

WESTAMERICA BANCORPORATION

Form 11-K

June 29, 2007

Page 1

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

Form 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-9383

A. Full title of the plan and the address of the plan, if
different from that of the issuer named below:

WESTAMERICA BANCORPORATION TAX DEFERRED
SAVINGS/RETIREMENT PLAN (ESOP)

B. Name of issuer of the securities held pursuant to the plan and
the address of its principal executive office:

Westamerica Bancorporation
1108 Fifth Avenue
San Rafael, California 94901

Page 2

WESTAMERICA BANCORPORATION

TAX DEFERRED SAVINGS/RETIREMENT PLAN (ESOP)

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2006 AND 2005 AND

FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004

AND

SUPPLEMENTAL SCHEDULES

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006

AND

Edgar Filing: WESTAMERICA BANCORPORATION - Form 11-K

REPORT OF INDEPENDENT REGISTERED

PUBLIC ACCOUNTING FIRM

Page 3

WESTAMERICA BANCORPORATION
TAX DEFERRED SAVINGS/RETIREMENT PLAN (ESOP)

FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES

TABLE OF CONTENTS

| | Page |
|---|-------|
| | ---- |
| Report of Independent Registered Public Accounting Firm | 4 |
| Financial Statements: | |
| Statement of Net Assets Available for Plan Benefits as of December 31, 2006 and 2005 | 5 |
| Statement of Changes in Net Assets Available for Benefits for the years ended December 31, 2006, 2005 and 2004 | 6 |
| Notes to Financial Statements | 7-15 |
| Supplemental Schedules: | |
| Schedule H, Line 4i - Schedule of Assets (Held at End of Year) As of December 31, 2006 | 16-17 |
| Schedule H, Line 4j - Schedule of Reportable Transactions for the year ended December 31, 2006 | 18 |
| Signatures | 19 |
| Exhibit Index | 20 |

Page 4

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Employee Benefits and
Compensation Committee of the
Board of Directors of
Westamerica Bancorporation

We have audited the accompanying statement of net assets available for benefits of the Westamerica Bancorporation Tax Deferred Savings/Retirement Plan (ESOP) (the "Plan") as of December 31, 2006 and 2005, and the related statement of

Edgar Filing: WESTAMERICA BANCORPORATION - Form 11-K

changes in net assets available for benefits for the years ended December 31, 2006, 2005 and 2004. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing 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. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Westamerica Bancorporation Tax Deferred Savings/Retirement Plan (ESOP) as of December 31, 2006 and 2005, and the changes in net assets available for benefits for the years ended December 31, 2006, 2005 and 2004, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of assets (held at end of year) and reportable transactions, as of and for the year ended December 31, 2006, are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the United States Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic 2006 financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic 2006 financial statements taken as a whole.

/s/ Perry-Smith LLP

Sacramento, California
June 26, 2007

Page 5

WESTAMERICA BANCORPORATION
TAX DEFERRED SAVINGS/RETIREMENT PLAN (ESOP)
STATEMENT OF NET ASSETS AVAILABLE FOR PLAN BENEFITS
For the Years Ended December 31, 2006 and 2005

| | 2006 | 2005 |
|-----------------------------|--------------|--------------|
| ASSETS | ----- | ----- |
| Investments (Notes 3 and 4) | \$54,952,663 | \$56,211,752 |
| | ----- | ----- |

Edgar Filing: WESTAMERICA BANCORPORATION - Form 11-K

Receivables:

| | | |
|---------------------------|------------|------------|
| Employer contributions | -- | 62,888 |
| Participant contributions | -- | 84,719 |
| Interest | -- | 109 |
| | | ----- |
| Total receivables | -- | 147,716 |
| | | ----- |
| Total assets | 54,952,663 | 56,359,468 |
| | | ----- |

LIABILITIES

| | | |
|-----------------------------------|--------------|--------------|
| Accrued trustee fees | 11,400 | 12,577 |
| | | ----- |
| Net assets available for benefits | \$54,941,263 | \$56,346,891 |
| | ===== | ===== |

The accompanying notes are an integral part of these financial statements.

Page 6

WESTAMERICA BANCORPORATION
TAX DEFERRED SAVINGS/RETIREMENT PLAN (ESOP)

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS

For the Years Ended December 31, 2006, 2005 and 2004

| | 2006 | 2005 | 2004 |
|--|-----------|---------------|--------------|
| | ----- | ----- | ----- |
| ADDITIONS | | | |
| Investment income: | | | |
| Net appreciation (depreciation) in fair value of investments (Note 3) \$ | 262,793 | \$(2,948,412) | \$ 7,418,432 |
| Dividends | 1,548,212 | 1,321,171 | 1,105,556 |
| Interest on participant loans | 71,353 | 57,540 | 61,938 |
| | | | ----- |
| Total investment income (loss) | 1,882,358 | (1,569,701) | 8,585,926 |
| | | | ----- |
| Contributions: | | | |
| Participants | 2,064,360 | 2,338,918 | 2,313,392 |
| Employer | 1,284,649 | 1,509,026 | 1,508,125 |
| Participant rollovers | 437,189 | 118,533 | 225,627 |
| | | | ----- |
| Total contributions | 3,786,198 | 3,966,477 | 4,047,144 |
| | | | ----- |
| Total additions | 5,668,556 | 2,396,776 | 12,633,070 |
| | | | ----- |

DEDUCTIONS

Edgar Filing: WESTAMERICA BANCORPORATION - Form 11-K

| | | | |
|------------------------------------|---------------|--------------|--------------|
| Benefits paid to participants | 7,044,524 | 7,738,145 | 4,353,746 |
| Administrative expenses (Note 6) | 29,660 | 49,324 | 51,327 |
| | ----- | ----- | ----- |
| Total deductions | 7,074,184 | 7,787,469 | 4,405,073 |
| | ----- | ----- | ----- |
| Net (decrease) increase | (1,405,628) | (5,390,693) | 8,227,997 |
| | | | |
| Net assets available for benefits: | | | |
| Beginning of year | 56,346,891 | 61,737,584 | 53,509,587 |
| | ----- | ----- | ----- |
| End of year | \$ 54,941,263 | \$56,346,891 | \$61,737,584 |
| | ===== | ===== | ===== |

The accompanying notes are an integral part of these financial statements.

Page 7

WESTAMERICA BANCORPORATION
TAX DEFERRED SAVINGS/RETIREMENT PLAN (ESOP)

NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF PLAN

The following description of the Westamerica Bancorporation (the "Company") Tax Deferred Savings/Retirement Plan (ESOP) (the "Plan") provides only general information. Participants should refer to the Summary Plan Description and Plan Document for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan covering substantially all employees of the Company. The Plan, which became effective October 1, 1985, is intended to be a qualified stock bonus plan under section 401(a) of the Internal Revenue Code ("IRC") and is designated as an employee stock ownership plan or ESOP. Portions of the Plan are also intended to qualify as a qualified cash or deferred arrangement within the meaning of section 401(k) of the IRC. Effective April 1, 2006, the Plan was amended and restated to provide for Roth elective contributions.

The Employee Benefits and Compensation Committee of the Company's Board of Directors (the "Committee") delegates the administration of the Plan to the Company's Pension Management Committee. The Committee has the responsibility for the general operation of the Plan, including the resolution of any questions arising under the Plan agreement. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Investments in the Plan are participant directed, with the exception of employer contributions which are invested in shares of the Company's common stock at the time of contribution. Subsequent to investment in the Company's common stock, participants may direct employer matching contributions among all investment options. Vanguard Fiduciary Trust Company serves as Trustee of the Plan.

During 2005, Redwood Empire Bancorp (Redwood) was merged into Westamerica

Edgar Filing: WESTAMERICA BANCORPORATION - Form 11-K

Bancorporation. The Plan was amended in order for former employees of Redwood's wholly-owned subsidiary, National Bank of the Redwoods, to be credited with their prior service for eligibility in the Plan.

Eligibility

Under the Plan, employees of the Company who are compensated on a salaried basis become eligible to participate in the plan on the first day of the calendar month coinciding with or following the date the employee completes 90 consecutive days of service with the Company or completes 1,000 service hours in a 12-month consecutive period.

Vesting

Participants are immediately vested in their salary-deferral contributions, the Company's discretionary and matching contributions, plus actual earnings thereon.

Page 8

1. DESCRIPTION OF PLAN (Continued)

Contributions

Each year, participants may make salary deferral contributions in any whole percentage of pretax annual compensation subject to certain IRC limitations. Effective April 1, 2006, participants may also elect to make salary deferral contributions on an after-tax basis in whole percentage increments, subject to certain limitations defined by the Plan. These contributions are designated as Roth elective contributions.

The Company makes a matching contribution equal to 100 percent of the participant's elective contribution and Roth elective contribution, up to a maximum of 6 percent of the participant's compensation. Additional amounts may be contributed at the discretion of the Company's Board of Directors. Participants may also contribute amounts representing distributions from other qualified Roth accounts, defined benefit, or contribution plans. For the years ended December 31, 2006, 2005 and 2004, the Company made no discretionary contributions. Company contributions are subject to certain IRC limitations.

Participant Accounts

Individual accounts are maintained for each Plan participant. Each participant's account is credited with the participant's contribution, allocation of the Company's matching and discretionary contributions, allocation of Plan earnings, and charged with withdrawals, allocations of Plan losses and administrative expenses.

Employer matching contributions are allocated to participants based on the Participant's elective contribution. Employer discretionary contributions are allocated to the account of each participant in ratio of the participant's eligible compensation to the total eligible compensation for all Plan participants.

Participants' Investment Options

Edgar Filing: WESTAMERICA BANCORPORATION - Form 11-K

Company matching contributions are invested in the Westamerica Common Stock Fund in accordance with the Plan Document. Participants may redirect Company matching contributions from the Westamerica Common Stock Fund to other investment options at their discretion.

Participants direct participant contributions in whole or in part in any of the following investment fund options as of December 31, 2006:

* The Westamerica Common Stock Fund, which is invested in the Company's common stock and temporary interest-bearing money market funds.

* Vanguard 500 Index Fund, which invests in the 500 stocks that make up the unmanaged Standard & Poor's 500 Composite Stock Price Index, a widely recognized benchmark of U.S. stock market performance.

Page 9

1. DESCRIPTION OF PLAN (Continued)

Participants' Investment Options (Continued)

* Vanguard Explorer Fund, which invests in a diversified group of small-company stocks with prospects for above-average growth. The fund may invest up to 20% in foreign securities and up to 15% in restricted or illiquid securities.

* Vanguard Morgan Growth Fund, which invests primarily in stocks of large and mid-sized companies that have strong records of growth in sales and earnings or that have performed well during certain market cycles.

* Vanguard Prime Money Market Fund, which invests in short-term, high-quality money market instruments issued by financial institutions, nonfinancial corporations, the U.S. government, and federal agencies.

* Vanguard Total Bond Market Index Fund, which invests in bonds that attempt to match the performance of the unmanaged Lehman Brothers Aggregate Bond Index, which is a widely recognized measure of the taxable U.S. bond market.

* Vanguard Total International Stock Index Fund, which invests in three Vanguard international index funds: a European fund, a Pacific fund, and an emerging markets fund. These funds invest in the stock of companies in more than 30 countries.

* Vanguard Windsor II Fund, which invests in a diversified group of out-of-favor stocks of large capitalization companies. The stocks selected generally sell at prices below the market average compared to their dividend income and future return potential.

* Vanguard Extended Market Index Fund, which invests in a broadly diversified portfolio of stocks of small and medium sized companies that are regularly traded on the New York and American Stock Exchanges and NASDAQ over-the-counter market. The portfolio is designed to be representative of the Wilshire 4500 Index.

* Vanguard Short-Term Federal Fund, which invests primarily in short-term securities issued by U.S. government agencies, but may also invest in U.S. Treasury securities and in repurchase agreements backed by U.S. Treasury or federal agency securities. To reduce fluctuations in its share price, the fund maintains an average maturity of 1 to 3 years.

Edgar Filing: WESTAMERICA BANCORPORATION - Form 11-K

* Vanguard Target Retirement Income Fund, which invests in other Vanguard mutual funds according to an asset allocation designed for investors currently in retirement. It typically allocates 70% of assets to bonds and 30% to stocks.

* Vanguard Target Retirement 2005, which is invested in other Vanguard mutual funds. It typically allocates 50% of assets to bonds and 50% to stocks.

Page 10

1. DESCRIPTION OF PLAN (Continued)

Participants' Investment Options (Continued)

* Vanguard Target Retirement 2010, which is invested in other Vanguard mutual funds. It typically allocates 57% of assets to stock, 41% to bonds and 2% to stable value funds.

* Vanguard Target Retirement 2015, which is invested in other Vanguard mutual funds according to an asset allocation designed for investors currently in retirement. It typically allocates 67% of assets to stocks and 33% to bonds.

* Vanguard Target Retirement 2025, which is invested in other Vanguard mutual funds. It typically allocates 82.5% of assets to stocks and 17.5% to bonds.

* Vanguard Target Retirement 2035, which is invested in other Vanguard mutual funds. It typically allocates 90% of assets to stocks and 10% to bonds.

* Vanguard Target Retirement 2040, which is invested in other Vanguard mutual funds. Typically allocates 90% of assets to stock and 10% to bonds.

* Vanguard Target Retirement 2045, which is invested in other Vanguard mutual funds. It typically allocates 90% of assets to stocks and 10% to bonds.

* Vanguard Target Retirement 2050, which is invested in other Vanguard mutual funds. It typically allocates 90% of its assets to stocks and 10% to bonds.

Participants may change their investment options at any time directly through The Vanguard Group.

Participant Loans

Participants may borrow a minimum of \$1,000 up to a maximum equal to the lesser of 50 percent of their account balance, 100 percent of participant contributions, or \$50,000. For the purposes of this limit, all qualified plans of the Company shall be considered one plan. Loans are secured by the balance in the participant's account. Participant loans are funded by selling investments in the borrowing participant's accounts and bear interest at prevailing market rates at the time the funds are borrowed. Loan terms range from 1 to 5 years. Principal and interest is paid ratably through payroll deductions and invested in the borrowing participant's accounts in accordance with their investment directions.

Page 11

1. DESCRIPTION OF PLAN (Continued)

Edgar Filing: WESTAMERICA BANCORPORATION - Form 11-K

Payment of Benefits

Upon termination of service for any reason, a participant may elect to receive a lump-sum distribution equal to the value in his or her account. Distributions for the value of a participant's account invested in the Westamerica Common Stock Fund stock are made in the form of the Company's common stock plus cash for any fractional shares or, if a participant elects, in cash or an in-kind transfer, as provided by the Plan document. Participants may also receive in-service distributions on account of hardship or after attaining age 59 1/2. Cash dividends paid on Westamerica Bancorporation common stock allocated to participant accounts may be paid to participants in cash or be credited to the participant's account as earnings. If the value of a separated participant's benefit is not more than \$1,000, the benefit shall be automatically paid in a single lump sum in cash or, if elected, directly to an eligible retirement plan. Benefits payable to participants for amounts greater than \$1,000 may be made in cash or other form of distribution, as defined by the Plan. As of December 31, 2006 and 2005, there were no benefits payable to participants that have elected to withdraw from the Plan but have not yet been paid.

Voting Rights

Each participant is entitled to exercise voting rights attributable to the Westamerica Bancorporation common stock shares allocated to his or her account and is notified by the Trustee prior to the time that such rights are to be exercised. The Trustee is not permitted to vote any allocated share for which instructions have not been given by a participant.

Plan Termination

Although it has not expressed any interest to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan, subject to the provisions of ERISA.

Administrative Expenses

The Company provides bookkeeping and other administrative services for the Plan at no charge. The Company pays the Plan's annual account maintenance fees for participants actively employed by the Company and other administrative expenses.

2. SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Plan have been prepared in accordance with accounting principles generally accepted in the United States of America.

Page 12

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan's

Edgar Filing: WESTAMERICA BANCORPORATION - Form 11-K

management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein and disclosure of contingent assets and liabilities. Actual results could differ from those estimates. The Plan utilizes various investment instruments, including the common stock of the Company and mutual funds. Investment securities, in general, are exposed to various risks, such as interest rate, credit, currency and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Concentrations of Investments

Included in investments at December 31, 2006 and 2005 are shares of the Westamerica Common Stock Fund amounting to \$29,608,768 and \$34,398,813, respectively. The Westamerica Common Stock Fund represents 54% and 61% of total investments at December 31, 2006 and 2005, respectively. A significant decline in the market value of the Company's stock would have a materially adverse effect on the Plan's net assets available for benefits.

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. Shares of registered investment companies (mutual funds) are reported at fair value based on the quoted market price of the fund, which represents the net asset value of shares held by the Plan at year end. The Company's common stock is valued at its quoted market price. Participant loans are valued at their outstanding loan balances.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) in fair value of investments includes net unrealized market appreciation (depreciation) of investments and net realized gains and losses on the sale of investments during the period.

Management fees and operating expenses charged to the Plan for investments in shares of registered investment companies (mutual funds) are deducted from income earned on a daily basis and are not separately reflected. Consequently, management fees and operating expenses are reflected as a reduction of investment return for such investments. Trustee fees for Westamerica Bancorporation common stock are charged to the Westamerica Common Stock Fund.

Payment of Benefits

Benefits are recorded when paid.

Page 13

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Reclassifications

Certain amounts shown in the prior year have been reclassified to conform to the current year presentation.

Impact of New Financial Accounting Standards

Edgar Filing: WESTAMERICA BANCORPORATION - Form 11-K

Fair Value Measurements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement No. 157 (SFAS 157), Fair Value Measurements. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. In this standard, the FASB clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, SFAS 157 establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The provisions of SFAS 157 are effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The provisions should be applied prospectively, except for certain specifically identified financial instruments. Management does not expect the adoption of SFAS 157 to have a material impact to the Plan's financial position or results of operations.

Fair Value Accounting

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115 (SFAS 159). This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the FASB's long-term measurement objectives for accounting for financial instruments. SFAS 159 is effective for fiscal years beginning after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of SFAS 157. Management has not chosen early adoption of SFAS 159. Management is in the process of evaluating the impact the adoption of SFAS 159 will have on the Plan's financial position and results of operations.

Page 14

3. INVESTMENTS

The Plan's investments, including investments bought, sold, and held during the year, appreciated in value by \$262,793 and \$7,418,432 during 2006 and 2004, respectively, and depreciated in value by \$2,948,412 during 2005, as follows:

| | 2006 | 2005 | 2004 |
|-------------------------------|---------------|---------------|--------------|
| Westamerica Common Stock Fund | \$(1,609,963) | \$(3,680,251) | \$ 6,047,876 |
| Mutual funds | 1,872,756 | 731,839 | 1,370,556 |
| | ----- | ----- | ----- |
| | \$ 262,793 | \$(2,948,412) | \$ 7,418,432 |
| | ===== | ===== | ===== |

Edgar Filing: WESTAMERICA BANCORPORATION - Form 11-K

The following table presents investments at fair value that represent 5% or more of the Plan's net assets as of December 31, 2006 and 2005:

| | 2006 | 2005 |
|--------------------------------------|--------------|--------------|
| | ----- | |
| Westamerica Common Stock Fund | \$29,608,768 | \$34,398,813 |
| Vanguard 500 Index Fund | 5,335,868 | 4,584,551 |
| Vanguard Prime Money Market Fund | 3,495,303 | 2,851,975 |
| Vanguard Target Retirement 2015 Fund | 2,932,013 | 2,473,170 |
| Vanguard Morgan Growth Fund | 2,918,998 | 2,864,909 |
| Other Investments | 10,661,713 | 9,038,334 |
| | ----- | |
| | \$54,952,663 | \$56,211,752 |
| | ===== | |

4. INVESTMENT IN WESTAMERICA BANCORPORATION COMMON STOCK

The Plan's investments at December 31, 2006 and 2005 in Westamerica Bancorporation common stock are as follows:

| | 2006 | 2005 |
|------------------|--------------|--------------|
| | ----- | |
| Number of shares | 584,806 | 647,941 |
| | ===== | |
| Cost | \$16,062,287 | \$17,211,268 |
| | ===== | |
| Fair value | \$29,608,768 | \$34,398,813 |
| | ===== | |

Page 15

5. FEDERAL INCOME TAX STATUS

The Internal Revenue Service has determined and informed the Company by a letter dated December 12, 2001, that the Plan is qualified and the trust established under the Plan is tax-exempt, under the appropriate sections of the Internal Revenue Code. The Plan has been amended since receiving the determination letter; however, the Plan's management and the Plan's tax counsel believe that the Plan currently is designed and being operated in compliance with the applicable requirements of the Internal Revenue Code and the Plan continues to be tax exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements.

6. RELATED PARTY TRANSACTIONS

Plan investments include shares of mutual funds, including the Westamerica Common Stock Fund which invests in the common stock of the Company, managed

Edgar Filing: WESTAMERICA BANCORPORATION - Form 11-K

by an affiliate of Vanguard Fiduciary Trust Company (VFTC). VFTC is the Trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. Fees paid by the Plan for investment management services were included as a reduction of the return earned on each fund. Fees paid by the Plan for trustee services in connection with the Westamerica Common Stock Fund for the years ended December 31, 2006, 2005 and 2004 amounted to \$45,837, \$49,324 and \$51,327, respectively.

7. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements at December 31, 2006 to Form 5500:

| | |
|--|---------------|
| Net assets available for benefits per the financial statements | \$ 54,941,263 |
| Addition: | |
| Accrued expenses | 11,400 |
| | ----- |
| Net assets available for benefits per Form 5500 | \$ 54,952,663 |
| | ===== |

The following is a reconciliation of administrative expenses per the financial statements for the year ended December 31, 2006 to Form 5500:

| | |
|--|-----------|
| Administrative expenses per the financial statements | \$ 29,660 |
| Less: | |
| Accrual of administrative expenses | (11,400) |
| | ----- |
| Administrative expenses per Form 5500 | \$ 18,260 |
| | ===== |

8. PLAN AMENDMENTS

Effective April 2006, the Plan was amended and restated to provide participants with the option of making salary deferral contributions to the Plan on an after-tax basis (Roth elective contributions). In addition, the Plan was amended to provide for Company matching contributions on both participant elective and Roth contributions.

Effective January 2006, the hardship withdrawal rules were also revised.

Page 16

SUPPLEMENTAL SCHEDULES

WESTAMERICA BANCORPORATION
TAX DEFERRED SAVINGS/RETIREMENT PLAN (ESOP)

EMPLOYER IDENTIFICATION NUMBER: 94-2156203
PLAN NUMBER: 002

SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)

Edgar Filing: WESTAMERICA BANCORPORATION - Form 11-K

December 31, 2006

| (a) | (b) Identity of Issuer, Borrower, Lessor or Similar Party | (c) Description of Investment Including Maturity Date, Rate of Interest, Collate Par or Maturity Value | (d) Cost | (e) Current Value |
|-----|--|--|--------------|-------------------------|
| * | Westamerica Common Stock Fund | Common Stock 584,806 shares | \$16,062,287 | \$ 29,608,768 |
| * | Vanguard 500 Index Fund | Mutual Fund 40,850 shares | 4,557,122 | 5,335,868 |
| * | Vanguard Prime Money Market Fund | Mutual Fund 3,495,303 shares | 3,495,303 | 3,495,303 |
| * | Vanguard Target Retirement 2015 Fund | Mutual Fund 401,914 shares | 2,718,860 | 2,932,013 |
| * | Vanguard Morgan Growth Fund | Mutual Fund 153,714 shares | 2,637,280 | 2,918,998 |
| * | Vanguard Total International Stock Index Fund | Mutual Fund 1,079,879 shares | 1,752,852 | 2,470,707 |
| * | Vanguard Windsor II Fund | Mutual Fund 56,230 shares | 1,702,583 | 1,954,077 |
| * | Vanguard Target Retirement 2025 Fund | Mutual Fund 85,598 shares | 1,017,580 | 1,116,232 |
| * | Vanguard Total Bond Market Index Fund | Mutual Fund 107,441 shares | 1,078,856 | 1,073,344 |

Page 17

WESTAMERICA BANCORPORATION
TAX DEFERRED SAVINGS/RETIREMENT PLAN (ESOP)

EMPLOYER IDENTIFICATION NUMBER: 94-2156203
PLAN NUMBER: 002

SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
(Continued)
December 31, 2006

| (a) | (b) Identity of Issuer, Borrower, Lessor or Similar Party | (c) Description of Investment Including Maturity Date, Rate of Interest, Collate Par or Maturity Value | (d) Cost | (e) Current Value |
|-----|--|--|-------------|-------------------------|
| * | Vanguard Extended Market Index Fund | Mutual Fund 20,052 shares | 644,611 | 775,655 |

Edgar Filing: WESTAMERICA BANCORPORATION - Form 11-K

| | | | |
|---|------------------------------|---------|---------|
| * Vanguard Target Retirement 2035 Fund | Mutual Fund 32,299 shares | 405,652 | 447,999 |
| * Vanguard Target Retirement 2005 Fund | Mutual Fund 14,181 shares | 411,376 | 429,738 |
| * Vanguard Target Retirement 2045 Fund | Mutual Fund 24,872 shares | 325,793 | 356,186 |
| * Vanguard Explorer Fund | Mutual Fund 4,714 shares | 364,099 | 352,192 |
| * Vanguard Target Retirement Income Fund | Mutual Fund 27,985 shares | 294,650 | 300,000 |
| * Vanguard Short Term Federal Fund | Mutual Fund 12,995 shares | 135,672 | 133,594 |
| * Vanguard Target Retirement 2010 Fund | Mutual Fund 7,326 shares | 123,815 | 135,645 |
| * Vanguard Target Retirement 2050 Fund | Mutual Fund 39 shares | 866 | 885 |
| * Vanguard Target Retirement 2040 Fund | Mutual Fund 24 shares | 541 | 548 |

| | | | |
|-------------------|---|--------------|---------------|
| Participant loans | Interest rates ranging from 5.00% to 9.75% | 1,114,911 | 1,114,911 |
| | | ----- | ----- |
| | | \$38,844,709 | \$ 54,952,663 |
| | | ===== | ===== |

* Party-in-interest to the Plan.

Page 18

WESTAMERICA BANCORPORATION
TAX DEFERRED SAVINGS/RETIREMENT PLAN (ESOP)
EMPLOYER IDENTIFICATION NUMBER: 94-2156203
PLAN NUMBER: 002

SCHEDULE H, LINE 4j - SCHEDULE OF REPORTABLE TRANSACTIONS

For the Year Ended December 31, 2006

| (a) Identity of Party Involved | (b) Description of Asset | (c) Purchase Price | (d) Selling Price | (e) Historical Cost of Asset | (f) Current of As Transa Dat |
|--------------------------------------|--------------------------------|--------------------------|-------------------------|---------------------------------------|--|
| Vanguard | Vanguard Prime Money Mkt Fund | \$2,266,732 | | | \$2,266, |
| Vanguard | Vanguard Prime Money Mkt Fund | | \$1,623,404 | \$1,623,403 | 1,623, |

Edgar Filing: WESTAMERICA BANCORPORATION - Form 11-K

| | | | | | |
|----------|-------------------------------|-----------|-----------|-----------|--------|
| Vanguard | Westamerica Common Stock Fund | 2,656,606 | | | 2,656, |
| Vanguard | Westamerica Common Stock Fund | | 5,824,111 | 3,805,587 | 5,824, |

Page 19

Duly Authorized Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or the persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

WESTAMERICA BANCORPORATION
TAX DEFERRED SAVINGS/RETIREMENT PLAN (ESOP)

Date: June 29, 2007

By: /s/ John "Robert" Thorson

John "Robert" Thorson
Senior Vice President
And Member, Pension Management Committee

Page 20

Exhibit Index

| Exhibit Number | Description |
|-------------------|--|
| ----- | ----- |
| 23 | Consent of Independent Registered Public Accounting Firm |
| 99 | Certification pursuant to 18 U.S.C. Section 1350 |