

WESTAMERICA BANCORPORATION

Form 10-Q

November 01, 2013

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, 2013

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):

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

Accelerated filer   
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 22, 2013
Common Stock, No Par Value	26,628,957

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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 current and potential future 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 data processing system failures 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, 2012, 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, 2013	At December 31, 2012
(In thousands)		
<b>Assets:</b>		
Cash and due from banks	\$388,579	\$ 491,382
Investment securities available for sale	1,060,428	825,636
Investment securities held to maturity, with fair values of: \$1,129,976 at September 30, 2013 and \$1,184,557 at December 31, 2012	1,141,083	1,156,041
Purchased covered loans	296,380	372,283
Purchased non-covered loans	57,838	74,891
Originated loans	1,523,090	1,664,183
Allowance for loan losses	(31,916 )	(30,234 )
Total loans	1,845,392	2,081,123
Non-covered other real estate owned	5,697	12,661
Covered other real estate owned	9,273	13,691
Premises and equipment, net	37,972	38,639
Identifiable intangibles, net	19,714	23,261
Goodwill	121,673	121,673
Other assets	176,676	188,086
<b>Total Assets</b>	<b>\$4,806,487</b>	<b>\$ 4,952,193</b>
<b>Liabilities:</b>		
Noninterest bearing deposits	\$1,689,986	\$ 1,676,071
Interest bearing deposits	2,418,321	2,556,421
Total deposits	4,108,307	4,232,492
Short-term borrowed funds	47,821	53,687
Federal Home Loan Bank advances	25,631	25,799
Term repurchase agreement	10,000	10,000
Debt financing	15,000	15,000
Other liabilities	57,888	55,113
<b>Total Liabilities</b>	<b>4,264,647</b>	<b>4,392,091</b>
<b>Shareholders' Equity:</b>		
Common stock (no par value), authorized - 150,000 shares issued and outstanding: 26,578 at September 30, 2013 and 27,213 at December 31, 2012	371,088	372,012
Deferred compensation	2,711	3,101
Accumulated other comprehensive income	4,120	14,625
Retained earnings	163,921	170,364
<b>Total Shareholders' Equity</b>	<b>541,840</b>	<b>560,102</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$4,806,487</b>	<b>\$ 4,952,193</b>

See accompanying notes to unaudited consolidated financial statements.

WESTAMERICA BANCORPORATION  
CONSOLIDATED STATEMENTS OF INCOME  
(unaudited)

	For the Three Months		For the Nine Months	
	Ended September 30,			
	2013	2012	2013	2012
	(In thousands, except per share data)			
<b>Interest and Fee Income:</b>				
Loans	\$25,116	\$31,779	\$78,696	\$101,180
Investment securities available for sale	5,426	4,918	16,293	14,644
Investment securities held to maturity	7,414	8,575	22,701	24,646
<b>Total Interest and Fee Income</b>	<b>37,956</b>	<b>45,272</b>	<b>117,690</b>	<b>140,470</b>
<b>Interest Expense:</b>				
Deposits	809	1,020	2,555	3,314
Short-term borrowed funds	20	15	58	63
Term repurchase agreement	25	25	73	74
Federal Home Loan Bank advances	122	122	360	361
Debt financing	200	200	601	601
<b>Total Interest Expense</b>	<b>1,176</b>	<b>1,382</b>	<b>3,647</b>	<b>4,413</b>
<b>Net Interest Income</b>	<b>36,780</b>	<b>43,890</b>	<b>114,043</b>	<b>136,057</b>
Provision for Loan Losses	1,800	2,800	6,400	8,400
<b>Net Interest Income After Provision For Loan Losses</b>	<b>34,980</b>	<b>41,090</b>	<b>107,643</b>	<b>127,657</b>
<b>Noninterest Income:</b>				
Service charges on deposit accounts	6,433	6,847	19,427	20,969
Merchant processing services	2,151	2,411	6,973	7,333
Debit card fees	1,467	1,308	4,302	3,816
Other service fees	716	729	2,174	2,122
ATM processing fees	701	782	2,128	2,648
Trust fees	567	540	1,720	1,526
Financial services commissions	150	175	614	540
Loss on sale of securities	-	-	-	(1,287 )
Other	2,234	1,834	5,643	5,161
<b>Total Noninterest Income</b>	<b>14,419</b>	<b>14,626</b>	<b>42,981</b>	<b>42,828</b>
<b>Noninterest Expense:</b>				
Salaries and related benefits	13,826	14,294	42,293	43,833
Occupancy	3,829	3,901	11,353	11,609
Outsourced data processing services	2,139	2,156	6,436	6,318
Amortization of identifiable intangibles	1,163	1,336	3,547	4,076
Furniture and equipment	974	991	2,875	2,883
Professional fees	730	786	2,109	2,455
Courier service	725	772	2,204	2,350
Other real estate owned	179	679	791	912
Other	4,193	4,354	13,019	14,215
<b>Total Noninterest Expense</b>	<b>27,758</b>	<b>29,269</b>	<b>84,627</b>	<b>88,651</b>
<b>Income Before Income Taxes</b>	<b>21,641</b>	<b>26,447</b>	<b>65,997</b>	<b>81,834</b>
Provision for income taxes	4,903	6,425	14,876	19,843
<b>Net Income</b>	<b>\$16,738</b>	<b>\$20,022</b>	<b>\$51,121</b>	<b>\$61,991</b>
<b>Average Common Shares Outstanding</b>	<b>26,670</b>	<b>27,513</b>	<b>26,900</b>	<b>27,769</b>

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Diluted Average Common Shares Outstanding	26,705	27,565	26,919	27,821
Per Common Share Data:				
Basic earnings	\$0.63	\$0.73	\$1.90	\$2.23
Diluted earnings	0.63	0.73	1.90	2.23
Dividends paid	0.37	0.37	1.11	1.11

See accompanying notes to unaudited consolidated financial statements.

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WESTAMERICA BANCORPORATION  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (unaudited)

	For the Three Months		For the Nine Months	
	Ended September 30,			
	2013	2012	2013	2012
	(In thousands)			
Net income	\$16,738	\$20,022	\$51,121	\$61,991
Other comprehensive (loss) income:				
(Decrease) increase in net unrealized gains on securities available for sale				