

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)

	Common Shares Outstanding	Common Stock	Accumulated Deferred Compensation	Accumulated Other Comprehensive Income	Retained Earnings	Total
	(In thousands)					
Balance, December 31, 2013	26,510	\$378,946	\$ 2,711	\$ 4,313	\$156,964	\$542,934
Net income for the period					45,618	45,618
Other comprehensive income				5,420		5,420
Exercise of stock options	256	12,396				12,396
Tax benefit decrease upon expiration/exercise of stock options		(447)				(447)
Restricted stock activity	21	1,114				1,114
Stock based compensation		1,009				1,009
Stock awarded to employees	2	88				88
Retirement of common stock including repurchases	(883)	(12,911)			(31,899)	(44,810)
Dividends					(29,927)	(29,927)
Balance, September 30, 2014	25,906	\$380,195	\$ 2,711	\$ 9,733	\$140,756	\$533,395
Balance, December 31, 2014	25,745	\$378,132	\$ 2,711	\$ 5,292	\$140,468	\$526,603
Net income for the period					44,175	44,175
Other comprehensive income				1,906		1,906
Exercise of stock options	108	4,848				4,848
Tax benefit decrease upon expiration/exercise of stock options		(1,215)				(1,215)
Restricted stock activity	17	874	(133)			741
Stock based compensation		987				987
Stock awarded to employees	2	89				89
Retirement of common stock including repurchases	(342)	(5,066)			(9,962)	(15,028)
Dividends					(29,168)	(29,168)
Balance, September 30, 2015	25,530	\$378,649	\$ 2,578	\$ 7,198	\$145,513	\$533,938

See accompanying notes to unaudited consolidated financial statements.

WESTAMERICA BANCORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	For the Nine Months Ended September 30,	
	2015	2014
	(In thousands)	
Operating Activities:		
Net income	\$44,175	\$45,618
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,379	12,275
Loan loss provision	-	2,600
Net amortization of deferred loan fees	(263)	(179)
Decrease in interest income receivable	757	1,537
Decrease in other assets	107	1,390
Decrease in income taxes payable	(257)	(1,160)
Decrease (increase) in net deferred tax asset	968	(19)
Decrease in interest expense payable	(56)	(102)
Decrease in other liabilities	(2,571)	(3,841)
Stock option compensation expense	987	1,009
Tax benefit decrease upon expiration/exercise of stock options	1,215	447
Gain on sale of other assets	-	(400)
Net loss on sale of premises and equipment	24	22
Net gain on sale of foreclosed assets	(73)	(1,014)
Writedown of foreclosed assets	315	113
Net Cash Provided by Operating Activities	57,707	58,296
Investing Activities:		
Net repayments of loans	124,615	93,115
Proceeds from FDIC ¹ loss-sharing indemnification	-	6,703
Purchases of investment securities available for sale	(828,169)	(747,630)
Proceeds from sale/maturity/calls of securities available for sale	858,850	444,906
Purchases of investment securities held to maturity	(366,247)	(26,435)
Proceeds from maturity/calls of securities held to maturity	117,877	115,799
Purchases of premises and equipment	(4,049)	(2,392)
Net change in FRB ² /FHLB ³ securities	940	3,248
Proceeds from sale of foreclosed assets	1,774	7,549
Net Cash Used in Investing Activities	(94,409)	(105,137)
Financing Activities:		
Net change in deposits	17,737	157,947
Net change in short-term borrowings and FHLB ³ advances	(52,721)	3,992
Exercise of stock options/issuance of shares	4,848	12,396
Tax benefit decrease upon expiration/exercise of stock options	(1,215)	(447)

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Retirement of common stock including repurchases	(15,028)	(44,810)
Common stock dividends paid	(29,168)	(29,927)
Net Cash (Used in) Provided by Financing Activities	(75,547)	99,151
Net Change In Cash and Due from Banks	(112,249)	52,310
Cash and Due from Banks at Beginning of Period	380,836	472,028
Cash and Due from Banks at End of Period	\$268,587	\$524,338

Supplemental Cash Flow Disclosures:

Supplemental disclosure of non cash activities:

Loan collateral transferred to other real estate owned	\$4,911	\$968
Securities purchases pending settlement	-	24,276

Supplemental disclosure of cash flow activities:

Interest paid for the period	1,941	2,959
Income tax payments for the period	12,596	14,981

See accompanying notes to unaudited consolidated financial statements.

¹ Federal Deposit Insurance Corporation ("FDIC")

² Federal Reserve Bank ("FRB")

³ Federal Home Loan Bank ("FHLB")

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission and follow general practices within the banking industry. The results of operations reflect interim adjustments, all of which are of a normal recurring nature and which, in the opinion of Management, are necessary for a fair presentation of the results for the interim periods presented. The interim results for the three and nine months ended September 30, 2015 are not necessarily indicative of the results expected for the full year. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes as well as other information included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

Note 2: Accounting Policies

The most significant accounting policies followed by the Company are presented in Note 1 to the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014. These policies, along with the disclosures presented in the other financial statement notes and in this discussion, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined. Based on the valuation techniques used and the sensitivity of financial statement amounts to the methods, assumptions, and estimates underlying those amounts, Management has identified the allowance for loan losses accounting to be the accounting area requiring the most subjective or complex judgments, and as such could be most subject to revision as new information becomes available. A discussion of the factors affecting accounting for the allowance for loan losses and purchased loans is included in the "Loan Portfolio Credit Risk" section in Item 2 of this document. Certain amounts in prior periods have been reclassified to conform to the current presentation.

Application of these principles requires the Company to make certain estimates, assumptions, and judgments that affect the amounts reported in the financial statements and accompanying notes. These estimates, assumptions, and judgments are based on information available as of the date of the financial statements; accordingly, as this information changes, the financial statements could reflect different estimates, assumptions, and judgments. Certain accounting policies inherently have a greater reliance on the use of estimates, assumptions and judgments and as such have a greater possibility of producing results that could be materially different than originally reported. Estimates, assumptions and judgments are necessary when assets and liabilities are required to be recorded at fair value, when a decline in the value of an asset not carried on the financial statements at fair value warrants an impairment writedown or valuation reserve to be established, or when an asset or liability needs to be recorded contingent upon a future event. Carrying assets and liabilities at fair value inherently results in more financial statement volatility. The fair values and the information used to record valuation adjustments for certain assets and liabilities are based either on quoted market prices or are provided by other third-party sources, when available.

Recently Adopted Accounting Standards

FASB ASU 2014-01, Investments- Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects, was issued January 2014 to permit reporting entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense (benefit). For those investments in qualified affordable housing projects not accounted for using the proportional amortization method, the investment should be accounted for as an equity method investment or a cost method investment in accordance with GAAP. The policy election must be applied consistently to all qualified affordable housing project investments.

The ASU also requires a reporting entity to disclose information regarding its investments in qualified affordable housing projects, and the effect of the measurement of its investments in qualified affordable housing projects and the related tax credits on its financial position and results of operations.

The adoption of the ASU was limited to additional disclosures only and did not have a material effect on the Company's financial statements at January 1, 2015, the date adopted.

FASB ASU 2014-04, *Receivables - Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure*, was issued on January 17, 2014, providing clarification that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, the amendments require interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction.

The adoption of the ASU was limited to additional disclosures only and did not have a material effect on the Company's financial statements at January 1, 2015, the date adopted.

FASB ASU 2014-11, *Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*, was issued on June 12, 2014. The ASU improves the financial reporting of repurchase agreements and other similar transactions through a change in accounting for repurchase-to-maturity transactions and repurchase financings, and the introduction of two new disclosure requirements. New disclosures are required for (1) transfers accounted for as sales in transactions that are economically similar to repurchase agreements, in which the transferor retains substantially all of the exposure to the economic return on the transferred financial asset throughout the term of the transaction and (2) repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions accounted for as secured borrowings about the nature of collateral pledged and the time to maturity of those transactions.

The adoption of the ASU was limited to additional disclosures only and did not have a material effect on the Company's financial statements at April 1, 2015, the date adopted.

Note 3: Investment Securities

An analysis of the amortized cost, gross unrealized gains and losses accumulated in other comprehensive income, and fair value of the available for sale investment securities portfolio follows:

Investment Securities Available for Sale			
At September 30, 2015			
Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(In thousands)			

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U.S. Treasury securities	\$3,000	\$ 1	\$ -	\$3,001
Securities of U.S. Government sponsored entities	341,038	1,381	(10)	342,409
Residential mortgage-backed securities	19,303	1,289	(2)	20,590
Commercial mortgage-backed securities	2,547	11	(6)	2,552
Obligations of states and political subdivisions	152,158	9,094	(97)	161,155
Residential collateralized mortgage obligations	199,059	438	(4,945)	194,552
Asset-backed securities	2,350	-	(20)	2,330
FHLMC ¹ and FNMA ² stock	775	5,725	-	6,500
Corporate securities	836,882	1,707	(2,750)	835,839
Other securities	2,039	885	(142)	2,782
Total	\$1,559,151	\$ 20,531	\$ (7,972)	\$1,571,710

¹ Federal Home Loan Mortgage Corporation

² Federal National Mortgage Association

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An analysis of the amortized cost, gross unrecognized gains and losses, and fair value of the held to maturity investment securities portfolio follows:

Investment Securities Held to Maturity At September 30, 2015				
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
(In thousands)				
Securities of U.S. government sponsored entities	\$830	\$ 10	\$ -	\$840
Residential mortgage-backed securities	362,925	2,194	(28)	365,091
Commercial mortgage-backed securities	16,379	57	(174)	16,262
Obligations of states and political subdivisions	682,818	12,486	(1,204)	694,100
Residential collateralized mortgage obligations	215,862	2,404	(601)	217,665
Total	\$1,278,814	\$ 17,151	\$ (2,007)	\$1,293,958

An analysis of the amortized cost, gross unrealized gains and losses accumulated in other comprehensive income, and fair value of the available for sale investment securities portfolio follows:

Investment Securities Available for Sale At December 31, 2014				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(In thousands)				
U.S. Treasury securities	\$3,500	\$ 5	\$ -	\$3,505
Securities of U.S. Government sponsored entities	635,278	937	(1,027)	635,188
Residential mortgage-backed securities	24,647	1,776	(16)	26,407
Commercial mortgage-backed securities	2,923	6	(10)	2,919
Obligations of states and political subdivisions	171,907	10,015	(123)	181,799
Residential collateralized mortgage obligations	230,347	634	(8,524)	222,457
Asset-backed securities	8,349	-	(36)	8,313
FHLMC ¹ and FNMA ² stock	775	4,393	-	5,168
Corporate securities	511,699	2,169	(1,629)	512,239
Other securities	2,039	871	(124)	2,786
Total	\$1,591,464	\$ 20,806	\$ (11,489)	\$1,600,781

¹ Federal Home Loan Mortgage Corporation

² Federal National Mortgage Association

An analysis of the amortized cost, gross unrecognized gains and losses, and fair value of the held to maturity investment securities portfolio follows:

Investment Securities Held to Maturity

At December 31, 2014

	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
	(In thousands)			
Securities of U.S. government sponsored entities	\$1,066	\$ 11	\$ -	\$1,077
Residential mortgage-backed securities	59,078	1,183	(137)	60,124
Obligations of states and political subdivisions	720,189	11,350	(2,358)	729,181
Residential collateralized mortgage obligations	258,325	2,236	(2,381)	258,180
Total	\$1,038,658	\$ 14,780	\$ (4,876)	\$1,048,562

The amortized cost and fair value of investment securities by contractual maturity are shown in the following tables at the dates indicated:

	At September 30, 2015			
	Securities Available for Sale		Securities Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
(In thousands)				
Maturity in years:				
1 year or less	\$ 111,972	\$ 112,333	\$ 19,012	\$ 19,647
Over 1 to 5 years	1,066,830	1,068,036	237,908	240,961
Over 5 to 10 years	129,133	134,756	285,130	290,517
Over 10 years	27,493	29,609	141,598	143,815
Subtotal	1,335,428	1,344,734	683,648	694,940
Mortgage-backed securities and residential collateralized mortgage obligations	220,909	217,694	595,166	599,018
Other securities	2,814	9,282	-	-
Total	\$1,559,151	\$1,571,710	\$1,278,814	\$1,293,958

Securities available for sale at September 30, 2015 with maturity dates over one year but less than five years include \$337,419 thousand (fair value) of securities of U.S. Government sponsored entities with call options on dates within one year or less, of which \$43,121 thousand have interest coupons which will increase if the issuer does not exercise the call option.

	At December 31, 2014			
	Securities Available for Sale		Securities Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
(In thousands)				
Maturity in years:				
1 year or less	\$ 57,891	\$ 57,991	\$ 15,355	\$ 15,855
Over 1 to 5 years	629,200	630,797	228,380	230,248
Over 5 to 10 years	584,872	589,250	285,219	288,631
Over 10 years	58,770	63,006	192,301	195,524
Subtotal	1,330,733	1,341,044	721,255	730,258
Mortgage-backed securities and residential collateralized mortgage obligations	257,917	251,783	317,403	318,304
Other securities	2,814	7,954	-	-
Total	\$1,591,464	\$1,600,781	\$1,038,658	\$1,048,562

Expected maturities of mortgage-backed securities can differ from contractual maturities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties. In addition, such factors as prepayments and interest rates may affect the yield on the carrying value of mortgage-backed securities. At September

30, 2015 and December 31, 2014, the Company had no high-risk collateralized mortgage obligations as defined by regulatory guidelines.

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The Company does not intend to sell any investments and has concluded that it is more likely than not that it will not be required to sell the investments prior to recovery of the amortized cost basis. Therefore, the Company does not consider these investments to be other-than-temporarily impaired as of September 30, 2015.

The fair values of the investment securities could decline in the future if the general economy deteriorates, inflation increases, credit ratings decline, the issuer's financial condition deteriorates, or the liquidity for securities declines. As a result, other than temporary impairments may occur in the future.

As of September 30, 2015, \$715,879 thousand of investment securities were pledged to secure public deposits and short-term borrowed funds. As of December 31, 2014, \$757,623 thousand of investment securities were pledged to secure public deposits, short-term borrowed funds and FHLB advances.

An analysis of gross unrealized losses of investment securities available for sale follows:

Investment Securities Available for Sale									
At December 31, 2014									
	No. of	Less than 12 months	Unrealized	No. of	12 months or longer	Unrealized	No. of	Total	Unrealized
	Investment Positions	Fair Value	Losses	Investment Positions	Fair Value	Losses	Investment Positions	Fair Value	Losses
	(\$ in thousands)								
Securities of U.S. Government sponsored entities	15	\$253,632	\$(989)	1	\$9,963	\$(38)	16	\$263,595	\$(1,027)
Residential mortgage-backed securities	-	-	-	2	822	(16)	2	822	(16)
Commercial mortgage-backed securities	1	942	(7)	1	803	(3)	2	1,745	(10)
Obligations of states and political subdivisions	7	2,548	(18)	17	5,518	(105)	24	8,066	(123)
Residential collateralized mortgage obligations	-	-	-	32	205,074	(8,524)	32	205,074	(8,524)
Asset-backed securities	1	5,008	(7)	1	3,305	(29)	2	8,313	(36)
Corporate securities	53	165,026	(1,304)	5	34,222	(325)	58	199,248	(1,629)
Other securities	-	-	-	1	1,876	(124)	1	1,876	(124)
Total	77	\$427,156	\$(2,325)	60	\$261,583	\$(9,164)	137	\$688,739	\$(10,206)

An analysis of gross unrecognized losses of investment securities held to maturity follows:

Investment Securities Held to Maturity									
At December 31, 2014									
	No. of	Less than 12	Unrecognized	No. of	12 months or longer	Unrecognized	No. of	Total	Unrecognized
	Investment Positions	months	Losses	Investment Positions	months	Losses	Investment Positions	months	Losses
	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
	(\$ in thousands)								
Residential mortgage-backed securities	4	\$19,467	\$(132)	1	\$201	\$(5)	5	\$19,668	\$(137)
Obligations of states and political subdivisions	103	76,202	(439)	138	123,370	(1,919)	241	199,572	(2,358)
Residential collateralized mortgage obligations	5	13,932	(166)	22	119,513	(2,215)	27	133,445	(2,381)
Total	112	\$109,601	\$(737)	161	\$243,084	\$(4,139)	273	\$352,685	\$(4,876)

The following table provides information about the amount of interest income earned on investment securities which is fully taxable and which is exempt from regular federal income tax:

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	For the Three Months Ended September 30,		For the Nine Months	
	2015	2014	2015	2014
	(In thousands)			
Taxable	\$9,120	\$6,348	\$25,067	\$17,907
Tax-exempt	5,801	6,423	17,931	20,143
Total interest income from investment securities	\$14,921	\$12,771	\$42,998	\$38,050

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Note 4: Loans and Allowance for Credit Losses

A summary of the major categories of loans outstanding is shown in the following tables.

	At September 30, 2015					
	Commercial	Commercial	Construction	Residential	Consumer	Total
	Real Estate	Real Estate		Real Estate	Installment	
					& Other	
	(In thousands)					
Originated loans	\$354,853	\$ 537,625	\$ 3,461	\$ 126,472	\$ 354,494	\$ 1,376,905
Purchased covered loans:						
Gross purchased covered loans	-	-	-	2,467	12,328	14,795
Purchased loan discount	-	-	-	(133)	(22)	(155)
Purchased non-covered loans:						
Gross purchased non-covered loans	15,443	136,600	984	237	34,116	187,380
Purchased loan discount	(1,100)	(4,654)	-	(167)	(1,161)	(7,082)
Total	\$369,196	\$ 669,571	\$ 4,445	\$ 128,876	\$ 399,755	\$ 1,571,843

	At December 31, 2014					
	Commercial	Commercial	Construction	Residential	Consumer	Total
	Real Estate	Real Estate		Real Estate	Installment	
					& Other	
	(In thousands)					
Originated loans	\$374,005	\$ 567,594	\$ 11,003	\$ 146,925	\$ 370,842	\$ 1,470,369
Purchased covered loans:						
Gross purchased covered loans	-	-	-	2,626	14,920	17,546
Purchased loan discount	-	-	-	(434)	(34)	(468)
Purchased non-covered loans:						
Gross purchased non-covered loans	19,166	157,502	2,919	972	41,656	222,215
Purchased loan discount	(1,356)	(6,492)	(50)	(262)	(1,212)	(9,372)
Total	\$391,815	\$ 718,604	\$ 13,872	\$ 149,827	\$ 426,172	\$ 1,700,290

Changes in the carrying amount of impaired purchased loans were as follows:

For the For the
 Nine Year
 Months Ended
 Ended December
 September 30,
 2014

	2015	
	(In thousands)	
Impaired purchased loans		
Carrying amount at the beginning of the period	\$4,672	\$ 4,936
Reductions during the period	(3)	(264)
Carrying amount at the end of the period	\$4,669	\$ 4,672

Changes in the accretable yield for purchased loans were as follows:

	For the Nine Months Ended September 30, 2015	For the Year Ended December 31, 2014
Accretable yield:	(In thousands)	
Balance at the beginning of the period	\$2,261	\$ 2,505
Reclassification from nonaccretable difference	2,327	5,016
Accretion	(3,031)	(5,260)
Balance at the end of the period	\$1,557	\$ 2,261
Accretion	\$(3,031)	\$(5,260)
Change in FDIC indemnification	506	1,110
(Increase) in interest income	\$(2,525)	\$(4,150)

The following summarizes activity in the allowance for loan losses:

Allowance for Loan Losses
For the Three Months Ended September 30, 2015

	Commercial Real Estate	Commercial Construction	Residential Real Estate	Residential Real Estate	Consumer Installment and Other	Purchased Non-covered Loans	Purchased Covered Loans	Unallocated	Total
(In thousands)									
Allowance for loan losses:									
Balance at beginning of period	\$7,107	\$4,896	\$403	\$2,058	\$7,248	\$1,244	\$-	\$7,872	\$30,828
Additions:									
Provision	1,246	(96)	(205)	(50)	367	(15)	65	(1,312)	-
Deductions:									
Chargeoffs	(239)	(449)	-	-	(773)	-	-	-	(1,461)
Recoveries	300	27	-	-	336	6	-	-	669
Net loan recoveries (losses)	61	(422)	-	-	(437)	6	-	-	(792)
Total allowance for loan losses	\$8,414	\$4,378	\$198	\$2,008	\$7,178	\$1,235	\$65	\$6,560	\$30,036

Allowance for Loan Losses
For the Nine Months Ended September 30, 2015

	Commercial Real Estate	Commercial Construction	Residential Real Estate	Residential Real Estate	Consumer Installment and Other	Purchased Non-covered Loans	Purchased Covered Loans	Unallocated	Total
(In thousands)									
Allowance for loan losses:									
Balance at beginning of period	\$5,460	\$4,245	\$644	\$2,241	\$7,717	\$2,120	\$-	\$9,058	\$31,485
Additions:									
Provision	2,840	525	(446)	(233)	436	(689)	65	(2,498)	-
Deductions:									
Chargeoffs	(700)	(449)	-	-	(2,344)	(431)	-	-	(3,924)
Recoveries	814	57	-	-	1,369	235	-	-	2,475
Net loan recoveries (losses)	114	(392)	-	-	(975)	(196)	-	-	(1,449)
Total allowance for loan losses	\$8,414	\$4,378	\$198	\$2,008	\$7,178	\$1,235	\$65	\$6,560	\$30,036

Allowance for Credit Losses
For the Three Months Ended September 30, 2014

	Commercial Real Estate	Commercial Construction	Residential Real Estate	Residential Real Estate	Consumer Installment and Other	Purchased Non-covered Loans	Purchased Covered Loans	Unallocated	Total
(In thousands)									

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Allowance for loan losses:									
Balance at beginning of period	\$5,297	\$10,664	\$442	\$409	\$2,055	\$2,707	\$-	\$10,824	\$32,398
Additions:									
Provision	(269)	(640)	-	(17)	802	(184)	-	908	600
Deductions:									
Chargeoffs	(905)	-	-	-	(916)	-	-	-	(1,821)
Recoveries	229	15	-	-	297	51	-	-	592
Net loan (losses) recoveries	(676)	15	-	-	(619)	51	-	-	(1,229)
Balance at end of period	4,352	10,039	442	392	2,238	2,574	-	11,732	31,769
Liability for off-balance sheet credit exposure	1,706	24	105	-	451	131	-	276	2,693
Total allowance for credit losses	\$6,058	\$10,063	\$547	\$392	\$2,689	\$2,705	\$-	\$12,008	\$34,462

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FDIC indemnification expired February 6, 2014 for County Bank non-single-family residential collateralized purchased loans; accordingly, such loans have been reclassified from purchased covered loans to purchased non-covered loans as well as the related allowance for credit losses.

Allowance for Credit Losses
For the Nine Months Ended September 30, 2014

	Commercial Real Estate	Commercial Construction	Residential Real Estate	Consumer Installment and Other	Purchased Non-covered Loans	Purchased Covered Loans	Unallocated	Total
(In thousands)								
Allowance for loan losses:								
Balance at beginning of period	\$4,005	\$12,070	\$602	\$405	\$3,198	\$-	\$1,561	\$9,852
Additions:								
Provision	945	(2,224)	(163)	17	942	1,203	-	1,880
Deductions:								
Chargeoffs	(1,114)	-	-	(30)	(3,217)	(260)	-	-
Recoveries	516	193	3	-	1,315	70	-	-
Net loan (losses) recoveries	(598)	193	3	(30)	(1,902)	(190)	-	-
Indemnification expiration	-	-	-	-	-	1,561	(1,561)	-
Balance at end of period	4,352	10,039	442	392	2,238	2,574	-	11,732
Liability for off-balance sheet credit exposure	1,706	24	105	-	451	131	-	276
Total allowance for credit losses	\$6,058	\$10,063	\$547	\$392	\$2,689	\$2,705	\$-	\$12,008

The allowance for credit losses and recorded investment in loans were evaluated for impairment as follows

Allowance for Loan Losses and Recorded Investment in Loans Evaluated
At September 30, 2015

	Commercial Real Estate	Commercial Construction	Residential Real Estate	Consumer Installment and Other	Purchased Non-covered Loans	Purchased Covered Loans	Total
(In thousands)							
Allowance for loan losses:							
Individually evaluated for impairment	\$4,477	\$585	\$-	\$-	\$-	\$-	\$-
Collectively evaluated for impairment	3,937	3,793	198	2,008	7,178	1,235	65
Purchased loans with evidence of credit deterioration	-	-	-	-	-	-	-
Total	\$8,414	\$4,378	\$198	\$2,008	\$7,178	\$1,235	\$65
Carrying value of loans:							
Individually evaluated for impairment	\$12,327	\$5,864	\$-	\$-	\$-	\$10,008	\$-
Collectively evaluated for impairment	342,526	531,761	3,461	126,472	354,494	165,833	14,
Purchased loans with evidence of credit deterioration	-	-	-	-	-	4,457	212
Total	\$354,853	\$537,625	\$3,461	\$126,472	\$354,494	\$180,298	\$14,

Allowance for Credit Losses and Recorded Investment in Loans Evaluated for Impairment

At December 31, 2014

	Commercial Real Estate	Commercial Construction	Residential Real Estate	Consumer Installment and Other	Purchased Non-covered Loans	Purchased Covered Loans	Unallocated	Total
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(In thousands)

Allowance for credit losses:

Individually evaluated for impairment	\$496	\$	-	\$				
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