinion on the conformity of the Company's annual financial statements to generally accepted accounting principles. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited consolidated financial statements for the fiscal year 2016 and discussed them with Management and with Crowe Horwath, LLP, the Corporation's independent auditors.

Management represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with generally accepted accounting principles. Management also represented that it performed an assessment of the effectiveness of internal control over financial reporting as of December 31, 2016, and that internal control over financial reporting was effective. The independent auditor discussed with the Audit Committee matters required to be discussed by Auditing Standard No. 16 (Communications with Audit Committees), including certain matters related to the conduct of an audit and to obtain certain information from the Audit Committee relevant to the audit.

The auditors also provided to the Audit Committee the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). The Audit Committee discussed with auditors the firm's independence.

Based on the Audit Committee's discussion with Management and the independent auditors, the Audit Committee's review of the representations of Management and the Report of the Independent Auditors to the Audit Committee, the Audit Committee recommended that the Board of Directors include the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 for filing with the SEC.

Submitted by the Audit Committee
Ronald A. Nelson, Chairman
Louis E. Bartolini
E. Joseph Bowler
Catherine C. MacMillan

PROPOSAL 6 – REQUIRE INDEPENDENT BOARD CHAIRMAN

The Board unanimously recommends you vote "AGAINST" the shareholder proposal set forth below.

Shareholder Proposal

Gerald R. Armstrong, 621 Seventeenth Street, Suite 2000, Denver, Colorado 80293-2001, (303) 355-1199, the owner of 3,594 shares of our common stock, has advised us that he plans to introduce the following resolution at the annual meeting. In accordance with rules of the SEC, the text of the proponent's resolution and supporting statement is printed verbatim from his submission.

RESOLUTION

That the shareholders of WESTAMERICA BANCORPORATION request its Board of Directors to adopt a policy, and amend the by-laws as necessary, to require the Chairman of the Board of Directors be an independent member of the Board of Directors.

This policy should not be implemented to violate any contractual obligation and should specify: (a) how to select a new ''independent'' chairman if the current chairman ceases to be independent during the time between annual meetings of shareholders; and, (b) that compliance is excused if no independent director is available and willing to serve as Chairman.

The unedited reasons given by the proponent for the resolution are as follows:

WESTAMERICA BANCORPORATION and WELLS FARGO & COMPANY opposed this proposal last year.

In the fall of 2016 Wells Fargo & Company admitted its several problems, it abandoned the dual role of one person serving as its Chairman of the Board while being Chief Executive Officer and appointed an "independent" Chairman and "independent" Vice-Chairman of the Board. Obviously, its Board finally realized the seriousness of the issues and the impact of paying $210,000,000 in fines. More recently, it increased high-end estimates of reasonably possible potential litigation losses to $1,700,000,000.

The proponent is a professional investor owning shares in Westamerica since 1989 and shares in most of the banks acquired by Westamerica.

As a shareholder, I am concerned about Westamerica's wilting performance, which, after analysis, I believe to be caused by the entrenchment of David Payne as Chairman, Executive Officer, and President and members of the Board of Directors whose average tenure was 28.5 years and an average age of 76 years (based on the proxy statement for the 2016 annual meeting).

Let's look at some numbers of the "Five Year Return Performance" graphs contained in 10-K reports of Westamerica and two nearby holding companies. (Cumulative Return on investment and re-investment of all dividends):

	12/31/2010	12/31/2015
Westamerica Bancorporation	$ 100.00	$ 98.91
Bank of Marin Bancorp	100.00	167.00
FNB Bancorp (South San Francisco)	100.00	419.92

The greatest difference in the governance practices of Bank of Marin Bancorp and FNB Bancorp is that each has an "independent" chairman of it Board of Directors while Westamerica has one person, David Payne, serving in both capacities and as President, he accounts only to himself as Chairman which is why Westamerica is the underachiever.

Moreover, I believe Mr. Payne's dual positions at Westamerica are only parttime as the proxy statement discloses he "also manages his family printing, publishing and cable television business."

Studies have confirmed that under-performing companies lack an independent chairman and companies, worldwide, are routinely separating the positions of Chairman and CEO (CEO Succession 2000-2009: A Decade of Convergence and Compression, Booz & Co., Summer, 2010).

Norges Bank Investment Management, has stated in support of a similar proposal:
''The roles of Chairman of the Board and CEO are fundamentally different and should not be held by the same person. There should be a clear division of responsibilities between these powitions to insure a balance of power and authority on the Board."

If you agree, please vote ''FOR'' this proposal.

Board of Directors' Recommendation

The proposal's comparison of Westamerica to Wells Fargo is misplaced given the scale and complexity of the two entities.

At December 31, 2016:	Westamerica	Wells Fargo[3]
Total assets (in thousands)	$5,366,083	$1,930,115,000
Number of employees	800	269,000
Number of countries & territories with operations	1	36

The corporate governance structure for any entity should be appropriate for its scale and complexity.

The proposal's comparison of Westamerica's stock performance to two peers is misleading in regard to stock performance and Westamerica's leadership.

The five-year stock performance evaluation provided in the shareholder's proposal begins with December 31, 2010, a point in time when publicly traded bank stock values reflected significant declines due to the "Financial Recession" of 2008 and 2009. Contrary to the banking industry's negative stock performance as a result of the recession, Westamerica's stock price rose in 2008, 2009 and 2010, as depicted in the ten-year performance chart on page 15 of the enclosed Form 10-K, Annual Report. During this period, shareholders recognized the value of Westamerica's leadership and its conservative, value-oriented, and long-term strategies. Westamerica's exceptional credit quality and strong financial condition leading into the recession positioned the Company to grow by acquiring two failed banks from the FDIC.

Westamerica's current leadership was established in 1989, coincidentally the same year the proposing shareholder became an investor in Westamerica Bancorporation common stock. The company's current leadership has followed consistent low-risk value-oriented strategies which have provided superior long-term stock performance through three business cycles:

Total Return with Dividends Reinvested December 29, 1989 through December 31, 2016[4]

Westamerica Bancorporation (WABC)	1,458%
S&P 500 Index (SPX)	1,018%
NASDAQ Bank Index (CBNK)	885%

Westamerica's shareholders are best served by our current leadership structure.

In light of the current environment for the banking industry and Westamerica's business strategies, the Board believes that the most effective leadership structure for Westamerica at the present time is for our CEO, David L. Payne, to serve as Chairman of the Board. Combining the positions of Chairman and CEO most effectively utilizes Mr. Payne's extensive experience and knowledge regarding our Company. Chairman Payne was appointed CEO in

[3] Source: Wells Fargo provided Corporate Information from Wells Fargo website and SEC filings.
[4] Source: Bloomberg

1989 and since his appointment identified, negotiated and executed eleven acquisitions to fuel Westamerica's growth. Each of the acquisitions resulted in higher levels of earnings per share within one or two quarters following the acquisition. Mr. Payne has the knowledge, expertise and experience to continue implementing Westamerica's long-term strategies.

The Board believes that Mr. Payne has the requisite talent, foresight, and leadership skills to perform at a high-level in the roles of CEO and Chairman. By combining the positions, the Board can respond quickly and effectively to the many business, market and regulatory challenges facing banks in the rapidly changing banking industry.

The Board should retain the flexibility to determine the most effective leadership structure for Westamerica.
The Board's leadership structure should be determined in light of all relevant facts and circumstances at a given time. This approach allows the Board flexibility to determine whether the roles of CEO and Chairman should be separate or combined based upon Westamerica's needs and the Board's assessment of our Company's leadership from time to time. The Board has deep knowledge of our strategic goals and the various strengths and capabilities of our senior management. Thus, the Board is best positioned to determine the most effective leadership structure for Westamerica at any given time.

Westamerica's corporate governance practices provide for strong independent leadership and effective independent oversight of our company.
The Board is committed to maintaining high corporate governance standards, and has implemented a structure to provide for Board independence and effective oversight of management. With the exception of Mr. Payne, the Board is composed entirely of independent directors, and key committees are fully comprised of independent directors. Further, in accordance with widely accepted corporate governance guidelines, the Board has established a strong, independent Lead Director who must serve at least one year and has the following clearly delineated and comprehensive duties:

- Presides at all meetings of the board at which the Chairman is not present, including executive sessions of the independent directors;
- Serves as liaison between the chairman and the independent directors;
- Approves information sent to the Board;
- Approves meeting agendas for the Board;
- Approves meeting schedules to assure that there is sufficient time for discussion of all agenda items;
- Has the authority to call meetings of the independent directors; and
- If requested by major shareholders, ensures that he or she is available for consultation and direct communication.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "AGAINST" THE SHAREHOLDER PROPOSAL REQUIRING THAT THE CHAIRMAN OF THE BOARD BE AN INDEPENDENT DIRECTOR

SHAREHOLDER PROPOSAL GUIDELINES

To be considered for inclusion in the Company's Proxy Statement and form of proxy for next year's Annual Meeting, shareholder proposals must be delivered to the Corporate Secretary, Westamerica Bancorporation A-2M, P.O. Box 1200, Suisun City, CA 94585, no later than 5:00 p.m. on November 13, 2017. However, if the date of next year's Annual Meeting is changed by more than 30 days from the date of this year's meeting, the notice must be received by the Corporate Secretary a reasonable time before we begin to produce and distribute our Proxy Statement. All such proposals must meet the requirements of Rule 14a-8 under the Exchange Act.

In order for business, other than a shareholder proposal submitted for the Company's Proxy Statement, to be properly brought before next year's Annual Meeting by a shareholder, the shareholder must give timely written notice to the Corporate Secretary. To be timely, written notice must be received by the Corporate Secretary at least 45 days before the anniversary of the day our Proxy Statement was mailed to shareholders in connection with the previous year's Annual Meeting or January 26, 2018, for the 2018 Annual Meeting. If the date of the Annual Meeting is changed by more than 30 days, the deadline is a reasonable time before we begin to produce and distribute our Proxy Statement. A shareholder's notice must set forth a brief description of the proposed business, the name and residence address of the shareholder, the number of shares of the Company's common stock that the shareholder owns and any material interest the shareholder has in the proposed business.

Westamerica reserves the right to reject, to rule out of order, or to take other appropriate action with respect to any proposal that does not comply with these and other applicable legal requirements.

SHAREHOLDER COMMUNICATION TO BOARD OF DIRECTORS

Shareholders and other interested parties who wish to communicate with the Board may do so by writing to: Kris Irvine, VP/Corporate Secretary, Westamerica Bancorporation A-2M, P.O. Box 1200, Suisun City, CA 94585. The Directors have established procedures for the handling of communications from shareholders and other interested parties and have directed the Corporate Secretary to act as their agent in processing any communications received. All communications that relate to matters that are within the responsibility of one of the Board Committees are to be forwarded to the Chair of the appropriate Committee. Communications that relate to ordinary business matters that are not within the scope of the Board's responsibilities, such as customer complaints, are to be sent to Management. Solicitations, junk mail and obviously frivolous or inappropriate communications are not to be forwarded, but will be made available to any Director who wishes to review them.

OTHER MATTERS

The Board of Directors does not know of any matters to be presented at the Annual Meeting other than those specifically referred to in this Proxy Statement. If any other matters should properly come before the meeting or any postponement or adjournment of the meeting, the persons named in the enclosed proxy intend to vote thereon in accordance with their best business judgment. If a nominee for Director becomes unavailable to serve as a Director, the Proxies will vote for any substitute nominated by the Board of Directors.

The Company will pay the cost of proxy solicitation. The Company has retained the services of Georgeson to assist in the proxy distribution at a cost not to exceed $2,000 plus reasonable out-of-pocket expenses. The Company will reimburse banks, brokers and others holding stock in their names or names of nominees or otherwise, for reasonable out-of-pocket expenses incurred in sending proxies and proxy materials to the holders of such stock.

BY ORDER OF THE BOARD OF DIRECTORS

Kris Irvine

Kris Irvine
VP/Corporate Secretary

March 13, 2017
Fairfield, California

EXHIBIT A

Westamerica Bancorporation

Audit Committee Charter – Updated and Reaffirmed January 25, 2017

The Audit Committee is appointed by the Board to assist the Board in monitoring (1) the integrity of Westamerica Bancorporation's ("Company") financial statements, (2) the compliance by the Company with legal and regulatory requirements, (3) the independence, qualifications and performance of the Company's registered public accounting firms ("independent auditor" or "independent auditors") preparing or issuing an audit report or performing other audit, review or attest services for the Company, and (4) the Company's internal audit and control function. The Audit Committee shall prepare the report that the Securities and Exchange Commission ("SEC") rules require be included in the Company's annual proxy statement.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits, or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor.

The function of the Audit Committee is oversight. Management is responsible for the preparation and integrity of the Company's financial statements. Management is responsible for maintaining appropriate accounting and financial reporting policies and an appropriate internal control environment. Subject to appointment, review and oversight by the Audit Committee, the independent auditor is responsible for planning and conducting a proper audit of the Company's internal control environment and of its annual financial statements, reviewing the Company's quarterly financial statements prior to the filing of each quarterly report on Form 10-Q, and other procedures.

The members of the Audit Committee shall meet the independence requirements of The NASDAQ Stock Market ("NASDAQ") and the rules and regulations of the SEC. No member shall be an affiliated person (as defined in relevant SEC or NASDAQ rules) of the Company or any of its subsidiaries or have participated at any time in the preparation of financial statements of the Company or any current subsidiary during the prior three years, and each member shall be free of any relationship that would interfere with the exercise of his or her independent judgment in carrying out the responsibilities of a member of the Audit Committee. The Audit Committee shall include members with banking or related financial management expertise who are able to read and understand fundamental financial statements, including the Company's balance sheet, statement of income and comprehensive income, statement of changes in shareholders' equity and statement of cash flows and at least one member must have the additional financial sophistication as required by and as defined in NASDAQ rules.

The Committee shall be subject to the provisions of the Company's bylaws relating to committees of the Board, including those provisions relating to removing committee members and filling vacancies. The members of the Audit Committee and its Chairman shall be appointed and may be removed by the Board on its own initiative or at the recommendation of the Nominating Committee. The Audit Committee shall have no fewer than three members. If not designated by the Board, the Audit Committee may designate a member as its Chair.

The Audit Committee, in its capacity as a committee of the Board, shall be directly responsible for the appointment, compensation, retention, termination and oversight of the work of any independent auditors, and each independent auditor must report directly to the Audit Committee. The Audit Committee, or its designee, will sign the independent auditor engagement letter. The Audit Committee shall be directly responsible for the resolution of disagreements between management and the independent auditor regarding financial reporting.

The Audit Committee shall have the authority to retain independent legal, accounting or other advisors as it deems necessary to carry out its duties. The Company shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to any independent auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services, compensation to any advisors employed by the Audit Committee, and ordinary administrative expenses that the Audit Committee deems to be necessary or appropriate in carrying out its duties.

The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Audit Committee.

The Audit Committee shall pre-approve all auditing services and permitted non-audit services and fees to be paid for such services to be performed for the Company by its independent auditor, subject to the limited de minimis exceptions for non-audit services described in Section 10A of the Securities Exchange Act of 1934, provided that compliance with the limitations and procedural requirements of Section 10A is fulfilled. The Audit Committee may delegate to one or more designated members of the committee the authority to grant pre-approvals of non-audit services and fees. Any such pre-approval shall be presented to the full Audit Committee at its next scheduled meeting.

The Audit Committee shall make regular reports to the Board.

The Audit Committee shall have the authority to conduct investigations that are related to its responsibilities under this Charter or otherwise assigned to it by the Board.

In addition, the Audit Committee, to the extent that it deems necessary or appropriate shall:

Financial Statement and Disclosure Matters

1. Prepare the report required by the rules of the SEC to be included in the Company's annual proxy statement.

2. Review the annual audited financial statements with management and the independent auditor, including disclosures made in "Management's Discussion and Analysis of Financial Condition and Results of Operations," and recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.

3. Review with management and the independent auditor any significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting policies, practices and estimates, significant unusual transactions, any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies; and review any reports prepared by or for management or the auditor with respect to these matters.

4. Review with the independent auditor their views regarding significant accounting or auditing matters when the independent auditor is aware that management consulted with other accountants about such matters and the independent auditor has identified a concern regarding these matters.

5. Obtain from the independent auditor information about significant aspects of the annual audit, including:

(a) an overview of the overall audit strategy, particularly the timing of the audit, significant risks the auditor identified and significant changes to the planned audit strategy or identified risk;
(b) information about the nature and extent of specialized skill or knowledge needed in the audit; the extent of the planned use of internal auditors; company personnel or other third parties; and other independent public accounting firms or other persons not employed by the auditor who are involved in the audit;
(c) the basis for the auditor's determination that he or she can serve as principal auditor, if significant parts of the audit will be performed by other auditors;
(d) situations in which the auditor identified a concern regarding management's anticipated application of accounting pronouncements that have been issued but are not yet effective and might have a significant effect on future financial reporting;
(e) difficult or contentious matters for which the auditor consulted outside the engagement team;
(f) the auditor's evaluation of going concern;
(g) departure from the auditor's standard report;
(h) other matters arising from the audit that are significant to the oversight of the Company's financial reporting process, including complaints or concerns regarding accounting or auditing matters that have come to the auditor's attention during the audit;
(i) any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information;
(j) any significant disagreements with management.

6. Annually review with the independent auditor the quality of the Company's financial reporting, internal accounting and financial control, the auditor's report or opinion thereon and any recommendations the auditor may have for improving or changing the Company's internal controls, as well as management's letter in response thereto and any other matters required to be discussed under relevant Statements of Auditing Standards and PCAOB Auditing Standard No. 1301 (as they may be modified or supplemented).

7. Review management's proposed annual report on internal control over financial reporting which is required to be included in the Company's 10-K pursuant to rules of the SEC.

8. Review with management and the independent auditor the Company's quarterly financial statements prior to the filing of its Form 10-Q, including the results of the independent auditor's review of the quarterly financial statements.

9. Review and discuss quarterly reports from the independent auditors on:

(a) all critical accounting policies and practices to be used;
(b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative treatments, and the treatment preferred by the independent auditor;
(c) the matters required to be discussed by Statements on Auditing Standards, as may be amended or supplemented, relating to the audit of the Company's periodic reports; and
(d) other material written communications between the independent auditor and management.

10. Meet periodically with management to review the Company's major financial risk exposures and the policies and procedures that management utilizes to monitor and control such exposures.

11. Discuss, prior to release by the Company, the earnings press releases (paying particular attention to any use

of "pro forma," or "adjusted" or other non-GAAP information) as well as financial information and earnings guidance provided to analysts and rating agencies, if any, as well as any financial information which the Company proposes to provide to financial analysts and rating agencies (being mindful of the need to avoid violations of SEC Regulation FD, which prohibits the selective disclosure of material information).

12. Discuss the quarterly and annual financial statements with the appropriate officers and/or employees of the Company and with the independent auditor, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

13. Review the schedule of unrecorded adjustments to the Company's financial statements and the reasons underlying the Company's assessment of the immateriality of such adjustments.

14. Review prior to publication or filing and approve such other Company financial information, including appropriate regulatory filings and releases that include financial information, as the Audit Committee deems desirable.

15. Review the adequacy of the Company's system of internal accounting and financial control, including its "disclosure controls and procedures" and "internal control over financial reporting," as defined in SEC Rules 13a-15(e) and 13a-15(f) under the Securities Exchange Act of 1934, and the Chief Executive Officer's ("CEO") and Chief Financial Officer's ("CFO") proposed disclosures and certifications with respect to these matters which are required to be included in the Company's annual and quarterly reports to the SEC on Form 10-K and Form 10-Q.

16. Review disclosures made to the Audit Committee by the Company's CEO and CFO during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.
17. Review the effect of regulatory and accounting initiatives on the financial statements of the Company.

<u>Oversight of the Company's Relationship with its Independent Auditors</u>

18. Review and evaluate the experience and qualifications of the lead members of each independent auditor's team.

19. Evaluate the performance and independence of each independent auditor, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence. The opinions of management and the internal auditor shall be taken into consideration as part of this review.

20. Receive and review a report from each independent auditor at least annually regarding the independent auditor's independence and discuss such reports with the auditor. Ensure that each independent auditor submits a formal written statement, as required by PCAOB Rule 3526, as it may be amended or supplemented, describing all relationships between the independent auditor and any of its affiliates and the Company that might bear on the independent auditor's independence. The independent auditor must also discuss with the Audit Committee the potential effects of any such relationships on the firm's independence. Receive and review a formal written statement of the fees billed by the independent auditor for each of the categories of services requiring separate disclosure in the annual proxy statement.

21. Obtain and review a report from each independent auditor at least annually regarding the independent auditor's internal quality control procedures. The report should include any material issues raised by the most recent internal quality control review or peer review of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues. Obtain auditor and review inspection reports issued by the PCAOB under Section 104 of the Sarbanes-Oxley Act.

22. Meet with each independent auditor prior to the audit to review the planning and staffing of the audit.

23. Advise the Board of its determinations regarding the qualification, independence and performance of each independent auditor.

24. Annually require the independent auditor to confirm in writing its understanding of the fact that it is ultimately accountable to the Audit Committee.

25. Require the independent auditor to rotate every five years the lead audit partner in charge of the Company's audit and the concurring audit partner responsible for reviewing the audit.

26. Periodically consider the advisability of rotating the independent audit firm to be selected as the Company's independent auditors. The Audit Committee should present its conclusions to the full Board.

<u>Oversight of the Company's Internal Audit Function</u>

27. Review and, at its option, recommend the appointment and replacement of the senior internal auditing executive.

28. Review any reports to management prepared by the internal auditing department and management's responses.

29. Review with each independent auditor, management and the senior internal auditing executive the internal audit department responsibilities, budget, structure and staffing and any recommended changes in the planned scope of the internal audit at least annually.

<u>Compliance Oversight Responsibilities</u>

30. Obtain reports from management and the Company's senior internal auditing executive that the Company's subsidiary affiliated entities are in conformity with applicable regulatory and legal requirements and the Company's code of ethics.

31. Advise the Board with respect to the Company's compliance with the Company's Code of Ethics for Chief Executive Officer and Senior Financial Officers.

32. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

33. Discuss with management and each independent auditor any correspondence with regulators or governmental agencies and any published reports that raise material issues regarding the Company's financial statements or accounting policies.

34. Review with appropriate members of management or appropriate legal counsel legal matters that may have a material impact on the financial statements, the Company's compliance policies and any material reports or inquiries received from regulators or governmental agencies.

35. Review for approval or disapproval all related-party transactions required to be disclosed by Item 404 of Regulation S-K for potential conflicts of interests.

36. In the event the Audit Committee is made aware of any allegation of fraud relating to the Company and/or any of its officers, directors or employees that the Audit Committee deems could be material to the Company's business or operations, the Audit Committee shall (i) convene a meeting of the Audit Committee to review such allegation and (ii) if the Audit Committee deems it necessary or advisable, it shall engage independent counsel to assist in an investigation, including, if the Audit Committee and such counsel deem it necessary or advisable, an investigation to determine whether such allegation implicates any violation of Section 10A of the Exchange Act of 1934. If pursuant to such investigation the Audit Committee discovers that a material fraud has occurred, the Audit Committee shall (i) assess the Company's internal controls and implement such remedial measures as it determines necessary or advisable, (ii) cause the Company to take appropriate action against the perpetrator(s) of such fraud and (iii) cause the Company to make appropriate disclosures relating to the matter in the Company's periodic reports filed with the SEC or otherwise.

37. The Audit Committee shall also be designated as the committee of the Board of Directors that shall receive, review and take action with respect to any reports by attorneys, pursuant to Section 307 of the Sarbanes-Oxley Act of 2002, of evidence of material violations of securities laws or breaches of fiduciary duty or similar violations by the Company or one of its agents.

38. Meet at least four times each year. In addition, meet at least four times each year in separate executive sessions with each of the Company's CEO, senior internal audit executive and the independent auditor; and each such person shall have free and direct access to the Audit Committee and any of its members.

39. Review and approve all related-party transactions (e.g. transactions with any director or executive officer of the Company or significant shareholder, or their immediate family members or affiliates), other than transactions which the Board has delegated to the Company's Employee Benefits/Compensation Committee or Loan & Investment Committee.

40. Annually review and reassess the adequacy of this Charter and any bylaw of the Company which relates to the Audit Committee, and recommend any proposed changes to the Board for approval. The Chair of the Audit Committee shall draft a proposed schedule of the Audit Committee's activities for the coming year and the times at which such activities shall occur, which shall be submitted to the Audit Committee for its review and approval, with such changes as the Audit Committee shall determine to be appropriate.

EXHIBIT B

Westamerica Bancorporation

Employee Benefits/Compensation Committee Charter – Reaffirmed January 25, 2017

<u>Purpose</u>

The Employee Benefits Committee (the "Committee") is appointed by the Board of Directors (the "Board") to discharge the Board's responsibilities relating to compensation of the Westamerica Bancorporation (the "Company") Chief Executive Officer (the "CEO") and the Company's other executive officers**,** as defined by Rule 3b-7 of the Securities Exchange Act of 1934 as amended (the "Exchange Act") (collectively, including the CEO, the "Executive Officers"). The Committee has overall responsibility for approving and evaluating all compensation plans, policies and procedures of the Company as they affect the Executive Officers.

<u>Committee Membership</u>

The Committee shall consist of no fewer than three members. The members of the Committee shall meet the independence requirements of the NASDAQ Stock Market.

At least two members of the Committee also shall qualify as "outside" directors within the meaning of Internal Revenue Code Section 162(m) and as "non-employee" directors within the meaning of Rule 16b-3 under the Exchange Act.

The members of the Committee shall be appointed by the Board. One member of the Committee shall be appointed as Committee Chairman by the Board. Committee members may be replaced by the Board.

<u>Meetings</u>

The Committee shall meet as often as necessary to carry out its responsibilities, meeting no less than four times each year. The Committee Chairman shall preside at each meeting. In the event the Committee Chairman is not present at a meeting, the Committee Chairman shall designate a member to act as chair of such meeting.

<u>Committee Responsibilities and Authority</u>

1. The Committee shall, at least annually, review and approve the annual base salaries and annual incentive opportunities of the Executive Officers. The CEO shall not be present during any Committee deliberations or voting with respect to his or her compensation.

2. The Committee shall, periodically and as and when appropriate, review and approve the following as they affect the Executive Officers: (a) all other incentive awards and opportunities, including both cash-based and equity-based awards and opportunities; (b) any employment agreements and severance arrangements; (c) any change-in-control agreements and change-in-control provisions affecting any elements of compensation and benefits; and (d) any special or supplemental compensation and benefits for the Executive Officers and individuals who formerly served as Executive Officers, including supplemental retirement benefits and the perquisites provided to them during and after employment.

3. The Committee shall review and discuss the Compensation Discussion and Analysis (the "CD&A") required to be included in the Company's proxy statement and annual report on Form 10-K by the rules and regulations of the Securities and Exchange Commission (the "SEC") with management and, based on such review and discussion, determine whether or not to recommend to the Board that the CD&A be so included.

4. The Committee shall produce the annual Compensation Committees Report for inclusion in the Company's proxy statement in compliance with the rules and regulations promulgated by the SEC.

5. The Committee shall monitor the Company's compliance with the requirements under the Sarbanes-Oxley Act of 2002 relating to loans to directors and officers, and with all other applicable laws affecting employee compensation and benefits.

6. The Committee shall oversee the Company's compliance with SEC rules and regulations regarding shareholder approval of certain executive compensation matters, including advisory votes on executive compensation and the frequency of such votes, and the requirement under the NASDAQ rules that, with limited exceptions, shareholders approve equity compensation plans.

7. The Committee shall receive periodic reports on the Company's compensation programs as they affect all employees.

8. The Committee shall make regular reports to the Board.

9. The Committee shall have the authority, in its sole discretion, to retain and terminate (or obtain the advice of) any adviser to assist it in performance of its duties, but only after taking into consideration factors relevant to the adviser's independence from management specified in NASDAQ Listing Rule 5605(d)(3). The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any adviser retained by the Committee and shall have sole authority to approve the adviser's fees and the other terms and conditions of the adviser's retention. The Company must provide for appropriate funding, as determined by the Committee, for payment of reasonable compensation to any adviser retained by the Committee.

10. The Committee may form and delegate authority to subcommittees as it deems appropriate.

11. The Committee will annually review and reassess this Charter.

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark one)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2016

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ______________ to______________.

Commission File Number: 001-09383

WESTAMERICA BANCORPORATION

(Exact name of the registrant as specified in its charter)

CALIFORNIA	**94-2156203**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

1108 FIFTH AVENUE, SAN RAFAEL, CALIFORNIA 94901
(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code: (707) 863-6000

Securities registered pursuant to Section 12(b) of the Act:

Title of class:	Name of each exchange on which registered:
Common Stock, no par value	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☑ NO ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ☐ NO ☑

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☑ NO ☐

Indicate by check mark if whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) YES ☑ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to item 405 of Regulation S-K (section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☑

The aggregate market value of the Common Stock held by non-affiliates of the registrant as of June 30, 2016 as reported on the NASDAQ Global Select Market, was $1,077,625,582.53. Shares of Common Stock held by each executive officer and director and by each person who owns 10% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

Number of shares outstanding of each of the registrant's classes of common stock, as of the close of business on February 15, 2017
26,265,972 Shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement relating to registrant's Annual Meeting of Shareholders, to be held on April 27, 2017, are incorporated by reference in Items 10, 11, 12, 13 and 14 of Part III to the extent described therein.

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FORWARD-LOOKING STATEMENTS

This Report on Form 10-K contains forward-looking statements about Westamerica Bancorporation for which it claims the protection of the safe harbor provisions contained in the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include, but are not limited to: (i) projections of revenues, expenses, future credit quality and performance, the appropriateness of the allowance for loan losses, loan growth or reduction, mitigation of risk in the Company's loan and investment securities portfolios, income or loss, earnings or loss per share, the payment or nonpayment of dividends, capital structure and other financial items; (ii) statements of plans, objectives and expectations of the Company or its management or board of directors, including those relating to products or services; (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements. Words such as "believes", "anticipates", "expects", "estimates", "intends", "targeted", "projected", "forecast", "continue", "remain", "will", "should", "may" and other similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

These forward-looking statements are based on Management's current knowledge and belief and include information concerning the Company's possible or assumed future financial condition and results of operations. A number of factors, some of which are beyond the Company's ability to predict or control, could cause future results to differ materially from those contemplated. These factors include but are not limited to (1) the length and severity of difficulties in the global, national and California economies and the effects of government efforts to address those difficulties; (2) liquidity levels in capital markets; (3) fluctuations in asset prices including, but not limited to stocks, bonds, real estate, and commodities; (4) the effect of acquisitions and integration of acquired businesses; (5) economic uncertainty created by terrorist threats and attacks on the United States, the actions taken in response, and the uncertain effect of these events on the national and regional economies; (6) changes in the interest rate environment; (7) changes in the regulatory environment; (8) competitive pressure in the banking industry; (9) operational risks including a failure or breach in data processing or security systems or those of third party vendors and other service providers, including as a result of cyber attacks or fraud; (10) volatility of interest rate sensitive loans, deposits and investments; (11) asset/liability management risks and liquidity risks; (12) the effect of natural disasters, including earthquakes, fire, flood, drought, and other disasters, on the uninsured value of the Company's assets and of loan collateral, the financial condition of debtors and issuers of investment securities, the economic conditions affecting the Company's market place, and commodities and asset values; (13) changes in the securities markets and (14) the outcome of contingencies, such as legal proceedings. However, the reader should not consider the above-mentioned factors to be a complete set of all potential risks or uncertainties.

Forward-looking statements speak only as of the date they are made. The Company undertakes no obligation to update any forward-looking statements in this Report to reflect circumstances or events that occur after the date forward looking statements are made, except as may be required by law. See also "Risk Factors" in Item 1A and other risk factors discussed elsewhere in this Report.

PART I

ITEM 1. BUSINESS

Westamerica Bancorporation (the "Company") is a bank holding company registered under the Bank Holding Company Act of 1956, as amended ("BHCA"). Its legal headquarters are located at 1108 Fifth Avenue, San Rafael, California 94901. Principal administrative offices are located at 4550 Mangels Boulevard, Fairfield, California 94534 and its telephone number is (707) 863-6000. The Company provides a full range of banking services to individual and commercial customers in Northern and Central California through its subsidiary bank, Westamerica Bank ("WAB" or the "Bank"). The principal communities served are located in Northern and Central California, from Mendocino, Lake and Nevada Counties in the north to Kern County in the south. The Company's strategic focus is on the banking needs of small businesses. In addition, the Bank owns 100% of the capital stock of Community Banker Services Corporation ("CBSC"), a company engaged in providing the Company and its subsidiaries with data processing services and other support functions.

The Company was incorporated under the laws of the State of California in 1972 as "Independent Bankshares Corporation" pursuant to a plan of reorganization among three previously unaffiliated Northern California banks. The Company operated as a multi-bank holding company until mid-1983, at which time the then six subsidiary banks were merged into a single bank named Westamerica Bank and the name of the holding company was changed to Westamerica Bancorporation.

The Company acquired five banks within its immediate market area during the early to mid 1990's. In April 1997, the Company acquired ValliCorp Holdings, Inc., parent company of ValliWide Bank, the largest independent bank holding company headquartered in Central California. Under the terms of all of the merger agreements, the Company issued shares of its common stock in exchange for all of the outstanding shares of the acquired institutions. The subsidiary banks acquired were merged with and into WAB. These six aforementioned business combinations were accounted for as poolings-of-interests.

During the period 2000 through 2005, the Company acquired three additional banks. These acquisitions were accounted for using the purchase accounting method.

On February 6, 2009, Westamerica Bank acquired the banking operations of County Bank ("County") from the Federal Deposit Insurance Corporation ("FDIC"). On August 20, 2010, Westamerica Bank acquired assets and assumed liabilities of the former Sonoma Valley Bank ("Sonoma") from the FDIC. The County and Sonoma acquired assets and assumed liabilities were measured at estimated fair values, as required by FASB ASC 805, Business Combinations.

At December 31, 2016, the Company had consolidated assets of approximately $5.4 billion, deposits of approximately $4.7 billion and shareholders' equity of approximately $561 million. The Company and its subsidiaries employed 783 full-time equivalent staff as of December 31, 2016.

The Company's Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports as well as beneficial ownership reports on Forms 3, 4 and 5 are available through the SEC's website (https://www.sec.gov). Such documents as well as the Company's director, officer and employee Code of Conduct and Ethics are also available free of charge from the Company by request to:

Westamerica Bancorporation
Corporate Secretary A-2M
Post Office Box 1200
Suisun City, California 94585-1200

Supervision and Regulation

The following is not intended to be an exhaustive description of the statutes and regulations applicable to the Company's or the Bank's business. The description of statutory and regulatory provisions is qualified in its entirety by reference to the particular statutory or regulatory provisions. Moreover, major new legislation and other regulatory changes affecting the Company, the Bank, and the financial services industry in general have occurred in the last several years and can be expected to occur in the future. The nature, timing and impact of new and amended laws and regulations cannot be accurately predicted.

Regulation and Supervision of Bank Holding Companies

The Company is a bank holding company subject to the BHCA. The Company reports to, is registered with, and may be examined by, the Board of Governors of the Federal Reserve System ("FRB"). The FRB also has the authority to examine the Company's subsidiaries. The Company is a bank holding company within the meaning of Section 3700 of the California Financial Code. As such, the Company and the Bank are subject to examination by, and may be required to file reports with, the Commissioner of the California Department of Business Oversight (the "Commissioner").

The FRB has significant supervisory and regulatory authority over the Company and its affiliates. The FRB requires the Company to maintain certain levels of capital. See "Capital Standards." The FRB also has the authority to take enforcement action against any bank holding company that commits any unsafe or unsound practice, or violates certain laws, regulations or conditions imposed in writing by the FRB. Under the BHCA, the Company is required to obtain the prior approval of the FRB before it acquires, merges or consolidates with any bank or bank holding company. Any company seeking to acquire, merge or consolidate with the Company also would be required to obtain the prior approval of the FRB.

The Company is generally prohibited under the BHCA from acquiring ownership or control of more than 5% of any class of voting shares of any company that is not a bank or bank holding company and from engaging directly or indirectly in activities other than banking, managing banks, or providing services to affiliates of the holding company. However, a bank holding company, with the approval of the FRB, may engage, or acquire the voting shares of companies engaged, in activities that the FRB has determined to be closely related to banking or managing or controlling banks. A bank holding company must demonstrate that the benefits to the public of the proposed activity will outweigh the possible adverse effects associated with such activity.

The FRB generally prohibits a bank holding company from declaring or paying a cash dividend that would impose undue pressure on the capital of subsidiary banks or would be funded only through borrowing or other arrangements which might adversely affect a bank holding company's financial position. Under the FRB policy, a bank holding company should not continue its existing rate of cash dividends on its common stock unless its net income is sufficient to fully fund each dividend and its prospective rate of earnings retention appears consistent with its capital needs, asset quality and overall financial condition. See the section entitled “Restrictions on Dividends and Other Distributions” for additional restrictions on the ability of the Company and the Bank to pay dividends.

Transactions between the Company and the Bank are restricted under Regulation W. The regulation codifies prior interpretations of the FRB and its staff under Sections 23A and 23B of the Federal Reserve Act. In general, subject to certain specified exemptions, a bank or its subsidiaries are limited in their ability to engage in “covered transactions” with affiliates: (a) to an amount equal to 10% of the bank’s capital and surplus, in the case of covered transactions with any one affiliate; and (b) to an amount equal to 20% of the bank’s capital and surplus, in the case of covered transactions with all affiliates. The Company is considered to be an affiliate of the Bank. A “covered transaction” includes, among other things, a loan or extension of credit to an affiliate; a purchase of securities issued by an affiliate; a purchase of assets from an affiliate, with some exceptions; and the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate.

Federal regulations governing bank holding companies and change in bank control (Regulation Y) provide for a streamlined and expedited review process for bank acquisition proposals submitted by well-run bank holding companies. These provisions of Regulation Y are subject to numerous qualifications, limitations and restrictions. In order for a bank holding company to qualify as “well-run,” both it and the insured depository institutions which it controls must meet the “well capitalized” and “well managed” criteria set forth in Regulation Y.

The Gramm-Leach-Bliley Act (the “GLBA”), or the Financial Services Act of 1999, repealed provisions of the Glass-Steagall Act, which had prohibited commercial banks and securities firms from affiliating with each other and engaging in each other’s businesses. Thus, many of the barriers prohibiting affiliations between commercial banks and securities firms have been eliminated.

The BHCA was also amended by the GLBA to allow new “financial holding companies” (“FHCs”) to offer banking, insurance, securities and other financial products to consumers. Specifically, the GLBA amended section 4 of the BHCA in order to provide for a framework for the engagement in new financial activities. A bank holding company (“BHC”) may elect to become an FHC if all its subsidiary depository institutions are well capitalized and well managed. If these requirements are met, a BHC may file a certification to that effect with the FRB and declare that it elects to become an FHC. After the certification and declaration is filed, the FHC may engage either de novo or through an acquisition in any activity that has been determined by the FRB to be financial in nature or incidental to such financial activity. BHCs may engage in financial activities without prior notice to the FRB if those activities qualify under the list of permissible activities in section 4(k) of the BHCA. However, notice must be given to the FRB within 30 days after an FHC has commenced one or more of the financial activities. The Company has not elected to become an FHC.

Regulation and Supervision of Banks

The Bank is a California state-chartered Federal Reserve member bank and its deposits are insured by the FDIC. The Bank is subject to regulation, supervision and regular examination by the California Department of Business Oversight (“DBO”), and the FRB. The regulations of these agencies affect most aspects of the Bank’s business and prescribe permissible types of loans and investments, the amount of required reserves, requirements for branch offices, the permissible scope of its activities and various other requirements.

In addition to federal banking law, the Bank is also subject to applicable provisions of California law. Under California law, the Bank is subject to various restrictions on, and requirements regarding, its operations and administration including the maintenance of branch offices and automated teller machines, capital requirements, deposits and borrowings, shareholder rights and duties, and investment and lending activities.

In addition, the Federal Deposit Insurance Corporation Improvement Act (“FDICIA”) imposes limitations on the activities and equity investments of state chartered, federally insured banks. FDICIA also prohibits a state bank from making an investment or engaging in any activity as a principal that is not permissible for a national bank, unless the Bank is adequately capitalized and the FDIC approves the investment or activity after determining that such investment or activity does not pose a significant risk to the deposit insurance fund.

On July 21, 2010, financial regulatory reform legislation entitled the "Dodd-Frank Wall Street Reform and Consumer Protection Act" (the "Dodd-Frank Act") was signed into law. The Dodd-Frank Act implements far-reaching changes across the financial regulatory landscape, including provisions that, among other things:

- Centralized responsibility for consumer financial protection by creating a new agency, the Consumer Financial Protection Bureau, responsible for implementing, examining and (as to banks with $10 billion or more in assets) enforcing compliance with federal consumer financial laws.
- Restricted the preemption of state law by federal law and disallowed subsidiaries and affiliates of national banks from availing themselves of such preemption.
- Applied the same leverage and risk-based capital requirements that would apply to insured depository institutions to most bank holding companies.
- Required bank regulatory agencies to seek to make their capital requirements for banks countercyclical so that capital requirements increase in times of economic expansion and decrease in times of economic contraction.
- Changed the assessment base for federal deposit insurance from the amount of insured deposits to consolidated assets less tangible capital, eliminated the ceiling on the size of the Deposit Insurance Fund ("DIF") and increased the floor of the size of the DIF.
- Imposed comprehensive regulation of the over-the-counter derivatives market, which would include certain provisions that would effectively prohibit insured depository institutions from conducting certain derivatives businesses in the institution itself.
- Required large, publicly traded bank holding companies to create a risk committee responsible for the oversight of enterprise risk management.
- Implemented corporate governance revisions, including with regard to executive compensation and proxy access by shareholders, that would apply to all public companies, not just financial institutions.
- Made permanent the $250 thousand limit for federal deposit insurance.
- Repealed the federal prohibitions on the payment of interest on demand deposits, thereby permitting depository institutions to pay interest on business transaction and other accounts.
- Amended the Electronic Fund Transfer Act ("EFTA") to, among other things, give the FRB the authority to establish rules regarding interchange fees charged for electronic debit transactions by payment card issuers having assets over $10 billion and to enforce a new statutory requirement that such fees be reasonable and proportional to the actual cost of a transaction to the issuer. While the Company's assets are currently less than $10 billion, interchange fees charged by larger institutions may dictate the level of fees smaller institutions will be able to charge to remain competitive.

Many aspects of the Dodd-Frank Act are subject to rulemaking and implementation of new regulations and will take effect over several years, making it difficult to anticipate the overall financial impact on the Company, its customers or the financial industry more generally. Provisions in the legislation that affect the payment of interest on demand deposits and interchange fees may increase the costs associated with deposits as well as place limitations on certain revenues those deposits may generate.

Capital Standards

The federal banking agencies have risk-based capital adequacy guidelines intended to provide a measure of capital adequacy that reflects the degree of risk associated with a banking organization's operations for both transactions resulting in assets being recognized on the balance sheet as assets, and the extension of credit facilities such as letters of credit and recourse arrangements, which are recorded as off balance sheet items. Under these guidelines, nominal dollar amounts of assets and credit equivalent amounts of off balance sheet items are multiplied by one of several risk adjustment percentages, which range from 0% for assets with low credit risk, such as certain U.S. government securities, to 1250% for assets with relatively higher credit risk, such as certain securitizations. A banking organization's risk-based capital ratios are obtained by dividing its qualifying capital by its total risk-adjusted assets and off balance sheet items.

The federal banking agencies take into consideration concentrations of credit risk and risks from nontraditional activities, as well as an institution's ability to manage those risks, when determining the adequacy of an institution's capital. This evaluation is made as a part of the institution's regular safety and soundness examination. The federal banking agencies also consider interest rate risk (related to the interest rate sensitivity of an institution's assets and liabilities, and its off balance sheet financial instruments) in the evaluation of a bank's capital adequacy.

As of December 31, 2016, the Company's and the Bank's respective ratios exceeded applicable regulatory requirements. See Note 9 to the consolidated financial statements for capital ratios of the Company and the Bank, compared to minimum capital requirements and for the Bank the standards for well capitalized depository institutions.

On July 2, 2013, the Federal Reserve Board approved a final rule that implements changes to the regulatory capital framework for all banking organizations over a transitional period 2015 through 2018.

See the sections entitled "Capital Resources and Capital to Risk-Adjusted Assets" in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information.

Prompt Corrective Action and Other Enforcement Mechanisms

FDICIA requires each federal banking agency to take prompt corrective action to resolve the problems of insured depository institutions, including but not limited to those that fall below one or more prescribed minimum capital ratios.

An institution that, based upon its capital levels, is classified as "well capitalized," "adequately capitalized" or "undercapitalized" may be treated as though it were in the next lower capital category if the appropriate federal banking agency, after notice and opportunity for hearing, determines that an unsafe or unsound condition or an unsafe or unsound practice warrants such treatment. At each successive lower capital category, an insured depository institution is subject to more restrictions. In addition to measures taken under the prompt corrective action provisions, commercial banking organizations may be subject to potential enforcement actions by the federal banking agencies for unsafe or unsound practices in conducting their businesses or for violations of any law, rule, regulation or any condition imposed in writing by the agency or any written agreement with the agency.

Safety and Soundness Standards

The Company's ability to pay dividends to its shareholders is subject to the restrictions set forth in the California General Corporation Law ("CGCL"). The CGCL provides that a corporation may make a distribution to its shareholders if (i) the corporation's retained earnings equal or exceed the amount of the proposed distribution plus unpaid accrued dividends (if any) on securities with a dividend preference, or (ii) immediately after the dividend, the corporation's total assets equal or exceed total liabilities plus unpaid accrued dividends (if any) on securities with a dividend preference.

FDICIA also implemented certain specific restrictions on transactions and required federal banking regulators to adopt overall safety and soundness standards for depository institutions related to internal control, loan underwriting and documentation, and asset growth. Among other things, FDICIA limits the interest rates paid on deposits by undercapitalized institutions, restricts the use of brokered deposits, limits the aggregate extensions of credit by a depository institution to an executive officer, director, principal shareholder or related interest, and reduces deposit insurance coverage for deposits offered by undercapitalized institutions for deposits by certain employee benefits accounts. The federal banking agencies may require an institution to submit an acceptable compliance plan as well as have the flexibility to pursue other more appropriate or effective courses of action given the specific circumstances and severity of an institution's noncompliance with one or more standards.

Federal banking agencies require banks to maintain adequate valuation allowances for potential credit losses. The Company has an internal staff that continually reviews loan quality and reports to the Board of Directors. This analysis includes a detailed review of the classification and categorization of problem loans, assessment of the overall quality and collectability of the loan portfolio, consideration of loan loss experience, trends in problem loans, concentration of credit risk, and current economic conditions, particularly in the Bank's market areas. Based on this analysis, Management, with the review and approval of the Board, determines the adequate level of allowance required. The allowance is allocated to different segments of the loan portfolio, but the entire allowance is available for the loan portfolio in its entirety.

Restrictions on Dividends and Other Distributions

The power of the board of directors of an insured depository institution to declare a cash dividend or other distribution with respect to capital is subject to statutory and regulatory restrictions which limit the amount available for such distribution depending upon the earnings, financial condition and cash needs of the institution, as well as general business conditions. FDICIA prohibits insured depository institutions from paying management fees to any controlling persons or, with certain limited exceptions, making capital distributions, including dividends, if, after such transaction, the institution would be undercapitalized.

In addition to the restrictions imposed under federal law, banks chartered under California law generally may only pay cash dividends to the extent such payments do not exceed the lesser of retained earnings of the bank or the bank's net income for its last three fiscal years (less any distributions to shareholders during this period). In the event a bank desires to pay cash dividends in excess of such amount, the bank may pay a cash dividend with the prior approval of the Commissioner in an amount not exceeding the greatest of the bank's retained earnings, the bank's net income for its last fiscal year or the bank's net income for its current fiscal year.

The federal banking agencies also have the authority to prohibit a depository institution from engaging in business practices which are considered to be unsafe or unsound, possibly including payment of dividends or other payments under certain circumstances even if such payments are not expressly prohibited by statute.

Premiums for Deposit Insurance

Substantially all of the deposits of the Bank are insured up to applicable limits by the Deposit Insurance Fund ("DIF") of the FDIC and are subject to deposit insurance assessments to maintain the DIF. The FDIC utilizes a risk-based assessment system that imposes insurance premiums based upon a risk matrix that takes into account a bank's capital level, asset quality and supervisory rating ("CAMELS rating").

In July 2010, Congress in the Dodd-Frank Wall Street Reform and Consumer Protection Act increased the minimum for the DIF reserve ratio, the ratio of the amount in the fund to insured deposits, from 1.15% to 1.35% and required that the ratio reach that level by September 30, 2020. Further, the Dodd-Frank Act made banks with $10 billion or more in assets responsible for the increase from 1.15% to 1.35%, among other provisions.

In October 2010, the FDIC adopted a new DIF restoration plan to ensure the DIF reaching 1.35% by September 30, 2020. In assessing its progress in restoring the reserves, at least semi-annually, the FDIC updates its loss and income projections for the fund and, if needed, increases or decreases assessment rates, following notice-and-comment rulemaking, if required.

In February 2011, the FDIC adopted a final rule effective April 1, 2011 to:

(1) Redefine the deposit insurance assessment base from total domestic deposits to average total assets minus average tangible equity as required by the Dodd-Frank Act;
(2) Change the deposit insurance assessment rates (which sets forth progressively lower assessment rate schedules that will take effect when the reserve ratio exceeds 1.15%, 2%, and 2.5%) ;
(3) Implement the Dodd-Frank Act DIF dividend provisions; and
(4) Revise the risk-based assessment system for all “large” and “highly complex” insured depository institutions. “Large” depository institutions are defined generally as having more than $10 billion in assets and "highly complex" institutions have over $50 billion in assets and are fully owned by a parent with over $500 billion in assets. The Bank is neither a “large” nor “highly complex” institution.

In March, 2016, the FDIC issued a final rule to increase the DIF reserve ratio to the statutory minimum level of 1.35%, effective July 1, 2016, if the reserve ratio reached 1.15% before that date.

In August, 2016, the FDIC announced the DIF reserve ratio surpassed the 1.15% reserve ratio target, triggering three major changes:

(1) The decline in the range of initial assessment rates for all banks from 5-35 basis points to 3-30 basis points;
(2) The assessment of a quarterly surcharge on large banks equal to an annual rate of 4.5 basis points in addition to regular assessments; and
(3) A revised method to calculate risk-based assessment rates for established small banks (under $1 billion in assets) pursuant to an FDIC final rule issued April, 2016.

The Company cannot provide any assurance as to the effect of any future changes in its deposit insurance premium rates.

Community Reinvestment Act and Fair Lending Developments

The Bank is subject to certain fair lending requirements and reporting obligations involving home mortgage lending operations and Community Reinvestment Act (“CRA”) activities. The CRA generally requires the federal banking agencies to evaluate the record of financial institutions in meeting the credit needs of their local communities, including low and moderate income neighborhoods. In addition to substantive penalties and corrective measures that may be required for a violation of certain fair lending laws, the federal banking agencies may take compliance with such laws and CRA into account when regulating and supervising other activities including merger applications.

Financial Privacy Legislation and Customer Information Security

The GLBA, in addition to the previously described changes in permissible nonbanking activities permitted to banks, BHCs and FHCs, also required the federal banking agencies, among other federal regulatory agencies, to adopt regulations governing the privacy of consumer financial information. The Bank is subject to the FRB’s regulations in this area. The federal bank regulatory agencies have established standards for safeguarding nonpublic personal information about customers that implement provisions of the GLBA (the “Guidelines”). Among other things, the Guidelines require each financial institution, under the supervision and ongoing oversight of its Board of Directors or an appropriate committee thereof, to develop, implement and maintain a comprehensive written information security program designed to ensure the security and confidentiality of customer information, to protect against any anticipated threats or hazards to the security or integrity of such information, and to protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer.

U.S.A. PATRIOT Act

Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 ("USA Patriot Act") is the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001. It includes numerous provisions for fighting international money laundering and blocking terrorist access to the U.S. financial system. The goal of Title III is to prevent the U.S. financial system and the U.S. clearing mechanisms from being used by parties suspected of terrorism, terrorist financing and money laundering. The provisions of Title III of the USA Patriot Act which affect the Bank are generally set forth as amendments to the Bank Secrecy Act. These provisions relate principally to U.S. banking organizations' relationships with foreign banks and with persons who are resident outside the United States. The USA Patriot Act does not impose any filing or reporting obligations for banking organizations, but does require certain additional due diligence and recordkeeping practices.

Sarbanes-Oxley Act of 2002

The stated goals of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley") are to increase corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws. Sarbanes-Oxley generally applies to all companies, both U.S. and non-U.S., that file or are required to file periodic reports under the Securities Exchange Act of 1934 (the "Exchange Act").

Sarbanes-Oxley includes very specific additional disclosure requirements and corporate governance rules, required the SEC and securities exchanges to adopt extensive additional disclosure, corporate governance and other related rules and mandates further studies of certain issues. Sarbanes-Oxley represents significant federal involvement in matters traditionally left to state regulatory systems, such as the regulation of the accounting profession, and to state corporate law, such as the relationship between a board of directors and management and between a board of directors and its committees and public company shareholders. Sarbanes-Oxley addresses, among other matters: (i) independent audit committees for reporting companies whose securities are listed on national exchanges or automated quotation systems (the "Exchanges") and expanded duties and responsibilities for audit committees; (ii) certification of financial statements by the chief executive officer and the chief financial officer; (iii) the forfeiture of bonuses or other incentive-based compensation and profits from the sale of an issuer's securities by directors and senior officers in the twelve month period following initial publication of any financial statements that later require restatement; (iv) a prohibition on insider trading during pension plan blackout periods; (v) disclosure of off-balance sheet transactions; (vi) a prohibition on personal loans to directors and officers under most circumstances with exceptions for certain normal course transactions by regulated financial institutions; (vii) expedited electronic filing requirements related to trading by insiders in an issuer's securities on Form 4; (viii) disclosure of a code of ethics and filing a Form 8-K for a change or waiver of such code; (ix) accelerated filing of periodic reports; (x) the formation of the Public Company Accounting Oversight Board ("PCAOB") to regulate public accounting firms and the audit of public companies that are subject to the securities laws; (xi) auditor independence; (xii) internal control evaluation and reporting; and (xiii) various increased criminal penalties for violations of securities laws.

Programs To Mitigate Identity Theft

In November 2007, federal banking agencies together with the National Credit Union Administration and Federal Trade Commission adopted regulations under the Fair and Accurate Credit Transactions Act of 2003 to require financial institutions and other creditors to develop and implement a written identity theft prevention program to detect, prevent and mitigate identity theft in connection with certain new and existing accounts. Covered accounts generally include consumer accounts and other accounts that present a reasonably foreseeable risk of identity theft. Each institution's program must include policies and procedures designed to: (i) identify indicators, or "red flags," of possible risk of identity theft; (ii) detect the occurrence of red flags; (iii) respond appropriately to red flags that are detected; and (iv) ensure that the program is updated periodically as appropriate to address changing circumstances. The regulations include guidelines that each institution must consider and, to the extent appropriate, include in its program.

Pending Legislation

Changes to state laws and regulations (including changes in interpretation or enforcement) can affect the operating environment of BHCs and their subsidiaries in substantial and unpredictable ways. From time to time, various legislative and regulatory proposals are introduced. These proposals, if codified, may change banking statutes and regulations and the Company's operating environment in substantial and unpredictable ways. If codified, these proposals could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance among banks, savings associations, credit unions and other financial institutions. The Company cannot accurately predict whether those changes in laws and regulations will occur, and, if those changes occur, the ultimate effect they would have upon our financial condition or results of operations. It is likely, however, that the current level of enforcement and compliance-related activities of federal and state authorities will continue and potentially increase.

Competition

In the past, the Bank's principal competitors for deposits and loans have been major banks and smaller community banks, savings and loan associations and credit unions. To a lesser extent, competition was also provided by thrift and loans, mortgage brokerage companies and insurance companies. Other institutions, such as brokerage houses, mutual fund companies, credit card companies, and certain retail establishments have offered investment vehicles that also compete with banks for deposit business. Federal legislation in recent years has encouraged competition between different types of financial institutions and fostered new entrants into the financial services market.

Legislative changes, as well as technological and economic factors, can be expected to have an ongoing impact on competitive conditions within the financial services industry. While the future impact of regulatory and legislative changes cannot be predicted with certainty, the business of banking will remain highly competitive.

ITEM 1A. RISK FACTORS

Readers and prospective investors in the Company's securities should carefully consider the following risk factors as well as the other information contained or incorporated by reference in this Report.

The risks and uncertainties described below are not the only ones facing the Company. Additional risks and uncertainties that Management is not aware of or focused on or that Management currently deems immaterial may also impair the Company's business operations. This Report is qualified in its entirety by these risk factors.

If any of the following risks actually occur, the Company's financial condition and results of operations could be materially and adversely affected. If this were to happen, the value of the company's securities could decline significantly, and investors could lose all or part of their investment in the Company's common stock.

Market and Interest Rate Risk

Changes in interest rates could reduce income and cash flow.

The discussion in this Report under "Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations – Asset, Liability and Market Risk Management" and "- Liquidity and Funding" and "Item 7A Quantitative and Qualitative Disclosures About Market Risk" is incorporated by reference in this paragraph. The Company's income and cash flow depend to a great extent on the difference between the interest earned on loans and investment securities and the interest paid on deposits and other borrowings, and the Company's success in competing for loans and deposits. The Company cannot control or prevent changes in the level of interest rates which fluctuate in response to general economic conditions, the policies of various governmental and regulatory agencies, in particular, the Federal Open Market Committee of the FRB, and pricing practices of the Company's competitors. Changes in monetary policy, including changes in interest rates, will influence the origination of loans, the purchase of investments, the generation of deposits and other borrowings, and the rates received on loans and investment securities and paid on deposits and other liabilities.

Changes in capital market conditions could reduce asset valuations.

Capital market conditions, including liquidity, investor confidence, bond issuer credit worthiness, perceived counter-party risk, the supply of and demand for financial instruments, the financial strength of market participants, and other factors can materially impact the value of the Company's assets. An impairment in the value of the Company's assets could result in asset write-downs, reducing the Company's asset values, earnings, and equity.

The value of securities in the Company's investment securities portfolio may be negatively affected by disruptions in securities markets

The market for some of the investment securities held in the Company's portfolio can be extremely volatile. Volatile market conditions may detrimentally affect the value of these securities, such as through reduced valuations due to the perception of heightened credit and liquidity risks. There can be no assurance that the declines in market value will not result in other than temporary impairments of these assets, which would lead to loss recognition that could have a material adverse effect on the Company's net income and capital levels.

The weakness of other financial institutions could adversely affect the Company.

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. The Company routinely executes transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, and other institutional clients. Many of these transactions expose the Company to credit risk in the event of default of the Company's counterparty or client. In addition, the Company's credit risk may be increased when the collateral the Company holds cannot be realized or is liquidated at prices not sufficient to recover the full amount of the secured obligation. There is no assurance that any such losses would not materially and adversely affect the Company's results of operations or earnings.

Shares of Company common stock eligible for future sale or grant of stock options could have a dilutive effect on the market for Company common stock and could adversely affect the market price.

The Articles of Incorporation of the Company authorize the issuance of 150 million shares of common stock (and two additional classes of 1 million shares each, denominated "Class B Common Stock" and "Preferred Stock", respectively) of which approximately 25.9 million shares of common stock were outstanding at December 31, 2016. Pursuant to its stock option plans, at December 31, 2016, the Company had outstanding options for 1.3 million shares of common stock, of which 720 thousand were currently exercisable. As of December 31, 2016, 1.2 million shares of Company common stock remained available for grants under the Company's stock option plans. Sales of substantial amounts of Company common stock in the public market could adversely affect the market price of its common stock.

The Company's payment of dividends on common stock could be eliminated or reduced.

Holders of the Company's common stock are entitled to receive dividends only when, as and if declared by the Company's Board of Directors. Although the Company has historically paid cash dividends on the Company's common stock, the Company is not required to do so and the Company's Board of Directors could reduce or eliminate the Company's common stock dividend in the future.

The Company could repurchase shares of its common stock at price levels considered excessive.

The Company repurchases and retires its common stock in accordance with Board of Directors-approved share repurchase programs. At December 31, 2016, approximately 1.8 million shares remained available to repurchase under such plans. The Company has been active in repurchasing and retiring shares of its common stock when alternative uses of excess capital, such as acquisitions, have been limited. The Company could repurchase shares of its common stock at price levels considered excessive, thereby spending more cash on such repurchases as deemed reasonable and effectively retiring fewer shares than would be retired if repurchases were effected at lower prices.

Risks Related to the Nature and Geographical Location of the Company's Business

The Company invests in loans that contain inherent credit risks that may cause the Company to incur losses.

The Company can provide no assurance that the credit quality of the loan portfolio will not deteriorate in the future and that such deterioration will not adversely affect the Company.

The Company's operations are concentrated geographically in California, and poor economic conditions may cause the Company to incur losses.

Substantially all of the Company's business is located in California. A portion of the loan portfolio of the Company is dependent on real estate. At December 31, 2016, real estate served as the principal source of collateral with respect to approximately 50% of the Company's loan portfolio. The Company's financial condition and operating results will be subject to changes in economic conditions in California. The California economy was severely affected by the recessionary period of 2008 to 2009. Much of the California real estate market experienced a decline in values of varying degrees. This decline had an adverse impact on the business of some of the Company's borrowers and on the value of the collateral for many of the Company's loans. Generally, the counties surrounding and near San Francisco Bay have recovered more soundly from the recent recession than counties in the California "Central Valley," from Sacramento in the north to Bakersfield in the south. Approximately 23% of the Company's loans are to borrowers in the California "Central Valley." Economic conditions in California's diverse geographic markets can be vastly different and are subject to various uncertainties, including the condition of the construction and real estate sectors, the effect of drought on the agricultural sector and its infrastructure, and the California state government's budgetary and fiscal condition. The Company can provide no assurance that conditions in any sector or geographic market of the California economy will not deteriorate in the future and that such deterioration will not adversely affect the Company.

The markets in which the Company operates are subject to the risk of earthquakes and other natural disasters.

All of the properties of the Company are located in California. Also, most of the real and personal properties which currently secure a majority of the Company's loans are located in California. California is prone to earthquakes, brush and forest fires, flooding, drought and other natural disasters. In addition to possibly sustaining uninsured damage to its own properties, if there is a major earthquake, flood, drought, fire or other natural disaster, the Company faces the risk that many of its borrowers may experience uninsured property losses, or sustained business or employment interruption and/or loss which may materially impair their ability to meet the terms of their loan obligations. A major earthquake, flood, prolonged drought, fire or other natural disaster in California could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Adverse changes in general business or economic conditions could have a material adverse effect on the Company's financial condition and results of operations.

A sustained or continuing weakness or weakening in business and economic conditions generally or specifically in the principal markets in which the Company does business could have one or more of the following adverse impacts on the Company's business:

- a decrease in the demand for loans and other products and services offered by the Company;
- an increase or decrease in the usage of unfunded credit commitments;
- an increase or decrease in the amount of deposits;
- a decrease in non-depository funding available to the Company;
- an impairment of certain intangible assets, including goodwill;
- an increase in the number of clients and counterparties who become delinquent, file for protection under bankruptcy laws or default on their loans or other obligations to the Company, which could result in a higher level of nonperforming assets, net charge-offs, provision for loan losses, reduced interest revenue and cash flows, and valuation adjustments on assets;
- an impairment in the value of investment securities;
- an impairment in the value of life insurance policies owned by the Company;
- an impairment in the value of real estate owned by the Company.

The recent financial crisis led to the failure or merger of a number of financial institutions. Financial institution failures can result in further losses as a consequence of defaults on securities issued by them and defaults under contracts entered into with such entities as counterparties. The failure of institutions with FDIC insured deposits can cause the DIF reserve ratio to decline, resulting in increased deposit insurance assessments on surviving FDIC insured institutions. Weak economic conditions can significantly weaken the strength and liquidity of financial institutions.

The Company's financial performance generally, and in particular the ability of borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, are highly dependent upon the business environment in the markets where the Company operates, in the State of California and in the United States as a whole. A favorable business environment is generally characterized by, among other factors, economic growth, healthy labor markets, efficient capital markets, low inflation, high business and investor confidence, and strong business earnings. Unfavorable or uncertain economic and market conditions can be caused by: declines in economic growth, high rates of unemployment, deflation, declines in business activity or consumer, investor or business confidence; limitations on the availability of or increases in the cost of credit and capital; increases in inflation; natural disasters; or a combination of these or other factors.

Such business conditions could adversely affect the credit quality of the Company's loans, the demand for loans, loan volumes and related revenue, securities valuations, amounts of deposits, availability of funding, results of operations and financial condition.

Regulatory Risks

Restrictions on dividends and other distributions could limit amounts payable to the Company.

As a holding company, a substantial portion of the Company's cash flow typically comes from dividends paid by the Bank. Various statutory provisions restrict the amount of dividends the Company's subsidiaries can pay to the Company without regulatory approval. The Bank obtained regulatory approval for dividends paid to the Company in 2016. A reduction in subsidiary dividends paid to the Company could limit the capacity of the Company to pay dividends. In addition, if any of the Company's subsidiaries were to liquidate, that subsidiary's creditors will be entitled to receive distributions from the assets of that subsidiary to satisfy their claims against it before the Company, as a holder of an equity interest in the subsidiary, will be entitled to receive any of the assets of the subsidiary.

Adverse effects of changes in banking or other laws and regulations or governmental fiscal or monetary policies could adversely affect the Company.

The Company is subject to significant federal and state regulation and supervision, which is primarily for the benefit and protection of the Company's customers and not for the benefit of investors. In the past, the Company's business has been materially affected by these regulations. As an example, the FRB amended Regulation E, which implements the Electronic Fund Transfer Act, in a manner that limits the ability of a financial institution to assess an overdraft fee for paying automated teller machine (ATM) and one-time debit card transactions that overdraw a consumer's account, unless the consumer affirmatively consents, or opts in, to the institution's payment of overdrafts for these transactions. Implementation of the new provisions significantly reduced overdraft fees assessed by the Bank.

Laws, regulations or policies, including accounting standards and interpretations currently affecting the Company and the Company's subsidiaries, may change at any time. Regulatory authorities may also change their interpretation of these statutes and regulations. Therefore, the Company's business may be adversely affected by any future changes in laws, regulations, policies or interpretations or regulatory approaches to compliance and enforcement including future acts of terrorism, major U.S. corporate bankruptcies and reports of accounting irregularities at U.S. public companies.

Additionally, the Company's business is affected significantly by the fiscal and monetary policies of the federal government and its agencies. The Company is particularly affected by the policies of the FRB, which regulates the supply of money and credit in the United States of America. Among the instruments of monetary policy available to the FRB are (a) conducting open market operations in U.S. government securities, (b) changing the discount rates of borrowings by depository institutions, (c) changing interest rates paid on balances financial institutions deposit with the FRB, and (d) imposing or changing reserve requirements against certain borrowings by banks and their affiliates. These methods are used in varying degrees and combinations to directly affect the availability of bank loans and deposits, as well as the interest rates charged on loans and paid on deposits. The policies of the FRB may have a material effect on the Company's business, results of operations and financial condition. Under long-standing policy of the FRB, a BHC is expected to act as a source of financial strength for its subsidiary banks. As a result of that policy, the Company may be required to commit financial and other resources to its subsidiary bank in circumstances where the Company might not otherwise do so.

Following the most recent recession, the FRB has been providing vast amounts of liquidity into the banking system. The FRB has been purchasing large quantities of U.S. government securities, including agency-backed mortgage securities, increasing the demand for such securities thereby reducing interest rates. The FRB began reducing these asset purchase activities in the fourth quarter 2013 and the Federal Open Market Committee increased the target range for the federal funds rate to 1/2 to 3/4 percent on December 14, 2016, which could reduce liquidity in the markets and cause interest rates to rise, thereby increasing funding costs to the Bank, reducing the availability of funds to the Bank to finance its existing operations, and causing fixed-rate investment securities and loans to decline in value.

Federal and state governments could pass legislation detrimental to the Company's performance.

As an example, the Company could experience higher credit losses because of federal or state legislation or regulatory action that reduces the amount the Bank's borrowers are otherwise contractually required to pay under existing loan contracts. Also, the Company could experience higher credit losses because of federal or state legislation or regulatory action that limits or delays the Bank's ability to foreclose on property or other collateral or makes foreclosure less economically feasible.

The FDIC insures deposits at insured financial institutions up to certain limits. The FDIC charges insured financial institutions premiums to maintain the Deposit Insurance Fund. The FDIC may increase premium assessments to maintain adequate funding of the Deposit Insurance Fund.

The behavior of depositors in regard to the level of FDIC insurance could cause our existing customers to reduce the amount of deposits held at the Bank, and could cause new customers to open deposit accounts at the Bank. The level and composition of the Bank's deposit portfolio directly impacts the Bank's funding cost and net interest margin.

Systems, Accounting and Internal Control Risks

The accuracy of the Company's judgments and estimates about financial and accounting matters will impact operating results and financial condition.

The discussion under "Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies" in this Report and the information referred to in that discussion is incorporated by reference in this paragraph. The Company makes certain estimates and judgments in preparing its financial statements. The quality and accuracy of those estimates and judgments will have an impact on the Company's operating results and financial condition.

The Company's information systems may experience an interruption or breach in security.

The Company relies heavily on communications and information systems, including those of third party vendors and other service providers, to conduct its business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in the Company's data processing, accounting, customer relationship management and other systems. Communication and information systems failures can result from a variety of risks including, but not limited to, events that are wholly or partially out of the Company's control, such as telecommunication line integrity, weather, terrorist acts, natural disasters, accidental disasters, unauthorized breaches of security systems, energy delivery systems, cyber attacks, and other events. Although the Company devotes significant resources to maintain and regularly upgrade its systems and processes that are designed to protect the security of the Company's computer systems, software, networks and other technology assets and the confidentiality, integrity and availability of information belonging to the Company and its customers, there is no assurance that any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately corrected by the Company or its vendors. The occurrence of any such failures, interruptions or security breaches could damage the Company's reputation, result in a loss of customer business, subject the Company to additional regulatory scrutiny, or expose the Company to litigation and possible financial liability, any of which could have a material adverse effect on the Company's financial condition and results of operations.

The Company's controls and procedures may fail or be circumvented.

Management regularly reviews and updates the Company's internal control over financial reporting, disclosure controls and procedures, and corporate governance policies and procedures. The Company maintains controls and procedures to mitigate against risks such as processing system failures and errors, and customer or employee fraud, and maintains insurance coverage for certain of these risks. Any system of controls and procedures, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Events could occur which are not prevented or detected by the Company's internal controls or are not insured against or are in excess of the Company's insurance limits or insurance underwriters' financial capacity. Any failure or circumvention of the Company's controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on the Company's business, results of operations and financial condition.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Branch Offices and Facilities

Westamerica Bank is engaged in the banking business through 85 branch offices in 21 counties in Northern and Central California. WAB believes all of its offices are constructed and equipped to meet prescribed security requirements.

The Company owns 30 banking office locations and one centralized administrative service center facility and leases 61 facilities. Most of the leases contain renewal options and provisions for rental increases, principally for changes in the cost of living index, and for changes in other operating costs such as property taxes and maintenance.

ITEM 3. LEGAL PROCEEDINGS

Neither the Company nor any of its subsidiaries is a party to any material pending legal proceeding, nor is their property the subject of any material pending legal proceeding, other than ordinary routine legal proceedings arising in the ordinary course of the Company's business. None of these proceedings is expected to have a material adverse impact upon the Company's business, financial position or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's common stock is traded on the NASDAQ Stock Market ("NASDAQ") under the symbol "WABC". The following table shows the high and the low sales prices for the common stock, for each quarter, as reported by NASDAQ:

	High	Low
2016:		
First quarter	$49.63	$40.72
Second quarter	51.53	45.86
Third quarter	50.96	46.61
Fourth quarter	65.34	48.20
2015:		
First quarter	$48.44	$40.68
Second quarter	51.69	42.70
Third quarter	51.90	43.00
Fourth quarter	49.64	42.96

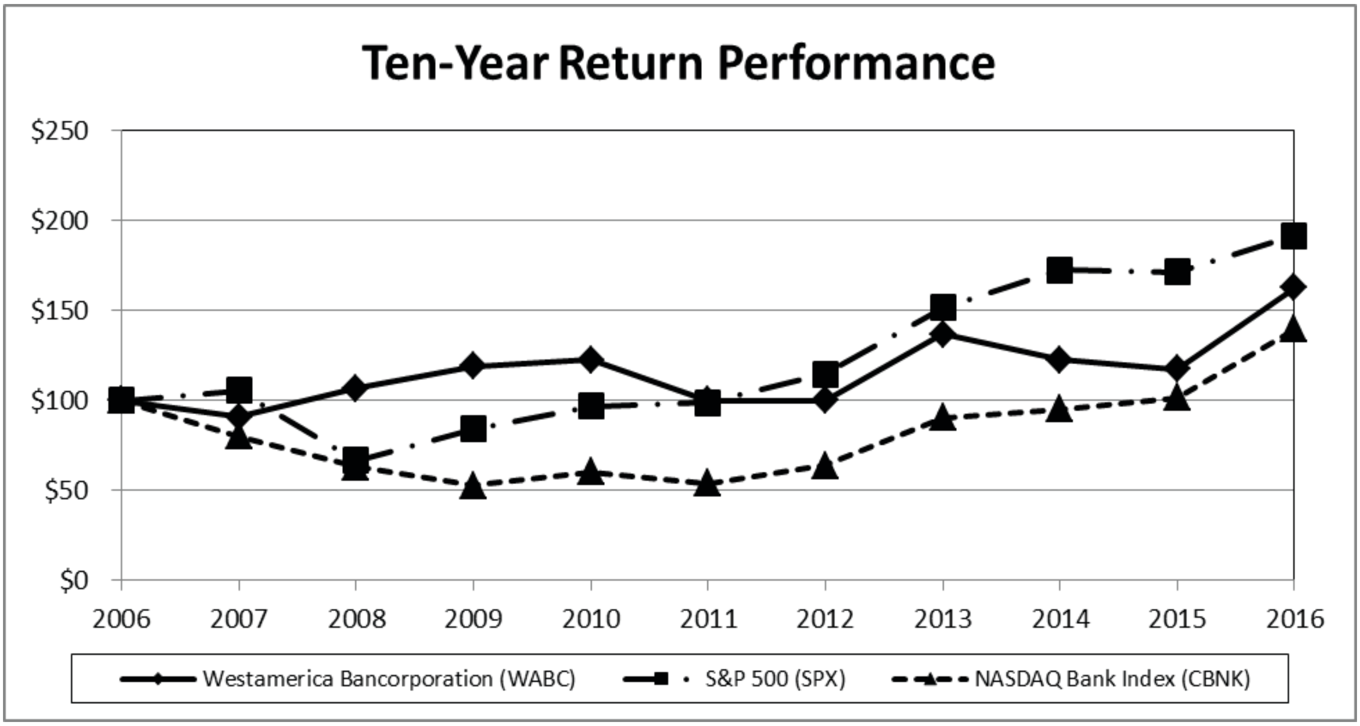
As of January 31, 2017, there were approximately 5,900 shareholders of record of the Company's common stock.

The Company has paid cash dividends on its common stock in every quarter since its formation in 1972. See Item 8, Financial Statements and Supplementary Data, Note 19 to the consolidated financial statements for recent quarterly dividend information. It is currently the intention of the Board of Directors of the Company to continue payment of cash dividends on a quarterly basis. There is no assurance, however, that any dividends will be paid since they are dependent upon earnings, cash balances, financial condition and capital requirements of the Company and its subsidiaries as well as policies of the FRB pursuant to the BHCA. See Item 1, "Business - Supervision and Regulation."

The notes to the consolidated financial statements included in this Report contain additional information regarding the Company's capital levels, capital structure, regulations affecting subsidiary bank dividends paid to the Company, the Company's earnings, financial condition and cash flows, and cash dividends declared and paid on common stock.

Stock performance

The following chart compares the cumulative return on the Company's stock during the ten years ended December 31, 2016 with the cumulative return on the S&P 500 composite stock index and NASDAQ'S Bank Index. The comparison assumes $100 invested in each on December 31, 2006 and reinvestment of all dividends.



	December 31, 2006	2007	2008	2009	2010	2011
Westamerica Bancorporation (WABC)	$100.00	$90.53	$106.67	$118.85	$122.28	$99.78
S&P 500 (SPX)	100.00	105.49	66.47	84.06	96.74	98.76
NASDAQ Bank Index (CBNK)	100.00	80.10	62.86	52.62	60.08	53.76

	December 31, 2012	2013	2014	2015	2016
Westamerica Bancorporation (WABC)	$100.01	$136.84	$122.52	$117.29	$162.55
S&P 500 (SPX)	114.55	151.62	172.33	171.23	191.49
NASDAQ Bank Index (CBNK)	63.83	90.45	94.89	101.25	139.43

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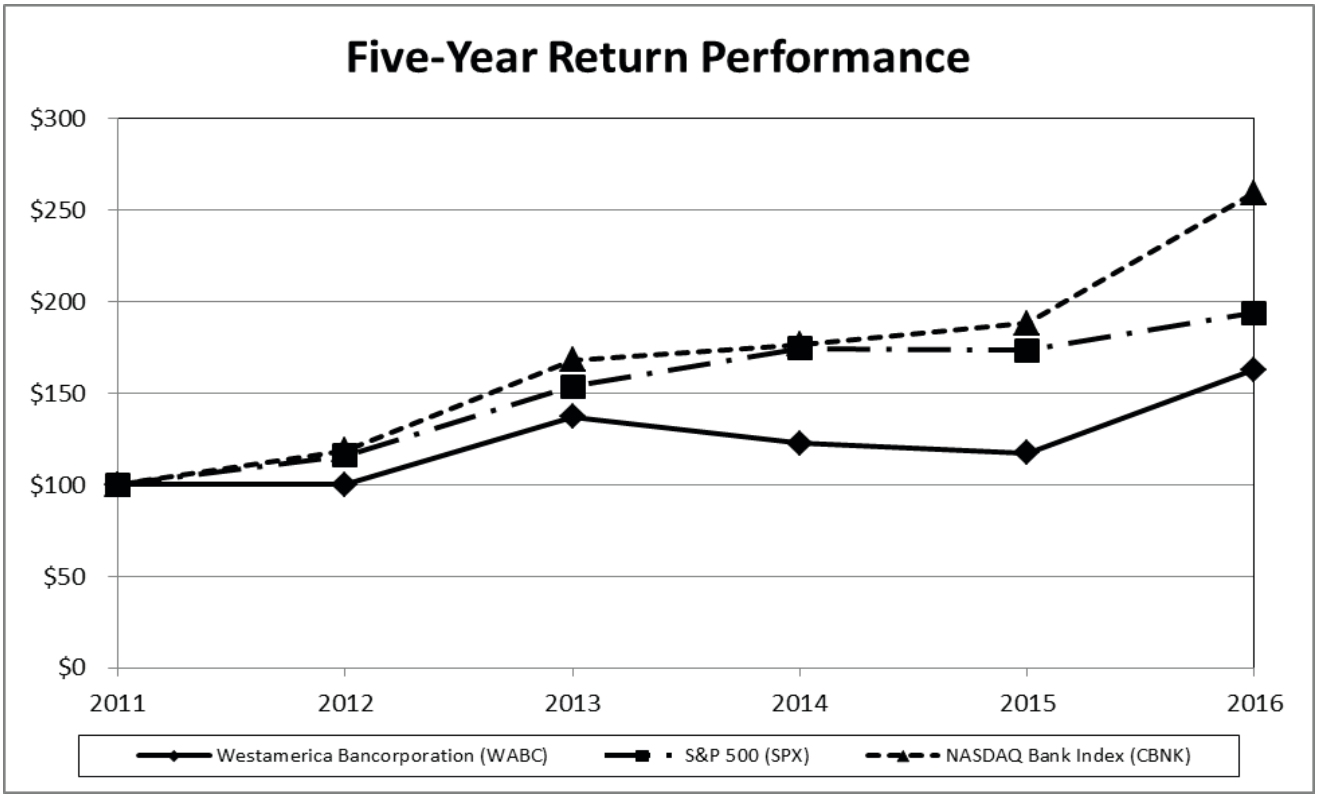
The following chart compares the cumulative return on the Company's stock during the five years ended December 31, 2016 with the cumulative return on the S&P 500 composite stock index and NASDAQ'S Bank Index. The comparison assumes $100 invested in each on December 31, 2011 and reinvestment of all dividends.



	December 31,					
	2011	2012	2013	2014	2015	2016
Westamerica Bancorporation (WABC)	$100.00	$100.23	$137.15	$122.79	$117.55	$162.91
S&P 500 (SPX)...	100.00	115.99	153.52	174.48	173.37	193.89
NASDAQ Bank Index (CBNK)	100.00	118.73	168.23	176.49	188.32	259.33

ISSUER PURCHASES OF EQUITY SECURITIES

The table below sets forth the information with respect to purchases made by or on behalf of Westamerica Bancorporation or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of common stock during the quarter ended December 31, 2016 (in thousands, except per share data).

	2016			
Period	(a) Total Number of shares Purchased	(b) Average Price Paid per Share	(c) Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
	(In thousands, except exercise price)			
October 1 through October 31	-	$ -	-	1,750
November 1 through November 30	-	-	-	1,750
December 1 through December 31	-	-	-	1,750
Total	-	$ -	-	1,750

The Company repurchases shares of its common stock in the open market to optimize the Company's use of equity capital and enhance shareholder value and with the intention of lessening the dilutive impact of issuing new shares under stock option plans, and other ongoing requirements.

No shares were repurchased during the period from October 1, 2016 through December 31, 2016. A program approved by the Board of Directors on July 28, 2016 authorizes the purchase of up to 1,750 thousand shares of the Company's common stock from time to time prior to September 1, 2017.

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ITEM 6. SELECTED FINANCIAL DATA

The following financial information for the five years ended December 31, 2016 has been derived from the Company's audited consolidated financial statements. This information should be read in conjunction with those statements, notes and other information included elsewhere herein.

WESTAMERICA BANCORPORATION
FINANCIAL SUMMARY

	For the Years Ended December 31,				
	2016	2015	2014	2013	2012
	(In thousands, except per share data and ratios)				
Interest and loan fee income	$134,051	$136,529	$140,209	$154,396	$183,364
Interest expense	2,116	2,424	3,444	4,671	5,744
Net interest and loan fee income	131,935	134,105	136,765	149,725	177,620
(Reversal of) provision for loan losses	(3,200)	-	2,800	8,000	11,200
Noninterest income:					
Net losses from securities	-	-	-	-	(1,287)
Deposit service charges and other	46,574	47,867	51,787	57,011	58,309
Total noninterest income	46,574	47,867	51,787	57,011	57,022
Noninterest expense	101,752	105,300	106,799	112,614	116,885
Income before income taxes	79,957	76,672	78,953	86,122	106,557
Income tax provision	21,104	17,919	18,307	18,945	25,430
Net income	$58,853	$58,753	$60,646	$67,177	$81,127
Average common shares outstanding	25,612	25,555	26,099	26,826	27,654
Average diluted common shares outstanding	25,678	25,577	26,160	26,877	27,699
Common shares outstanding at December 31,	25,907	25,528	25,745	26,510	27,213
Per common share:					
Basic earnings	$2.30	$2.30	$2.32	$2.50	$2.93
Diluted earnings	2.29	2.30	2.32	2.50	2.93
Book value at December 31,	$21.67	20.85	20.45	20.48	20.58
Financial ratios:					
Return on assets	1.12%	1.16%	1.22%	1.38%	1.64%
Return on common equity	10.85%	11.32%	11.57%	12.48%	14.93%
Net interest margin (FTE)[(1)]	3.24%	3.36%	3.70%	4.08%	4.79%
Net loan losses to average loans	0.04%	0.11%	0.17%	0.33%	0.59%
Efficiency ratio[(2)]	53.09%	53.69%	52.24%	50.11%	46.01%
Equity to assets	10.46%	10.30%	10.46%	11.20%	11.31%
Period end balances:					
Assets	$5,366,083	$5,168,875	$5,035,724	$4,847,055	$4,952,193
Loans	1,352,711	1,533,396	1,700,290	1,827,744	2,111,357
Allowance for loan losses	25,954	29,771	31,485	31,693	30,234
Investment securities	3,237,070	2,886,291	2,639,439	2,211,680	1,981,677
Deposits	4,704,741	4,540,659	4,349,191	4,163,781	4,232,492
Identifiable intangible assets and goodwill	128,600	132,104	135,960	140,230	144,934
Short-term borrowed funds	59,078	53,028	89,784	62,668	53,687
Federal Home Loan Bank advances	-	-	20,015	20,577	25,799
Term repurchase agreement	-	-	-	10,000	10,000
Debt financing	-	-	-	-	15,000
Shareholders' equity	561,367	532,205	526,603	542,934	560,102
Capital ratios at period end:					
Total risk based capital	15.95%	13.39%	14.54%	16.18%	16.33%
Tangible equity to tangible assets	8.26%	7.94%	7.97%	8.56%	8.64%
Dividends paid per common share	$1.56	$1.53	$1.52	$1.49	$1.48
Common dividend payout ratio	68%	67%	66%	60%	51%

(1) Yields on securities and certain loans have been adjusted upward to a "fully taxable equivalent" ("FTE") basis, which is a non-GAAP financial measure, in order to reflect the effect of income which is exempt from federal income taxation at the current statutory tax rate.

(2) The efficiency ratio is defined as noninterest expense divided by total revenue (net interest income on an FTE basis, which is a non-GAAP financial measure, and noninterest income).

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion addresses information pertaining to the financial condition and results of operations of Westamerica Bancorporation and subsidiaries (the "Company") that may not be otherwise apparent from a review of the consolidated financial statements and related footnotes. It should be read in conjunction with those statements and notes found on pages 48 through 88, as well as with the other information presented throughout this Report.

Critical Accounting Policies

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and follow general practices within the banking industry. Application of these principles requires the Company to make certain estimates, assumptions, and judgments that affect the amounts reported in the financial statements and accompanying notes. These estimates, assumptions, and judgments are based on information available as of the date of the financial statements; accordingly, as this information changes, the financial statements could reflect different estimates, assumptions, and judgments. Certain accounting policies inherently have a greater reliance on the use of estimates, assumptions and judgments and as such have a greater possibility of producing results that could be materially different than originally reported. Estimates, assumptions and judgments are necessary when assets and liabilities are required to be recorded at fair value, when a decline in the value of an asset not carried on the financial statements at fair value warrants an impairment writedown or valuation reserve to be established, or when an asset or liability needs to be recorded contingent upon a future event. Carrying assets and liabilities at fair value inherently results in more financial statement volatility. The fair values and the information used to record valuation adjustments for certain assets and liabilities are based either on quoted market prices or are provided by other third-party sources, when available.

The most significant accounting policies followed by the Company are presented in Note 1 to the consolidated financial statements. These policies, along with the disclosures presented in the other financial statement notes and in this discussion, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined. Based on the valuation techniques used and the sensitivity of financial statement amounts to the methods, assumptions, and estimates underlying those amounts, Management has identified the allowance for loan losses accounting to be the accounting area requiring the most subjective or complex judgments, and as such could be most subject to revision as new information becomes available. A discussion of the factors affecting accounting for the allowance for loan losses and purchased loans is included in the "Loan Portfolio Credit Risk" discussion below.

Net Income

The Company's principal source of revenue is net interest income, which represents interest earned on loans and investment securities ("earning assets") reduced by interest paid on deposits and other borrowings ("interest-bearing liabilities"). The relatively low level of market interest rates during the five years ended December 31, 2016 has reduced the spread between interest rates on earning assets and interest bearing liabilities. The Company's net interest margin and net interest income declined as market interest rates on newly originated loans remain below the yields earned on older-dated loans and on the overall loan portfolio.

The Company's loan portfolio has declined from 2012 through 2016; Management has been avoiding long-dated, low-yielding loans given historically low interest rates. Management has also maintained, in their opinion, conservative loan underwriting, terms and conditions. During this period, the investment securities portfolio has grown. The Company has been reducing its exposure to rising interest rates by purchasing shorter-duration investment securities, which have lower yields than longer-duration securities. The changing composition of interest earning assets and low market interest rates has pressured the net interest margin on a fully taxable equivalent ("FTE") basis. In 2016 the Company's average checking and savings deposits were 5 percent higher than in 2015. These lower-costing deposit products, which earn relatively low interest rates and are less volatile than time deposits during periods of rising market interest rates, represented 94 percent of average total deposits in 2016. Credit quality improved with nonperforming assets declining to $12.0 million at December 31, 2016 from $24.6 million at December 31, 2015. Reflecting Management's evaluation of losses inherent in the loan portfolio, including improvements in most credit metrics the Company recorded a reversal of the provision for loan losses of $3.2 million in 2016. Management is focused on controlling all noninterest expense levels, particularly due to market interest rate pressure on net interest income. Noninterest expenses declined to $101.8 million in 2016 compared to $105.3 million in 2015.

The Company presents its net interest margin and net interest income on an FTE basis using the current statutory federal tax rate, which is a non-generally accepted accounting principles (GAAP) financial measure. Management believes the FTE basis is valuable to the reader because the Company's loan and investment securities portfolios contain a relatively large portion of municipal loans and securities that generate interest income which is exempt from federal income tax. The Company's tax exempt loans and securities composition may not be similar to that of other banks; therefore in order to reflect the impact of the federally tax exempt loans and securities on the net interest margin and net interest income for comparability with other banks, the Company presents its net interest margin and net interest income on an FTE basis.

The Company reported net income of $58.9 million or $2.29 diluted earnings per common share for the year ended December 31, 2016 compared with net income of $58.8 million or $2.30 diluted earnings per common share for the year ended December 31, 2015 and net income of $60.6 million or $2.32 diluted earnings per common share for the year ended December 31, 2014.

Components of Net Income

	For the Years Ended December 31,		
	2016	2015	2014
	($ in thousands, except per share data)		
Net interest and loan fee income (FTE)	$145,077	$148,258	$152,656
Reversal of (provision for) loan losses	3,200	-	(2,800)
Noninterest income	46,574	47,867	51,787
Noninterest expense	(101,752)	(105,300)	(106,799)
Income before income taxes (FTE)	93,099	90,825	94,844
Income taxes (FTE)	(34,246)	(32,072)	(34,198)
Net income	$58,853	$58,753	$60,646
Net income per average fully-diluted common share	$2.29	$2.30	$2.32
Net income as a percentage of average shareholders' equity	10.85%	11.32%	11.57%
Net income as a percentage of average total assets	1.12%	1.16%	1.22%

Comparing 2016 with 2015, net income increased $100 thousand due to a reversal of provision for loan losses and lower noninterest expense, partially offset by lower net interest and fee income (FTE), lower noninterest income and higher income tax provision (FTE). The lower net interest and fee income (FTE) was primarily caused by lower average balances of loans, partially offset by higher average balances of investments and lower average balances of higher-costing time deposits. The Company recorded a reversal of the provision for loan losses of $3.2 million, reflecting Management's evaluation of losses inherent in the loan portfolio. Noninterest income decreased primarily due to reduced levels of service charges on deposit accounts, financial services commissions and other service fees, partially offset by higher debit card fees. Noninterest expense decreased mostly due to lower personnel expense, lower occupancy expense, and lower other operating expense, offset in part by higher legal fees. Income tax provision (FTE) increased in 2016 due to higher pretax income, declining tax preference items and lower tax credits.

Comparing 2015 with 2014, net income decreased $1.9 million or 3.1%, primarily due to lower net interest and loan fee income (FTE) and lower noninterest income, partially offset by decreases in loan loss provision, noninterest expense and income tax provision (FTE). The lower net interest and loan fee income (FTE) was primarily caused by a lower average volume of loans and lower yields on interest-earning assets, partially offset by higher average balances of investments and lower average balances of higher-costing interest-bearing liabilities. The provision for loan losses was reduced, reflecting Management's evaluation of losses inherent in the loan portfolio; net loan losses and nonperforming loan volumes have declined relative to earlier periods. Lower noninterest income was mostly attributable to lower merchant processing service fees and lower service charges on deposit accounts. Noninterest expense decreased primarily due to reduced personnel costs and other operational expenses.

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Net Interest and Loan Fee Income (FTE)

The Company's primary source of revenue is net interest income, or the difference between interest income earned on loans and investment securities and interest expense paid on interest-bearing deposits and other borrowings.

Components of Net Interest and Loan Fee Income (FTE)

	For the Years Ended December 31,		
	2016	2015	2014
		($ in thousands)	
Interest and loan fee income	$134,051	$136,529	$140,209
Interest expense	(2,116)	(2,424)	(3,444)
FTE adjustment	13,142	14,153	15,891
Net interest and loan fee income (FTE)	$145,077	$148,258	$152,656
Net interest margin (FTE)	3.24%	3.36%	3.70%

Comparing 2016 with 2015, net interest and loan fee income (FTE) decreased $3.2 million due to lower average balances of loans (down $194 million), partially offset by higher average balances of investments (up $255 million) and lower average balances of higher-costing time deposits (down $62 million).

Comparing 2015 with 2014, net interest and fee income (FTE) decreased $4.4 million or 2.9% primarily due to a lower average volume of loans (down $155 million) and lower yields on interest-earning assets (FTE) (down 37 basis points “bp”), partially offset by higher average balances of investments (up $436 million) and lower average balances of higher-costing interest-bearing liabilities.

Loan volumes have declined due to problem loan workout activities (such as chargeoffs, collateral repossessions and principal payments), particularly with purchased loans, and reduced volumes of loan originations. In Management’s opinion, current levels of competitive loan pricing do not provide adequate forward earnings potential. As a result, the Company has not currently taken an aggressive posture relative to loan portfolio growth. Management has increased investment securities as loan volumes have declined. The average balance of the investment securities portfolio increased from $2.4 billion in 2014 to $2.8 billion in 2015 and $3.1 billion in 2016. The Company, in anticipation of rising interest rates, has been purchasing floating rate and shorter-duration investment securities with lower yields than longer-duration securities to increase liquidity. The Company’s high levels of liquidity will provide an opportunity to obtain higher yielding assets assuming market interest rates start rising.

Yields on interest-earning assets declined due to historically low interest rates prevailing in the market. The net interest margin (FTE) was 3.24% in 2016, 3.36% in 2015 and 3.70% in 2014. The volume of older-dated higher-yielding loans and securities declined due to principal maturities and paydowns. Newly originated loans have lower yields. As the investment securities portfolio grew during the three years ended December 31, 2016, the investment securities portfolio generated an increasing portion of the interest income (FTE). Interest income (FTE) generated from investments represented 41.8% of total interest income (FTE) in 2014, 47.0% in 2015 and 52.2% in 2016. During the three years ended December 31, 2016, the net interest margin (FTE) was affected by low market interest rates and the changing composition of interest-earning assets.

The Company has been replacing higher-cost funding sources with low-cost deposits and interest expense has declined to offset some of the decline in interest income. Interest expense has been reduced by lowering rates paid on interest-bearing deposits and borrowings and by reducing the volume of higher-cost funding sources. A $10 million term repurchase agreement was repaid in August 2014 and Federal Home Loan Bank (“FHLB”) advances were repaid in January 2015. Average balances of time deposits declined $62 million in 2016 compared with 2015 while lower-cost checking and savings deposits grew 5% in the same period. Lower-cost checking and savings deposits accounted for 94.1% of total average deposits in 2016 compared with 92.5% in 2015 and 89.8% in 2014.

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Summary of Average Balances, Yields/Rates and Interest Differential

The following tables present information regarding the consolidated average assets, liabilities and shareholders' equity, the amounts of interest income earned from average interest earning assets and the resulting yields, and the amounts of interest expense incurred on average interest-bearing liabilities and the resulting rates. Average loan balances include nonperforming loans. Interest income includes reversal of previously accrued interest on loans placed on non-accrual status during the period and proceeds from loans on nonaccrual status only to the extent cash payments have been received and applied as interest income and accretion of purchased loan discounts. Yields on tax-exempt securities and loans have been adjusted upward to reflect the effect of income exempt from federal income taxation at the current statutory tax rate.

Distribution of Assets, Liabilities & Shareholders' Equity and Yields, Rates & Interest Margin

	For the Year Ended December 31, 2016		
	Average Balance	Interest Income/ Expense	Yields/ Rates
		($ in thousands)	
Assets			
Investment securities:			
Taxable	$2,212,234	$42,718	1.93%
Tax-exempt [1]	840,262	34,103	4.06%
Total investments [1]	3,052,496	76,821	2.52%
Loans:			
Taxable	1,356,417	66,842	4.93%
Tax-exempt [1]	67,842	3,530	5.20%
Total loans [1]	1,424,259	70,372	4.94%
Total interest-earning assets [1]	4,476,755	147,193	3.29%
Other assets	769,389		
Total assets	$5,246,144		
Liabilities and shareholders' equity			
Noninterest-bearing demand	$2,026,939	$-	- %
Savings and interest-bearing transaction	2,290,640	1,166	0.05%
Time less than $100,000	154,022	402	0.26%
Time $100,000 or more	118,750	509	0.43%
Total interest-bearing deposits	2,563,412	2,077	0.08%
Short-term borrowed funds	61,276	39	0.06%
Total interest-bearing liabilities	2,624,688	2,116	0.08%
Other liabilities	52,216		
Shareholders' equity	542,301		
Total liabilities and shareholders' equity	$5,246,144		
Net interest spread [1] [2]			3.21%
Net interest and fee income and interest margin [1] [3]		$145,077	3.24%

[1] Amounts calculated on a fully taxable equivalent basis using the current statutory federal tax rate.

[2] Net interest spread represents the average yield earned on interest-earning assets less the average rate incurred on interest-bearing liabilities.

[3] Net interest margin is computed by calculating the difference between interest income and expense, divided by the average balance of interest-earning assets. The net interest margin is greater than the net interest spread due to the benefit of noninterest-bearing demand deposits.

Distribution of Assets, Liabilities & Shareholders' Equity and Yields, Rates & Interest Margin

	For the Year Ended December 31, 2015		
	Average Balance	Interest Income/ Expense	Yields/ Rates
		($ in thousands)	
Assets			
Investment securities:			
Taxable	$1,947,835	$34,472	1.77%
Tax-exempt (1)	849,618	36,284	4.27%
Total investments (1)	2,797,453	70,756	2.53%
Loans:			
Taxable	1,542,264	75,677	4.91%
Tax-exempt (1)	76,007	4,249	5.59%
Total loans (1)	1,618,271	79,926	4.94%
Total interest-earning assets (1)	4,415,724	150,682	3.41%
Other assets	668,276		
Total assets	$5,084,000		
Liabilities and shareholders' equity			
Noninterest-bearing demand	$1,968,817	$-	- %
Savings and interest-bearing transaction	2,134,256	1,112	0.05%
Time less than $100,000	172,836	571	0.33%
Time $100,000 or more	161,710	687	0.42%
Total interest-bearing deposits	2,468,802	2,370	0.10%
Short-term borrowed funds	75,054	53	0.07%
Federal Home Loan Bank advances	494	1	0.20%
Total interest-bearing liabilities	2,544,350	2,424	0.10%
Other liabilities	51,707		
Shareholders' equity	519,126		
Total liabilities and shareholders' equity	$5,084,000		
Net interest spread (1) (2)			3.31%
Net interest and fee income and interest margin (1) (3)		$148,258	3.36%

(1) Amounts calculated on a fully taxable equivalent basis using the current statutory federal tax rate.

(2) Net interest spread represents the average yield earned on interest-earning assets less the average rate incurred on interest-bearing liabilities.

(3) Net interest margin is computed by calculating the difference between interest income and expense, divided by the average balance of interest-earning assets. The net interest margin is greater than the net interest spread due to the benefit of noninterest-bearing demand deposits.

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Distribution of Assets, Liabilities & Shareholders' Equity and Yields, Rates & Interest Margin

	For the Year Ended December 31, 2014		
	Average Balance	Interest Income/ Expense	Yields/ Rates
		($ in thousands)	
Assets			
Investment securities:			
Taxable	$1,474,579	$24,766	1.68%
Tax-exempt [(1)]	886,932	40,525	4.57%
Total investments [(1)]	2,361,511	65,291	2.76%
Loans:			
Taxable	1,685,329	85,787	5.09%
Tax-exempt [(1)]	87,633	5,022	5.73%
Total loans [(1)]	1,772,962	90,809	5.12%
Total interest-earning assets [(1)]	4,134,473	156,100	3.78%
Other assets	821,170		
Total assets	$4,955,643		
Liabilities and shareholders' equity			
Noninterest-bearing demand	$1,841,522	$-	- %
Savings and interest-bearing transaction	2,005,502	1,174	0.06%
Time less than $100,000	197,821	820	0.41%
Time $100,000 or more	237,002	893	0.38%
Total interest-bearing deposits	2,440,325	2,887	0.12%
Short-term borrowed funds	70,252	90	0.13%
Federal Home Loan Bank advances	20,308	407	2.00%
Term repurchase agreement	6,082	60	0.99%
Total interest-bearing liabilities	2,536,967	3,444	0.14%
Other liabilities	52,866		
Shareholders' equity	524,288		
Total liabilities and shareholders' equity	$4,955,643		
Net interest spread [(1)] [(2)]			3.64%
Net interest and fee income and interest margin [(1)] [(3)]		$152,656	3.70%

(1) Amounts calculated on a fully taxable equivalent basis using the current statutory federal tax rate.

(2) Net interest spread represents the average yield earned on interest-earning assets less the average rate incurred on interest-bearing liabilities.

(3) Net interest margin is computed by calculating the difference between interest income and expense, divided by the average balance of interest-earning assets. The net interest margin is greater than the net interest spread due to the benefit of noninterest-bearing demand deposits.

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Summary of Changes in Interest Income and Expense due to Changes in Average Asset & Liability Balances and Yields Earned & Rates Paid

The following tables set forth a summary of the changes in interest income and interest expense due to changes in average assets and liability balances (volume) and changes in average interest yields/rates for the periods indicated. Changes not solely attributable to volume or yields/rates have been allocated in proportion to the respective volume and yield/rate components.

Summary of Changes in Interest Income and Expense

	For the Year Ended December 31, 2016 Compared with For the Year Ended December 31, 2015		
	Volume	Yield/Rate	Total
		(In thousands)	
Increase (decrease) in interest and loan fee income:			
Investment securities:			
Taxable	$4,679	$3,567	$8,246
Tax-exempt [(1)]	(400)	(1,781)	(2,181)
Total investments [(1)]	4,279	1,786	6,065
Loans:			
Taxable	(9,119)	284	(8,835)
Tax-exempt [(1)]	(456)	(263)	(719)
Total loans [(1)]	(9,575)	21	(9,554)
Total (decrease) increase in interest and loan fee income [(1)]	(5,296)	1,807	(3,489)
Increase (decrease) in interest expense:			
Deposits:			
Savings and interest-bearing transaction	81	(27)	54
Time less than $100,000	(62)	(107)	(169)
Time $100,000 or more	(183)	5	(178)
Total interest-bearing deposits	(164)	(129)	(293)
Short-term borrowed funds	(10)	(4)	(14)
Federal Home Loan Bank advances	(1)	-	(1)
Total decrease in interest expense	(175)	(133)	(308)
(Decrease) increase in net interest and loan fee income [(1)]	($5,121)	$1,940	($3,181)

[(1)] Amounts calculated on a fully taxable equivalent basis using the current statutory federal tax rate.

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Summary of Changes in Interest Income and Expense

	For the Year Ended December 31, 2015 Compared with For the Year Ended December 31, 2014		
	Volume	Yield/Rate	Total
		(In thousands)	
Increase (decrease) in interest and loan fee income:			
Investment securities:			
Taxable	$7,948	$1,758	$9,706
Tax-exempt [(1)]	(1,705)	(2,536)	(4,241)
Total investments [(1)]	6,243	(778)	5,465
Loans:			
Taxable	(7,282)	(2,828)	(10,110)
Tax-exempt [(1)]	(666)	(107)	(773)
Total loans [(1)]	(7,948)	(2,935)	(10,883)
Total decrease in interest and loan fee income [(1)]	(1,705)	(3,713)	(5,418)
Increase (decrease) in interest expense:			
Deposits:			
Savings and interest-bearing transaction	75	(137)	(62)
Time less than $100,000	(104)	(145)	(249)
Time $100,000 or more	(284)	78	(206)
Total interest-bearing deposits	(313)	(204)	(517)
Short-term borrowed funds	6	(43)	(37)
Federal Home Loan Bank advances	(397)	(9)	(406)
Term repurchase agreement	(60)	-	(60)
Total decrease in interest expense	(764)	(256)	(1,020)
Decrease in net interest and loan fee income [(1)]	($941)	($3,457)	($4,398)

[(1)] Amounts calculated on a fully taxable equivalent basis using the current statutory federal tax rate.

Provision for Loan Losses

The Company manages credit costs by consistently enforcing conservative underwriting and administration procedures and aggressively pursuing collection efforts with debtors experiencing financial difficulties. The provision for loan losses reflects Management's assessment of credit risk in the loan portfolio during each of the periods presented.

The Company recorded a reversal of the provision for loan losses of $3.2 million in 2016. The Company provided no provision for loan losses in 2015 compared with $2.8 million in 2014. During 2016, classified loans declined $17.1 million (which included nonperforming loans of $8.9 million). The Company’s net losses of prior loan losses decreased from $3.0 million in 2014 and $1.7 million in 2015 to $617 thousand in 2016; these developments were reflected in Management’s evaluation of credit quality, the level of the provision for loan losses, and the adequacy of the allowance for loan losses at December 31, 2016. Management’s evaluation of credit quality includes originated and purchased loans. The Company recorded purchased loans at estimated fair value upon the acquisition dates. Such estimated fair values were recognized for individual loans, although small balance homogenous loans were pooled for valuation purposes. The valuation discounts recorded for purchased loans included Management’s assessment of the risk of principal loss under economic and borrower conditions prevailing on the dates of purchase. The purchased County Bank loans secured by single-family residential real estate are “covered” through February 6, 2019 by loss-sharing agreements the Company entered with the FDIC which mitigates losses during the term of the agreements. Any deterioration in estimated value related to principal loss subsequent to the acquisition dates requires additional loss recognition through a provision for loan losses. No assurance can be given future provisions for loan losses related to purchased loans will not be necessary. For further information regarding credit risk, the FDIC loss-sharing agreements, net credit losses and the allowance for loan losses, see the “Loan Portfolio Credit Risk” and “Allowance for Loan Losses” sections of this Report.

Noninterest Income

Components of Noninterest Income

	For the Years Ended December 31,		
	2016	2015	2014
		(In thousands)	
Service charges on deposit accounts	$20,854	$22,241	$24,191
Merchant processing services	6,377	6,339	7,219
Debit card fees	6,290	6,084	5,960
Trust fees	2,686	2,732	2,582
Other service charges	2,571	2,689	2,717
ATM processing fees	2,411	2,397	2,473
Financial services commissions	568	695	757
Other noninterest income	4,817	4,690	5,888
Total	$46,574	$47,867	$51,787

In 2016, noninterest income decreased $1.4 million or 2.7% compared with 2015. Service charges on deposits decreased $1.4 million due to declines in fees charged on overdrawn and insufficient funds accounts (down $1.1 million) and lower fees on analyzed accounts (down $393 thousand), partially offset by the effect of deposit fee increases effective February 2016. The decrease was partially offset by increased debit card fees of $206 thousand as a result of increased transaction volumes.

In 2015, noninterest income decreased $3.9 million or 7.6% compared with 2014. Service charges on deposits decreased $2.0 million compared with 2014 due to declines in fees charged on overdrawn and insufficient funds accounts (down $913 thousand), lower fees on analyzed accounts (down $661 thousand) and lower activity on checking accounts (down $325 thousand). Merchant processing services declined $880 thousand primarily due to lower transaction volumes.

Noninterest Expense

Components of Noninterest Expense

	For the Years Ended December 31,		
	2016	2015	2014
		(In thousands)	
Salaries and related benefits	$51,507	$52,192	$54,777
Occupancy	14,116	14,960	14,992
Outsourced data processing services	8,505	8,441	8,411
Furniture and equipment	4,901	4,434	4,174
Professional fees	3,980	2,490	2,346
Amortization of intangible assets	3,504	3,856	4,270
Courier service	1,952	2,329	2,624
Other real estate owned	(479)	504	(642)
Other noninterest expense	13,766	16,094	15,847
Total	$101,752	$105,300	$106,799

In 2016, noninterest expense decreased $3.5 million or 3.4% compared with 2015. Expenses for other real estate owned in 2016 were reduced by net gains from the sale of foreclosed properties. Occupancy expense decreased $844 thousand in 2016 compared with 2015 mostly due to branch closures and a lease expiration related to a non-branch building. Salaries and related benefits decreased $685 thousand primarily due to employee attrition, offset in part by higher expenses for stock based compensation. Courier expense decreased $377 thousand primarily due to logistical changes and switching to new vendors. Amortization of identifiable intangibles decreased $352 thousand as assets are amortized on a declining balance method. Other operating expense decreased $2.3 million primarily due to lower expenses for correspondent service fees (down $1.3 million), FDIC insurance assessments (down $535 thousand) and operating losses on limited partnership investments (down $375 thousand). Two categories of expense offset the decrease: Professional fees increased $1.5 million due to higher legal fees associated with loan administration and collection activities. Furniture and equipment expense increased $467 thousand mainly due to increased depreciation costs for technology.

In 2015, noninterest expense decreased $1.5 million or 1.4% compared with 2014 primarily due to decreases in personnel costs and other operational expenses. Salaries and related benefits decreased $2.6 million primarily due to employee attrition.

Amortization of identifiable intangibles decreased as assets are amortized on a declining balance method. Courier expense decreased primarily due to consolidating service runs. OREO expense in 2015 included net writedowns while in 2014 the Company realized net gains on disposition of foreclosed assets. Furniture and equipment expense increased primarily due to higher depreciation costs resulting from computer and software upgrades and higher software license fees.

Provision for Income Tax

The income tax provision (FTE) was $34.2 million in 2016 compared with $32.1 million in 2015 and $34.2 million in 2014. The 2016 effective tax rate (FTE) was 36.8% compared with 35.3% in 2015 and 36.1% in 2014. The effective tax rates without FTE adjustments were 26.4% for 2016 and 23.4% for 2015 and 23.2% for 2014. The effective tax rates for 2016 were higher than the effective tax rates for 2015 and 2014 due to higher pre-tax income and declining tax preference items. Interest income earned on municipal securities and tax free loans which are exempt from federal income taxes have declined in 2016. The tax credits earned from investments in limited partnerships have also declined in 2016.

Investment Securities Portfolio

The Company maintains an investment securities portfolio consisting of securities issued by U.S. Government sponsored entities, agency and non-agency mortgage backed securities, state and political subdivisions, corporations, and asset-backed and other securities. Investment securities are held in safekeeping by an independent custodian.

Management has increased the investment securities portfolio in response to deposit growth and loan volume declines. The carrying value of the Company's investment securities portfolio was $3.2 billion as of December 31, 2016, an increase of $351 million compared to December 31, 2015.

Management continually evaluates the Company's investment securities portfolio in response to established asset/liability management objectives, changing market conditions that could affect profitability, liquidity, and the level of interest rate risk to which the Company is exposed. These evaluations may cause Management to change the level of funds the Company deploys into investment securities and change the composition of the Company's investment securities portfolio. In 2016 Management reduced securities of U.S. Government sponsored entities to reduce call optionality and increased agency residential MBS to develop more reliable cash flows.

As of December 31, 2016, substantially all of the Company's investment securities continue to be investment grade rated by one or more major rating agencies. In addition to monitoring credit rating agency evaluations, Management performs its own evaluations regarding the credit worthiness of the issuer or the securitized assets underlying asset-backed securities. The Company's procedures for evaluating investments in securities are in accordance with guidance issued by the Board of Governors of the Federal Reserve System, "Investing in Securities without Reliance on Nationally Recognized Statistical Rating Agencies" (SR 12-15) and other regulatory guidance. Credit ratings are considered in our analysis only as a guide to the historical default rate associated with similarly-rated bonds. There have been no significant differences in our internal analyses compared with the ratings assigned by the third party credit rating agencies.

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The following table shows the fair value carrying amount of the Company's investment securities available for sale as of the dates indicated:

Available for Sale Portfolio

	At December 31, 2016	2015	2014
		(In thousands)	
U.S. Treasury securities	$ -	$ -	$3,505
Securities of U.S. Government sponsored entities	138,660	301,882	635,188
Agency residential mortgage-backed securities (MBS)	691,499	202,544	248,258
Non-agency residential MBS	271	370	606
Non-agency commercial MBS	2,025	2,379	2,919
Obligations of states and political subdivisions	183,411	157,509	181,799
Asset-backed securities	695	2,003	8,313
FHLMC[1] and FNMA[2] stock	10,869	4,329	5,168
Corporate securities	860,857	896,369	512,239
Other securities	2,471	2,831	2,786
Total	$1,890,758	$1,570,216	$1,600,781

[1] Federal Home Loan Mortgage Corporation
[2] Federal National Mortgage Association

The following table sets forth the relative maturities and contractual yields of the Company's available for sale securities (stated at fair value) at December 31, 2016. Yields on state and political subdivision securities have been calculated on a fully taxable equivalent basis using the current federal statutory rate. Mortgage-backed securities are shown separately because they are typically paid in monthly installments over a number of years.

Available for Sale Portfolio Maturity Distribution

	At December 31, 2016 Within one year	After one but within five years	After five but within ten years	After ten years	Mortgage-backed	Other	Total
				($ in thousands)			
U.S. Government sponsored entities	$ -	$16,665	$121,995	$ -	$ -	$ -	$138,660
Interest rate	- %	1.73%	2.05%	- %	- %	- %	2.01%
Obligations of states and political subdivisions	8,074	22,250	108,671	44,416	-	-	183,411
Interest rate	3.39%	5.69%	5.99%	3.41%	- %	- %	5.10%
Asset-backed securities	-	-	695	-	-	-	695
Interest rate	- %	- %	1.42%	- %	- %	- %	1.42%
Corporate securities	146,761	706,304	7,792	-	-	-	860,857
Interest rate	1.70%	1.92%	2.27%	- %	- %	- %	1.88%
Subtotal	154,835	745,219	239,153	44,416	-	-	1,183,623
Interest rate	1.78%	2.03%	3.84%	3.41%	- %	- %	2.39%
MBS	-	-	-	-	693,795	-	693,795
Interest rate	- %	- %	- %	- %	1.89%	- %	1.89%
Other securities without set maturities	-	-	-	-	-	13,340	13,340
Interest rate	- %	- %	- %	- %	- %	0.84%	0.84%
Total	$154,835	$745,219	$239,153	$44,416	$693,795	$13,340	$1,890,758
Interest rate	1.78%	2.03%	3.84%	3.41%	1.89%	0.84%	2.20%

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The following table shows the amortized cost carrying amount and fair value of the Company's investment securities held to maturity as of the dates indicated:

Held to Maturity Portfolio

	At December 31,		
	2016	2015	2014
		(In thousands)	
Securities of U.S. Government sponsored entities	$581	$764	$1,066
Agency residential MBS	668,235	595,503	306,125
Non-agency residential MBS	5,370	9,667	11,278
Agency commercial MBS	9,332	16,258	-
Obligations of states and political subdivisions	662,794	693,883	720,189
Total	$1,346,312	$1,316,075	$1,038,658
Fair value	$1,340,741	$1,325,699	$1,048,562

The following table sets forth the relative maturities and contractual yields of the Company's held to maturity securities at December 31, 2016. Yields on state and political subdivision securities have been calculated on a fully taxable equivalent basis using the current federal statutory rate. Mortgage-backed securities are shown separately because they are typically paid in monthly installments over a number of years.

Held to Maturity Portfolio Maturity Distribution

	At December 31, 2016					
	Within one year	After one but within five years	After five but within ten years	After ten years	Mortgage-backed	Total
			($ in thousands)			
Securities of U.S. Government sponsored entities	$ -	$ -	$581	$ -	$ -	$581
Interest rate	- %	- %	1.75%	- %	- %	1.75%
Obligations of states and political subdivisions	14,961	292,024	317,999	37,810	-	662,794
Interest rate	4.52%	2.85%	4.36%	4.32%	- %	3.60%
Subtotal	14,961	292,024	318,580	37,810	-	663,375
Interest rate	4.52%	2.85%	4.36%	4.32%	- %	3.59%
MBS	-	-	-	-	682,937	682,937
Interest rate	- %	- %	- %	- %	2.02%	2.02%
Total	$14,961	$292,024	$318,580	$37,810	$682,937	$1,346,312
Interest rate	4.52%	2.85%	4.36%	4.32%	2.02%	2.79%

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The following tables summarize the total general obligation and revenue bonds issued by states and political subdivisions held in the Company's investment securities portfolios as of the dates indicated, identifying the state in which the issuing government municipality or agency operates.

At December 31, 2016, the Company's investment securities portfolios included securities issued by 698 state and local government municipalities and agencies located within 44 states with a fair value of $848.2 million. None of the Company's investment securities were issued by Puerto Rican government entities. The largest exposure to any one municipality or agency was $10.0 million (fair value) represented by nine general obligation bonds.

	At December 31, 2016	
	Amortized Cost	Fair Value
	(In thousands)	
Obligations of states and political subdivisions:		
General obligation bonds:		
California	$105,129	$106,391
Texas	69,017	68,671
New Jersey	40,111	40,102
Pennsylvania	37,384	37,543
Minnesota	32,946	32,847
Other (36 states)	280,488	279,571
Total general obligation bonds	$565,075	$565,125
Revenue bonds:		
California	$47,415	$48,429
Kentucky	22,854	22,902
Pennsylvania	18,568	18,683
Iowa	18,086	18,302
Colorado	15,574	15,674
Other (30 states)	157,452	159,054
Total revenue bonds	$279,949	$283,044
Total obligations of states and political subdivisions	$845,024	$848,169

At December 31, 2015, the Company's investment securities portfolios included securities issued by 725 state and local government municipalities and agencies located within 44 states with a fair value of $864.2 million. None of the Company's investment securities were issued by Puerto Rican government entities. The largest exposure to any one municipality or agency was $10.3 million (fair value) represented by nine general obligation bonds.

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	At December 31, 2015	
	Amortized Cost	Fair Value
	(In thousands)	
Obligations of states and political subdivisions:		
General obligation bonds:		
California	$117,968	$121,096
Texas	62,030	63,394
Pennsylvania	51,547	52,115
New Jersey	38,651	39,322
Minnesota	32,588	33,133
Other (34 states)	243,488	249,854
Total general obligation bonds	$546,272	$558,914
Revenue bonds:		
California	$49,095	$51,206
Pennsylvania	29,446	29,841
Kentucky	19,825	20,400
Iowa	18,156	18,728
Colorado	16,161	16,560
Other (31 states)	163,633	168,592
Total revenue bonds	$296,316	$305,327
Total obligations of states and political subdivisions	$842,588	$864,241

At December 31, 2016, the revenue bonds in the Company's investment securities portfolios were issued by state and local government municipalities and agencies to fund public services such as water utility, sewer utility, recreational and school facilities, and general public and economic improvements. The revenue bonds were payable from 23 revenue sources. The revenue sources that represent 5% or more individually of the total revenue bonds are summarized in the following table.

	At December 31, 2016	
	Amortized Cost	Fair Value
	(In thousands)	
Revenue bonds by revenue source:		
Water	$55,401	$56,826
Sewer	37,996	38,497
Sales tax	31,146	31,835
Lease (renewal)	24,242	24,235
College & University	17,856	17,762
Other	113,308	113,889
Total revenue bonds by revenue source	$279,949	$283,044

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At December 31, 2015, the revenue bonds in the Company's investment securities portfolios were issued by state and local government municipalities and agencies to fund public services such as water utility, sewer utility, recreational and school facilities, and general public and economic improvements. The revenue bonds were payable from 22 revenue sources. The revenue sources that represent 5% or more individually of the total revenue bonds are summarized in the following table.

	At December 31, 2015	
	Amortized Cost	Fair Value
	(In thousands)	
Revenue bonds by revenue source:		
Water	$62,661	$65,412
Sewer	45,912	47,242
Sales tax	31,680	32,945
Lease (renewal)	21,673	22,227
College & University	17,967	18,215
Lease (abatement)	17,017	17,769
Other	99,406	101,517
Total revenue bonds by revenue source	$296,316	$305,327

See Note 2 to the consolidated financial statements for additional information related to the investment securities.

Loan Portfolio

The Company originates loans with the intent to hold such assets until principal is repaid. Management follows written loan underwriting policies and procedures which are approved by the Bank's Board of Directors. Loans are underwritten following approved underwriting standards and lending authorities within a formalized organizational structure. The Board of Directors also approves independent real estate appraisers to be used in obtaining estimated values for real property serving as loan collateral. Prevailing economic trends and conditions are also taken into consideration in loan underwriting practices.

All loan applications must be for clearly defined legitimate purposes with a determinable primary source of repayment, and as appropriate, secondary sources of repayment. All loans are supported by appropriate documentation such as current financial statements, tax returns, credit reports, collateral information, guarantor asset verification, title reports, appraisals, and other relevant documentation.

Commercial loans represent term loans used to acquire durable business assets or revolving lines of credit used to finance working capital. Underwriting practices evaluate each borrower's cash flow as the principal source of loan repayment. Commercial loans are generally secured by the borrower's business assets as a secondary source of repayment. Commercial loans are evaluated for credit-worthiness based on prior loan performance, borrower financial information including cash flow, borrower net worth and aggregate debt.

Commercial real estate loans represent term loans used to acquire real estate to be operated by the borrower in a commercial capacity. Underwriting practices evaluate each borrower's global cash flow as the principal source of loan repayment, independent appraisal of value of the property, and other relevant factors. Commercial real estate loans are generally secured by a first lien on the property as a secondary source of repayment.

Real estate construction loans represent the financing of real estate development. Loan principal disbursements are controlled through the use of project budgets, and disbursements are approved based on construction progress, which is validated by project site inspections. A first lien on the real estate serves as collateral to secure the loan.

Residential real estate loans generally represent first lien mortgages used by the borrower to purchase or refinance a principal residence. For interest-rate risk purposes, the Company offers only fully-amortizing, adjustable-rate mortgages. In underwriting first lien mortgages, the Company evaluates each borrower's ability to repay the loan, an independent appraisal of the value of the property, and other relevant factors. The Company does not offer riskier mortgage products, such as non-amortizing "interest-only" mortgages and "negative amortization" mortgages.

For loans secured by real estate, the Bank requires title insurance to insure the status of its lien and each borrower is obligated to insure the real estate collateral, naming the Company as loss payee, in an amount sufficient to repay the principal amount outstanding in the event of a property casualty loss.

Consumer installment and other loans are predominantly comprised of indirect automobile loans with underwriting based on credit history and scores, personal income, debt service capacity, and collateral values.

For management purposes, the Company segregates its loan portfolio into three segments. Loans originated by the Company following its loan underwriting policies and procedures are separated from loans purchased from the FDIC. Loan volumes have declined due to problem loan workout activities, particularly with purchased loans, and reduced volumes of loan originations. In Management's opinion, current levels of competitive loan pricing do not provide adequate forward earnings potential. As a result, the Company has not currently taken an aggressive posture relative to loan portfolio growth.

The following table shows the composition of the loan portfolio of the Company by type of loan and type of borrower, on the dates indicated:

Loan Portfolio

	At December 31,				
	2016	2015	2014	2013	2012
	(In thousands)				
Commercial	$354,697	$382,748	$391,815	$364,159	$401,331
Commercial real estate	542,171	637,456	718,604	799,019	916,594
Construction	2,555	3,951	13,872	13,896	16,515
Residential real estate	87,724	120,091	149,827	185,057	234,035
Consumer installment and other	365,564	389,150	426,172	465,613	542,882
Total loans	$1,352,711	$1,533,396	$1,700,290	$1,827,744	$2,111,357

The following table shows the maturity distribution and interest rate sensitivity of commercial, commercial real estate, and construction loans at December 31, 2016. Balances exclude residential real estate loans and consumer loans totaling $453.3 million. These types of loans are typically paid in monthly installments over a number of years.

Loan Maturity Distribution

	At December 31, 2016			
	Within One Year	One to Five Years	After Five Years	Total
	(In thousands)			
Commercial and Commercial real estate	$144,142	$175,694	$577,032	$896,868
Construction	2,555	-	-	2,555
Total	$146,697	$175,694	$577,032	$899,423
Loans with fixed interest rates	$62,587	$71,709	$75,989	$210,285
Loans with floating or adjustable interest rates	84,110	103,985	501,043	689,138
Total	$146,697	$175,694	$577,032	$899,423

Commitments and Letters of Credit

The Company issues formal commitments on lines of credit to well-established and financially responsible commercial enterprises. Such commitments can be either secured or unsecured and are typically in the form of revolving lines of credit for seasonal working capital needs. Occasionally, such commitments are in the form of letters of credit to facilitate the customers' particular business transactions. Commitment fees are generally charged for commitments and letters of credit. Commitments on lines of credit and letters of credit typically mature within one year. For further information, see the accompanying notes to the consolidated financial statements.

Loan Portfolio Credit Risk

The Company extends loans to commercial and consumer customers which expose the Company to the risk borrowers will default, causing loan losses. The Company's lending activities are exposed to various qualitative risks. All loan segments are exposed to risks inherent in the economy and market conditions. Significant risk characteristics related to the commercial loan segment include the borrowers' business performance and financial condition, and the value of collateral for secured loans. Significant risk characteristics related to the commercial real estate segment include the borrowers' business performance and the value of properties collateralizing the loans. Significant risk characteristics related to the construction loan segment include the borrowers' performance in successfully developing the real estate into the intended purpose and the value of the property collateralizing the loans. Significant risk characteristics related to the residential real estate segment include the borrowers' financial wherewithal to service the mortgages and the value of the property collateralizing the loans. Significant risk characteristics related to the consumer loan segment include the financial condition of the borrowers and the value of collateral securing the loans.

The preparation of the financial statements requires Management to estimate the amount of losses inherent in the loan portfolio and establish an allowance for credit losses. The allowance for credit losses is established by assessing a provision for loan losses against the Company's earnings. In estimating credit losses, Management must exercise judgment in evaluating information deemed relevant, such as financial information regarding individual borrowers, overall credit loss experience, the amount of past due, nonperforming and classified loans, recommendations of regulatory authorities, prevailing economic conditions and other information. The amount of ultimate losses on the loan portfolio can vary from the estimated amounts. Management follows a systematic methodology to estimate loss potential in an effort to reduce the differences between estimated and actual losses.

The Company closely monitors the markets in which it conducts its lending operations and follows a strategy to control exposure to loans with high credit risk. The Bank's organization structure separates the functions of business development and loan underwriting; Management believes this segregation of duties avoids inherent conflicts of combining business development and loan approval functions. In measuring and managing credit risk, the Company adheres to the following practices.

- The Bank maintains a Loan Review Department which reports directly to the Board of Directors. The Loan Review Department performs independent evaluations of loans and assigns credit risk grades to evaluated loans using grading standards employed by bank regulatory agencies. Those loans judged to carry higher risk attributes are referred to as "classified loans." Classified loans receive elevated management attention to maximize collection.

- The Bank maintains two loan administration offices whose sole responsibility is to manage and collect classified loans.

Classified loans with higher levels of credit risk are further designated as "nonaccrual loans." Management places classified loans on nonaccrual status when full collection of contractual interest and principal payments is in doubt. Uncollected interest previously accrued on loans placed on nonaccrual status is reversed as a charge against interest income. The Company does not accrue interest income on loans following placement on nonaccrual status. Interest payments received on nonaccrual loans are applied to reduce the carrying amount of the loan unless the carrying amount is well secured by loan collateral. "Nonperforming assets" include nonaccrual loans, loans 90 or more days past due and still accruing, and repossessed loan collateral (commonly referred to as "Other Real Estate Owned").

The former County Bank loans and repossessed loan collateral were purchased from the FDIC with indemnifying loss-sharing agreements. The loss-sharing agreement on single-family residential real estate assets expires February 6, 2019. The loss-sharing agreement on non-single-family residential real estate assets expired February 6, 2014 as to losses and expired February 6, 2017 as to loss recoveries.

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Nonperforming Assets

	At December 31,				
	2016	2015	2014	2013	2012
	(In thousands)				
Originated:					
Nonperforming nonaccrual loans	$1,405	$6,302	$5,296	$5,301	$10,016
Performing nonaccrual loans	4,410	350	13	75	1,759
Total nonaccrual loans	5,815	6,652	5,309	5,376	11,775
Accruing loans 90 or more days past due	355	295	502	410	455
Total nonperforming loans	6,170	6,947	5,811	5,786	12,230
Other real estate owned	396	5,829	4,809	5,527	9,295
Total nonperforming assets	$6,566	$12,776	$10,620	$11,313	$21,525
Purchased covered:					
Nonperforming nonaccrual loans	$858	$ -	$297	$11,672	$11,698
Performing nonaccrual loans	-	-	-	636	1,323
Total nonaccrual loans	858	-	297	12,308	13,021
Accruing loans 90 or more days past due	-	-	-	-	155
Total nonperforming loans	858	-	297	12,308	13,176
Other real estate owned	-	-	-	7,793	13,691
Total nonperforming assets	$858	$ -	$297	$20,101	$26,867
Purchased non-covered:					
Nonperforming nonaccrual loans	$1,693	$8,346	$11,901	$2,920	$7,038
Performing nonaccrual loans	19	-	97	698	461
Total nonaccrual loans	1,712	8,346	11,998	3,618	7,499
Accruing loans 90 or more days past due	142	-	-	-	4
Total nonperforming loans	1,854	8,346	11,998	3,618	7,503
Other real estate owned	2,699	3,435	1,565	-	3,366
Total nonperforming assets	$4,553	$11,781	$13,563	$3,618	$10,869
Total nonperforming assets	$11,977	$24,557	$24,480	$35,032	$59,261

Nonperforming assets have declined during 2016 due to payoffs and chargeoffs. At December 31, 2016, one loan secured by commercial real estate with a balance of $4.4 million was on nonaccrual status. The remaining thirteen nonaccrual loans held at December 31, 2016 had an average carrying value of $306 thousand and the largest carrying value was $1.3 million.

Management believes the overall credit quality of the loan portfolio is reasonably stable; however, classified and nonperforming assets could fluctuate from period to period. The performance of any individual loan can be affected by external factors such as the interest rate environment, economic conditions, and collateral values or factors particular to the borrower. No assurance can be given that additional increases in nonaccrual and delinquent loans will not occur in the future.

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Allowance for Credit Losses

The Company's allowance for loan losses represents Management's estimate of loan losses inherent in the loan portfolio. In evaluating credit risk for loans, Management measures loss potential of the carrying value of loans. As described above, payments received on nonaccrual loans may be applied against the principal balance of the loans until such time as full collection of the remaining recorded balance is expected. Further, the carrying value of purchased loans includes fair value discounts assigned at the time of purchase under the provisions of FASB ASC 805, Business Combinations, and FASB ASC 310-30, Loans or Debt Securities with Deteriorated Credit Quality. The allowance for loan losses represents Management's estimate of loan losses in excess of these reductions to the carrying value of loans within the loan portfolio.

The following table summarizes the allowance for loan losses, chargeoffs and recoveries of the Company for the periods indicated:

	For the Years Ended December 31,				
	2016	2015	2014	2013	2012
			($ in thousands)		
Analysis of the Allowance for Loan Losses					
Balance, beginning of period	$29,771	$31,485	$31,693	$30,234	$32,597
(Reversal of) Provision for loan losses	(3,200)	-	2,800	8,000	11,200
Loans charged off:					
Commercial	(2,023)	(756)	(1,890)	(2,857)	(6,851)
Commercial real estate	-	(449)	(762)	(997)	(1,202)
Construction	-	-	-	-	(2,217)
Residential real estate	-	-	(30)	(109)	(1,156)
Consumer installment and other	(4,404)	(3,493)	(4,214)	(4,097)	(5,685)
Purchased covered loans	-	-	-	(2,286)	(953)
Purchased non-covered loans	(345)	(431)	(522)	(385)	(110)
Total chargeoffs	(6,772)	(5,129)	(7,418)	(10,731)	(18,174)
Recoveries of loans previously charged off:					
Commercial	2,836	1,153	2,250	1,575	1,317
Commercial real estate	60	72	213	191	203
Construction	-	45	3	-	224
Consumer installment and other	1,512	1,906	1,869	2,152	2,723
Purchased covered loans	-	-	-	272	144
Purchased non-covered loans	1,747	239	75	-	-
Total recoveries	6,155	3,415	4,410	4,190	4,611
Net loan losses	(617)	(1,714)	(3,008)	(6,541)	(13,563)
Balance, end of period	$25,954	$29,771	$31,485	$31,693	$30,234
Net loan (losses) recoveries:					
Originated loans	($2,019)	($1,522)	($2,561)	($4,142)	($12,644)
Purchased covered loans	-	-	-	(2,014)	(809)
Purchased non-covered loans	1,402	(192)	(447)	(385)	(110)
Net loan losses as a percentage of average loans	0.04%	0.11%	0.17%	0.33%	0.59%

The Company's allowance for loan losses is maintained at a level considered appropriate to provide for losses that can be estimated based upon specific and general conditions. These include conditions unique to individual borrowers, as well as overall loan loss experience, the amount of past due, nonperforming and classified loans, the amount of non-indemnified purchased loans, recommendations of regulatory authorities, prevailing economic conditions and other factors. A portion of the allowance is individually allocated to impaired loans whose full collectability of principal is uncertain. Such allocations are determined by Management based on loan-by-loan analyses. The Company evaluates for impairment all loans with outstanding principal balances in excess of $500 thousand which are classified or on nonaccrual status and all "troubled debt restructured" loans. The remainder of the loan portfolio is collectively evaluated for impairment based in part on quantitative analyses of historical loan loss experience of loan portfolio segments to determine standard loss rates for each segment. The loss rate for each loan portfolio segment reflects both the historical loss experience during a look-back period and the loss emergence period. The loss rates are applied to segmented loan balances to allocate the allowance to the segments of the loan portfolio.

Purchased loans were recorded on the date of purchase at estimated fair value; fair value discounts include a component for estimated loan losses. The Company evaluates all nonaccrual purchased loans with outstanding principal balances in excess of $500 thousand for impairment; the impaired loan value is compared to the recorded investment in the loan, which has been reduced by the loan default discount estimated on the date of purchase. If Management's impairment analysis determines the impaired loan value is less than the recorded investment in the purchased loan, an allocation of the allowance for loan losses is established for the deficiency. For all other purchased loan portfolio segments, Management applies loss rates to the purchased loan portfolio segments to determine initial allocations of the allowance. Further, liquidating purchased consumer installment loans are evaluated separately by applying historical loss rates to forecasted liquidating principal balances to initially measure losses inherent in this portfolio segment. The initial allocations of the allowance to purchased loan portfolio segments are compared to loan default discounts ascribed to each segment. Management establishes allocations of the allowance for loan losses for any estimated deficiency.

The remainder of the allowance is considered to be unallocated. The unallocated allowance is established to provide for probable losses that have been incurred as of the reporting date but not reflected in the allocated allowance. The unallocated allowance addresses additional qualitative factors consistent with Management's analysis of the level of risks inherent in the loan portfolio, which are related to the risks of the Company's general lending activity. Included in the unallocated allowance is the risk of losses that are attributable to national or local economic or industry trends which have occurred but have not yet been recognized in loan chargeoff history (external factors). The primary external factor evaluated by the Company and the judgmental amount of unallocated reserve assigned by Management as of December 31, 2016 is economic and business conditions $0.7 million. Also included in the unallocated allowance is the risk of losses attributable to general attributes of the Company's loan portfolio and credit administration (internal factors). The internal factors evaluated by the Company and the judgmental amount of unallocated reserve assigned by Management are: loan review system $1.4 million, adequacy of lending Management and staff $1.1 million and concentrations of credit $1.3 million.

The following table presents the allocation of the allowance for loan losses as of December 31 for the years indicated:

	At December 31,									
	2016		2015		2014		2013		2012	
	Allocation of the Allowance Balance	Loans as Percent of Total Loans	Allocation of the Allowance Balance	Loans as Percent of Total Loans	Allocation of the Allowance Balance	Loans as Percent of Total Loans	Allocation of the Allowance Balance	Loans as Percent of Total Loans	Allocation of the Allowance Balance	Loans as Percent of Total Loans
	($ in thousands)									
Originated loans:										
Commercial	$8,307	25%	$9,559	24%	$5,460	22%	$4,005	18%	$6,445	16%
Commercial real estate	3,330	35%	4,224	34%	4,245	33%	12,070	33%	10,063	30%
Construction	143	- %	177	- %	644	1%	602	- %	484	- %
Residential real estate	1,308	6%	1,801	8%	2,241	9%	405	10%	380	10%
Consumer installment and other	6,532	25%	7,080	22%	7,717	22%	3,198	22%	3,194	22%
Purchased covered loans	53	1%	-	1%	-	1%	1,561	14%	1,005	18%
Purchased non-covered loans	1,446	8%	967	11%	2,120	12%	-	3%	-	4%
Unallocated portion	4,835	- %	5,963	- %	9,058	- %	9,852	- %	8,663	- %
Total	$25,954	100%	$29,771	100%	$31,485	100%	$31,693	100%	$30,234	100%

The 2016 decline in the portion of the allowance for loan losses ascribed to originated loan segments was due to declines in classified loans, delinquent loans, and the overall loan portfolio. The decline in the unallocated portion was due to improved economic conditions within the Company’s geographic markets.

The following summarizes activity in the allowance for loan losses:

	Allowance for Loan Losses For the Year Ended December 31, 2016								
	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer Installment and Other	Purchased Non-covered Loans	Purchased Covered Loans	Unallocated	Total
	(In thousands)								
Allowance for loan losses:									
Balance at beginning of period	$9,559	$4,224	$177	$1,801	$7,080	$967	$ -	$5,963	$29,771
Additions:									
(Reversal) provision	(2,065)	(954)	(34)	(493)	2,344	(923)	53	(1,128)	(3,200)
Deductions:									
Chargeoffs	(2,023)	-	-	-	(4,404)	(345)	-	-	(6,772)
Recoveries	2,836	60	-	-	1,512	1,747	-	-	6,155
Net loan recoveries (losses)	813	60	-	-	(2,892)	1,402	-	-	(617)
Total allowance for loan losses	$8,307	$3,330	$143	$1,308	$6,532	$1,446	$53	$4,835	$25,954

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The allowance for loan losses and recorded investment in loans evaluated for impairment were as follows:

Allowance for Loan Losses and Recorded Investment in Loans Evaluated for Impairment
At December 31, 2016

	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer Installment and Other	Purchased Non-covered Loans	Purchased Covered Loans	Unallocated	Total
					(In thousands)				
Allowance for loan losses:									
Individually evaluated for impairment	$5,048	$-	$-	$-	$-	$-	$-	$-	$5,048
Collectively evaluated for impairment	3,259	3,330	143	1,308	6,532	1,446	53	4,835	20,906
Purchased loans with evidence of credit deterioration	-	-	-	-	-	-	-	-	-
Total	$8,307	$3,330	$143	$1,308	$6,532	$1,446	$53	$4,835	$25,954
Carrying value of loans:									
Individually evaluated for impairment	$11,140	$5,264	$-	$-	$-	$7,694	$617	$-	$24,715
Collectively evaluated for impairment	331,652	468,294	2,409	85,439	331,361	97,751	10,225	-	1,327,131
Purchased loans with evidence of credit deterioration	-	-	-	-	-	680	185	-	865
Total	$342,792	$473,558	$2,409	$85,439	$331,361	$106,125	$11,027	$-	$1,352,711

The decline in the unallocated allowance for loan losses during 2016 was generally due to the overall improved economic conditions and credit quality metrics.

Management considers the $26.0 million allowance for loan losses to be adequate as a reserve against loan losses inherent in the loan portfolio as of December 31, 2016.

See Note 3 to the consolidated financial statements for additional information related to the loan portfolio, loan portfolio credit risk, and allowance for loan losses.

Asset/Liability and Market Risk Management

Asset/liability management involves the evaluation, monitoring and management of interest rate risk, market risk, liquidity and funding. The fundamental objective of the Company's management of assets and liabilities is to maximize its economic value while maintaining adequate liquidity and a conservative level of interest rate risk.

Interest Rate Risk

Interest rate risk is a significant market risk affecting the Company. Many factors affect the Company’s exposure to interest rates, such as general economic and financial conditions, customer preferences, historical pricing relationships, and re-pricing characteristics of financial instruments. Assets and liabilities may mature or re-price at different times. Assets and liabilities may re-price at the same time but by different amounts. Short-term and long-term market interest rates may change by different amounts. The timing and amount of cash flows of various assets or liabilities may shorten or lengthen as interest rates change. In addition, the changing levels of interest rates may have an impact on loan demand, demand for various deposit products, credit losses, and other elements of earnings such as account analysis fees on commercial deposit accounts and correspondent bank service charges.

The Company’s earnings are affected not only by general economic conditions, but also by the monetary and fiscal policies of the United States government and its agencies, particularly the Federal Reserve Board (the “FRB”). The monetary policies of the FRB can influence the overall growth of loans, investment securities, and deposits and the level of interest rates earned on assets and paid for liabilities. The nature and impact of future changes in monetary policies are generally not predictable.

Management expects a high level of uncertainty in regard to interest rate levels in the immediate term, and Management’s most likely earnings forecast for the twelve months ending December 31, 2017 assumes market interest rates will gradually rise, with short-term rates rising more than long-term rates.

In adjusting the Company's asset/liability position, Management attempts to manage interest rate risk while enhancing the net interest margin and net interest income. At times, depending on expected increases or decreases in general interest rates, the relationship between long and short-term interest rates, market conditions and competitive factors, Management may adjust the Company's interest rate risk position in order to manage its net interest margin and net interest income. The Company's results of operations and net portfolio values remain subject to changes in interest rates and to fluctuations in the difference between long and short-term interest rates.

The Company’s asset and liability position was “neutral” to slightly “asset sensitive” at December 31, 2016, depending on the interest rate assumptions applied to the simulation model employed by Management to measure interest rate risk. An “asset sensitive” position results in a slightly larger change in interest income than in interest expense resulting from application of assumed interest rate changes. Simulation estimates depend on, and will change with, the size and mix of the actual and projected balance sheet at the time of each simulation. Management continues to monitor the interest rate environment as well as economic conditions and other factors it deems relevant in managing the Company's exposure to interest rate risk.

The Company does not currently engage in trading activities or use derivative instruments to control interest rate risk, even though such activities may be permitted with the approval of the Company's Board of Directors.

Market Risk - Equity Markets

Equity price risk can affect the Company. As an example, any preferred or common stock holdings, as permitted by banking regulations, can fluctuate in value. Management regularly assesses the extent and duration of any declines in market value, the causes of such declines, the likelihood of a recovery in market value, and its intent to hold securities until a recovery in value occurs. Declines in value of preferred or common stock holdings that are deemed “other than temporary” could result in loss recognition in the Company's income statement.

Fluctuations in the Company's common stock price can impact the Company's financial results in several ways. First, the Company has regularly repurchased and retired its common stock; the market price paid to retire the Company's common stock affects the level of the Company's shareholders' equity, cash flows and shares outstanding. Second, the Company's common stock price impacts the number of dilutive equivalent shares used to compute diluted earnings per share. Third, fluctuations in the Company's common stock price can motivate holders of options to purchase Company common stock through the exercise of such options thereby increasing the number of shares outstanding. Finally, the amount of compensation expense associated with share based compensation fluctuates with changes in and the volatility of the Company's common stock price.

Market Risk - Other

Market values of loan collateral can directly impact the level of loan chargeoffs and the provision for loan losses. The financial condition and liquidity of debtors issuing bonds and debtors whose mortgages or other obligations are securitized can directly impact the credit quality of the Company’s investment securities portfolio requiring the Company to recognize other than temporary impairment charges. Other types of market risk, such as foreign currency exchange risk, are not significant in the normal course of the Company's business activities.

Liquidity and Funding

The objective of liquidity management is to manage cash flow and liquidity reserves so that they are adequate to fund the Company's operations and meet obligations and other commitments on a timely basis and at a reasonable cost. The Company achieves this objective through the selection of asset and liability maturity mixes that it believes best meet its needs. The Company's liquidity position is enhanced by its ability to raise additional funds as needed in the wholesale markets.

In recent years, the Company's deposit base has provided the majority of the Company's funding requirements. This relatively stable and low-cost source of funds, along with shareholders' equity, provided 98 percent of funding for average total assets in 2016 and 97 percent in 2015. The stability of the Company’s funding from customer deposits is in part reliant on the confidence clients have in the Company. The Company places a very high priority in maintaining this confidence through conservative credit and capital management practices and by maintaining an appropriate level of liquidity reserves.

Liquidity is further provided by assets such as balances held at the Federal Reserve Bank, investment securities, and amortizing loans. The Company's investment securities portfolio provides a substantial secondary liquidity reserve. The Company held $3.2 billion in total investment securities at December 31, 2016. Under certain deposit, borrowing and other arrangements, the Company must hold and pledge investment securities as collateral. At December 31, 2016, such collateral requirements totaled approximately $769 million.

Liquidity risk can result from the mismatching of asset and liability cash flows, or from disruptions in the financial markets. The Company performs liquidity stress tests on a periodic basis to evaluate the sustainability of its liquidity. Under the stress testing, the Company assumes outflows of funds increase beyond expected levels. Measurement of such heightened outflows considers the composition of the Company’s deposit base, including any concentration of deposits, non-deposit funding such as short-term borrowings, and unfunded lending commitments. The Company evaluates its stock of highly liquid assets to meet the assumed higher levels of outflows. Highly liquid assets include cash and amounts due from other banks from daily transaction settlements, reduced by branch cash needs and Federal Reserve Bank reserve requirements, and investment securities based on regulatory risk-weighting guidelines. Based on the results of the most recent liquidity stress test, Management is satisfied with the liquidity condition of the Bank and the Company. However, no assurance can be given the Bank or Company will not experience a period of reduced liquidity.

Management will monitor the Company's cash levels throughout 2017. Loan demand from credit worthy borrowers will be dictated by economic and competitive conditions. The Company aggressively solicits non-interest bearing demand deposits and money market checking deposits, which are the least sensitive to changes in interest rates. The growth of these deposit balances is subject to heightened competition, the success of the Company's sales efforts, delivery of superior customer service, new regulations and market conditions. The Company does not aggressively solicit higher-costing time deposits; as a result, Management anticipates such deposits will decline. Changes in interest rates, most notably rising interest rates, could impact deposit volumes. Depending on economic conditions, interest rate levels, liquidity management and a variety of other conditions, deposit growth may be used to fund loans or purchase investment securities. However, due to possible volatility in economic conditions, competition and political uncertainty, loan demand and levels of customer deposits are not certain. Shareholder dividends are expected to continue subject to the Board's discretion and continuing evaluation of capital levels, earnings, asset quality and other factors.

Westamerica Bancorporation ("Parent Company") is a separate entity apart from Westamerica Bank ("Bank") and must provide for its own liquidity. In addition to its operating expenses, the Parent Company is responsible for the payment of dividends declared for its shareholders, and interest and principal on any outstanding debt. Substantially all of the Parent Company's revenues are obtained from subsidiary dividends and service fees.

The Bank's dividends paid to the Parent Company and proceeds from the exercise of stock options provided adequate cash flow for the Parent Company to pay shareholder dividends of $40 million in 2016, $39 million in 2015 and $40 million in 2014, and retire common stock in the amount of $6 million, $15 million and $53 million, respectively. Payment of dividends to the Parent Company by the Bank is limited under California and Federal laws. The Company believes these regulatory dividend restrictions will not have an impact on the Parent Company's ability to meet its ongoing cash obligations.

Contractual Obligations

The following table sets forth the known contractual obligations, except short-term borrowing arrangements and post-retirement benefit plans, of the Company:

	At December 31, 2016				
	Within One Year	Over One to Three Years	Over Three to Five Years	After Five Years	Total
			(In thousands)		
Operating Lease Obligations	$6,335	$9,799	$3,587	$1,045	$20,766
Purchase Obligations	8,078	16,556	17,104	-	41,738
Total	$14,413	$26,355	$20,691	$1,045	$62,504

Operating lease obligations have not been reduced by minimum sublease rentals of $2 million due in the future under noncancelable subleases. Operating lease obligations may be retired prior to the contractual maturity as discussed in the notes to the consolidated financial statements. The purchase obligation consists of the Company's minimum liabilities under contracts with third-party automation services providers.

Capital Resources

The Company has historically generated high levels of earnings, which provide a means of accumulating capital. The Company's net income as a percentage of average shareholders' equity ("return on equity" or "ROE") has been 10.9% in 2016, 11.3% in 2015 and 11.6% in 2014. The Company also raises capital as employees exercise stock options. Capital raised through the exercise of stock options was $24 million in 2016 compared with $5 million in 2015 and $12 million in 2014.

The Company paid common dividends totaling $40 million in 2016, $39 million in 2015 and $40 million in 2014, which represent dividends per common share of $1.56, $1.53 and $1.52, respectively. The Company's earnings have historically exceeded dividends paid to shareholders. The amount of earnings in excess of dividends provides the Company resources to finance growth and maintain appropriate levels of shareholders' equity. In the absence of profitable growth opportunities, the Company has repurchased and retired its common stock as another means to return earnings to shareholders. The Company repurchased and retired 137 thousand shares valued at $6 million in 2016, 344 thousand shares valued at $15 million in 2015 and 1.0 million shares valued at $53 million in 2014.

The Company's primary capital resource is shareholders' equity, which was $561 million at December 31, 2016 compared with $532 million at December 31, 2015. The Company's ratio of equity to total assets was 10.46% at December 31, 2016 and 10.30% at December 31, 2015.

The Company performs capital stress tests on a periodic basis to evaluate the sustainability of its capital. Under the stress testing, the Company assumes various scenarios such as deteriorating economic and operating conditions, unanticipated asset devaluations, and significant operational lapses. The Company measures the impact of these scenarios on its earnings and capital. Based on the results of the most recent stress tests, Management is satisfied with the capital condition of the Bank and the Company. However, no assurance can be given the Bank or Company will not experience a period of reduced earnings or a reduction in capital from unanticipated events and circumstances.

Capital to Risk-Adjusted Assets

On July 2, 2013, the Federal Reserve Board approved a final rule that implements changes to the regulatory capital framework for all banking organizations. The rule’s provisions which most affected the regulatory capital requirements of the Company and the Bank:

- Introduced a new “Common Equity Tier 1” capital measurement,
- Established higher minimum levels of capital,
- Introduced a “capital conservation buffer,”
- Increased the risk-weighting of certain assets, and
- Established limits on the amount of deferred tax assets with any excess treated as a deduction from Tier 1 capital.

Under the final rule, a banking organization that is not subject to the “advanced approaches rule” may make a one-time election not to include most elements of Accumulated Other Comprehensive Income, including net-of-tax unrealized gains and losses on available for sale investment securities, in regulatory capital. Neither the Company nor the Bank is subject to the “advanced approaches rule” and both made the election not to include most elements of Accumulated Other Comprehensive Income in regulatory capital.

Banking organizations that are not subject to the “advanced approaches rule” began complying with the final rule on January 1, 2015; on such date, the Company and the Bank became subject to the revised definitions of regulatory capital, the new minimum regulatory capital ratios, and various regulatory capital adjustments and deductions according to transition provisions and timelines. All banking organizations began calculating standardized total risk-weighted assets on January 1, 2015. The transition period for the capital conservation buffer for all banking organizations began on January 1, 2016 and will end January 1, 2019. Any bank subject to the rule which is unable to maintain its “capital conservation buffer” will be restricted in the payment of discretionary executive compensation and shareholder distributions, such as dividends and share repurchases.

The final rule did not supersede provisions of the Federal Deposit Insurance Corporation Improvement Act (FDICIA) requiring federal banking agencies to take prompt corrective action (PCA) to resolve problems of insured depository institutions. The final rule revised the PCA thresholds to incorporate the higher minimum levels of capital, including the “common equity tier 1” ratio.

The capital ratios for the Company and the Bank under the new capital framework are presented in the table below, on the dates indicated.

	At December 31, 2016		Required for Capital Adequacy Purposes		To Be Well-capitalized Under Prompt Corrective Action Regulations (Bank)
	Company	Bank	Effective January 1, 2016	Effective January 1, 2019	
Common Equity Tier I Capital	14.85%	11.70%	5.125%[1]	7.00%[2]	6.50%
Tier I Capital	14.85%	11.70%	6.625%[1]	8.50%[2]	8.00%
Total Capital	15.95%	13.02%	8.625%[1]	10.50%[2]	10.00%
Leverage Ratio	8.46%	6.63%	4.000%	4.00%	5.00%

[1] Includes 0.625% capital conservation buffer.
[2] Includes 2.5% capital conservation buffer.

	At December 31, 2015		Required for Capital Adequacy Purposes		To Be Well-capitalized Under Prompt Corrective Action Regulations (Bank)
	Company	Bank	Effective January 1, 2015	Effective January 1, 2019	
Common Equity Tier I Capital	12.82%	11.00%	4.50%	7.00%(3)	6.50%
Tier I Capital	12.82%	11.00%	6.00%	8.50%(3)	8.00%
Total Capital	13.39%	11.68%	8.00%	10.50%(3)	10.00%
Leverage Ratio	7.99%	6.82%	4.00%	4.00%	5.00%

(3) Includes 2.5% capital conservation buffer.

The Company and the Bank routinely project capital levels by analyzing forecasted earnings, credit quality, securities valuations, shareholder dividends, asset volumes, share repurchase activity, stock option exercise proceeds, and other factors. Based on current capital projections, the Company and the Bank expect to maintain regulatory capital levels exceeding the highest effective regulatory standard and pay quarterly dividends to shareholders. No assurance can be given that changes in capital management plans will not occur.

Deposit Categories

The Company primarily attracts deposits from local businesses and professionals, as well as through retail savings and checking accounts, and, to a more limited extent, certificates of deposit.

The following table summarizes the Company's average daily amount of deposits and the rates paid for the periods indicated:

Deposit Distribution and Average Rates Paid

	For the Years Ended December 31,								
	2016			2015			2014		
	Average Balance	Percentage of Total Deposits	Rate	Average Balance	Percentage of Total Deposits	Rate	Average Balance	Percentage of Total Deposits	Rate
					($ In thousands)				
Noninterest-bearing demand	$2,026,939	44.1%	- %	$1,968,817	44.4%	- %	$1,841,522	43.0%	- %
Interest bearing:									
Transaction	862,581	18.8%	0.03%	822,156	18.5%	0.03%	790,467	18.5%	0.03%
Savings	1,428,059	31.1%	0.06%	1,312,100	29.6%	0.06%	1,215,035	28.4%	0.07%
Time less than $100 thousand	154,022	3.4%	0.26%	172,836	3.9%	0.33%	197,821	4.6%	0.41%
Time $100 thousand or more	118,750	2.6%	0.43%	161,710	3.6%	0.42%	237,002	5.5%	0.38%
Total (1)	$4,590,351	100.0%	0.08%	$4,437,619	100.0%	0.10%	$4,281,847	100.0%	0.07%

(1) The rates for total deposits reflect value of noninterest-bearing deposits.

The Company's strategy includes building the value of its deposit base by building balances of lower-costing deposits and avoiding reliance on higher-costing time deposits. From 2014 to 2016 higher costing time deposits declined from 10% to 6% of total deposits. The Company's average balances of checking and savings accounts represented 94% of average balances of total deposits in 2016 compared with 93% in 2015 and 90% in 2014.

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Total time deposits were $256 million and $287 million at December 31, 2016 and 2015, respectively. The following table sets forth, by time remaining to maturity, the Company's total domestic time deposits. The Company has no foreign time deposits.

Time Deposits Maturity Distribution

	At December 31, 2016
	(In thousands)
2017	$192,471
2018	35,828
2019	8,621
2020	10,345
2021	8,886
Thereafter	19
Total	$256,170

The following sets forth, by time remaining to maturity, the Company's domestic time deposits in amounts of $100 thousand or more:

Time Deposits $100,000 or more Maturity Distribution

	At December 31, 2016
	(In thousands)
Three months or less	$44,293
Over three through six months	20,119
Over six through twelve months	26,622
Over twelve months	31,424
Total	$122,458

Short-term Borrowings

The following table sets forth the short-term borrowings of the Company:

Short-Term Borrowings Distribution

	At December 31,		
	2016	2015	2014
	(In thousands)		
Securities sold under agreements to repurchase the securities	$59,078	$53,028	$89,784
Total short-term borrowings	$59,078	$53,028	$89,784

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Further detail of federal funds purchased and other borrowed funds is as follows:

	For the Years Ended December 31,		
	2016	2015	2014
		($ in thousands)	
Federal funds purchased balances and rates paid on outstanding amount:			
Average balance for the year	$5	$8	$8
Maximum month-end balance during the year	-	-	-
Average interest rate for the year	0.77%	0.48%	0.48%
Average interest rate at period end	- %	- %	- %
Securities sold under agreements to repurchase the securities balances and rates paid on outstanding amount:			
Average balance for the year	$61,271	$75,046	$70,244
Maximum month-end balance during the year	74,815	89,484	89,784
Average interest rate for the year	0.06%	0.07%	0.07%
Average interest rate at period end	0.06%	0.06%	0.06%
FHLB advances balances and rates paid on outstanding amount:			
Average balance for the year	$ -	$494	$20,308
Maximum month-end balance during the year	-	-	20,530
Average interest rate for the year	- %	0.20%	2.00%
Average interest rate at period end	- %	- %	2.04%
Term repurchase agreement balances and rates paid on outstanding amount:			
Average balance for the year	$ -	$ -	$6,082
Maximum month-end balance during the year	-	-	10,000
Average interest rate for the year	- %	- %	0.99%
Average interest rate at period end	- %	- %	- %

Financial Ratios

The following table shows key financial ratios for the periods indicated:

	At and For the Years Ended December 31,		
	2016	2015	2014
Return on average total assets	1.12%	1.16%	1.22%
Return on average common shareholders' equity	10.85%	11.32%	11.57%
Average shareholders' equity as a percentage of:			
Average total assets	10.34%	10.21%	10.58%
Average total loans	38.08%	32.08%	29.57%
Average total deposits	11.81%	11.70%	12.24%
Common dividend payout ratio	68%	67%	66%

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company does not currently engage in trading activities or use derivative instruments to control interest rate risk, even though such activities may be permitted with the approval of the Company's Board of Directors.

Credit risk and interest rate risk are the most significant market risks affecting the Company, and equity price risk can also affect the Company's financial results. These risks are described in the preceding sections regarding "Loan Portfolio Credit Risk," and "Asset/Liability and Market Risk Management." Other types of market risk, such as foreign currency exchange risk and commodity price risk, are not significant in the normal course of the Company's business activities.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Westamerica Bancorporation and subsidiaries (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting, and for performing an assessment of the effectiveness of internal control over financial reporting as of December 31, 2016. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's system of internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of Management and Directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management performed an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2016 based upon criteria in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, Management determined that the Company's internal control over financial reporting was effective as of December 31, 2016 based on the criteria in Internal Control - Integrated Framework (2013) issued by COSO.

The Company's independent registered public accounting firm has issued an attestation report on Management's assessment of the Company's internal control over financial reporting. Their opinion and attestation on internal control over financial reporting appear on page 89.

Dated: February 27, 2017

WESTAMERICA BANCORPORATION
CONSOLIDATED BALANCE SHEETS

	At December 31, 2016	At December 31, 2015
	(In thousands)	
Assets:		
Cash and due from banks	$462,271	$433,044
Investment securities available for sale	1,890,758	1,570,216
Investment securities held to maturity, with fair values of: $1,340,741 at December 31, 2016 and $1,325,699 at December 31, 2015	1,346,312	1,316,075
Loans	1,352,711	1,533,396
Allowance for loan losses	(25,954)	(29,771)
Loans, net of allowance for loan losses	1,326,757	1,503,625
Other real estate owned	3,095	9,264
Premises and equipment, net	36,566	38,693
Identifiable intangibles, net	6,927	10,431
Goodwill	121,673	121,673
Other assets	171,724	165,854
Total Assets	$5,366,083	$5,168,875
Liabilities:		
Noninterest-bearing deposits	$2,089,443	$2,026,049
Interest-bearing deposits	2,615,298	2,514,610
Total deposits	4,704,741	4,540,659
Short-term borrowed funds	59,078	53,028
Other liabilities	40,897	42,983
Total Liabilities	4,804,716	4,636,670
Contingencies (Note 13)		
Shareholders' Equity:		
Common stock (no par value), authorized - 150,000 shares Issued and outstanding: 25,907 at December 31, 2016 and 25,528 at December 31, 2015	404,606	378,858
Deferred compensation	1,533	2,578
Accumulated other comprehensive (loss) income	(10,074)	675
Retained earnings	165,302	150,094
Total Shareholders' Equity	561,367	532,205
Total Liabilities and Shareholders' Equity	$5,366,083	$5,168,875

See accompanying notes to consolidated financial statements.

WESTAMERICA BANCORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	For the Years Ended December 31,		
	2016	2015	2014
	(In thousands, except per share data)		
Interest and Fee Income:			
Loans	$69,139	$78,441	$89,056
Investment securities available for sale	34,276	31,263	24,740
Investment securities held to maturity	30,636	26,825	26,413
Total Interest and Fee Income	134,051	136,529	140,209
Interest Expense:			
Deposits	2,077	2,370	2,887
Short-term borrowed funds	39	53	90
Federal Home Loan Bank advances	-	1	407
Term repurchase agreement	-	-	60
Total Interest Expense	2,116	2,424	3,444
Net Interest Income	131,935	134,105	136,765
(Reversal of) Provision for Loan Losses	(3,200)	-	2,800
Net Interest Income After (Reversal of) Provision For Loan Losses	135,135	134,105	133,965
Noninterest Income:			
Service charges on deposit accounts	20,854	22,241	24,191
Merchant processing services	6,377	6,339	7,219
Debit card fees	6,290	6,084	5,960
Other service fees	2,571	2,689	2,717
Trust fees	2,686	2,732	2,582
ATM processing fees	2,411	2,397	2,473
Financial services commissions	568	695	757
Other	4,817	4,690	5,888
Total Noninterest Income	46,574	47,867	51,787
Noninterest Expense:			
Salaries and related benefits	51,507	52,192	54,777
Occupancy	14,116	14,960	14,992
Outsourced data processing services	8,505	8,441	8,411
Amortization of identifiable intangibles	3,504	3,856	4,270
Furniture and equipment	4,901	4,434	4,174
Courier service	1,952	2,329	2,624
Professional fees	3,980	2,490	2,346
Other real estate owned	(479)	504	(642)
Other	13,766	16,094	15,847
Total Noninterest Expense	101,752	105,300	106,799
Income Before Income Taxes	79,957	76,672	78,953
Provision for income taxes	21,104	17,919	18,307
Net Income	$58,853	$58,753	$60,646
Average Common Shares Outstanding	25,612	25,555	26,099
Diluted Average Common Shares Outstanding	25,678	25,577	26,160
Per Common Share Data:			
Basic earnings	$2.30	$2.30	$2.32
Diluted earnings	2.29	2.30	2.32
Dividends paid	1.56	1.53	1.52

See accompanying notes to consolidated financial statements.

WESTAMERICA BANCORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Years Ended December 31,		
	2016	2015	2014
		(In thousands)	
Net Income	$58,853	$58,753	$60,646
Other comprehensive (loss) income:			
(Decrease) increase in net unrealized gains on securities available for sale	(18,610)	(8,028)	1,627
Deferred tax benefit (expense)	7,825	3,375	(684)
(Decrease) increase in net unrealized gains on securities available for sale, net of tax	(10,785)	(4,653)	943
Post-retirement benefit transition obligation amortization	61	61	61
Deferred tax expense	(25)	(25)	(25)
Post-retirement benefit transition obligation amortization, net of tax	36	36	36
Total Other Comprehensive (Loss) Income	(10,749)	(4,617)	979
Total Comprehensive Income	$48,104	$54,136	$61,625

See accompanying notes to consolidated financial statements.

WESTAMERICA BANCORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Common Shares Outstanding	Common Stock	Deferred Compensation	Accumulated Other Comprehensive Income (loss)	Retained Earnings	Total
			(In thousands)			
Balance, December 31, 2013	26,510	$378,946	$2,711	$4,313	$156,964	$542,934
Net income for the year 2014					60,646	60,646
Other comprehensive income				979		979
Exercise of stock options	256	12,396				12,396
Tax benefit decrease upon exercise and expiration of stock options		(447)				(447)
Restricted stock activity	21	1,114				1,114
Stock based compensation		1,318				1,318
Stock awarded to employees	2	102				102
Retirement of common stock	(1,044)	(15,297)			(37,381)	(52,678)
Dividends					(39,761)	(39,761)
Balance, December 31, 2014	25,745	378,132	2,711	5,292	140,468	526,603
Net income for the year 2015					58,753	58,753
Other comprehensive loss				(4,617)		(4,617)
Exercise of stock options	108	4,848				4,848
Tax benefit decrease upon exercise and expiration of stock options		(1,284)				(1,284)
Restricted stock activity	17	874	(133)			741
Stock based compensation		1,272				1,272
Stock awarded to employees	2	105				105
Retirement of common stock	(344)	(5,089)			(10,003)	(15,092)
Dividends					(39,124)	(39,124)
Balance, December 31, 2015	25,528	378,858	2,578	675	150,094	532,205
Net income for the year 2016					58,853	58,853
Other comprehensive loss				(10,749)		(10,749)
Exercise of stock options	499	24,031				24,031
Tax benefit increase upon exercise and expiration of stock options		394				394
Restricted stock activity	15	1,798	(1,045)			753
Stock based compensation		1,494				1,494
Stock awarded to employees	2	90				90
Retirement of common stock	(137)	(2,059)			(3,721)	(5,780)
Dividends					(39,924)	(39,924)
Balance, December 31, 2016	25,907	$404,606	$1,533	($10,074)	$165,302	$561,367

See accompanying notes to consolidated financial statements.

WESTAMERICA BANCORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2016	2015	2014
		(In thousands)	
Operating Activities:			
Net income	$58,853	$58,753	$60,646
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization/accretion	19,939	16,402	15,502
(Reversal of) provision for loan losses	(3,200)	-	2,800
Net amortization of deferred loan fees	(340)	(310)	(279)
Increase in interest income receivable	(1,316)	(780)	(469)
Life insurance premiums paid	(828)	(782)	(751)
Decrease in net deferred tax asset	4,380	830	1,417
Increase in other assets	(2,493)	(1,046)	(2,172)
Stock option compensation expense	1,494	1,272	1,318
Tax benefit (increase) decrease upon exercise and expiration of stock options	(394)	1,284	447
(Decrease) increase in income taxes payable	(40)	265	478
Decrease in interest expense payable	(52)	(86)	(111)
Increase (decrease) in other liabilities	2,026	(5,754)	4,474
Gain on sale of real estate and other assets	-	-	(400)
Write-down/net loss on sale of premises and equipment	30	109	76
Net loss/write-down (gain) on sale of foreclosed assets	(422)	247	(665)
Net Cash Provided by Operating Activities	77,637	70,404	82,311
Investing Activities:			
Net repayments of loans	183,506	164,093	126,414
Net (payments) receipts under FDIC[1] indemnification agreements	(127)	-	6,703
Purchases of investment securities available for sale	(1,080,959)	(946,794)	(1,126,203)
Proceeds from sale/maturity/calls of securities available for sale	737,625	967,118	604,475
Purchases of investment securities held to maturity	(246,956)	(437,935)	(67,725)
Proceeds from maturity/calls of securities held to maturity	204,054	153,014	153,405
Purchases of premises and equipment	(1,818)	(4,474)	(3,791)
Net change in FRB[2]/FHLB[3] securities	-	940	3,248
Proceeds from sale of foreclosed assets	7,412	1,774	8,212
Net Cash Used in Investing Activities	(197,263)	(102,264)	(295,262)
Financing Activities:			
Net increase in deposits	164,082	191,476	185,508
Net change in short-term borrowings and FHLB[3] advances	6,050	(56,756)	26,741
Repayments of term repurchase agreement	-	-	(10,000)
Exercise of stock options/issuance of shares	24,031	4,848	12,396
Taxes paid by withholding shares for tax purposes	(356)	(357)	(521)
Tax benefit increase (decrease) upon exercise and expiration of stock options	394	(1,284)	(447)
Retirement of common stock	(5,424)	(14,735)	(52,157)
Common stock dividends paid	(39,924)	(39,124)	(39,761)
Net Cash Provided by Financing Activities	148,853	84,068	121,759
Net Change In Cash and Due from Banks	29,227	52,208	(91,192)
Cash and Due from Banks at Beginning of Period	433,044	380,836	472,028
Cash and Due from Banks at End of Period	$462,271	$433,044	$380,836
Supplemental Cash Flow Disclosures:			
Supplemental disclosure of noncash activities:			
Loan collateral transferred to other real estate owned	$821	$4,911	$968
Securities purchases pending settlement	-	2,885	2,892
Supplemental disclosure of cash flow activities:			
Interest paid for the period	2,202	2,533	3,822
Income tax payments for the period	19,264	17,666	16,412

See accompanying notes to consolidated financial statements.

(1) Federal Deposit Insurance Corporation ("FDIC")

(2) Federal Reserve Bank ("FRB")

(3) Federal Home Loan Bank ("FHLB")

WESTAMERICA BANCORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Business and Accounting Policies

Westamerica Bancorporation, a registered bank holding company (the "Company"), provides a full range of banking services to corporate and individual customers in Northern and Central California through its wholly-owned subsidiary bank, Westamerica Bank (the "Bank"). The Bank is subject to competition from both financial and nonfinancial institutions and to the regulations of certain agencies and undergoes periodic examinations by those regulatory authorities. All of the financial service operations are considered by management to be aggregated in one reportable operating segment.

The Company has evaluated events and transactions subsequent to the balance sheet date. Based on this evaluation, the Company is not aware of any events or transactions that occurred subsequent to the balance sheet date but prior to filing that would require recognition or disclosure in its consolidated financial statements. Certain amounts in prior periods have been reclassified to conform to the current presentation.

Summary of Significant Accounting Policies

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The following is a summary of significant policies used in the preparation of the accompanying financial statements.

Accounting Estimates. Certain accounting policies underlying the preparation of these financial statements require Management to make estimates and judgments about future economic and market conditions. These estimates and judgments may affect reported amounts of assets and liabilities, revenues and expenses, and disclosures of contingent assets and liabilities. Although the estimates contemplate current conditions and how Management expects them to change in the future, it is reasonably possible that in 2017 actual conditions could be worse than anticipated in those estimates, which could materially affect our results of operations and financial conditions. The most significant of these involve the Allowance for Credit Losses, as discussed below under "Allowance for Credit Losses."

Principles of Consolidation. The consolidated financial statements include the accounts of the Company and all the Company's subsidiaries. Significant intercompany transactions have been eliminated in consolidation. The Company does not maintain or conduct transactions with any unconsolidated special purpose entities.

Cash. Cash includes Due From Banks balances which are readily convertible to known amounts of cash and are generally 90 days or less from maturity at the time of initiation, presenting insignificant risk of changes in value due to interest rate changes.

Securities. Investment securities consist of debt securities of the U.S. Treasury, government sponsored entities, states, counties, municipalities, corporations, agency and non-agency mortgage-backed securities, asset-backed securities and equity securities. Securities transactions are recorded on a trade date basis. The Company classifies its debt and marketable equity securities in one of three categories: trading, available for sale or held to maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Trading securities are recorded at fair value with unrealized gains and losses included in earnings. Held to maturity securities are those debt securities which the Company has the ability and intent to hold until maturity. Held to maturity securities are recorded at cost, adjusted for the amortization of premiums or accretion of discounts. Securities not included in trading or held to maturity are classified as available for sale. Available for sale securities are recorded at fair value. Unrealized gains and losses, net of the related tax effect, on available for sale securities are included in accumulated other comprehensive income.

The Company utilizes third-party sources to value its investment securities; securities individually valued using quoted prices in active markets are classified as Level 1 assets in the fair value hierarchy, and securities valued using quoted prices in active markets for similar securities (commonly referred to as "matrix" pricing) are classified as Level 2 assets in the fair value hierarchy. The Company validates the reliability of third-party provided values by comparing individual security pricing for securities between more than one third-party source. When third-party information is not available, valuation adjustments are estimated in good faith by Management and classified as Level 3 in the fair value hierarchy.

A decline in the market value of any available for sale or held to maturity security below amortized cost that is deemed other than temporary results in a charge to earnings and the establishment of a new cost basis for the security. Unrealized investment securities losses are evaluated at least quarterly to determine whether such declines in value should be considered "other than temporary" and therefore be subject to immediate loss recognition in income. Although these evaluations involve significant judgment, an unrealized loss in the fair value of a debt security is generally deemed to be temporary when the fair value of the security is below the carrying value primarily due to changes in risk-free interest rates, there has not been significant deterioration in the financial condition of the issuer, and the Company does not intend to sell or be required to sell the securities before recovery of its amortized cost. An unrealized loss in the value of an equity security is generally considered temporary when the fair value of the security declined primarily due to current market conditions and not deterioration in the financial condition of the issuer, the Company expects the fair value of the security to recover in the near term and the Company does not intend to sell or be required to sell the securities before recovery of its cost basis. Other factors that may be considered in determining whether a decline in the value of either a debt or an equity security is "other than temporary" include ratings by recognized rating agencies, actions of commercial banks or other lenders relative to the continued extension of credit facilities to the issuer of the security, the financial condition, capital strength and near-term prospects of the issuer, and recommendations of investment advisors or market analysts.

The Company follows the guidance issued by the Board of Governors of the Federal Reserve System, "Investing in Securities without Reliance on Nationally Recognized Statistical Rating Agencies" (SR 12-15) and other regulatory guidance when performing investment security pre-purchase analysis or evaluating investment securities for impairment. Credit ratings issued by recognized rating agencies are considered in the Company's analysis only as a guide to the historical default rate associated with similarly-rated bonds.

Purchase premiums are amortized and purchase discounts are accreted over the estimated life of the related investment security as an adjustment to yield using the effective interest method. Unamortized premiums, unaccreted discounts, and early payment premiums are recognized as a component of gain or loss on sale upon disposition of the related security. Interest and dividend income are recognized when earned. Realized gains and losses from the sale of available for sale securities are included in earnings using the specific identification method.

Nonmarketable Equity Securities. Nonmarketable equity securities include securities that are not publicly traded, such as Visa Class B common stock, and securities acquired to meet regulatory requirements, such as Federal Home Loan Bank and Federal Reserve Bank stock, which are restricted. These restricted securities are accounted for under the cost method and are included in other assets. The Company reviews those assets accounted for under the cost method at least quarterly for possible declines in value that are considered "other than temporary". The Company's review typically includes an analysis of the facts and circumstances of each investment, the expectations for the investment's cash flows and capital needs, the viability of its business model and any exit strategy. The asset value is reduced when a decline in value is considered to be other than temporary. The Company recognizes the estimated loss in noninterest income.

Loans. Loans are stated at the principal amount outstanding, net of unearned discount and unamortized deferred fees and costs. Interest is accrued daily on the outstanding principal balances. Loans which are more than 90 days delinquent with respect to interest or principal, unless they are well secured and in the process of collection, and other loans on which full recovery of principal or interest is in doubt, are placed on nonaccrual status. Interest previously accrued on loans placed on nonaccrual status is charged against interest income. In addition, some loans secured by real estate with temporarily impaired values and commercial loans to borrowers experiencing financial difficulties are placed on nonaccrual status ("performing nonaccrual loans") even though the borrowers continue to repay the loans as scheduled. When the ability to fully collect nonaccrual loan principal is in doubt, payments received are applied against the principal balance of the loans on a cost-recovery method until such time as full collection of the remaining recorded balance is expected. Any additional interest payments received after that time are recorded as interest income on a cash basis. Performing nonaccrual loans are reinstated to accrual status when improvements in credit quality eliminate the doubt as to the full collectability of both interest and principal. Certain consumer loans or auto receivables are charged off against the allowance for credit losses when they become 120 days past due.

The Company evaluates all classified loans and nonaccrual loans with outstanding principal balances in excess of $500 thousand, and all "troubled debt restructured" loans for impairment. The Company recognizes a loan as impaired when, based on current information and events, it is probable that it will be unable to collect both the contractual interest and principal payments as scheduled in the loan agreement. Income recognition on impaired loans conforms to that used on nonaccrual loans. In certain circumstances, the Company might agree to restructured loan terms with borrowers experiencing financial difficulties; such restructured loans are evaluated under ASC 310-40, "Troubled Debt Restructurings by Creditors." In general, a restructuring constitutes a troubled debt restructuring when the Company, for reasons related to a borrower's financial difficulties, grants a concession to the borrower it would not otherwise consider. Loans are evaluated on an individual basis. The Company follows its general nonaccrual policy for troubled debt restructurings. Performing troubled debt restructurings are reinstated to accrual status when improvements in credit quality eliminate the doubt as to full collectability of both principal and interest.

Nonrefundable fees and certain costs associated with originating or acquiring loans are deferred and amortized as an adjustment to interest income over the contractual loan lives. Upon prepayment, unamortized loan fees, net of costs, are immediately recognized in interest income. Other fees, including those collected upon principal prepayments, are included in interest income when received. Loans held for sale are identified upon origination and are reported at the lower of cost or market value on an aggregate loan basis.

Purchased Loans. Purchased loans are recorded at estimated fair value on the date of purchase. Impaired purchased loans are accounted for under FASB ASC 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality, when the loans have evidence of credit deterioration since origination and it is probable at the date of acquisition that the Company will not collect all contractually required principal and interest payments. Evidence of credit quality deterioration as of the purchase date may include attributes such as past due and nonaccural status. Generally, purchased loans that meet the Company's definition for nonaccrual status fall within the scope of FASB ASC 310-30. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the nonaccretable difference. Subsequent decreases to the expected cash flows will generally result in a provision for loan losses. Subsequent increases in cash flows result in a reversal of the provision for loan losses to the extent of prior charges, or a reclassification of the difference from nonaccretable to accretable with a positive impact on interest income on a prospective basis. Any excess of expected cash flows over the estimated fair value is referred to as the accretable yield and is recognized into interest income over the remaining life of the loan when there is a reasonable expectation about the amount and timing of such cash flows. For covered purchased loans with an accretable difference, the corresponding FDIC receivable is amortized over the shorter of the contractual term of the indemnification asset or the remaining life of the loan. Further, the Company elected to analogize to ASC 310-30 and account for all other loans that had a discount due in part to credit not within the scope of ASC 310-30 using the same methodology.

Covered Loans. Loans covered under loss-sharing or similar credit protection agreements with the FDIC are reported in loans exclusive of the expected reimbursement cash flows from the FDIC. Covered loans are initially recorded at fair value at the acquisition date. Subsequent decreases in the amount expected to be collected results in a provision for loan losses and a corresponding increase in the estimated FDIC reimbursement, with the estimated net loss impacting earnings. Interest previously accrued on covered loans placed on nonaccrual status is charged against interest income, net of estimated FDIC reimbursements of such accrued interest. The FDIC reimburses the Company up to 80% of 90 days interest on covered loans.

Allowance for Credit Losses. The Company extends loans to commercial and consumer customers in Northern and Central California. These lending activities expose the Company to the risk borrowers will default, causing loan losses. The Company's lending activities are exposed to various qualitative risks. All loan segments are exposed to risks inherent in the economy and market conditions. Significant risk characteristics related to the commercial loan segment include the borrowers' business performance and financial condition, and the value of collateral for secured loans. Significant risk characteristics related to the commercial real estate segment include the borrowers' business performance and the value of properties collateralizing the loans. Significant risk characteristics related to the construction loan segment include the borrowers' performance in successfully developing the real estate into the intended purpose and the value of the property collateralizing the loans. Significant risk characteristics related to the residential real estate segment include the borrowers' financial wherewithal to service the mortgages and the value of the property collateralizing the loans. Significant risk characteristics related to the consumer loan segment include the financial condition of the borrowers and the value of collateral securing the loans.

The preparation of these financial statements requires Management to estimate the amount of probable incurred losses inherent in the loan portfolio and establish an allowance for credit losses. The allowance for credit losses is established by assessing a provision for loan losses against the Company's earnings. In estimating credit losses, Management must exercise significant judgment in evaluating information deemed relevant, such as financial information regarding individual borrowers, overall credit loss experience, the amount of past due, nonperforming and classified loans, recommendations of regulatory authorities, prevailing economic conditions and other information. The amount of ultimate losses on the loan portfolio can vary from the estimated amounts. Management follows a systematic methodology to estimate loss potential in an effort to reduce the differences between estimated and actual losses.

The allowance for credit losses is established through provisions for credit losses charged to income. Losses on loans, including impaired loans, are charged to the allowance for loan losses when all or a portion of the recorded amount of a loan is deemed to be uncollectible. Recoveries of loans previously charged off are credited to the allowance when realized. The Company's allowance for credit losses is maintained at a level considered adequate to provide for losses that can be estimated based upon specific and general conditions. These include conditions unique to individual borrowers, as well as overall credit loss experience, the amount of past due, nonperforming and classified loans, recommendations of regulatory authorities, prevailing economic conditions, FDIC loss-sharing or similar credit protection agreements and other factors. A portion of the allowance is specifically allocated to impaired loans whose full collectability is uncertain. Such allocations are determined by Management based on loan-by-loan analyses. The Company evaluates all classified loans and nonaccrual loans with outstanding principal balances in excess of $500 thousand, and all "troubled debt restructured" loans for impairment. A second allocation is based in part on quantitative analyses of historical credit loss experience. The results of this analysis are applied to current loan balances to allocate the reserve to the respective segments of the loan portfolio exclusive of loans individually evaluated for impairment. In addition, consumer installment loans which have similar characteristics and are not usually criticized using regulatory guidelines are analyzed and reserves established based on the historical loss rates and delinquency trends, grouped by the number of days the payments on these loans are delinquent. The remainder of the reserve is considered to be unallocated. The unallocated allowance is established to provide for probable losses that have been incurred as of the reporting date but not reflected in the allocated allowance. It addresses additional qualitative factors consistent with Management's analysis of the level of risks inherent in the loan portfolio, which are related to the risks of the Company's general lending activity. Included in the unallocated allowance is the risk of losses that are attributable to national or local economic or industry trends which have occurred but have not yet been recognized in past loan charge-off history (external factors). The external factors evaluated by the Company include: economic and business conditions, external competitive issues, and other factors. Also included in the unallocated allowance is the risk of losses that are attributable to general attributes of the Company's loan portfolio and credit administration (internal factors). The internal factors evaluated by the Company include: loan review system, adequacy of lending Management and staff, loan policies and procedures, problem loan trends, concentrations of credit, and other factors. By their nature, these risks are not readily allocable to any specific segment of the loan portfolio in a statistically meaningful manner.

Liability for Off-Balance Sheet Credit Exposures. A liability for off-balance sheet credit exposures is established through expense recognition. Off-balance sheet credit exposures relate to letters of credit and unfunded loan commitments for commercial, construction and consumer loans. Historical credit loss factors for commercial, construction and consumer loans are applied to the amount of these off-balance sheet credit exposures to estimate inherent losses.

Other Real Estate Owned. Other real estate owned is comprised of property acquired through foreclosure proceedings, acceptances of deeds-in-lieu of foreclosure and, if applicable, vacated bank properties. Losses recognized at the time of acquiring property in full or partial satisfaction of debt are charged against the allowance for credit losses. Other real estate owned is recorded at the fair value of the collateral, generally based upon an independent property appraisal, less estimated disposition costs. Losses incurred subsequent to acquisition due to any decline in annual independent property appraisals are recognized as noninterest expense. Routine holding costs, such as property taxes, insurance and maintenance, and losses from sales and dispositions, are recognized as noninterest expense.

Covered Other Real Estate Owned. Other real estate owned covered under loss-sharing agreements with the FDIC is reported exclusive of expected reimbursement cash flows from the FDIC. Upon transferring covered loan collateral to covered other real estate owned status, the covered loan collateral is recorded at fair value, generally based upon an independent property appraisal, less estimated disposition costs with losses charged against acquisition date fair value discounts; the amount of losses exceeding acquisition date fair value discounts are recognized as noninterest expense inclusive of expected reimbursement cash flows from the FDIC. Subsequent losses incurred due to any decline in annual independent property appraisal valuations are recognized as noninterest expense inclusive of expected reimbursement cash flows from the FDIC.

Premises and Equipment. Premises and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is computed substantially on the straight-line method over the estimated useful life of each type of asset. Estimated useful lives of premises and equipment range from 20 to 50 years and from 3 to 20 years, respectively. Leasehold improvements are amortized over the terms of the lease or their estimated useful life, whichever is shorter.

Revenue Recognition. The Company recognizes revenue as it is earned based on contractual terms, as transactions occur, or as services are provided and collectability is reasonably assured. In certain circumstances, noninterest income is reported net of associated expenses that are directly related to variable volume-based sales or revenue sharing arrangements or when the Company acts on an agency basis for others.

Life Insurance Cash Surrender Value. The Company has purchased life insurance policies on certain directors and officers as well as acquired such assets as part of the acquisition of other banks. Company owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement. These assets are included in other assets on the consolidated balance sheets.

Intangible Assets. Intangible assets are comprised of goodwill, core deposit intangibles and other identifiable intangibles acquired in business combinations. Intangible assets with definite useful lives are amortized on an accelerated basis over their respective estimated useful lives not exceeding 15 years. If an event occurs that indicates the carrying amount of an intangible asset may not be recoverable, Management reviews the asset for impairment. Any goodwill and any intangible asset acquired in a purchase business combination determined to have an indefinite useful life is not amortized, but is evaluated for impairment annually. The Company has the option to first assess qualitative factors to determine the likelihood of impairment pursuant to FASB ASU 2011-08, *Testing for Goodwill Impairment*. Although the Company has the option to first assess qualitative factors when determining if impairment exists, the Company has opted to perform a quantitative analysis to determine if impairment exists.

Impairment of Long-Lived Assets. The Company reviews its long-lived and certain intangible assets for impairment whenever events or changes indicate that the carrying amount of an asset may not be recoverable. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Income Taxes. The Company and its subsidiaries file consolidated tax returns. The Company accounts for income taxes in accordance with FASB ASC 740, Income Taxes, resulting in two components of income tax expense: current and deferred. Current income tax expense approximates taxes to be paid or refunded for the current period. The Company determines deferred income taxes using the balance sheet method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and recognizes enacted changes in tax rates and laws in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized subject to Management's judgment that realization is more likely than not. A tax position that meets the more likely than not recognition threshold is measured to determine the amount of benefit to recognize. The tax position is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. Interest and penalties are recognized as a component of income tax expense.

Stock Options. The Company applies FASB ASC 718 – Compensation – Stock Compensation, to account for stock based awards granted to employees using the fair value method. The Company recognizes compensation expense for restricted performance share grants over the relevant attribution period. Restricted performance share grants have no exercise price, therefore, the intrinsic value is measured using an estimated per share price at the vesting date for each restricted performance share. The estimated per share price is adjusted during the attribution period to reflect actual stock price performance. The Company's obligation for unvested outstanding restricted performance share grants is classified as a liability until the vesting date due to a cash settlement feature, at which time the issued shares become classified as shareholders' equity.

Extinguishment of Debt. Gains and losses, including fees, incurred in connection with the early extinguishment of debt are charged to current earnings as reductions in noninterest income.

Postretirement Benefits. The Company uses an actuarial-based accrual method of accounting for post-retirement benefits.

Other. Securities and other property held by the Bank in a fiduciary or agency capacity are not included in the financial statements since such items are not assets of the Company or its subsidiaries.

Recently Issued Accounting Standards

FASB Accounting Standards Update (ASU) 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities,* was issued January 2016. The ASU addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Most notably, the ASU changes the income statement impact of equity investments held by the Company and the requirement for the Company to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes.

The Company will be required to adopt the ASU provisions on January 1, 2018. Management does not expect the adoption of the ASU to have a material effect on the Company's consolidated financial statements.

FASB Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842),* was issued February 25, 2016. The provisions of the new standard require lessees to recognize most leases on-balance sheet, increasing reported assets and liabilities. Lessor accounting remains substantially similar to current U.S. GAAP.

The Company will be required to adopt the ASU provisions January 1, 2019, utilizing the modified retrospective transition approach. Management is evaluating the impact that the ASU will have on the Company's consolidated financial statements.

FASB ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting,* was issued March 30, 2016. The provisions of the new standard changes several aspects of the accounting for share-based payment award transactions, including: (1) Accounting and Cash Flow Classification for Excess Tax Benefits, (2) Forfeitures, and (3) Tax Withholding Requirements and Cash Flow Classification.

The Company will be required to adopt the ASU provisions January 1, 2017. Management does not expect the adoption of the ASU to have a material effect on the Company's consolidated financial statements. The most notable impact will be the effect of Excess Tax Benefits on the provision for income taxes.

FASB ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* was issued on June 16, 2016. The ASU significantly changes estimates for credit losses related to financial assets measured at amortized cost and certain other contracts. For estimating credit losses, the FASB is replacing the incurred loss model with the current expected credit loss (CECL) model, which will accelerate recognition of credit losses. Additionally, credit losses relating to available-for-sale debt securities will be recorded through an allowance for credit losses under the new standard. The Company will also be required to provide additional disclosures related to the financial assets within the scope of the new standard.

The Company will be required to adopt the ASU provisions on January 1, 2020. Management is evaluating the impact that the ASU will have on the Company's consolidated financial statements.

Note 2: Investment Securities

An analysis of the amortized cost, gross unrealized gains and losses accumulated in other comprehensive income, and fair value of the available for sale investment securities portfolio follows:

	Investment Securities Available for Sale At December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Securities of U.S. Government sponsored entities	$141,599	$35	($2,974)	$138,660
Agency residential mortgage-backed securities (MBS)	711,623	921	(21,045)	691,499
Non-agency residential MBS	272	-	(1)	271
Non-agency commercial MBS	2,041	-	(16)	2,025
Obligations of states and political subdivisions	182,230	5,107	(3,926)	183,411
Asset-backed securities	696	-	(1)	695
FHLMC[1] and FNMA[2] stock	749	10,120	-	10,869
Corporate securities	866,835	1,690	(7,668)	860,857
Other securities	2,034	621	(184)	2,471
Total	$1,908,079	$18,494	($35,815)	$1,890,758

[1] Federal Home Loan Mortgage Corporation
[2] Federal National Mortgage Association

An analysis of the amortized cost, gross unrecognized gains and losses, and fair value of the held to maturity investment securities portfolio follows:

	Investment Securities Held to Maturity At December 31, 2016			
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
	(In thousands)			
Securities of U.S. Government sponsored entities	$581	$1	$-	$582
Agency residential MBS	668,235	1,122	(8,602)	660,755
Non-agency residential MBS	5,370	76	-	5,446
Agency commercial MBS	9,332	11	(143)	9,200
Obligations of states and political subdivisions	662,794	6,031	(4,067)	664,758
Total	$1,346,312	$7,241	($12,812)	$1,340,741

An analysis of the amortized cost, gross unrealized gains and losses accumulated in other comprehensive income, and fair value of the available for sale investment securities portfolio follows:

	Investment Securities Available for Sale At December 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Securities of U.S. Government sponsored entities	$302,292	$255	($665)	$301,882
Agency residential MBS	208,046	1,407	(6,909)	202,544
Non-agency residential MBS	354	16	-	370
Non-agency commercial MBS	2,383	5	(9)	2,379
Obligations of states and political subdivisions	148,705	8,861	(57)	157,509
Asset-backed securities	2,025	-	(22)	2,003
FHLMC[1] and FNMA[2] stock	775	3,554	-	4,329
Corporate securities	902,308	882	(6,821)	896,369
Other securities	2,039	952	(160)	2,831
Total	$1,568,927	$15,932	($14,643)	$1,570,216

(1) Federal Home Loan Mortgage Corporation
(2) Federal National Mortgage Association

An analysis of the amortized cost, gross unrecognized gains and losses, and fair value of the held to maturity investment securities portfolio follows:

	Investment Securities Held to Maturity At December 31, 2015			
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
	(In thousands)			
Securities of U.S. government sponsored entities	$764	$-	$-	$764
Agency residential MBS	595,503	1,810	(4,966)	592,347
Non-agency residential MBS	9,667	185	-	9,852
Agency commercial MBS	16,258	20	(274)	16,004
Obligations of states and political subdivisions	693,883	13,638	(789)	706,732
Total	$1,316,075	$15,653	($6,029)	$1,325,699

The amortized cost and fair value of investment securities by contractual maturity are shown in the following tables at the dates indicated:

	At December 31, 2016			
	Securities Available for Sale		Securities Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)			
Maturity in years:				
1 year or less	$154,693	$154,835	$14,961	$15,639
Over 1 to 5 years	750,834	745,219	292,024	292,062
Over 5 to 10 years	238,077	239,153	318,580	319,587
Over 10 years	47,756	44,416	37,810	38,052
Subtotal	1,191,360	1,183,623	663,375	665,340
MBS	713,936	693,795	682,937	675,401
Other securities	2,783	13,340	-	-
Total	$1,908,079	$1,890,758	$1,346,312	$1,340,741

	At December 31, 2015			
	Securities Available for Sale		Securities Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)			
Maturity in years:				
1 year or less	$136,717	$136,976	$20,709	$21,354
Over 1 to 5 years	1,049,786	1,044,453	259,556	262,163
Over 5 to 10 years	166,352	173,585	289,568	296,352
Over 10 years	2,475	2,749	124,814	127,627
Subtotal	1,355,330	1,357,763	694,647	707,496
MBS	210,783	205,293	621,428	618,203
Other securities	2,814	7,160	-	-
Total	$1,568,927	$1,570,216	$1,316,075	$1,325,699

Expected maturities of mortgage-related securities can differ from contractual maturities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties. In addition, such factors as prepayments and interest rates may affect the yield on the carrying value of mortgage-related securities. At December 31, 2016 and December 31, 2015, the Company had no high-risk collateralized mortgage obligations as defined by regulatory guidelines.

An analysis of the gross unrealized losses of the available for sale investment securities portfolio follows:

	Investment Securities Available for Sale At December 31, 2016								
	No. of Investment Positions	Less than 12 months		No. of Investment Positions	12 months or longer		No. of Investment Positions	Total	
		Fair Value	Unrealized Losses		Fair Value	Unrealized Losses		Fair Value	Unrealized Losses
	($ in thousands)								
Securities of U.S. Government sponsored entities	8	$117,227	($2,974)	-	$-	$-	8	$117,227	($2,974)
Agency residential MBS	21	524,269	(16,494)	28	122,901	(4,551)	49	647,170	(21,045)
Non-agency residential MBS	2	246	(1)	-	-	-	2	246	(1)
Non-agency commercial MBS	2	1,253	(9)	1	772	(7)	3	2,025	(16)
Obligations of states and political subdivisions	43	57,989	(3,905)	3	1,117	(21)	46	59,106	(3,926)
Asset-backed securities	-	-	-	1	695	(1)	1	695	(1)
Corporate securities	53	385,175	(6,551)	27	96,145	(1,117)	80	481,320	(7,668)
Other securities	-	-	-	1	1,816	(184)	1	1,816	(184)
Total	129	$1,086,159	($29,934)	61	$223,446	($5,881)	190	$1,309,605	($35,815)

An analysis of gross unrecognized losses of the held to maturity investment securities portfolio follows:

	Investment Securities Held to Maturity At December 31, 2016								
	No. of Investment Positions	Less than 12 months		No. of Investment Positions	12 months or longer		No. of Investment Positions	Total	
		Fair Value	Unrecognized Losses		Fair Value	Unrecognized Losses		Fair Value	Unrecognized Losses
	($ in thousands)								
Agency residential MBS	66	$569,876	($8,285)	3	$10,480	($317)	69	$580,356	($8,602)
Agency commercial MBS	-	-	-	1	7,214	(143)	1	7,214	(143)
Obligations of states and political subdivisions	295	272,496	(3,710)	12	13,126	(357)	307	285,622	(4,067)
Total	361	$842,372	($11,995)	16	$30,820	($817)	377	$873,192	($12,812)

The unrealized losses on the Company's investment securities were caused by market conditions for these types of investments, particularly changes in risk-free interest rates. The Company evaluates securities on a quarterly basis including changes in security ratings issued by rating agencies, changes in the financial condition of the issuer, and, for mortgage-backed and asset-backed securities, delinquency and loss information with respect to the underlying collateral, changes in the levels of subordination for the Company's particular position within the repayment structure and remaining credit enhancement as compared to expected credit losses of the security. Substantially all of these securities continue to be investment grade rated by a major rating agency. In addition to monitoring credit rating agency evaluations, Management performs its own evaluations regarding the credit worthiness of the issuer or the securitized assets underlying asset backed securities.

The Company does not intend to sell any investments and has concluded that it is more likely than not that it will not be required to sell the investments prior to recovery of the amortized cost basis. Therefore, the Company does not consider these investments to be other-than-temporarily impaired as of December 31, 2016.

The fair values of the investment securities could decline in the future if the general economy deteriorates, inflation increases, credit ratings decline, the issuer's financial condition deteriorates, or the liquidity for securities declines. As a result, other than temporary impairments may occur in the future.

As of December 31, 2016, $768,845 thousand of investment securities were pledged to secure public deposits and short-term borrowed funds. As of December 31, 2015, $738,865 thousand of investment securities were pledged to secure public deposits and short-term borrowed funds.

An analysis of gross unrealized losses of investment securities available for sale follows:

Investment Securities Available for Sale
At December 31, 2015

	No. of Investment Positions	Less than 12 months Fair Value	Less than 12 months Unrealized Losses	No. of Investment Positions	12 months or longer Fair Value	12 months or longer Unrealized Losses	No. of Investment Positions	Total Fair Value	Total Unrealized Losses
					($ in thousands)				
Securities of U.S. Government sponsored entities	8	$121,392	($665)	-	$ -	$ -	8	$121,392	($665)
Agency residential MBS	2	12,491	(366)	31	161,296	(6,543)	33	173,787	(6,909)
Non-agency commercial MBS	1	1,071	-	1	855	(9)	2	1,926	(9)
Obligations of states and political subdivisions	3	2,728	(18)	4	1,644	(39)	7	4,372	(57)
Asset-backed securities	-	-	-	1	2,003	(22)	1	2,003	(22)
Corporate securities	97	548,177	(5,442)	25	86,762	(1,379)	122	634,939	(6,821)
Other securities	-	-	-	1	1,840	(160)	1	1,840	(160)
Total	111	$685,859	($6,491)	63	$254,400	($8,152)	174	$940,259	($14,643)

An analysis of gross unrecognized losses of investment securities held to maturity follows:

Investment Securities Held to Maturity
At December 31, 2015

	No. of Investment Positions	Less than 12 months Fair Value	Less than 12 months Unrecognized Losses	No. of Investment Positions	12 months or longer Fair Value	12 months or longer Unrecognized Losses	No. of Investment Positions	Total Fair Value	Total Unrecognized Losses
					($ in thousands)				
Agency residential MBS	41	$426,317	($3,490)	13	$62,041	($1,476)	54	$488,358	($4,966)
Agency commercial MBS	-	-	-	2	13,951	(274)	2	13,951	(274)
Obligations of states and political subdivisions	55	44,585	(249)	54	42,081	(540)	109	86,666	(789)
Total	96	$470,902	($3,739)	69	$118,073	($2,290)	165	$588,975	($6,029)

The following table provides information about the amount of interest income earned on investment securities which is fully taxable and which is exempt from regular federal income tax:

	For the Years Ended December 31,		
	2016	2015	2014
	(In thousands)		
Taxable	$42,718	$34,472	$24,766
Tax-exempt from regular federal income tax	22,194	23,616	26,387
Total interest income from investment securities	$64,912	$58,088	$51,153

Note 3: Loans and Allowance for Credit Losses

A summary of the major categories of loans outstanding is shown in the following tables.

	At December 31, 2016					
	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer Installment & Other	Total
	(In thousands)					
Originated loans	$342,792	$473,558	$2,409	$85,439	$331,361	$1,235,559
Purchased covered loans	-	-	-	2,086	8,941	11,027
Purchased non-covered loans:						
Gross purchased non-covered loans	12,452	71,250	146	222	26,113	110,183
Purchased loan discount	(547)	(2,637)	-	(23)	(851)	(4,058)
Total	$354,697	$542,171	$2,555	$87,724	$365,564	$1,352,711

	At December 31, 2015					
	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer Installment & Other	Total
	(In thousands)					
Originated loans	$368,117	$517,070	$2,978	$117,631	$346,043	$1,351,839
Purchased covered loans:						
Gross purchased covered loans	-	-	-	2,385	11,828	14,213
Purchased loan discount	-	-	-	(133)	(19)	(152)
Purchased non-covered loans:						
Gross purchased non-covered loans	15,620	124,650	973	231	32,454	173,928
Purchased loan discount	(989)	(4,264)	-	(23)	(1,156)	(6,432)
Total	$382,748	$637,456	$3,951	$120,091	$389,150	$1,533,396

Changes in the carrying amount of impaired purchased loans were as follows:

	For the Years Ended December 31,	
	2016	2015
Impaired purchased loans	(In thousands)	
Carrying amount at the beginning of the period	$3,887	$4,672
Reductions during the period	(3,022)	(785)
Carrying amount at the end of the period	$865	$3,887

Changes in the accretable yield for purchased loans were as follows:

	For the Years Ended December 31,	
	2016	2015
Accretable yield:	(In thousands)	
Balance at the beginning of the period	$1,259	$2,261
Reclassification from nonaccretable difference	3,912	3,051
Accretion	(3,934)	(4,053)
Balance at the end of the period	$1,237	$1,259
Accretion	($3,934)	($4,053)
Change in FDIC indemnification	1,053	698
(Increase) in interest income	($2,881)	($3,355)

The following summarizes activity in the allowance for loan losses:

Allowance for Loan Losses For the Year Ended December 31, 2016	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer Installment and Other	Purchased Non-covered Loans	Purchased Covered Loans	Unallocated	Total
					(In thousands)				
Allowance for loan losses:									
Balance at beginning of period	$9,559	$4,224	$177	$1,801	$7,080	$967	$ -	$5,963	$29,771
Additions:									
(Reversal) provision	(2,065)	(954)	(34)	(493)	2,344	(923)	53	(1,128)	(3,200)
Deductions:									
Chargeoffs	(2,023)	-	-	-	(4,404)	(345)	-	-	(6,772)
Recoveries	2,836	60	-	-	1,512	1,747	-	-	6,155
Net loan recoveries (losses)	813	60	-	-	(2,892)	1,402	-	-	(617)
Total allowance for loan losses	$8,307	$3,330	$143	$1,308	$6,532	$1,446	$53	$4,835	$25,954

Allowance for Loan Losses For the Year Ended December 31, 2015	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer Installment and Other	Purchased Non-covered Loans	Purchased Covered Loans	Unallocated	Total
					(In thousands)				
Allowance for loan losses:									
Balance at beginning of period	$5,460	$4,245	$644	$2,241	$7,717	$2,120	$ -	$9,058	$31,485
Additions:									
Provision (reversal)	3,702	356	(512)	(440)	950	(961)	-	(3,095)	-
Deductions:									
Chargeoffs	(756)	(449)	-	-	(3,493)	(431)	-	-	(5,129)
Recoveries	1,153	72	45	-	1,906	239	-	-	3,415
Net loan recoveries (losses)	397	(377)	45	-	(1,587)	(192)	-	-	(1,714)
Total allowance for loan losses	$9,559	$4,224	$177	$1,801	$7,080	$967	$ -	$5,963	$29,771

Allowance for Credit Losses For the Year Ended December 31, 2014	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer Installment and Other	Purchased Non-covered Loans	Purchased Covered Loans	Unallocated	Total
					(In thousands)				
Allowance for loan losses:									
Balance at beginning of period	$4,005	$12,070	$602	$405	$3,198	$-	$1,561	$9,852	$31,693
Additions:									
Provision (reversal)	1,095	(7,276)	39	1,866	6,864	1,006	-	(794)	2,800
Deductions:									
Chargeoffs	(1,890)	(762)	-	(30)	(4,214)	(522)	-	-	(7,418)
Recoveries	2,250	213	3	-	1,869	75	-	-	4,410
Net loan recoveries (losses)	360	(549)	3	(30)	(2,345)	(447)	-	-	(3,008)
Indemnification expiration	-	-	-	-	-	1,561	(1,561)	-	-
Balance at end of period	5,460	4,245	644	2,241	7,717	2,120	-	9,058	31,485
Liability for off-balance sheet credit exposure	2,408	-	344	-	437	-	-	(496)	2,693
Total allowance for credit losses	$7,868	$4,245	$988	$2,241	$8,154	$2,120	$-	$8,562	$34,178

FDIC indemnification expired February 6, 2014 for County Bank non-single-family residential collateralized purchased loans; accordingly, such loans have been reclassified from purchased covered loans to purchased non-covered loans as well as the related allowance for credit losses.

The allowance for loan losses and recorded investment in loans evaluated for impairment were as follows:

Allowance for Loan Losses and Recorded Investment in Loans Evaluated for Impairment
At December 31, 2016

	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer Installment and Other	Purchased Non-covered Loans	Purchased Covered Loans	Unallocated	Total
					(In thousands)				
Allowance for loan losses:									
Individually evaluated for impairment	$5,048	$-	$-	$-	$-	$-	$-	$-	$5,048
Collectively evaluated for impairment	3,259	3,330	143	1,308	6,532	1,446	53	4,835	20,906
Purchased loans with evidence of credit deterioration	-	-	-	-	-	-	-	-	-
Total	$8,307	$3,330	$143	$1,308	$6,532	$1,446	$53	$4,835	$25,954
Carrying value of loans:									
Individually evaluated for impairment	$11,140	$5,264	$-	$-	$-	$7,694	$617	$-	$24,715
Collectively evaluated for impairment	331,652	468,294	2,409	85,439	331,361	97,751	10,225	-	1,327,131
Purchased loans with evidence of credit deterioration	-	-	-	-	-	680	185	-	865
Total	$342,792	$473,558	$2,409	$85,439	$331,361	$106,125	$11,027	$-	$1,352,711

Allowance for Loan Losses and Recorded Investment in Loans Evaluated for Impairment
At December 31, 2015

	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer Installment and Other	Purchased Non-covered Loans	Purchased Covered Loans	Unallocated	Total
					(In thousands)				
Allowance for loan losses:									
Individually evaluated for impairment	$4,942	$585	$-	$-	$-	$-	$-	$-	$5,527
Collectively evaluated for impairment	4,617	3,639	177	1,801	7,080	967	-	5,963	24,244
Purchased loans with evidence of credit deterioration	-	-	-	-	-	-	-	-	-
Total	$9,559	$4,224	$177	$1,801	$7,080	$967	$-	$5,963	$29,771
Carrying value of loans:									
Individually evaluated for impairment	$12,587	$5,541	$-	$-	$-	$11,777	$-	$-	$29,905
Collectively evaluated for impairment	355,530	511,529	2,978	117,631	346,043	152,038	13,855	-	1,499,604
Purchased loans with evidence of credit deterioration	-	-	-	-	-	3,681	206	-	3,887
Total	$368,117	$517,070	$2,978	$117,631	$346,043	$167,496	$14,061	$-	$1,533,396

The Bank's customers are small businesses, professionals and consumers. Given the scale of these borrowers, corporate credit rating agencies do not evaluate the borrowers' financial condition. The Bank maintains a Loan Review Department which reports directly to the Board of Directors. The Loan Review Department performs independent evaluations of loans and assigns credit risk grades to evaluated loans using grading standards employed by bank regulatory agencies. Loans judged to carry lower-risk attributes are assigned a "pass" grade, with a minimal likelihood of loss. Loans judged to carry higher-risk attributes are referred to as "classified loans," and are further disaggregated, with increasing expectations for loss recognition, as "substandard," "doubtful," and "loss." Loan Review Department evaluations occur every calendar quarter. If the Bank becomes aware of deterioration in a borrower's performance or financial condition between Loan Review Department examinations, assigned risk grades are re-evaluated promptly. Credit risk grades assigned by the Loan Review Department are subject to review by the Bank's regulatory authorities during regulatory examinations.

The following summarizes the credit risk profile by internally assigned grade:

Credit Risk Profile by Internally Assigned Grade
At December 31, 2016

	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer Installment and Other	Purchased Non-covered Loans	Purchased Covered Loans [1]	Total
				(In thousands)				
Grade:								
Pass	$329,964	$459,771	$2,409	$82,715	$329,961	$95,373	$9,419	$1,309,612
Substandard	12,828	13,787	-	2,724	1,056	13,368	1,608	45,371
Doubtful	-	-	-	-	6	1,300	-	1,306
Loss	-	-	-	-	338	142	-	480
Purchased loan discount	-	-	-	-	-	(4,058)	-	(4,058)
Total	$342,792	$473,558	$2,409	$85,439	$331,361	$106,125	$11,027	$1,352,711

[1] Credit risk profile reflects internally assigned grade of purchased covered loans without regard to FDIC indemnification.

Credit Risk Profile by Internally Assigned Grade
At December 31, 2015

	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer Installment and Other	Purchased Non-covered Loans	Purchased Covered Loans (1)	Total
	(In thousands)							
Grade:								
Pass	$353,474	$496,744	$2,978	$114,525	$344,876	$149,100	$12,563	$1,474,260
Substandard	14,643	20,326	-	3,106	781	24,810	1,650	65,316
Doubtful	-	-	-	-	12	18	-	30
Loss	-	-	-	-	374	-	-	374
Purchased loan discount	-	-	-	-	-	(6,432)	(152)	(6,584)
Total	$368,117	$517,070	$2,978	$117,631	$346,043	$167,496	$14,061	$1,533,396

(1) Credit risk profile reflects internally assigned grade of purchased covered loans without regard to FDIC indemnification.

The following tables summarize loans by delinquency and nonaccrual status:

Summary of Loans by Delinquency and Nonaccrual Status
At December 31, 2016

	Current and Accruing	30-59 Days Past Due and Accruing	60-89 Days Past Due and Accruing	Past Due 90 Days or More and Accruing	Nonaccrual	Total Loans
	(In thousands)					
Commercial	$341,632	$926	$40	$ -	$194	$342,792
Commercial real estate	467,529	407	445	-	5,177	473,558
Construction	2,183	226	-	-	-	2,409
Residential real estate	84,430	528	37	-	444	85,439
Consumer installment and other	327,029	3,028	949	355	-	331,361
Total originated loans	1,222,803	5,115	1,471	355	5,815	1,235,559
Purchased non-covered loans	102,878	1,353	40	142	1,712	106,125
Purchased covered loans	10,169	-	-	-	858	11,027
Total	$1,335,850	$6,468	$1,511	$497	$8,385	$1,352,711

Summary of Loans by Delinquency and Nonaccrual Status
At December 31, 2015

	Current and Accruing	30-59 Days Past Due and Accruing	60-89 Days Past Due and Accruing	Past Due 90 Days or More and Accruing	Nonaccrual	Total Loans
	(In thousands)					
Commercial	$365,450	$1,777	$122	$ -	$768	$368,117
Commercial real estate	504,970	5,930	726	-	5,444	517,070
Construction	2,978	-	-	-	-	2,978
Residential real estate	115,575	1,202	414	-	440	117,631
Consumer installment and other	341,566	3,263	919	295	-	346,043
Total originated loans	1,330,539	12,172	2,181	295	6,652	1,351,839
Purchased non-covered loans	158,554	589	7	-	8,346	167,496
Purchased covered loans	13,929	132	-	-	-	14,061
Total	$1,503,022	$12,893	$2,188	$295	$14,998	$1,533,396

The following is a summary of the effect of nonaccrual loans on interest income:

	For the Years Ended December 31, 2016	2015	2014
	(In thousands)		
Interest income that would have been recognized had the loans performed in accordance with their original terms	$874	$1,277	$1,146
Interest income recognized on nonaccrual loans	(1,097)	(362)	(60)
Total (addition) reduction of interest income	($223)	$915	$1,086

There were no commitments to lend additional funds to borrowers whose loans were on nonaccrual status at December 31, 2016 and December 31, 2015.

The following summarizes impaired loans:

	Impaired Loans At December 31, 2016		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
		(In thousands)	
Impaired loans with no related allowance recorded:			
Commercial	$1,234	$1,303	$ -
Commercial real estate	13,233	15,610	-
Construction	-	-	-
Residential real estate	1,279	1,309	-
Consumer installment and other	569	675	-
Impaired loans with an allowance recorded:			
Commercial	10,163	10,172	5,048
Commercial real estate	-	-	-
Construction	-	-	-
Residential real estate	-	-	-
Consumer installment and other	-	-	-
Total:			
Commercial	$11,397	$11,475	$5,048
Commercial real estate	13,233	15,610	-
Construction	-	-	-
Residential real estate	1,279	1,309	-
Consumer installment and other	569	675	-

	Impaired Loans At December 31, 2015		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
		(In thousands)	
Impaired loans with no related allowance recorded:			
Commercial	$2,917	$2,979	$ -
Commercial real estate	16,309	21,168	-
Construction	271	271	-
Residential real estate	666	697	-
Consumer installment and other	350	456	-
Impaired loans with an allowance recorded:			
Commercial	10,170	10,170	4,942
Commercial real estate	4,660	5,109	585
Construction	-	-	-
Residential real estate	-	-	-
Consumer installment and other	-	-	-
Total:			
Commercial	$13,087	$13,149	$4,942
Commercial real estate	20,969	26,277	585
Construction	271	271	-
Residential real estate	666	697	-
Consumer installment and other	350	456	-

Impaired loans include troubled debt restructured loans. Impaired loans at December 31, 2016, included $12,381 thousand of restructured loans, $5,302 thousand of which were on nonaccrual status. Impaired loans at December 31, 2015, included $15,712 thousand of restructured loans, $7,464 thousand of which were on nonaccrual status.

	Impaired Loans For the Years Ended December 31,					
	2016		2015		2014	
	Average Recorded Investment	Recognized Interest Income	Average Recorded Investment	Recognized Interest Income	Average Recorded Investment	Recognized Interest Income
	(In thousands)					
Commercial	$12,923	$512	$12,631	$584	$5,240	$325
Commercial real estate	16,701	725	20,307	674	19,880	469
Construction	102	-	263	-	2,015	-
Residential real estate	746	19	643	31	153	-
Consumer installment and other	473	25	739	25	1,399	29
Total	$30,945	$1,281	$34,583	$1,314	$28,687	$823

The following table provides information on troubled debt restructurings:

	Troubled Debt Restructurings At December 31, 2016			
	Number of Contracts	Pre-Modification Carrying Value	Period-End Carrying Value	Period-End Individual Impairment Allowance
	($ in thousands)			
Commercial	7	$2,719	$1,489	$113
Commercial real estate	10	11,257	10,673	-
Residential real estate	1	241	219	-
Total	18	$14,217	$12,381	$113

	Troubled Debt Restructurings At December 31, 2015			
	Number of Contracts	Pre-Modification Carrying Value	Period-End Carrying Value	Period-End Individual Impairment Allowance
	($ in thousands)			
Commercial	6	$3,138	$2,802	$194
Commercial real estate	10	12,927	12,684	-
Residential real estate	1	242	226	-
Total	17	$16,307	$15,712	$194

	Troubled Debt Restructurings At December 31, 2014			
	Number of Contracts	Pre-Modification Carrying Value	Period-End Carrying Value	Period-End Individual Impairment Allowance
	($ in thousands)			
Commercial	3	$2,075	$1,901	$ -
Commercial real estate	4	2,890	2,928	-
Consumer installment and other	1	18	8	-
Total	8	$4,983	$4,837	$ -

During the year ended December 31, 2016, the Company modified four loans with a total carrying value of $4,731 thousand that were considered troubled debt restructurings. The concessions granted in the four restructurings completed in 2016 consisted of three modifications of payment terms to extend the maturity date to allow for deferred principal repayment and under-market terms and one court order requiring under-market terms.

During the year ended December 31, 2015, the Company modified ten loans with a carrying value of $11,026 thousand that were considered troubled debt restructurings. The concessions granted in the restructurings completed in 2015 consisted of four under-market terms and modification of payment terms to extend the maturity date to allow for deferred principal repayment and six court orders.

During the year ended December 31, 2014, the Company modified five loans with a total carrying value of $713 thousand that were considered troubled debt restructurings. The concessions granted in the five restructurings completed in 2014 consisted of modification of payment terms to extend the maturity date to allow for deferred principal repayment.

During the years ended December 31, 2016, 2015 and 2014, no troubled debt restructured loans defaulted within 12 months of the modification date. A troubled debt restructuring is considered to be in default when payments are ninety days or more past due.

There were no loans restricted due to collateral requirements at December 31, 2016 and December 31, 2015.

There were no loans held for sale at December 31, 2016 and December 31, 2015.

At December 31, 2016 and December 31, 2015, the Company held total other real estate owned (OREO) of $3,095 thousand net of reserve of $1,816 thousand and $9,264 thousand net of reserve of $1,986 thousand, respectively, of which $-0- thousand was foreclosed residential real estate properties or covered OREO at both dates. The amount of consumer mortgage loans outstanding secured by residential real estate properties for which formal foreclosure proceedings were in process was $-0- thousand at December 31, 2016 and December 31, 2015.

Note 4: Concentration of Credit Risk

Under the California Financial Code, credit extended to any one person owing to a commercial bank at any one time shall not exceed the following limitations: (a) unsecured loans shall not exceed 15 percent of the sum of the shareholders' equity, allowance for loan losses, capital notes, and debentures of the bank, or (b) secured and unsecured loans in all shall not exceed 25 percent of the sum of the shareholders' equity, allowance for loan losses, capital notes, and debentures of the bank. At December 31, 2016, Westamerica Bank did not have credit extended to any one entity exceeding these limits. At December 31, 2016, Westamerica Bank had 35 lending relationships each with aggregate loans exceeding $5 million. The Company has significant credit arrangements that are secured by real estate collateral. In addition to real estate loans outstanding as disclosed in Note 3, the Company had loan commitments related to real estate loans of $57,721 thousand and $61,190 thousand at December 31, 2016 and December 31, 2015, respectively. The Company requires collateral on all real estate loans with loan-to-value ratios at origination generally no greater than 75% on commercial real estate loans and no greater than 80% on residential real estate loans. At December 31, 2016, Westamerica Bank held corporate bonds in 50 issuing entities that exceeded $5 million for each issuer.

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Note 5: Premises, Equipment and Other Assets

Premises and equipment consisted of the following:

	At December 31,		
	Cost	Accumulated Depreciation and Amortization	Net Book Value
		(In thousands)	
2016			
Land	$11,896	$ -	$11,896
Building and improvements	40,992	(25,180)	15,812
Leasehold improvements	5,922	(4,599)	1,323
Furniture and equipment	21,874	(14,339)	7,535
Total	$80,684	($44,118)	$36,566
2015			
Land	$11,896	$ -	$11,896
Building and improvements	40,795	(24,024)	16,771
Leasehold improvements	5,696	(4,628)	1,068
Furniture and equipment	24,266	(15,308)	8,958
Total	$82,653	($43,960)	$38,693

Depreciation and amortization of premises and equipment included in noninterest expense amounted to $3,959 thousand in 2016, $3,523 thousand in 2015 and $3,177 thousand in 2014.

Other assets consisted of the following:

	At December 31,	
	2016	2015
	(In thousands)	
Cost method equity investments:		
Federal Reserve Bank stock (1)	$14,069	$14,069
Other investments	201	201
Total cost method equity investments	14,270	14,270
Life insurance cash surrender value	51,535	48,972
Net deferred tax asset	55,417	51,748
Limited partnership investments	12,591	15,259
Interest receivable	21,489	20,174
Prepaid assets	4,825	4,771
Other assets	11,597	10,660
Total other assets	$171,724	$165,854

(1) A bank applying for membership in the Federal Reserve System is required to subscribe to stock in the Federal Reserve Bank (FRB) in its district in a sum equal to six percent of the bank's paid-up capital stock and surplus. One-half of the amount of the bank's subscription shall be paid to the FRB and the remaining half will be subject to call when deemed necessary by the Board of Governors of the Federal Reserve System.

The Company invests in flow-through limited liability entities that manage or invest in affordable housing projects that qualify for low-income housing tax credits. At December 31, 2016, this investment totaled $12,591 thousand and $2,299 thousand of this amount represents outstanding equity capital commitments that are included in other liabilities. At December 31, 2015, this investment totaled $15,259 thousand and $2,299 thousand of this amount represented outstanding equity capital commitments. At December 31, 2016, the $2,299 thousand of outstanding equity capital commitments are expected to be paid as follows, $722 thousand in 2020, $131 thousand in 2023, $90 thousand in 2024 and $1,356 thousand in 2025 or thereafter.

The amounts recognized in net income for these investments include:

	For the Years Ended December 31,		
	2016	2015	2014
		(In thousands)	
Investment loss included in pre-tax income	$2,475	$2,850	$2,950
Tax credits recognized in provision for income taxes	2,286	2,650	2,825

Note 6: Goodwill and Identifiable Intangible Assets

The Company has recorded goodwill and other identifiable intangibles associated with purchase business combinations. Goodwill is not amortized, but is evaluated for impairment at least annually. The Company did not recognize impairment during the years ended December 31, 2016, December 31, 2015 and December 31, 2014. Identifiable intangibles are amortized to their estimated residual values over their expected useful lives. Such lives and residual values are also periodically reassessed to determine if any amortization period adjustments are indicated. During the years ended December 31, 2016, December 31, 2015 and December 31, 2014, no such adjustments were recorded.

The carrying values of goodwill were:

	At December 31,	
	2016	2015
	(In thousands)	
Goodwill	$121,673	$121,673

The gross carrying amount of identifiable intangible assets and accumulated amortization was:

	At December 31, 2016		At December 31, 2015	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
		(In thousands)		
Core Deposit Intangibles	$56,808	($50,074)	$56,808	($46,782)
Merchant Draft Processing Intangible	10,300	(10,107)	10,300	(9,895)
Total Identifiable Intangible Assets	$67,108	($60,181)	$67,108	($56,677)

As of December 31, 2016, the current period and estimated future amortization expense for identifiable intangible assets was:

	Core Deposit Intangibles	Merchant Draft Processing Intangible	Total
		(In thousands)	
For the Year Ended December 31, 2016 (actual)	$3,292	$212	$3,504
Estimate for the Year Ended December 31, 2017	2,913	164	3,077
2018	1,892	29	1,921
2019	538	-	538
2020	287	-	287
2021	269	-	269

Note 7: Deposits and Borrowed Funds

The following table provides additional detail regarding deposits.

	Deposits	
	At December 31,	
	2016	2015
	(In thousands)	
Noninterest-bearing	$2,089,443	$2,026,049
Interest-bearing:		
Transaction	865,701	860,706
Savings	1,493,427	1,366,936
Time deposits less than $100 thousand	133,712	150,780
Time deposits $100 thousand through $250 thousand	84,925	96,971
Time deposits more than $250 thousand	37,533	39,217
Total deposits	$4,704,741	$4,540,659

Demand deposit overdrafts of $2,679 thousand and $3,038 thousand were included as loan balances at December 31, 2016 and December 31, 2015, respectively. Interest expense for aggregate time deposits with individual account balances in excess of $100 thousand was $509 thousand in 2016, $687 thousand in 2015 and $893 thousand in 2014.

The following table provides additional detail regarding short-term borrowed funds.

	Repurchase Agreements (Sweep) Accounted for as Secured Borrowings	
	Remaining Contractual Maturity of the Agreements Overnight and Continuous	
	At December 31,	
	2016	2015
Repurchase agreements:	(In thousands)	
Collateral securing borrowings:		
Securities of U.S. Government sponsored entities	$74,031	$98,969
Agency residential MBS	63,277	-
Obligations of states and political subdivisions	-	3,975
Corporate securities	90,554	54,681
Total collateral carrying value	$227,862	$157,625
Total short-term borrowed funds	$59,078	$53,028

The Company had a $35,000 thousand unsecured line of credit which expired March 18, 2016. There was no outstanding balance at December 31, 2015.

	For the Years Ended December 31,	
	2016	2015
	Highest Balance at Any Month-end	
	(In thousands)	
Securities sold under repurchase agreements	$74,815	$89,484

Note 8: Shareholders' Equity

The Company grants stock options and restricted performance shares to employees in exchange for employee services, pursuant to the shareholder-approved 1995 Stock Option Plan, which was last amended and restated in 2012. Nonqualified stock option grants ("NQSO") are granted with an exercise price equal to the fair market value of the related common stock on the grant date. NQSO generally become exercisable in equal annual installments over a three-year period with each installment vesting on the anniversary date of the grant. Each NQSO has a maximum ten-year term. A restricted performance share grant becomes vested after three years of being awarded, provided the Company has attained its performance goals for such three-year period.

The following table summarizes information about stock options granted under the Plan as of December 31, 2016. The intrinsic value is calculated as the difference between the market value as of December 31, 2016 and the exercise price of the shares. The market value as of December 31, 2016 was $62.93 as reported by the NASDAQ Global Select Market:

	Options Outstanding				Options Exercisable			
	At December 31, 2016			For the Year Ended December 31, 2016	At December 31, 2016			For the Year Ended December 31, 2016
Range of Exercise Price	Number Outstanding	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
	(In thousands)		(Years)		(In thousands)		(Years)	
$40 - 45	594	$12,072	8.1	$43	107	$2,105	5.4	$43
45 - 50	112	1,791	2.4	47	112	1,791	2.4	47
50 - 55	472	5,360	3.9	52	406	4,724	3.4	51
55 - 60	95	596	3.1	57	95	596	3.1	57
$40 - 60	1,273	$19,819	5.7	47	720	$9,216	3.5	50

The Company applies the Roll-Geske option pricing model (Modified Roll) to determine grant date fair value of stock option grants. This model modifies the Black-Scholes Model to take into account dividends and American options. During the twelve months ended December 31, 2016, 2015 and 2014, the Company granted 325 thousand, 343 thousand and 294 thousand stock options, respectively. The following weighted average assumptions were used in the option pricing to value stock options granted in the periods indicated:

	For the Years Ended December 31,		
	2016	2015	2014
Expected volatility (1)	22%	20%	16%
Expected life in years (2)	4.8	4.9	4.9
Risk-free interest rate	1.41%	1.36%	1.59%
Expected dividend yield (3)	4.49%	3.64%	3.32%
Fair value per award	$5.97	$5.46	$5.91

(1) Measured using daily price changes of Company's stock over respective expected term of the option and the implied volatility derived from the market prices of the Company's stock and traded options.
(2) The number of years that the Company estimates that the options will be outstanding prior to exercise.
(3) The risk-free rate over the expected life based on the US Treasury yield curve in effect at the time of the grant.

Employee stock option grants are being expensed by the Company over the grants' three year vesting period. The Company issues new shares upon the exercise of options. The number of shares authorized to be issued for options at December 31, 2016 is 1,211 thousand.

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A summary of option activity during the year ended December 31, 2016 is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
	(In thousands)		(Years)
Outstanding at January 1, 2016	1,549	$48.83	
Granted	325	42.33	
Exercised	(500)	48.08	
Forfeited or expired	(101)	50.17	
Outstanding at December 31, 2016	1,273	47.36	5.7
Exercisable at December 31, 2016	720	50.12	3.5

A summary of the Company's nonvested option activity during the year ended December 31, 2016 is presented below:

	Shares	Weighted Average Grant Date Fair Value
	(In thousands)	
Nonvested at January 1, 2016	493	$5.45
Granted	325	5.97
Vested	(239)	5.32
Forfeited	(26)	5.82
Nonvested at December 31, 2016	553	$5.80

The weighted average estimated grant date fair value for options granted under the Company's stock option plan during the twelve months ended December 31, 2016, 2015 and 2014 was $5.97, $5.46 and $5.91 per share, respectively. The total remaining unrecognized compensation cost related to nonvested awards as of December 31, 2016 is $1,605 thousand and the weighted average period over which the cost is expected to be recognized is 1.8 years.

The total intrinsic value of options exercised during the twelve months ended December 31, 2016, 2015 and 2014 was $3,242 thousand, $504 thousand and $1,309 thousand, respectively. The total fair value of RPSs that vested during the twelve months ended December 31, 2016, 2015 and 2014 was $753 thousand, $741 thousand and $1,115 thousand, respectively. The total fair value of options vested during the twelve months ended December 31, 2016, 2015 and 2014 was $1,269 thousand, $1,321 thousand and $1,397 thousand, respectively. The increase in tax benefits recognized for the tax deductions from the exercise of options totaled $394 thousand for the twelve months ended December 31, 2016. The decrease in tax benefits recognized for the tax deductions from the exercise of options totaled $1,284 thousand and $447 thousand, respectively, for the twelve months ended December 31, 2015 and 2014.

A summary of the status of the Company's restricted performance shares as of December 31, 2016 and 2015 and changes during the twelve months ended on those dates, follows:

	2016	2015
	(In thousands)	
Outstanding at January 1,	45	50
Granted	18	21
Issued upon vesting	(15)	(17)
Forfeited	-	(9)
Outstanding at December 31,	48	45

As of December 31, 2016 and 2015, the restricted performance shares had a weighted-average contractual life of 1.1 years and 1.3 years, respectively. The compensation cost that was charged against income for the Company's restricted performance shares granted was $1,228 thousand, $535 thousand and $575 thousand for the twelve months ended December 31, 2016, 2015 and 2014, respectively. There were no stock appreciation rights or incentive stock options granted in the twelve months ended December 31, 2016 and 2015.

On February 13, 2009, the Company issued a warrant to purchase 246,640 shares of the Company's common stock at an exercise price of $50.92 per share. The warrants remain outstanding at December 31, 2016.

The Company repurchases and retires its common stock in accordance with Board of Directors approved share repurchase programs. At December 31, 2016, approximately 1,750 thousand shares remained available to repurchase under such plans.

Shareholders have authorized two additional classes of stock of one million shares each, to be denominated "Class B Common Stock" and "Preferred Stock," respectively, in addition to the 150 million shares of common stock presently authorized. At December 31, 2016, no shares of Class B Common Stock or Preferred Stock were outstanding.

Note 9: Risk-Based Capital

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can result in regulatory action. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Company on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. Under the Basel III rules, the Company must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios. The capital conservation buffer is being phased in from 0.0% for 2015 to 2.50% by 2019. The capital conservation buffer for 2016 was 0.625%. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2016, the Company and Bank met all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2016 and 2015, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

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The capital ratios for the Company and the Bank under the new capital framework as of the dates indicated are presented in the table below.

	At December 31, 2016		Required for Capital Adequacy Purposes Effective January 1, 2016		To Be Well-capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			($ in thousands)			
Common Equity Tier 1 Capital						
Company	$443,574	14.85%	$153,126	5.125%(1)	N/A	N/A
Bank	344,739	11.70%	150,982	5.125%(1)	$191,489	6.50%
Tier 1 Capital						
Company	443,574	14.85%	197,944	6.625%(1)	N/A	N/A
Bank	344,739	11.70%	195,172	6.625%(1)	235,680	8.00%
Total Capital						
Company	476,595	15.95%	257,700	8.625%(1)	N/A	N/A
Bank	383,572	13.02%	254,092	8.625%(1)	294,600	10.00%
Leverage Ratio (2)						
Company	443,574	8.46%	209,702	4.000%	N/A	N/A
Bank	344,739	6.63%	208,005	4.000%	260,006	5.00%

(1) Includes 0.625% capital conservation buffer.
(2) The leverage ratio consists of Tier 1capital divided by the most recent quarterly average total assets, excluding certain intangible assets.

	At December 31, 2015		Required for Capital Adequacy Purposes Effective January 1, 2015		To Be Well-capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			($ in thousands)			
Common Equity Tier 1 Capital						
Company	$402,876	12.82%	$141,417	4.50%	N/A	N/A
Bank	340,918	11.00%	139,412	4.50%	$201,373	6.50%
Tier 1 Capital						
Company	402,876	12.82%	188,557	6.00%	N/A	N/A
Bank	340,918	11.00%	185,883	6.00%	247,844	8.00%
Total Capital						
Company	420,731	13.39%	251,409	8.00%	N/A	N/A
Bank	361,880	11.68%	247,844	8.00%	309,805	10.00%
Leverage Ratio (1)						
Company	402,876	7.99%	201,606	4.00%	N/A	N/A
Bank	340,918	6.82%	199,919	4.00%	249,899	5.00%

(1) The leverage ratio consists of Tier 1capital divided by the most recent quarterly average total assets, excluding certain intangible assets.

Note 10: Income Taxes

Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the amounts reported in the financial statements of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Amounts for the current year are based upon estimates and assumptions as of the date of these financial statements and could vary significantly from amounts shown on the tax returns as filed.

The components of the net deferred tax asset are as follows:

	At December 31, 2016	At December 31, 2015
	(In thousands)	
Deferred tax asset		
Allowance for credit losses	$11,801	$13,466
State franchise taxes	2,679	2,612
Securities available for sale	7,283	-
Deferred compensation	8,043	8,082
Real estate owned	756	1,062
Purchased assets and assumed liabilities	3,026	4,975
Post-retirement benefits	903	1,072
Employee benefit accruals	3,399	3,772
VISA Class B shares	137	1,691
Limited partnership investments	86	760
Impaired capital assets	18,465	19,074
Accrued liabilities	967	-
Premises and equipment	577	205
Other	724	397
Total deferred tax asset	58,846	57,168
Deferred tax liability		
Net deferred loan fees	346	456
Intangible assets	2,955	4,294
Securities available for sale	-	542
Other	128	128
Total deferred tax liability	3,429	5,420
Net deferred tax asset	$55,417	$51,748

Based on Management's judgment, a valuation allowance is not needed to reduce the gross deferred tax asset because it is more likely than not that the gross deferred tax asset will be realized through recoverable taxes or future taxable income. Net deferred tax assets are included with other assets in the consolidated balance sheets.

The provision for federal and state income taxes consists of amounts currently payable and amounts deferred are as follows:

	For the Years Ended December 31, 2016	2015	2014
		(In thousands)	
Current income tax expense:			
Federal	$16,258	$9,647	$11,950
State	7,292	6,738	7,802
Total current	23,550	16,385	19,752
Deferred income tax (benefit) expense:			
Federal	(2,604)	1,643	(1,220)
State	158	(109)	(225)
Total deferred	(2,446)	1,534	(1,445)
Provision for income taxes	$21,104	$17,919	$18,307

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The provision for income taxes differs from the provision computed by applying the statutory federal income tax rate to income before taxes, as follows:

	For the Years Ended December 31,		
	2016	2015	2014
		(In thousands)	
Federal income taxes due at statutory rate	$27,985	$26,835	$27,634
Reductions in income taxes resulting from:			
Interest on state and municipal securities and loans not taxable for federal income tax purposes	(8,382)	(9,046)	(10,173)
State franchise taxes, net of federal income tax benefit	4,843	4,309	4,925
Tax credits	(2,286)	(2,600)	(2,700)
Dividend received deduction	(52)	(45)	(39)
Cash value life insurance	(607)	(599)	(641)
Other	(397)	(935)	(699)
Provision for income taxes	$21,104	$17,919	$18,307

At December 31, 2016, the company had no net operating loss and general tax credit carryforwards for tax return purposes.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits follow:

	2016	2015
	(In thousands)	
Balance at January 1,	$1,243	$1,635
Additions for tax positions taken in the current period	-	-
Reductions for tax positions taken in the current period	-	-
Additions for tax positions taken in prior years	-	55
Reductions for tax positions taken in prior years	(144)	(447)
Decrease related to settlements with taxing authorities	-	-
Decrease as a result of a lapse in statute of limitations	-	-
Balance at December 31,	$1,099	$1,243

The deductibility of these tax positions will be determined through examination by the appropriate tax jurisdictions or the expiration of the tax statute of limitations. The Company does not anticipate any significant increase or decrease in unrecognized tax benefits during 2017. Unrecognized tax benefits at December 31, 2016 and 2015 include accrued interest and penalties of $57 thousand and $88 thousand, respectively. If recognized, the entire amount of the unrecognized tax benefits would affect the effective tax rate.

The Company classifies interest and penalties as a component of the provision for income taxes. At December 31, 2016, the tax years ended December 31, 2015, 2014 and 2013 remain subject to examination by the Internal Revenue Service and the tax years ended December 31, 2015, 2014, 2013 and 2012 remain subject to examination by the California Franchise Tax Board.

Note 11: Fair Value Measurements

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Available for sale investment securities are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as other real estate owned, impaired loans, certain loans held for investment, investment securities held to maturity, and other assets. These nonrecurring fair value adjustments typically involve the lower-of-cost or fair-value accounting of individual assets.

In accordance with the Fair Value Measurement and Disclosure topic of the Codification, the Company bases its fair values on the price that would be received to sell an asset or paid to transfer a liability in the principal market or most advantageous market for an asset or liability in an orderly transaction between market participants on the measurement date under current market conditions. A fair value measurement reflects all of the assumptions that market participants would use in pricing the asset or liability, including assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset, and the risk of nonperformance.

The Company groups its assets and liabilities measured at fair value into a three-level hierarchy, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. When the valuation assumptions used to measure the fair value of the asset or liability are categorized within different levels of the fair value hierarchy, the asset or liability is categorized in its entirety within the lowest level of the hierarchy. These levels are:

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active exchange markets, such as the New York Stock Exchange. Level 1 includes U.S. Treasury and equity securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market. Level 2 includes federal agency securities, mortgage-backed securities, corporate securities, asset-backed securities, and municipal bonds.

Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Company's estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The Company relies on independent vendor pricing services to measure fair value for investment securities available for sale and investment securities held to maturity. The Company employs three pricing services. To validate the pricing of these vendors, the Company compares vendors' pricing for each of the securities for consistency; significant pricing differences, if any, are evaluated using all available independent quotes with the quote closely affecting the market generally used as the fair value estimate. In addition, the Company conducts "other than temporary impairment (OTTI)" analysis on a quarterly basis; securities selected for OTTI analysis include all securities at a market price below 95 percent of par value or with a market to book ratio below 95:100. As with any valuation technique used to estimate fair value, changes in underlying assumptions used could significantly affect the results of current and future values. Accordingly, these fair value estimates may not be realized in an actual sale of the securities.

The Company regularly reviews the valuation techniques and assumptions used by its vendors and determines which valuation techniques are utilized based on observable market inputs for the type of securities being measured. The Company uses the information to determine the placement in the fair value hierarchy as level 1, 2 or 3. When the Company changes its valuation assumptions for measuring financial assets and financial liabilities at fair value, either due to changes in current market conditions or other factors, or reevaluates the valuation techniques and assumptions used by its vendors, it may need to transfer those assets or liabilities to another level in the hierarchy based on the new information. The Company recognizes these transfers at the end of the reporting period that the transfers occur. For the twelve months ended December 31, 2016, and three months ended March 31, 2015, there were no transfers in or out of levels 1, 2 or 3. During the three months ended June 30, 2015, the Company reevaluated the valuation techniques and assumptions used by its vendors in valuing the Company's available for sale securities, and based on the evaluation, transferred $437,715 thousand out of level 1 and transferred $437,715 thousand into level 2. There were no transfers into level 1 or into or out of level 3 during this same period. Subsequent to June 30, 2015 and through the year ended December 31, 2015, there were no transfers into or out of levels 1, 2 or 3.

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Assets Recorded at Fair Value on a Recurring Basis

The tables below present assets measured at fair value on a recurring basis on the dates indicated.

	At December 31, 2016			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Securities of U.S. Government sponsored entities	$138,660	$ -	$138,660	$ -
Agency residential MBS	691,499	-	691,499	-
Non-agency residential MBS	271	-	271	-
Non-agency commercial MBS	2,025	-	2,025	-
Obligations of states and political subdivisions	183,411	-	183,411	-
Asset-backed securities	695	-	695	-
FHLMC and FNMA stock	10,869	17	10,852	-
Corporate securities	860,857	-	860,857	-
Other securities	2,471	656	1,815	-
Total securities available for sale	$1,890,758	$673	$1,890,085	$ -

	At December 31, 2015			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Securities of U.S. Government sponsored entities	$301,882	$ -	$301,882	$ -
Agency residential MBS	202,544	-	202,544	-
Non-agency residential MBS	370	-	370	-
Non-agency commercial MBS	2,379	-	2,379	-
Obligations of states and political subdivisions	157,509	-	157,509	-
Asset-backed securities	2,003	-	2,003	-
FHLMC and FNMA stock	4,329	7	4,322	-
Corporate securities	896,369	-	896,369	-
Other securities	2,831	991	1,840	-
Total securities available for sale	$1,570,216	$998	$1,569,218	$ -

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Assets Recorded at Fair Value on a Nonrecurring Basis

The Company may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from application of lower-of-cost or fair-value accounting of individual assets. For assets measured at fair value on a nonrecurring basis that were recorded in the balance sheet at December 31, 2016 and December 31, 2015, the following table provides the level of valuation assumptions used to determine each adjustment and the carrying value of the related assets at period end.

	At December 31, 2016				For the Year Ended December 31, 2016
	Carrying Value	Level 1	Level 2	Level 3	Total Losses
			(In thousands)		
Other real estate owned	$3,095	$ -	$ -	$3,095	($705)
Impaired loans	9,525	-	-	9,525	-
Total assets measured at fair value on a nonrecurring basis	$12,620	$ -	$ -	$12,620	($705)

	At December 31, 2015				For the Year Ended December 31, 2015
	Carrying Value	Level 1	Level 2	Level 3	Total Losses
			(In thousands)		
Other real estate owned	$9,264	$ -	$ -	$9,264	($320)
Impaired loans	15,633	-	-	15,633	(449)
Total assets measured at fair value on a nonrecurring basis	$24,897	$ -	$ -	$24,897	($769)

Level 3 – Valuation is based upon present value of expected future cash flows, independent market prices, estimated liquidation values of loan collateral or appraised value of the collateral as determined by third-party independent appraisers, less 10% for selling costs, generally. Level 3 includes other real estate owned that has been measured at fair value upon transfer to foreclosed assets and impaired loans collateralized by real property and other business asset collateral where a specific reserve has been established or a chargeoff has been recorded. Losses on other real estate owned represent losses recognized in earnings during the period subsequent to its initial classification as foreclosed assets. The unobservable inputs and qualitative information about the unobservable inputs are not presented due to the unavailability from third party evaluators.

Disclosures about Fair Value of Financial Instruments

The following section describes the valuation methodologies used by the Company for estimating fair value of financial instruments not recorded at fair value in the balance sheet.

Cash and Due from Banks Cash and due from banks represent U.S. dollar denominated coin and currency, deposits at the Federal Reserve Bank and correspondent banks, and amounts being settled with other banks to complete the processing of customers' daily transactions. Collectively, the Federal Reserve Bank and financial institutions operate in a market in which cash and due from banks transactions are processed continuously in significant daily volumes honoring the face value of the U.S. dollar.

Investment Securities Held to Maturity The fair values of investment securities were estimated using quoted prices as described above for Level 2 valuation.

Loans Loans were separated into two groups for valuation. Variable rate loans, except for those described below, which reprice frequently with changes in market rates were valued using historical cost. Fixed rate loans and variable rate loans that have reached their minimum contractual interest rates were valued by discounting the future cash flows expected to be received from the loans using current interest rates charged on loans with similar characteristics. Additionally, the allowance for loan losses of $25,954 thousand at December 31, 2016 and $29,771 thousand at December 31, 2015 and the purchased loan discount associated with purchased covered and purchased non-covered loans of $-0- thousand and $4,058 thousand, respectively at December 31, 2016 and $152 thousand and $6,432 thousand, respectively at December 31, 2015 were applied against the estimated fair values to recognize estimated future defaults of contractual cash flows. The Company does not consider these values to be a liquidation price for the loans.

Deposit Liabilities Deposits with no stated maturity such as checking accounts, savings accounts and money market accounts can be readily converted to cash or used to settle transactions at face value through the broad financial system operated by the Federal Reserve Bank and financial institutions. The fair value of deposits with no stated maturity is equal to the amount payable on demand. The fair values of time deposits were estimated by discounting estimated future contractual cash flows using current market rates for financial instruments with similar characteristics.

Short-Term Borrowed Funds The carrying amount of securities sold under agreement to repurchase and other short-term borrowed funds approximate fair value due to the relatively short period of time between their origination and their expected realization.

The table below is a summary of fair value estimates for financial instruments and the level of the fair value hierarchy within which the fair value measurements are categorized, excluding financial instruments recorded at fair value on a recurring basis. The values assigned do not necessarily represent amounts which ultimately may be realized for assets or paid to settle liabilities. In addition, these values do not give effect to adjustments to fair value which may occur when financial instruments are sold or settled in larger quantities. The carrying amounts in the following table are recorded in the balance sheet under the indicated captions.

The Company has not included assets and liabilities that are not financial instruments, such as goodwill, long-term relationships with deposit, merchant processing and trust customers, other purchased intangibles, premises and equipment, deferred taxes and other assets and liabilities. The total estimated fair values do not represent, and should not be construed to represent, the underlying value of the Company.

	At December 31, 2016				
	Carrying Amount	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:			(In thousands)		
Cash and due from banks	$462,271	$462,271	$462,271	$ -	$ -
Investment securities held to maturity	1,346,312	1,340,741	-	1,340,741	-
Loans	1,326,757	1,337,774	-	-	1,337,774
Financial Liabilities:					
Deposits	$4,704,741	$4,702,797	$ -	$4,448,571	$254,226
Short-term borrowed funds	59,078	59,078	-	59,078	-

	At December 31, 2015				
	Carrying Amount	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:			(In thousands)		
Cash and due from banks	$433,044	$433,044	$433,044	$ -	$ -
Investment securities held to maturity	1,316,075	1,325,699	-	1,325,699	-
Loans	1,503,625	1,517,394	-	-	1,517,394
Financial Liabilities:					
Deposits	$4,540,659	$4,539,455	$ -	$4,253,691	$285,764
Short-term borrowed funds	53,028	53,028	-	53,028	-

The majority of the Company's standby letters of credit and other commitments to extend credit carry current market interest rates if converted to loans. No premium or discount was ascribed to these commitments because virtually all funding would be at current market rates.

Note 12: Lease Commitments

Thirty banking offices and a centralized administrative service center are owned and 61 facilities are leased. Substantially all the leases contain renewal options and provisions for rental increases, principally for cost of living index. The Company also leases certain pieces of equipment.

Minimum future rental payments under noncancelable operating leases as of December 31, 2016 are as follows:

	Minimum future rental payments
	(In thousands)
2017	$6,335
2018	5,665
2019	4,134
2020	2,584
2021	1,003
Thereafter	1,045
Total minimum future rental payments	$20,766

The total minimum future rental payments have not been reduced by minimum sublease rentals of $2,157 thousand due in the future under noncancelable subleases. Total rentals for premises were $6,823 thousand in 2016, $8,359 thousand in 2015 and $8,798 thousand in 2014. Total sublease rentals were $435 thousand in 2016, $1,721 thousand in 2015 and $1,833 thousand in 2014. Total rentals for premises, net of sublease income, included in noninterest expense were $6,388 thousand in 2016, $6,638 thousand in 2015 and $6,965 thousand in 2014.

Note 13: Commitments and Contingent Liabilities

Loan commitments are agreements to lend to a customer provided there is no violation of any condition established in the agreement. Commitments generally have fixed expiration dates or other termination clauses. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future funding requirements. Loan commitments are subject to the Company's normal credit policies and collateral requirements. Unfunded loan commitments were $304,508 thousand and $299,884 thousand at December 31, 2016 and December 31, 2015, respectively. Standby letters of credit commit the Company to make payments on behalf of customers when certain specified future events occur. Standby letters of credit are primarily issued to support customers' short-term financing requirements and must meet the Company's normal credit policies and collateral requirements. Financial and performance standby letters of credit outstanding totaled $21,732 thousand and $26,149 thousand at December 31, 2016 and December 31, 2015, respectively. The Company also had commitments for commercial and similar letters of credit of $-0- thousand at December 31, 2016 and $40 thousand at December 31, 2015. The Company had a reserve for unfunded commitments of $2,408 thousand at December 31, 2016 and $2,593 thousand at December 31, 2015, included in other liabilities.

Due to the nature of its business, the Company is subject to various threatened or filed legal cases. Based on the advice of legal counsel, the Company does not expect such cases will have a material, adverse effect on its financial position or results of operations. Legal liabilities are accrued when obligations become probable and the amount can be reasonably estimated.

Note 14: Retirement Benefit Plans

The Company sponsors a qualified defined contribution Deferred Profit-Sharing Plan covering substantially all of its salaried employees with one or more years of service. The costs charged to noninterest expense related to discretionary Company contributions to the Deferred Profit-Sharing Plan were $1,000 thousand in 2016, $734 thousand in 2015 and $1,002 thousand in 2014.

The Company also sponsors a qualified defined contribution Tax Deferred Savings/Retirement Plan (ESOP) covering salaried employees who become eligible to participate upon completion of a 90-day introductory period. The Tax Deferred Savings/ Retirement Plan (ESOP) allows employees to defer, on a pretax or after-tax basis, a portion of their salaries as contributions to this Plan. Participants may invest in several funds, including one fund that invests primarily in Westamerica Bancorporation common stock. The Company funds contributions to match participating employees' contributions, subject to certain limits. The matching contributions charged to compensation expense were $1,075 thousand in 2016, $1,147 thousand in 2015 and $1,159 thousand in 2014.

The Company offers a continuation of group insurance coverage to eligible employees electing early retirement, for the period from the date of retirement until age 65. For eligible employees the Company pays a portion of these early retirees' group insurance premiums. The Company also reimburses a portion of Medicare Part B premiums for all qualifying retirees over age 65 and, if eligible, their spouses. Eligibility for post-retirement medical benefits is based on age and years of service, and restricted to employees hired prior to February 1, 2006 who elect early retirement prior to January 1, 2019. The Company uses an actuarial-based accrual method of accounting for post-retirement benefits. The Company used a December 31 measurement date for determining post-retirement medical benefit calculations.

The following tables set forth the net periodic post-retirement benefit cost and the change in the benefit obligation for the years ended December 31 and the funded status of the post-retirement benefit plan as of December 31:

Net Periodic Benefit Cost

	At December 31,		
	2016	2015	2014
		(In thousands)	
Service (benefit) cost	($153)	($202)	$288
Interest cost	108	106	122
Amortization of unrecognized transition obligation	61	61	61
Net periodic cost (benefit)	$16	($35)	$471

Other Changes in Benefit Obligations Recognized in Other Comprehensive Income

Amortization of unrecognized transition obligation, net of tax	(36)	(36)	(36)
Total recognized in net periodic (benefit) cost and accumulated other comprehensive income	($20)	($71)	$435

The remaining transition obligation cost for this post-retirement benefit plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is $61 thousand.

Obligation and Funded Status

	At December 31,		
	2016	2015	2014
Change in benefit obligation		(In thousands)	
Benefit obligation at beginning of year	$2,522	$2,782	$2,544
Service (benefit) cost	($153)	(202)	288
Interest cost	108	106	122
Benefits paid	(158)	(164)	(172)
Benefit obligation at end of year	$2,319	$2,522	$2,782
Accumulated post-retirement benefit obligation attributable to:			
Retirees	$1,705	$1,695	$1,732
Fully eligible participants	606	809	998
Other	8	18	52
Total	$2,319	$2,522	$2,782
Fair value of plan assets	-	-	-
Accumulated post-retirement benefit obligation in excess of plan assets	$2,319	$2,522	$2,782

Additional Information

Assumptions

	At December 31,		
	2016	2015	2014
Weighted-average assumptions used to determine benefit obligations			
Discount rate	4.10%	4.30%	3.80%
Weighted-average assumptions used to determine net periodic benefit cost			
Discount rate	4.30%	3.80%	4.80%

The above discount rate is based on the Corporate Aa 25-year rate, the term of which approximates the term of the benefit obligations. The Company reserves the right to terminate or alter post-employment health benefits. Post-retirement medical benefits are currently fixed amounts without provision for future increases; as a result, the assumed annual average rate of inflation used to measure the expected cost of benefits covered by this program is zero percent for 2017 and beyond.

Assumed benefit inflation rates are not applicable for this program.

	Estimated future benefit payments
	(In thousands)
2017	$158
2018	150
2019	142
2020	135
2021	129
Years 2022-2026	552

Note 15: Regulatory Matters

Payment of dividends to the Company by the Bank is limited under regulations for state chartered banks. The amount that can be paid in any calendar year, without prior approval from regulatory agencies, cannot exceed the net profits (as defined) for the preceding three calendar years less dividends paid. Under this regulation, the Bank obtained approval for dividends paid to the Company during 2016; and at December 31, 2016, the Bank would be required to obtain regulatory approval for a dividend to be paid to the Company. The Company consistently has paid quarterly dividends to its shareholders since its formation in 1972.

The Bank is required to maintain reserves with the Federal Reserve Bank equal to a percentage of its reservable deposits. The Bank's daily average on deposit at the Federal Reserve Bank was $365,880 thousand in 2016 and $254,600 thousand in 2015, which amounts exceed the Bank's required reserves.

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Note 16: Other Comprehensive Income

The components of other comprehensive (loss) income and other related tax effects were:

	2016		
	Before tax	Tax effect	Net of tax
		(In thousands)	
Securities available for sale:			
Net unrealized losses arising during the year	($18,610)	$7,825	($10,785)
Reclassification of gains (losses) included in net income	-	-	-
Net unrealized losses arising during the year	(18,610)	7,825	(10,785)
Post-retirement benefit obligation	61	(25)	36
Other comprehensive loss	($18,549)	$7,800	($10,749)

	2015		
	Before tax	Tax effect	Net of tax
		(In thousands)	
Securities available for sale:			
Net unrealized losses arising during the year	($8,028)	$3,375	($4,653)
Reclassification of gains (losses) included in net income	-	-	-
Net unrealized losses arising during the year	(8,028)	3,375	(4,653)
Post-retirement benefit obligation	61	(25)	36
Other comprehensive loss	($7,967)	$3,350	($4,617)

	2014		
	Before tax	Tax effect	Net of tax
		(In thousands)	
Securities available for sale:			
Net unrealized gains arising during the year	$1,627	($684)	$943
Reclassification of gains (losses) included in net income	-	-	-
Net unrealized gains arising during the year	1,627	(684)	943
Post-retirement benefit obligation	61	(25)	36
Other comprehensive income	$1,688	($709)	$979

Accumulated other comprehensive income (loss) balances were:

	Post-retirement Benefit Obligation	Net Unrealized Gains (losses) on Securities	Accumulated Other Comprehensive Income (loss)
		(In thousands)	
Balance, December 31, 2013	($142)	$4,455	$4,313
Net change	36	943	979
Balance, December 31, 2014	(106)	5,398	5,292
Net change	36	(4,653)	(4,617)
Balance, December 31, 2015	(70)	745	675
Net change	36	(10,785)	(10,749)
Balance, December 31, 2016	($34)	($10,040)	($10,074)

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Note 17: Earnings Per Common Share

The table below shows earnings per common share and diluted earnings per common share. Basic earnings per common share are computed by dividing net income by the average number of common shares outstanding during the period. Diluted earnings per common share are computed by dividing net income by the average number of common shares outstanding during the period plus the impact of common stock equivalents.

	For the Years Ended December 31,		
	2016	2015	2014
	(In thousands, except per share data)		
Net income (numerator)	$58,853	$58,753	$60,646
Basic earnings per common share			
Weighted average number of common shares outstanding - basic (denominator)	25,612	25,555	26,099
Basic earnings per common share	$2.30	$2.30	$2.32
Diluted earnings per common share			
Weighted average number of common shares outstanding - basic	25,612	25,555	26,099
Add common stock equivalents for options	66	22	61
Weighted average number of common shares outstanding - diluted (denominator)	25,678	25,577	26,160
Diluted earnings per common share	$2.29	$2.30	$2.32

For the years ended December 31, 2016, 2015, and 2014, options to purchase 773 thousand, 1,313 thousand and 1,133 thousand shares of common stock, respectively, were outstanding but not included in the computation of diluted earnings per common share because the option exercise price exceeded the fair value of the stock such that their inclusion would have had an anti-dilutive effect.

Note 18: Westamerica Bancorporation (Parent Company Only Condensed Financial Information)

Statements of Income and Comprehensive (Loss) Income

	For the Years Ended December 31,		
	2016	2015	2014
		(In thousands)	
Dividends from subsidiaries	$56,824	$68,981	$75,369
Interest income	25	10	7
Other income	8,315	8,411	7,182
Total income	65,164	77,402	82,558
Interest on borrowings	-	1	42
Salaries and benefits	7,079	6,291	6,587
Other expense	3,290	3,424	1,704
Total expense	10,369	9,716	8,333
Income before taxes and equity in undistributed income of subsidiaries	54,795	67,686	74,225
Income tax benefit	1,025	803	742
Earnings of subsidiaries greater (less) than subsidiary dividends	3,033	(9,736)	(14,321)
Net income	58,853	58,753	60,646
Other comprehensive (loss) income, net of tax	(10,749)	(4,617)	979
Comprehensive income	$48,104	$54,136	$61,625

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Balance Sheets

	At December 31,	
	2016	2015
	(In thousands)	
Assets		
Cash	$64,054	$26,453
Investment securities available for sale	656	991
Investment in Westamerica Bank	468,172	475,697
Investment in non-bank subsidiaries	455	455
Premises and equipment, net	9,165	9,391
Accounts receivable from Westamerica Bank	522	552
Other assets	34,077	33,850
Total assets	$577,101	$547,389
Liabilities		
Accounts payable to Westamerica Bank	$705	$737
Other liabilities	15,029	14,447
Total liabilities	15,734	15,184
Shareholders' equity	561,367	532,205
Total liabilities and shareholders' equity	$577,101	$547,389

Statements of Cash Flows

	For the Years Ended December 31,		
	2016	2015	2014
		(In thousands)	
Operating Activities			
Net income	$58,853	$58,753	$60,646
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	305	326	341
Decrease (increase) in accounts receivable from affiliates	299	(217)	(17)
Insurance premiums paid	(683)	(637)	(606)
Increase in other assets	(1,257)	(1,076)	(1,062)
Stock option compensation expense	1,494	1,272	1,318
Tax benefit (increase) decrease upon exercise of stock options and expiration of stock options	(394)	1,284	447
Provision (benefit) for deferred income tax	1,983	(491)	616
Increase (decrease) in other liabilities	1,392	743	(814)
Earnings of subsidiaries (greater) less than subsidiary dividends	(3,033)	9,736	14,321
Gain on sales of property and equipment	(79)	(39)	(88)
Net Cash Provided by Operating Activities	58,880	69,654	75,102
Investing Activities			
Purchases of premises and equipment	-	-	-
Net Cash Provided by Investing Activities	-	-	-
Financing Activities			
Exercise of stock options/issuance of shares	24,031	4,848	12,396
Taxes paid by withholding shares for tax purposes	(356)	(357)	(521)
Tax benefit increase (decrease) upon exercise of stock options and expiration of stock options	394	(1,284)	(447)
Retirement of common stock	(5,424)	(14,735)	(52,157)
Dividends	(39,924)	(39,124)	(39,761)
Net Cash Used in Financing Activities	(21,279)	(50,652)	(80,490)
Net change in cash	37,601	19,002	(5,388)
Cash at Beginning of Period	26,453	7,451	12,839
Cash at End of Period	$64,054	$26,453	$7,451
Supplemental Cash Flow Disclosures:			
Supplemental disclosure of cash flow activities:			
Interest paid for the period	$-	$1	$42
Income tax payments for the period	19,264	17,666	16,412

Note 19: Quarterly Financial Information (Unaudited)

	For the Three Months Ended			
	March 31,	June 30,	September 30,	December 31,
	(In thousands, expect per share data and price range of common stock)			
2016				
Interest and loan fee income	$33,647	$33,727	$33,468	$33,209
Net interest income	33,095	33,186	32,945	32,709
(Reversal of) provision for loan losses	-	-	(3,200)	-
Noninterest income	11,729	11,702	11,598	11,545
Noninterest expense	25,858	25,229	26,088	24,577
Income before taxes	18,966	19,659	21,655	19,677
Net income	14,226	14,546	15,628	14,453
Basic earnings per common share	0.56	0.57	0.61	0.56
Diluted earnings per common share	0.56	0.57	0.61	0.56
Dividends paid per common share	0.39	0.39	0.39	0.39
Price range, common stock	40.72 - 49.63	45.86 - 51.53	46.61 - 50.96	48.20 - 65.34
2015				
Interest and loan fee income	$33,917	$34,425	$34,299	$33,888
Net interest income	33,258	33,808	33,714	33,325
Provision for loan losses	-	-	-	-
Noninterest income	12,300	12,269	11,993	11,305
Noninterest expense	26,727	26,896	26,173	25,504
Income before taxes	18,831	19,181	19,534	19,126
Net income	14,557	14,761	14,857	14,578
Basic earnings per common share	0.57	0.58	0.58	0.57
Diluted earnings per common share	0.57	0.58	0.58	0.57
Dividends paid per common share	0.38	0.38	0.38	0.39
Price range, common stock	40.68 - 48.44	42.70 - 51.69	43.00 - 51.90	42.96 - 49.64
2014				
Interest and loan fee income	$35,564	$35,403	$34,900	$34,342
Net interest income	34,666	34,503	34,054	33,542
Provision for loan losses	1,000	1,000	600	200
Noninterest income	12,990	13,198	13,054	12,545
Noninterest expense	26,873	26,957	26,616	26,353
Income before taxes	19,783	19,744	19,892	19,534
Net income	15,307	15,157	15,154	15,028
Basic earnings per common share	0.58	0.58	0.58	0.58
Diluted earnings per common share	0.58	0.58	0.58	0.58
Dividends paid per common share	0.38	0.38	0.38	0.38
Price range, common stock	48.36 - 56.51	47.85 - 55.34	46.12 - 53.93	42.71 - 51.24

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Westamerica Bancorporation
San Rafael, California

We have audited the accompanying consolidated balance sheets of Westamerica Bancorporation (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended. We also have audited the Company's internal control over financial reporting as of December 31, 2016, based on criteria established in the 2013 *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in the 2013 *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
February 27, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Westamerica Bancorporation:

We have audited the consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows of Westamerica Bancorporation and subsidiaries (the Company) for the year ended December 31, 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of their operations and their cash flows for the year ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP
KPMG LLP

San Francisco, California
February 27, 2015

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

The Company's principal executive officer and principal financial officer have evaluated the effectiveness of the Company's "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended, as of December 31, 2016.

Based upon their evaluation, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective to ensure that material information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported as and when required and that such information is communicated to the Company's management, including the principal executive officer and the principal financial officer, to allow for timely decisions regarding required disclosures. The evaluation did not identify any change in the Company's internal control over financial reporting that occurred during the quarter ended December 31, 2016 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Management's Report on Internal Control Over Financial Reporting and the attestation Report of Independent Registered Public Accounting Firm are found on pages 47 and 89, respectively.

ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS OF THE REGISTRANT AND CORPORATE GOVERNANCE

The information regarding Directors of the Registrant and compliance with Section 16(a) of the Securities Exchange Act of 1934 required by this Item 10 of this Annual Report on Form 10-K is incorporated by reference from the information contained under the captions “Board of Directors and Committees”, “Proposal 1 — Election of Directors” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the Company’s Proxy Statement for its 2017 Annual Meeting of Shareholders which will be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934.

Executive Officers

The executive officers of the Company and Westamerica Bank serve at the pleasure of the Board of Directors and are subject to annual appointment by the Board at its first meeting following the Annual Meeting of Shareholders. It is anticipated that each of the executive officers listed below will be reappointed to serve in such capacities at that meeting.

Name of Executive	Position	Held Since
David L. Payne	Mr. Payne, born in 1955, is the Chairman of the Board, President and Chief Executive Officer of the Company. 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
John “Robert” Thorson	Mr. Thorson, born in 1960, is Senior Vice President and Chief Financial Officer for the Company. Mr. Thorson joined Westamerica Bancorporation in 1989, was Vice President and Manager of Human Resources from 1995 until 2001 and was Senior Vice President and Treasurer from 2002 until 2005.	2005
Dennis R. Hansen	Mr. Hansen, born in 1950, is Senior Vice President and Manager of the Operations and Systems Administration of Community Banker Services Corporation. Mr. Hansen joined Westamerica Bancorporation in 1978 and was Senior Vice President and Controller for the Company until 2005.	2005
David L. Robinson	Mr. Robinson, born in 1959, is Senior Vice President and Banking Division Manager of Westamerica Bank. Mr. Robinson joined Westamerica Bancorporation in 1993 and has held several banking positions, most recently, Senior Vice President and Southern Banking Division Manager until 2007.	2007
Russell W. Rizzardi	Mr. Rizzardi, born in 1955, is Senior Vice President and Chief Credit Administrator of Westamerica Bank. Mr. Rizzardi joined Westamerica Bank in 2007. He has been in the banking industry since 1979 and was previously with Wells Fargo Bank and U.S. Bank.	2008

The Company has adopted a Code of Ethics (as defined in Item 406 of Regulation S-K of the Securities Act of 1933) that is applicable to its senior financial officers including its chief executive officer, chief financial officer, and principal accounting officer.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 of this Annual Report on Form 10-K is incorporated by reference from the information contained under the captions “Executive Compensation” in the Company’s Proxy Statement for its 2017 Annual Meeting of Shareholders which will be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934.

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item 12 of this Annual Report on Form 10-K is incorporated by reference from the information contained under the caption “Stock Ownership” in the Company’s Proxy Statement for its 2017 Annual Meeting of Shareholders which will be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934.

Securities Authorized For Issuance Under Equity Compensation Plans

The following table summarizes the status of the Company’s equity compensation plans as of December 31, 2016:

Plan category	At December 31, 2016		
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(In thousands, except exercise price)		
	(a)	(b)	(c)
Equity compensation plans approved by security holders	1,273	$47	1,211
Equity compensation plans not approved by security holders	-	N/A	-
Total	1,273	$47	1,211

ITEM 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this Item 13 of this Annual Report on Form 10-K is incorporated by reference from the information contained under the caption “Certain Relationships and Related Party Transactions” in the Company’s Proxy Statement for its 2017 Annual Meeting of Shareholders which will be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item 14 of this Annual Report on Form 10-K is incorporated by reference from the information contained under the caption “Proposal 5 – Ratification of Independent Auditor” in the Company’s Proxy Statement for its 2017 Annual Meeting of Shareholders which will be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial Statements:

See Index to Financial Statements on page 46. The consolidated financial statements included in Item 8 are filed as part of this Report.

(a) 2. Financial statement schedules required. No financial statement schedules are filed as part of this Report since the required information is included in the consolidated financial statements, including the notes thereto, or the circumstances requiring inclusion of such schedules are not present.

(a) 3. Exhibits:

The exhibit list required by this item is incorporated by reference to the Exhibit Index filed with this Report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WESTAMERICA BANCORPORATION

/s/ John "Robert" Thorson
John "Robert" Thorson
Senior Vice President
and Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: February 27, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ David L. Payne David L. Payne	Chairman of the Board and Directors President and Chief Executive Officer (Principal Executive Officer)	February 27, 2017
/s/ John "Robert" Thorson John "Robert" Thorson	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 27, 2017
/s/ Etta Allen Etta Allen	Director	February 27, 2017
/s/ Louis E. Bartolini Louis E. Bartolini	Director	February 27, 2017
/s/ E. Joseph Bowler E. Joseph Bowler	Director	February 27, 2017
/s/ Arthur C. Latno, Jr. Arthur C. Latno, Jr.	Director	February 27, 2017
/s/ Patrick D. Lynch Patrick D. Lynch	Director	February 27, 2017
/s/ Catherine C. MacMillan Catherine C. MacMillan	Director	February 27, 2017
/s/ Ronald A. Nelson Ronald A. Nelson	Director	February 27, 2017
/s/ Edward B. Sylvester Edward B. Sylvester	Lead Independent Director	February 27, 2017

EXHIBIT INDEX

Exhibit Number	
3(a)	Restated Articles of Incorporation (composite copy), incorporated by reference to Exhibit 3(a) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, filed with the Securities and Exchange Commission on March 30, 1998.
3(b)	By-laws, as amended (composite copy), incorporated by reference to Exhibit 3.2 to the Registrant's Form 8-K, filed with the Securities and Exchange Commission on December 19, 2016.
3(c)	Certificate of Determination of Fixed Rate Cumulative Perpetual Preferred Stock, Series A of Westamerica Bancorporation dated February 10, 2009, incorporated by reference to Exhibit 99.1 to the Registrant's Form 8-K, filed with the Securities and Exchange Commission on February 13, 2009.
4(c)	Warrant to Purchase Common Stock pursuant to the Letter Agreement between the Company and the United States Department of the Treasury dated February 13, 2009 incorporated by reference to Exhibit 4.2 to the Registrant's Form 8-K, filed with the Securities and Exchange Commission on February 19, 2009.
10(a)*	Amended and Restated Stock Option Plan of 1995, incorporated by reference to Exhibit A to the Registrant's definitive Proxy Statement pursuant to Regulation 14(a) filed with the Securities and Exchange Commission on March 17, 2003.
10(d)*	Westamerica Bancorporation Chief Executive Officer Deferred Compensation Agreement by and between Westamerica Bancorporation and David L. Payne, dated December 18, 1998 incorporated by reference to Exhibit 10(e) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1999, filed with the Securities and Exchange Commission on March 29, 2000.
10(e)*	Description of Executive Cash Bonus Program incorporated by reference to Exhibit 10(e) to Exhibit 2.1 of Registrant's Form 8-K filed with the Securities and Exchange Commission on March 11, 2005.
10(f)*	Non-Qualified Annuity Performance Agreement with David L. Payne dated November 19, 1997 incorporated by reference to Exhibit 10(f) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, filed with the Securities and Exchange Commission on March 15, 2005.
10(g)*	Amended and Restated Westamerica Bancorporation Stock Option Plan of 1995 Nonstatutory Stock Option Agreement Form incorporated by reference to Exhibit 10(g) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, filed with the Securities and Exchange Commission on March 15, 2005.
10(h)*	Amended and Restated Westamerica Bancorporation Stock Option Plan of 1995 Restricted Performance Share Grant Agreement Form incorporated by reference to Exhibit 10(h) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, filed with the Securities and Exchange Commission on March 15, 2005.
10(i)*	Amended Westamerica Bancorporation and Subsidiaries Deferred Compensation Plan (As restated effective January 1, 2005) dated December 31, 2008 incorporated by reference to Exhibit 10(i) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, filed with the Securities and Exchange Commission on February 27, 2009.
10(j)*	Amended and Restated Westamerica Bancorporation Deferral Plan (Adopted October 26, 1995) dated December 31, 2008 incorporated by reference to Exhibit 10(j) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, filed with the Securities and Exchange Commission on February 27, 2009.
10(k)*	Form of Restricted Performance Share Deferral Election pursuant to the Westamerica Bancorporation Deferral Plan incorporated by reference to Exhibit 10(i) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, filed with the Securities and Exchange Commission on March 10, 2006.
10(l)	Purchase and Assumption Agreement by and between Federal Deposit Insurance Corporation and Westamerica Bank dated February 6, 2009, incorporated by reference to Exhibit 99.2 to the Registrant's Form 8-K, filed with the Securities and Exchange Commission on February 11, 2009.
10(m)	Letter Agreement between the Company and the United States Department of the Treasury dated February 13, 2009 incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K, filed with the Securities and Exchange Commission on February 19, 2009.
10(r)	Data Processing Agreement by and between Fidelity Information Services and Westamerica Bancorporation incorporated by reference to Exhibit 10(r) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, filed with the Securities and Exchange Commission on February 27, 2012.
10(s)*	Amended and Restated Stock Option Plan of 1995, incorporated by reference to Exhibit A to the Registrant's definitive Proxy Statement pursuant to Regulation 14(a) filed with the Securities and Exchange Commission on March 13, 2012.
10(t)	Data Processing Agreement by and between Fidelity Information Services and Westamerica Bancorporation.
11.1	Statement re computation of per share earnings incorporated by reference to Note 17 of the notes to the consolidated financial statements of this Report.
14	Code of Ethics incorporated by reference to Exhibit 14 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, filed with the Securities and Exchange Commission on March 10, 2004.
21	Subsidiaries of the registrant.
23(a).1	Consent of Crowe Horwath LLP
23(a).2	Consent of KPMG LLP
31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a)
31.2	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a)

32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101**	Pursuant to Rule 405 of Regulation S-T, the following financial information from the Company's Annual Report on Form 10-K for the period ended December 31, 2016, is formatted in XBRL interactive data files: (i) consolidated statements of Income for each of the years in the three-year period ended December 31, 2016; (ii) consolidated balance sheets at December 31, 2016, and December 31, 2015; (iii) consolidated statements of comprehensive income for each of the years in the three-year period ended December 31, 2016, (iv) consolidated statements of changes in shareholders' equity for each of the years in the three-year period ended December 31, 2016; (v) consolidated statements of cash flows for each of the years in the three-year period ended December 31, 2016 and (vi) notes to consolidated financial statements.

* Indicates management contract or compensatory plan or arrangement.

** As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

The exhibits listed above are available through the SEC's website (https://www.sec.gov). Alternatively, the Company will furnish to shareholders a copy of any exhibit listed above, but not contained herein, upon written request to the Office of the Corporate Secretary A-2M, Westamerica Bancorporation, P.O. Box 1200, Suisun City, California 94585-1200, and payment to the Company of $.25 per page.

[The remainder of this page intentionally left blank]

EXHIBIT 21

WESTAMERICA BANCORPORATION
Subsidiaries as of December 31, 2016

	State of Incorporation
Westamerica Bank	California
Westamerica Mortgage Company — a subsidiary of Westamerica Bank	California
Community Banker Services Corporation — a subsidiary of Westamerica Bank	California
Weststar Mortgage Corporation — a subsidiary of Community Banker Services Corporation	California
Money Outlet, Inc.	California
Westamerica Commercial Credit, Inc.	California

EXHIBIT 23(a).1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Westamerica Bancorporation:

We consent to the incorporation by reference in the Registration Statement No. 333-157893 on Form S-3 and Registration Statement No. 333-105537 and 333-107329 on Form S-8 of Westamerica Bancorporation of our report dated February 27, 2017, with respect to the consolidated financial statements as of December 31, 2016 and 2015, and effectiveness of internal control over financial reporting as of December 31, 2016, appearing in this Annual Report on Form 10-K.

/s/ Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
February 27, 2017

EXHIBIT 23(a).2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Westamerica Bancorporation:

We consent to the incorporation by reference in the registration statement on Form S-3 (No. 333-157893) and on Forms S-8 (No. 333-105537 and 333-107329) of Westamerica Bancorporation and subsidiaries of our report dated February 27, 2015, with respect to the consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows of Westamerica Bancorporation and subsidiaries for the year ended December 31, 2014, which report appears in the December 31, 2016 annual report on Form 10-K of Westamerica Bancorporation and subsidiaries.

/s/ KPMG LLP
KPMG LLP

San Francisco, California
February 27, 2017

EXHIBIT 31.1

CERTIFICATION UNDER
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, David L. Payne, certify that:

1. I have reviewed this report on Form 10-K of Westamerica Bancorporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ David L. Payne
David L. Payne
Chairman, President and Chief Executive Officer
Dated: February 27, 2017

EXHIBIT 31.2

CERTIFICATION UNDER
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, John "Robert" Thorson, certify that:

1. I have reviewed this report on Form 10-K of Westamerica Bancorporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ John "Robert" Thorson
John "Robert" Thorson
Senior Vice President and Chief Financial Officer
Dated: February 27, 2017

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Westamerica Bancorporation (the "Company") on Form 10-K for the period ending December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David L. Payne, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David L. Payne
David L. Payne
Chairman, President and Chief Executive Officer
Dated: February 27, 2017

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Westamerica Bancorporation (the “Company”) on Form 10-K for the period ending December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John “Robert” Thorson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John “Robert” Thorson
John “Robert” Thorson
Senior Vice President and Chief Financial Officer
Dated: February 27, 2017

Corporate Information

Corporate Profile

Westamerica Bancorporation (Nasdaq:WABC) operates as a holding company for Westamerica Bank, a community bank serving 20 Northern and Central California counties.

Westamerica Bancorporation Headquarters

1108 Fifth Avenue, San Rafael, CA 94901
Telephone (415) 257-8000
www.westamerica.com

Subsidiary Bank

Westamerica Bank
1108 Fifth Avenue, San Rafael, CA 94901
Telephone (415) 257-8000

Notice of Annual Meeting

Thursday, April 27, 2017 at 11:00 a.m. PT
Hilton Garden Inn Fairfield
2200 Gateway Court, Fairfield, CA 94533

Transfer Agent

Computershare Investor Services LLC
Telephone (877) 588-4258 (Toll-free)
www.computershare.com/investor

Stock Listing

The NASDAQ Global Select Market, Symbol: WABC

Dividend Reinvestment and Stock Purchase Plan

Westamerica Bancorporation offers a dividend reinvestment and stock purchase program whereby registered shareholders may reinvest their dividends in and/or purchase additional shares of the Company's stock. Information concerning this optional program is available from:

Computershare Investor Services LLC
Telephone (877) 588-4258 (Toll-free)

Annual Report Copies

Westamerica Bancorporation will provide its security holders, without charge, a copy of its 2016 Annual Report on Form 10-K, including the financial statements and schedules thereto, as filed with the Securities and Exchange Commission.
Requests for copies of this annual report should be directed to:

Westamerica Bancorporation, Investor Relations, A-2B
Post Office Box 1250, Suisun City, CA 94585-1250
Telephone (707) 863-6992
E-mail: investments@westamerica.com
www.westamerica.com

Westamerica Bancorporation and Westamerica Bank Board of Directors

David L. Payne, Chairman, President and Chief Executive Officer, Westamerica Bancorporation; President and General Manager, Gibson Publications
Etta Allen, President, Allen Heating and Sheet Metal
Louis E. Bartolini, Retired Merrill Lynch Executive
E. Joseph Bowler, Retired Senior Vice President and Treasurer, Westamerica Bancorporation
Arthur C. Latno, Jr., Retired Executive Vice President, Pacific Telesis Company
Patrick D. Lynch, Consultant, High Technology Companies
Catherine C. MacMillan, Retired Attorney
Ronald A. Nelson, Investments
Edward B. Sylvester, Consulting Civil Engineer

Westamerica Bancorporation Corporate Officers

David L. Payne, Chairman, President and Chief Executive Officer
Dennis R. Hansen, Senior Vice President Operations and Systems
Russell Rizzardi, Senior Vice President Credit Administration
David L. Robinson, Senior Vice President Banking Division
James J. Schneck, Vice President and General Auditor
Robert A. Thorson, Senior Vice President and Chief Financial Officer

Westamerica Bank Management Officers

David L. Payne, Chairman, President and Chief Executive Officer
Dennis R. Hansen, Senior Vice President Operations and Systems
Russell Rizzardi, Senior Vice President Credit Administration
David L. Robinson, Senior Vice President Banking Division
Robert A. Thorson, Senior Vice President and Chief Financial Officer

WESTAMERICA BANCORPORATION

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