

WESTAMERICA BANCORPORATION

Form 10-Q

November 02, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission file number: 001-09383

WESTAMERICA BANCORPORATION

(Exact Name of Registrant as Specified in Its Charter)

CALIFORNIA

94-2156203

(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

1108 FIFTH AVENUE, SAN RAFAEL, CALIFORNIA 94901

(Address of Principal Executive Offices) (Zip Code)

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Registrant's Telephone Number, Including Area Code (707) 863-6000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

Title of Class Shares outstanding as of October 23, 2015

Common Stock, 25,528,149
No Par Value

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FORWARD-LOOKING STATEMENTS

This report on Form 10-Q contains forward-looking statements about Westamerica Bancorporation for which it claims the protection of the safe harbor provisions contained in the Private Securities Litigation Reform Act of 1995.

Examples of forward-looking statements include, but are not limited to: (i) projections of revenues, expenses, income or loss, earnings or loss per share, the payment or nonpayment of dividends, capital structure and other financial items; (ii) statements of plans, objectives and expectations of the Company or its management or board of directors, including those relating to products or services; (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements. Words such as "believes", "anticipates", "expects", "intends", "targeted", "projected", "continue", "remain", "will", "should", "may" and other similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

These forward-looking statements are based on Management's current knowledge and belief and include information concerning the Company's possible or assumed future financial condition and results of operations. A number of factors, some of which are beyond the Company's ability to predict or control, could cause future results to differ materially from those contemplated. These factors include but are not limited to (1) the length and severity of difficulties in the global, national and California economies and the effects of government efforts to address those difficulties; (2) liquidity levels in capital markets; (3) fluctuations in asset prices including, but not limited to stocks, bonds, real estate, and commodities; (4) the effect of acquisitions and integration of acquired businesses; (5) economic uncertainty created by terrorist threats and attacks on the United States, the actions taken in response, and the uncertain effect of these events on the national and regional economies; (6) changes in the interest rate environment; (7) changes in the regulatory environment; (8) competitive pressure in the banking industry; (9) operational risks including a failure or breach in data processing systems or those of third party vendors and other service providers, including as a result of cyber attacks or fraud; (10) volatility of interest rate sensitive loans, deposits and investments; (11) asset/liability management risks and liquidity risks; (12) the effect of natural disasters, including earthquakes, fire, flood, drought, and other disasters, on the uninsured value of loan collateral, the financial condition of debtors and issuers of investment securities, the economic conditions affecting the Company's market place, and commodities and asset values, and (13) changes in the securities markets. The reader is directed to the Company's annual report on Form 10-K for the year ended December 31, 2014, for further discussion of factors which could affect the Company's business and cause actual results to differ materially from those expressed in any forward-looking statement made in this report. The Company undertakes no obligation to update any forward-looking statements in this report.

PART I - FINANCIAL INFORMATION**Item 1 Financial Statements**

WESTAMERICA BANCORPORATION

CONSOLIDATED BALANCE SHEETS

(unaudited)

	At September 30, 2015	At December 31, 2014
	(In thousands)	
Assets:		
Cash and due from banks	\$268,587	\$380,836
Investment securities available for sale	1,571,710	1,600,781
Investment securities held to maturity, with fair values of: \$1,293,958 at September 30, 2015 and \$1,048,562 at December 31, 2014	1,278,814	1,038,658
Loans	1,571,843	1,700,290
Allowance for loan losses	(30,036)	(31,485)
Loans, net of allowance for loan losses	1,541,807	1,668,805
Other real estate owned	9,269	6,374
Premises and equipment, net	39,244	37,852
Identifiable intangibles, net	11,379	14,287
Goodwill	121,673	121,673
Other assets	158,912	166,458
Total Assets	\$5,001,395	\$5,035,724
Liabilities:		
Noninterest bearing deposits	\$1,942,450	\$1,910,781
Interest bearing deposits	2,424,470	2,438,410
Total deposits	4,366,920	4,349,191
Short-term borrowed funds	57,063	89,784
Federal Home Loan Bank advances	-	20,015
Other liabilities	43,474	50,131
Total Liabilities	4,467,457	4,509,121
Shareholders' Equity:		
Common stock (no par value), authorized - 150,000 shares Issued and outstanding: 25,530 at September 30, 2015 and 25,745 at December 31, 2014	378,649	378,132
Deferred compensation	2,578	2,711
Accumulated other comprehensive income	7,198	5,292
Retained earnings	145,513	140,468

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Total Shareholders' Equity	533,938	526,603
Total Liabilities and Shareholders' Equity	\$5,001,395	\$5,035,724

See accompanying notes to unaudited consolidated financial statements.

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WESTAMERICA BANCORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

	For the Three Months Ended September 30,		For the Nine Months	
	2015	2014	2015	2014
	(In thousands, except per share data)			
Interest and Fee Income:				
Loans	\$19,378	\$22,129	\$59,643	\$67,817
Investment securities available for sale	7,880	6,350	23,347	17,855
Investment securities held to maturity	7,041	6,421	19,651	20,195
Total Interest and Fee Income	34,299	34,900	102,641	105,867
Interest Expense:				
Deposits	573	709	1,816	2,216
Short-term borrowed funds	12	23	44	64
Term repurchase agreement	-	11	-	60
Federal Home Loan Bank advances	-	103	1	304
Total Interest Expense	585	846	1,861	2,644
Net Interest Income	33,714	34,054	100,780	103,223
Provision for Loan Losses	-	600	-	2,600
Net Interest Income After Provision For Loan Losses	33,714	33,454	100,780	100,623
Noninterest Income:				
Service charges on deposit accounts	5,581	6,207	16,981	18,322
Debit card fees	1,538	1,543	4,528	4,482
Merchant processing services	1,485	1,742	4,971	5,485
Other service fees	693	695	2,041	2,044
Trust fees	682	629	2,061	1,899
ATM processing fees	616	637	1,828	1,891
Financial services commissions	177	194	527	585
Other	1,221	1,407	3,625	4,534
Total Noninterest Income	11,993	13,054	36,562	39,242
Noninterest Expense:				
Salaries and related benefits	12,761	13,639	39,795	41,691
Occupancy	3,746	3,811	11,199	11,284
Outsourced data processing services	2,115	2,093	6,334	6,314
Furniture and equipment	1,075	1,059	3,353	3,070
Amortization of identifiable intangibles	952	1,056	2,908	3,219
Professional fees	746	700	1,876	1,707
Courier service	604	663	1,744	1,938

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Other real estate owned	83	(287)	451	(908)
Other	4,091	3,882	12,136	12,131
Total Noninterest Expense	26,173	26,616	79,796	80,446
Income Before Income Taxes	19,534	19,892	57,546	59,419
Provision for income taxes	4,677	4,738	13,371	13,801
Net Income	\$14,857	\$15,154	\$44,175	\$45,618
Average Common Shares Outstanding	25,530	25,973	25,565	26,192
Diluted Average Common Shares Outstanding	25,565	26,016	25,585	26,262
Per Common Share Data:				
Basic earnings	\$0.58	\$0.58	\$1.73	\$1.74
Diluted earnings	0.58	0.58	1.73	1.74
Dividends paid	0.38	0.38	1.14	1.14

See accompanying notes to unaudited consolidated financial statements.

WESTAMERICA BANCORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	For the Three Months Ended September 30,		For the Nine Months	
	2015	2014	2015	2014
	(In thousands)			
Net Income	\$ 14,857	\$ 15,154	\$ 44,175	\$ 45,618
Other comprehensive income:				
Increase (decrease) in net unrealized gains on securities available for sale	5,522	(4,884)	3,242	9,305
Deferred tax (expense) benefit	(2,321)	2,054	(1,363)	(3,912)
Increase (decrease) in net unrealized gains on securities available for sale, net of tax	3,201	(2,830)	1,879	5,393
Post-retirement benefit transition obligation amortization	15	15	45	45
Deferred tax expense	(6)	(6)	(18)	(18)
Post-retirement benefit transition obligation amortization, net of tax	9	9	27	27
Total Other Comprehensive Income (Loss)	3,210	(2,821)	1,906	5,420
Total Comprehensive Income	\$ 18,067	\$ 12,333	\$ 46,081	\$ 51,038

See accompanying notes to unaudited consolidated financial statements.

WESTAMERICA BANCORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited)