

WESTAMERICA BANCORPORATION

Form 10-Q

November 03, 2017

**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, 2017**

**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)

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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 26, 2017

Common Stock, 26,345,570  
No Par Value

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## FORWARD-LOOKING STATEMENTS

This report on Form 10-Q contains forward-looking statements about Westamerica Bancorporation (the “Company”) 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, future credit quality and performance, the appropriateness of the allowance for loan losses, loan growth or reduction, mitigation of risk in the Company’s loan and investment securities portfolios, 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", “estimates”, "intends", "targeted", "projected", “forecast”, "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 or security 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 the Company’s assets and 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; (13) changes in the securities markets and (14) the outcome of contingencies, such as legal proceedings. However, the reader should not consider the above-mentioned factors to be a complete set of all potential risks or uncertainties.

Forward-looking statements speak only as of the date they are made. The Company undertakes no obligation to update any forward-looking statements in this Report to reflect circumstances or events that occur after the date forward looking statements are made, except as may be required by law. The reader is directed to the Company's annual report on Form 10-K for the year ended December 31, 2016, 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.



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

## WESTAMERICA BANCORPORATION

## CONSOLIDATED BALANCE SHEETS

(unaudited)

	At September 30, 2017	At December 31, 2016
	(In thousands)	
Assets:		
Cash and due from banks	\$561,757	\$462,271
Investment securities available for sale	2,090,477	1,890,758
Investment securities held to maturity, with fair values of: \$1,208,279 at September 30, 2017 and \$1,340,741 at December 31, 2016	1,204,240	1,346,312
Loans	1,284,782	1,352,711
Allowance for loan losses	(23,628 )	(25,954 )
Loans, net of allowance for loan losses	1,261,154	1,326,757
Other real estate owned	1,426	3,095
Premises and equipment, net	35,507	36,566
Identifiable intangibles, net	4,605	6,927
Goodwill	121,673	121,673
Other assets	164,969	171,724
Total Assets	\$5,445,808	\$5,366,083
Liabilities:		
Noninterest-bearing deposits	\$2,128,342	\$2,089,443
Interest-bearing deposits	2,606,238	2,615,298
Total deposits	4,734,580	4,704,741
Short-term borrowed funds	66,337	59,078
Other liabilities	40,934	40,897
Total Liabilities	4,841,851	4,804,716
Contingencies (Note 10)		
Shareholders' Equity:		
Common stock (no par value), authorized - 150,000 shares Issued and outstanding: 26,319 at September 30, 2017 and 25,907 at December 31, 2016	425,655	404,606
Deferred compensation	1,533	1,533

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Accumulated other comprehensive loss	(3,433 )	(10,074 )
Retained earnings	180,202	165,302
Total Shareholders' Equity	603,957	561,367
Total Liabilities and Shareholders' Equity	\$5,445,808	\$5,366,083

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	
	2017	2016	2017	2016
	(In thousands, except per share data)			
Interest and Loan Fee Income:				
Loans	\$15,082	\$16,968	\$46,330	\$52,904
Investment securities available for sale	11,347	8,796	32,305	24,855
Investment securities held to maturity	6,716	7,704	20,997	23,083
Total Interest and Loan Fee Income	33,145	33,468	99,632	100,842
Interest Expense:				
Deposits	461	512	1,395	1,586
Short-term borrowed funds	12	11	34	30
Total Interest Expense	473	523	1,429	1,616
Net Interest and Loan Fee Income	32,672	32,945	98,203	99,226
Reversal of Provision for Loan Losses	-	(3,200)	(1,900)	(3,200)
Net Interest and Loan Fee Income After Reversal of Provision for Loan Losses	32,672	36,145	100,103	102,426
Noninterest Income:				
Service charges on deposit accounts	4,989	5,303	14,857	15,790
Merchant processing services	2,153	1,532	6,080	4,699
Debit card fees	1,784	1,587	4,851	4,724
Trust fees	718	686	2,136	2,004
ATM processing fees	684	600	1,914	1,860
Other service fees	652	671	1,964	1,951
Financial services commissions	148	118	484	411
Other noninterest income	1,420	1,101	4,042	3,590
Total Noninterest Income	12,548	11,598	36,328	35,029
Noninterest Expense:				
Salaries and related benefits	12,816	13,063	38,867	39,067
Occupancy	3,665	3,749	10,807	10,546
Outsourced data processing services	2,383	2,114	6,710	6,375
Furniture and equipment	1,242	1,211	3,764	3,611
Amortization of identifiable intangibles	760	867	2,322	2,642
Professional fees	512	1,693	1,533	3,183
Courier service	451	451	1,310	1,458
Other real estate owned	221	(206)	54	(487)
Other noninterest expense	2,064	3,146	7,758	10,780
Total Noninterest Expense	24,114	26,088	73,125	77,175
Income Before Income Taxes	21,106	21,655	63,306	60,280

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Provision for income taxes	6,089	6,027	17,441	15,880
Net Income	\$15,017	\$15,628	\$45,865	\$44,400
Average Common Shares Outstanding	26,309	25,641	26,260	25,558
Average Diluted Common Shares Outstanding	26,404	25,687	26,379	25,595
Per Common Share Data:				
Basic earnings	\$0.57	\$0.61	\$1.75	\$1.74
Diluted earnings	0.57	0.61	1.74	1.73
Dividends paid	0.39	0.39	1.17	1.17

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	
	2017	2016	2017	2016
	(In thousands)			
Net income	\$ 15,017	\$ 15,628	\$ 45,865	\$ 44,400
Other comprehensive income (loss):				
Changes in unrealized gains and losses on securities available for sale	4,179	(4,992 )	11,413	14,319
Deferred tax (expense) benefit	(1,757 )	2,099	(4,799 )	(6,020 )
Changes in unrealized gains and losses on securities available for sale, net of tax	2,422	(2,893 )	6,614	8,299
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			