SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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WEST COAST BANCORP /NEW/OR/

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FORM 10-K

[X] Annual Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

For the fiscal year ended December 31, 1998 Commission file number 0-10997

WEST COAST BANCORP
(Exact name of registrant as specified in its charter)

Oregon	93-0810577
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
5335 Meadows Road - Suite 201 Lake Oswego, Oregon	97035
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (503) 684-0884

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

None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, No Par Value
(Title of Class)

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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of 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. [ ]

The approximate aggregate market value of Registrant's Common Stock held by non-affiliates of the Registrant on February 28, 1999, was $279,804,787.

The number of shares of Registrant's Common Stock outstanding on February 28, 1999, was 14,167,331.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the West Coast Bancorp Definitive Proxy Statement dated March 23, 1999 are incorporated by reference into Part III of Form 10-K.

INDEX

<TABLE>
<CAPTION>

PART I		PAGE
<S>	<C>	<C>
Item 1.	BUSINESS	2
	General	2
	Recent Developments	2
	Subsidiaries	3
	Employees	4
	Competition	4
	Governmental Policies	4
	Supervision and Regulation	5
Item 2.	PROPERTIES	8
Item 3.	LEGAL PROCEEDINGS	9
Item 4.	SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	9
PART II		
Item 5.	MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS	10
Item 6.	SELECTED FINANCIAL DATA	11

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Item 7.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	12
Item 8.	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	28
Item 9.	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	53
PART III		
Item 10.	DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT	53
Item 11.	EXECUTIVE COMPENSATION	53
Item 12.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	53
Item 13.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	53
PART IV		
Item 14.	EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K	54
SIGNATURES		55
EXHIBIT INDEX		56

</TABLE>

PART I

ITEM 1. BUSINESS

GENERAL

West Coast Bancorp ("Bancorp," "Company," or the "registrant,") an Oregon corporation and a bank holding company, was organized in August of 1981 under the name "Commercial Bancorp." Commercial Bancorp acquired West Coast Bancorp, a one-bank holding company based in Newport, Oregon, on February 28, 1995. The combined corporation retained the name "West Coast Bancorp," and moved its headquarter office to Lake Oswego, Oregon.

Bancorp remains headquartered in Lake Oswego, and its principal business activities are conducted through its full-service, commercial bank subsidiary West Coast Bank ("Bank"), an Oregon State-chartered bank with deposits insured by the Federal Deposit Insurance Corporation ("FDIC"). At December 31, 1998, the Bank had facilities in 31 cities and towns in western Oregon and western Washington, operating a total of 37 full-service and three limited-service branches. Bancorp also operates West Coast Trust Company, Inc., an Oregon trust company that provides agency, fiduciary, and other related trust services. The market value of assets managed for others at December 31, 1998 totaled $260.4 million.

Bancorp's four former commercial bank subsidiaries were merged together under the name West Coast Bank, effective December 31, 1998 (the "Consolidation"). For more information regarding the Consolidation, see below under "Recent Developments."

RECENT DEVELOPMENTS

RESULTS

For the year ended December 31, 1998, the operations of the registrant on a combined basis earned net income of $14.1 million, or $0.96 per diluted share. The combined equity of the registrant at December 31, 1998, was $117.2 million, with 14.2 million common shares outstanding and a book value of $8.23 per share. Net loans of $849.6 million at December 31, 1998, represented approximately 67.67 percent of total assets. Deposits total $1.1 billion at year-end 1998. For more information regarding Bancorp's results, see "Management's Discussion and Analysis of Financial Condition and Results of Operation" and "Financial Statements and Supplementary Data," contained in this report.

THE CONSOLIDATION

During 1998, Bancorp was the parent bank holding company of four wholly owned, full-service commercial Bank subsidiaries: (1) The Bank of

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Newport, Newport, Oregon, (2) The Commercial Bank, Salem, Oregon, (3) Bank of Vancouver, Vancouver, Washington, and (4) Centennial Bank, Olympia, Washington. On December 31, 1998, The Commercial Bank, Bank of Vancouver, and Centennial Bank were merged into The Bank of Newport, which changed its name to West Coast Bank. Each Bank branch now operates under the name West Coast Bank, although some signage changes are still underway. Each former bank subsidiary operated under the advisement of its own local board of directors. These boards were disbanded upon closing of the Consolidation. The board of directors of the Bank currently consists of the same members as the Bancorp board of directors. In exchange for their agreement not to compete with the Bank, certain members of the former bank boards were appointed as Directors Emeritus of the Bank board to serve until June 30, 1999.

MANAGEMENT DEVELOPMENTS

Lee S. Stenseth, former President and Chief Executive Officer ("CEO") of Bank of Vancouver, retired in May of 1998. Ronald T. DeLude was hired to replace Mr. Stenseth as President and CEO of Bank of Vancouver. As part of the Consolidation, Mr. DeLude was promoted to Chief Operating Officer of Bancorp and the Bank.

Also, as part of the Consolidation: (1) Victor L. Bartruff was appointed President and CEO of the Bank; (2) Timothy P. Dowling, former President and CEO of The Bank of Newport was appointed to Regional Vice-President of the Bank, serving the Bank's Coast/Willamette region, (2) Daniel Yerrington, former President of Centennial Bank, was appointed to Regional Vice-President, serving the Bank's South Puget Sound region, and (3) Edgar B. Martin, former President and CEO of The Commercial Bank, retired in December of 1998.

ACQUISITION OF CENTENNIAL HOLDINGS, LTD. ("CHL")

On February 28, 1998, Bancorp acquired CHL of Olympia, Washington, the parent bank holding company of Centennial Bank, a full-service commercial bank organized in 1974. CHL's principal business activities were conducted through Centennial Bank, which operated eight branches and two real estate offices in southwestern Washington. As part of Bancorp's acquisition of CHL, Centennial Bank became a wholly owned subsidiary of Bancorp. The transaction was accounted for as a pooling of interests

under generally accepted accounting principles. As discussed above, Centennial Bank was consolidated into West Coast Bank on December 31, 1998.

FUTURE EXPANSION STRATEGY

Bancorp remains committed to community banking and intends West Coast Bank to remain community-focused. Bancorp's strategic vision continues to include expansion throughout the west. Bancorp will continue to seek acquisition opportunities with community banks that share its business philosophies. Bancorp also intends to grow through development of new branch locations. Consistent with this strategy, Bancorp opened a new branch in McMinnville, Oregon on January 25, 1999.

SUBSIDIARIES

THE BANK

West Coast Bank was originally organized in 1925 under the name "The Bank of Newport," and its head office is currently located in Lake Oswego, Oregon. The Bank conducts business through 40 branches located in western Oregon and southwestern Washington. The Oregon branches are located in the following cities and towns: Salem--four branches, Keizer--three branches, Newberg--two branches, Newport-two branches, Clackamas, Dallas, Depoe Bay, Forest Grove, Hillsboro, King City, Lake Oswego, Lincoln City, Molalla, Monmouth, North Plains, Portland, Silverton, Stayton, Sublimity, Tigard, Toledo, Waldport, Wilsonville, and Woodburn. The Bank's Washington branches are located in the following cities and towns: Vancouver-two branches, Olympia-two branches, Centralia, Chehalis, Hoodsport, Lacey, and Shelton. At December 31, 1998, the Bank had deposits totaling $1.108 billion and net loans totaling $849.6 million.

The primary business strategy of the Bank is to provide community banking and related services to individuals, professionals, and small to medium-sized businesses. The Bank emphasizes customer relationships, high quality service, and individual attention to customer needs. Small to medium-sized business, the mature market consumer, real estate construction, and commercial customers are a significant focus. The Bank offers deposit accounts, safe-deposit boxes, consumer loans, commercial and residential real estate loans, commercial loans, including operating lines secured by accounts

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receivable and inventory, and other traditional bank products. The Bank's portfolio has some concentration in real estate-secured loans, construction loans, and agricultural and light manufacturing-related businesses.

Deposit products include regular and interest or package checking accounts, savings accounts, certificates of deposit, and money market accounts. Consumer credit products include residential first and second mortgages, automobile loans, credit cards, lines of credit, and other products. Lending services include short to intermediate-term loans, inventory financing, equipment leasing, revolving lines of credit, and other types of credit. The Bank also offers a VISA credit card program as part of its retail banking services.

The Bank emphasizes the importance of establishing high quality, long-term relationships with customers and seeks to implement new products and services to meet their banking needs and to exceed their banking expectations. For example, the Bank offers (1) trust services through its affiliate West Coast Trust, (2) courier services to our small business customers, (3) a Progressive Banking Program (which uses designated customer deposits exclusively for loans to and short-term investments in small businesses, affordable housing, and community development), (4) 24-hour telephone banking, and (5) ExecuBanc (24-hour access to electronic banking for business customers). Automated teller machines are available in 38 branch and other locations offering 24-hour transaction services, including cash withdrawals, deposits, account transfers, and balance inquiries. The Bank offers electronic banking services through telephone and personal computers. The Bank also offers securities and insurance products through an arrangement with a third party broker/dealer. These products include tax-deferred annuities, single premium whole life insurance, and other insurance investment products and securities products.

Bancorp also operates a commercial real estate loan brokerage division, which originates and brokers commercial real estate loans to other banks, insurance companies pension funds, and other sophisticated investors.

BANK LOCATION

The principal office of the Bank is located at 5335 Meadows Road, Suite 201, Lake Oswego, OR 97035 (503) 684-0884.

WEST COAST TRUST COMPANY

West Coast Trust provides trust services to individuals, partnerships, corporations, and institutions. West Coast Trust acts as fiduciary of estates and conservatorships, and as a trustee under various wills, trust, and pension and profit-sharing plans.

These trust and annuity services are available and offered through a third party broker-dealer with offices at branches of West Coast Bancorp affiliates. The main office of West Coast Trust is located at 301 Church Street, Salem, OR 97301 (503) 399-2993.

TOTTEN, INC.

Totten, Inc. ("Totten"), a Washington corporation, is a subsidiary of Bancorp that serves as trustee under deeds of trust and holds certain real estate licenses. Totten was formerly a subsidiary of CHL and became a wholly owned subsidiary of the Bancorp following Bancorp's acquisition of CHL.

BV CORPORATION

In 1996, Bank of Vancouver incorporated BV Corporation ("BV"), a Washington Corporation, to serve as trustee under deeds of trust. Since BV and Totten served duplicative functions, BV was merged into Totten on December 31, 1998. Totten was the surviving corporation in this merger, and BV no longer exists as a separate entity.

CENTENNIAL FUNDING CORPORATION

In September of 1995, CHL acquired all of the outstanding stock of Centennial Funding Corporation, a Washington corporation and an FHA-approved mortgage lender that makes home loans and residential development loans. Following Bancorp's acquisition of CHL, Centennial Funding Corporation became a wholly owned subsidiary of Bancorp.

ELD, INC.

ELD, Inc, a Washington corporation, is a wholly owned subsidiary of West Coast Bank. ELD, Inc. was incorporated by Centennial Bank in October, 1990 to conduct real estate reconveyances and to hold certain other property

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classified as other real estate owned. Following the Consolidation, ELD became West Coast Bank's subsidiary.

EMPLOYEES

At December 31, 1998, Bancorp and its subsidiaries had approximately 652 full-time equivalent employees. None of these employees are represented by labor unions. A number of benefit programs are available to eligible employees, including group medical plans, paid sick leave, paid vacation, group life insurance, 401(k) plans, deferred compensation plans, stock option plans, and an optional employee stock purchase plan.

COMPETITION

The Bank competes with other banks, as well as with savings and loan associations, savings banks, credit unions, mortgage companies, investment banks, insurance companies, securities brokerages, and other financial institutions. Banking in Oregon and Washington is dominated by several significant banking institutions, including U.S. Bank, Wells Fargo Bank, Bank of America, and Washington Mutual Savings Bank, which together account for a majority of the total commercial and savings bank deposits in Oregon and Washington. These competitors offer a greater number of branch locations (with statewide branch networks in the case of the two largest competitors), the ability to offer higher lending limits, and a variety of services not offered by the Bank. Bancorp has attempted to offset some of the advantages of the larger competitors by arranging participations with other banks for loans above its legal lending limits. Emphasis is placed on local banking featuring quality service, local responsive decision making, money reinvested into the community, and participation in nationwide services such as VISA, The Exchange, Interlink, Plus, and Accel.

Bancorp anticipates that the level of consolidation among financial institutions in its market area will continue. Other financial institutions, many with substantially greater resources than Bancorp, compete in the acquisition market against Bancorp. Some of these institutions, among other items, have greater access to capital markets, larger cash reserves and a more liquid currency than Bancorp.

Although Bancorp has been able to compete effectively in the financial services business in its markets to date, there can be no assurance that it will be able to continue to do so in the future.

GOVERNMENTAL POLICIES

The earnings and growth of Bancorp, the Bank and Bancorp's other subsidiaries, as well as their existing and future business activities, are affected not only by general economic conditions, but also by the fiscal and monetary policies of the Federal government and its agencies, particularly the Board of Governors of the Federal Reserve System ("FRB"). The FRB

implements national monetary policies (intended to curb inflation and combat recession) by its open-market operations in United States Government securities, by adjusting the required level of reserves for financial institutions subject to its reserve requirements, and by varying the discount rates applicable to borrowings by the banks from the Federal Reserve Bank. The actions of the FRB in these areas influence the growth of bank loans, investments and deposits, and also affect interest rates charged on loans and deposits. As banking is a business which depends largely on interest rate differentials (in general, the difference between the interest rates paid by the Bank on their deposits and their other borrowings and the interest rates received by the Bank on loans extended to their customers and on securities held in the Bank investment portfolios), the influence of economic conditions and monetary policies on interest rates will directly affect earnings. The nature and impact of any future changes in monetary policies cannot be predicted.

SUPERVISION AND REGULATION

GENERAL

INTRODUCTION

Bancorp is extensively regulated under federal and state law. These laws and regulations are primarily intended to protect depositors, not shareholders. The discussion below describes and summarizes certain statutes and regulations. These descriptions and summaries are qualified in their entirety by reference to the particular statute or regulation. Changes in applicable laws or regulations may have a material effect on the business and prospects of Bancorp. The operations of Bancorp may also be affected by changes in the policies of

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banking and other government regulators. Bancorp cannot accurately predict the nature or extent of the effects on its business and earnings that fiscal or monetary policies, or new federal or state laws, may have in the future.

FEDERAL BANK HOLDING COMPANY REGULATION

General. Bancorp is a bank holding company as defined in the Bank Holding Company Act of 1956, as amended (the "BHCA"), and is therefore subject to regulation, supervision and examination by the FRB. In general, the BHCA limits the business of bank holding companies to owning or controlling banks and engaging in other activities closely related to banking. Bancorp must file reports with the FRB and must provide it with such additional information as it may require.

Holding Company Bank Ownership. The BHCA requires every bank holding company to obtain the prior approval of the FRB before (1) acquiring, directly or indirectly, ownership or control of any voting shares of another bank or bank holding company if, after such acquisition, it would own or control more than 5% of such shares, (2) acquiring all or substantially all of the assets of another bank or bank holding company, or (3) merging or consolidating with another bank holding company.

Holding Company Control of Nonbanks. With some exceptions, the BHCA also prohibits a bank holding company from acquiring or retaining direct or indirect ownership or control of more than 5% of the voting shares of any company which is not a bank or bank holding company, or from engaging directly or indirectly in activities other than those of banking, managing or controlling banks, or providing services for its subsidiaries. The principal exceptions to these prohibitions involve certain non-bank activities which, by statute or by FRB regulation or order, have been identified as activities closely related to the business of banking or of managing or controlling banks. In making this determination, the FRB considers whether the performance of such activities by a bank holding company can be expected to produce benefits to the public, such as greater convenience, increased competition or gains in the efficient use of resources, which can be expected to outweigh the risks of possible adverse effects, such as decreased or unfair competition, conflicts of interest or unsound banking practices. The Economic Growth and Regulatory Reduction Act of 1996 amended the BHCA to eliminate the requirement that a bank holding company seek prior FRB approval before engaging in certain permissible nonbanking activities, if the holding company is well-capitalized and meets certain other specified criteria.

Transactions with Affiliates. Subsidiary banks of a bank holding company are subject to restrictions imposed by the Federal Reserve Act on extensions of credit to the holding company or its subsidiaries, on investments in their securities and on the use of their securities as collateral for loans to any borrower. These regulations and restrictions may limit Bancorp's ability to obtain funds from the Bank for its cash needs, including, funds for payment of dividends, interest and operational expenses.

Tying Arrangements. Bancorp and its subsidiaries are prohibited from engaging in certain tie-in arrangements in connection with any extension of credit, sale or lease of property or furnishing of services. For example, with certain exceptions, neither Bancorp nor its subsidiaries may condition an extension of credit to a customer on either (1) a requirement that the customer obtain additional services provided by it or (2) an agreement by the customer to refrain from obtaining other services from a competitor. Effective April 21, 1997, the FRB also adopted significant amendments to its anti-tying rules that: (1) remove FRB-imposed anti-tying restrictions on bank holding companies and their non-bank subsidiaries; (2) allow banks greater flexibility

to package products with their affiliates; and (3) establish a safe harbor from the tying restrictions for certain foreign transactions. These amendments are designed to enhance competition in banking and nonbanking products and allow banks and their affiliates to provide more efficient, lower cost service to their customers.

Support of Subsidiary Banks. Under FRB policy, a bank holding company is expected to act as a source of financial and managerial strength to, and commit resources to support, each of its subsidiary banks. Any capital loans a bank holding company makes to its subsidiary banks are subordinate to deposits and to certain other indebtedness of those subsidiary banks. The Crime Control Act of 1990 provides that, in the event of a bank holding company's bankruptcy, the bankruptcy trustee will assume any commitment the bank holding company has made to a federal bank regulatory agency to maintain the capital of a subsidiary bank and this obligation will be entitled to a priority of payment.

State Law Restrictions. As an Oregon corporation, Bancorp is subject

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to certain limitations and restrictions under applicable Oregon corporate law. For example, state law restrictions in Oregon include limitations and restrictions relating to: indemnification of directors, distributions to shareholders, transactions involving directors, officers or interested shareholders, maintenance of books, records, and minutes, and observance of certain corporate formalities.

CONTROL TRANSACTIONS

The Change in Bank Control Act of 1978, as amended, prohibits a person or group of persons from acquiring "control" of a bank holding company unless the FRB has been given 60 days' prior written notice of the proposed acquisition, and within that time period, the FRB has not issued a notice disapproving the proposed acquisition or extending for up to another 30 days the period during which such a disapproval may be issued. An acquisition may be made before the expiration of the disapproval period if the FRB issues written notice of its intent not to disapprove the action. Under a rebuttable presumption established by the FRB, the acquisition of 10% or more of a class of voting stock of a bank holding company with a class of securities registered under Section 12 of the Exchange Act would, under the circumstances set forth in the presumption, constitute the acquisition of control.

In addition, any company would be required to obtain the approval of the FRB under the BHCA before acquiring 25% (5% if the company is a bank holding company) or more of the outstanding shares of Bancorp or to otherwise obtain control over the Bancorp.

FEDERAL AND STATE REGULATION OF THE BANK

General. The Bank is an Oregon commercial bank with deposits insured by the FDIC and is subject to the supervision and regulation of the Oregon Department of Consumer and Business Services, the Washington Department of Financial Institutions, and the FDIC. These agencies have the authority to prohibit banks from engaging in what they believe constitute unsafe or unsound banking practices.

CRA. The Community Reinvestment Act ("CRA") requires that, in connection with examinations of financial institutions within their jurisdiction, the FRB or the FDIC evaluate the record of the financial institution in meeting the credit needs of its local communities, including low and moderate income neighborhoods, consistent with the safe and sound operation of the institution. These factors are also considered in evaluating mergers, acquisitions and applications to open a branch or facility.

Insider Credit Transactions. Banks are also subject to certain restrictions imposed by the Federal Reserve Act on extensions of credit to executive officers, directors, principal shareholders or any related interests of such persons. Extensions of credit (1) must be made on substantially the same terms, including interest rates and collateral as, and follow credit underwriting procedures that are not less stringent than, those prevailing at the time for comparable transactions with persons not covered above and who are not employees, and (2) must not involve more than the normal risk of repayment or present other unfavorable features. Banks are also subject to certain lending limits and restrictions on overdrafts to such persons. A violation of these restrictions may result in the assessment of substantial civil monetary penalties on the affected bank or any officer, director, employee, agent or other person participating in the conduct of the affairs of that bank, the imposition of a cease and desist order, and other regulatory sanctions.

Regulation of Management. Federal law (1) sets forth circumstances under which officers or directors of a bank may be removed by the institution's federal supervisory agency; (2) places restraints on lending by a bank to its executive officers, directors, principal shareholders, and their related interests; and (3) prohibits management personnel of a bank from serving as a director or in other management positions of another financial institution whose assets exceed a specified amount or which has an office within a specified geographic area.

FDICIA. Under the Federal Deposit Insurance Corporation Improvement Act ("FDICIA"), each federal banking agency has prescribed, by regulation, non-capital safety and soundness standards for institutions under its authority. These standards cover internal controls, information systems and internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, such other operational and managerial standards as the agency determines to be appropriate, and standards for asset quality, earnings and stock valuation. An institution which fails to meet these

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standards must develop a plan acceptable to the agency, specifying the steps that the institution will take to meet the standards. Failure to submit or implement such a plan may subject the institution to regulatory sanctions. Management believes that the Bank meets all such standards.

INTERSTATE BANKING AND BRANCHING

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 ("Interstate Act") permits nationwide interstate banking and branching under certain circumstances. This legislation generally authorizes interstate branching and relaxes federal law restrictions on interstate banking. Currently, bank holding companies may purchase banks in any state, and states may not prohibit these purchases. Additionally, banks are permitted to merge with banks in other states, as long as the home state of neither merging bank has opted out under the legislation. The Interstate Act requires regulators to consult with community organizations before permitting an interstate institution to close a branch in a low-income area.

Under recent FDIC regulations, banks are prohibited from using their interstate branches primarily for deposit production. The FDIC has accordingly implemented a loan-to-deposit ratio screen to ensure compliance with this prohibition.

Oregon and Washington each enacted "opting in" legislation in accordance with the Interstate Act provisions allowing banks to engage in interstate merger transactions, subject to certain "aging" requirements. Both states restrict an out-of-state bank from opening de novo branches. However, once an out-of-state bank has acquired a bank within the state, either through merger or acquisition of all or substantially all of the bank's assets, the out-of-state bank may open additional branches within the state.

DEPOSIT INSURANCE

The deposits of The Bank are currently insured to a maximum of $100,000 per depositor through the Bank Insurance Fund ("BIF") administered by the FDIC. The Bank is required to pay semiannual deposit insurance premium assessments to the FDIC.

FDICIA included provisions to reform the Federal deposit insurance system, including the implementation of risk-based deposit insurance premiums. FDICIA also permits the FDIC to make special assessments on insured depository institutions in amounts determined by the FDIC to be necessary to give it adequate assessment income to repay amounts borrowed from the U.S. Treasury and other sources or for any other purpose the FDIC deems necessary. The FDIC has implemented a risk-based insurance premium system under which banks are assessed insurance premiums based on how much risk they present to the BIF. Banks with higher levels of capital and a low degree of supervisory concern are assessed lower premiums than banks with lower levels of capital or a higher degree of supervisory concern.

DIVIDENDS

The principal source of Bancorp's cash reserves are dividends received from the Bank. The payment of dividends is subject to government regulation, in that regulatory authorities may prohibit banks and bank holding companies from paying dividends in a manner that would constitute an unsafe or unsound banking practice. In addition, a bank may not pay cash dividends if doing so would reduce the amount of its capital below that necessary to meet minimum applicable regulatory capital requirements. Oregon Laws also limit a bank's ability to pay dividends. Under these restrictions, as of December 31, 1998, the Bank could have declared dividends of approximately $24 million in the aggregate, without obtaining prior regulatory approval.

CAPITAL ADEQUACY

Federal bank regulatory agencies use capital adequacy guidelines in the examination and regulation of bank holding companies and banks. If capital falls below minimum guideline levels, the holding company or bank may be denied approval to acquire or establish additional banks or nonbank businesses or to open new facilities.

The FDIC and FRB use risk-based capital guidelines for banks and bank holding companies. These are designed to make such capital requirements more sensitive to differences in risk profiles among banks and bank holding companies, to account for off-balance sheet exposure and to minimize disincentives for holding liquid assets. Assets and off-balance sheet items are

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assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items. The guidelines are minimums, and the FRB has noted that bank holding companies contemplating significant expansion programs should not allow expansion to diminish their capital ratios and should maintain ratios well in excess of the minimum. The current guidelines require all bank holding companies and federally-regulated banks to maintain a minimum risk-based total capital ratio equal to 8%, of which at least 4% must be Tier I capital. Tier I capital for bank holding companies includes common shareholders' equity, certain qualifying perpetual preferred stock and minority interests in equity accounts of consolidated subsidiaries, less intangibles.

The FRB also employs a leverage ratio, which is Tier I capital as a percentage of total assets less intangibles, to be used as a supplement to risk-based guidelines. The principal objective of the leverage ratio is to constrain the maximum degree to which a bank holding company may leverage its equity capital base. The FRB requires a minimum leverage ratio of 3%. However, for all but the most highly rated bank holding companies and for bank holding companies seeking to expand, the FRB expects an additional cushion of at least 1% to 2%.

FDICIA created a statutory framework of supervisory actions indexed to the capital level of the individual institution. Under regulations adopted by the FDIC, an institution is assigned to one of five capital categories depending on its total risk-based capital ratio, Tier I risk-based capital ratio, and leverage ratio, together with certain subjective factors. Institutions which are deemed to be "undercapitalized," depending on the category to which they are assigned, are subject to certain mandatory supervisory corrective actions.

EFFECTS OF GOVERNMENT MONETARY POLICY

The earnings and growth of Bancorp are affected not only by general economic conditions, but also by the fiscal and monetary policies of the federal government, particularly the FRB. The FRB can and does implement national monetary policy for such purposes as curbing inflation and combating recession, but its open market operations in U.S. government securities, control of the discount rate applicable to borrowings from the FRB, and establishment of reserve requirements against certain deposits, influence the growth of bank loans, investments and deposits, and also affect interest rates charged on loans or paid on deposits. The nature and impact of future changes in monetary policies and their impact on Bancorp cannot be predicted with certainty.

CHANGES IN BANKING LAWS AND REGULATIONS

The laws and regulations that affect banks and bank holding companies are currently undergoing significant changes. This year, legislation was proposed in Congress which contained proposals to alter the structure, regulation, and competitive relationships of the nation's financial institutions. Although the legislation was not passed in the 1998 general session of Congress, similar legislation may be proposed in the coming years and, if enacted into law, such bills could have the effect of increasing or decreasing the cost of doing business, limiting or expanding permissible activities (including activities in the insurance and securities fields), or affecting the competitive balance among banks, savings associations, and other financial institutions. Some of these bills may reduce the extent of federal deposit insurance, broaden the powers or the geographical range of operations of bank holding companies, alter the extent to which banks could engage in securities activities, and change the structure and jurisdiction of various financial institution regulatory agencies. Whether or in what form such legislation may be adopted, or the extent to which the business of Bancorp might be affected thereby, cannot be predicted with certainty.

ITEM 2. PROPERTIES

The principal properties of the registrant are comprised of the banking facilities owned by the Bank. The Bank owns a total of 24 buildings hosting its branch offices and owns the land under 21 of those buildings. Some significant properties owned by the Bank are as follows:

(1) Land, administrative offices and drive-up teller facilities in Salem, Oregon with approximately 40,000 square feet of space;

(2) A building with approximately 8,000 square feet of space and the land under it in Salem, Oregon, containing administrative offices for the Bank's human resources, security, and risk management and compliance personnel;

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(3) Land and the building housing a branch and administrative offices in Newport, Oregon, consisting of approximately 15,640 square feet of space;

(4) A building in Vancouver, Washington that is leased to another party under a ground lease at a monthly rental of $6,771;

(5) A building and the land under it in Lacey, Washington that is home to the Bank's Lacey branch and contains some administrative offices in approximately 12,000 square feet of space; and

(6) A building and land in Shelton, Washington with approximately 7,500 square feet that contains data processing and communications equipment.

The Bank leases office space in Lake Oswego, Oregon, for its headquarter offices. The Bank also leases a building and land in Salem, Oregon, where the Bank's data center is located. In addition, the Bank leases space at approximately 19 other locations for branch and other offices. The aggregate monthly rental on all properties leased by Bancorp and the Bank is approximately $101,500.

West Coast Trust's main office is in Salem where it leases space from the Bank. West Coast Trust also has offices in Portland, Oregon, Newport, Oregon, Vancouver, Washington, and Olympia, Washington where it leases space from the Bank.

ELD, Inc. holds a one-third partnership interest in a building and land in Sequim, Washington. This interest was acquired before Bancorp purchased ELD's former parent Centennial Bank. Bancorp is currently seeking to divest of its interest in this property.

ITEM 3. LEGAL PROCEEDINGS

The Company received a letter in March of 1999 asserting a potential claim with respect to an alleged loan commitment. No lawsuit related to the matter has yet been filed against the Bank. Counsel for the Bank has advised us that if this matter is eventually litigated, it is unlikely that any liability, if any, imposed on the Bank would exceed the Bank's applicable insurance coverage limits. Management is currently in contact with its insurance carrier to confirm coverage, and management does not consider this asserted claim material at this time.

This section contains certain "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 ("PSLRA"). This statement is included for the express purpose of availing Bancorp of the protections of the safe harbor provisions of the PSLRA. The forward looking statements contained in this section are subject to factors, risks, and uncertainties that may cause actual results to differ materially from those projected. Important factors that might cause such a material difference include, but are not limited to, (1) facts and events currently unknown to management that may surface as the subject matters discussed are further investigated, (2) common law, rights, and legal and equitable remedies that may be uncovered when the issues raised above are further researched, and (3) uncertainties inherent in the legal process. Readers are cautioned not to place undue reliance on these forward looking statements, which reflect Management's analysis only as of the date of the statement. Bancorp undertakes no obligation to publicly revise or update these forward-looking statements to reflect events or circumstances that arise after the date of this report. Readers should carefully review the risk factors described in this and other documents Bancorp files from time to time with the Securities and Exchange Commission.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

NONE.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

STOCK PRICE AND DIVIDENDS

West Coast Bancorp common stock trades on The Nasdaq Stock Market under the symbol "WCBO" and its primary market makers are: Black & Company; Dain

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Rauscher, Inc.; Herzog, Heine, Geduld, Inc.; Hoefer & Arnett, Inc.; Keefe, Bruyette & Woods, Inc.; Pacific Crest Securities; Piper Jaffray Companies, Inc., and Spear, Leeds & Kellogg. The respective high and low sale prices of West Coast Bancorp's common stock for the periods indicated are shown below. The prices below do not include retail mark-ups, mark-downs or commissions, and may not represent actual transactions. The per share information has been adjusted retroactively for all stock dividends and splits previously issued. As of December 31, 1998, there were approximately 4,800 shareholders of record of Bancorp common stock.

<TABLE>
<CAPTION>

	1998			1997		
	Market Price		Cash dividend	Market Price		Cash dividend
	High	Low	Declared	High	Low	Declared
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1st Quarter	$24.77	$21.82	$0.05	$13.79	$10.61	$0.04
2nd Quarter	$24.77	$19.83	$0.05	$19.39	$12.65	$0.04
3rd Quarter	$22.50	$14.43	$0.06	$18.79	$15.38	$0.04
4th Quarter	$22.88	$14.77	$0.06	$25.00	$16.36	$0.05

</TABLE>

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data should be read in conjunction with West Coast Bancorp's (Bancorp or the Company) consolidated financial statements and the accompanying notes presented in this report. The per share information has been adjusted retroactively for all stock dividends and splits previously issued.

<TABLE>
<CAPTION>

(Dollars in thousands, except per share data)	Year ended December 31,				
	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Interest income..........................	$ 97,053	$ 89,065	$ 75,586	$ 62,968	$ 49,852
Interest expense.........................	36,431	32,262	26,596	22,959	14,205
Net interest income..................	60,622	56,803	48,990	40,009	35,647
Provision for loan loss..................	2,900	3,936	2,571	1,200	891
Net interest income after provision for loan loss..........................	57,722	52,867	46,419	38,809	34,756
Noninterest income.......................	19,159	14,150	9,875	9,606	9,478
Noninterest expense......................	56,098	45,394	38,814	33,653	32,610
Income before income taxes...............	20,783	21,623	17,480	14,762	11,624
Provision for income taxes...............	6,724	7,184	5,804	4,154	3,509
Net income...............................	$ 14,059	$ 14,439	$ 11,676	$ 10,608	$ 8,115
Per share data:					
Basic earnings per share..............	$ 1.00	$ 1.06	$ 0.87	$ 0.81	$ 0.65
Diluted earnings per share............	$ 0.96	$ 1.01	$ 0.85	$ 0.79	$ 0.64
Cash dividends........................	$ 0.21	$ 0.17	$ 0.14	$ 0.14	$ 0.12
Period end book value.................	$ 8.23	$ 7.29	$ 6.29	$ 5.52	$ 4.59
Average common equivalent shares outstanding........................	14,676,144	14,273,233	13,761,103	13,392,761	12,752,760
Total assets.............................	$ 1,255,423	$ 1,117,826	$ 940,297	$ 766,658	$ 645,602
Total deposits...........................	$ 1,108,457	$ 958,482	$ 806,300	$ 664,385	$ 553,719
Total long-term borrowings...............	$ 20,260	$ 22,446	$ 28,583	$ 10,188	$ 10,046
Net loans................................	$ 849,599	$ 766,491	$ 711,374	$ 512,599	$ 415,405
Stockholders' equity.....................	$ 117,225	$ 101,140	$ 85,381	$ 72,660	$ 60,130
Financial ratios:					
Return on average assets..............	1.21%	1.43%	1.39%	1.51%	1.33%
Return on average equity..............	12.97%	15.75%	14.93%	16.33%	14.72%
Average equity to assets..............	9.30%	9.10%	9.29%	9.22%	9.02%
Dividend payout ratio.................	21.14%	15.97%	16.36%	16.83%	18.81%
Efficiency ratio (1)..................	68.84%	62.77%	64.47%	65.86%	69.77%
Net loans to assets...................	67.67%	68.57%	75.65%	66.86%	64.34%
Yield on earning assets (1)...........	9.16%	9.70%	9.99%	10.07%	9.26%

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Average rates paid.....................	4.16%	4.25%	4.22%	4.40%	3.24%
Net interest spread (1)................	5.00%	5.45%	5.77%	5.67%	6.02%
Net interest margin (1)................	5.79%	6.23%	6.54%	6.48%	6.70%
Nonperforming assets to total assets...	0.46%	0.43%	0.28%	0.22%	0.13%
Allowance for loan loss to total loans................................	1.44%	1.35%	1.18%	1.26%	1.40%
Allowance for loan loss to nonperforming assets................	217.41%	218.50%	320.40%	397.32%	671.93%

</TABLE>

(1) Interest earned in nontaxable securities has been computed on a 34% tax equivalent basis.

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

FORWARD LOOKING STATEMENT DISCLOSURE

In addition to historical information, this annual report contains certain "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (PSLRA) This statement is included for the express purpose of availing Bancorp of the protections of the safe harbor provisions of the PSLRA. The forward looking statements contained in this report are subject to factors, risks, and uncertainties that may cause actual results to differ materially from those projected. Important factors that might cause such a material difference include, but are not limited to, those discussed in this section of the report. In addition, the following items are among the factors that could cause actual results to differ materially from the forward looking statements in this report: general economic conditions, including their impact on capital expenditures; business conditions in the banking industry; the regulatory environment; new legislation; rapidly changing technology and evolving banking industry standards; competitive standards; competitive factors, including increased competition with community, regional, and national financial institutions; fluctuating interest rate environments; and similar matters. Readers are cautioned not to place undue reliance on these forward looking statements, which reflect Management's analysis only as of the date of the statement. Bancorp undertakes no obligation to publicly revise or update these forward-looking statements to reflect events or circumstances that arise after the date of this report. Readers should carefully review the risk factors described in this and other documents Bancorp files from time to time with the Securities and Exchange Commission.

RESULTS OF OPERATIONS

Years Ended December 31, 1998, 1997 and 1996.

OVERVIEW. In both 1998 and 1996, Bancorp completed an acquisition transaction that extended its market into Washington and increased its market positioning. Bancorp's assets increased nearly 150 percent in the past three years from $517 million, (before these pooling transactions) at December 31, 1995, to $1.255 billion in assets at December 31, 1998. This rapid growth is attributable in nearly equal parts to these acquisitions and the Company's strong internal growth. During the past three years, net income has been impacted by certain nonrecurring costs associated with these acquisition transactions. In addition, in 1998, Bancorp began the process of consolidating its four banking companies into a single entity called West Coast Bank. The Company's 1998 financial results have been impacted by the related nonrecurring restructuring costs.

Bancorp's net income for 1998 was $14.1 million, compared with $14.4 million in 1997 and $11.7 million in 1996. The Company's net income during 1998 was reduced by $1.1 million for charges associated with its acquisition of Centennial Holdings, Ltd. (CHL), WA. These charges were for conversion costs of $569,000 (pretax), and an increase in the provision for loan losses of $1.0 million (pretax) to bring the CHL's allowance for loan loss methodology in line with Bancorp practices. In addition, nonrecurring restructuring charges of $2.4 million ($3.8 million pretax) were incurred in 1998. The 1997 results were favorably impacted by a $1.095 million gain on sale of servicing rights offset by merger expenditures of $905,000. Net income in 1996 was impacted by $280,000 in merger-related expenditures from the acquisition of Vancouver Bancorp, WA.

Bancorp's diluted earnings per share for the three years ended 1998 were $0.96, $1.01, and $0.85.

Net interest income on a tax equivalent basis totaled $62.7 million for the year ended December 31, 1998, a 7.92% increase over $58.1 million for the same period in 1997, which was a 15.37% increase over 1996. Growth of

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noninterest income was due to increased customer bases and transaction volumes. Noninterest expenses increased primarily due to bank branch expansion, merger-related expenditures and reorganization and consolidation costs.

NET INTEREST INCOME. During the years ended December 31, 1998, 1997 and 1996, average interest earning assets grew to $1.082 billion, from $931.6 million and $769.9 million, respectively. For the same periods, average interest bearing liabilities were $875.4 million, $758.6 million and $630.3 million, respectively. The percentage of interest earning assets to interest bearing liabilities increased to 123.61% in 1998 from 122.8% in 1997 and 122.16% in 1996. During the same periods Bancorp's net interest margins were 5.79%, 6.23% and 6.54%, respectively; the decreases in Bancorp's net interest margin and related yields or spreads are due mainly to a changing interest rate environment, increased pricing competition, a shift in some of its asset mix, and an increase of long-term funding sources. Given these factors, Bancorp expects there to be continued pressure on its net interest margins and spreads. Net interest income on a tax-equivalent basis increased $4.6 million, or 7.92%, to $62.7 million in 1998 from $58.1 million in 1997 and $50.3 million in 1996. The increased net interest income was caused mainly by earning assets growth. Average interest earning assets increased 16.15% in 1998 from 1997 and 20.99% in 1997 over 1996.

Bancorp experienced a decrease in the net interest spread of 45 basis points in 1998 to 5.00% from 5.45% in 1997 which was down 32 basis points from 5.77% in 1996. The average yield earned on interest earning assets was 9.16% in 1998, 9.70% in 1997 and 9.99% in 1996. Average interest bearing liabilities increased $116.8 million, or 15.39%, to $875.4 million for the period ended December 31, 1998, from $758.6 million in 1997 and $630.3 million in 1996, while the average rates paid were 4.16%, 4.25%, and 4.22%, respectively. Bancorp's loan portfolio experienced growth in 1998 ending the year at $862.1 million, up $85.2 million from $776.9 million at December 31, 1997. Bancorp's deposit base grew to $1.108 billion at December 31, 1998, up $149.5 million or 15.6% from $958.5 million at the end of 1997. Bancorp also had a shift in its asset mix from the loan portfolio to investment securities during 1998; in general, Bancorp's investment securities have shorter maturities and yield lower interest rate returns than those associated with the loan portfolio.

ANALYSIS OF NET INTEREST INCOME. The following table presents information regarding yields on interest-earning assets, expense on interest-bearing liabilities, and net yields on interest-earning assets for the periods indicated on a tax equivalent basis:

<TABLE>
<CAPTION>

	Year Ended December 31,			Increase		Change	
(Dollars in thousands)	1998	1997	1996	98-97	97-96	98-97	97-96
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Interest and fee income(1)..............	$ 99,108	$ 90,340	$ 76,937	$ 8,768	$ 13,403	9.71%	17.42%
Interest expense........................	$ 36,431	$ 32,262	$ 26,596	$ 4,169	$ 5,667	12.92%	21.31%
Net interest income(1)..................	$ 62,677	$ 58,078	$ 50,341	$ 4,599	$ 7,736	7.92%	15.37%
Average interest earning assets.........	$ 1,082,035	$ 931,578	$ 769,934	$ 150,457	$ 161,644	16.15%	20.99%
Average interest bearing liabilities....	$ 875,368	$ 758,614	$ 630,277	$ 116,754	$ 128,337	15.39%	20.36%
Average interest earning assets/ interest bearing liabilities	123.61%	122.80%	122.16%	0.81	0.64		
Average yields earned(1)	9.16%	9.70%	9.99%	(0.54)	(0.29)		
Average rates paid......................	4.16%	4.25%	4.22%	(0.09)	0.03		
Net interest spread(1)..................	5.00%	5.45%	5.77%	(0.45)	(0.32)		
Net interest margin(1)..................	5.79%	6.23%	6.54%	(0.44)	(0.31)		

</TABLE>

(1) Interest earned on nontaxable securities has been computed on a 34% tax equivalent basis.

Average Balances and Average Rates Earned and Paid. The following

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table sets forth, for the periods indicated, information with regard to (1) average balances of assets and liabilities, (2) the total dollar amounts of interest income on interest earning assets and interest expense on interest bearing liabilities, (3) resulting yields or costs, (4) net interest income, and (5) net interest spread. Nonaccrual loans have been included in the tables as loans carrying a zero yield. Loan fees are recognized as income using the interest method over the life of the loan.

<TABLE>
<CAPTION>

(Dollars in thousands)	1998			1997		
	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate(1)	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate(1)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS:						
Interest earning balances due from banks.............	$ 31,178	$ 1,575	5.05%	$ 29,195	$ 1,624	5.56%
Federal funds sold...........	7,667	422	5.50	1,026	53	5.15
Taxable securities...........	138,387	8,896	6.43	104,375	6,833	6.55
Nontaxable securities(2).....	77,536	6,044	7.80	43,231	3,751	8.68
Loans, including fees(3).....	827,267	82,171	9.93	753,721	78,079	10.36
Total interest earning assets....................	1,082,035	99,108	9.16%	931,548	90,340	9.70%
Allowance for loan loss......	(11,971)			(9,474)		
Premises and equipment.......	29,273			26,327		
Other assets.................	66,625			58,461		
Total assets...............	$1,165,962			$1,006,862		
LIABILITIES AND SHAREHOLDERS' EQUITY:						
EQUITY:						
Savings and interest bearing demand deposits....	$ 514,287	$16,460	3.20%	$ 455,882	$16,382	3.59%
Certificates of deposit......	322,671	17,798	5.52	272,242	14,075	5.17
Short-term borrowings........	7,081	359	5.08	7,943	527	6.63
Long-term borrowings.........	31,329	1,814	5.79	22,547	1,278	5.67
Total interest bearing liabilities.............	875,368	36,431	4.16%	758,614	32,262	4.25%
Demand deposits..............	175,688			147,770		
Other liabilities............	6,474			8,822		
Total liabilities..........	1,057,530			915,206		
Shareholders' equity.........	108,432			91,656		
Total liabilities and shareholders' equity.....	$1,165,962			$1,006,862		
Net interest income..........		$62,677			$58,078	
Net interest spread..........			5.00%			5.45%

<CAPTION>

(Dollars in thousands)	1996		
	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate(1)
<S>	<C>	<C>	<C>
ASSETS:			
Interest earning balances due from banks.............	$ 10,277	$ 542	5.28%
Federal funds sold...........	6,719	408	6.07
Taxable securities...........	84,260	5,454	6.38
Nontaxable securities(2).....	44,410	3,974	8.95
Loans, including fees(3).....	624,268	66,559	10.66
Total interest earning assets....................	769,934	76,937	9.99%
Allowance for loan loss......	(7,112)		
Premises and equipment.......	24,890		

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Other assets................	51,074		
Total assets..............	$ 838,786		
LIABILITIES AND SHAREHOLDERS' EQUITY:			
EQUITY:			
Savings and interest bearing demand deposits....	$ 380,198	$13,265	3.49%
Certificates of deposit......	223,379	11,642	5.21
Short-term borrowings........	13,828	799	5.77
Long-term borrowings.........	12,872	890	6.92
Total interest bearing liabilities.............	630,277	26,596	4.22%
Demand deposits..............	124,851		
Other liabilities............	6,664		
Total liabilities..........	761,792		
Shareholders' equity.........	76,994		
Total liabilities and shareholders' equity.....	$ 838,786		
Net interest income..........		$50,341	
Net interest spread..........			5.77%

</TABLE>

(1) Yield/rate calculations have been based on more detailed information than presented and therefore may not recompute exactly due to rounding.

(2) Interest earned on nontaxable securities has been computed on a 34 percent tax equivalent basis.

(3) Includes balances for loans held for sale.

Analysis of Change in Interest Differential. The following table sets forth the amounts of the changes in consolidated net interest income attributable to changes in volume and to changes in interest rates. Changes not due solely to volume or rate are allocated to rate and changes due to new product lines are allocated to volume.

<TABLE>
<CAPTION>

	Year Ended December 31,					
	1998 versus 1997			1997 versus 1996		
	Increase (Decrease) Due to		Total Increase (Decrease)	Increase (Decrease) Due to		Total Increase (Decrease)
(Dollars in thousands)	Volume	Rate		Volume	Rate	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest income:						
Interest earning balances due from banks...........................	$ 110	$ (159)	$ (49)	$ 998	$ 84	$ 1,082
Federal funds sold.....................	343	26	369	(346)	(9)	(355)
Investment security income:						
Interest on taxable securities.......	2,227	(164)	2,063	1,302	77	1,379
Interest on nontaxable securities (TEA)(1)..................	2,977	(684)	2,293	(106)	(117)	(223)
Loans, including fees on loans.........	7,615	(3,523)	4,092	13,805	(2,285)	11,520
Total interest income TEA(1).........	13,272	(4,504)	8,768	15,653	(2,250)	13,403
Interest expense:						
Savings and interest bearing demand....	2,099	(2,021)	78	2,639	478	3,117
Certificates of deposit................	2,607	1,116	3,723	2,547	(114)	2,433
Short-term borrowings..................	(57)	(111)	(168)	(340)	68	(272)
Long-term borrowings...................	498	38	536	669	(281)	388
Total interest expense..............	5,147	(978)	4,169	5,515	151	5,666

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Net interest spread(1)	$ 8,125	$ (3,526)	$ 4,599	$ 10,138	$ (2,401)	$ 7,737

</TABLE>

(1) Tax-exempt income has been adjusted to a tax-equivalent basis at a 34 percent rate.

PROVISION FOR LOAN LOSSES. Bancorp recorded provisions for loan losses of $2,900,415, $3,936,000 and $2,570,987 for the years ended December 31, 1998, 1997 and 1996 respectively. Bancorp's provision was impacted during 1998 by a $1.0 million provision related to the CHL acquisition to bring the allowance for loan loss methodology in-line with Bancorp practices. During 1997 the provision was impacted by subsequent portfolio activity related to an acquisition previously made by CHL. CHL increased its provision in 1997 by $675,000, directly related to the loans acquired and recorded net charge-offs in 1997 including those related to the acquired loans of $1.3 million. The 1997 CHL net charge-offs were substantially higher than those experienced in 1996 of $487,000, prior to this acquisition. In total, Bancorp incurred net charge-offs of $898,000, $1,976,000, and $1,194,000, in 1998, 1997 and 1996 respectively. The allowance for loan loss as a percentage of loan totals at December 31, 1998 and 1997 was 1.44% and 1.35% of total loans, respectively and Bancorp's allowance for loan losses represented 217.41% of its non-performing assets as of December 31, 1998, compared to 218.50% at December 31, 1997.

NONINTEREST INCOME. Noninterest income for the year ended December 31, 1998 was $19 million up from $14.1 million in 1997 and $9.9 million in 1996. In 1998, gains on sales of loans increased $4 million to $6,362,308 from $2,383,000 in 1997, which was an increase from $1,220,769 reported in 1996. In 1998, Bancorp benefited from the low interest rate environment that increased significantly the refinance activity on loans sold into the secondary market. Service charges on deposit accounts, other service charges, commissions and fees, and trust revenues increased over the last three years, due to an increased customer base and transaction volumes serviced. Loan servicing fees have declined in recent years as the Bank has chosen not to add to this portfolio, but rather recognize added revenue on the initial sale of the loans. Other noninterest income fluctuated over the three year period with some non-recurring activity, and the growth of the company. During 1997 and 1996, Bancorp recognized gains on the sale of servicing rights of $1,659,420 and $269,107, respectively. During 1998 no such sale of servicing rights occurred. Net securities gains were $347,797 in 1998, with net losses in 1997 of $85,446 and net gains of $8,555 in 1996. Overall increases in noninterest income were due to increased market presence in existing and expanding markets.

NONINTEREST EXPENSE. Noninterest expenses have increased during the last three years to $56.1 million in 1998 from $45.4 million in 1997 and $38.9 million in 1996. Increases in salaries, equipment, occupancy, communications, marketing, printing and office supplies, and other noninterest expenses have been caused mainly by Bancorp's expansion of its branch system and services and the costs associated with entering new markets. Bancorp's branch system grew to 40 office locations at the end of 1998 from 34 at the end of 1995. Bancorp intends to continue to grow through strategically placed offices in 1999 and beyond. In general, the opening of new branches results in higher costs for Bancorp, which are not offset until a certain level of growth in deposits and loans is achieved. Thus, at least initially, new branches tend to have an adverse effect on results of operations, until earnings grow to cover overhead. Bancorp opened one new branch during 1998 and substantially completed the work on a second branch, which opened in January, 1999. At the end of 1998, Bancorp employed 652 full-time equivalent employees, compared to 645 in 1997 and 611 in 1996. Other increases in noninterest expense generally were caused by higher operating

activity levels associated with Bancorp's internal growth. During 1998, Bancorp expensed $3.8 million related to the consolidation of its four separate commercial banks into one bank, see restructuring charge disclosure that follows. Readers are referred to management's "Forward Looking Statements Disclosure" in connection with this section.

RESTRUCTURING CHARGES

The 1998 results have been impacted by one-time costs resulting from the consolidation of the company's affiliate banks into one entity, called West Coast Bank. The consolidation was completed on December 31, 1998, and new signs on the branch facilities are being installed in the first two months of 1999. Bancorp anticipates incurring approximately $5 million in aggregate costs for the consolidation, including costs related to a severance plan, signage, data conversions, marketing, regulatory and administrative costs. As of December 31, 1998, the company has expended $3.8 million related to the consolidation efforts and anticipates the remaining costs to be expensed as incurred in the first two quarters of 1999. Approximately 50% of the costs incurred to date are employee

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program and severance related, which were accrued for in the third quarter of 1998. The accruals are being charged as payments are made. As part of the restructure, the company has invested in new network computer systems and has therefore recorded a write-down during the fourth quarter of approximately $1.1 million related to the replaced equipment no longer in use. In addition, the company prepaid $20 million of its existing long-term debt that was required to meet certain liquidity requirements under its previous structure, but is not needed under the current single banking organization. The prepayment penalty of approximately $517,000 was incurred in the fourth quarter as part of the restructure charges.

<TABLE>
<CAPTION>

<S>	December 31, 1998 <C>
Balance, accrued restructuring charges, beginning of period	$ --
Provision for restructure charges	1,918,000
Utilization:	
Cash	158,000
Noncash	--
Total Utilization	158,000
Balance, accrued restructuring charges, end of period	$1,760,000

</TABLE>

Bancorp accrued $1.92 million in restructuring charges to cover anticipated costs of $1.73 million for the severance program and personnel related expenditures, with the remaining $188,000 for marketing and professional fees related to the restructuring. These amounts were incurred but not paid at the time the accrual was made. During 1998, $13,000 of the severance related program costs and $145,000 of the marketing and professional fees have been paid and charged against the accrual. As of December 31, 1998, Bancorp has an accrual for the restructuring charges of $1.76 million, of which $1.73 million is for severance and employee related costs and the remaining amount is for unpaid professional fees for work incurred.

The company expects that the consolidation will save approximately $6 million annually, related to reductions in overhead. The cost savings will come from reductions in staff and related overhead, a simplified corporate structure, a reduced regulatory burden, and pricing and other synergies created by unified marketing efforts and name branding. As of year-end 1998, the company is on track with its plan and approximately 25% of the anticipated 100 staff related reductions have occurred. Plans are in place to continue to reduce staff levels to reach the desired goals. Certain of the companies operations are being consolidated into centralized locations during 1999 and additional staffing reductions will be realized following these changes. The company estimates that it has in place approximately 25% of the cost savings anticipated from the plan. The plan calls for two-thirds of the cost savings to be substantially achieved by the third quarter of 1999, with the remaining savings to be achieved early in the year 2000.

Bancorp's liquidity has not been materially affected by cash outlays related to one-time restructuring charges. Bancorp does not anticipate that future restructuring charges will have a material effect on Bancorp's liquidity. Readers are referred to management's "Forward Looking Statements Disclosure" in connection with this section.

INCOME TAXES

Income tax expense for 1998 was $6,724,375 or 32 percent of income before income taxes, 1997 was $7,183,673 or 33 percent of income before income taxes and 1996 was $5,803,407 or 33 percent of income before income taxes. Income tax expense has fluctuated over time due to state income tax credits and capitalization of certain merger related expenditures for income tax purposes, as well as changes in the income before income taxes of the company. It is anticipated that Bancorp's tax expense will increase in future years, both due to increased income before income taxes and a smaller percentage of Bancorp's income being generated from tax exempt items. Any future merger-related capitalized costs may also increase Bancorp's tax provisions. Readers are referred to management's "Forward Looking Statements Disclosure" in connection with this section.

LENDING AND CREDIT MANAGEMENT

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Interest earned on the loan portfolio is the primary source of income for Bancorp. Net loans represented 67.67% of total assets as of December 31, 1998.

Although the Bank strives to serve the credit needs of the service areas, the primary focus is on real estate related and commercial credits. The Bank makes substantially all its loans to customers located within its service areas. The Bank has no loans defined as highly leveraged transactions by the FRB.

Although a risk of nonpayment exists with respect to all loans, certain specific types of risks are associated with different types of loans. Owing to the nature of the Bank's customer base and the growth experienced in the market areas served, real estate is frequently a material component of collateral for the Bank's loans. The expected source of repayment of these loans is generally the cash flow of the project, operations of the borrower's business or personal income. Risks associated with real estate loans include fluctuating land values, local economic conditions, changes in tax policies, and a concentration of loans within any one area.

The Bank manages the general risks inherent in the loan portfolio by following loan policies and underwriting practices designed to result in prudent lending activities.

<TABLE>
<CAPTION>

	Year Ended December 31,					
	1998		1997		1996	
(Dollars in thousands)	Amount	Percent	Amount	Percent	Amount	Percent
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Commercial loans	$ 150,206	17.68%	$ 150,197	19.60%	$ 146,632	20.61%
Real estate construction	118,171	13.91	112,378	14.66	87,257	12.27
Real estate-mortgage	113,661	13.38	116,228	15.16	124,230	17.46
Real estate-commercial	414,169	48.75	323,320	42.18	274,048	38.52
Installment and other consumer	65,845	7.75	74,819	9.76	87,698	12.33
Total loans	862,052	101.47	776,942	101.36	719,865	101.19
Allowance for loan loss	(12,453)	(1.47)	(10,451)	(1.36)	(8,491)	(1.19)
Total loans, net	$ 849,599	100.00%	$ 766,491	100.00%	$ 711,374	100.00%

</TABLE>

<TABLE>
<CAPTION>

	Year Ended December 31,			
	1995		1994	
(Dollars in thousands)	Amount	Percent	Amount	Percent
<S>	<C>	<C>	<C>	<C>
Commercial loans	$ 109,565	21.38%	$ 110,166	26.52%
Real estate construction	65,163	12.71	47,014	11.32
Real estate-mortgage	87,164	17.00	88,012	21.19
Real estate-commercial	193,035	37.66	134,531	32.38
Installment and other consumer	64,234	12.53	41,531	10.00
Total loans	519,161	101.28	421,254	101.41
Allowance for loan loss	(6,562)	(1.28)	(5,849)	(1.41)
Total loans, net	$ 512,599	100.00%	$ 415,405	100.00%

</TABLE>

The maturity distribution of selected categories of Bancorp's loan portfolio at December 31, 1998, and the interest sensitivity are estimated in the following table.

<TABLE>
<CAPTION>

(Dollars in thousands)	Commercial Loans	Real Estate Construction	Total
<S>	<C>	<C>	<C>
Maturity distribution:			
Due within one year....................................	$ 115,924	$ 103,749	$ 219,673
Due after one through five years........................	28,974	9,753	38,727

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Due after five years	5,308	4,669	9,977
Total	$ 150,206	$ 118,171	$ 268,377
Interest sensitivity:			
Fixed-interest rate loans	$ 41,065	$ 16,501	$ 57,566
Floating or adjustable interest rate loans(1)	109,141	101,670	210,811
Total	$ 150,206	$ 118,171	$ 268,377

</TABLE>

(1) Some loans contain provisions which place maximum or minimum limits on interest rate charges.

The following table presents information with respect to nonperforming assets.

<TABLE>
<CAPTION>

	December 31,				
(Dollars in thousands)	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Loans on nonaccrual status	$ 4,565	$ 4,245	$ 2,228	$ 1,050	$ 500
Loans past due 90 days or more but not on nonaccrual status	42	44	97	296	180
Other real estate owned	1,121	494	324	306	190
Total nonperforming assets	$ 5,728	$ 4,783	$ 2,649	$ 1,652	$ 870
Percentage of nonperforming assets to total assets	0.46%	0.43%	0.28%	0.22%	0.13%
Total assets	$1,255,423	$1,117,826	$ 940,297	$ 766,658	$ 645,602

</TABLE>

Interest income on loans is accrued daily on the principal balance outstanding. Generally, no interest is accrued on loans when factors indicate collection of interest is doubtful or when the principal or interest payment becomes 90 days past due. Increases in nonaccrual loans in recent years are due substantially from growth in Bancorp's loan portfolio. The nonaccrual loans consist of a number of loans in different categories and are largely secured. For such loans previously accrued but uncollected interest is charged against current earnings, and income is only recognized to the extent payments are subsequently received. Interest income foregone on nonaccrual loans was approximately $434,000 at December 31, 1998.

At December 31, 1998, there was no concentration of loans exceeding 10 percent of the total loans to a multiple number of borrowers engaged in a similar business. At December 31, 1998 and 1997 Bancorp had $4,628,000 and $0 of bankers acceptances, respectively.

As of December 31, 1998, the Band had loans to persons serving as directors, officers, principal shareholders and their related interests. These loans were made substantially on the same terms, including interest rates, maturities and collateral as those made to other customers of the Banks.

<TABLE>
<CAPTION>

Dollars in thousands	December 31,
	1998
<S>	<C>
Balance, beginning of period	$ 12,678
New loans an advances(1)	15,641
Principal payments and payoffs(1)	(8,446)
Balance, end of period	$ 19,873

</TABLE>

(1) Included in new loans and advances and principal payments and payoffs is $7.1 million of consolidated and refinanced loans.

LOAN LOSS ALLOWANCE AND PROVISION

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Bancorp maintains a loan loss allowance to absorb losses inherent in the loan portfolio. The allowance is based on ongoing, quarterly assessments of the probable estimated losses inherent in the loan portfolio, and to a lesser extent, unused commitments to provide financing. Our methodology for assessing the appropriateness of the allowance consists of several key elements, which include:

-- The formula allowance

-- Specific allowances for identified problem loans and portfolio segments and

-- The unallocated allowance.

Bancorp's allowance incorporates the results of measuring impaired loans as provided in: - Statement of financial Accounting Standards ("SFAS") No. 114, "Accounting by Creditors for Impairment of a Loan," and - SFAS No 118, "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures." These accounting standards prescribe the measurement methods, income recognition and disclosures concerning impaired loans.

The formula allowance is calculated by applying loss factors to outstanding loans and certain unused commitments, in each case based on the internal risk grade of those loans, pools of loans, or commitments. Changes in risk grades of both performing and nonperforming loans affect the amount of the formula allowance. Loss factors are based on our historical loss experience and other such pertinent data and may be adjusted for significant factors that, in management's judgement, affect the collectibility of the portfolio as of the evaluation date. Loss factors are described as follows:

-- Problem graded loan loss factors are obtained from four years of historical loss experience. Bancorp is exploring the utilization of a migration model to track historical loss experience.

-- Pooled loan loss factors, not individually graded loans, are based on expected net charge-offs for one year. Pooled loans are loans and leases that are homogeneous in nature, such as consumer installment and residential mortgage loans.

Specific allowances are established where management has identified significant conditions or circumstances related to a credit that management believes indicate the probability that a loss may be incurred in excess of the amount determined by the application of the formula allowance.

The unallocated allowance uses a more subjective method and considers such factors as the following:

-- Existing general economic and business conditions affecting our key lending areas,
-- Credit quality trends, including trends in nonperforming loans expected to result from existing conditions,
-- Collateral values,
-- Loan volumes and concentrations,
-- Seasoning of the loan portfolio,
-- Specific industry conditions within portfolio segments,
-- Recent loss experience in particular segments of the portfolio,
-- Duration of the current business cycle,
-- Bank regulatory examination results and
-- Findings of our internal credit examiners.

Executive credit management reviews these conditions quarterly in discussion with our senior credit officers. If any of these conditions is evidenced by a specifically identifiable problem credit or portfolio segment as of the evaluation date, management's estimate of the effect of this condition may be reflected as a specific allowance applicable to this credit or portfolio segment. Where any of these conditions is not evidenced by a specifically identifiable problem credit or portfolio segment as of the evaluation date, management's evaluation of the probable loss concerning this condition is reflected in the unallocated allowance.

The allowance for credit losses is based upon estimates of probable losses inherent in the loan portfolio. The amount actually observed for these losses can vary significantly from the estimated amounts. Our methodology includes several features that are intended to reduce the differences between estimated and actual losses. By assessing the probable estimated losses inherent in the loan portfolio on a quarterly basis, we are able to adjust specific and

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inherent loss estimates based upon any more recent information that has become available.

Recently acquired loan portfolios are reviewed and an overall assessment is made using Bancorp's methodology as to the adequacy of the loan portfolios and any necessary adjustments to the allowance are made as they are identified. A detailed review of the acquired loan portfolio follows and Bancorp's loan grading system is then applied to the portfolio, any further adjustments to the allowance are recorded in the period they are identified.

	December 31,				
(Dollars in thousands)	1998	1997	1996	1995	1994
Loans outstanding at end of period	$ 862,052	$ 776,942	$ 719,865	$ 519,161	$ 421,254
Average loans outstanding during the period....	$ 816,240	$ 751,284	$ 619,205	$ 483,129	$ 391,940
Allowance for loan loss, beginning of period...	$ 10,451	$ 8,491	$ 6,562	$ 5,849	$ 5,145
Recoveries:					
Commercial	298	218	169	63	276
Real estate	47	5	11	--	2
Installment and consumer	63	52	76	24	73
Total recoveries	$ 408	$ 275	$ 256	$ 87	$ 351
Loans charged off:					
Commercial	853	1,305	965	301	386
Real estate	39	204	62	19	24
Installment and consumer	414	742	423	254	128
Total loans charged off	$ 1,306	$ 2,251	$ 1,450	$ 574	$ 538
Net loans charged off	(898)	(1,976)	(1,194)	(487)	(187)
Reserves added through purchase acquisition....	--	--	552	--	--
Provision for loan loss	2,900	3,936	2,571	1,200	891
Allowance for loan loss, end of period	$ 12,453	$ 10,451	$ 8,491	$ 6,562	$ 5,849
Ratio of net loans charged off to average loans outstanding	.11%	.26%	.19%	.10%	.05%

At December 31, 1998, our allowance for loan loss was $12.4 million, or 1.44 percent of total loans, and 217.41 percent of total nonperforming assets, compared with an allowance for credit losses at December 31, 1997 or $10.5 million, or 1.35 percent of total loans, and 218.50 percent of total nonperforming assets.

Bancorp, during its normal loan review procedures considers a loan to be impaired when it is probable that Bancorp will be unable to collect all amounts due according to the contractual terms of the loan agreement. A loan is not considered to be impaired during a period of minimal delay (less than 90 days). Bancorp measures impaired loans based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair market value of the collateral if the loan is collateral dependent. Loans that are currently measured at fair value or at lower of cost or fair value, leases and certain large groups of smaller balance homogeneous loans that are collectively measured for impairment are excluded. Impaired loans are charged to the allowance when management believes, after considering economic and business conditions, collection efforts and collateral position, that the borrower's financial condition is such that collection of principal is not probable.

At December 31, 1998 and 1997, Bancorp's recorded investment in certain loans that were considered to be impaired were $4,423,000 and $4,091,000, respectively, all of which was classified as non-performing. Of these impaired loans, $555,000 and $702,000 had a related valuation allowance of $150,000 and $352,000, respectively, while $3,868,000 and $3,389,000 did not require a valuation allowance. The balance of the allowance for loan loss in excess of these specific reserves is available to absorb losses from all loans. The average recorded investment in certain impaired loans for the years ended December 31, 1998 and 1997 was approximately, $3,633,000 and $1,207,000, respectively. For the years ended December 31, 1998 and 1997, interest income recognized on impaired loans totaled $384,000 and $161,000, respectively, all of which was recognized on a cash basis.

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During the first quarter of 1998 Bancorp recorded a $1.0 million provision related to the CHL acquisition to bring the allowance for loan loss methodology in-line with Bancorp practices.

At December 31, 1998, our allowance for credit losses was $12.4 million, consisting of a $11.3 million formula allowance, a $117,000 specific allowance and a $1.0 million unallocated allowance.

During 1998, net loans charged off were $898,00, compared to $1,976,000 during 1997. During 1997, charge-offs were impacted by subsequent portfolio activity related to an acquisition by CHL. CHL increased its provision in 1997 by $675,000, directly related to the loans acquired and recorded net charge-offs in 1997 including those related to the acquired loans of $1.3 million.

The percentage of net loans charged off to average loans outstanding was 0.11 percent at December 31, 1998 which was down from 0.26 percent and 0.19 percent for the years ended December 31, 1997 and 1996, respectively. Charges of loans reflect the realization of losses in the portfolio that were recognized previously through provisions for credit losses.

At December 31, 1998, the provision for loans loss exceeded the net loans charged off during the year, reflecting management's belief, based on the foregoing analysis, that there are additional losses inherent in the portfolio.

There can be no assurance that the averse impact of any of these conditions on us will not be in excess of the range set forth above. Readers are referred to management's "Forward Looking Statement Disclosure" in connection with this section.

MARKET RISK

Interest rate, credit and operations credit risks are the most significant market risks impacting Bancorp's performance. Other types of market risk, such as foreign currency exchange rate risk and commodity price risk, do not arise in the normal course of Bancorp's business activities. Bancorp relies on loan reviews, prudent loan underwriting standards and an adequate allowance of loan loss to mitigate credit risk.

Bancorp uses an asset/liability management simulation model to measure interest rate risk. The model quantifies interest rate risk through simulating forecasted net interest income over a 12-month time period under various rate scenarios as well as monitoring the change in the present value of equity under the same rate scenarios. The present value of equity is defined as the difference between the market value of current assets less current liabilities. By measuring the change in the present value of equity under different rate scenarios, management is able to identify interest rate risk that may not be evident in simulating changes in forecasted net interest income.

Forecasting Bancorp's net interest income over the next 12 months using historical growth trends and the current interest rate environment, Bancorp would expect that continuation of the current flat interest rate yield curve would continue to exert pressure on Bancorp's net interest margin. A flat yield curve environment exists when there is a historically small difference between the short maturity end of the yield curve and the long maturity end of the yield curve. The average 3-month treasury bill yield in December 1998 was 4.50% compared to 5.06% on the 30-year treasury bill. The relatively small difference, in this case 56 basis points, constitutes a flat yield curve environment. This type of environment offers fewer opportunities to improve Bancorp's margin than when the yield curve is steeper, with a larger difference between the short and long ends of the yield curve.

The following table presents an analysis of the approximate percent change in projected net interest income over a 12-month period along with the approximate change in the present value of equity relative to earnings in the current interest rate environment. All percent changes are compared to the current interest rate yield curve. The change in interest rates assumes an immediate, parallel and sustained shift in the interest rate yield curve. This table does not consider flattening or steepening yield curve effects.

<TABLE>
<CAPTION>

Change in Interest Rates	Percent Change in Net Interest Income	Percent Change in Present Value of Equity
<S>	<C>	<C>

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-200 Basis Points	+1.63%	+5.88%
-100 Basis Points	+0.72%	+3.11%
+100 Basis Points	-1.05%	-3.82%
+200 Basis Points	-2.17%	-7.32%

Readers are referred to management's "Forward Looking Statement Disclosure" in connection with this section.

As illustrated in the above table, Bancorp is currently slightly liability sensitive, meaning that interest bearing liabilities mature or reprice more quickly than interest-earning assets in a given period, therefore, a significant increase in market rates of interest or a flattening interest rate yield curve could adversely affect net interest income. In contrast, a decreasing rate environment or a steepening interest rate curve may slightly improve Bancorp's margin. Further, the effects of a flattening yield curve could more adversely affect Bancorp's margin than any benefits received from a decreasing rate environment. Bancorp's attempts to limit its loss exposure through managing the repricing characteristics of its assets and liabilities. Bancorp has also placed increased emphasis on its non-interest revenue products to additionally stabilize earnings strength.

It should be noted that the simulation model does not take into account future management actions that could be undertaken, if there were a change in actual market interest rates during the year. Also, certain assumptions are required to perform modeling simulations that may have significant impact on the results. These include assumptions regarding the level of interest rates and balance changes on deposit products that do not have stated maturities. These assumptions have been developed through a combination of industry standards and future expected pricing behavior. The model also includes assumptions about changes in the composition or mix of the balance sheet. The results derived from the simulation model could vary significantly due to external factors such as changes in the prepayment assumptions, early withdrawals of deposits and competition. Any merger activity will also have an impact on Bancorp's asset/liability position as new assets are acquired and added. The acquisition of Centennial Holdings, Ltd., during 1998, decreased Bancorp's liability sensitivity.

INTEREST RATE SENSITIVITY (GAP) TABLE

The primary objective of Bancorp's asset/liability management is to maximize net interest income while maintaining acceptable levels of interest-rate sensitivity. The Company seeks to meet this objective through influencing the maturity and repricing characteristics of its assets and liabilities.

The following table sets forth the estimated maturity and repricing and the resulting interest rate gap between interest earning assets and interest bearing liabilities at December 31, 1998. The amounts in the table are derived from internal data from the Bank based on maturities and next repricing dates including contractual repayments.

(Dollars in thousands)	Estimated Maturity or Repricing at December 31, 1998				
	0-3 Months	4-12 Months	1-5 Years	Due After Five Years	Total
Interest Earning Assets:					
Interest earning balances due from banks	$ 569	$ --	$ --	$ --	$ 569
Investments available for sale(1)(2)	30,057	44,121	102,117	76,976	253,271
Investments held to maturity	--		1,805	891	2,696
Loans held for sale	15,973	--	--	--	15,973
Loans, including fees	335,925	170,198	306,625	49,304	862,052
Total interest earning assets	$ 382,524	$ 214,319	$ 410,547	$ 127,171	$1,134,561
Allowance for loan loss					(12,453)
Cash and due from banks					80,923
Other assets					52,392
Total assets					1,255,423

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Interest Bearing Liabilities:					
Savings and interest demand deposits(3)	$ 62,665	$ 189,599	$ 306,948	$ --	$ 559,212
Certificates of deposit	104,918	182,513	51,196	5,210	343,837
Borrowings(2)	427	1,282	18,538	13	20,260
Total interest bearing liabilities	$ 168,010	$ 373,394	$ 376,682	$ 5,223	$ 923,309
Other liabilities					214,889
Total liabilities					1,138,198
Shareholders' equity					117,225
Total liabilities & shareholders' equity					$1,255,423
Interest sensitivity gap	$ 214,514	$ (159,075)	$ 33,865	$ 121,948	$ 211,252
Cumulative interest sensitivity gap	$ 214,514	$ 55,439	$ 89,304	$ 211,252	
Cumulative interest sensitivity gap as a percentage of total assets	17%	4%	7%	17%	

</TABLE>

(1) Equity investments have been placed in the 0-3 month category.

(2) Repricing is based on anticipated call dates, and may vary from contractual maturities.

(3) Repricing is based on historical average lives.

Certain shortcomings are inherent in the method of analysis presented in the foregoing table. For example, although certain assets and liabilities may have similar maturities and periods of repricing, they may react differently to changes in market interest rates. Also, interest rates on assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other assets and liabilities may follow changes in market interest rates. Given these shortcomings, management believes that rate risk is best measured by simulation modeling as opposed to measuring interest rate risk through interest rate gap measurement.

LIQUIDITY AND SOURCES OF FUNDS

Bancorp's primary sources of funds are customer deposits, maturities of investment securities, sales of "Available for sale" securities, loan sales, loan repayments, net income, advances from the Federal Home Loan Bank of Seattle ("FHLB"), and the use of Federal Funds markets. Scheduled loan repayments are relatively stable sources of funds, while deposit inflows and unscheduled loan prepayments are not. Deposit inflows and unscheduled loan prepayments are influenced by general interest rate levels, interest rates available on other investments, competition, economic conditions, and other factors.

Deposits are Bancorp's primary source of new funds. Total deposits were $1.108 billion at December 31, 1998, up from $958.5 million at December 31, 1997. Bancorp does not generally accept brokered deposits. A concerted effort has been made to attract deposits in the market area it serves through competitive pricing and delivery of a quality product. Increases over the period are due to marketing efforts, expansion, and new business development programs initiated by Bancorp.

Management anticipates that Bancorp will continue relying on customer deposits, maturity of investment securities, sales of "Available for Sale" securities, loan sales, loan repayments, net income, Federal Funds markets, FHLB, and other borrowings to provide liquidity. Although deposit balances have shown historical growth, such balances may be influenced by changes in the banking industry, interest rates available on other investments, general economic conditions, competition, customer management of cash resources due to the year 2000 and other factors. Borrowings may be used on a short-term basis to compensate for reductions in other sources of funds. Borrowings may also be used on a long-term basis to support expanded lending activities and to match maturities or repricing intervals of assets. The sources of such funds will include Federal Funds purchased and borrowings from the FHLB.

CAPITAL RESOURCES

The Federal Reserve Bank (FRB) and Federal Deposit Insurance Corporation (FDIC) have established minimum requirements for capital adequacy for bank holding companies and member banks. The requirements address both risk-based capital and leveraged capital. The regulatory agencies may establish

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higher minimum requirements if, for example, a corporation has previously received special attention or has a high susceptibility to interest rate risk. The FRB and FDIC risk-based capital guidelines require banks and bank holding companies to have a ratio of tier one capital to total risk-weighted assets of at least 4 percent and a ratio of total capital to total risk-weighted assets of 8 percent or greater. In addition, the leverage ratio of tier one capital to total assets less intangibles is required to be at least 3 percent. As of December 31, 1998, Bancorp and all of its subsidiary banks are considered "Well Capitalized" per the regulatory risk based capital guidelines.

Shareholders' equity increased to $117.2 million at December 31, 1998 from $101.1 million at December 31, 1997 an increase of $16.1 million, or 15.90%, over that period of time. At December 31, 1998, Bancorp's shareholders' equity, as a percentage of total assets, was 9.34%, compared to 9.05% at December 31, 1997. The change was primarily a result of income recognition plus cash from the exercise of stock options and the change in net value of Bancorp's available for sale investment portfolio which in aggregate outpaced the growth of assets. In a rising interest rate environment, the value of Bancorp's available for sale portfolio will decline, thus negatively impacting equity. The opposite would occur in a falling rate environment. Equity grew at 15.90% over the period from December 31, 1997 to December 31, 1998, while assets grew by 12.31% over the same period.

As the following table indicates, Bancorp currently exceeds the regulatory minimum capital ratio requirements.

(Dollars in thousands)	December 31, 1998 Amount	Ratio
Tier 1 capital	$ 111,562	11.54%
Tier 1 capital minimum requirement	38,670	4.00
Excess Tier 1 capital	$ 72,892	7.54%
Total capital	$ 123,647	12.79%
Total capital minimum requirement	77,340	8.00
Excess total capital	$ 46,307	4.79%
Risk-adjusted assets	$ 966,508	
Leverage ratio		9.13%
Minimum leverage requirement		3.00
Excess leverage ratio		6.13%
Adjusted total assets	$ 1,222,267	

INVESTMENT PORTFOLIO

The following table shows the amortized cost and fair value of Bancorp's investments.

(Dollars in thousands) Available for sale	1998 Amortized Cost	1998 Fair Value	1997 Amortized Cost	1997 Fair Value	1996 Amortized Cost	1996 Fair Value
U.S. Treasury securities	$ 5,999	$ 6,065	$ 9,540	$ 9,572	$ 12,766	$ 12,775
U.S. Agency securities	87,971	88,856	76,280	76,513	40,402	40,330
Obligations of state and political subdivisions	103,445	107,689	61,718	63,822	35,483	37,144
Other Securities	50,103	50,661	41,097	41,283	27,539	27,317
Total	$247,518	$253,271	$188,635	$191,190	$116,190	$117,566

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<TABLE>
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(Dollars in thousands)	1998		1997		1996	
Held to maturity	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Treasury securities	$ --	$ --	$ --	$ --	$ --	$ --
U.S. Agency securities	--	--	--	--	--	--
Obligations of state and political subdivisions	2,696	2,909	2,987	3,046	3,293	3,325
Other Securities	--	--	--	--	--	--
Total	$2,696	$2,909	$2,987	$3,046	$3,293	$3,325

</TABLE>

At December 31, 1998 the net unrealized gains on the investment portfolio was $5,966,000 representing 2.33% of the total portfolio. Management has no current plans to sell any of these securities that would result in a material impact on the results of operation.

The following table summarized the contractual maturities and weighted average yields of investment securities.

<TABLE>
<CAPTION>

(Dollars in thousands)	One Year Or Less	Yield	One Thru 5 Years	Yield	After 5 thru 10 Years	Yield	Due after 10 Years	Yield	Total	Yield
U.S. Treasury securities.....	$ 3,010	5.98%	$ 3,055	5.94%	$ --	--	$ --	--	$ 6,065	5.96%
U.S. Agency securities.......	10,131	5.22%	29,909	5.95%	46,831	6.59%	1,985	6.17%	88,856	6.21%
Obligations of state and political subdivisions(1)..	2,431	8.92%	19,687	7.81%	52,184	7.45%	36,083	7.26%	110,385	7.48%
Other Securities(2)..........	14,533	7.13%	23,459	6.28%	9,322	6.28%	3,347	6.10%	50,661	6.51%
Total(1)...................	$30,105	6.52%	$76,110	6.53%	$108,337	6.98%	$41,415	7.11%	$255,967	6.81%

</TABLE>

(1) Yields are stated on a federal tax-equivalent basis at 34 percent.

(2) Does not reflect anticipated maturity from prepayments on mortgage-based and asset-based securities. Anticipated lives are shorter than contractual maturities.

DEPOSITS AND BORROWINGS

The following table summarizes the average amount of, and the average rate paid on, each of the deposit and borrowing categories for the periods shown.

<TABLE>
<CAPTION>

(Dollars in thousands)	1998		1997		1996	
	Average Balance	Rate Paid	Average Balance	Rate Paid	Average Balance	Rate Paid
Demand	$ 175,688	--	$ 147,770	--	$ 124,851	--
Savings and interest bearing demand...............	514,287	3.20%	455,882	3.59%	380,198	3.49%
Certificates of deposit	322,671	5.52%	272,242	5.17%	223,379	5.21%
Short-term borrowings	7,081	5.08%	7,943	6.63%	13,828	5.77%
Long-term borrowings	31,329	5.79%	22,547	5.67%	12,872	6.92%
Total deposits and borrowings.........	$1,051,056		$ 906,384		$ 755,128	

</TABLE>

As of December 31, 1998 time deposit liabilities are presented below at the earlier of the next repricing date or maturity.

<TABLE>
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(Dollars in thousands)	Time Deposits of $100,000 or More(1) Amount	Percent	Other Time Deposits(2) Amount	Percent
<S>	<C>	<C>	<C>	<C>
Reprice/mature in three months or less........................	$ 33,125	35.48%	$ 64,571	25.78%
Reprice/mature after three months through six months..........	28,385	30.40	58,693	23.43
Reprice/mature after six months through one year.............	20,364	21.81	78,109	31.19
Reprice/mature after one year through five years.............	10,062	10.78	43,139	17.22
Reprice/mature after five years...............................	1,435	1.53	5,953	2.38
Total...	$ 93,371	100.00%	$ 250,465	100.00%

</TABLE>

(1) Time deposits of $100,000 or more represent 8.42% of total deposits as of December 31, 1998.

(2) All other time deposits represent 22.60% of total deposits as of December 31, 1998.

As of December 31, 1998 other borrowings had the following times remaining to maturity.

<TABLE>
<CAPTION>

(Dollars in thousands)	Due in three months or less	Due after three months through one year	Due after one year through five years	Due after five years	Total
<S>	<C>	<C>	<C>	<C>	<C>
Short-term borrowings	$ --	$ --	$ --	$ --	$ --
Long-term borrowings	393	1,179	18,688	--	20,260
Total borrowings	$ 393	$ 1,179	$18,688	$ --	$20,260

</TABLE>

(1) Based on contractual maturities, and may vary based on possible call dates.

YEAR 2000 ISSUES

INTRODUCTION. The year 2000 creates challenges with respect to the automated systems used by financial institutions and other companies. Many software programs are not able to recognize the year 2000, since most programs and systems were designed to store calendar years in the 1900s by assuming the "19" and storing only the last two digits of the year. For example, these automated systems would recognize a year stored as "00" as the year "1900," rather than as the year 2000. If these automated systems are not appropriately re-coded, updated, or replaced before the year 2000, they will likely confuse data, crash, or fail in some manner. In addition, many software programs and automated systems will fail to recognize the year 2000 as a leap year. The problem is not limited to computer systems. Year 2000 issues will potentially affect every system that has an embedded microchip, such as automated teller machines, elevators, and vaults.

These challenges are especially problematic for financial institutions, since many transactions, such as interest accruals and payments, are date sensitive. The operations of third parties with whom Bancorp does business, including the Company's vendors, suppliers, utility companies, and customers, may also be affected.

THE COMPANY'S STATE OF READINESS. The Company is committed to addressing these year 2000 challenges in a prompt and responsible manner and has dedicated resources to do so. Management has completed an assessment of its automated systems and has implemented a plan to resolve these issues, including purchasing appropriate computer technology. The Company's year 2000 compliance plan ("Y2K Plan") has five phases. These phases are (1) project management, (2) awareness, (3) assessment, (4) testing, and (5) renovation and implementation. The Company has substantially completed phases one through four, although appropriate follow-up activities are continuing to occur, and the Company is currently focusing on the fifth phase of the Y2K Plan.

PROJECT MANAGEMENT. The Company's Chief Information Officer has primary responsibility for year 2000 project management. The Company has also formed a year 2000 compliance committee, consisting of appropriate representatives from its critical operational areas, to assist the Chief Information Officer in implementing the Y2K Plan. In addition, the Company's board of directors is provided with quarterly reports, in order to assist them in overseeing the Company's year 2000 readiness.

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AWARENESS. The Company has completed several projects designed to promote awareness of year 2000 issues throughout our organization and our customer base. These projects include mailing information brochures to deposit and loan customers, providing training for lending officers and other staff, assigning a compliance officer to answer customer questions, responding to vendor, customer, and shareholder inquiries, and providing year 2000 information and progress updates on the Company's web site.

ASSESSMENT. Assessment is the process of identifying all mission-critical applications, including information technology and non-information technology systems, that could potentially be negatively affected by dates in the year 2000 and beyond. The Company's assessment phase is substantially complete. Systems examined during this phase included telecommunications systems, account-processing applications, and other software and hardware used in connection with customer accounts.

The Company's operations, like those of many other companies, are intertwined with the operations of certain of its business partners. Accordingly, the Company's operations could be materially affected, if the operations of those companies who provide the Company with mission critical applications, systems, and services are materially affected. For example, the Company depends upon vendors who provide equipment, technology, and software to it in connection with its business operations. Failure of these software vendors to achieve year 2000 readiness could substantially affect the operations of the Company. In addition, lawsuits and other financial challenges materially affecting the financial viability of these vendors could materially affect the Company. In response to this concern, the Company has identified and contacted those vendors who provide our mission-critical applications. The Company is assessing their year 2000 compliance efforts and will continue to monitor their progress as the year 2000 approaches.

The Company's lending personnel have examined its current loan portfolios and identified our key business customers. The Company has contacted these customers and requested information regarding their preparation for the year 2000. The Company then assessed the responses received to identify the risk of loan defaults due to the effects of the year 2000 on the businesses of key business customers. The Company is continuing to follow-up as appropriate in order to identify events that may increase the assessed risk. For example, the Company is monitoring on a quarterly basis those business borrowers who appear to have higher risk than others with respect to year 2000 issues. In addition, the Company will continue to assess new loan applicants for year 2000 risks. For more information see below, under "The Risks of the Company's Year 2000 Issues."

TESTING. Updating and testing of the Company's mission-critical automated systems continues. During the first round of testing, all mission-critical systems were tested to verify that dates in the year 2000 are being appropriately recognized and processed, and the Company found no material year 2000 compliance issues that could not be remedied before the year 2000. In order to verify results, a second round of testing is currently underway using an alternative testing methodology. This second round of testing is expected to be substantially complete by mid-April of 1999. The Company plans to conduct a final round of testing on its mission-critical automated systems during the fourth quarter of 1999.

RENOVATION AND IMPLEMENTATION. This phase involves obtaining and implementing renovated software applications provided by our vendors. As these applications are received and implemented, the Company will test them for year 2000 compliance. This phase also involves upgrading and replacing mission-critical automated systems where appropriate and will continue throughout 1999. Although the Company expects this phase to be substantially complete by early in the fourth quarter of 1999, with a final round of testing to follow in 1999, additional follow-up activities may take place in the year 2000 and beyond.

ESTIMATED COSTS TO ADDRESS THE COMPANY'S YEAR 2000 ISSUES. The total financial effect of these year 2000 challenges on the Company cannot be predicted with certainty at this time. In fact, in spite of all efforts being made to rectify these problems, the success of these efforts cannot be predicted until the year 2000 actually arrives. The Company will upgrade or replace certain automated systems before the year 2000; although some of these systems would have been replaced without regard to year 2000 issues, due to technology updates and Company expansion. The Company's estimated budget under its Y2K Plan is set forth in the table below(1). The costs below represented approximately 9% of the Company's information technology budget for 1998 and will represent about 10% of the 1999 information technology budget. The Company currently plans to continue to use normal operating funds for payment of its year 2000 expenses.

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Bancorp's estimated budget for year 2000 costs and expenses is as follows:

<TABLE>
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Item	1998	1999	Total
<S>	<C>	<C>	<C>
Anticipated Personnel Costs	$100,000	$105,000	$205,000
Telephone Banking Equipment(2)	75,000	--	75,000
Personal Computers(2)	29,500	117,500	147,000
ATM Upgrades	--	25,000	25,000
Third Party Consulting(3)	30,000	35,000	65,000
Total	$234,500	$282,500	$517,000

</TABLE>

(1) The Company may incur additional costs complying with requirements of its regulatory agencies related to year 2000 issues. Management cannot predict these costs at this time, so they have not been included in the table above, other than with respect to anticipated personnel costs.

(2) This represents the replacement cost of certain equipment the Company has identified to date as requiring replacement. The majority of this equipment was scheduled for replacement regardless of year 2000 issues, due to age, operability, and changing Company requirements.

(3) Bancorp engaged a consulting firm to write a comprehensive testing plan for the Company in 1998. Expenses for 1999 relate to costs associated with proxy testing of certain systems and consulting Bancorp may seek to review and audit the Company's year 2000 compliance progress.

Based on the estimates set forth above and the information the Company has received to date from its critical system providers and vendors, Management does not believe that expenses related to meeting the Company's year 2000 challenges will have a material effect on the operations or financial performance of the Company. However, factors beyond the control of management, such as the effects on vendors of our mission-critical software and systems, the effects of year 2000 issues on the economy, and the development of the risks identified below under "The Risks of the Company's Year 2000 Issues," among other things, could have a material effect on the operations or financial performance of the Company.

THE RISKS OF THE COMPANY'S YEAR 2000 ISSUES. The year 2000 presents certain risks to the Company and its operations. Some of these risks are present because the Company purchases technology applications from other parties who face year 2000 challenges. Other of these risks are inherent in the business of banking or are risks faced by many companies with stock traded on a national stock exchange. Although it is impossible to identify every possible risk that the Company may face moving into the millennium, Management has to date identified the following potential risks:

1. Commercial banks, such as the Bank, may experience a contraction in their deposit base, if a significant amount of deposited funds are withdrawn by customers prior to the year 2000, and interest rates may increase in the latter part of 1999. This potential deposit contraction could make it necessary for the Bank to change its sources of funding and could materially impact future earnings. The Company has incorporated a contingency plan for addressing this situation, should it occur, into its asset and liability management strategies. This plan includes maintaining the ability to borrow funds in an amount at least equal to 50% of the Company's allowed borrowing from the Federal Home Loan Bank of Seattle. Significant demand for funds by other banks could reduce the amount of funds available for the Company to borrow. If insufficient funds are available from a Federal Home Loan Bank or other correspondents, the Company may also sell investment securities or other liquid assets to meet liquidity needs. Despite these efforts, a significant deposit contraction could materially impact the Company's earnings or future operations, particularly if funds availability at the Federal Home Loan Bank is impaired or higher interest rates for the Bank's funding sources lead to a decrease in the Company's net interest margin.

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2. The Bank lends significant amounts to businesses in its market areas. If these businesses are adversely affected by year 2000 issues, their ability to repay loans could be impaired. This increased credit risk could affect the Company's financial performance. Management is currently monitoring the year 2000 compliance efforts of its significant business loan customers as described above under the "Assessment" segment of the "Introduction." In 1998, management found the Company's loan loss reserves adequate to absorb potential losses from loan defaults due to year 2000 risks. However, as the Company continues to monitor risk in this area, it may increase loan loss reserves as appropriate in the future.

3. The Company's operations, like those of many other companies, can be affected by the year-2000-triggered failures of other companies upon whom the Company depends for the functioning of its automated systems. Accordingly, the Company's operations could be materially affected, if the operations of those companies who provide the Company with mission critical applications, systems, and services are materially affected. As described above, the Company has identified its mission-critical vendors and is monitoring their year 2000 compliance progress. For more information, see "The Company's Year 2000 Readiness," above.

4. All companies with stock traded on a national stock exchange, including Bancorp, could experience a drop in stock price as investors change their investment portfolios or sell stock prior to the millennium. At this time, it is impossible to predict whether or not this will in fact be the case with respect to the stock of Bancorp or any other company.

5. Bancorp's subsidiary West Coast Trust provides investment advisory services to certain customers, including an open-end mutual fund administered by an investment company registered under the Investment Advisors Act of 1940. Management is currently assessing the material risks of the activities of West Coast Trust and is monitoring the year 2000 compliance activities of the investment company administering the open-end mutual fund.

6. The Company's ability to operate effectively in the year 2000 could be affected by communications abilities and access to utilities, such as electricity, water, telephone, and others, to the extent access is interrupted due to the effects of year 2000 issues on these and other utilities.

THE COMPANY'S CONTINGENCY PLANS. In addition to the contingency plans described above under "The Risks of the Company's Year 2000 Issues," the Company is developing a Business Interruption Contingency Plan ("BIC Plan"). This BIC Plan is currently being finalized, and the Company expects to complete it by the end of the first quarter of 1999. The BIC Plan will contain information pertinent to maintaining the successful operation of each major business line of the Company as we transition from 1999 to 2000. Based on the Company's current assessment, it is anticipated that the BIC Plan will address such matters as (1) Company policies and procedures relating to staffing and employee resources during the critical time periods before and after the year 2000, (2) maintenance of external and internal communications, (3) plans for maintaining critical business operations, (4) steps for contingency plan implementation, (5) timelines or timing guidelines for contingency plan implementation, and (6) guidelines or procedures to be followed if it becomes necessary to implement a contingency plan with respect to a major business line. In addition, if the Company identifies a material problem with a mission-critical system, the Company will develop an appropriate contingency plan for operation or recovery, as possible and appropriate, should that system fail in the year 2000. Certain circumstances may occur for which there are no satisfactory contingency plans. For more information see above under "The Risks of the Company's Year 2000 Issues."

FORWARD LOOKING STATEMENTS

The discussion above, entitled "Year 2000 Issues," including without limitation the section entitled "Risks of the Company's Year 2000 Issues," includes certain "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 ("PSLRA"). This statement is included for the express purpose of availing Bancorp of the protections of the safe harbor provisions of the PSLRA. Management's ability to predict results or effects of issues related to the year 2000 is inherently uncertain, and is

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subject to factors that may cause actual results to differ materially from those projected. Factors that could affect the actual results include, without limitation, (1) the possibility that protection procedures, contingency plans, and remediation efforts will not operate as intended, (2) the possibility that the Company may fail to timely or completely identify all software or hardware applications requiring remediation or other risks or issues related to the year 2000, (3) unexpected costs or events, (4) failures of communications abilities or utility companies serving the Company, (5) fluctuating interest rates, and (6) the uncertainty associated with the impact of year 2000 issues on the banking industry and on the Company's customers, vendors, and others with whom it does business. Readers are cautioned not to place undue reliance on these forward looking statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following audited consolidated financial statements and related documents are set forth in this Annual Report on Form 10-K on the pages indicated:

<TABLE>
<S> <C>
Report of Independent Public Accountants..............................29
Consolidated Balance Sheets..30
Consolidated Statements of Income....................................31
Consolidated Statements of Cash Flows................................32
Consolidated Statements of Stockholders' Equity......................33
Notes to Consolidated Financial Statements...........................34
</TABLE>

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of West Coast Bancorp:

We have audited the accompanying consolidated balance sheets of West Coast Bancorp (an Oregon corporation) as of December 31, 1998 and 1997, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of West Coast Bancorp's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the 1997 and 1996 financial statements of Centennial Holdings, Ltd., a company acquired during 1998 in a transaction accounted for as a pooling of interests, as discussed in Note 2. Such statements are included in West Coast Bancorp's consolidated balance sheet as of December 31, 1997, and consolidated statements of income, changes in stockholders' equity and cash flows for the years ended December 31, 1997 and 1996 and reflect 24% of consolidated assets as of December 31, 1997, and 25% of consolidated interest revenues in both 1997 and 1996. These statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for Centennial Holdings, Ltd., is based solely upon the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. 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 audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of West Coast Bancorp as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Portland, Oregon
January 26, 1999

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WEST COAST BANCORP
CONSOLIDATED BALANCE SHEETS

<TABLE>
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Year ended December 31,	1998	1997
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	$ 80,923,069	$ 97,769,331
Interest-bearing deposits in other banks	568,825	1,048,327
Total cash and cash equivalents	81,491,894	98,817,658
Investment securities:		
Investments available for sale	253,271,239	191,189,957
Investments held to maturity	2,695,531	2,987,256
Total investment securities	255,966,770	194,177,213
Loans held for sale	15,972,711	10,457,247
Loans	862,052,215	776,941,389
Allowance for loan loss	(12,452,694)	(10,450,584)
Loans, net	849,599,521	766,490,805
Premises and equipment, net	29,689,405	27,850,076
Intangible assets	2,727,564	3,157,300
Other assets	19,975,557	16,875,428
Total assets	$ 1,255,423,422	$ 1,117,825,727
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Deposits:		
Demand	$ 205,408,337	$ 162,567,731
Savings and interest-bearing demand	559,211,508	495,890,935
Certificates of deposits	343,837,191	300,022,929
Total deposits	1,108,457,036	958,481,595
Short-term borrowings:		
Federal funds purchased	--	4,500,000
Other short-term borrowings	--	24,749,000
Total short-term borrowings	--	29,249,000
Other liabilities	9,481,233	6,509,140
Long-term borrowings	20,259,985	22,445,674
Total liabilities	1,138,198,254	1,016,685,409
Commitments and contingent liabilities		
STOCKHOLDERS' EQUITY:		
Preferred stock: no par value, none issued; 10,000,000 shares authorized		
Common stock: no par value, 50,000,000 and 15,000,000 shares authorized respectively; shares issued and outstanding 14,235,931 and 12,606,009 respectively	17,794,914	15,757,511
Additional paid-in capital	66,474,468	43,213,086
Retained earnings	29,392,264	40,599,130
Net unrealized gains on investments available for sale	3,563,522	1,570,591
Total stockholders' equity	117,225,168	101,140,318
Total liabilities and stockholders' equity	$ 1,255,423,422	$ 1,117,825,727

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED STATEMENTS

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WEST COAST BANCORP
CONSOLIDATED STATEMENTS OF INCOME

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Year ended December 31,	1998	1997	1996
<S>	<C>	<C>	<C>
INTEREST INCOME			
Interest and fees and loans	$ 82,171,277	$ 78,079,125	$ 66,559,294
Interest on taxable investment securities	8,895,706	6,832,807	5,453,524
Interest on nontaxable investment securities......	3,989,038	2,475,253	2,623,063
Interest from other banks	1,574,710	1,624,468	542,400
Interest on federal funds sold	422,007	52,895	407,822
Total interest income	97,052,738	89,064,548	75,586,103
INTEREST EXPENSE			
Savings and interest-bearing demand	16,458,978	16,382,717	13,264,438
Certificates of deposit	17,797,740	14,075,162	11,642,310
Short-term borrowings	359,453	526,825	798,418
Long-term borrowings	1,814,474	1,277,771	890,291
Total interest expense	36,430,645	32,262,475	26,595,457
NET INTEREST INCOME	60,622,093	56,802,073	48,990,646
PROVISION FOR LOAN LOSS	2,900,415	3,936,000	2,570,987
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSS	57,721,678	52,866,073	46,419,659
NONINTEREST INCOME			
Gains on sales of loans	6,362,308	2,383,000	1,220,769
Service charges on deposit accounts...............	4,620,055	4,079,442	3,495,418
Other service charges, commissions and fees.......	3,872,843	3,141,490	1,928,843
Trust revenue	2,542,744	1,669,350	1,360,430
Loans servicing fees	634,269	841,604	1,047,407
Gains on sale of servicing rights	--	1,659,420	269,107
Other	779,270	461,113	544,721
Net gains (losses) on sales of securities	347,797	(85,446)	8,555
Total noninterest income	19,159,286	14,149,973	9,875,250
NONINTEREST EXPENSE			
Salaries and employee benefits	29,913,335	25,433,258	21,944,700
Equipment	5,318,072	4,731,711	3,287,668
Occupancy	3,234,296	3,097,089	3,060,484
Professional fees	1,626,440	1,890,732	2,248,986
Communications	1,533,416	1,164,619	
....			869,313
Marketing	1,379,151	1,307,028	1,075,035
Printing and office supplies	1,334,724	1,225,094	1,221,418
Restructuring charges	3,768,035	--	--
Other noninterest expense	7,990,449	6,544,329	5,107,434
Total noninterest expense	56,097,918	45,393,860	38,815,038
INCOME BEFORE INCOME TAXES	20,783,046	21,622,186	17,479,871
PROVISION FOR INCOME TAXES	6,724,375	7,183,673	5,803,407
NET INCOME	$ 14,058,671	$ 14,438,513	$ 11,676,464
Basic earnings per share	$ 1.00	$ 1.06	$ 0.87
Diluted earnings per share	$ 0.96	$ 1.01	$ 0.85

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED STATEMENTS

WEST COAST BANCORP
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
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Year ended December 31,	1998	1997	1996
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 14,058,671	$ 14,438,513	$ 11,676,464
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of premises and equipment	3,179,164	2,704,623	2,460,162
Amortization of intangibles	429,736	405,298	309,465
Net (gain) loss on sales of available for sale investments ...	(347,797)	85,446	(8,555)
Provision for loan losses	2,900,415	3,936,000	2,570,987
Increase in interest receivables	(934,842)	(1,475,925)	(358,071)
Increase in other assets	(2,165,287)	(1,159,870)	(757,108)
Net cash used by loans held for sale	(5,515,464)	(4,574,591)	(556,443)
(Decrease) increase in interest payable	(217,777)	5,496	354,692
Increase (decrease) in other liabilities	3,189,870	(3,585,624)	2,518,329
Tax benefit associated with stock options	1,792,926	1,078,354	--
Net cash provided by operating activities	16,369,615	11,857,720	18,209,922
CASH FLOWS FOR INVESTING ACTIVITIES			
Proceeds from maturities of investment securities:			
Available for sale	30,842,244	30,298,430	37,446,234
Held to maturity	291,725	405,898	5,959,848
Proceeds from sales of investment securities available for sale..	12,548,867	29,628,309	20,081,081
Purchase of investment securities:			
Available for sale	(103,131,665)	(132,908,127)	(37,975,869)
Held to maturity	--	(100,000)	(249,964)
Loans made to customers greater than principal collected on loans	(86,009,131)	(179,569,154)	
....			(59,052,632)
Capital expenditures, net	(5,018,493)	(4,546,261)	(3,605,372)
Net cash used in investing activities	(150,476,453)	(136,274,383)	(157,913,196)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in demand, savings and interest-bearing transaction	106,161,179	104,797,784	79,923,036
Net increase in proceeds from sales of certificates of deposits greater than payments for maturing time deposits	43,814,262	47,383,620	30,703,325
Proceeds from long-term borrowings	21,000,000	15,000,000	22,000,000
Payments on long-term borrowings	(23,185,689)	(21,137,096)	(3,604,993)
Net (decrease) increase in short-term borrowings	(29,249,000)	19,305,261	(1,870,306)
Net proceeds from issuance of common stock	2,255,284	1,832,680	1,013,344
Cash paid for acquisition of banking assets	--	(805,092)	(887,473)
Redemption of common stock for stock repurchase plan	(1,029,030)	--	--
Dividends paid and cash paid for fractional shares	(2,985,932)	(2,317,342)	(1,925,342)
Net cash provided by financing activities	$ 116,781,074	$ 164,059,815	$ 125,351,591
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(17,325,764)	39,643,152	(14,351,683)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	98,817,658	59,174,506	73,526,189
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 81,491,894	$ 98,817,658	$ 59,174,506

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED STATEMENTS

WEST COAST BANCORP
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings
<S>	<C>	<C>	<C>	<C>
BALANCE, December 31, 1995......................	7,319,954	$9,149,942	$43,152,911	$18,725,466
Comprehensive income:				
Net income....................................	--	--	--	11,676,464
Other comprehensive income, net of tax:				
Net unrealized investment losses............	--	--	--	--
Reclassification adjustments for gains included in net income............	--	--	--	--

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Other comprehensive income, net of tax.........	--	--	--	--
Comprehensive income............................				
Cash dividends, $.14 per common share...........	--	--	--	(1,910,544)
Purchase of common stock pursuant to employee stock ownership plan..............	4,518	5,648	77,396	--
Acquisition of First American State Bank.........	228,792	285,990	2,458,747	--
Sale of common stock pursuant to option plans....	98,605	123,256	807,044	--
Stock split in the form of a 25% dividend........	1,333,585	1,666,981	(1,666,981)	--
Cash paid for fractional shares..................	(721)	(901)	--	(13,897)
BALANCE, December 31, 1996......................	8,984,733	11,230,916	44,829,117	28,477,489
Comprehensive income:				
Net income....................................	--	--	--	14,438,513
Other comprehensive income, net of tax:				
Net unrealized investment gains..............	--	--	--	--
Reclassification adjustments for losses included in net income............	--	--	--	--
Other comprehensive income, net of tax.........	--	--	--	--
Comprehensive income............................				
Cash dividends, $.17 per common share...........	--	--	--	(2,305,154)
Sale of common stock pursuant to option plans....	270,324	337,905	2,046,123	--
Redemption of stock pursuant to options..........	(19,507)	(24,384)	(526,964)	--
Stock split in the form of a 50% dividend........	3,370,835	4,213,544	(4,213,544)	--
Cash paid for fractional shares..................	(376)	(470)	--	(11,718)
Tax benefit associated with stock options........	--	--	1,078,354	--
BALANCE, December 31, 1997......................	12,606,009	15,757,511	43,213,086	40,599,130
Comprehensive income:				
Net income....................................	--	--	--	14,058,671
Other comprehensive income, net of tax:				
Net unrealized investment gains..............	--	--	--	--
Reclassification adjustments for gains included in net income..................	--	--	--	--
Other comprehensive income, net of tax.........	--	--	--	--
Comprehensive income............................				
Cash dividends, $.21 per common share...........	--	--	--	(2,972,623)
Sale of common stock pursuant to option plans....	412,485	515,606	2,209,761	--
Redemption of stock pursuant to options..........	(23,422)	(29,278)	(440,805)	--
Common stock repurchased and retired............	(50,000)	(62,500)	(966,530)	--
10 % stock dividend.............................	1,291,627	1,614,535	20,666,030	(22,280,565)
Cash paid for fractional shares..................	(768)	(960)	--	(12,349)
Tax benefit associated with stock options........	--	--	1,792,926	--
BALANCE, December 31, 1998......................	14,235,931	$17,794,914	$66,474,468	$29,392,264

</TABLE>

<TABLE>
<CAPTION>

<S>	Accumulated Other Comprehensive Income <C>	Total <C>
BALANCE, December 31, 1995......................	$1,631,766	$72,660,085
Comprehensive income:		
Net income....................................	--	11,676,464
Other comprehensive income, net of tax:		
Net unrealized investment losses............	--	(783,351)
Reclassification adjustments for gains included in net income............	--	(5,273)
Other comprehensive income, net of tax.........	(788,624)	(788,624)
Comprehensive income............................		10,887,840
Cash dividends, $.14 per common share...........	--	(1,910,544)
Purchase of common stock pursuant to employee stock ownership plan..............	--	83,044
Acquisition of First American State Bank.........	--	2,744,737
Sale of common stock pursuant to option plans....	--	930,300

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Stock split in the form of a 25% dividend........	--	--
Cash paid for fractional shares..................	--	(14,798)
BALANCE, December 31, 1996......................	843,142	85,380,664
Comprehensive income:		
Net income....................................	--	14,438,513
Other comprehensive income, net of tax:		
Net unrealized investment gains.............	--	674,780
Reclassification adjustments for losses included in net income............	--	52,669
Other comprehensive income, net of tax.........	727,449	727,449
Comprehensive income............................		15,165,962
Cash dividends, $.17 per common share...........	--	(2,305,154)
Sale of common stock pursuant to option plans....	--	2,384,028
Redemption of stock pursuant to options..........	--	(551,348)
Stock split in the form of a 50% dividend........	--	--
Cash paid for fractional shares..................	--	(12,188)
Tax benefit associated with stock options........	--	1,078,354
BALANCE, December 31, 1997......................	1,570,591	101,140,318
Comprehensive income:		
Net income....................................	--	14,058,671
Other comprehensive income, net of tax:		
Net unrealized investment gains.............	--	2,207,313
Reclassification adjustments for gains included in net income..................	--	(214,382)
Other comprehensive income, net of tax.........	1,992,931	1,992,931
Comprehensive income............................		16,051,602
Cash dividends, $.21 per common share...........	--	(2,972,623)
Sale of common stock pursuant to option plans....	--	2,725,367
Redemption of stock pursuant to options..........	--	(470,083)
Common stock repurchased and retired............	--	(1,029,030)
10 % stock dividend.............................	--	--
Cash paid for fractional shares..................	--	(13,309)
Tax benefit associated with stock options........	--	1,792,926
BALANCE, December 31, 1998......................	$3,563,522	$117,225,168

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED STATEMENTS

WEST COAST BANCORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION. The accompanying consolidated financial statements include the accounts of West Coast Bancorp (Bancorp or the Company) which operates its wholly-owned subsidiaries, West Coast Bank, West Coast Trust, Centennial Funding Corporation and Totten, Inc. after elimination of intercompany transactions and balances.

NATURE OF OPERATIONS. Bancorp operates 40 offices in western Oregon and Washington. The Bank's activities include the usual lending and deposit functions of commercial banks. West Coast Trust provides agency, trust and related services.

INVESTMENT SECURITIES. Investment securities are classified as either available for sale or held to maturity. Available for sale securities are carried at fair value with unrealized gains and losses, net of any tax effect, added to or deducted directly from stockholders' equity. Held to maturity securities are carried at amortized cost.

LOANS HELD FOR SALE. Loans held for sale are carried at the lower of cost or market. Market value is determined in the aggregate.

LOANS. Interest income on loans is accrued daily on the principal balance outstanding. Generally, no interest is accrued on loans when factors indicate collection of interest is doubtful or when the principal or interest

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payment becomes 90 days past due. For such loans, previously accrued but uncollected interest is charged against current earnings, and income is only recognized to the extent payments are subsequently received. Loan fees are offset against operating expense to the extent these fees cover the direct expense of originating loans. Fees in excess of origination costs are deferred and amortized to income over the related loan period.

Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair market value of the collateral if the loan is collateral dependent. Loans that are currently measured at fair value or at lower of cost or fair value, leases and certain large groups of smaller balance homogeneous loans that are collectively measured for impairment are excluded.

ALLOWANCE FOR LOAN LOSS. The allowance for loan loss is based on management's estimates. Actual losses may vary from current estimates. These estimates are reviewed periodically and, as adjustments become necessary, are reported in earnings in the periods in which they become known. Losses are charged and recoveries are credited to the allowance.

ACCOUNTING CHANGES. In 1995, Bancorp adopted Statement of Financial Accounting Standard (SFAS) No. 122, "Accounting to Mortgage Servicing Rights," which requires recognition as separate assets rights to service mortgage loans for others, however those rights are acquired. It further requires the assessment of its capitalized mortgage servicing rights for impairment based on the fair value of those rights. Impairment should be recognized through a valuation allowance. This statement applies to financial statements for fiscal years beginning after December 15, 1995. The implementation of this statement did not have a material effect on Bancorp's reported financial position or net income in 1996.

In 1995, Bancorp adopted SFAS No. 123, "Accounting for Stock-Based Compensation," which requires disclosures about stock-based compensation arrangements regardless of the method used to account for them. Bancorp has opted to continue to apply the accounting provisions of Opinion No. 25, and therefore discloses the difference between compensation cost included in net income and the related cost measured by the fair value based method defined by SFAS No. 123, including tax effects, that would have been recognized in the income statement if the fair value method had been used.

In 1997, Bancorp adopted SFAS No. 128, "Earnings Per Share," which establishes standards for computing and presenting earnings per share (EPS). It replaces the presentation of primary EPS with a presentation of basic EPS. It also requires dual presentation of basic and diluted EPS on the face of the income statement for all entities with complex capital structures and requires reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. The implementation of this statement did not have a material effect on Bancorp's reported financial position or net income in 1997. EPS for 1996 was restated to conform with this statement.

In 1998, Bancorp adopted SFAS No. 130, "Reporting Comprehensive Income." This statement established standards for reporting and display of comprehensive income and its components (revenues, expenses, gains and losses) in a full set of general purpose financial statements. This display is presented in the consolidated statement of equity and related notes.

In 1998, Financial Accounting Standards Board issued SFAS NO. 133, "Accounting for Derivative Instruments and Hedging Activities," which Bancorp is required to adopt for years beginning after June 15, 1999. The statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statements of financial position and measure those instruments at fair value. Bancorp does not anticipate that the implementation of this statement will have a material effect on Bancorp's reported financial position or net income.

PREMISES AND EQUIPMENT. Premises and equipment are stated at cost, less accumulated depreciation. The provision for depreciation is computed on the straight-line method over the estimated useful lives of the related assets, which range from 3 to 40 years. Improvements are capitalized and depreciated over their estimated useful lives. Minor repairs, maintenance, and improvements are charged to operations as incurred. When property is replaced or otherwise disposed of, the cost of such assets and the related accumulated depreciation

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are removed from their respective accounts. Related profit or loss, if any, is recorded in the Consolidated Statement of Income.

OTHER BORROWINGS. Federal funds purchased and securities sold under agreements to repurchase generally mature within one to four days from the transaction date. Other short-term borrowed funds mature within one year from the transaction date. Other long-term borrowed funds extend beyond one year.

INCOME TAXES. Income taxes are accounted for using the asset and liability method. Under this method, a deferred tax asset or liability is determined based on the enacted tax rates that will be in effect when the differences between the financial statement carrying amounts and tax bases of existing assets and liabilities are expected to be reported in Bancorp income tax returns. The deferred tax provision for the year is equal to the net change in the deferred tax asset from the beginning to the end of the year, less amounts applicable to the change in value related to investments available for sale. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

TRUST DEPARTMENT ASSETS. Assets (other than cash deposits) held by West Coast Trust in fiduciary or agency capacities for its trust customers are not included in the accompanying Consolidated Balance Sheets, since such items are not assets of West Coast Trust.

SUPPLEMENTAL CASH FLOW INFORMATION. For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and federal funds sold. Generally, federal funds are purchased and sold for one-day periods. Bancorp paid $36,648,000, $32,257,000, and $26,337,000, for interest in 1998, 1997, and 1996, respectively. Income taxes paid were $4,650,000, $7,987,000, and $5,218,000 in 1998, 1997, and 1996, respectively.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS. The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RECLASSIFICATIONS. Certain reclassifications of prior year amounts have been made to conform to current classifications.

2. BUSINESS COMBINATIONS

On July 1, 1996, Bancorp acquired Vancouver Bancorp parent of Bank of Vancouver, headquartered in Vancouver, Washington. Shareholders of Vancouver Bancorp were issued 1,049,000 new shares of Bancorp common stock, and an additional 234,000 shares were reserved for options previously granted, providing for a total stock transaction valued at closing at $11.6 million. The transaction was accounted for as a pooling-of-interest under generally accepted accounting principles.

On February 28, 1998, Bancorp acquired Centennial Holdings, Ltd., (CEB) of Olympia, Washington. Shareholders of Centennial Holdings were issued 2,657,000 new shares of Bancorp common stock, and an additional 148,000 shares were made available for options previously granted, providing for a total stock transaction valued at closing at $66 million. The transaction was accounted for as a pooling of interest under generally accepted accounting principles.

The following data summarizes the results of operations of the previously separate companies for the periods 1997 and 1996 before the acquisition. Certain reclassifications of prior period components have been made to conform to current classifications and consistent presentations. Intercompany transactions have been eliminated from the data provided.

<TABLE>
<CAPTION>

	1997		1996	
(Dollars in thousands, except per share data)	CEB	Bancorp	CEB	Bancorp
<S>	<C>	<C>	<C>	<C>
Interest income..................................	$ 22,387	$ 66,678	$ 18,962	$ 56,624
Interest expense.................................	8,315	23,947	6,762	19,834
Net interest income.......................	14,072	42,731	12,200	36,790

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Provision for loan loss..........................	1,740	2,196	396	2,175
Noninterest income...............................	4,329	9,821	2,019	7,856
Noninterest expense..............................	12,839	32,555	10,986	27,828
Income before income taxes.................	3,822	17,801	2,837	14,643
Provision for income taxes.......................	1,249	5,935	963	4,841
Net income.................................	$ 2,573	$ 11,866	$ 1,874	$ 9,802
Assets..	$ 267,875	$ 849,951	$ 227,954	$ 712,343
Deposits...	$ 244,529	$ 713,953	$ 201,398	$ 604,902
Equity...	$ 21,870	$ 79,270	$ 18,236	$ 67,145

</TABLE>

On June 6, 1996 CEB acquired First American State Bank in a business combination accounted for as a purchase. First American was a full-service bank with two branches in Lewis County, and at the date of acquisition, had approximately $33 million of assets, $22 million of loans, $29 million of deposits, and stockholders' equity of $3.4 million. The results of operations of First American are included in the accompanying financial statements since the date of acquisition. The cost of the acquisition was $5.4 million, which exceeded the fair value of the net assets acquired by $1.8 million. The excess is being amortized on the straight-line basis over the estimated remaining lives of the underlying assets.

3. CONSOLIDATION AND RESTRUCTURING CHARGES

As of December 31, 1998, Bancorp completed its consolidation of its four separate banking affiliates into a single banking organization. During 1998, Bancorp accrued $1.92 million in restructuring charges to cover anticipated costs of $1.73 million for the severance program and personnel related expenditures, with the remaining $188,000 for marketing and professional fees related to the restructuring. These amounts were incurred but not paid at the time the accrual was made. During 1998, $13,000 of the severance related program costs and $145,000 of the marketing and professional fees have been paid and charged against the accrual. As of December 31, 1998, Bancorp has an accrual for the restructuring charges of $1.76 million, of which $1.73 million is for severance and employee related costs and the remaining amount is for unpaid professional fees for work incurred. The consolidation is expected to reduce employment by approximately 100 positions or 13% of Bancorp's total work force. The reductions are primarily comprised of administrative and back office positions. As of December 31, 1998, approximately 25% of the anticipated staff related reductions have occurred. Additionally, in connection with its restructuring plan, the company has invested in new network computer systems and has therefore recorded a write-down related to the replaced equipment no longer in use. The write-down of $1.1 million was incurred during 1998 and is included in the restructuring charge. During the year, the company also prepaid $20 million of its long-term debt that was required to meet certain liquidity needs of the individual banks under its previous structure, but was no longer required under the reorganized single bank structure. The prepayment penalty of $517,000 was incurred during 1998 and is included in the restructuring charge. Other costs related to the restructuring of approximately $300,000, primarily data conversion, marketing, regulatory and administrative, were paid during 1998 and included in restructuring costs. Total restructuring costs charged to expense during 1998 totaled $3.8 million.

4. INVESTMENT SECURITIES

<TABLE>
<CAPTION>

(Dollars in thousands)	AVAILABLE FOR SALE			
1998	Amortized Cost	Unrealized Gross Gains	Unrealized Gross Losses	Fair Value
<S>	<C>	<C>	<C>	<C>
U.S. Treasury securities...........................	$ 5,999	$ 66	$ --	$ 6,065
U.S. Government agency securities..................	87,971	993	108	88,856
Corporate securities...............................	34,161	580	59	34,682
Mortgage-backed securities.........................	6,480	60	23	6,517
Obligations of state and political subdivisions.....................................	103,445	4,375	131	107,689
Equity and other securities........................	9,462	--	--	9,462
Total..	$ 247,518	$ 6,074	$ 321	$ 253,271

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</TABLE>

(Dollars in thousands) HELD TO MATURITY 1998	Amortized Cost	Unrealized Gross Gains	Unrealized Gross Losses	Fair Value
Obligations of state and political subdivisions	$ 2,696	$ 213	$ --	$ 2,909
Total	$ 2,696	$ 213	$ --	$ 2,909

(Dollars in thousands) AVAILABLE FOR SALE 1997	Amortized Cost	Unrealized Gross Gains	Unrealized Gross Losses	Fair Value
U.S. Treasury securities	$ 9,540	$ 35	$ 3	$ 9,572
U.S. Government agency securities	76,280	438	205	76,513
Corporate securities	24,624	181	3	24,802
Mortgage-backed securities	8,450	54	61	8,443
Obligations of state and political subdivisions	61,718	2,166	62	63,822
Equity and other securities	8,023	15	--	8,038
Total	$ 188,635	$ 2,889	$ 334	$ 191,190

(Dollars in thousands) HELD TO MATURITY 1997	Amortized Cost	Unrealized Gross Gains	Unrealized Gross Losses	Fair Value
Obligations of state and political subdivisions	$ 2,987	$ 62	$ 3	$ 3,046
Total	$ 2,987	$ 62	$ 3	$ 3,046

Gross gains of $357,226, $52,010, and $87,748 and gross losses of $9,429, $137,456, and $79,193, were realized on sales of investment securities in 1998, 1997, and 1996, respectively. Securities with a fair value of approximately $28,788,000 at December 31, 1998, were pledged to secure public deposits. No outstanding mortgage-backed securities were classified as high-risk at December 31, 1998.

5. MATURITIES OF INVESTMENTS

1998	AVAILABLE FOR SALE Amortized Cost	AVAILABLE FOR SALE Fair Value	HELD TO MATURITY Amortized Cost	HELD TO MATURITY Fair Value
U.S Treasury securities				
One year or less	$ 3,000	$ 3,010	$ --	$ --
One year through five years	2,999	3,055	--	--
After five through ten years	--	--	--	--
Due after ten years	--	--	--	
Total	5,999	6,065	--	--
U.S. Government agency securities				
One year or less	10,116	10,131	--	--

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One year through five years	29,646	29,909	--	--
After five through ten years	46,210	46,831	--	--
Due after ten years	1,999	1,985	--	--
Total	87,971	88,856	--	--
Corporate Securities				
One year or less	5,057	5,072	--	--
One year through five years	22,212	22,505	--	--
After five through ten years	6,892	7,105	--	--
Due after ten years	--	--	--	
Total	34,161	34,682	--	--
Obligations of state and political subdivisions				
One year or less	2,196	2,226	205	208
One year through five years	17,432	18,082	1,605	1,760
After five through ten years	49,313	51,535	649	689
Due after ten years	34,504	35,846	237	252
Total	103,445	107,689	2,696	2,909
Sub-total	231,576	237,292	2,696	2,909
Mortgage-backed securities	6,480	6,517	--	--
Equity investments	9,462	9,462	--	--
Total securities	$247,518	$253,271	$ 2,696	$ 2,909

</TABLE>

6. LOANS AND ALLOWANCE FOR LOAN LOSS

The loan portfolio consists of the following:

<TABLE>
<CAPTION>

<S>	December 31, 1998 <C>	1997 <C>
Commercial loans	$ 150,206	$ 150,197
Real estate - construction	118,171	112,378
Real estate - mortgage	113,661	116,228
Real estate - commercial	414,169	323,320
Installment and other consumer..	65,845	74,819
Total loans	862,052	776,942
Allowance for loan loss	(12,453)	(10,451)
Total loans, net	$ 849,599	$ 766,491

</TABLE>

The following is an analysis of the changes in the allowance for loan loss:

<TABLE>
<CAPTION>

<S>	December 31, 1998 <C>	1997 <C>	1996 <C>
Balance, beginning of period	$ 10,451	$ 8,491	$ 6,562
Provision for loan loss	2,900	3,936	2,571
Reserves added through acquisition ...	--	--	552
Losses charged to the allowance	(1,306)	(2,251)	(1,450)
Recoveries credited to the allowance..	408	275	256
Balance, end of period	$ 12,453	$ 10,451	$ 8,491

</TABLE>

Loans on which the accrual of interest has been discontinued, amounted to approximately $4,565,000, $4,245,000, and $2,228,000, at December

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31, 1998, 1997, and 1996, respectively. Interest income foregone on non-accrual loans was approximately $434,000, $432,000, and $333,000, in 1998, 1997, and 1996, respectively.

At December 31, 1998 and 1997, Bancorp's recorded investment in certain loans that were considered to be impaired was $4,423,000 and $4,091,000, respectively, all of which was classified as non-performing. Of these impaired loans, $555,000 and $702,000 had a related valuation allowance of $150,000 and $352,000, respectively, while $3,868,000 and $3,389,000 did not require a valuation allowance. The balance of the allowance for loan loss in excess of these specific reserves is available to absorb losses from all loans. The average recorded investment in certain impaired loans for the years ended December 31, 1998 and 1997 was approximately, $3,633,000 and $1,207,000, respectively. For the years ended December 31, 1998 and 1997, interest income recognized on impaired loans totaled $384,000 and $161,000, respectively, all of which was recognized on a cash basis.

As of December 31, 1998, 1997 and 1996, the Bank had loans to persons serving as directors, officers, principle shareholders and their related interests totaling $19,873,000, $12,678,000 and $8,799,000, respectively. These loans were made substantially on the same terms, including interest rates, maturities and collateral as those made to other customers of the Banks.

The Bank grants commercial and residential loans to customers primarily throughout Oregon and Washington. Although the Bank has a diversified loan portfolio, a substantial portion of the portfolio belongs to debtors whose ability to honor their contracts is dependent upon the economics of Oregon and/or Washington.

7. PREMISES AND EQUIPMENT

Premises and equipment consists of the following:

<TABLE>
<CAPTION>

	December 31, 1998	December 31, 1997
<S>	<C>	<C>
Land	$ 4,599	$ 4,599
Buildings and improvements	20,525	19,925
Furniture and equipment	21,485	17,083
Construction in progress	466	1,671
	47,075	43,278
Accumulated depreciation	(17,386)	(15,428)
Total	$ 29,689	$ 27,850

</TABLE>

Depreciation included in net occupancy and equipment expense amounted to $3,179,000, and $2,705,000 and $2,460,000 for the years ended December 31, 1998, 1997, and 1996, respectively.

8. CERTIFICATES OF DEPOSIT

Included in certificates of deposit are certificates in denominations of $100,000 or greater, totaling $93,371,000 and $75,155,000 at December 31, 1998 and 1997, respectively. Interest expense relating to certificates of deposits in denominations of $100,000 or greater was $3,731,000, 3,808,000, and $3,076,000 for the years ended December 31, 1998, 1997 and 1996, respectively.

9. BORROWINGS

Short-term borrowings generally consist of a Cash Management Account (CMA) line of credit for overnight funding with the Federal Home Loan Bank (FHLB), and Federal Funds Purchased overnight from correspondent banks. No short-term borrowings were outstanding at December 31, 1998.

Long-term borrowings, as of December 31, 1998, consist of amortizing notes and putable advances with the FHLB totaling $20,259,985. Bancorp has two amortizing notes totaling $2,259,985, that have original terms of seven years

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and mature between April of 2000, and January of 2001. Rates on the amortizing notes range from 4.98% to 5.42%. Bancorp also has $18 million in putable advances from the FHLB. The putable advances have terms of five years with quarterly put options starting September 1999 with a final maturity in December 2003; rates on these advances range from 4.53% to 5.68%. Principal payments due on Bancorp's borrowings in 1999 are $1.6 million, in 2000 are $667,000, in 2001 are $22,000, and in 2002 are $18 million with no balances due thereafter.

10. BALANCES WITH THE FEDERAL RESERVE BANK

The Bank is required to maintain cash reserves or deposits with the Federal Reserve Bank equal to a percentage of reservable deposits. The average required reserves for the Bank was $2,676,000 during 1998.

11. COMMITMENTS AND CONTINGENT LIABILITIES

The Company leases land and office space under thirty leases, of which twenty-seven are long-term noncancellable operating leases that expire between 1999 and 2011. At the end of the respective lease terms, Bancorp may renew the leases at fair rental value. At December 31, 1998, minimum future lease payments under these leases and other operating leases were:

(Dollars in thousands) Year	Minimum Future Lease Payment
1999	$1,231
2000	1,158
2001	913
2002	688
2003	517
Thereafter	1,683
Total	$6,190

Rental expense for all operating leases was $1,201,000, 1,221,000, and $1,164,000, for the years ended December 31, 1998, 1997, and 1996, respectively.

12. INCOME TAXES

The provision for income taxes attributable to income for the last three years consisted of the following:

(Dollars in thousands)	Year ended December 31, 1998	1997	1996
Current			
Federal	$ 6,866	$ 7,608	$ 5,243
State	1,148	624	871
	8,014	8,232	6,114
Deferred			
Federal	(1,105)	(982)	(247)
State	(185)	(66)	(63)
	(1,290)	(1,048)	(310)
Total			
Federal	5,761	6,626	4,996
State	963	558	808
Total	$ 6,724	$ 7,184	$ 5,804

The tax effect of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities for the last three

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years are presented below:

<TABLE>
<CAPTION>

(Dollars in thousands)	Year ended December 31, 1998	1997	1996
<S>	<C>	<C>	<C>
Deferred tax assets:			
Allowance for loan loss	$ 4,079	$ 3,113	$ 2,301
Deferred income	34	93	173
Net operating loss	--	--	13
Reorganization costs	33	57	84
Deferred employees benefits	1,268	486	364
Other	--	30	60
Total deferred tax assets	5,414	3,779	2,995
Deferred tax liabilities:			
Accumulated depreciation	876	556	732
Federal Home Loan Bank stock dividends ..	1,035	788	574
Net unrealized gains on investments available for sale	2,189	984	534
Intangible assets	662	780	871
Mortgage servicing rights	--	--	239
Other	16	120	92
Total deferred tax liabilities	4,778	3,228	3,042
Net deferred tax assets/liabilities	$ 636	$ 551	$ (47)

</TABLE>

The financial tax rate of the provision for income taxes varies from the federal income tax statutory rate. The reasons for the variance are as follows:

<TABLE>
<CAPTION>

(Dollars in thousands)	Year ended December 31, 1998	1997	1996
<S>	<C>	<C>	<C>
Expected federal income tax provision at 34 percent	$ 7,066	$ 7,351	$ 5,943
State income tax, net of federal income tax effect	518	369	541
Interest on obligations of state and political subdivisions exempt from federal tax	(1,192)	(756)	(799)
Other, net	332	220	119
Total	$ 6,724	$ 7,184	$ 5,804

</TABLE>

13. STOCKHOLDERS' EQUITY AND REGULATORY REQUIREMENTS

Authorized capital of West Coast Bancorp includes 10,000,000 shares of Preferred Stock no par value, none of which were issued at December 31, 1998. During 1998, Bancorp increased its no par value common stock authorized shares from 15,000,000 shares to 50,000,000 shares. On September 25, 1998, the Board of Directors declared a 10 percent dividend payable to shareholders of record October 6, 1998. All share and per share amounts have been restated to retroactively reflect the stock dividend as well as all previous stock dividends and splits.

In December 1998, Bancorp announced a stock repurchase program. Under the plan the company will buy up to 1.5 million shares of the company's common stock. The plan repurchases will be limited by the anticipated timing of stock option exercises as well as other parameters. The company intends to use existing funds and/or long-term borrowings to finance the repurchases. The repurchased common shares will be available for use under the company's existing stock option plans. As of December 31, 1998, 50,000 common shares had been

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repurchased for $1,029,000, an average purchase price of $20.58 per share.

The Federal Reserve Board (FRB) and Federal Deposit Insurance Corporation (FDIC) have established minimum requirements for capital adequacy for bank holding companies and member banks. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, Bancorp and its significant bank subsidiaries must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance sheet items. The FRB and FDIC risk based capital guidelines require banks and bank holding companies to have a ratio of tier one capital to total risk weighted assets of at least 4%, and a ratio of total capital to total risk weighted assets of 8% or greater. In addition, the leverage ratio of tier one capital to total average assets less intangibles is required to be at least 3%. Well capitalized guidelines require banks and bank holding companies to maintain tier one capital of at least 6%, total risk based capital of at least 10% and a leverage ratio of at least 5%. Bancorp and its significant bank subsidiaries' capital components, classification, risk weightings and other factors are also subject to qualitative judgements by regulators. Failure to meet minimum capital requirements can initiate certain action by regulators that, if undertaken, could have a material effect on Bancorp's financial statements. As of December 31, 1998, Bancorp and its subsidiary bank are considered "Well Capitalized" under current risk based capital regulatory guidelines. Management believes that no events or changes in conditions have occurred which would significantly change Bancorp's capital position.

The following table presents selected risk adjusted capital information as of December 31, 1998 and 1997:

<TABLE>
<CAPTION>

	1998			1997		
(Dollars in thousands)	Actual		Amount Required For Minimum Capital Adequacy	Actual		Amount Required For Minimum Capital Adequacy
	Amount	Ratio	Amount	Amount	Ratio	Amount
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Tier 1 Capital						
West Coast Bancorp	$111,562	11.54%	$ 38,670	$ 97,161	11.38%	$ 34,151
West Coast Bank	99,797	10.33%	38,644	88,238	10.36%	34,069
Total Capital						
West Coast Bancorp	$123,647	12.79%	$ 77,340	$107,380	12.57%	$ 68,340
West Coast Bank	111,872	11.59%	77,220	98,213	11.53%	68,144
Leverage Ratio						
West Coast Bancorp	$111,562	9.13%	$ 36,658	$ 97,161	9.02%	$ 32,315
West Coast Bank	99,797	8.21%	36,467	88,238	8.18%	32,361

</TABLE>

14. EARNINGS PER SHARE

The following table reconciles the numerator and denominator of the Basic and Diluted earnings per share computations:

<TABLE>
<CAPTION>

	Net Income	Weighted Average Shares	Per-Share Amount
<S>	<C>	<C>	<C>
		For the year ended 1998	
Basic earnings per share	$14,058,671	14,115,564	$ 1.00
Stock options		560,580	
Diluted earnings per share	$14,058,671	14,676,144	$ 0.96
		For the year ended 1997	

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Basic earnings per share	$14,438,513	13,649,055	$ 1.06
Stock options		624,178	
Diluted earnings per share	$14,438,513	14,273,233	$ 1.01
		For the year ended 1996	
Basic earnings per share	$11,676,464	13,370,255	$ 0.87
Stock options		390,848	
Diluted earnings per share	$11,676,464	13,761,103	$ 0.85

</TABLE>

Bancorp for the periods reported had no reconciling items between net income and income available to common shareholders.

15. COMPREHENSIVE INCOME

Bancorp adopted SFAS No. 130 "Reporting Comprehensive Income," in 1998 which established standards for reporting and displaying comprehensive income and its components. The following table displays the components of other comprehensive for the last three years:

<TABLE>
<CAPTION>

	Year ended December 31,		
(Dollars in thousands)	1998	1997	1996
<S>	<C>	<C>	<C>
Unrealized gains on securities:			
Unrealized holding gains (losses) arising during the period	$ 3,412	$ 1,125	$(1,274)
Tax (expenses) benefit	(1,205)	(450)	491
Unrealized holdings gains (losses) arising during the period, after tax...	2,207	675	(783)
Less: Reclassification adjustment for gains (losses) realized in income tax (expenses) benefit	348	(85)	8
Less: Reclassification adjustment for gains (losses) realized after tax...	(134)	32	(3)
Net unrealized gains (losses)	214	(53)	5
Other comprehensive income (loss)	$ 1,993	$ 728	$ (788)

</TABLE>

16. EMPLOYEE BENEFIT PLANS

During 1998, West Coast Bancorp employee benefits included a plan established under section 401(k) of the Internal Revenue Code for certain qualified employees (the 401(k) plan). Employee contributions up to 15 percent of salaries under the Internal Revenue Code guidelines, can be made under the 401(k) plan, of which Bancorp matches 50 percent of the employees' contributions up to a maximum of 6 percent of the employee's salary. Bancorp may also elect to make discretionary contributions to the plan. Employees vest immediately in their own contributions and earnings thereon and vest in Bancorp's contributions over five years of eligible service. As of December 31, 1998, Bancorp has merged acquired companies' plans into its own plan. Bancorp's expenses totaled $398,000, $603,000 and $331,000 for 1998, 1997, and 1996 respectively, of which $0, $200,000, and $0, respectively, were discretionary.

In 1996, Bancorp adopted a non-qualified Deferred Compensation Plan for Directors and a non-qualified Deferred Compensation Plan for Executive Officers (Deferred Compensation Plans) as supplemental benefit plans which permit directors and selected officers to elect to defer receipt of all or any portion of their future salary, bonus or directors' fees. In addition, the Deferred Compensation Plans restore benefits lost by employees under the 401(k) plan due to specified Internal Revenue Code restrictions on the maximum benefits that may be paid under those plans. All contributions are invested at the employees' direction among a variety of investment alternatives. Amounts contributed to these plans to restore benefits otherwise limited by the Code restrictions have been included in the 401(k) plan contribution expense reported in the previous paragraph.

Bancorp's expenses related to retirement benefits with certain present and former employees, were $153,000, $206,000 and $207,000 for 1998,

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1997 and 1996, respectively. Certain of these retirement benefits are directly or indirectly funded through the purchase of corporate owned life insurance policies. The recorded cash surrender value of these policies was $1,626,000 and $2,173,000 at December 31, 1998 and 1997, respectively.

Prior to its acquisition, Centennial Holdings, LTD sponsored a non-contributory employee stock ownership plan (ESOP) that covered certain employees meeting eligibility requirements. The contributions to the ESOP were discretionary and were charged against compensation expense amounts were $176,000 and $50,000 in 1997 and 1996. Contributions were used to acquire Centennial Holdings, LTD common stock. The ESOP owned 194,292 and 189,895 shares at December 31, 1997 and 1996 respectively. During 1998 the ESOP assets were merged into Bancorp's 401(k) plan.

17. STOCK OPTION PLANS

Bancorp's stock option plans include the Combined 1991 Employee Stock Option Plan and Non-Qualified Stock Option Plan (1991 Plan), the 1995 Directors Stock Option Plan (1995 Plan), the 1989 and 1985 Non-Qualified Stock Option Plans and the 1989 and 1985 Qualified Stock Option Plans (1985 and 1989 Plans). The 1991 Plan allows for a maximum number of shares available for grant not to exceed 2 percent of the shares of Bancorp's outstanding common stock on January 1st of each such year. The 1995 Plan authorizes the issuance of 660,000 shares of common stock. No additional grants may be made under the 1985 and 1989 Plans.

Substantially all stock options have an exercise price that is not less than the fair market value of Bancorp's stock on the date the option were granted. The majority of the options previously granted under the 1991 and 1989 Plans are exercisable immediately following the effective date of the grant with certain options granted under the 1991 plan exercisable in one year. Certain options previously granted under the 1995 Plan are exercisable over 1 to 4 year periods. Substantially all options previously granted under the 1985 Plans become exercisable at a rate of 2 percent a month for 50 months, or equally over a four year period; all options previously issued under the 1985 plan were fully vested as of December 31, 1998.

<TABLE>
<CAPTION>

<S>	1998 Common Shares <C>	1998 Weighted Avg. Ex. Price <C>	1997 Common Shares <C>	1997 Weighted Avg. Ex. Price <C>	1996 Common Shares <C>	1996 Weighted Avg. Ex. Price <C>
Balance, beginning of year	1,444,766	$ 8.14	1,448,193	$ 6.47	1,253,424	$ 5.75
Granted	248,397	20.63	331,928	14.66	358,653	9.01
Exercised	(444,762)	6.13	(312,814)	7.34	(148,959)	6.23
Forfeited	(63,124)	11.42	(22,541)	8.36	(14,925)	7.25
Balance, end of year	1,185,277	$ 11.34	1,444,766	$ 8.14	1,448,193	$ 6.47
Exercisable, end of year	943,973		1,162,493		1,244,933	
Fair value of options granted...		$ 6.45		$ 7.32		$ 3.42

</TABLE>

17. STOCK OPTION PLANS (Continued)

As of December 31, 1998, outstanding stock options consist of the following:

<TABLE>
<CAPTION>

Exercise Price Range <S>	Options Outstanding <C>	Weighted Avg. Exercise Price <C>	Weighted Avg. Remaining Life <C>	Options Exercisable <C>	Weighted Avg. Exercise Price <C>
$ 2.09 -- $ 4.73	200,154	$ 4.08	4.04	200,154	$ 4.08
5.34 -- 7.71	237,093	6.64	5.84	235,596	6.65
7.72 -- 8.97	220,592	8.85	7.39	179,782	8.85
9.51 -- 15.15	277,448	14.20	8.20	151,941	14.50
$18.56 -- $22.95	249,990	20.65	9.57	176,500	21.50
Total	1,185,277	$ 11.34	7.17	943,973	$ 10.57

</TABLE>

Bancorp accounts for these plans under APB Opinion No. 25, under

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which no compensation cost has been recognized. Had compensation cost for these plans been determined consistent with SFAS Statement No. 123, Bancorp's net income and earnings per share would have been reduced to the following proforma amounts:

		1998	1997	1996
Net income:	As reported	$ 14,058,671	$ 14,438,513	$ 11,676,464
	Proforma	12,339,613	13,613,968	10,391,299
Basic earnings per common share	As reported	$ 1.00	$ 1.06	$ 0.87
	Proforma	0.87	1.00	0.78
Diluted earnings per share	As reported	0.96	1.01	0.85
	Proforma	0.84	0.95	0.76

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. The following table presents the assumptions used in the fair value calculation:

	Non-Qualified Director Options			Employee Options		
	1998	1997	1996	1998	1997	1996
Risk Free interest rates	4.30%	6.36%-6.60%	6.48%-6.62%	4.30%-5.70%	5.73%-6.83%	6.23%-6.67%
Expected dividend	1.05%	0.79%	1.32%	1.05%	0.79%	1.32%
Expected lives, in years	4	5	5	4	6	6
Expected volatility	41%	43%	33%	41%	43%	33%

Due to the discretionary nature of stock option grants, the compensation cost included in the 1998, 1997 and 1996 proforma net income per SFAS No. 123, may not be representative of that expected in future years.

18. FAIR VALUES OF FINANCIAL INSTRUMENTS

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," requires the disclosure of the fair value of financial instruments. A financial instrument is defined as cash, evidence of an ownership interest in an entity, or a contract that conveys or imposes the contractual right or obligation to either receive or deliver cash or another financial instrument. Examples of financial instruments included in Bancorp's balance sheet are cash, federal funds sold or purchased, debt and equity securities, loans, demand, savings and other interest-bearing deposits, notes and debentures. Examples of financial instruments which are not included in the Bancorp balance sheet are commitments to extend credit and standby letters of credit.

Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price if one exists.

The statement requires the fair value of deposit liabilities with no stated maturity, such as demand deposits, NOW and money market accounts, to equal the carrying value of these financial instruments and does not allow for the recognition of the inherent value of core deposit relationships when determining fair value. While the statement does not require disclosure of the fair value of nonfinancial instruments, such as Bancorp's premises and equipment, its banking and trust franchises and its core deposit relationships, Bancorp believes these nonfinancial instruments have significant fair value.

Bancorp has estimated fair value based on quoted market prices where available. In cases where quoted market prices were not available, fair values were based on the quoted market price of a financial instrument with similar characteristics, the present value of expected future cash flows or other valuation techniques that utilize assumptions which are highly subjective and

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judgmental in nature. Subjective factors include, among other things, estimates of cash flows, the timing of cash flows, risk and credit quality characteristics and interest rates. Accordingly, the results may not be precise and modifying the assumptions may significantly affect the values derived. In addition, fair values established utilizing alternative valuation techniques may or may not be substantiated by comparison with independent markets. Further, fair values may or may not be realized if a significant portion of the financial instruments were sold in a bulk transaction or a forced liquidation. Therefore any aggregate unrealized gains or losses should not be interpreted as a forecast of future earnings or cash flows. Furthermore, the fair values disclosed should not be interpreted as the aggregate current value of Bancorp.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents - The carrying amount is a reasonable estimate of fair value.

Investment Securities - For securities held for investment purposes, fair values are based on quoted market prices or dealer quotes. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Loans - The fair value of loans is estimated by discounting the future cash flows using the current rate at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Deposit Liabilities - The fair value of demand deposits, savings accounts and other deposits is the amount payable on demand at the reporting date. The fair value of certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities.

Short-term borrowings - The carrying amount is a reasonable estimate of fair value given the short-term nature of these financial instruments.

Long-term borrowings - The fair value of the long-term borrowings is estimated by discounting the future cash flows using the current rate at which similar borrowings with similar remaining maturities could be made.

Commitments to Extend Credit, Standby Letters of Credit and Financial Guarantees - The fair value of commitments, standby letters of credit and financial guarantees is not significant.

18. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

The estimated fair values of financial instruments at December 31, 1998 are as follows:

<TABLE>
<CAPTION>

(Dollars in thousands)	Carrying Value	Fair Value
FINANCIAL ASSETS		
Cash and cash equivalents	$ 81,492	$ 81,492
Investment securities	255,967	256,180
Loans	878,025	
Allowance for loan losses...	(12,453)	
Net Loans	865,572	885,324
FINANCIAL LIABILITIES		
Deposits	$ 1,108,457	$ 1,112,423
Short-term borrowings	--	--
Long-term borrowings	20,260	20,458

</TABLE>

The estimated fair value of financial instruments at December 31, 1997 are as follows:

<TABLE>
<CAPTION>

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(Dollars in thousands)	Carrying Value	Fair Value
FINANCIAL ASSETS		
Cash and cash equivalents	$ 98,818	$ 98,818
Investment securities	194,177	194,236
Loans	787,399	
Allowance for loan losses...	(10,451)	
Net Loans	776,948	785,200
FINANCIAL LIABILITIES		
Deposits	$ 958,482	$ 959,604
Short-term borrowings	29,249	29,249
Long-term borrowings	22,446	22,379

19. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Bank has financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Balance Sheets.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as for on-balance sheet instruments. Management does not anticipate any material loss as a result of these transactions.

	Contract or Notional Amount
Financial instruments whose contract amounts represent credit risk:	
Commitments to extend credit	
Real estate secured for commercial construction or land development	$ 83,575,000
Revolving open-end lines secured by 1-4 family residential properties....	20,924,000
Credit card lines	25,527,000
Other	101,244,000
Standby letters of credit and financial guarantees	2,917,000

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Many of the commitments may expire without being drawn upon, therefore the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the customer. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties.

Standby letters of credit are conditional commitments issued to guarantee a customer's performance or payment to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

20. PARENT COMPANY ONLY FINANCIAL DATA

The following sets forth the condensed financial information of West Coast Bancorp on a stand-alone basis:

Statement of Condition (Unconsolidated)

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	December 31,	
	1998	1997
<S>	<C>	<C>
Assets		
Cash and due from the subsidiary banks	$ 1,587	$ 2,076
Advances to subsidiaries	4,629	280
Investment securities	--	4
Investment in the subsidiaries	107,437	94,166
Other assets	4,426	6,735
Total assets	$118,079	$103,261
Liabilities and stockholders' equity		
Balances due to subsidiaries	$ 18	$ --
Short-term borrowings	--	--
Long-term borrowings	--	425
Other liabilities	836	1,696
Total liabilities	854	2,121
Stockholders' equity	117,225	101,140
Total liabilities and stockholders' equity...	$118,079	$103,261

</TABLE>

20. PARENT COMPANY ONLY FINANCIAL DATA (Continued)

Statement of Condition
(Unconsolidated)

<TABLE>
<CAPTION>

	Year ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Income			
Cash dividends from subsidiaries	$ 5,358	$ 5,438	$ 6,091
Other income from the subsidiaries	7,097	5,007	4,268
Other income	367	274	149
Total income	12,822	10,719	10,508
Expenses			
Interest expense	(21)	130	163
Other expense	11,617	8,525	7,050
Total expense	11,596	8,655	7,213
Income before income taxes and equity in undistributed earnings of the banks	1,226	2,064	3,295
Income tax benefit	1,593	1,087	1,151
Net income before equity in undistributed earnings of the banks	2,819	3,151	4,446
Equity in undistributed earnings of the banks	11,240	11,288	7,230
Net income	$ 14,059	$ 14,439	$ 11,676

</TABLE>

Statement of Cash Flows
(Unconsolidated)

<TABLE>
<CAPTION>

	Year ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>

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CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 14,059	$ 14,439	$ 11,676
Adjustments to reconcile net income to net cash provide by operating activities:			
Undistributed earnings of subsidiaries	(11,240)	(11,288)	(7,230)
Increase (decrease) in advances to subsidiaries	(4,349)	(235)	36
(Increase) decrease in other assets	2,310	(3,024)	(2,350)
Increase (decrease) in balances due to subsidiaries	18	(10)	8
(Decrease) increase in other liabilities	(860)	563	515
Tax benefit associated with stock options	1,793	1,078	--
Net cash provided by operating activities	1,730	1,524	2,655
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital contributions to subsidiaries	(38)	--	(1,853)
Sale (purchase) of investments available for sale	4	43	(44)
Net cash (used) provided by investing activities	(34)	43	(1,897)
CASH FROM FINANCING ACTIVITIES:			
Net payments on long-term borrowings	(425)	(1,755)	450
Net proceeds from issuance of common stock	2,255	1,833	1,013
Cash paid for acquisition of banking assets	--	(378)	(887)
Repurchase of common stock	(1,029)	--	--
Dividends paid and cash paid for fractional shares	(2,986)	(2,317)	(1,925)
Net cash used for financing activities	(2,185)	(2,617)	(1,349)
Net decrease in cash and cash equivalents	(489)	(1,050)	(591)
Cash and cash equivalents at beginning of year	2,076	3,126	3,717
Cash and cash equivalents at end of year	$ 1,587	$ 2,076	$ 3,126

</TABLE>

21. SEGMENT AND RELATED INFORMATION

Bancorp adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," in 1998 which established standards for the way enterprises report information about operating segments.

During 1998, Bancorp operated four community banks, until December 1998 when these banks were consolidated into one banking entity. Until late in 1998 separate management teams managed the four banks, relying on common support services offered though the parent company. The four banks operated in Oregon and Washington, where the economic and regulatory factors were similar for the banks, three of the four banks shared the Portland, Oregon market. The banks used similar means of branch networks, marketing and technology to deliver similar loan and deposit products and services. Following the consolidation to a single banking entity the bank operated 40 branch offices, and has realigned management resources into a single team. Due to the similarities in the nature of the four banks and the consolidation to a single banking company Bancorp has aggregated its banking operations into a single segment presented below.

Bancorp accounts for intercompany fees and services at an estimated fair value according to regulatory requirements for the service provided. Intercompany items relate primarily to the use of accounting, human resources, data processing and marketing services provided by the parent company. All other accounting policies are the same as those described in the summary of significant accounting policies.

Summarized financial information concerning Bancorp's reportable segments and the reconciliation to Bancorp's consolidated results is shown in the following table. The "Other" column includes Bancorp's trust operations and corporate related items including support services such as accounting, human resources, data processing and marketing. Investment in subsidiaries is netted out of the presentations below. The "Intersegment" column identifies the intersegment activities of revenues, expenses and other assets, between the "Banking" and "Other" segment.

<TABLE>
<CAPTION>

	1998			
	Banking	Other	Intersegment	Consolidated

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<S>	<C>	<C>	<C>	<C>
(Dollars in thousands)				
Interest income	$ 96,982	$ 139	$ (68)	$ 97,053
Interest expense	36,520	(21)	(68)	36,431
Net interest income	60,462	160	--	60,622
Provision for loan loss	2,928	(28)	--	2,900
Noninterest income	16,114	10,088	(7,043)	19,159
Restructure charge	3,768	--	--	3,768
Noninterest expense	44,944	14,429	(7,043)	52,330
Income before income taxes.......	24,936	(4,153)	--	20,783
Provision for income taxes	8,325	(1,601)	--	6,724
	$ 16,611	$ (2,552)	$ --	$ 14,059
Depreciation and amortization.......	$ 2,914	$ 695	$ --	$ 3,609
Assets	$ 1,253,684	$ 8,787	$ (7,048)	$ 1,255,423
Loans, net	$ 849,600	$ --	$ --	$ 849,600
Deposits	$ 1,110,834	$ --	$ (2,377)	$1 ,108,457
Equity	$ 105,447	$ 11,778	$ n/a	$ 117,225

</TABLE>

21. SEGMENT AND RELATED INFORMATION (Continued)

<TABLE>
<CAPTION>

	1997			
	Banking	Other	Intersegment	Consolidated
<S>	<C>	<C>	<C>	<C>
(Dollars in thousands)				
Interest income	$ 88,874	$ 255	$ (64)	$ 89,065
Interest expense	32,137	189	(64)	32,262
Net interest income	56,737	66	--	56,803
Provision for loan loss	3,936	--	--	3,936
Noninterest income	12,326	6,907	(5,083)	14,150
Restructure charge	--	--	--	--
Noninterest expense	39,887	10,590	(5,083)	45,394
Income before income taxes....	25,240	(3,617)	--	21,623
Provision for income taxes	8,408	(1,224)	--	7,184
	$ 16,832	$ (2,393)	$ --	$ 14,439
Depreciation and amortization....	$ 2,671	$ 439	$ --	$ 3,110
Assets	$ 1,112,975	$ 8,927	$ (4,076)	$ 1,117,826
Loans, net	$ 766,491	$ --	$ --	$ 766,491
Deposits	$ 961,555	$ --	$ (3,073)	$ 958,482
Equity	$ 92,207	$ 8,933	$ n/a	$ 101,140

</TABLE>

<TABLE>
<CAPTION>

	1996			
	Banking	Other	Intersegment	Consolidated
<S>	<C>	<C>	<C>	<C>
(Dollars in thousands)				
Interest income	$ 74,691	$ 944	$ (49)	$ 75,586
Interest expense	26,386	259	(49)	26,596
Net interest income	48,305	685	--	48,990
Provision for loan loss	2,565	6		2,571
Noninterest income	9,280	4,992	(4,397)	9,875
Restructure charge	--	--	--	--
Noninterest expense	34,741	8,470	(4,397)	38,814
Income before income taxes....	20,279	(2,799)	--	17,480
Provision for income taxes	6,954	(1,150)	--	5,804

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	$ 13,325	$ (1,649)	$ --	$ 11,676
Depreciation and amortization....	$ 2,328	$ 442	$ --	$ 2,770
Assets	$ 931,809	$ 12,820	$ (4,332)	$ 940,297
Loans, net	$ 706,917	$ --	$ --	$ 711,374
Deposits	$ 810,544	$ --	$ (4,244)	$ 806,300
Equity	$ 79,049	$ 6,332	$ n/a	$ 85,381

</TABLE>

22. QUARTERLY FINANCIAL INFORMATION (unaudited)

<TABLE>
<CAPTION>

(Dollars in thousands, except per share data)	March 31,	June 30,	September 30,	December 31,
1998				
Interest income	$23,707	$23,896	$24,818	$24,632
Interest expense	8,985	9,003	9,274	9,169
Net interest income	14,722	14,893	15,544	15,463
Provision for loan loss	1,485	495	485	435
Noninterest income	4,168	4,940	4,602	5,449
Noninterest expense	13,155	12,882	14,853	15,208
Income before income taxes	4,250	6,456	4,808	5,269
Provision for income taxes	1,503	2,100	1,505	1,616
Net income	$ 2,747	$ 4,356	$ 3,303	$ 3,653
Earnings per common share:				
Basic	$ 0.20	$ 0.31	$ 0.23	$ 0.26
Diluted	$ 0.19	$ 0.30	$ 0.23	$ 0.25

</TABLE>

<TABLE>
<CAPTION>

(Dollars in thousands, except per share data)	March 31,	June 30,	September 30,	December 31,
1997				
Interest income	$20,663	$21,843	$22,636	$23,923
Interest expense	7,431	7,844	8,276	8,711
Net interest income	13,232	13,999	14,360	15,212
Provision for loan loss	1,396	913	633	994
Noninterest income	4,106	3,050	3,117	3,877
Noninterest expense	10,668	10,955	11,113	12,658
Income before income taxes	5,274	5,181	5,731	5,437
Provision for income taxes	1,924	1,868	1,598	1,794
Net income	$ 3,350	$ 3,313	$ 4,133	$ 3,643
Earnings per common share:				
Basic	$ 0.25	$ 0.24	$ 0.30	$ 0.26
Diluted	$ 0.24	$ 0.23	$ 0.29	$ 0.25

</TABLE>

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

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NONE

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

For information concerning directors and certain executive officers of Bancorp, see INFORMATION WITH RESPECT TO NOMINEES AND DIRECTORS WHOSE TERMS EXPIRE" and "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT" and "COMPLIANCE WITH SECTION 16(a) FILING REQUIREMENTS" in Bancorp's 1999 Annual Meeting Proxy Statement ("Proxy Statement"), which is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

For information concerning executive compensation, see "INFORMATION WITH RESPECT TO NOMINEES AND DIRECTORS WHOSE TERMS CONTINUE - COMPENSATION OF DIRECTORS" and "EXECUTIVE COMPENSATION" in the Proxy Statement, which is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

For information concerning the security ownership of certain beneficial owners and management, see "INFORMATION WITH RESPECT TO NOMINEES AND DIRECTORS WHOSE TERMS EXPIRE and "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT" in the Proxy Statement, which is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

For information concerning certain relationships and related transactions, see "INFORMATION WITH RESPECT TO NOMINEES AND DIRECTORS WHOSE TERMS CONTINUE" and "TRANSACTIONS WITH MANAGEMENT" in the Proxy Statement, which is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

List of Financial Statements and Financial Statement Schedules

(a)(1) and (2) Financial Statements:

The financial statements and related documents listed in the index set forth in Item 8 of this report are filed as part of this report.

All other schedules to the consolidated financial statements required by Regulation S-X are omitted because they are not applicable, not material or because the information is included in the consolidated financial statements or related notes.

(3) Exhibits:

Exhibits are listed in the Exhibit Index beginning on page 56 of this report.

(b) During the three months ended December 31, 1998 Bancorp filed the following current report on Form 8-K: Form 8-K filed December 9, 1998, relating the adoption of a Stock Repurchase Plan.

(c) Exhibits:

The response to this portion of Item 14 is submitted as a separate section of this report entitled, "Index to Exhibits."

(d) Financial Statement Schedules:

None

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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, on the 25th day of March, 1999.

WEST COAST BANCORP

(Registrant)

By: /s/ Victor L. Bartruff

President and CEO

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 indicated on the 25th day of March, 1999.

<TABLE>

<S>	<C>
PRINCIPAL EXECUTIVE OFFICER:	
/s/ Victor L. Bartruff -- Victor L. Bartruff	President and CEO and Director
PRINCIPAL FINANCIAL OFFICER:	
/s/ Donald A. Kalkofen -- Donald A. Kalkofen	Executive Vice President and Chief Financial Officer
PRINCIPAL ACCOUNTING OFFICER:	
/s/ Kevin M. McClung -- Kevin M. McClung	Vice President and Controller
REMAINING DIRECTORS:	
/s/ Lloyd D. Ankeny -- Lloyd D. Ankeny	/s/ C. Douglas McGregor -- C. Douglas McGregor
/s/ Phillip G. Bateman -- Phillip G. Bateman	/s/ Robert D. Morrison -- Robert D. Morrison
/s/ William B. Loch -- William B. Loch	/s/ James J. Pomajevich -- James J. Pomajevich
/s/ Jack E. Long -- Jack E. Long	/s/ Gary D. Putnam -- Gary D. Putnam, Chairman
/s/ J.F. Ouderkirk -- J.F. Ouderkirk	

</TABLE>

INDEX TO EXHIBITS

<TABLE>

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<CAPTION>

Exhibit No.	Exhibit
<S>	<C>
3.1	Restated Articles of Incorporation of the Registrant(1)
3.2	Restated Bylaws of the Registrant
3.3	Amendment to Bylaws dated March 15, 1999
3.4	Amendment to Bylaws dated February 24, 1999
4	The Registrant has incurred long-term indebtedness as to which the amount involved is less than ten percent of the total assets of the Registrant and its subsidiaries on a consolidated basis. The Registrant agrees to furnish instruments relating to such indebtedness to the Commission upon its request.
10.1	Salary Continuation Agreement between the Registrant and Victor L. Bartruff dated January 1, 1997(2)
10.2	Salary Continuation Agreement between the Registrant and Rodney B. Tibbatts dated January 1, 1997(2)
10.3	Salary Continuation Agreement between the Registrant and Donald A. Kalkofen dated December 25, 1996(2)
10.4	Salary Continuation Agreement between Registrant and Cyndi Haworth dated December 1, 1999.
10.5	401(k) Profit Sharing Plan(3)
10.6	Directors' Deferred Compensation Plan(3)
10.7	Executives' Deferred Compensation Plan(3)
10.8	Combined 1991 Incentive Stock Option Plan and 1991 Nonqualified Stock Option Plan(4)
10.9	Form of Option Grant under Combined 1991 Incentive Stock Option Plan and 1991 Nonqualified Stock Option Plan(4)
10.10	Directors Stock Option Plan(5)
10.11	Form of Directors Stock Option Agreement(5)
10.12	Incentive Stock Option Plan(5)
10.13	Nonqualified Stock Option Plan(5)
10.14	Incentive Stock Option and Nonstatutory Stock Option Plan of Vancouver Bancorp(6)
10.15	Vancouver Bancorp Employee Stock Option Agreement(6)
10.16	Salary Continuation Agreement among Registrant and Thomas W. Healy, dated as of October 30, 1997.(7)
10.17	Supplemental Letter from Registrant to Thomas W. Healy regarding certain terms of Mr. Healy's continued employment, dated as of October 30, 1997.(7)
21	Subsidiaries of the Registrant
23.1	Consent of Arthur Andersen LLP
23.2	Consent of Dwyer, Pemberton LLP
27.1	Financial Data Schedule for Fiscal Year 1998
27.2	Financial Data Schedule for Fiscal Years 1997 and 1996
27.3	Financial Data Schedule for First, Second, and Third Quarters of 1998
27.4	Financial Data Schedule for First, Second, and Third Quarters of 1997

</TABLE>

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(1) Incorporated by reference to Exhibit 3.1 of Registrant's Quarterly Report on Form 10Q for the quarter ended June 30, 1998.

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(2) Incorporated by reference to Exhibits 10.1, 10.2, and 10.3 of Registrant's Annual Report on Form 10-K for the year ended December 31, 1996.

(3) Incorporated by reference to Exhibits 99.1, 99.2 and 99.3 of Registrant's S-8 Registration Statement--Registration No. 333-01651.

(4) Incorporated by reference to Exhibits 99.1 and 99.2 of Registrant's S-8 Registration Statement--Registration No. 333-01651.

(5) Incorporated by reference to Exhibits 99.1, 99.2, 99.3 and 99.5 of Registrant's S-8 Registration Statement -- Registration No. 33-60259.

(6) Incorporated by reference to Exhibits 99.1, 99.3, and 99.4 of Registrant's S-8 Registration Statement - Registration No. 333-09721.

(7) Incorporated by reference to Exhibits 10.23 and 10.24 of Registrant's Annual Report on Form 10-K for the year ended December 31, 1997.

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EXHIBIT 3.2

AMENDED AND RESTATED

BYLAWS OF

WEST COAST BANCORP

Dated March 15, 1999

TABLE OF CONTENTS

<TABLE>
<CAPTION>

		PAGE
<S>	<C>	<C>
SECTION 1 - Shareholders Meetings		1
1.1	Place	1
1.2	Annual Meeting	1
1.3	Special Meetings	1
1.4	Notices of Meetings	1
1.5	Waiver of Notice	2
1.6	Adjourned Meetings	2
1.7	Quorum of Shareholders	2
1.8	Voting of Shares	2
1.9	Action Without Meeting	2
1.10	Stockholder Business	2
SECTION 2 - Board of Directors		3
2.1	Number and Qualifications	3
2.2	Nominations for Director	3
2.3	Vacancies	4
2.4	Regular Meetings	4
2.5	Special Meetings	4
2.6	Notice of Meetings	4
2.7	Waiver of Notice	4
2.8	Quorum of Directors; Attendance	5
2.9	Dissent by Directors	5
2.10	Action Without Meeting	5
2.11	Committees	5
SECTION 3 - Officers		6

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Please Consider the Environment Before Printing This Document

3.1	Officers Enumerated; Election	6
3.2	Qualifications	7
3.3	Chairman and Vice Chairman of the Board	7
3.4	Chief Executive Officer	7
3.5	Co-Chief Executive Officers	7
3.6	President	7
3.7	Co-Presidents	7
3.8	Vice President	8
3.9	Secretary	8
3.10	Treasurer	8
3.11	Other Officers and Agents	8
3.12	Removal of Officers	8
3.13	Vacancies	8
3.14	Salaries	8

</TABLE>

<TABLE>
<S> <C> <C>

SECTION 4 - Business of the Corporation		8
4.1	Obligations	9
4.2	Contracts	9
4.3	Loans to Corporation	9
4.4	Checks and Drafts	9
SECTION 5 - Indemnification		9
5.1	Definitions	9
5.2	Directors and Officers	10
5.3	Employees and Agents	10
5.4	Procedure for Seeking Indemnification or Advance	10
5.5	Contract and Related Rights	12
5.6	Exceptions	13
5.7	Service for Other Entities	14
SECTION 6 - Stock		14
6.1	Certificate of Stock	14
6.2	Transfer	14
6.3	Shareholders of Record	15
6.4	Loss or Destruction of Certificates	15
6.5	Record Date and Transfer Books	15
6.6	Regulations	15
SECTION 7 - Books and Records		15

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Please Consider the Environment Before Printing This Document

7.1 Records of Corporate Meetings and Share Register.....................15
7.2 Reliance of Records...16
7.3 Form of Records...16

SECTION 8 - Corporate Seal...16

SECTION 9 - Amendments...16

9.1 Action by Board...16
9.2 Amendment by Shareholders...16
9.3 Amendments to Shareholder Quorum Requirements...........................16
9.4 Amendments to Board Quorum Requirements.................................16
</TABLE>

AMENDED AND RESTATED BYLAWS OF WEST COAST BANCORP

SECTION 1

Shareholders' Meetings

1.1 Place. Shareholders' meetings may be held at the principal office of the corporation, or at any other location within or without the State of Oregon as determined by the board of directors and stated in the notice of meeting.

1.2 Annual Meeting. The annual meeting of the shareholders of the corporation for the election of directors to succeed those whose terms then expire and for the transaction of any other business as may properly come before the meeting will be held each year on a date and at a time selected by the board of directors that is not later than five (5) months after the end of the corporation's fiscal year. Failure to hold an election of directors at the annual meeting of the shareholders within the time stated in these bylaws, through oversight or otherwise, does not affect the validity of any corporate action, and a meeting of the shareholders may be held at a later date for the election of directors and for the transaction of any other business that may properly come before the meeting. Any election held or other business transacted at a later meeting will be as valid as if done or transacted at the annual meeting of the shareholders. Any later meeting will be called in the same manner as a special meeting of the shareholders, and notice of the time, place, and purpose of the meeting will be given in the same manner as notice of a special meeting of the shareholders.

1.3 Special Meetings. Special meetings of the shareholders, for any purpose or purposes, may be called by the president or by the board of directors, and shall be called by the president if one or more written demands for a meeting describing the purpose or purposes for which it is to be held are signed, dated, and delivered to the secretary by the holders of at least 10

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percent of all votes entitled to be cast on any issue proposed to be considered at the meeting.

1.4 Notices of Meetings. Written notice stating the date, time, and place of the meeting, and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting. Notice of any shareholders' meeting may be given either personally or by mail, by or at the direction of the president, the secretary, or the person or persons calling the meeting, to each shareholder of record entitled to vote at the meeting and to others as required by law. If mailed, the notice will be effective when deposited in the United States mail with postage prepaid, addressed to the shareholder at his or her address as it appears in the current records of the corporation.

1.5 Waiver of Notice. Notice of any shareholders' meeting may be waived at any time, either before or after the meeting, if the waiver is in writing, signed by the shareholders entitled to notice, and delivered to the corporation. A shareholder's attendance at a meeting waives objection to lack of notice or defective notice of the meeting unless the shareholder objects at the beginning of the meeting to holding the meeting or transacting business at the meeting. A shareholder waives objection to consideration of a particular matter at a meeting that is not within the purpose or purposes described in the meeting notice unless the shareholder objects to considering the matter when it is presented.

1.6 Adjourned Meetings. An adjournment or adjournments of any shareholders' meeting may be taken until the time and place determined by those present, without new notice being given, whether by reason of the failure of a quorum to attend or otherwise.

1.7 Quorum of Shareholders. Shares entitled to vote as a separate voting group may take action on a matter only if a quorum of those shares exists with respect to the matter. A majority of the votes entitled to be cast on the matter by voting group, represented in person or by proxy, shall constitute a quorum of that voting group for action on that matter. If a quorum exists, action on a matter, other than the election of directors, shall be approved by a voting group if the votes cast within the voting group favoring the action exceed the votes cast opposing the action unless the Oregon Business Corporation Act, the articles of incorporation, or these bylaws require a greater number of affirmative votes. Directors shall be elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present. Once a share is represented for any purpose at a meeting, it shall be deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that adjourned meeting. Shareholders may participate in a meeting of the shareholders by means of a conference telephone or similar communications equipment by which all persons participating in the meeting can hear each other during the meeting. Participation by such means will constitute presence in person at a meeting.

1.8 Voting of Shares. A shareholder may vote either in person or by

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proxy executed in writing by the shareholder or his or her duly authorized attorney-in-fact. No proxy will be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy. Any proxy shall be filed with the secretary of the corporation before or at the time of the meeting.

1.9 Action Without Meeting. Any action required or permitted to be taken at a meeting of the shareholders of the corporation may be taken without a meeting if a written consent resolution, setting forth the action taken, is signed by all shareholders entitled to vote on the action and is delivered to the corporation. Once delivered, the consent resolution will have the same force and effect as a unanimous vote of the shareholders.

1.10 Stockholder Business. At any annual meeting of the shareholders, only such business shall be conducted (other than procedural matters relating to the conduct of the meeting) as shall have been brought before the meeting (a) by or at the direction of the board of directors, (b) as specified in the notice of such meeting, or (c) by any stockholder of record of the

corporation who complies with the notice procedures set forth in this Section 1.10. For business to be properly brought before an annual meeting by any such shareholder, the shareholder must give written notice thereof to the secretary, either by personal delivery or by certified mail, postage prepaid, addressed to the secretary at the corporation's executive offices not less than sixty (60) days in advance of such meeting (provided that if the date of such annual meeting of shareholders has not been publicly announced by the corporation more than 90 days in advance of such meeting, such written notice must be given within fifteen (15) days after the first public disclosure of the date of the annual meeting, including, without limitation, disclosure of the meeting date set forth in any document or exhibit thereto filed by the corporation with the Securities and Exchange Commission). Each such notice shall set forth as to each matter the shareholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and address, as they appear on the corporation's stock ledger of the shareholder proposing such business, (c) a representation that such shareholder is a holder of record of shares of the corporation entitled to vote at such meeting and intends to appear at the meeting in person or by proxy to propose such business, and (d) any material interest of such shareholder in the proposed business. The chairman of an annual meeting shall, if the facts warrant, determine and declare to the meeting that any such business was not properly brought before the meeting and in accordance with the provisions of this Section 1.10, and if he should so determine, he shall so declare to the meeting and such business not properly brought before the meeting shall not be transacted.

SECTION 2

Board of Directors

2.1 Number and Qualifications. The business and affairs of the corporation will be managed by a board of directors, the members of which need

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not be shareholders of the corporation or residents of the State of Oregon. The number of directors shall be fixed in the manner set forth in the articles of incorporation.

2.2 Nominations for Director. Nominations for election to the board of directors may be made by the board of directors or by any shareholder of any outstanding class of capital stock of the corporation entitled to vote for the election of directors. Nominations by the board of directors of candidates for election to the Board shall be approved by at least a majority of the members of the board of directors. Any shareholder entitled to vote for the election of directors may nominate at a meeting persons for election as directors only if written notice of such shareholder's intent to make such nomination is given, either by personal delivery or by certified mail, postage prepaid, addressed to the secretary at the corporation's executive offices not later than (i) with respect to an election to be held at an annual meeting of shareholders, sixty (60) days prior to the date of such meeting (provided that if the date of such annual meeting of shareholders has not been publicly announced by the corporation more than 90 days in advance of such meeting, such written notice must be given within fifteen (15) days after the first public disclosure of the date of the annual meeting, including without limitation, disclosure of the meeting date set forth in any document or exhibit thereto filed by the corporation with the

Securities and Exchange Commission), and (ii) with respect to an election to be held at a special meeting of shareholders for the election of directors, the close of business on the seventh day following the date on which notice of such meeting is first given to shareholders. Each such notice shall set forth: (a) the name and address, as they appear on the corporation's stock ledger of the shareholder who intends to make the nomination and the name and address of each person to be nominated; (b) a representation that such shareholder is a holder of record of shares of the corporation entitled to vote at such meeting and intends to appear at the meeting in person or by proxy to nominate the person or persons specified in the notice as directors; (c) a description of all arrangements or understandings between such shareholder and each proposed nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by such shareholder; (d) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission were such nominee to be nominated by the board of directors; and (e) the consent of each proposed nominee to serve as a director of the corporation if so elected. The chairman of any meeting of shareholders to elect directors may refuse to permit the nomination of any person to be made without compliance with the foregoing procedure. No person may stand for election or re-election for director, if they have attained the age of sixty-nine (69).

2.3 Vacancies. In the event of any increase or decrease in the authorized number of directors, (1) each director then serving as such shall nevertheless continue as a director of the Class in which he is a member until the expiration of his current term, or his earlier resignation, removal from office or death, and (2) the newly created or eliminated directorships resulting from such increase or decrease shall be apportioned by the board of directors

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among the three classes of directors so as to maintain such classes as nearly equal as possible.

2.4 Regular Meetings. Regular meetings of the board of directors will be held on the dates and at the times and places decided by the board of directors.

2.5 Special Meetings. Special meetings of the board of directors may be held at any time and at any place whenever called by an executive officer or director of the corporation.

2.6 Notice of Meetings. Notice of the annual or regular meetings of the board of directors is not required. Notice of the date, time, and place of special meetings of the board of directors must be given, by or at the direction of the chairman of the board, the president, the secretary, or any person or persons calling the meeting, by mail, facsimile, radio, telegram, or personal communication over the telephone or otherwise, at least two (2) days prior to the day on which the meeting is to be held. No notice need be given if the time and place of the meeting has been fixed by resolution of the board of directors and a copy of the resolution has been mailed to every director at least three (3) days before the meeting.

2.7 Waiver of Notice. Notice of any meeting of the board of directors may be waived at any time, either before or after a meeting, if the waiver is in writing, signed by the director entitled to notice, and delivered to the corporation. Notice is waived by any director attending or participating in a meeting unless the director, at the beginning of the meeting or promptly on the

director's arrival, objects to holding the meeting or transacting business at the meeting and does not vote for or assent to any action taken at the meeting.

2.8 Quorum of Directors; Attendance. A majority of the number of directors fixed in accordance with the articles of incorporation or bylaws from time to time will constitute a quorum for the transaction of business. The act of a majority the directors present at a meeting at which a quorum is present will be the act of the board of directors unless a greater requirement is imposed by law, the articles of incorporation, or these bylaws. Members of the board of directors or any committee designated by the board of directors may participate in a meeting of the Board or committee by means of a conference telephone or similar communication equipment by which all persons participating in the meeting can hear each other at the meeting. Participation by such means will constitute presence in person at a meeting.

2.9 Dissent by Directors. A director of the corporation who is present at a meeting of its board of directors at which action on any corporate matter is taken will be presumed to have assented to the action unless (a) the director objects at the beginning of the meeting, or promptly on his or her arrival, to holding the meeting or transacting business at the meeting; (b) the director's dissent or abstention from the action taken is entered in the minutes of the meeting, or (c) the director delivers written notice of his or her dissent or abstention to the presiding officer of the meeting before its adjournment or to the corporation within a reasonable time after adjournment. The right of dissent

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or abstention is not available to a director who votes in favor of the action taken.

2.10 Action Without Meeting. Any action which may be or is required to be taken at a meeting of the board of directors, or any action which may be taken at a meeting of a committee designated by the board of directors, may be taken without a meeting if a written consent resolution, setting forth the action taken, is signed by all of the directors or all of the members of the committee, as the case may be, and is delivered to the corporation. The fully signed consent resolution will have the same force and effect as a unanimous vote.

2.11 Committees. The board of directors, by resolution adopted by a majority of the full board of directors, shall designate from among its members an executive committee and may designate one or more other committees. Each must consist of two (2) or more persons. The committees will be governed by the same rules regarding meetings, actions without meetings, notices, waivers of notice, and quorum and voting requirements applied to the board of directors. To the extent provided in the resolution forming the committee, each committee may have and may exercise all the authority of the board of directors, except that no committee will have the authority to:

(a) Authorize or approve a distribution except as may be permitted by paragraph (g) below;

(b) Approve or propose to shareholders action required to be approved by shareholders;

(c) Fill vacancies on the board of directors or on any of its committees;

(d) Amend the articles of incorporation of the corporation except as may be necessary to document a determination of the relative rights, preferences, and limitations of a series of shares as permitted by paragraph (h) below;

(e) Adopt, amend, or repeal the bylaws of the corporation;

(f) Approve a plan of merger not requiring shareholder approval;

(g) Authorize or approve reacquisition of shares, except within limits presented by the board of directors; or

(h) Authorize or approve the issuance or sale or contract for sale of shares, or determine the designation and relative rights, preferences, and limitations of a class or series of shares, except that the board of directors may authorize a committee or an officer of the corporation to do so:

1. Pursuant to a stock option or other stock compensation plan; or

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2. By approving the maximum number of shares to be issued and delegating the authority to determine all or any part of the terms of the issuance or sale or contract of sale and the designation and relative rights, preferences, and limitations of the class or series of shares.

The creation of delegation of authority to, or action by such a committee of the Board will not operate to relieve the board of directors, or any of its members, of any responsibility imposed by law.

SECTION 3

Officers

3.1 Officers Enumerated; Election. The officers of the corporation will include a chief executive officer, president, secretary, and treasurer and one or more vice presidents, as well as any assistants to the officers as the board of directors may determine. The offices of president and chief executive officer may be held by two (2) individuals as co-presidents and co-chief executive officers. The board of directors, in its discretion, may also elect a chairman of the board and a vice chairman of the board from among the members of the board who shall not be deemed an officer of the corporation unless so designated by the board of directors. All officers will be elected by the board of directors.

3.2 Qualifications. None of the officers of the corporation need be a director. Any two or more offices may be held by the same person.

3.3 Chairman and Vice Chairman of the Board. The chairman of the board, if any, or, in the chairman's absence, the vice chairman of the board, if any, will preside at all meetings

of the board of directors and of the shareholders at which he or she is present, and will perform any other duties assigned by the board of directors from time to time.

3.4 Chief Executive Officer. Subject to the authority of the board of directors, the chief executive officer will have general charge, supervision, and control over the business and affairs of the corporation and will be responsible for its management. The chief executive officer shall have the power and shall perform the duties as are regularly and customarily performed by the chief executive officer of a corporation and may delegate such duties as appropriate to other officers of the corporation. The chief executive officer will submit a report of the operations of the corporation for the preceding year to the shareholders at their annual meeting. If no chairman of the board is elected by the board of directors or in the absence of the chairman of the board, the chief executive officer will preside at all meetings of the shareholders, and of the board of directors if he or she is a member of the board. Any shares of stock of another corporation held by the corporation will be voted by the chief executive officer subject to direction from the board of

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directors. The chief executive officer will perform any other duties assigned to that office from time to time by the board of directors.

3.5 Co-Chief Executive Officers. The office of chief executive officer may be shared by two (2) individuals. In the event that two person hold office as co-chief executive officers, the co-chief executive officers shall determine between themselves those areas of which each shall have primary responsibility, it being understood that both of them shall be involved in and be responsible for all major policy decisions and both of them shall have general oversight over the business and affairs of the Combined Corporation. Any matters upon which the co-chief executive officers are unable to agree shall be referred to the Executive Committee. If one co-chief executive officer is absent or disabled, the other shall exercise all the duties of that office.

3.6 President. The president, who also may be the chief executive officer of the corporation, shall have such authority and shall exercise such duties as shall, from time to time, be assigned to that office by the board of directors or, as appropriate, the chief executive officer.

3.7 Co-Presidents. The office of president may be shared by two (2) individuals, one of whom or both of whom may also be the chief executive officer or co-chief executive officers of the corporation. In the event that two persons hold office as co-presidents, the board of directors or, as appropriate, the chief executive officer or co-chief executive officers shall determine those areas of which each co-president shall have primary responsibility. Any matters upon which the co-presidents are unable to agree shall be referred to the chief executive officer or co-chief executive officers, if such person or persons are not also a co-president or co-presidents, and otherwise to the Executive Committee. If one co-president is absent or disabled, the other shall exercise all the duties of that office.

3.8 Vice President. If the president is absent or disabled, the vice president will have and may exercise and perform the authority and duties of the president. In addition, the vice president will perform any other duties assigned to that office by the board of directors, the chief executive officer, or president from time to time. If more than one vice president is elected, the

vice presidents will have the titles, seniority, and duties established for them by the board of directors.

3.9 Secretary. The secretary will prepare and keep minutes of meetings of shareholders and directors, will be responsible for authenticating records of the corporation, and will exercise the usual authority pertaining to the office of secretary. The secretary will keep and, when proper, affix the seal of the corporation, if any, and will perform any other duties assigned to that office by the board of directors, the CEO, or president from time to time.

3.10 Treasurer. The treasurer, who may also be the chief financial officer, will have charge and custody of and be responsible for all funds and securities of the corporation. The treasurer will deposit all such funds in the name of the corporation in the depositories or invest them in the investments

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designated or approved by the board of directors, and will authorize disbursements of the funds of the corporation in payment of just demands against the corporation or as may be ordered by the board of directors on securing proper vouchers. The treasurer will render to the board of directors from time to time, as may be required, an account of all transactions as treasurer; and will perform any other duties assigned to that office from time to time by the board of directors, the CEO, or president.

3.11 Other Officers and Agents. The board of directors may appoint other officers and agents as it deems necessary or expedient. These other officers and agents will exercise the authority and perform the duties prescribed for them by the board of directors, which authority and duties may include, in the case of the other officers, one or more of the duties of the named officers of the corporation.

3.12 Removal of Officers. Any officer or agent may be removed by the board of directors whenever in its judgment the best interests of the corporation will be served by doing so. Removal will be without prejudice to the contract rights, if any, of the person removed. Election or appointment of an officer or agent will not of itself create contract rights.

3.13 Vacancies. Vacancies in any office arising from any cause may be filled by the board of directors at any regular or special meeting.

3.14 Salaries. Salaries of all officers of the corporation appointed by the board of directors will be fixed by the board of directors or by a person or committee authorized by the board of directors.

SECTION 4

Business of the Corporation

4.1 Obligations. Any agreements or other documents requiring Board approval will be valid if approved by the Board and signed by the chief executive officer, president, or vice president and attested by the secretary or an assistant secretary.

4.2 Contracts. The board of directors may authorize any officer or agent to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation. This authority may be general or confined to specific instances.

4.3 Loans to Corporation. No loans will be contracted on behalf of the corporation, and no evidence of indebtedness will be issued in its name, unless authorized by the board of directors. This authority may be general or confined to specific instances.

4.4 Checks and Drafts. All checks, drafts, or other orders for the payment of money, notes, or other evidence of indebtedness issued in the name of the corporation will be signed by the officer(s) or agent(s) of the corporation and in the manner prescribed from time to time by the board of directors.

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SECTION 5

Indemnification

5.1 Definitions. As used in this Section:

(a) "Act" mean the Oregon Business Corporations Act, now or hereafter in force.

(b) "Corporation" means this corporation, and any domestic or foreign predecessor entity which, in a merger or other transaction, ceased to exist.

(c) "Director" means an individual who is or was a director of the corporation or an individual who, while a director of the corporation, is or was serving at the corporation's request as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise. "Director" includes the estate or personal representative of a director, unless the context requires otherwise.

(d) "Expenses" include counsel fees.

(e) "Indemnitee" means an individual made a party to a proceeding because the individual is or was a director, officer, employee, or agent of the corporation and who possesses indemnification rights pursuant to the Articles of Incorporation, these bylaws, or other corporate action. It also includes any individual entitled to indemnification pursuant to this Section. It also includes the heirs, executors, and other successors in interest of the above individuals.

(f) "Liability" means the obligation to pay a judgment, settlement, penalty, fine, including any excise tax assessed with respect to an employee benefit plan, or reasonable expenses incurred with respect to a proceeding.

(g) "Party" includes an individual who was, is , or is threatened to be named a defendant or respondent in a proceeding.

(h) "Proceeding" means any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal.

5.2 Directors and Officers. The corporation will indemnify its directors and officers to the full extent permitted by the Act. However, the indemnity will not apply on account of:

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(a) Acts or omissions of a director or officer finally adjudged to be intentional misconduct or a knowing violation of law;

(b) A proceeding by or in the right of the corporation in which the director or officer was adjudged liable to the corporation; or

(c) Any proceeding charging improper personal benefit to the director or officer in which the director of officer was adjudged liable on the basis that personal benefit was improperly received by the director or officer.

The corporation will advance expenses for such persons pursuant to the terms set forth in these bylaws, in a resolution of the Board of Directors, or in a contract with any such person.

5.3 Employees and Agents. The corporation may, by action of the Board, grant rights to indemnification and advancement of expenses to employees and agents of the corporation within the same scope and effect allowed by the provisions of this Section with respect to the indemnification and advancement of expenses of directors and officers of the corporation or by the Act or otherwise.

5.4 Procedure for Seeking Indemnification or Advance.

(a) Notification and Defense of Claim. An Indemnitee will promptly notify the corporation in writing of any proceeding for which indemnification is sought under this Section. In addition, the Indemnitee will provide the corporation with information and cooperation that the corporation may reasonably require and which is within the Indemnitee's power.

With respect to any proceeding of which the Indemnitee has notified the corporation:

1. The corporation will be entitled to participate in the proceeding at its own expense; and

2. Except as otherwise provided below, to the extent that it may wish, the corporation, jointly and any other indemnifying party similarly notified, will be entitled to assume the defense of the proceeding, with counsel

satisfactory to the Indemnitee. The Indemnitee's consent to such counsel will not be unreasonably withheld.

The corporation will not be entitled to assume the defense of any proceeding brought by or on behalf of the corporation or as to which Indemnitee has reasonably concluded that a conflict of interest may exist between the corporation and the Indemnitee in the conduct of the defense.

After notice from the corporation to the Indemnitee of its election to assume the defense, the corporation will not be liable to the Indemnitee under

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this Section for any legal or other expenses subsequently incurred by the Indemnitee in connection with the defense. However, the fees and expenses of the Indemnitee's counsel will be paid by the corporation if:

1. The employment of counsel by the Indemnitee has been authorized by the corporation;

2. Indemnitee reasonably concludes that a conflict of interest may exist between the corporation and the Indemnitee in the conduct of the defense; or

3. The corporation did not in fact employ counsel to assume the defense of the proceeding.

Notwithstanding the assumption of defense by the corporation in any proceeding, the Indemnitee will continue to have the right to employ its counsel in the proceeding, at the Indemnitee's expense.

(b) Information Required and Determination of Indemnification. For the purpose of pursuing rights to indemnification under this Section, the Indemnitee will submit to the Board an Indemnification Statement, consisting of:

1. A sworn statement requesting indemnification; and

2. Any evidence that the Board may reasonably request of all amounts for which indemnification is requested.

Submission of an Indemnification Statement to the Board will create a presumption that the Indemnitee is entitled to indemnification and, if requested in accordance with the following Subsection, advancement of expenses. The corporation will, within sixty (60) calendar days after submission of the Indemnification Statement (or twenty (20) calendar days in the case of advancement of expenses), make the payments requested in the Indemnification Statement to or for the benefit of the Indemnitee, unless within sixty (60) or twenty (20) day period the corporation determines (in the manner provided below) that the Indemnitee is not entitled to indemnification under this Section and gives the Indemnitee notice in writing of such determination, which notice will disclose with particularity the evidence on which the

determination is based. Such determination will be based on clear and convincing evidence, sufficient to rebut the foregoing presumption.

At the election of the President of the corporation, the foregoing determination may be made as provided in ORS 60.404.

Any determination that the Indemnitee is not entitled to indemnification and any failure to make the payments requested in the Indemnification Statement will be subject to judicial review by any court of competent jurisdiction.

(c) Special Procedure Regarding Advances. An Indemnitee seeking payment or reimbursement of expenses in advance of a final

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disposition of the proceeding must furnish the corporation, as part of the Indemnification Statement, with:

1. A written affirmation of the Indemnitee's good faith belief that the Indemnitee has met the standard of conduct required to be eligible for indemnification; and

2. A written undertaking, constituting an unlimited general obligation of the Indemnitee, to repay the advance if it is ultimately determined that the Indemnitee did not meet the required standard of conduct.

(d) Settlement. The corporation is not liable to indemnify Indemnitee for any amounts paid in settlement of any proceeding without the corporation's written consent. The corporation will not settle any proceeding in any manner which would impose any penalty or limitation on Indemnitee without Indemnitee's written consent. Neither the corporation nor Indemnitee will unreasonably withhold its consent to a proposed settlement.

5.5 Contract and Related Rights.

(a) Contract Rights. The right of an Indemnitee to indemnification and advancement of expenses is a contract right on which the Indemnitee will be presumed to have relied in determining to serve or continue to serve in his or her capacity with the corporation. Such right will continue as long as Indemnitee is subject to any possible proceeding. Any amendment to or repeal of this Section will not adversely affect any right or protection of an Indemnitee with respect to any acts or omissions of the Indemnitee occurring prior to the amendment or repeal.

(b) Optional Insurance, Contracts, and Funding. The corporation may:

1. Maintain insurance, at its expense, to protect itself and any Indemnitee against any liability, whether or not the corporation would have power to indemnify the individual against the same liability under the Act;

2. Enter into contracts with any Indemnitee in furtherance of this Section and consistent with the Act; and

3. Create a trust fund, grant a security interest, or use other means (including, without limitation, a letter of credit) to ensure the payment of amounts that may be necessary to effect indemnification as provided in this Section.

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(c) Severability. If any provision or application of this Section is invalid or unenforceable, the remainder of this Section and its remaining applications will not be affected thereby and will continue in full force and effect.

(d) Right of Indemnitee to Bring Suit. If a claim under this Section for indemnification is not paid in full by the corporation within sixty (60) days, or for advancement of expenses is not paid in full by the corporation within twenty (20) days, after an Indemnification Statement setting forth the claim has been received by the corporation, the Indemnitee may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim. To the extent such suit is successful, the Indemnitee will be entitled to recover from the corporation the expense (to be prorated if the Indemnitee is only partially successful) of prosecuting the claim.

Neither (1) the future of the corporation (including its Board of Directors, shareholders, or independent legal counsel) to have made a determination prior to the commencement of a proceeding that indemnification of, or reimbursement or advance of expenses to, the Indemnitee is proper in the circumstances, nor (2) an actual determination by the corporation (including its Board of Directors, shareholders, or independent legal counsel) that the Indemnitee is not entitled to indemnification or to the reimbursement or advancement of expenses, will create a presumption that the Indemnitee is not so entitled.

5.6 Exceptions. Notwithstanding any other provision of this Section, the corporation will not be obligated pursuant to the terms of these bylaws to indemnify or advance expenses to Indemnitee with respect to any proceeding:

(a) Claims Initiated by Indemnitee. Initiated or brought voluntarily by Indemnitee and not by way of defense, except with respect to proceedings brought to establish or enforce a right of indemnification under these bylaws or any other statute or law or as otherwise required under the Act. However, indemnification or advancement of expenses may be provided by the corporation in specific cases if the Board of Directors finds it to be appropriate.

(b) Lack of Good Faith. Initiated or brought voluntarily by Indemnitee to enforce or interpret these bylaws if a court of competent jurisdiction determines that each of the material assertions made by Indemnitee in such proceeding was not made in good faith or was frivolous.

(c) Insured Claims. For which any of the expenses or liabilities for indemnification being sought have been paid directly to Indemnitee by an insurance carrier under a policy of insurance maintained by the corporation.

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(d) Prohibited by Law. If the corporation is prohibited by the Act, or other applicable law as then in effect from paying such indemnification and/or advancement of expenses.

5.7 Service for Other Entities. The indemnification and advancement of expenses provided under this Section will apply to directors, officers, employees, or agents of the corporation for both (a) service in such capacities for the corporation, and (b) service at the corporation's request as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise. A person is considered to be serving an employee benefit plan at the corporation's request if that person's duties to the corporation also impose duties on, or otherwise involve services by, that person to the plan or to participants or beneficiaries of the plan.

SECTION 6

Stock

6.1 Certificate of Stock. Certificates of stock will be issued in numerical order. Each shareholder will be entitled to a certificate signed, either manually or in facsimile, by the president or vice president and the secretary, or by the board of directors. The certificate may be sealed with the corporate seal. Every certificate of stock will state:

(a) The name of the corporation and the fact that the corporation is incorporated under the laws of the State of Oregon;

(b) The name of the registered holder of the shares represented by the certificate; and

(c) The number and class of the shares and the designation of the series, if any, represented by the certificate.

6.2 Transfer. Subject to any legend appearing on the certificate, shares of stock may be transferred by delivery of the certificate, accompanied by either an assignment in writing on the back of the certificate or a separate written assignment and power of attorney to transfer the same, which in either event is signed by the record holder of the certificate. No transfer will be valid, except as between the parties to the transfer, until the transfer is made on the books of the corporation. Except as otherwise specifically provided in these bylaws, no shares of stock will be transferred on the books of the corporation until the outstanding certificate or certificates representing the transferred stock have been surrendered to the corporation accompanied by an assignment as above.

6.3 Shareholders of Record. The corporation will be entitled to treat the holder of record on the books of the corporation of any share or shares of stock as the holder in fact of those shares for all purposes, including the

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payment of dividends on and the right to vote the stock, unless provided otherwise by the board of directors.

6.4 Loss or Destruction of Certificates. If any certificate of stock is lost or destroyed, another may be issued in its place on proof of loss or destruction and on the giving of a satisfactory bond of indemnity to the corporation. A new certificate may be issued without requiring any bond when, in the judgment of the board of directors, it is proper to do so.

6.5 Record Date and Transfer Books. For the purpose of determining shareholders entitled to notice of or vote at any meeting of shareholders or any adjournment thereof, or entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the board of directors will make in advance a record date for any such determination of shareholders. The record date in any case will not be more than seventy (70) days and, in the case of a meeting of shareholders, not less than ten (10) days prior to the date on which the particular action requiring the determination of shareholders is to be taken. If no record date is fixed for these purposes, the date on which notice of the meeting is mailed or the date on which the resolution of the board of directors declaring the dividend is adopted, as the case may be, will be the record date for the determination of shareholders.

6.6 Regulations. The board of directors will have the power and authority to make all rules and regulations it deems expedient concerning the issue, transfer, conversion, and registration of certificates for shares of stock of the corporation not inconsistent with these bylaws, the articles of incorporation, or the laws of the United States or the State of Oregon.

SECTION 7

Books and Records

7.1 Records of Corporate Meetings and Share Register. The corporation will keep at either its principal place of business, its registered office, or another place permitted by law, as the board of directors may designate, (a) books and records of account and minutes or records of all of the proceedings of the board of directors, director committees, and shareholders, and (b) a record of shareholders, giving the names of the shareholders and showing their respective addresses and the number and class of shares held by each.

7.2 Reliance of Records. Any person dealing with the corporation may rely on a copy of any of the records of the proceedings, resolutions, or votes of the board of directors, director committees, or shareholders when certified by the president, vice president, or secretary.

7.3 Form of Records. All books and records may be kept on paper or in electronic or other format.

SECTION 8

Corporate Seal

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The corporation may adopt, but will not be required to adopt, a corporate seal. If a seal is adopted, it will be circular and will include the name of the corporation and the words "corporate seal."

SECTION 9

Amendments

9.1 Action by Board. The board of directors may amend or repeal the bylaws unless:

(a) The articles of incorporation or the provisions of law reserve this power exclusively to the shareholders in whole or in part; or

(b) The shareholders in amending or adopting a particular bylaw provide expressly that the board of directors may not amend or repeal that bylaw.

9.2 Amendment by Shareholders. The shareholders may amend or repeal the bylaws even though the bylaws may also be amended and repealed by its board of directors.

9.3 Amendments to Shareholder Quorum Requirements. If expressly authorized by the articles of incorporation, the shareholders may adopt or amend a bylaw that fixes a greater quorum or voting requirement for shareholders, or voting groups of shareholders, than is required by law. The adoption or amendment of a bylaw that adds, changes, or deletes a greater quorum or voting requirement for shareholders must meet the same quorum requirement and be adopted by the same vote and voting groups required to take action under the quorum and voting requirement then in effect or the quorum or voting requirement proposed to be adopted, whichever is greater. A bylaw that fixes a greater quorum or voting requirement for shareholders under this Section 9.3 may not be adopted, amended, or repealed by the board of directors.

9.4 Amendments to Board Quorum Requirements. A bylaw provision that fixes a greater quorum or voting requirement for the board of directors may be amended or repealed:

(a) If the provision was originally adopted by the shareholders, only by the shareholders; or

(b) If the provision was originally adopted by the board of directors, either by the shareholders or by the board of directors.

A bylaw provision adopted or amended by the shareholders that fixes a greater quorum or voting requirement for the board of directors may provide that it may be amended or repealed only by a specified vote of either the shareholders or the board of directors.

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EXHIBIT 3.3

AMENDMENT TO BYLAWS
OF
WEST COAST BANCORP

APPROVED BY THE BOARD OF DIRECTORS
AT A MEETING HELD ON MARCH 15, 1999

[AMENDMENT TO SECTION 2.2]

The Board approves the amendment to Section 2.2 of the Bylaws to change the vote required to approve board candidates from 75 percent to a majority, by amending the second sentence of Section 2.2 as follows:

> "Nominations by the board of directors of candidates for election to the Board shall be approved by at least a majority of the members of the board of directors."

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EXHIBIT 3.4

AMENDMENT TO BYLAWS
OF
WEST COAST BANCORP

APPROVED BY THE BOARD OF DIRECTORS
AT A MEETING HELD ON FEBRUARY 24, 1999

[AMENDMENT TO SECTION 2.2]

Section 2.2 of the Bylaws is amended by revising the last sentence as follows:

> No person may stand for election or re-election for director, if they have attained the age of sixty nine (69).

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EXHIBIT 10.4

CONFIDENTIAL

SALARY CONTINUATION AGREEMENT

THIS SALARY CONTINUATION AGREEMENT ("Agreement") is dated as of December 1, 1996 (the "Effective Date"). The parties to the Agreement ("Parties"') are WEST COAST BANCORP, an Oregon corporation ("Bancorp"), and CYNTHIA J. HAWORTH ("Executive").

A. Bancorp currently receives the exclusive services of certain employees including Executive, and both Bancorp and Executive desire to continue Executive's services in the event of a change in the control of Bancorp, thereby allowing Bancorp to maximize the benefits obtainable from any such change.

B. To encourage Executive's continued services, Bancorp desires to provide a salary continuation benefit to Executive.

In consideration of the mutual promises, covenants, agreements and undertakings contained in this Agreement, the parties agree as follows:

1. EFFECTIVE DATE AND TERM. As of the Effective Date, this Agreement shall be a binding obligation of the parties, not subject to revocation or amendment except by mutual consent or in accordance with its terms. The term of this Agreement ("Term") shall commence as of the Effective Date and shall end one (1) year thereafter, provided however, that this Agreement shall be automatically renewed for successive one year periods, unless the Board of Directors of Bancorp do not approve such renewal and provide written notice to Executive of such event, or Executive gives written notice to Bancorp not less than thirty (30) days prior to any such anniversary date of Executive's election not to extend the term beyond its then scheduled expiration date. Notwithstanding the preceding, if a definitive agreement providing for a Change in Control (as defined below) is entered into on or before the expiration of the Term, the term of this Agreement shall be extended to twelve (12) months after the consummation of such Change in Control.

2. COMMITMENT OF EXECUTIVE. In the event that any person extends any proposal or offer which is intended to or may result in a Change in Control, as defined below (a "Change in Control Proposal"), Executive shall, at Bancorp's request, assist Bancorp in evaluating such proposal or offer. Further, as a condition to receipt of the Salary Continuation Payment defined below, Executive agrees not to resign Executive's position with Bancorp during any period from the receipt of a specific

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Change in Control Proposal up to the consummation or abandonment of the transaction contemplated by such Proposal.

3. SALARY CONTINUATION PAYMENT.

(a) Amount of Payment--Termination Event After Change in Control. Except as otherwise provided in this Section, in the case of a Termination Event After a Change in Control, as defined in Section 4, Executive shall receive a salary continuation payment (the "Salary Continuation Payment") equal to the sum of

the Regular Salary Continuation Payment and the Bonus Continuation Payment. The Regular Salary Continuation Payment shall equal Executive's regular monthly salary in effect as of the date of termination of employment (as reportable on Executive's IRS Form W-2, but including the amount of any voluntary deferrals of salary, and excluding any expense allowances or reimbursements, any bonuses, any gain from exercise of stock options, or any other similar non-recurring payments) which would be payable to Executive but for the termination from the date of termination of Executive's employment to the date twelve (12) months after the Change in Control. The Bonus Continuation Payment shall equal (i) the most recent annual bonus paid to Executive, multiplied by (ii) (x) the number of days during which Executive was employed but as to which no annual bonus has been paid plus the number of days from the date of termination of employment to the date twelve (12) months after the Change in Control divided by (y) 365.

(b) Limitation on Payment. Notwithstanding anything in this Agreement to the contrary, the Salary Continuation Payment shall not exceed an amount equal to One Dollar ($1.00) less than the amount which would cause the payment, together with any other payments received from Bancorp, to be a "parachute payment" as defined in Section 280G(b)(2)(A) of the Internal Revenue Code.

4. TERMINATION EVENT AFTER CHANGE IN CONTROL. A Termination Event After a Change in Control shall be deemed to occur upon, and only upon, one or more of the following:

(a) Termination of Executive's employment by Executive for Good Reason (as defined herein) within twelve (12) months after a Change In Control;

(b) Termination of Executive's employment by Bancorp other than for Cause, Disability, or Retirement (each of which is defined

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below) within twelve (12) months after a Change In Control; or

(c) Termination of Executive's employment by Bancorp other than for Cause, Disability, or Retirement prior to a Change In Control if such termination occurs either (i) on or after announcement, by Bancorp or any other party, of a contemplated Change In Control or an intended Change In Control, or (ii) on or after the date a contemplated or intended Change In Control should have been announced in conformity with applicable securities or other laws, but only if in either case a Change In Control occurs within twelve (12) months after such termination of Executive's employment.

5. DEFINITIONS.

(a) Cause. "Cause" shall mean only any one or more of the following:

(i) Willful misfeasance or gross negligence in the performance of Executive's duties; or

(ii) Conviction of a crime in connection with such duties.

(b) Disability. "Disability" shall mean a physical or mental impairment which renders Executive incapable of substantially performing the duties required under this Agreement, and which is expected to continue rendering Executive so incapable for the reasonably foreseeable future.

(c) Retirement. "Retirement" shall mean voluntary termination by Executive in accordance with Bancorp's retirement policies, including early retirement, if applicable to their salaried employees.

(d) Good Reason. "Good Reason" shall mean only any one or more of the following:

(i) Any reduction of Executive's salary or any reduction or elimination of any compensation or benefit plan benefiting Executive, which reduction or elimination is not of general application to substantially all employees of Bancorp or such employees of any successor entity or of any entity in control of Bancorp;

(ii) A relocation or transfer of Executive's place of employment which would reasonably require Executive to

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commute more than twenty (20) miles each way from Executive's principal residence; or

(iii) A material diminution in the responsibilities or duties of Executive.

(e) Change In Control. "Change in Control" shall mean either of the following:

(i) A Person or Entity (as defined below) acquiring or otherwise becoming the owner (as a result of a purchase, merger, stock exchange, or otherwise) of more than fifty percent (50%) of the outstanding common stock of Bancorp, or

(ii) The merger of Bancorp into any corporation, or the merger of any corporation into Bancorp, where more than fifty percent (50%) of the stock of such corporation or Bancorp, as the case may be, (the "Surviving Corporation") is owned by other than the owners of the common stock of Bancorp prior to such merger.

(f) Person or Entity. "Person or Entity" shall include any one or more persons and/or entities acting in concert with respect to their interests in the Surviving Corporation.

6. OTHER COMPENSATION AND TERMS OF EMPLOYMENT. This Agreement is not an employment agreement. Accordingly, except with respect to the Salary Continuation Payment, this Agreement shall have no effect on the determination of any compensation payable by Bancorp to Executive, or upon any of the other terms of Executive's employment with Bancorp. The specific arrangements referred to herein are not intended to exclude any other benefits which may be available to Executive upon a termination of employment with Bancorp pursuant to employee benefit plants of Bancorp or otherwise.

7. WITHHOLDING. All payments required to be made by Bancorp hereunder to Executive shall be subject to the withholding of such amounts, if any, relating to tax and other payroll deductions as Bancorp may reasonably determine should be withheld pursuant to any applicable law or regulation.

8. ASSIGNABILITY. Bancorp may assign this Agreement and its rights hereunder in whole, but not in part, to any corporation, bank or other

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entity with or into which Bancorp may hereafter merge or consolidate or to which Bancorp may transfer all or substantially all of its assets, if in any such case said corporation, bank or other entity shall by operation of law or expressly in writing assume all obligations of Bancorp hereunder as fully as if it had been originally made a party hereto, but may not otherwise assign this Agreement or its rights hereunder. Executive may not assign or transfer this Agreement or any rights or obligations hereunder.

9. GENERAL PROVISIONS.

(a) Choice of Law. This Agreement is made with reference to and is intended to be construed in accordance with the laws of the State of Oregon.

(b) Arbitration. Any dispute, controversy or claim arising out of or in connection with, or relating to, this Agreement or any breach or alleged breach hereof, shall, upon the request of any party involved, be submitted to, and settled by, arbitration pursuant to the rules then in effect of the American Arbitration Association (or under any other form of arbitration mutually acceptable to the parties so involved). Any award rendered shall be final and conclusive upon the parties and a judgment thereon may be entered in the highest court of the forum having jurisdiction. The arbitrator shall render a written decision, naming the substantially prevailing party in the action, and shall award such party all costs and expenses incurred, including reasonable attorneys' fees.

(c) Attorney Fees. In the event of any breach of or default under this Agreement which results in either party incurring attorney or other fees, costs or expenses (including in arbitration), the prevailing party shall be entitled to recover from the non-prevailing party any and all such fees, costs and expenses, including attorney fees.

(d) Successors. This Agreement shall be binding upon and inure to the benefit of the Parties and each of their respective affiliates, legal representatives, successors and assigns.

(e) Construction. This Agreement contains the entire agreement among the Parties with respect to its subject matter, and may be amended or modified only in a writing executed by all of the Parties. Its language is and will be deemed to be the language chosen by the Parties jointly to express their mutual intent. No rule of construction based on which party drafted the Agreement or certain of its provisions will be applied against any party. This Agreement may be amended only in a writing signed by the parties.

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5

(f) Captions. The captions of the respective sections of this Agreement have been included for convenience of reference only. They shall not be construed to modify or otherwise affect in any respect any of the provisions of the Agreement.

(g) Counterparts. This Agreement may be executed in one or more counterparts by the parties hereto. All counterparts shall be construed together and shall constitute one Agreement.

EXECUTED by each of the parties effective as of the date first stated above.

BANCORP:

WEST COAST BANCORP,
an Oregon corporation

By: /s/ Lester Green

Its: Chairman

EXECUTIVE:

/s/ Cynthia J. Haworth

CYNTHIA J. HAWORTH

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EXHIBIT 21

SCHEDULE OF SUBSIDIARIES

Following is a list of the registrant's subsidiaries at February 28, 1999.

Name of Organization	State of Incorporation
West Coast Bank	Oregon
Centennial Funding Corp	Washington
ELD Inc.	Washington
Totten, Inc	Washington
West Coast Trust	Oregon

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EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included (or incorporated by reference) in this Form 10-K, into the Company's previously filed Registration Statement File Nos. 333-09721, 333-01651, 333-01649 and 033-60259.

ARTHUR ANDERSEN LLP
Portland, Oregon
March 22, 1999

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EXHIBIT 23.2

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included (or incorporated by reference) in this Form 10-K, into the Company's previously filed Registration Statement File Nos. 333-09721, 333-01651, 333-01649 and 033-60259.

DWYER, PEMBERTON LLP
Tacoma, Washington
March 22, 1999

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