

WESTAMERICA BANCORPORATION
Form 10-Q
July 31, 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 June 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

(State or Other Jurisdiction of

Incorporation or Organization)

94-2156203

(I.R.S. Employer

Identification No.)

1108 FIFTH AVENUE, SAN RAFAEL, CALIFORNIA 94901

(Address of Principal Executive Offices) (Zip Code)

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

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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 July 23, 2015

Common Stock,
25,550,874

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 June 30, 2015	At December 31, 2014
	(In thousands)	
Assets:		
Cash and due from banks	\$289,606	\$380,836
Investment securities available for sale	1,634,878	1,600,781
Investment securities held to maturity, with fair values of: \$1,164,603 at June 30, 2015 and \$1,048,562 at December 31, 2014	1,159,581	1,038,658
Loans	1,631,271	1,700,290
Allowance for loan losses	(30,828)	(31,485)
Loans, net of allowance for loan losses	1,600,443	1,668,805
Other real estate owned	9,260	6,374
Premises and equipment, net	37,945	37,852
Identifiable intangibles, net	12,331	14,287
Goodwill	121,673	121,673
Other assets	165,513	166,458
Total Assets	\$5,031,230	\$5,035,724
Liabilities:		
Deposits:		
Noninterest bearing deposits	\$1,930,551	\$1,910,781
Interest bearing deposits	2,424,293	2,438,410
Total deposits	4,354,844	4,349,191
Short-term borrowed funds	82,747	89,784
Federal Home Loan Bank advances	-	20,015
Other liabilities	68,301	50,131
Total Liabilities	4,505,892	4,509,121
Shareholders' Equity:		
Common stock (no par value), authorized - 150,000 shares		
Issued and outstanding: 25,529 at June 30, 2015 and 25,745 at December 31, 2014	377,339	378,132

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Deferred compensation	2,711	2,711
Accumulated other comprehensive income	3,988	5,292
Retained earnings	141,300	140,468
Total Shareholders' Equity	525,338	526,603
Total Liabilities and Shareholders' Equity	\$5,031,230	\$5,035,724

See accompanying notes to unaudited consolidated financial statements.

WESTAMERICA BANCORPORATION**CONSOLIDATED STATEMENTS OF INCOME**

(unaudited)

	For the Three Months Ended June 30,		For the Six Months	
	2015	2014	2015	2014
	(In thousands, except per share data)			
Interest and Fee Income:				
Loans	\$20,035	\$22,787	\$40,265	\$45,688
Investment securities available for sale	7,999	5,875	15,468	11,505
Investment securities held to maturity	6,391	6,741	12,609	13,774
Total Interest and Fee Income	34,425	35,403	68,342	70,967
Interest Expense:				
Deposits	601	754	1,243	1,508
Short-term borrowed funds	16	21	32	41
Term repurchase agreement	-	24	-	49
Federal Home Loan Bank advances	-	101	1	200
Total Interest Expense	617	900	1,276	1,798
Net Interest Income	33,808	34,503	67,066	69,169
Provision for Loan Losses	-	1,000	-	2,000
Net Interest Income After Provision For Loan Losses	33,808	33,503	67,066	67,169
Noninterest Income:				
Service charges on deposit accounts	5,694	6,105	11,401	12,115
Merchant processing services	1,783	1,820	3,486	3,744
Debit card fees	1,534	1,534	2,990	2,939
Other service fees	683	688	1,348	1,349
Trust fees	672	615	1,378	1,269
ATM processing fees	627	634	1,212	1,254
Financial services commissions	198	221	351	392
Other	1,078	1,581	2,403	3,126
Total Noninterest Income	12,269	13,198	24,569	26,188
Noninterest Expense:				
Salaries and related benefits	13,696	13,926	27,034	28,052
Occupancy	3,726	3,746	7,453	7,473
Outsourced data processing services	2,111	2,115	4,219	4,220
Furniture and equipment	1,158	1,005	2,277	2,010
Amortization of identifiable intangibles	955	1,058	1,956	2,163
Courier service	598	665	1,141	1,275
Professional fees	582	577	1,130	1,007
Other real estate owned	52	(270)	367	(620)
Other	4,018	4,135	8,046	8,250
Total Noninterest Expense	26,896	26,957	53,623	53,830
Income Before Income Taxes	19,181	19,744	38,012	39,527

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Provision for income taxes	4,420	4,587	8,694	9,063
Net Income	\$14,761	\$15,157	\$29,318	\$30,464
Average Common Shares Outstanding	25,514	26,175	25,582	26,303
Diluted Average Common Shares Outstanding	25,536	26,238	25,595	26,387
Per Common Share Data:				
Basic earnings	\$0.58	\$0.58	\$1.15	\$1.16
Diluted earnings	0.58	0.58	1.15	1.15
Dividends paid	0.38	0.38	0.76	0.76

See accompanying notes to unaudited consolidated financial statements.

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WESTAMERICA BANCORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	For the Three Months Ended June 30,		For the Six Months	
	2015	2014	2015	2014
	(In thousands)			
Net Income	\$ 14,761	\$ 15,157	\$ 29,318	\$ 30,464
Other comprehensive income:				
(Decrease) increase in net unrealized gains on securities available for sale	(9,698)	6,366	(2,280)	14,189
Deferred tax benefit (expense)	4,078	(2,677)	958	(5,966)
(Decrease) increase in net unrealized gains on securities available for sale, net of tax	(5,620)	3,689	(1,322)	8,223
Post-retirement benefit transition obligation amortization	15	15	30	30
Deferred tax expense	(6)	(6)	(12)	(12)
Post-retirement benefit transition obligation amortization, net of tax	9	9	18	18
Total Other Comprehensive (Loss) Income	(5,611)	3,698	(1,304)	8,241
Total Comprehensive Income				