

WESTAMERICA BANCORPORATION
Form 10-Q
August 02, 2016

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, 2016

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)

Edgar Filing: WESTAMERICA BANCORPORATION - Form 10-Q

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 July 25, 2016

Common Stock, 25,631,709

No Par Value

TABLE OF CONTENTS

	Page
<u>Forward Looking Statements</u>	<u>3</u>
PART I - FINANCIAL INFORMATION	
<u>Item 1 Financial Statements</u>	<u>4</u>
<u>Notes to Unaudited Consolidated Financial Statements</u>	<u>9</u>
<u>Financial Summary</u>	<u>29</u>
<u>Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>30</u>
<u>Item 3 Quantitative and Qualitative Disclosures about Market Risk</u>	<u>51</u>
<u>Item 4 Controls and Procedures</u>	<u>51</u>
PART II - OTHER INFORMATION	
<u>Item 1 Legal Proceedings</u>	<u>52</u>
<u>Item 1A Risk Factors</u>	<u>52</u>
<u>Item 2 Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>52</u>
<u>Item 3 Defaults upon Senior Securities</u>	<u>53</u>
<u>Item 4 Mine Safety Disclosures</u>	<u>53</u>
<u>Item 5 Other Information</u>	<u>53</u>
<u>Item 6 Exhibits</u>	<u>53</u>
<u>Signatures</u>	<u>54</u>
<u>Exhibit Index</u>	<u>55</u>
<u>Exhibit 31.1 - Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a)</u>	<u>56</u>
<u>Exhibit 31.2 - Certification of Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a)</u>	<u>57</u>
<u>Exhibit 32.1 - Certification of Chief Executive Officer Required by 18 U.S.C. Section 1350</u>	<u>58</u>
<u>Exhibit 32.2 - Certification of Chief Financial Officer Required by 18 U.S.C. Section 1350</u>	<u>59</u>

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 the reduction, mitigation of risk in the Company’s loan and investment 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 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. The reader is directed to the Company's annual report on Form 10-K for the year ended December 31, 2015, 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. However, the reader should not consider these 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.

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

WESTAMERICA BANCORPORATION

CONSOLIDATED BALANCE SHEETS

(unaudited)

	At At June 30, 2016	At December 31, 2015
	(In thousands)	
Assets:		
Cash and due from banks	\$441,785	\$433,044
Investment securities available for sale	1,531,035	1,570,216
Investment securities held to maturity, with fair values of: \$1,507,177 at June 30, 2016 and \$1,325,699 at December 31, 2015	1,473,357	1,316,075
Loans	1,429,560	1,533,396
Allowance for loan losses	(28,910)	(29,771)
Loans, net of allowance for loan losses	1,400,650	1,503,625
Other real estate owned	4,162	9,264
Premises and equipment, net	37,759	38,693
Identifiable intangibles, net	8,656	10,431
Goodwill	121,673	121,673
Other assets	160,008	165,854
Total Assets	\$5,179,085	\$5,168,875
Liabilities:		
Noninterest bearing deposits	\$1,978,947	\$2,026,049
Interest bearing deposits	2,506,367	2,514,610
Total deposits	4,485,314	4,540,659
Short-term borrowed funds	67,852	53,028
Other liabilities	67,592	42,983
Total Liabilities	4,620,758	4,636,670
Shareholders' Equity:		
Common stock (no par value), authorized - 150,000 shares Issued and outstanding: 25,632 at June 30, 2016 and 25,528 at December 31, 2015	389,680	378,858
Deferred compensation	1,533	2,578
Accumulated other comprehensive income	11,885	675
Retained earnings	155,229	150,094
Total Shareholders' Equity	558,327	532,205
Total Liabilities and Shareholders' Equity	\$5,179,085	\$5,168,875

See accompanying notes to unaudited consolidated financial statements.

-4-

WESTAMERICA BANCORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

	For the Three Months Ended June 30,		For the Six Months	
	2016	2015	2016	2015
	(In thousands, except per share data)			
Interest and Fee Income:				
Loans	\$17,583	\$20,035	\$35,936	\$40,265
Investment securities available for sale	8,091	7,999	16,058	15,468
Investment securities held to maturity	8,053	6,391	15,380	12,609
Total Interest and Fee Income	33,727	34,425	67,374	68,342
Interest Expense:				
Deposits	531	601	1,074	1,243
Short-term borrowed funds	10	16	19	32
Federal Home Loan Bank advances	-	-	-	1
Total Interest Expense	541	617	1,093	1,276
Net Interest and Fee Income	33,186	33,808	66,281	67,066
Provision for Loan Losses	-	-	-	-
Net Interest and Fee Income After Provision For Loan Losses	33,186	33,808	66,281	67,066
Noninterest Income:				
Service charges on deposit accounts	5,239	5,694	10,487	11,401
Merchant processing services	1,638	1,783	3,167	3,486
Debit card fees	1,621	1,534	3,137	2,990
Trust fees	657	672	1,318	1,378
Other service fees	650	683	1,279	1,348
ATM processing fees	603	627	1,261	1,212
Financial services commissions	137	198	293	351
Other noninterest income	1,157	1,078	2,489	2,403
Total Noninterest Income	11,702	12,269	23,431	24,569
Noninterest Expense:				
Salaries and related benefits	12,887	13,696	26,004	27,034
Occupancy	3,400	3,726	6,798	7,453
Outsourced data processing services	2,130	2,111	4,260	4,219
Furniture and equipment	1,187	1,158	2,400	2,277
Amortization of identifiable intangibles	870	955	1,775	1,956
Professional fees	758	582	1,490	1,130
Courier service	462	598	1,007	1,141
Other real estate owned	(392)	52	(281)	367
Other noninterest expense	3,927	4,018	7,634	8,046
Total Noninterest Expense	25,229	26,896	51,087	53,623
Income Before Income Taxes	19,659	19,181	38,625	38,012
Provision for income taxes	5,113	4,420	9,853	8,694

Edgar Filing: WESTAMERICA BANCORPORATION - Form 10-Q

Net Income	\$14,546	\$14,761	\$28,772	\$29,318
Average Common Shares Outstanding	25,586	25,514	25,516	25,582
Average Diluted Common Shares Outstanding	25,630	25,536	25,549	25,595
Per Common Share Data:				
Basic earnings	\$0.57	\$0.58	\$1.13	\$1.15
Diluted earnings	0.57	0.58	1.13	1.15
Dividends paid	0.39	0.38	0.78	0.76

See accompanying notes to unaudited consolidated financial statements.

-5-

WESTAMERICA BANCORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	For the Three Months Ended June 30,		For the Six Months	
	2016	2015	2016	2015
	(In thousands)			
Net income	\$14,546	\$14,761	\$28,772	\$29,318
Other comprehensive income:				
Increase (decrease) in net unrealized gains on securities available for sale	9,070	(9,698)	19,311	(2,280)
Deferred tax (expense) benefit	(3,813)	4,078	(8,119)	958
Increase (decrease) in net unrealized gains on securities available for sale, net of tax	5,257	(5,620)	11,192	(1,322)
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 income (loss)	5,266	(5,611)	11,210	(1,304)
Total comprehensive income	\$19,812	\$9,150	\$39,982	\$28,014

See accompanying notes to unaudited consolidated financial statements.

WESTAMERICA BANCORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited)

	Common Shares Outstanding	Common Stock	Deferred Compensation	Accumulated Other Comprehensive Income	Retained Earnings	Total
	(In thousands)					
Balance, December 31, 2014	25,745	\$378,132	\$2,711	\$5,292	\$140,468	\$552,346
Net income for the period					29,318	29,318
Other comprehensive loss				(1,304)		(1,304)
Exercise of stock options	81	3,602				3,683
Tax benefit decrease upon exercise and expiration of stock options		(1,206)				(1,206)
Restricted stock activity	17	741				758
Stock based compensation		672				672
Stock awarded to employees	2	69				71
Retirement of common stock including repurchases	(316)	(4,671)			(9,019)	(14,006)
Dividends					(19,467)	(19,467)
Balance, June 30, 2015	25,529	\$377,339	\$2,711	\$3,988	\$141,300	\$553,867
Balance, December 31, 2015	25,528	\$378,858	\$2,578	\$675	\$150,094	\$552,133
Net income for the period					28,772	28,772
Other comprehensive income				11,210		11,210
Exercise of stock options	225	10,060				10,285
Tax benefit increase upon exercise and expiration of stock options		211				211
Restricted stock activity	15	1,798	(1,045)			768
Stock based compensation		752				752
Stock awarded to employees	1	60				61
Retirement of common stock including repurchases	(137)	(2,059)			(3,721)	(5,917)
Dividends					(19,916)	(19,916)
Balance, June 30, 2016	25,632	\$389,680	\$1,533	\$11,885	\$155,229	\$588,959

See accompanying notes to unaudited consolidated financial statements.

WESTAMERICA BANCORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	For the Six Months Ended June 30,	
	2016	2015
	(In thousands)	
Operating Activities:		
Net income	\$28,772	\$29,318
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,618	7,957
Loan loss provision	-	-
Net amortization of deferred loan fees	(157)	(149)
Decrease in interest income receivable	171	54
Decrease (increase) in net deferred tax asset	2,066	(166)
Increase in other assets	(4,337)	(1,064)
Stock option compensation expense	752	672
Tax benefit (increase) decrease upon exercise and expiration of stock options	(211)	1,206
Decrease in income taxes payable	(1,469)	(640)
Increase in interest expense payable	46	25
Increase (decrease) in other liabilities	1,849	(2,939)
Net writedown of/loss on sale of premises and equipment	7	11
Net gain on sale of foreclosed assets	(1,017)	-
Writedown of foreclosed assets	758	243
Net Cash Provided by Operating Activities	35,848	34,528
Investing Activities:		
Net repayments of loans	104,975	66,820
Change in payable to FDIC ⁽¹⁾	98	-
Purchases of investment securities available for sale	(260,587)	(627,164)
Proceeds from sale/maturity/calls of securities available for sale	344,393	604,708
Purchases of investment securities held to maturity	(246,956)	(189,632)
Proceeds from maturity/calls of securities held to maturity	82,059	72,440
Purchases of premises and equipment	(991)	(1,833)
Net change in FRB ⁽²⁾ /FHLB ⁽³⁾ securities	-	940
Proceeds from sale of foreclosed assets	5,848	100
Net Cash Provided by (Used in) Investing Activities	28,839	(73,621)
Financing Activities:		
Net change in deposits	(55,345)	5,661
Net change in short-term borrowings and FHLB ⁽³⁾ advances	14,824	(27,037)
Exercise of stock options/issuance of shares	10,060	3,602
Tax benefit increase (decrease) upon exercise and expiration of stock options	211	(1,206)
Retirement of common stock including repurchases	(5,780)	(13,690)

Edgar Filing: WESTAMERICA BANCORPORATION - Form 10-Q

Common stock dividends paid	(19,916)	(19,467)
Net Cash Used in Financing Activities	(55,946)	(52,137)
Net Change In Cash and Due from Banks	8,741	(91,230)
Cash and Due from Banks at Beginning of Period	433,044	380,836
Cash and Due from Banks at End of Period	\$441,785	\$289,606

Supplemental Cash Flow Disclosures:

Supplemental disclosure of non cash activities:

Loan collateral transferred to other real estate owned	\$488	\$3,229
Securities purchases pending settlement	26,488	24,952

Supplemental disclosure of cash flow activities:

Interest paid for the period	1,046	1,274
Income tax payments for the period	9,922	9,500

(1) Federal Deposit Insurance Corporation ("FDIC")

(2) Federal Reserve Bank ("FRB")

(3) Federal Home Loan Bank ("FHLB")

See accompanying notes to unaudited consolidated financial statements.

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 six months ended June 30, 2016 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, 2015.

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, 2015. 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" discussion below.

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 Issued Accounting Standards

FASB Accounting Standards Update (ASU) 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, was issued January 2016. The ASU addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Most notably, the ASU changes the income statement impact of equity investments held by the Company and the requirement for the Company to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes.

The Company will be required to adopt the ASU provisions on January 1, 2018. Management is evaluating the impact that the ASU will have on the Company's financial statements.

FASB Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), was issued February 25, 2016. The provisions of the new standard require lessees to recognize most leases on-balance sheet, increasing reported assets and liabilities. Lessor accounting remains substantially similar to current U.S. GAAP.

The Company will be required to adopt the ASU provisions January 1, 2019, utilizing the modified retrospective transition approach. Management is evaluating the impact that the ASU will have on the Company's financial statements.

FASB ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, was issued March 30, 2016. The provisions of the new standard changes several aspects of the accounting for share-based payment award transactions, including: (1) Accounting and Cash Flow Classification for Excess Tax Benefits, (2) Forfeitures, and (3) Tax Withholding Requirements and Cash Flow Classification.

The Company will be required to adopt the ASU provisions January 1, 2017. Management is evaluating the impact that the ASU will have on the Company's financial statements.

FASB ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, was issued on June 16, 2016. The ASU significantly changes estimates for credit losses related to financial assets measured at amortized cost and certain other contracts. For estimating credit losses, the FASB is replacing the incurred loss model with the current expected credit loss (CECL) model, which will accelerate recognition of credit losses. Additionally, credit losses relating to available-for-sale debt securities will be recorded through an allowance for credit losses under the new standard.

The Company will also be required to provide additional disclosures related to the financial assets within the scope of the new standard.

The Company will be required to adopt the ASU provisions on January 1, 2020. Management is evaluating the impact that the ASU will have on the Company's financial statements.

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 June 30, 2016

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(In thousands)				
Securities of U.S. Government sponsored entities	\$338,542	\$ 805	\$ (8)	\$339,339
Agency residential mortgage-backed securities (MBS)	187,719	1,488	(1,461)	187,746
Non-agency residential MBS	311	3	-	314
Non-agency commercial MBS	2,213	7	(6)	2,214
Obligations of states and political subdivisions	139,627	9,290	(67)	148,850
Asset-backed securities	1,329	-	(12)	1,317
FHLMC ⁽¹⁾ and FNMA ⁽²⁾ stock	775	5,459	-	6,234
Corporate securities	837,885	6,324	(1,595)	842,614
Other securities	2,034	509	(136)	2,407
Total	\$1,510,435	\$ 23,885	\$ (3,285)	\$1,531,035

⁽¹⁾ Federal Home Loan Mortgage Corporation

⁽²⁾ Federal National Mortgage Association

[The remainder of this page intentionally left blank]

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 June 30, 2016				
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
(In thousands)				
Securities of U.S. government sponsored entities	\$666	\$ 9	\$ -	\$675
Agency residential MBS	752,173	11,129	(175)	763,127
Non-agency residential MBS	6,004	58	(1)	6,061
Agency commercial MBS	16,012	38	(323)	15,727
Obligations of states and political subdivisions	698,502	23,233	(148)	721,587
Total	\$1,473,357	\$ 34,467	\$ (647)	\$1,507,177

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, 2015				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(In thousands)				
Securities of U.S. Government sponsored entities	\$302,292	\$ 255	\$ (665)	\$301,882
Agency residential MBS	208,046	1,407	(6,909)	202,544
Non-agency residential MBS	354	16	-	370
Non-agency commercial MBS	2,383	5	(9)	2,379
Obligations of states and political subdivisions	148,705	8,861	(57)	157,509
Asset-backed securities	2,025	-	(22)	2,003
FHLMC ⁽¹⁾ and FNMA ⁽²⁾ stock	775	3,554	-	4,329
Corporate securities	902,308	882	(6,821)	896,369
Other securities	2,039	952	(160)	2,831
Total	\$1,568,927	\$ 15,932	\$ (14,643)	\$1,570,216

(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, 2015			
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
	(In thousands)			
Securities of U.S. government sponsored entities	\$764	\$ -	\$ -	\$764
Agency residential MBS	595,503	1,810	(4,966)	592,347
Non-agency residential MBS	9,667	185	-	9,852
Agency commercial MBS	16,258	20	(274)	16,004
Obligations of states and political subdivisions	693,883	13,638	(789)	706,732
Total	\$1,316,075	\$ 15,653	\$ (6,029)	\$1,325,699

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

	At June 30, 2016		Securities Held	
	Securities Available for Sale		to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
(In thousands)				
Maturity in years:				
1 year or less	\$172,012	\$172,481	\$22,671	\$23,259
Over 1 to 5 years	808,374	813,891	276,940	282,552
Over 5 to 10 years	335,816	344,373	301,645	313,958
Over 10 years	1,181	1,375	97,912	102,493
Subtotal	1,317,383	1,332,120	699,168	722,262
MBS	190,243	190,274	774,189	784,915
Other securities	2,809	8,641	-	-
Total	\$1,510,435	\$1,531,035	\$1,473,357	\$1,507,177

Securities available for sale at June 30, 2016 with maturity dates over one to five years include \$128,405 thousand (fair value) of securities of U.S. Government sponsored entities with call options on dates within one year or less.

	At December 31, 2015		Securities Held	
	Securities Available for Sale		to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
(In thousands)				
Maturity in years:				
1 year or less	\$136,717	\$136,976	\$20,709	\$21,354
Over 1 to 5 years	1,049,786	1,044,453	259,556	262,163
Over 5 to 10 years	166,352	173,585	289,568	296,352
Over 10 years	2,475	2,749	124,814	127,627
Subtotal	1,355,330	1,357,763	694,647	707,496
MBS	210,783	205,293	621,428	618,203
Other securities	2,814	7,160	-	-
Total	\$1,568,927	\$1,570,216	\$1,316,075	\$1,325,699

Expected maturities of mortgage-related 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-related securities. At June 30,

2016 and December 31, 2015, the Company had no high-risk collateralized mortgage obligations as defined by regulatory guidelines.

[The remainder of this page intentionally left blank]

-12-

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

Investment Securities Available for Sale

At June 30, 2016

No. of	Less than 12 months Investment	No. of	12 months or longer	No. of	Total
					Unrealized