Hoffman Edward J
Form 4
June 13, 2011

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
Hoffman Edward J

(Last) (First) (Middle)

RADIAN GROUP INC., 1601 MARKET STREET

(Street)

PHILADELPHIA, PA 19103

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
RADIAN GROUP INC [RDN]

3. Date of Earliest Transaction (Month/Day/Year)
06/09/2011

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Execut Vice President and Secr

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock								10,629	I	401k stock fund

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title Underly (Instr. 3
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title
Stock Option	$ 3.58	06/09/2011		A		29,970 (2)		06/19/2014 (2)	06/09/2018	Comm Stoc
Restricted Stock Units -Performance-based	$ 0	06/09/2011		A	V	73,120 (3) (4)		(1)	06/09/2018	Comm Stoc

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Hoffman Edward J RADIAN GROUP INC. 1601 MARKET STREET PHILADELPHIA, PA 19103			Execut Vice President and Secr	

Signatures

C. Robert Quint /s/, C. Robert Quint (POA) Atty-in-fact	06/13/2011
**Signature of Reporting Person	Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- **(1)** N/A.
- **(2)** Non-Qualified Stock Option: Vesting is 50% on the third anniversary of the grant and 50% on the fourth anniversary of the grant, provided that Radian's common stock has closed at 25% above the exercise price of the option for 10 consecutive trading days at any point on or after the third anniversary of the grant.
- **(3)** Performance Based Restricted Stock Units ("RSUs"): Vesting is 100% at the end of the three year performance period, with a potential payout ranging from 0% to 200% of the target award based on Radian's total stockholder return ("TSR") over the three year performance period relative to the median TSR of Radian's primary competitors and the companies listed on the NASDAQ Financial Index. TSR is measured generally as (i) the change in market value of common stock during the period, plus dividends, (ii) divided by the 20 day trading average preceding and including the RSU grant date . The RSUs have no voting or dividend rights and will be settled in cash.
- **(4)** The number of RSUs reported (73,120) represents the target award. As discussed in Footnote 3 above, at the end of the performance period, the participant may earn between 0 and 146,240 RSUs, based on the relative performance of Radian's TSR.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. " style="TEXT-ALIGN: left">) $(140)

Tax-exempt (1)	(765)	(223)	(988)
Held to maturity			
Taxable	1,949	(684)	1,265
Tax-exempt (1)	2,182	(856)	1,326
Loans:			
Commercial:			
Taxable	(2,133)	4	(2,129)
Tax-exempt (1)	(255)	(96)	(351)
Commercial real estate	(2,976)	490	(2,486)
Real estate construction	(412)	(59)	(471)
Real estate residential	(455)	(220)	(675)
Consumer	(274)	(1,262)	(1,536)
Total loans (1)	(6,505)	(1,143)	(7,648)
Total decrease in interest and fee income (1)	(3,246)	(2,939)	(6,185)
Interest expense:			
Deposits:			
Savings and interest-bearing transaction	21	(360)	(339)
Time less than $100,000	(76)	(87)	(163)
Time $100,000 or more	(43)	(125)	(168)
Total interest-bearing deposits	(98)	(572)	(670)
Short-term borrowed funds	(4)	(22)	(26)
Term repurchase agreement	24	-	24
Federal Home Loan Bank advances	(77)	68	(9)
Debt financing	(108)	108	-
Total decrease in interest expense			

Explanation of Responses:

	(263)	(418)	(681)
Decrease in Net Interest Income (1)	$(2,983)	$(2,521)	$(5,504)

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

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	For the Six Months Ended June 30, 2012 Compared with For the Six Months Ended June 30, 2011		
	Volume	Rate	Total
	(In thousands)		
Interest and fee income:			
Investment securities:			
Available for sale			
Taxable	$ (242)	$ 201	$ (41)
Tax-exempt (1)	(1,415)	(427)	(1,842)
Held to maturity			
Taxable	3,490	(1,391)	2,099
Tax-exempt (1)	4,528	(1,458)	3,070
Loans:			
Commercial:			
Taxable	(4,237)	426	(3,811)
Tax-exempt (1)	(483)	(314)	(797)
Commercial real estate	(5,457)	1,292	(4,165)
Real estate construction	(1,076)	211	(865)
Real estate residential	(868)	(560)	(1,428)
Consumer	(295)	(2,148)	(2,443)
Total loans (1)	(12,416)	(1,093)	(13,509)
Total decrease in interest and fee income (1)	(6,055)	(4,168)	(10,223)
Interest expense:			
Deposits:			
Savings and interest-bearingtransaction	57	(741)	(684)
Time less than $100,000	(151)	(65)	(216)
Time $100,000 or more	(83)	(390)	(473)
Total interest-bearing deposits	(177)	(1,196)	(1,373)
Short-term borrowed funds	(2)	(59)	(61)
Term repurchase agreement	49	-	49
Federal Home Loan Bank advances	(21)	(19)	(40)
Debt financing	(216)	216	-
Total decrease in interest expense	(367)	(1,058)	(1,425)
Decrease in Net Interest Income (1)	$ (5,688)	$ (3,110)	$ (8,798)

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

Provision for Loan Losses

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

The Company provided $2.8 million and $5.6 million for loan losses in the second quarter and first half of 2012, respectively, unchanged from comparable periods in 2011. The Company recorded purchased County Bank (“County”) and Sonoma loans at estimated fair value upon the acquisition dates, February 6, 2009 and August 20, 2010, respectively. Such estimated fair values were recognized for individual loans, although small balance homogenous

loans were pooled for valuation purposes. The valuation discounts recorded for purchased loans included Management's assessment of the risk of principal loss under economic and borrower conditions prevailing on the dates of purchase. The purchased County loans are "covered" by loss-sharing agreements the Company entered with the FDIC which mitigates losses during the term of the agreements. Any deterioration in estimated value related to principal loss subsequent to the acquisition dates requires additional loss recognition through a provision for loan losses. Of the total recorded provision, the Company provided $349 thousand and $839 thousand for purchased loans in the second quarter and first half of 2012, respectively. No assurance can be given future provisions for loan losses related to purchased loans will not be necessary.

For further information regarding credit risk, the FDIC loss-sharing agreements, net credit losses and the allowance for loan losses, see the “Loan Portfolio Credit Risk” and “Allowance for Credit Losses” sections of this report.

Noninterest Income

The following table summarizes the components of noninterest income for the periods indicated.

	For the Three Months		For the Six Months	
	Ended June 30,			
	2012	2011	2012	2011
	(In thousands)			
Service charges on deposit accounts	$7,027	$7,577	$14,122	$15,098
Merchant processing services	2,529	2,391	4,922	4,562
Debit card fees	1,345	1,283	2,508	2,484
ATM processing fees	932	997	1,865	1,932
Other service fees	697	721	1,393	1,411
Trust fees	497	482	986	975
Check sale income	208	212	420	432
Safe deposit rental	193	168	390	337
Financial services commissions	194	117	365	146
Loss on sale of securities	(1,287)	-	(1,287)	-
Other	1,198	1,344	2,518	2,658
Total	$13,533	$15,292	$28,202	$30,035

Noninterest income for the second quarter of 2012 declined by $1.8 million from the same period in 2011. The decline in second quarter 2012 noninterest income is primarily due to a $1.3 million loss realized from the sale of a collateralized mortgage obligation bond whose underlying support tranches began experiencing escalating losses, which began deteriorating the creditworthiness of the bond. Service charges on deposits decreased $550 thousand or 7.3% due to declines in fees charged on overdrawn and insufficient funds accounts (down $680 thousand), partially offset by higher deficit fees charged on analyzed accounts (up $102 thousand). Merchant processing services income increased $138 thousand or 5.8% primarily due to increased transactions.

In the first half of 2012, noninterest income decreased $1.8 million compared with the first half of 2011. The decline in the first half of 2012 noninterest income is primarily due to a $1.3 million loss realized from the sale of a collateralized mortgage obligation bond whose underlying support tranches began experiencing escalating losses, which began deteriorating the creditworthiness of the bond. Service charges on deposits decreased $976 thousand or 6.5% due to declines in fees charged on overdrawn and insufficient funds accounts (down $1.3 million), partially offset by higher deficit fees charged on analyzed accounts (up $264 thousand). Merchant processing services income increased $360 thousand or 7.9% mainly due to increased transactions. Financial services commissions increased $219 thousand from improved sales activities.

Noninterest Expense

The following table summarizes the components of noninterest expense for the periods indicated.

	For the Three Months		For the Six Months	
	Ended June 30,			
	2012	2011	2012	2011
	(In thousands)			
Salaries and related benefits	$14,494	$14,913	$29,540	$29,988
Occupancy	3,775	4,050	7,709	8,075
Outsourced data processing services	2,078	2,122	4,161	4,578
Settlements	-	2,100	-	2,100
Amortization of identifiable intangibles	1,339	1,480	2,741	3,028
Professional fees	902	1,453	1,669	2,303
Furniture and equipment	1,041	1,038	1,892	1,971
Other real estate owned	3	990	233	1,135
Courier service	793	852	1,578	1,695
Deposit insurance assessments	653	740	1,403	1,960
Loan expense	390	544	1,017	938
Telephone	418	428	794	863
Postage	344	363	716	731
Operational losses	149	341	322	589
Stationery and supplies	247	323	490	646
Advertising and public relations	151	161	303	332
Other noninterest expense	2,572	2,411	4,815	4,700
Total	$29,349	$34,309	$59,383	$65,632

Noninterest expense decreased $5.0 million or 14.5% in the second quarter 2012 compared with the same period in 2011 primarily due to a $2.1 million settlement accrual in the second quarter 2011 and reduced costs related to managing nonperforming assets. Other real estate owned expense decreased $987 thousand mainly due to lower writedowns and maintenance expenses and higher gains on sale of foreclosed assets. Professional fees declined $551 thousand or 37.9% due to lower legal fees. Salaries and related benefits decreased $419 thousand or 2.8% primarily due to employee attrition. Occupancy expense declined $275 thousand or 6.8% mostly due to lower lease rates on bank premises.

In the first half of 2012, noninterest expense decreased $6.2 million or 9.5% compared with the first half of 2011 mainly due to a $2.1 million settlement accrual in 2011 and lower costs related to managing nonperforming assets. Additionally, the first quarter 2011 included $679 thousand in expenses related to pre-integration costs for the acquired Sonoma, primarily outsourced data processing and personnel costs. Sonoma operations were fully integrated in February 2011. Other real estate owned expense decreased $902 thousand mainly due to higher gains on sale of foreclosed assets, partially offset by higher writedowns. Professional fees declined $634 thousand or 27.5% largely due to lower legal fees. Deposit insurance assessments decreased $557 thousand due to a change in assessment rules effective April 1, 2011. Salaries and related benefits decreased $448 thousand or 1.5% primarily due to lower salaries resulting from employee attrition, partially offset by higher employee benefit costs. Outsourced data processing services expense decreased $417 thousand or 9.1%. Occupancy expense declined $366 thousand or 4.5% mostly due to lower lease rates on bank premises and lower maintenance expense.

Provision for Income Tax

During the second quarter of 2012, the Company recorded income tax expense (FTE) of $10.8 million compared with $12.8 million for the second quarter of 2011. The current quarter provision represents an effective tax rate (FTE) of 33.9%, compared with 37.5% for the second quarter of 2011. The decline in tax rate in the second quarter 2012 is attributable to a $968 thousand tax refund from an amended 2006 federal income tax return. This claim for tax refund was processed by the Internal Revenue Service in conjunction with the conclusion of an examination of the Company’s 2008 federal income tax return.

The income tax provision (FTE) was $23.3 million for the first six months of 2012 compared with $26.0 million for the corresponding period of 2011. The first half of 2012 effective tax rate was 35.7% compared to 37.3% for the same period of 2011. The lower tax rate in the first half of 2012 was due to the tax refund described in the preceding paragraph.

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Loan Portfolio Credit Risk

The risk that loan customers do not repay loans extended by the Bank is the most significant risk to the Company. The Company closely monitors the markets in which it conducts its lending operations and follows a strategy to control exposure to loans with high credit risk. The Bank's organization structure separates the functions of business development and loan underwriting; Management believes this segregation of duties avoids inherent conflicts of combining business development and loan approval functions. In measuring and managing credit risk, the Company adheres to the following practices.

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

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

Classified loans with higher levels of credit risk are further designated as "nonaccrual loans." Management places classified loans on nonaccrual status when full collection of contractual interest and principal payments is in doubt. Interest previously accrued on loans placed on nonaccrual status is charged against interest income, net of estimated FDIC reimbursements under loss-sharing agreements. The Company does not accrue interest income on nonaccrual loans. Interest payments received on nonaccrual loans are applied to reduce the carrying amount of the loan unless the carrying amount is well secured by loan collateral or covered by FDIC loss-sharing agreements. "Nonperforming assets" include nonaccrual loans, loans 90 or more days past due and still accruing, and repossessed loan collateral.

The Bank's commercial loan customers are primarily small businesses and professionals. As a result, average loan balances are relatively small, providing risk diversification within the overall loan portfolio. At June 30, 2012, the Bank's nonaccrual loans reflected this diversification: nonaccrual originated loans with a carrying value totaling $17 million comprised twenty-seven borrowers, nonaccrual purchased non-covered loans with a carrying value totaling $20 million comprised nineteen borrowers, and nonaccrual purchased covered loans with a carrying value totaling $10 million comprised thirty-one borrowers.

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

On February 6, 2009, the Bank purchased loans and repossessed loan collateral of the former County Bank from the FDIC. This purchase transaction included loss-sharing agreements with the FDIC wherein the FDIC and the Bank share losses on the purchased assets. The loss-sharing agreements significantly reduce the credit risk of these purchased assets. In evaluating credit risk, Management separates the Bank's total loan portfolio between those loans qualifying under the FDIC loss-sharing agreements (referred to as "purchased covered loans") and loans not qualifying under the FDIC loss-sharing agreements (referred to as "purchased non-covered loans" and "originated loans"). At June 30, 2012, purchased covered loans totaled $463 million, or 20 percent of total loans, originated loans totaled $1.8 billion, or 76 percent and purchased non-covered loans totaled $102 million, or 4 percent of total loans.

Purchased covered loans and repossessed loan collateral qualify under loss-sharing agreements with the FDIC. Under the terms of the loss-sharing agreements, the FDIC absorbs 80 percent of losses and shares in 80 percent of loss recoveries on the first $269 million in losses on purchased covered assets ("First Tier"), and absorbs 95 percent of losses

and shares in 95 percent of loss recoveries if losses on purchased covered assets exceed $269 million ("Second Tier"). The loss-sharing agreement on covered residential real estate assets expires February 6, 2019 and the loss-sharing agreement on covered non-residential assets expires February 6, 2014 as to losses and February 6, 2017 as to loss recoveries.

The purchased covered assets are primarily located in the California Central Valley, including Merced County. This geographic area currently has some of the weakest economic conditions within California and has experienced significant declines in real estate values. Management expects higher loss rates on purchased covered assets than on originated assets.

The Bank recorded purchased covered assets at estimated fair value on the February 6, 2009 acquisition date. The credit risk discount ascribed to the $1.2 billion acquired loan and repossessed loan collateral portfolio was $161 million representing estimated losses inherent in the assets at the acquisition date. The Bank also recorded a related receivable from the FDIC in the amount of $129 million representing estimated FDIC reimbursements under the loss-sharing agreements.

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The maximum risk to future earnings if First Tier losses exceed Management's estimated $161 million in recognized losses under the FDIC loss-sharing agreements is estimated to be $12 million as follows (dollars in thousands):

First Tier Loss Coverage	$ 269,000
Less: Recognized credit risk discount	161,203
Exposure to under-estimated risk within First Tier	107,797
Bank loss-sharing percentage	20 percent
First Tier risk to Bank, pre-tax	$ 21,559
First Tier risk to Bank, after-tax	$ 12,494

Management has judged the likelihood of experiencing losses of a magnitude to trigger Second Tier FDIC reimbursement as remote. The Bank's maximum after-tax exposure to Second Tier losses is $11 million as of June 30, 2012, which would be realized only if all purchased covered assets at June 30, 2012 generated no future cash flows.

Purchased covered assets have declined since the acquisition date, and losses have been primarily offset against the estimated credit risk discount, although some losses exceeding the purchase date estimated credit risk discount have been charged-off against the allowance for credit losses. Purchased covered assets totaled $478 million at June 30, 2012, net of a credit risk discount of $30 million, compared to $554 million at December 31, 2011, net of a credit risk discount of $46 million. Purchased covered assets are evaluated for risk classification without regard to FDIC indemnification such that Management can identify purchased covered assets with potential payment problems and devote appropriate credit administration practices to maximize collections. Classified purchased covered assets without regard to FDIC indemnification totaled $131 million and $168 million at June 30, 2012 and December 31, 2011, respectively. FDIC indemnification limits the Company's loss exposure to covered classified assets.

Allowance for Credit Losses

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

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	For the Three Months		For the Six Months	
	Ended June 30,			
	2012	2011	2012	2011
	(In thousands)			
Analysis of the Allowance for Credit Losses				
Balance, beginning of period	$34,576	$37,014	$35,290	$38,329
Provision for loan losses	2,800	2,800	5,600	5,600
Provision for unfunded commitments	-	-	-	-
Loans charged off				
Commercial	(2,696)	(3,663)	(3,558)	(4,987)
Commercial real estate	-	-	(948)	-
Real estate construction	-	-	-	(1,475)
Real estate residential	(62)	(219)	(932)	(527)
Consumer	(1,211)	(1,339)	(2,864)	(3,475)
Purchased covered loans	(247)	-	(612)	-
Purchased non-covered loans	(25)	-	(25)	-
Total chargeoffs	(4,241)	(5,221)	(8,939)	(10,464)
Recoveries of loans previously charged off				
Commercial	228	443	617	643
Commercial real estate	33	-	33	-
Real estate construction	196	-	198	-
Real estate residential	-	-	-	-
Consumer	600	665	1,379	1,593
Purchased covered loans	24	-	38	-
Total recoveries	1,081	1,108	2,265	2,236
Net loan losses	(3,160)	(4,113)	(6,674)	(8,228)
Balance, end of period	$34,216	$35,701	$34,216	$35,701
Components:				
Allowance for loan losses	$31,523	$33,008		
Liability for off-balance sheet credit exposure	2,693	2,693		
Allowance for credit losses	$34,216	$35,701		
Net loan losses:				
Originated loans	$(2,912)	$(4,113)	$(6,075)	$(8,228)
Purchased covered loans	(223)	-	(574)	-
Purchased non-covered loans	(25)	-	(25)	-
Net loan losses as a percentage of average loans (annualized):				
Originated loans	0.65 %	0.83 %	0.67 %	0.83 %
Purchased covered loans	0.19 %	- %	0.23 %	- %
Purchased non-covered loans	0.09 %	- %	0.04 %	- %

The Company's allowance for credit losses is maintained at a level considered appropriate to provide for losses that can be estimated based upon specific and general conditions. These include conditions unique to individual borrowers, as well as overall credit loss experience, the amount of past due, nonperforming loans and classified loans, FDIC loss-sharing indemnification, recommendations of regulatory authorities, prevailing economic conditions and other factors. A portion of the allowance is specifically allocated to impaired loans whose full collectability of principal is uncertain. Such allocations are determined by Management based on loan-by-loan analyses. In the first quarter 2012, the Company lowered the dollar threshold for loans evaluated for impairment. The Company evaluates all nonaccrual loans with outstanding principal balances in excess of $500 thousand for impairment. A second allocation is based in part on quantitative analyses of historical credit loss experience, in which historical originated criticized and classified credit balances are analyzed using a linear regression model to determine standard loss rates for originated loans. The

results of this analysis are applied to originated criticized and classified loan balances to allocate the allowance to the respective segments of the loan portfolio. In addition, originated loans with similar characteristics not usually criticized using regulatory guidelines are analyzed based on the historical loss rates and delinquency trends, grouped by the number of days the payments on these loans are delinquent. Given currently weak economic conditions, Management is applying further analysis to originated consumer loans. Current levels of originated consumer installment loan losses are compared to initial allowance allocations and, based on Management's judgment, additional allocations are applied, if needed, to estimate losses. For originated residential real estate loans, Management is comparing ultimate loss rates on foreclosed residential real estate properties and applying such loss rates to nonaccrual originated residential real estate loans. Based on this analysis, Management exercises judgment in allocating additional allowance if deemed appropriate to estimate losses on originated residential real estate loans. Last, allocations are made to originated non-criticized and non-classified commercial and commercial real estate loans based on historical loss rates and other statistical data.

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Purchased loans were not underwritten using the Company’s credit policies and practices. Thus, the historical loss rates for originated loans are not applied to estimate credit losses for purchased loans. Purchased loans were recorded on the date of purchase at estimated fair value; fair value discounts include a component for estimated credit losses. The Company evaluates all nonaccrual purchased loans with outstanding principal balances in excess of $500 thousand for impairment; the impaired loan value is compared to the recorded investment in the loan, which has been reduced by the credit default discount estimated on the date of purchase. If Management’s impairment analysis determines the impaired loan value is less than the recorded investment in the purchased loan, an allocation of the allowance for credit losses is established, net of estimated FDIC indemnification. For all other purchased loans, Management evaluates historical credit losses on purchased loans, credit default discounts on purchased loans, and other data to evaluate the likelihood of realizing the recorded investment in purchased loans. Management establishes allocations of the allowance for credit losses for any estimated deficiency.

The remainder of the allowance is considered to be unallocated. The unallocated allowance is established to provide for probable losses that have been incurred as of the reporting date but not reflected in the allocated allowance. The unallocated allowance addresses additional qualitative factors consistent with Management's analysis of the level of risks inherent in the loan portfolio, which are related to the risks of the Company's general lending activity. Included in the unallocated allowance is the risk of losses that are attributable to national or local economic or industry trends which have occurred but have not yet been recognized in loan chargeoff history (external factors). The external factors evaluated by the Company include: economic and business conditions, external competitive issues, and other factors. Also included in the unallocated allowance is the risk of losses attributable to general attributes of the Company's loan portfolio and credit administration (internal factors). The internal factors evaluated by the Company include: loan review system, adequacy of lending Management and staff, loan policies and procedures, problem loan trends, concentrations of credit, and other factors. By their nature, these risks are not readily allocable to any specific loan category in a statistically meaningful manner and are difficult to quantify with a specific number. Management assigns a range of estimated risk to the qualitative risk factors described above based on Management's judgment as to the level of risk, and assigns a quantitative risk factor from the range of loss estimates to determine the appropriate level of the unallocated portion of the allowance. Management considers the $34.2 million allowance for credit losses to be adequate as a reserve against credit losses inherent in the loan portfolio as of June 30, 2012.

See Note 4 to the unaudited consolidated financial statements for additional information related to the loan portfolio and allowance for credit losses.

Asset/Liability and Market Risk Management

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

Interest Rate Risk

Interest rate risk is a significant market risk affecting the Company. Interest rate risk results from many factors. Assets and liabilities may mature or reprice at different times. Assets and liabilities may reprice at the same time but by different amounts. Short-term and long-term market interest rates may change by different amounts. The timing and amount of cash flows of various assets or liabilities may shorten or lengthen as interest rates change. In addition, interest rates may have an impact on loan demand, demand for various deposit products, credit losses, and other sources of earnings such as account analysis fees on commercial deposit accounts and correspondent bank service charges.

In adjusting the Company's asset/liability position, Management attempts to manage interest rate risk while enhancing the net interest margin and net interest income. At times, depending on expected increases or decreases in general

interest rates, the relationship between long and short term interest rates, market conditions and competitive factors, Management may adjust the Company's interest rate risk position in order to manage its net interest margin and net interest income. The Company's results of operations and net portfolio values remain subject to changes in interest rates and to fluctuations in the difference between long and short term interest rates.

The Company’s asset and liability position ranged from “neutral” to slightly “asset sensitive” at June 30, 2012, depending on the interest rate assumptions applied to the simulation model employed by Management to measure interest rate risk. A “neutral” position results in similar amounts of change in interest income and interest expense resulting from application of assumed interest rate changes. A slightly “asset sensitive” position results in a slightly larger change in interest income than in interest expense resulting from application of assumed interest rate changes. Management’s simulation modeling is currently biased toward rising interest rates. Management continues to monitor the interest rate environment as well as economic conditions and other factors it deems relevant in managing the Company's exposure to interest rate risk.

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Management assesses interest rate risk by comparing the Company's most likely earnings plan with various earnings models using many interest rate scenarios that differ in the direction of interest rate changes, the degree of change over time, the speed of change and the projected shape of the yield curve. For example, using the current composition of the Company's balance sheet and assuming an increase of 100 basis points (“bp”) in the federal funds rate and an increase of 60 bp in the 10 year Constant Maturity Treasury Bond yield during the same period, earnings are not estimated to change by a meaningful amount compared to the Company's most likely net income plan for the twelve months ending June 30, 2013. Simulation estimates depend on, and will change with, the size and mix of the actual and projected balance sheet at the time of each simulation. In the current operating environment, Management’s objective is to maintain a “neutral” to slightly “asset sensitive” interest rate risk position. The Company does not currently engage in trading activities or use derivative instruments to control interest rate risk, even though such activities may be permitted with the approval of the Company's Board of Directors.

Market Risk - Equity Markets

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

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

Market Risk - Other

Market values of loan collateral can directly impact the level of loan charge-offs and the provision for loan losses. Market values of mortgages or other assets serving as collateral for investment securities can directly impact the credit quality of the Company’s investment portfolio requiring the Company to recognize other than temporary impairment charges. Other types of market risk, such as foreign currency exchange risk and commodity price risk, are not significant in the normal course of the Company's business activities.

Liquidity and Funding

The Company's routine sources of liquidity are operating earnings, investment securities, consumer and other loans, deposits, and other borrowed funds. During the first half of 2012, operating cash flows provided $48 million to pay $21 million in shareholder dividends and $26 million applied to repurchase Company common stock. During the first half of 2011, the Company’s operating activities generated $62 million in liquidity providing most of the funds to pay common shareholders $21 million in dividends, fund $32 million in stock repurchases and reduce short-term borrowings by $16 million.

During the first half of 2012, investment securities provided $177 million in liquidity from paydowns, maturities and sales, and loans provided $195 million in liquidity from scheduled payments, payoffs and maturities, net of loan fundings. Securities of $543 million were purchased. During the first half of 2011, investment securities provided $165 million in liquidity from paydowns and maturities, and loans provided $146 million in liquidity from scheduled

payments, payoffs and maturities, net of loan fundings. The Company purchased securities of $295 million.

At June 30, 2012, the Company's assets included $321 million in cash and amounts due from other banks from daily transaction settlements. The Bank maintains cash balances for its branches of approximately $50 million to meet the routine needs of its customers. Further, the Bank must maintain approximately $30 million at the Federal Reserve Bank (FRB) to meet its reserve requirement; this reserve requirement is reduced by cash held for branches. Excluding cash for branch needs and cash required at the FRB, cash and amounts due from other banks from daily transaction settlements of approximately $175 million provided excess liquidity, equivalent to four percent of total deposits.

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The Company projects $228 million in additional liquidity from investment security paydowns and maturities during the twelve months ending June 30, 2013. At June 30, 2012, $658 million in residential collateralized mortgage obligations (“CMOs”) and residential mortgage backed securities (“MBSs”) were held in the Company's investment portfolios. None of the CMOs or MBSs are backed by sub-prime mortgages. The residential CMOs and MBSs provided $36 million in liquidity from paydowns during the three months ended June 30, 2012. At June 30, 2012, indirect automobile loans totaled $408 million, which were experiencing stable monthly principal payments of approximately $16 million during the second quarter of 2012.

The Company held $1.9 billion in total investment securities at June 30, 2012. Under certain deposit, borrowing and other arrangements, the Company must hold and pledge investment securities as collateral. At June 30, 2012, such collateral requirements totaled approximately $896 million. At June 30, 2012, $709 million of the Company's investment securities were classified as “available-for-sale”, and as such, could provide additional liquidity if sold, subject to the Company's ability to meet continuing collateral requirements. In addition, at June 30, 2012, the Company had customary lines for overnight borrowings from other financial institutions in excess of $700 million, under which $-0- was outstanding. Additionally, the Company has access to borrowing from the Federal Reserve. Management expects the Company could access additional long-term debt financing if desired. In Management's judgment, the Company's liquidity position is strong and asset liquidations or additional long-term debt are considered unnecessary to meet the ongoing liquidity needs of the Company.

Management will monitor the Company’s cash levels throughout 2012. Loan demand from credit-worthy borrowers will be dictated by economic and competitive conditions for the remainder of 2012. The Company aggressively solicits non-interest bearing demand deposits and money market checking deposits, which are the least sensitive to changes in interest rates. The growth of these deposit balances is subject to heightened competition, the success of the Company's sales efforts, delivery of superior customer service, new regulations and market conditions. The Company does not aggressively solicit higher-costing time deposits; as a result, Management anticipates such deposits will decline. Changes in interest rates, most notably rising interest rates, could impact deposit volumes. Depending on economic conditions, interest rate levels, and a variety of other conditions, deposit growth may be used to fund loans, reduce borrowings or purchase investment securities. However, due to concerns such as uncertainty in the general economic environment, competition and political uncertainty, loan demand and levels of customer deposits are not certain. Shareholder dividends are expected to continue subject to the Board's discretion and continuing evaluation of capital levels, earnings, asset quality and other factors.

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

Westamerica Bancorporation ("Parent Company") is a separate entity and apart from Westamerica Bank (“Bank”) and must provide for its own liquidity. In addition to its operating expenses, the Parent Company is responsible for the payment of dividends declared for its shareholders, and interest and principal on outstanding debt. Substantially all of the Parent Company's revenues are obtained from subsidiary dividends and service fees. Payment of dividends to the Parent Company by the Bank is limited under California and Federal laws. The Company believes that regulatory dividend restrictions will not have an impact on the Parent Company's ability to meet its ongoing cash obligations.

Capital Resources

The Company has historically generated high levels of earnings, which provides a means of raising capital. The Company's net income as a percentage of average common equity (“return on common equity” or “ROE”) was 15.6% (annualized) in the first half of 2012, 16.1% in 2011 and 18.1% in 2010. The Company also raises capital as employees exercise stock options, which are awarded as a part of the Company's executive compensation programs to reinforce shareholders' interests in the Management of the Company. Capital raised through the exercise of stock options totaled $1 million in the first half of 2012, $14 million in 2011 and $17 million in 2010.

The Company paid dividends totaling $21 million in the first half of 2012, $42 million in 2011 and $42 million in 2010, which represent dividends per share of $0.74, $1.45 and $1.44, respectively. The Company's earnings have historically exceeded dividends paid to shareholders. The amount of earnings in excess of dividends gives the Company resources to finance growth and maintain appropriate levels of shareholders' equity. In the absence of profitable growth opportunities, the Company has repurchased and retired its common stock as another means to return capital to shareholders. The Company repurchased and retired 566 thousand shares of common stock valued at $26 million in the first half of 2012, 1.3 million shares valued at $61 million in 2011 and 533 thousand shares valued at $29 million in 2010.

The Company's shareholders' equity decreased $715 thousand during the first half of 2012. The Company earned $42 million in net income, raised $1 million from issuance of stock in connection with exercises of employee stock options, paid $21 million in dividends, and repurchased $26 million in common stock.

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

Capital to Risk-Adjusted Assets

The following summarizes the ratios of capital to risk-adjusted assets for the Company on the dates indicated:

	At June 30, 2012	At June 30, 2011	At December 31, 2011	Minimum Regulatory Requirement	Well-capitalized by Regulatory Definition
Tier I Capital	14.46 %	14.58 %	14.54 %	4.00 %	6.00 %
Total Capital	15.74 %	15.92 %	15.83 %	8.00 %	10.00 %
Leverage ratio	8.43 %	8.57 %	8.38 %	4.00 %	5.00 %

The following summarizes the ratios of capital to risk-adjusted assets for the Bank on the dates indicated:

	At June 30, 2012	At June 30, 2011	At December 31, 2011	Minimum Regulatory Requirement	Well-capitalized by Regulatory Definition
Tier I Capital	13.85 %	14.23 %	13.84 %	4.00 %	6.00 %
Total Capital	15.32 %	15.75 %	15.32 %	8.00 %	10.00 %
Leverage ratio	8.02 %	8.32 %	7.93 %	4.00 %	5.00 %

FDIC-covered assets are generally included in the 20% risk-weighted category due to loss sharing agreements, which expire on February 5, 2019 as to the residential real estate covered assets and on February 5, 2014 as to non-residential real estate covered assets. Subsequent to such dates, previously FDIC-indemnified assets will generally be included in the 100% risk-weight category.

On June 7, 2012, the Federal Reserve Board invited comment on three proposed rules intended to improve the quality and increase the quantity of capital in the banking industry. The proposals' provisions which would most affect the regulatory capital requirements of the Company and the Bank:

- Redefine the type of capital which qualifies as regulatory capital in a manner which is more restrictive than current rules,
- Introduce a new "Common Equity Tier 1" capital measurement,
- Establish higher minimum levels of capital,
- Introduce a "capital conservation buffer,"
-

Increase the risk-weighting of certain assets and commitments, in particular construction loans, loans on nonaccrual status, loans 90 days or more past due, short-term credit commitments, and deferred tax assets, and
- Alter the risk-weightings on residential real estate loans based on loan quality (underwriting standards and terms) and the loan-to-value ratio determined at time of origination or subsequent restructuring or modification.

Under the proposals, any bank which is unable to maintain its “capital conservation buffer” will be restricted in the payment of shareholder distributions, as an example dividends and share repurchases, and restricted in the payment of discretionary executive compensation. The proposals have phase-in schedules for the various provisions; the higher minimum capital requirements and changed risk-weightings are fully phased-in by January 1, 2015 and the “capital conservation buffer” is fully phased-in by January 1, 2019.

These proposals do not supersede the Federal Deposit Insurance Corporation Improvement Act (FDICIA) requiring federal banking agencies to take prompt corrective action (PCA) to resolve problems of insured depository institutions. The proposals would revise the PCA thresholds to incorporate the proposed regulatory capital minimums, including the newly proposed "common equity tier 1" ratios.

Management has evaluated the current capital structure and assets for the Company and the Bank as of June 30, 2012 assuming (1) the Federal Reserve's proposed rules were currently fully phased-in and (2) the FDIC indemnification of the Bank's purchased covered assets had expired, causing an increase in risk-weightings on such assets. Based on this evaluation, the Company and the Bank currently maintain capital in excess of all the proposed regulatory ratios, as follows:

	Proposed Minimum Capital Requirement	"Well-capitalized" Under PCA Proposal	Proposed Minimum Plus "Capital Conservation Buffer"	Proforma Measurements as of June 30, 2012 Assuming New Proposals Fully Phased-in and Covered Asset Indemnification Expired	
				Company	Bank
Capital Measurement:					
Leverage	4.00 %	5.00 %	4.00 %	8.65 %	8.22 %
Common Equity Tier 1	4.50 %	6.50 %	7.00 %	13.06 %	12.47 %
Tier I Capital	6.00 %	8.00 %	8.50 %	13.06 %	12.47 %
Total Capital	8.00 %	10.00 %	10.50 %	14.12 %	13.54 %

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company does not currently engage in trading activities or use derivative instruments to control interest rate risk, even though such activities may be undertaken with the approval of the Company's Board of Directors. Interest rate risk and asset valuation risk, as discussed above are the most significant market risks affecting the Company. Other types of market risk, such as foreign currency exchange risk, equity price risk and commodity price risk, are not significant in the normal course of the Company's business activities.

Item 4. Controls and Procedures

The Company's principal executive officer and principal financial officer have evaluated the effectiveness of the Company's "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended, as of June 30, 2012. Based upon their evaluation, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time period specified in the

Securities and Exchange Commission's rules and forms and are effective in ensuring that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is accumulated and communicated to Management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure. The evaluation did not identify any change in the Company's internal control over financial reporting that occurred during the quarter ended June 30, 2012 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Due to the nature of its business, the Company is subject to various threatened or filed legal cases resulting from loan collection efforts, transaction processing for deposit accounts, employment practices and other routine business activities. The Company establishes a liability for contingent litigation losses for any legal matter when payments associated with the claims become probable and the costs can be reasonably estimated. Legal costs related to covered assets are eighty percent indemnified under loss-sharing agreements with the FDIC if certain conditions are met.

Item 1A. Risk Factors

The Company’s Form 10-K as of December 31, 2011 includes detailed disclosure about the risks faced by the Company’s business; such risks have not materially changed since the Form 10-K was filed.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Previously reported on Form 8-K.
(b) None
(c) Issuer Purchases of Equity Securities

The table below sets forth the information with respect to purchases made by or on behalf of the Company or any “affiliated purchaser” (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of common stock during the quarter ended June 30, 2012.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs*	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
	(In thousands, except per share data)			
April 1 through April 30	102	$ 46.58	102	1,018
May 1 through May 31	182	45.16	182	836
June 1 through June 30	33	43.59	33	803
Total	317	$ 45.45	317	803

* Includes 3 thousand, 5 thousand and -0- thousand shares purchased in April, May and June, respectively, by the Company in private transactions with the independent administrator of the Company's Tax Deferred

Savings/Retirement Plan (ESOP). The Company includes the shares purchased in such transactions within the total number of shares authorized for purchase pursuant to the currently existing publicly announced program.

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

Shares were repurchased during the second quarter of 2012 pursuant to a program approved by the Board of Directors on July 28, 2011, authorizing the purchase of up to 2 million shares of the Company's common stock from time to time prior to September 1, 2012.

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Item 3. Defaults upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None

Item 6. Exhibits

The exhibit list required by this item is incorporated by reference to the Exhibit Index filed with this report.

SIGNATURES

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

WESTAMERICA BANCORPORATION
(Registrant)

/s/ JOHN "ROBERT" THORSON
John "Robert" Thorson
Senior Vice President and Chief Financial Officer
(Chief Financial and Accounting Officer)

Date: August 2, 2012

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EXHIBIT INDEX

Exhibit 10 (s)*: 2012 Amended and Restated Stock Option Plan of 1995, incorporated by reference to the Company's definitive proxy statement pursuant to Regulation 14A filed with the Securities and Exchange Commission on March 13, 2012

Exhibit 31.1: Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a)

Exhibit 31.2: Certification of Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a)

Exhibit 32.1: Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 32.2: Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 101: Pursuant to Rule 405 of Regulation S-T, the following financial information from the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2012, is formatted in XBRL interactive data files: (i) Consolidated Statements of Income for the three and six months ended June 30, 2012 and 2011; (ii) Consolidated Balance Sheets at June 30, 2012, and December 31, 2011; (iii) Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2012 and 2011, (iv) Consolidated Statements of Changes in Shareholders' Equity for the six months ended June 30, 2012 and 2011; (v) Consolidated Statements of Cash Flows for the six months ended June 30, 2012 and 2011 and (vi) Notes to Consolidated Financial Statements.

* Indicates management contract or compensatory plan or arrangement