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 March 31, 2022

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 Incorporation or Organization)	(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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	WABC	The Nasdaq Stock Market, LLC

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 every Interactive Data File required to be submitted 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 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 ☐
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 April 27, 2022
Common Stock, No Par Value	26,885,240

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FORWARD-LOOKING STATEMENTS

This report on Form 10-Q contains “forward-looking statements” within the meaning of 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 credit 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, stock repurchases, 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 the current knowledge and belief of the management (“Management”) of Westamerica Bancorporation (the “Company”) 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 any 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 riots, terrorist threats and attacks on the United States, the actions taken in response, and the uncertain effect of these events on the local, regional and national economies; (6) changes in the interest rate environment and monetary policy; (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 climate change, natural disasters, including earthquakes, hurricanes, 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; (14) the duration and severity of the COVID-19 pandemic and governmental and customer responses to the pandemic; (15) inflation and (16) 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, 2021, 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 March 31, 2022	At December 31, 2021
	(In thousands)	
Assets:		
Cash and due from banks	$1,037,593	$1,132,085
Debt securities available for sale	4,616,588	4,638,855
Debt securities held to maturity, net of allowance for credit losses of $7 at March 31, 2022 and December 31, 2021 (Fair value of $278,187 at March 31, 2022 and $312,562 at December 31, 2021)	280,520	306,396
Loans	1,002,514	1,068,126
Allowance for credit losses on loans	(22,925)	(23,514)
Loans, net of allowance for credit losses on loans	979,589	1,044,612
Premises and equipment, net	30,626	31,155
Identifiable intangibles, net	771	835
Goodwill	121,673	121,673
Other assets	239,057	185,415
Total Assets	$7,306,417	$7,461,026
Liabilities:		
Noninterest-bearing deposits	$3,000,268	$3,069,080
Interest-bearing deposits	3,405,606	3,344,876
Total deposits	6,405,874	6,413,956
Short-term borrowed funds	124,442	146,246
Other liabilities	74,357	73,722
Total Liabilities	6,604,673	6,633,924
Contingencies (Note 10)		
Shareholders' Equity:		
Common stock (no par value), authorized: 150,000 shares Issued and outstanding: 26,883 at March 31, 2022 and 26,866 at December 31, 2021	472,435	471,008
Deferred compensation	35	35
Accumulated other comprehensive (loss) income	(88,300)	49,664
Retained earnings	317,574	306,395
Total Shareholders' Equity	701,744	827,102
Total Liabilities and Shareholders' Equity	$7,306,417	$7,461,026

See accompanying notes to unaudited consolidated financial statements.

WESTAMERICA BANCORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	For the Three Months Ended March 31, 2022	2021
	(In thousands, except per share data)	
Interest and Fee Income:		
Loans	$12,942	$14,581
Equity securities	128	110
Debt securities available for sale	28,566	24,889
Debt securities held to maturity	1,644	2,598
Interest-bearing cash	479	138
Total Interest and Fee Income	43,759	42,316
Interest Expense:		
Deposits	452	459
Short-term borrowed funds	28	16
Total Interest Expense	480	475
Net Interest and Fee Income	43,279	41,841
Provision for Credit Losses	-	-
Net Interest and Fee Income After Provision For Credit Losses	43,279	41,841
Noninterest Income:		
Service charges on deposit accounts	3,582	3,304
Merchant processing services	2,623	2,560
Debit card fees	2,872	1,601
Trust fees	843	801
ATM processing fees	451	601
Other service fees	449	469
Financial services commissions	117	70
Other noninterest income	639	783
Total Noninterest Income	11,576	10,189
Noninterest Expense:		
Salaries and related benefits	11,920	12,665
Occupancy and equipment	4,746	4,880
Outsourced data processing services	2,437	2,390
Professional fees	736	942
Courier service	582	504
Amortization of identifiable intangibles	64	69
Other noninterest expense	4,390	3,456
Total Noninterest Expense	24,875	24,906
Income Before Income Taxes	29,980	27,124
Provision for income taxes	7,364	6,977
Net Income	$22,616	$20,147
Average Common Shares Outstanding	26,870	26,821
Average Diluted Common Shares Outstanding	26,885	26,842
Per Common Share Data:		
Basic earnings	$0.84	$0.75
Diluted earnings	0.84	0.75
Dividends paid	0.42	0.41

See accompanying notes to unaudited consolidated financial statements.

WESTAMERICA BANCORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited)

	For the Three Months Ended March 31,	
	2022	2021
	(In thousands)	
Net income	$22,616	$20,147
Other comprehensive loss:		
Changes in net unrealized (losses) gains on debt securities available for sale	(195,871)	(64,614)
Deferred tax benefit	57,907	19,103
Changes in net unrealized (losses) gains on debt securities available for sale, net of tax	(137,964)	(45,511)
Total comprehensive loss	($115,348)	($25,364)

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 (Loss)	Retained Earnings	Total
			(In thousands except per share data)			
Balance, December 31, 2020	26,807	$466,006	$35	$114,412	$264,356	$844,809
Net income for the period					20,147	20,147
Other comprehensive loss				(45,511)		(45,511)
Exercise of stock options	52	2,960				2,960
Restricted stock activity	9	526				526
Stock based compensation	-	368				368
Stock awarded to employees	-	56				56
Retirement of common stock	(4)	(66)			(166)	(232)
Dividends ($0.41 per share)					(10,991)	(10,991)
Balance, March 31, 2021	26,864	$469,850	$35	$68,901	$273,346	$812,132
Balance, December 31, 2021	26,866	$471,008	$35	$49,664	$306,395	$827,102
Net income for the period					22,616	22,616
Other comprehensive loss				(137,964)		(137,964)
Exercise of stock options	11	624				624
Restricted stock activity	8	492				492
Stock based compensation	-	339				339
Stock awarded to employees	1	37				37
Retirement of common stock	(3)	(65)			(153)	(218)
Dividends ($0.42 per share)					(11,284)	(11,284)
Balance, March 31, 2022	26,883	$472,435	$35	($88,300)	$317,574	$701,744

See accompanying notes to unaudited consolidated financial statements.

WESTAMERICA BANCORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	For the Three Months Ended March 31,	
	2022	**2021**
	(In thousands)	
Operating Activities:		
Net income	$22,616	$20,147
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization/accretion	5,498	4,256
Net amortization of deferred net loan fees	(627)	(1,246)
Decrease in interest income receivable	878	1,961
Increase in income taxes payable	7,662	7,450
Increase in deferred tax asset	(298)	(472)
Increase in other assets	(238)	(3,004)
Stock option compensation expense	339	368
Increase in interest expense payable	29	16
(Decrease) increase in other liabilities	(4,036)	2,796
Net Cash Provided by Operating Activities	31,823	32,272
Investing Activities:		
Net repayments (disbursements) of loans	65,650	(36,544)
Purchases of debt securities available for sale	(331,191)	(385,553)
Proceeds from maturity/calls of debt securities available for sale	154,734	367,499
Proceeds from maturity/calls of debt securities held to maturity	25,454	45,447
Purchases of premises and equipment	(198)	(145)
Net Cash Used in Investing Activities	(85,551)	(9,296)
Financing Activities:		
Net change in deposits	(8,082)	235,854
Net change in borrowings	(21,804)	(5,385)
Exercise of stock options	624	2,960
Retirement of common stock	(218)	(232)
Common stock dividends paid	(11,284)	(10,991)
Net Cash (Used in) Provided by Financing Activities	(40,764)	222,206
Net Change In Cash and Due from Banks	(94,492)	245,182
Cash and Due from Banks at Beginning of Period	1,132,085	621,275
Cash and Due from Banks at End of Period	$1,037,593	$866,457
Supplemental Cash Flow Disclosures:		
Supplemental disclosure of noncash activities:		
Right-of-use assets acquired in exchange for operating lease liabilities	$918	$3,301
Securities purchases pending settlement	-	5,000
Supplemental disclosure of cash flow activities:		
Cash paid for amounts included in operating lease liabilities	1,518	1,618
Interest paid for the period	451	459

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 months ended March 31, 2022 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, 2021.

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, 2021. 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, it is reasonably possible conditions could change materially affecting results of operations and financial conditions. Certain risks, uncertainties and other factors, including those discussed in “Risk Factors” in Part I – Item 1A of the Company’s Annual Report on Form 10-K for the year ended December 31, 2021 may cause actual future results to differ materially from the results discussed in this report on Form 10-Q. Management continues to evaluate the impacts of the COVID-19 pandemic, inflation and the Federal Reserve’s monetary policy, climate changes and the war in Ukraine on the Company’s business. The extent of the impact on the Company’s results of operations, cash flow liquidity, and financial performance, as well as the Company’s ability to execute near- and long-term business strategies and initiatives, will depend on numerous evolving factors and future developments, which are highly uncertain and cannot be reasonably predicted. However, the effects could have a material impact on the Company’s results of operations and heighten many of the risk factors discussed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021. Any one or a combination of such risk factors, or other factors, could materially adversely affect the Company's business, financial condition, results of operations and prospects.

Application of accounting 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 a 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. Certain amounts in previous periods have been reclassified to conform to current presentation.

Debt Securities. Debt securities consist of the U.S. Treasury, securities of government sponsored entities, states, counties, municipalities, corporations, agency and non-agency mortgage-backed securities, collateralized loan obligations and commercial paper. Securities transactions are recorded on a trade date basis. The Company classifies its debt securities in one of three categories: trading, available for sale or held to maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Trading securities are recorded at fair value with unrealized gains and losses included in net income. Held to maturity debt securities are those securities which the Company has the ability and intent to hold until maturity. Held to maturity debt securities are recorded at cost, adjusted for the amortization of premiums or accretion of discounts. Securities not included in trading or held to maturity are classified as available for sale debt securities. Available for sale debt securities are recorded at fair value. Unrealized gains and losses, net of the related tax effect, on available for sale debt securities are included in accumulated other comprehensive income. Accrued interest is recorded within other assets and reversed against interest income if it is not received.

The Company utilizes third-party sources to value its investment securities; securities individually valued using quoted prices in active markets are classified as Level 1 assets in the fair value hierarchy, and securities valued using quoted prices in active markets for similar securities (commonly referred to as "matrix" pricing) are classified as Level 2 assets in the fair value hierarchy. The Company validates the reliability of third-party provided values by comparing individual security pricing for securities between more than one third-party source. When third-party information is not available, valuation adjustments are estimated in good faith by Management and classified as Level 3 in the fair value hierarchy.

The Company follows the guidance issued by the Board of Governors of the Federal Reserve System, "Investing in Securities without Reliance on Nationally Recognized Statistical Rating Agencies" (SR 12-15) and other regulatory guidance when performing investment security pre-purchase analysis or evaluating investment securities for credit loss. Credit ratings issued by recognized rating agencies are considered in the Company's analysis only as a guide to the historical default rate associated with similarly-rated bonds.

To the extent that debt securities in the held-to-maturity portfolio share common risk characteristics, estimated expected credit losses are calculated in a manner like that used for loans held for investment. That is, for pools of such securities with common risk characteristics, the historical lifetime probability of default and severity of loss in the event of default is derived or obtained from external sources and adjusted for the expected effects of reasonable and supportable forecasts over the expected lives of the securities on those historical credit losses. Expected credit loss on each security in the held-to-maturity portfolio that do not share common risk characteristics with any of the pools of debt securities is individually evaluated and a reserve for credit losses is established at the difference between the discounted value of the expected future cash flows, based on the original effective interest rate, and the recorded amortized cost basis of the security. For certain classes of debt securities, the Company considers the history of credit losses, current conditions and reasonable and supportable forecasts, which may indicate that the expectation that nonpayment of the amortized cost basis is or continues to be zero. Therefore, for those securities, the Company does not record expected credit losses.

Available for sale debt securities in unrealized loss positions are evaluated for credit related loss at least quarterly. For available for sale debt securities, a decline in fair value due to credit loss results in recording an allowance for credit losses to the extent the fair value is less than the amortized cost basis. Declines in fair value that have not been recorded through an allowance for credit losses, such as declines due to changes in market interest rates, are recorded through other comprehensive income, net of applicable taxes. Although these evaluations involve significant judgment, an unrealized loss in the fair value of a debt security is generally considered to not be related to credit when the fair value of the security is below the carrying value primarily due to changes in risk-free interest rates, there has not been significant deterioration in the financial condition of the issuer, and the Company does not intend to sell nor does it believe it will be required to sell the security before the recovery of its cost basis.

If the Company intends to sell a debt security or more likely than not will be required to sell the security before recovery of its amortized cost basis, the debt security is written down to its fair value and the write down is charged against the allowance for credit losses with any incremental loss reported in earnings.

Purchase premiums are amortized to the earliest call date and purchase discounts are amortized to maturity as an adjustment to yield using the effective interest method. Unamortized premiums, unaccreted discounts, and early payment premiums are recognized as a component of gain or loss on sale upon disposition of the related security. Interest and dividend income are recognized when earned. Realized gains and losses from the sale of available for sale debt securities are included in earnings using the specific identification method.

Nonmarketable Equity Securities. Nonmarketable equity securities include securities that are not publicly traded, such as Visa Class B common stock, and securities acquired to meet regulatory requirements, such as Federal Reserve Bank stock, which are restricted. These restricted securities are accounted for under the cost method and are included in other assets. The Company reviews those assets accounted for under the cost method at least quarterly. The Company's review typically includes an analysis of the facts and circumstances of each investment, the expectations for the investment's cash flows and capital needs, the viability of its business model and any exit strategy. When the review indicates that impairment exists the asset value is reduced to fair value. The Company recognizes the estimated loss in noninterest income.

Loans. Loans are stated at the principal amount outstanding, net of unearned discount and unamortized deferred fees and costs. Interest is accrued daily on the outstanding principal balances and included in other assets. Loans which are more than 90 days delinquent with respect to interest or principal, unless they are well secured and in the process of collection, and other loans on which full recovery of principal or interest is in doubt, are placed on nonaccrual status. Interest previously accrued on loans placed on nonaccrual status is charged against interest income. In addition, some loans secured by real estate and commercial loans to borrowers experiencing financial difficulties are placed on nonaccrual status even though the borrowers continue to repay the loans as scheduled. When the ability to fully collect nonaccrual loan principal is in doubt, payments received are applied against the principal balance of the loans on a cost-recovery method until such time as full collection of the remaining recorded balance is expected. Any additional interest payments received after that time are recorded as interest income on a cash basis. Nonaccrual loans are reinstated to accrual status when none of the loan's principal and interest is past due and improvements in credit quality eliminate doubt as to the full collectability of both principal and interest, or the loan otherwise becomes well secured and in the process of collection. Certain consumer loans or auto receivables are charged off against the allowance for credit losses when they become 120 days past due.

A troubled debt restructuring ("TDR") occurs when the Company, for reasons related to a borrower's financial difficulties, grants a concession to the borrower it would not otherwise consider. The Company follows its general nonaccrual policy for TDRs. Performing TDRs are reinstated to accrual status when improvements in credit quality eliminate the doubt as to full collectability of both principal and interest. Under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), banks may elect to deem that loan modifications do not result in TDRs if they are (1) related to the novel coronavirus disease; (2) executed on a loan that was not more than 30 days past due as of December 31, 2019; and (3) executed between March 1, 2020, and the earlier of (A) 60 days after the date of termination of the National Emergency or (B) December 31, 2020.The Consolidated Appropriations Act, 2021, extended the period during which banks may elect to deem that qualified loan modifications do not result in TDR classification through January 1, 2022.

Allowance for Credit Losses. The Company extends loans to commercial and consumer customers primarily in Northern and Central California. These lending activities expose the Company to the risk borrowers will default, causing loan losses. The Company's lending activities are exposed to various qualitative risks. All loan segments are exposed to risks inherent in the economy and market conditions. Significant risk characteristics related to the commercial loan segment include the borrowers' business performance and financial condition, and the value of collateral for secured loans. Significant risk characteristics related to the commercial real estate segment include the borrowers' business performance and the value of properties collateralizing the loans. Significant risk characteristics related to the construction loan segment include the borrowers' performance in successfully developing the real estate into the intended purpose and the value of the property collateralizing the loans. Significant risk characteristics related to the residential real estate segment include the borrowers' financial wherewithal to service the mortgages and the value of the property collateralizing the loans. Significant risk characteristics related to the consumer loan segment include the financial condition of the borrowers and the value of collateral securing the loans.

The preparation of these financial statements requires Management to estimate the amount of expected losses over the expected contractual life of the Bank's existing loan portfolio and establish an allowance for credit losses. Loan agreements generally include a maturity date, and the Company considers the contractual life of a loan agreement to extend from the date of origination to the contractual maturity date. In estimating credit losses, Management must exercise significant judgment in evaluating information deemed relevant. The amount of ultimate losses on the loan portfolio can vary from the estimated amounts. Management follows a systematic methodology to estimate loss potential in an effort to reduce the differences between estimated and actual losses.

The allowance for credit losses is established through provisions for credit losses charged to income. Losses on loans are charged to the allowance for credit losses when all or a portion of the recorded amount of a loan is deemed to be uncollectible. Recoveries of loans previously charged off are credited to the allowance when realized. The Company's allowance for credit losses is maintained at a level considered adequate to provide for expected losses based on historical loss rates adjusted for current and expected conditions over a forecast period. These include conditions unique to individual borrowers, as well as overall credit loss experience, the amount of past due, nonperforming and classified loans, recommendations of regulatory authorities, prevailing economic conditions, or credit protection agreements and other factors.

Loans that share common risk characteristics are segregated into pools based on common characteristics, which is primarily determined by loan, borrower, or collateral type. Historical loss rates are determined for each pool. For consumer installment loans, primarily secured by automobiles, historical loss rates are determined using a vintage methodology, which tracks losses based on period of origination. For commercial, construction, and commercial real estate, historical loss rates are determined using an open pool methodology where losses are tracked over time for all loans included in the pool at the historical measurement date. Historical loss rates are adjusted for factors that are not reflected in the historical loss rates that are attributable to national or local economic or industry trends which have occurred but have not yet been recognized in past loan charge-off history, estimated losses based on management's reasonable and supportable expectation of economic trends over a forecast horizon of up to two years, and other factors that impact credit loss expectations that are not reflected in the historical loss rates. Other factors include, but are not limited to, the effectiveness of the Company's loan review system, adequacy of lending Management and staff, loan policies and procedures, problem loan trends, and concentrations of credit. At the end of the two-year forecast period loss rates revert immediately to the historical loss rates. The results of this analysis are applied to the amortized cost of the loans included within each pool.

Loans that do not share risk characteristics with other loans in the pools are evaluated individually. A loan is considered 'collateral-dependent' when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. A credit loss reserve for collateral-dependent loans is established at the difference between the amortized cost basis in the loan and the fair value of the underlying collateral adjusted for costs to sell. For other individually evaluated loans that are not collateral dependent, a credit loss reserve is established at the difference between the amortized cost basis in the loan and the present value of expected future cash flows discounted at the loan's effective interest rate. The impact of an expected TDR modification is included in the allowance for credit losses when management determines a TDR modification is likely.

Accrued interest is recorded in other assets and is excluded from the estimation of expected credit loss. Accrued interest is reversed through interest income when amounts are determined to be uncollectible, which generally occurs when the underlying receivable is placed on nonaccrual status or charged off.

Liability for Off-Balance Sheet Credit Exposures. Off-balance sheet credit exposures relate to letters of credit and unfunded loan commitments for commercial, construction and consumer loans. The Company maintains a separate allowance for credit losses from off-balance-sheet credit exposures, which is included within other liabilities on the consolidated statements of financial condition. Increases or reductions to the Company's allowance for credit losses from off-balance sheet credit exposures are recorded in other expenses. Management estimates the amount of expected losses by estimating expected usage exposures that are not unconditionally cancellable by the Company and applying the loss factors used in the allowance for credit loss methodology to estimate the liability for credit losses related to unfunded commitments. No credit loss estimate is reported for off-balance-sheet credit exposures that are unconditionally cancellable by the Company or for undrawn amounts under such arrangements that may be drawn prior to the cancellation of the arrangement.

Recently Issued Accounting Standards

<u>FASB ASU 2022-02</u>, *Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, was issued March 2022. The ASU eliminates the accounting guidance for Troubled Debt Restructurings ("TDR") Loans by creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors made to borrowers experiencing financial difficulty. Upon adoption of this ASU, an entity is required to disclose current period gross chargeoffs by year of origination for loans. The ASU should be applied prospectively, with the exception of the guidance related to the recognition and measurement of TDR loans that may be applied by recording a cumulative effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. This guidance is effective for reporting periods beginning after December 15, 2022, with early adoption permitted, for public entities that have adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326).* The Company adopted ASU 2016-13 effective January 1, 2020. FASB ASU 2022-02 is applicable to the Company's fiscal year beginning January 1, 2023. The Company is currently evaluating the impact of adopting this standard.

<u>FASB ASU 2020-04</u>, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, was issued March 2020. The ASU provides optional expedients and exceptions for applying GAAP to loan and lease agreements, derivative contracts, and other transactions affected by the anticipated transition away from LIBOR toward new interest rate benchmarks. For transactions that are modified because of reference rate reform and that meet certain scope guidance (i) modifications of loan agreements should be accounted for by prospectively adjusting the effective interest rate and the modification will be considered "minor" so that any existing unamortized origination fees/costs would carry forward and continue to be amortized and (ii) modifications of lease agreements should be accounted for as a continuation of the existing agreement with no reassessments of the lease classification and the discount rate or remeasurements of lease payments that otherwise would be required for modifications not accounted for as separate contracts. ASU 2020-04 also provides numerous optional expedients for derivative accounting. ASU 2020-04 is effective March 12, 2020 through December 31, 2022. An entity may elect to apply ASU 2020-04 for contract modifications as of January 1, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. Once elected for a Topic or an Industry Subtopic within the Codification, the amendments in this ASU must be applied prospectively for all eligible contract modifications for that Topic or Industry Subtopic. The Company does not expect any material impact on its consolidated financial statements since the Company has an insignificant number of financial instruments applicable to this ASU.

Note 3: Investment Securities

An analysis of the amortized cost and fair value by major categories of debt securities available for sale, which are carried at fair value with net unrealized gains (losses) reported on an after-tax basis as a component of accumulated other comprehensive income, and debt securities held to maturity, which are carried at amortized cost, before allowance for credit losses of $7 thousand at March 31, 2022 and December 31, 2021, follows:

	At March 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Debt securities available for sale				
Agency residential mortgage-backed securities ("MBS")	$369,329	$1,219	($7,367)	$363,181
Securities of U.S. Government entities	111	-	(1)	110
Obligations of states and political subdivisions	89,819	379	(603)	89,595
Corporate securities	2,665,573	7,083	(125,538)	2,547,118
Collateralized Loan Obligations	1,617,118	1,270	(1,804)	1,616,584
Total debt securities available for sale	4,741,950	9,951	(135,313)	4,616,588
Debt securities held to maturity				
Agency residential MBS	133,754	76	(3,227)	130,603
Obligations of states and political subdivisions	146,773	842	(31)	147,584
Total debt securities held to maturity	280,527	918	(3,258)	278,187
Total	$5,022,477	$10,869	($138,571)	$4,894,775

	At December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Debt securities available for sale				
Agency residential MBS	$399,997	$11,766	($37)	$411,726
Securities of U.S. Government entities	119	-	-	119
Obligations of states and political subdivisions	90,107	3,842	(29)	93,920
Corporate securities	2,692,792	63,573	(9,630)	2,746,735
Collateralized loan obligations	1,385,331	1,743	(719)	1,386,355
Total debt securities available for sale	4,568,346	80,924	(10,415)	4,638,855
Debt securities held to maturity				
Agency residential MBS	148,390	3,114	(37)	151,467
Obligations of states and political subdivisions	158,013	3,082	-	161,095
Total debt securities held to maturity	306,403	6,196	(37)	312,562
Total	$4,874,749	$87,120	($10,452)	$4,951,417

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

	At March 31, 2022			
	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	$373,260	$375,294	$12,582	$12,625
Over 1 to 5 years	600,734	603,365	122,239	122,862
Over 5 to 10 years	2,417,110	2,315,148	11,952	12,097
Over 10 years	981,517	959,600	-	-
Subtotal	4,372,621	4,253,407	146,773	147,584
MBS	369,329	363,181	133,754	130,603
Total	$4,741,950	$4,616,588	$280,527	$278,187

	At December 31, 2021			
	Debt Securities Available for Sale		Debt Securities Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)			
Maturity in years:				
1 year or less	$306,333	$309,257	$15,836	$15,941
Over 1 to 5 years	707,062	738,057	125,001	127,539
Over 5 to 10 years	2,320,559	2,347,242	17,176	17,615
Over 10 years	834,395	832,573	-	-
Subtotal	4,168,349	4,227,129	158,013	161,095
MBS	399,997	411,726	148,390	151,467
Total	$4,568,346	$4,638,855	$306,403	$312,562

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.

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

	Debt Securities Available for Sale								
	At March 31, 2022								
	No. of Investment Positions	Less than 12 months		No. of Investment Positions	12 months or longer		No. of Investment Positions	Total	
		Fair Value	Unrealized Losses		Fair Value	Unrealized Losses		Fair Value	Unrealized Losses
					($ in thousands)				
Agency residential MBS	71	$249,243	($7,367)	2	$44	$ -	73	$249,287	($7,367)
Securities of U.S. Government entities	-	-	-	1	110	(1)	1	110	(1)
Obligations of states and political subdivisions	41	40,199	(543)	3	1,355	(60)	44	41,554	(603)
Corporate securities	118	1,705,961	(113,614)	9	97,149	(11,924)	127	1,803,110	(125,538)
Collateralized loan obligations	25	258,640	(1,334)	14	98,161	(470)	39	356,801	(1,804)
Total	255	$2,254,043	($122,858)	29	$196,819	($12,455)	284	$2,450,862	($135,313)

An analysis of gross unrecognized losses of the debt securities held to maturity portfolio follows:

	Debt Securities Held to Maturity								
	At March 31, 2022								
	No. of Investment Positions	Less than 12 months		No. of Investment Positions	12 months or longer		No. of Investment Positions	Total	
		Fair Value	Unrecognized Losses		Fair Value	Unrecognized Losses		Fair Value	Unrecognized Losses
					($ in thousands)				
Agency residential MBS	70	$122,639	($3,165)	4	$980	($62)	74	$123,619	($3,227)
Obligations of states and political subdivisions	5	5,773	(31)	-	-	-	5	5,773	(31)
Total	75	$128,412	($3,196)	4	$980	($62)	79	$129,392	($3,258)

Based upon the most recent evaluation, the unrealized losses on the Company's debt securities available for sale were most likely caused by market conditions for these types of investments, particularly changes in risk-free interest rates and/or market bid-ask spreads. The Company does not intend to sell any debt securities available for sale with an unrealized loss and has concluded that it is more likely than not that it will not be required to sell the debt securities prior to recovery of the amortized cost basis. At March 31, 2022, all corporate securities and collateralized loan obligations are investment grade rated by a major rating agency. Therefore, the Company does not consider these debt securities to have credit related losses as of March 31, 2022.

The fair values of debt securities available for sale could decline in the future if the general economy deteriorates, inflation increases, credit ratings decline, the issuers' financial condition deteriorates, or the liquidity for debt securities declines. As a result, significant credit losses on debt securities available for sale may occur in the future.

As of March 31, 2022 and December 31, 2021, the Company had debt securities pledged to secure public deposits and short-term borrowed funds of $1,002,363 thousand and $1,021,566 thousand, respectively.

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

	Debt Securities Available for Sale								
	At December 31, 2021								
	No. of Investment Positions	Less than 12 months		No. of Investment Positions	12 months or longer		No. of Investment Positions	Total	
		Fair Value	Unrealized Losses		Fair Value	Unrealized Losses		Fair Value	Unrealized Losses
					($ in thousands)				
Agency residential MBS	7	$8,900	($37)	2	$47	$ -	9	$8,947	($37)
Securities of U.S. Government entities	-	-	-	1	119	-	1	119	-
Obligations of states and political subdivisions	6	2,859	(27)	2	669	(2)	8	3,528	(29)
Corporate securities	56	691,555	(9,630)	-	-	-	56	691,555	(9,630)
Collateralized loan obligations	19	208,199	(521)	8	51,523	(198)	27	259,722	(719)
Total	88	$911,513	($10,215)	13	$52,358	($200)	101	$963,871	($10,415)

An analysis of gross unrecognized losses of the debt securities held to maturity portfolio follows:

	Debt Securities Held to Maturity								
	At December 31, 2021								
	No. of Investment Positions	Less than 12 months		No. of Investment Positions	12 months or longer		No. of Investment Positions	Total	
		Fair Value	Unrecognized Losses		Fair Value	Unrecognized Losses		Fair Value	Unrecognized Losses
					($ in thousands)				
Agency residential MBS	1	$542	($19)	3	$530	($18)	4	$1,072	($37)

The Company evaluates debt securities on a quarterly basis including changes in security ratings issued by rating agencies, changes in the financial condition of the issuer, and, for mortgage-backed and asset-backed securities, collateral levels, delinquency and loss information with respect to the underlying collateral, changes in the levels of subordination for the Company's particular position within the repayment structure and remaining credit enhancement as compared to expected credit losses of the security. In addition to monitoring credit rating agency evaluations, Management performs its own evaluations regarding the credit worthiness of the issuer or the securitized assets underlying asset backed securities.

The following table presents the activity in the allowance for credit losses for debt securities held to maturity:

	For the Three Months Ended March 31,	
	2022	2021
	(In thousands)	
Allowance for credit losses:		
Beginning balance	$7	$9
Provision	-	-
Chargeoffs	-	-
Recoveries	-	-
Total ending balance	$7	$9

Agency mortgage-backed securities were assigned no credit loss allowance due to the perceived backing of government sponsored entities. Municipal securities were evaluated for risk of default based on credit rating and remaining term to maturity using Moody's risk of default factors; Moody's loss upon default factors were applied to the assumed defaulted principal amounts to estimate the amount for credit loss allowance.

The following table summarizes the amortized cost of debt securities held to maturity at March 31, 2022, aggregated by credit rating:

	Credit Risk Profile by Credit Rating			
	At March 31, 2022			
	AAA/AA/A	B-	Not Rated	Total
	(In thousands)			
Agency residential MBS	$116	$529	$133,109	$133,754
Obligations of states and political subdivisions	145,645	-	1,128	146,773
Total	$145,761	$529	$134,237	$280,527

There were no debt securities held to maturity on nonaccrual status or past due 30 days or more as of March 31, 2022.

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

	For the Three Months Ended March 31,	
	2022	2021
	(In thousands)	
Taxable	$28,733	$25,198
Tax-exempt from regular federal income tax	1,605	2,399
Total interest income from investment securities	$30,338	$27,597

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Note 4: Loans, Allowance for Credit Losses and Other Real Estate Owned

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

	At March 31, 2022	At December 31, 2021
	(In thousands)	
Commercial:		
Paycheck Protection Program ("PPP") loans	$27,208	$45,888
Other	169,895	187,202
Total Commercial	197,103	233,090
Commercial Real Estate	507,645	535,261
Construction	-	48
Residential Real Estate	16,462	18,133
Consumer Installment & Other	281,304	281,594
Total	$1,002,514	$1,068,126

PPP loans are guaranteed by the Small Business Administration ("SBA"). PPP loan proceeds used for eligible payroll and certain other operating costs are eligible for forgiveness, with repayment of loan principal and accrued interest made by the SBA. Management does not expect credit losses on PPP loans. Therefore, there is no allowance for such loans. The following summarizes activity in the allowance for credit losses.

Allowance for Credit Losses
For the Three Months Ended March 31, 2022

	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer Installment and Other	Total
			(In thousands)			
Allowance for credit losses:						
Balance at beginning of period	$6,966	$6,529	$2	$45	$9,972	$23,514
(Reversal) provision	(875)	(69)	(2)	3	943	-
Chargeoffs	-	-	-	-	(1,212)	(1,212)
Recoveries	224	15	-	-	384	623
Total allowance for credit losses	$6,315	$6,475	$ -	$48	$10,087	$22,925

Allowance for Credit Losses
For the Three Months Ended March 31, 2021

	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer Installment and Other	Total
			(In thousands)			
Allowance for credit losses:						
Balance at beginning of period	$9,205	$5,660	$6	$47	$8,936	$23,854
Provision (reversal)	336	(167)	-	(4)	(165)	-
Chargeoffs	-	-	-	-	(929)	(929)
Recoveries	13	12	-	-	533	558
Total allowance for credit losses	$9,554	$5,505	$6	$43	$8,375	$23,483

The Company's customers are primarily small businesses, professionals and consumers. Given the scale of these borrowers, corporate credit rating agencies do not evaluate the borrowers' financial condition. The Bank maintains a Loan Review Department which reports directly to the Audit Committee of the Board of Directors. The Loan Review Department performs independent evaluations of loans and validates management assigned credit risk grades on evaluated loans using grading standards employed by bank regulatory agencies. Loans judged to carry lower-risk attributes are assigned a "pass" grade, with a minimal likelihood of loss. Loans judged to carry higher-risk attributes are referred to as "classified loans," and are further disaggregated, with increasing expectations for loss recognition, as "substandard," "doubtful," and "loss." The Loan Review Department performs continuous evaluations throughout the year. If the Bank becomes aware of deterioration in a borrower's performance or financial condition between Loan Review Department examinations, assigned risk grades are re-evaluated promptly. Credit risk grades assigned by management and validated by the Loan Review Department are subject to review by the Bank's regulatory authorities during regulatory examinations.

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The following summarizes the credit risk profile by internally assigned grade:

	Credit Risk Profile by Internally Assigned Grade At March 31, 2022				
	Commercial	Commercial Real Estate	Residential Real Estate	Consumer Installment and Other	Total
			(In thousands)		
Grade:					
Pass	$196,769	$495,026	$15,222	$278,668	$985,685
Substandard	314	12,619	1,240	976	15,149
Doubtful	20	-	-	1,048	1,068
Loss	-	-	-	612	612
Total	$197,103	$507,645	$16,462	$281,304	$1,002,514

	Credit Risk Profile by Internally Assigned Grade At December 31, 2021					
	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer Installment and Other	Total
			(In thousands)			
Grade:						
Pass	$232,710	$521,300	$48	$16,874	$278,922	$1,049,854
Substandard	380	13,961	-	1,259	1,207	16,807
Doubtful	-	-	-	-	931	931
Loss	-	-	-	-	534	534
Total	$233,090	$535,261	$48	$18,133	$281,594	$1,068,126

The following tables summarize loans by delinquency and nonaccrual status:

	Summary of Loans by Delinquency and Nonaccrual Status At March 31, 2022					
	Current and Accruing	30-59 Days Past Due and Accruing	60-89 Days Past Due and Accruing	Past Due 90 Days or More and Accruing	Nonaccrual	Total Loans
				(In thousands)		
Commercial	$196,991	$91	$20	$1	$ -	$197,103
Commercial real estate	505,742	1,615	-	-	288	507,645
Residential real estate	16,316	13	-	-	133	16,462
Consumer installment and other	276,012	3,818	981	430	63	281,304
Total	$995,061	$5,537	$1,001	$431	$484	$1,002,514

	Summary of Loans by Delinquency and Nonaccrual Status At December 31, 2021					
	Current and Accruing	30-59 Days Past Due and Accruing	60-89 Days Past Due and Accruing	Past Due 90 Days or More and Accruing	Nonaccrual	Total Loans
				(In thousands)		
Commercial	$232,444	$383	$263	$ -	$ -	$233,090
Commercial real estate	534,748	223	-	-	290	535,261
Construction	48	-	-	-	-	48
Residential real estate	17,855	141	-	-	137	18,133
Consumer installment and other	276,793	3,184	1,013	339	265	281,594
Total	$1,061,888	$3,931	$1,276	$339	$692	$1,068,126

There was no allowance for credit losses allocated to loans on nonaccrual status as of March 31, 2022 or December 31, 2021. There were no commitments to lend additional funds to borrowers whose loans were on nonaccrual status at March 31, 2022 or December 31, 2021.

The following tables provide information on troubled debt restructurings (TDRs):

	Troubled Debt Restructurings At March 31, 2022			
	Number of Contracts	Pre-Modification Carrying Value	Period-End Carrying Value	Period-End Individual Credit Loss Allowance
	($ in thousands)			
Commercial real estate	2	$2,785	$1,782	$ -
Residential real estate	1	241	170	-
Total	3	$3,026	$1,952	$ -

	Troubled Debt Restructurings At December 31, 2021			
	Number of Contracts	Pre-Modification Carrying Value	Period-End Carrying Value	Period-End Individual Credit Loss Allowance
	($ in thousands)			
Commercial real estate	2	$2,785	$1,793	$ -
Residential real estate	1	241	172	-
Total	3	$3,026	$1,965	$ -

During the three months ended March 31, 2022, the Company did not modify any loans that were considered troubled debt restructurings. During the three months ended March 31, 2021, the Company did not modify any loans that were considered troubled debt restructurings for accounting purposes. Section 4013 of the CARES Act allowed certain loan modifications for borrowers impacted by the COVID-19 pandemic to be excluded from TDR accounting. This relief ended on January 1, 2022. During the three months ended March 31, 2021, the Company modified loans under Section 4013 of the CARES Act, granting 90 day deferrals of principal and interest payments. As of March 31, 2021, loans deferred under the CARES Act that are not considered TDRs included one commercial real estate loan with deferred payments totaling $2.3 million for a borrower in the hospitality industry, and consumer loans totaling $1.8 million. No such loans were deferred as of March 31, 2022. There were no chargeoffs related to troubled debt restructurings made during the three months ended March 31, 2022 and March 31, 2021. During the three months ended March 31, 2022 and March 31, 2021, no troubled debt restructured loans defaulted within 12 months of the modification date. A troubled debt restructuring is considered to be in default when payments are 90 days or more past due.

No loans on nonaccrual status were included in TDRs of $1,952 thousand at March 31, 2022 and $1,965 thousand at December 31, 2021.

A loan is considered collateral dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. Loans that were considered collateral dependent at March 31, 2022 included the following: five commercial real estate loans totaling $8.3 million secured by real property, $429 thousand of indirect consumer installment loans secured by personal property, and two residential real estate loans totaling $233 thousand secured by real property. There were no other collateral dependent loans at March 31, 2022. Loans that were considered collateral dependent at December 31, 2021 included the following: five commercial real estate loans totaling $8.4 million secured by real property, $394 thousand of indirect consumer installment loans secured by personal property, one commercial loan with a balance of $57 thousand secured by business assets, and three residential real estate loans totaling $420 thousand secured by real property. There were no other collateral dependent loans at December 31, 2021.

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Based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

At March 31, 2022									
	Term Loans Amortized Cost Basis by Origination Year						Total	Revolving Loans Amortized	
	Prior	2018	2019	2020	2021	2022	Term Loans	Cost Basis	Total
					(In thousands)				
Commercial loans by grade									
Pass	$37,077	$8,312	$15,699	$23,241	$84,028	$2,947	$171,304	$25,465	$196,769
Substandard	29	-	-	-	-	-	29	285	314
Doubtful	-	20	-	-	-	-	20	-	20
Loss	-	-	-	-	-	-	-	-	-
Total	$37,106	$8,332	$15,699	$23,241	$84,028	$2,947	$171,353	$25,750	$197,103

At December 31, 2021									
	Term Loans Amortized Cost Basis by Origination Year						Total	Revolving Loans Amortized	
	Prior	2017	2018	2019	2020	2021	Term Loans	Cost Basis	Total
					(In thousands)				
Commercial loans by grade									
Pass	$34,784	$3,999	$8,690	$16,919	$30,694	$98,799	$193,885	$38,825	$232,710
Substandard	32	-	-	-	-	57	89	291	380
Doubtful	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-
Total	$34,816	$3,999	$8,690	$16,919	$30,694	$98,856	$193,974	$39,116	$233,090

At March 31, 2022									
	Term Loans Amortized Cost Basis by Origination Year						Total	Revolving Loans Amortized	
	Prior	2018	2019	2020	2021	2022	Term Loans	Cost Basis	Total
					(In thousands)				
Commercial real estate loans by grade									
Pass	$171,334	$62,797	$77,546	$82,869	$75,998	$24,482	$495,026	$ -	$495,026
Substandard	10,836	-	840	819	124	-	12,619	-	12,619
Doubtful	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-
Total	$182,170	$62,797	$78,386	$83,688	$76,122	$24,482	$507,645	$ -	$507,645

At December 31, 2021									
	Term Loans Amortized Cost Basis by Origination Year						Total	Revolving Loans Amortized	
	Prior	2017	2018	2019	2020	2021	Term Loans	Cost Basis	Total
					(In thousands)				
Commercial real estate loans by grade									
Pass	$116,181	$87,921	$78,200	$78,647	$83,642	$76,709	$521,300	$ -	$521,300
Substandard	10,993	-	-	2,016	823	129	13,961	-	13,961
Doubtful	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-
Total	$127,174	$87,921	$78,200	$80,663	$84,465	$76,838	$535,261	$ -	$535,261

At March 31, 2022									
	Term Loans Amortized Cost Basis by Origination Year						Total	Revolving Loans Amortized	
	Prior	2018	2019	2020	2021	2022	Term Loans	Cost Basis	Total
					(In thousands)				
Residential Real Estate loans by grade									
Pass	$15,222	$ -	$ -	$ -	$ -	$ -	$15,222	$ -	$15,222
Substandard	1,240	-	-	-	-	-	1,240	-	1,240
Doubtful	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-
Total	$16,462	$ -	$ -	$ -	$ -	$ -	$16,462	$ -	$16,462

At December 31, 2021									
	Term Loans Amortized Cost Basis by Origination Year						Total	Revolving Loans Amortized	
	Prior	2017	2018	2019	2020	2021	Term Loans	Cost Basis	Total
					(In thousands)				
Residential Real Estate loans by grade									
Pass	$16,874	$ -	$ -	$ -	$ -	$ -	$16,874	$ -	$16,874
Substandard	1,259	-	-	-	-	-	1,259	-	1,259
Doubtful	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-
Total	$18,133	$ -	$ -	$ -	$ -	$ -	$18,133	$ -	$18,133

	At December 31, 2021								
	Term Loans Amortized Cost Basis by Origination Year						Total	Revolving Loans Amortized	
	Prior	2017	2018	2019	2020	2021	Term Loans	Cost Basis	Total
	(In thousands)								
Construction loans by grade									
Pass	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$48	$48
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$48	$48

The Company considers the delinquency and nonaccrual status of the consumer loan portfolio and its impact on the allowance for credit losses. The following table presents the amortized cost in consumer installment and other loans based on delinquency and nonaccrual status:

	At March 31, 2022								
	Term Loans Amortized Cost Basis by Origination Year						Total	Revolving Loans Amortized	
	Prior	2018	2019	2020	2021	2022	Term Loans	Cost Basis	Total
	(In thousands)								
Consumer installment and other loans by delinquency and nonaccrual status									
Current	$13,920	$22,391	$33,056	$51,824	$103,815	$29,207	$254,213	$21,799	$276,012
30-59 days past due	231	315	333	930	1,584	334	3,727	91	3,818
60-89 days past due	34	99	88	119	639	-	979	2	981
Past due 90 days or more	11	12	217	1	188	-	429	1	430
Nonaccrual	-	-	-	-	-	-	-	63	63
Total	$14,196	$22,817	$33,694	$52,874	$106,226	$29,541	$259,348	$21,956	$281,304

	At December 31, 2021								
	Term Loans Amortized Cost Basis by Origination Year						Total	Revolving Loans Amortized	
	Prior	2017	2018	2019	2020	2021	Term Loans	Cost Basis	Total
	(In thousands)								
Consumer installment and other loans by delinquency and nonaccrual status									
Current	$7,884	$10,162	$25,932	$37,999	$58,178	$113,899	$254,054	$22,739	$276,793
30-59 days past due	197	139	634	504	662	1,034	3,170	14	3,184
60-89 days past due	5	20	156	150	186	408	925	88	1,013
Past due 90 days or more	1	17	81	62	109	40	310	29	339
Nonaccrual	-	-	-	-	-	-	-	265	265
Total	$8,087	$10,338	$26,803	$38,715	$59,135	$115,381	$258,459	$23,135	$281,594

There were no loans held for sale at March 31, 2022 and December 31, 2021.

The Company held no other real estate owned (OREO) at March 31, 2022 and December 31, 2021. The amount of consumer mortgage loans outstanding secured by residential real estate properties for which formal foreclosure proceedings were in process was $62 thousand at March 31, 2022 and $247 thousand at December 31, 2021.

Note 5: Concentration of Credit Risk

Under the California Financial Code, credit extended to any one person owing to a commercial bank at any one time shall not exceed the following limitations: (a) unsecured loans shall not exceed 15 percent of the sum of the shareholders' equity, allowance for credit losses, capital notes, and debentures of the bank, or (b) secured and unsecured loans in all shall not exceed 25 percent of the sum of the shareholders' equity, allowance for credit losses, capital notes, and debentures of the bank. At March 31, 2022, the Bank did not have credit extended to any one entity exceeding these limits. At March 31, 2022, the Bank had 32 lending relationships each with aggregate amounts of $5 million or more. The Company has significant credit arrangements that are secured by real estate collateral. In addition to real estate loans outstanding as disclosed in Note 4, the Company had loan commitments related to real estate loans of $33,776 thousand and $34,226 thousand at March 31, 2022 and December 31, 2021, respectively. The Company requires collateral on all real estate loans with loan-to-value ratios at origination generally no greater than 75% on commercial real estate loans and no greater than 80% on residential real estate loans. At March 31, 2022, the Bank held corporate bonds in 109 issuing entities that exceeded $5 million for each issuer.

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Note 6: Other Assets and Other Liabilities

Other assets consisted of the following:

	At March 31, 2022	At December 31, 2021
	(In thousands)	
Cost method equity investments:		
Federal Reserve Bank stock [1]	$14,069	$14,069
Other investments	158	158
Total cost method equity investments	14,227	14,227
Life insurance cash surrender value	63,812	63,107
Net deferred tax asset	55,703	-
Right-of-use asset	17,456	17,980
Limited partnership investments	38,714	37,145
Interest receivable	34,643	35,521
Prepaid assets	4,289	4,757
Other assets	10,213	12,678
Total other assets	$239,057	$185,415

[1] A bank applying for membership in the Federal Reserve System is required to subscribe to stock in the Federal Reserve Bank (FRB) in its district in a sum equal to six percent of the bank's paid-up capital stock and surplus. One-half of the amount of the bank's subscription shall be paid to the FRB and the remaining half will be subject to call when deemed necessary by the Board of Governors of the Federal Reserve System.

The Company owns 211 thousand shares of Visa Inc. class B common stock which have transfer restrictions; the carrying value is $-0- thousand. On January 28, 2022, Visa Inc. disclosed a revised conversion rate applicable to its class B common stock in its Form 10-Q for the quarterly period ended December 31, 2021. The conversion rate of class B common stock into class A common stock, which is unrestricted and trades actively on the New York Stock Exchange, was reduced from 1.6228 to 1.6181 per share, effective as of December 29, 2021. Visa Inc. class A common stock had a closing price of $221.77 per share on March 31, 2022, the last day of stock market trading for the first quarter 2022. The ultimate value of the Company's Visa Inc. class B shares is subject to the extent of Visa Inc.'s future litigation escrow fundings, the resulting conversion rate to class A common stock, and current and future trading restrictions on the class B common stock.

The Company invests in flow-through limited liability entities that manage or invest in affordable housing projects that qualify for low-income housing tax credits. At March 31, 2022, these investments totaled $38,714 thousand and $28,641 thousand of this amount represents outstanding equity capital commitments that are included in other liabilities. At December 31, 2021, these investments totaled $37,145 thousand and $26,485 thousand of this amount represents outstanding equity capital commitments that are included in other liabilities. At March 31, 2022, the $28,641 thousand of outstanding equity capital commitments are expected to be paid as follows:$6,143 thousand in the remainder of 2022, $12,200 thousand in 2023, $9,169 thousand in 2024, $244 thousand in 2025, $128 thousand in 2026, $207 thousand in 2027, and $550 thousand in 2028 or thereafter.

The amounts recognized in net income for these investments include:

	For the Three Months Ended March 31, 2022	2021
	(In thousands)	
Investment loss included in pre-tax income	$1,431	$600
Tax credits recognized in provision for income taxes	804	200

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Other liabilities consisted of the following:

	At March 31, 2022	At December 31, 2021
	(In thousands)	
Net deferred tax liability	$ -	$2,501
Operating lease liability	17,456	17,980
Other liabilities	56,901	53,241
Total other liabilities	$74,357	$73,722

The Company has entered into leases for most branch locations and certain other offices that were classified as operating leases primarily with original terms of five years. Certain lease arrangements contain extension options, which can be exercised at the Company's option, for one or more additional five year terms. Unexercised extension options are not considered reasonably certain of exercise and have not been included in the lease term used to determine the lease liability or right-of-use asset. The Company did not have any finance leases as of March 31, 2022.

As of March 31, 2022, the Company's lease liability and right-of-use asset were $17,456 thousand. The weighted average remaining life of operating leases and weighted average discount rate used to determine operating lease liabilities were 4.1 years and 1.64%, respectively, at March 31, 2022. The Company did not have any material lease incentives, unamortized initial direct costs, prepaid lease expense, or accrued lease expense as of March 31, 2022.

Total lease costs were $1,633 thousand and $1,654 thousand in the three months ended March 31, 2022 and March 31, 2021, respectively, and were recorded within occupancy and equipment expense. The Company did not have any material short-term or variable leases costs or sublease income during the three months ended March 31, 2022 and March 31, 2021.

The following table summarizes the remaining lease payments of operating lease liabilities:

	Minimum future lease payments At March 31, 2022
	(In thousands)
The remainder of 2022	$4,362
2023	5,170
2024	3,584
2025	2,396
2026	986
Thereafter	1,478
Total minimum lease payments	17,976
Less: discount	(520)
Present value of lease liability	$17,456

Note 7: Goodwill and Identifiable Intangible Assets

The Company has recorded goodwill and other identifiable intangibles associated with purchase business combinations. Goodwill is not amortized, but is evaluated for impairment at least annually. The Company did not recognize impairment during the three months ended March 31, 2022 and year ended December 31, 2021. Identifiable intangibles are amortized to their estimated residual values over their expected useful lives. Such lives and residual values are also periodically reassessed to determine if any amortization period adjustments are indicated. During the three months ended March 31, 2022 and year ended December 31, 2021 no such adjustments were recorded.

The carrying values of goodwill were:

	At March 31, 2022	At December 31, 2021
	(In thousands)	
Goodwill	$121,673	$121,673

The gross carrying amount of identifiable intangible assets and accumulated amortization was:

	At March 31, 2022		At December 31, 2021	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(In thousands)			
Core deposit intangibles	$56,808	($56,037)	$56,808	($55,973)

As of March 31, 2022, the current period and estimated future amortization expense for identifiable intangible assets, to be fully amortized in 2025, was:

	Total Core Deposit Intangibles
	(In thousands)
For the three months ended March 31, 2022 (actual)	$64
The remainder of 2022	188
2023	236
2024	222
2025	125

Note 8: Deposits and Borrowed Funds

The following table provides additional detail regarding deposits.

	Deposits	
	At March 31, 2022	At December 31, 2021
	(In thousands)	
Noninterest-bearing	$3,000,268	$3,069,080
Interest-bearing:		
Transaction	1,279,165	1,260,869
Savings	1,984,719	1,940,395
Time deposits less than $100 thousand	71,350	72,527
Time deposits $100 thousand through $250 thousand	46,276	47,666
Time deposits more than $250 thousand	24,096	23,419
Total deposits	$6,405,874	$6,413,956

Demand deposit overdrafts of $784 thousand and $611 thousand were included as loan balances at March 31, 2022 and December 31, 2021, respectively. Interest expense for aggregate time deposits with individual account balances in excess of $100 thousand was $41 thousand in the three months ended March 31, 2022 and $78 thousand in the three months ended March 31, 2021.

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The following table provides additional detail regarding short-term borrowed funds.

	Repurchase Agreements (Sweep) Accounted for as Secured Borrowings	
	Remaining Contractual Maturity of the Agreements Overnight and Continuous	
	At March 31, 2022	At December 31, 2021
	(In thousands)	
Repurchase agreements:		
Collateral securing borrowings:		
Agency residential MBS	$37,446	$42,295
Corporate securities	234,922	254,005
Total collateral carrying value	$272,368	$296,300
Total short-term borrowed funds	$124,442	$146,246

Note 9: Fair Value Measurements

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Debt securities available for sale are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as other real estate owned, loans individually evaluated for credit loss, certain loans held for investment, debt securities held to maturity, and other assets. These nonrecurring fair value adjustments typically involve the lower-of-cost or fair-value accounting of individual assets.

In accordance with the Fair Value Measurement and Disclosure topic of the FASB Accounting Standards Codification, the Company bases its fair values on the price that would be received to sell an asset or paid to transfer a liability in the principal market or most advantageous market for an asset or liability in an orderly transaction between market participants on the measurement date under current market conditions. A fair value measurement reflects all of the assumptions that market participants would use in pricing the asset or liability, including assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset, and the risk of nonperformance.

The Company groups its assets and liabilities measured at fair value into a three-level hierarchy, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. When the valuation assumptions used to measure the fair value of the asset or liability are categorized within different levels of the fair value hierarchy, the asset or liability is categorized in its entirety within the lowest level of the hierarchy. These levels are:

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active exchange markets, such as the New York Stock Exchange. Level 1 includes U.S. Treasury and equity securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market. Level 2 includes mutual funds, federal agency securities, mortgage-backed securities, corporate securities, commercial paper, collateralized loan obligations, municipal bonds and securities of U.S government entities.

Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Company's estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The Company relies on independent vendor pricing services to measure fair value for equity securities, debt securities available for sale and debt securities held to maturity. The Company employs three pricing services. To validate the pricing of these vendors, the Company compares vendors' pricing for each of the securities for consistency; significant pricing differences, if any, are evaluated using all available independent quotes with the quote most closely reflecting the market generally used as the fair value estimate. In addition, the Company evaluates debt securities for credit losses on a quarterly basis. As with any valuation technique used to estimate fair value, changes in underlying assumptions used could significantly affect the results of current and future values. Accordingly, these fair value estimates may not be realized in an actual sale of the securities.

The Company regularly reviews the valuation techniques and assumptions used by its vendors and determines which valuation techniques are utilized based on observable market inputs for the type of securities being measured. The Company uses the information to determine the placement in the fair value hierarchy as level 1, 2 or 3.

Assets Recorded at Fair Value on a Recurring Basis

The tables below present assets measured at fair value on a recurring basis on the dates indicated.

	At March 31, 2022			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3) [(1)]
	(In thousands)			
Debt securities available for sale:				
Agency residential MBS	$363,181	$ -	$363,181	$ -
Securities of U.S. Government entities	110	-	110	-
Obligations of states and political subdivisions	89,595	-	89,595	-
Corporate securities	2,547,118	-	2,547,118	-
Collateralized loan obligations	1,616,584	-	1,616,584	-
Total debt securities available for sale	$4,616,588	$ -	$4,616,588	$ -

(1) There were no transfers in to or out of level 3 during the three months ended March 31, 2022.

	At December 31, 2021			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3) [(1)]
	(In thousands)			
Debt securities available for sale:				
Agency residential MBS	$411,726	$ -	$411,726	$ -
Securities of U.S. Government entities	119	-	119	-
Obligations of states and political subdivisions	93,920	-	93,920	-
Corporate securities	2,746,735	-	2,746,735	-
Collateralized loan obligations	1,386,355	-	1,386,355	-
Total debt securities available for sale	$4,638,855	$ -	$4,638,855	$ -

(1) There were no transfers in to or out of level 3 during the year ended December 31, 2021.

Assets Recorded at Fair Value on a Nonrecurring Basis

The Company may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from the application of lower-of-cost or fair-value accounting of individual assets. For assets measured at fair value on a nonrecurring basis that were recorded in the balance sheet at March 31, 2022 and December 31, 2021, the following tables provide the level of valuation assumptions used to determine each adjustment and the carrying value of the related assets at period end.

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	At Marchr 31, 2022				For the Three Months Ended March 31, 2022
	Carrying Value	Level 1	Level 2	Level 3	Total Losses
			(In thousands)		
Loans:					
Commercial real estate	$225	$ -	$ -	$225	$ -
Residential real estate	170	-	-	170	-
Total assets measured at fair value on a nonrecurring basis	$395	$ -	$ -	$395	$ -

	At December 31, 2021				For the Year Ended December 31, 2021
	Carrying Value	Level 1	Level 2	Level 3	Total Losses
			(In thousands)		
Loans:					
Commercial real estate	$225	$ -	$ -	$225	$ -
Residential real estate	172	-	-	172	-
Total assets measured at fair value on a nonrecurring basis	$397	$ -	$ -	$397	$ -

Level 3 – Valuation is based upon present value of expected future cash flows, independent market prices, estimated liquidation values of loan collateral or appraised value of the collateral as determined by third-party independent appraisers, less 10% for selling costs, generally. The unobservable inputs and qualitative information about the unobservable inputs are not presented as the inputs were not developed by the Company.

Disclosures about Fair Value of Financial Instruments

The tables below are a summary of fair value estimates for financial instruments and the level of the fair value hierarchy within which the fair value measurements are categorized, excluding financial instruments recorded at fair value on a recurring basis. The values assigned do not necessarily represent amounts which ultimately may be realized for assets or paid to settle liabilities. In addition, these values do not give effect to adjustments to fair value which may occur when financial instruments are sold or settled in larger quantities. The carrying amounts in the following tables are recorded in the balance sheet under the indicated captions.

The Company has not included assets and liabilities that are not financial instruments such as goodwill, long-term relationships with deposit, merchant processing and trust customers, other purchased intangibles, premises and equipment, deferred taxes, and other assets and liabilities. The total estimated fair values do not represent, and should not be construed to represent, the underlying value of the Company.

	At March 31, 2022				
	Carrying Amount	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:			(In thousands)		
Cash and due from banks	$1,037,593	$1,037,593	$1,037,593	$ -	$ -
Debt securities held to maturity	280,520	278,187	-	278,187	-
Loans	979,589	969,272	-	-	969,272
Financial Liabilities:					
Deposits	$6,405,874	$6,404,747	$ -	$6,264,152	$140,595
Short-term borrowed funds	124,442	124,442	-	124,442	-

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Financial Assets:	At December 31, 2021				
	Carrying Amount	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
			(In thousands)		
Cash and due from banks	$1,132,085	$1,132,085	$1,132,085	$ -	$ -
Debt securities held to maturity	306,396	312,562	-	312,562	-
Loans	1,044,612	1,059,072	-	-	1,059,072
Financial Liabilities:					
Deposits	$6,413,956	$6,413,244	$ -	$6,270,344	$142,900
Short-term borrowed funds	146,246	146,246	-	146,246	-

The majority of the Company's standby letters of credit and other commitments to extend credit carry current market interest rates if converted to loans. No premium or discount was ascribed to these commitments because virtually all funding would be at current market rates.

Note 10: Commitments and Contingent Liabilities

Loan commitments are agreements to lend to a customer provided there is no violation of any condition established in the agreement. Certain agreements provide the Company the right to cancel or reduce its obligations to lend to customers. The portions that are not cancellable unconditionally by the Company aggregated $33,776 thousand at March 31, 2022. Commitments generally have fixed expiration dates or other termination clauses. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future funding requirements. Loan commitments are subject to the Company's normal credit policies and collateral requirements. Unfunded loan commitments were $242,550 thousand at March 31, 2022 and $233,850 thousand at December 31, 2021. Standby letters of credit commit the Company to make payments on behalf of customers when certain specified future events occur. Standby letters of credit are primarily issued to support customers' short-term financing requirements and must meet the Company's normal credit policies and collateral requirements. Financial and performance standby letters of credit outstanding totaled $3,583 thousand at March 31, 2022 and $3,693 thousand at December 31, 2021. Commitments for commercial and similar letters of credit totaled $95 thousand at March 31, 2022 and December 31, 2021. The Company had $580 thousand in outstanding full recourse guarantees to a third party credit card company at March 31, 2022 and December 31, 2021. At March 31, 2022, the Company had a reserve for unfunded commitments of $201 thousand for the above-mentioned loan commitments of $33,776 thousand that are not cancellable unconditionally by the Company. The Company's reserve for unfunded commitments was $201 thousand at December 31, 2021. The reserve for unfunded commitments is included in other liabilities.

The Company determined that it will be obligated to provide refunds of revenue recognized in years prior to 2018 to some customers. The Company initially estimated the probable amount of these obligations to be $5,542 thousand and accrued a liability for such amount in 2017; based on additional information received in the second quarter 2019, the Company increased such liability to $5,843 thousand by recognizing an expense of $301 thousand. The Company paid $452 thousand during the year ended December 31, 2021 to customers eligible for refunds. The remaining accrued obligations at March 31, 2022 totaled $982 thousand, included in other liabilities.

Due to the nature of its business, the Company is subject to various threatened or filed legal cases. Based on the advice of legal counsel, the Company does not expect such cases will have a material, adverse effect on its financial position or results of operations. Legal liabilities are accrued when obligations become probable and the amount can be reasonably estimated.

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Note 11: Earnings Per Common Share

The table below shows earnings per common share and diluted earnings per common share. Basic earnings per common share are computed by dividing net income by the average number of common shares outstanding during the period. Diluted earnings per common share are computed by dividing net income by the average number of common shares outstanding during the period plus the impact of common stock equivalents.

	For the Three Months Ended March 31,	
	2022	**2021**
	(In thousands, except per share data)	
Net income (numerator)	$22,616	$20,147
Basic earnings per common share		
Weighted average number of common shares outstanding - basic (denominator)	26,870	26,821
Basic earnings per common share	$0.84	$0.75
Diluted earnings per common share		
Weighted average number of common shares outstanding - basic	26,870	26,821
Add common stock equivalents for options	15	21
Weighted average number of common shares outstanding - diluted (denominator)	26,885	26,842
Diluted earnings per common share	$0.84	$0.75

For the three months ended March 31, 2022 and 2021, options to purchase 802 thousand and 598 thousand shares of common stock, respectively, were outstanding but not included in the computation of diluted earnings per share because the option exercise price exceeded the fair value of the stock such that their inclusion would have had an anti-dilutive effect.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

WESTAMERICA BANCORPORATION
FINANCIAL SUMMARY

	For the Three Months Ended		
	March 31,		December 31,
	2022	**2021**	**2021**
	(In thousands, except per share data)		
Net Interest and Fee Income (FTE)[1]	$43,807	$42,583	$43,117
Provision for Credit Losses	-	-	-
Noninterest Income	11,576	10,189	10,842
Noninterest Expense	24,875	24,906	23,912
Income Before Income Taxes (FTE)[1]	30,508	27,866	30,047
Provision for Income Taxes (FTE)[1]	7,892	7,719	8,327
Net Income	$22,616	$20,147	$21,720
Average Common Shares Outstanding	26,870	26,821	26,866
Average Diluted Common Shares Outstanding	26,885	26,842	26,875
Common Shares Outstanding at Period End	26,883	26,864	26,866
Per Common Share:			
Basic Earnings	$0.84	$0.75	$0.81
Diluted Earnings	0.84	0.75	0.81
Book Value Per Common Share	26.10	30.23	30.79
Financial Ratios:			
Return On Assets	1.24%	1.23%	1.17%
Return On Common Equity	11.82%	11.11%	11.24%
Net Interest Margin (FTE)[1]	2.51%	2.74%	2.49%
Net Loan Chargeoffs to Average Loans	0.23%	0.12%	0.13%
Efficiency Ratio[2]	44.9%	47.2%	44.3%
Average Balances:			
Assets	$7,406,321	$6,650,164	$7,334,977
Loans	1,029,724	1,251,540	1,097,698
Investments	4,947,846	4,440,621	4,866,476
Deposits	6,393,458	5,748,070	6,349,137
Shareholders' Equity	776,225	735,496	766,358
Period End Balances:			
Assets	$7,306,417	$6,912,481	$7,461,026
Loans	1,002,514	1,293,756	1,068,126
Investments	4,897,115	4,459,838	4,945,258
Deposits	6,405,874	5,923,833	6,413,956
Shareholders' Equity	701,744	812,132	827,102
Capital Ratios at Period End:			
Total Risk Based Capital	15.60%	16.88%	15.47%
Tangible Equity to Tangible Assets	8.06%	10.15%	9.60%
Dividends Paid Per Common Share	$0.42	$0.41	$0.42
Common Dividend Payout Ratio	50%	55%	52%

The above financial summary has been derived from the Company's unaudited consolidated financial statements. This information should be read in conjunction with those statements, notes and the other information included elsewhere herein. Percentages under the heading "Financial Ratios" are annualized with the exception of the efficiency ratio.

(1) Yields on securities and certain loans have been adjusted upward to an FTE basis in order to reflect the effect of income which is exempt from federal income taxation at the current statutory tax rate.

(2) The efficiency ratio is defined as noninterest expense divided by total revenue (net interest income on an FTE basis and noninterest income).

Financial Overview

Westamerica Bancorporation and subsidiaries' (collectively, the "Company") reported net income of $22.6 million or $0.84 diluted earnings per common share ("EPS"), including a $1.2 million reconciling payment from a payments network. First quarter 2022 results compare with net income of $20.1 million or $0.75 EPS for the first quarter 2021 and $21.7 million or $0.81 EPS for the fourth quarter 2021.

The Company's primary and wholly-owned subsidiary, Westamerica Bank (the "Bank"), supported its customers during the COVID-19 pandemic. The Bank originated loans under the Paycheck Protection Program ("PPP"). PPP loans meaningfully increased related loan interest and fee income.

In response to the pandemic, the Federal Reserve has engaged significant levels of monetary policy to provide liquidity and credit facilities to the financial markets. The Federal Open Market Committee ("FOMC") kept interest rates near zero since March 2020. On March 17, 2022, the FOMC increased the target range by 0.25% for the federal funds rate to 0.50 percent, the first interest rate increase since 2018. The FOMC projected additional interest rate increases over the course of 2022 as inflation has reached a 40-year high. The FOMC increased the interest rate paid on excess reserve balances to 0.40 percent effective March 17, 2022. The Bank maintains deposit balances at the Federal Reserve Bank; the amount that earns interest is identified in the Company's financial statements as "interest-bearing cash".

The Company presents its net interest margin and net interest income on a fully taxable equivalent ("FTE") basis using the current statutory federal tax rate. Management believes the FTE basis is valuable to the reader because the Company's loan and investment securities portfolios contain a relatively large portion of municipal loans and securities that are federally tax exempt. The Company's tax exempt loans and securities composition may not be similar to that of other banks, therefore in order to reflect the impact of the federally tax exempt loans and securities on the net interest margin and net interest income for comparability with other banks, the Company presents its net interest margin and net interest income on an FTE basis.

The Company's significant accounting policies (see Note 1, "Summary of Significant Accounting Policies," to Financial Statements in the Company's 2021 Form 10-K and Note 2 "Summary of Significant Accounting Policies" in this Form 10-Q) are fundamental to understanding the Company's results of operations and financial condition. Certain risks, uncertainties and other factors, including those discussed in "Risk Factors" in Part I – Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2021 may cause actual future results to differ materially from the results discussed in this report on Form 10-Q. Management continues to evaluate the impacts of the COVID-19 pandemic, inflation, the Federal Reserve's monetary policy, climate changes, the war in Ukraine on the Company's business and its customers. The extent of the impact on the Company's results of operations, cash flow liquidity, and financial performance, as well as the Company's ability to execute near- and long-term business strategies and initiatives, will depend on numerous evolving factors and future developments, which are highly uncertain and cannot be reasonably predicted.

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Net Income

Following is a summary of the components of net income for the periods indicated:

	For the Three Months Ended		
	March 31,		December 31,
	2022	**2021**	**2021**
	(In thousands, except per share data)		
Net interest and loan fee income (FTE)	$43,807	$42,583	$43,117
Provision for credit losses	-	-	-
Noninterest income	11,576	10,189	10,842
Noninterest expense	24,875	24,906	23,912
Income before taxes (FTE)	30,508	27,866	30,047
Income tax provision (FTE)	7,892	7,719	8,327
Net income	$22,616	$20,147	$21,720
Average diluted common shares	26,885	26,842	26,875
Diluted earnings per common share	$0.84	$0.75	$0.81
Average total assets	$7,406,321	$6,650,164	$7,334,977
Net income to average total assets (annualized)	1.24%	1.23%	1.17%
Net income to average common shareholders' equity (annualized)	11.82%	11.11%	11.24%

Net income for the first quarter 2022 increased $2.5 million compared with the first quarter 2021. Net interest and loan fee income (FTE) increased $1.2 million in the first quarter 2022 compared with the first quarter 2021 due to higher average balances of investment securities and interest-bearing cash and higher yield on loans, partially offset by lower average balances of loans and lower yield on investment securities. The provision for credit losses was zero for the first quarter 2022 and the first quarter 2021, reflecting Management's estimate of reserves needed over the remaining life of its loans and investment securities. First quarter 2022 noninterest income increased $1.4 million compared with first quarter 2021 primarily due to a $1.2 million reconciling payment from a payments network. First quarter 2022 noninterest expense did not materially change compared with the first quarter 2021. The tax rate (FTE) was 25.9% for the first quarter 2022 and 27.7% for the first quarter 2021. The lower first quarter 2022 tax rate was primarily attributable to higher estimated tax credits from limited partnership investments in low-income housing.

Net income for the first quarter 2022 increased $896 thousand compared with the fourth quarter 2021. Net interest and loan fee income (FTE) increased $690 thousand in the first quarter 2022 compared with the fourth quarter 2021 due to higher average balances of investment securities and interest-bearing cash and higher yield on interest earning assets, partially offset by lower average balances of loans. The provision for credit losses was zero for the first quarter 2022 and the fourth quarter 2021, reflecting Management's estimate of reserves needed over the remaining life of its loans and investment securities. First quarter 2022 noninterest income increased $734 thousand compared with fourth quarter 2021 primarily due to a $1.2 million reconciling payment from a payments network. First quarter 2022 noninterest expense increased $963 thousand compared with the fourth quarter 2021 due to the seasonal increase in payroll taxes and salary adjustments to comply with California minimum wage laws. The tax rate (FTE) was 25.9% for the first quarter 2022 and 27.7% for the fourth quarter 2021. The lower first quarter 2022 tax rate was primarily attributable to higher estimated tax credits from limited partnership investments in low-income housing.

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Net Interest and Loan Fee Income (FTE)

Following is a summary of the components of net interest and loan fee income (FTE) for the periods indicated:

	For the Three Months Ended		
	March 31,		December 31,
	2022	**2021**	**2021**
		(In thousands)	
Interest and loan fee income	$43,759	$42,316	$43,041
Interest expense	480	475	504
FTE adjustment	528	742	580
Net interest and loan fee income (FTE)	$43,807	$42,583	$43,117
Average earning assets	$6,998,234	$6,244,622	$6,919,528
Net interest margin (FTE) (annualized)	2.51%	2.74%	2.49%

Net interest and loan fee income (FTE) increased $1.2 million in the first quarter 2022 compared with the first quarter 2021 due to higher average balances of investment securities (up $507 million) and interest-bearing cash (up $468 million) and higher yield on loans (up 0.38%), partially offset by lower average balances of loans (down $222 million) and lower yield on investment securities (down 0.05%).

Net interest and loan fee income (FTE) increased $690 thousand in the first quarter 2022 compared with the fourth quarter 2021 due to higher average balances of investment securities (up $81 million) and interest-bearing cash (up $65 million) and higher yield on interest earning assets (up 0.02%), partially offset by lower average balances of loans (down $68 million).

The annualized net interest margin (FTE) was 2.51% in the first quarter 2022 compared with 2.74% in the first quarter 2021 and 2.49% in the fourth quarter 2021.

The Company’s funding costs were 0.03% in the first quarter 2022 and the first and fourth quarters of 2021. Average balances of checking and saving deposits accounted for 97.8% of average total deposits in the first quarter 2022, 97.3% in the first quarter 2021 and 97.7% in the fourth quarter 2021.

Net Interest Margin (FTE)

The following summarizes the components of the Company's net interest margin (FTE) for the periods indicated (percentages are annualized.)

	For the Three Months Ended		
	March 31,		December 31,
	2022	**2021**	**2021**
Yield on earning assets (FTE)	2.54%	2.77%	2.52%
Rate paid on interest-bearing liabilities	0.05%	0.06%	0.06%
Net interest spread (FTE)	2.49%	2.71%	2.46%
Impact of noninterest-bearing funds	0.02%	0.03%	0.03%
Net interest margin (FTE)	2.51%	2.74%	2.49%

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Summary of Average Balances, Yields/Rates and Interest Differential

The following tables present information regarding the consolidated average assets, liabilities and shareholders' equity, the amounts of interest income earned from average interest earning assets and the resulting yields, and the amounts of interest expense incurred on average interest-bearing liabilities and the resulting rates. Average loan balances include nonperforming loans. Interest income includes the reversal of previously accrued interest on loans placed on non-accrual status during the period, proceeds from loans on nonaccrual status only to the extent cash payments have been received and applied as interest income, and accretion of purchased loan discounts. Yields, rates and interest margins are annualized.

Distribution of Assets, Liabilities & Shareholders' Equity and Yields, Rates & Interest Margin

	For the Three Months Ended March 31, 2022		
	Average Balance	Interest Income/ Expense	Yields/ Rates
		($ in thousands)	
Assets			
Investment securities:			
Taxable	$4,710,561	$28,733	2.44%
Tax-exempt [1]	237,285	2,037	3.43%
Total investments [1]	4,947,846	30,770	2.49%
Loans:			
Taxable			
Paycheck Protection Program ("PPP") loans	35,871	849	9.60%
Other taxable	946,660	11,733	5.03%
Total taxable	982,531	12,582	5.19%
Tax-exempt [1]	47,193	456	3.92%
Total loans [1]	1,029,724	13,038	5.14%
Total interest-bearing cash	1,020,664	479	0.19%
Total Interest-earning assets [1]	6,998,234	44,287	2.54%
Other assets	408,087		
Total assets	$7,406,321		
Liabilities and shareholders' equity			
Noninterest-bearing demand	$3,005,065	$-	- %
Savings and interest-bearing transaction	3,245,192	371	0.05%
Time less than $100,000	79,029	40	0.21%
Time $100,000 or more	64,172	41	0.26%
Total interest-bearing deposits	3,388,393	452	0.05%
Short-term borrowed funds	157,753	28	0.07%
Total interest-bearing liabilities	3,546,146	480	0.05%
Other liabilities	78,885		
Shareholders' equity	776,225		
Total liabilities and shareholders' equity	$7,406,321		
Net interest spread [1] [2]			2.49%
Net interest and fee income and interest margin [1] [3]		$43,807	2.51%

[1] Amounts calculated on an FTE basis using the current statutory federal tax rate.

[2] Net interest spread represents the average yield earned on interest-earning assets less the average rate incurred on interest-bearing liabilities.

[3] Net interest margin is computed by calculating the difference between interest income and expense, divided by the average balance of interest-earning assets. The net interest margin is greater than the net interest spread due to the benefit of noninterest-bearing demand deposits.

Distribution of Assets, Liabilities & Shareholders' Equity and Yields, Rates & Interest Margin

	For the Three Months Ended March 31, 2021		
	Average Balance	Interest Income/ Expense	Yields/ Rates
		($ in thousands)	
Assets			
Investment securities:			
Taxable	$4,079,472	$25,198	2.47%
Tax-exempt (1)	361,149	3,038	3.36%
Total investments (1)	4,440,621	28,236	2.54%
Loans:			
Taxable			
Paycheck Protection Program ("PPP") loans	188,971	1,853	3.98%
Other taxable	1,011,975	12,339	4.95%
Total taxable	1,200,946	14,192	4.79%
Tax-exempt (1)	50,594	492	3.94%
Total loans (1)	1,251,540	14,684	4.76%
Total interest-bearing cash	552,461	138	0.10%
Total Interest-earning assets (1)	6,244,622	43,058	2.77%
Other assets	405,542		
Total assets	$6,650,164		
Liabilities and shareholders' equity			
Noninterest-bearing demand	$2,713,632	$-	- %
Savings and interest-bearing transaction	2,877,575	339	0.05%
Time less than $100,000	85,622	42	0.20%
Time $100,000 or more	71,241	78	0.44%
Total interest-bearing deposits	3,034,438	459	0.06%
Short-term borrowed funds	95,575	16	0.07%
Other borrowed funds	214	-	0.35%
Total interest-bearing liabilities	3,130,227	475	0.06%
Other liabilities	70,809		
Shareholders' equity	735,496		
Total liabilities and shareholders' equity	$6,650,164		
Net interest spread (1) (2)			2.71%
Net interest and fee income and interest margin (1) (3)		$42,583	2.74%

(1) Amounts calculated on an FTE basis using the current statutory federal tax rate.

(2) Net interest spread represents the average yield earned on interest-earning assets less the average rate incurred on interest-bearing liabilities.

(3) Net interest margin is computed by calculating the difference between interest income and expense, divided by the average balance of interest-earning assets. The net interest margin is greater than the net interest spread due to the benefit of noninterest-bearing demand deposits.

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Distribution of Assets, Liabilities & Shareholders' Equity and Yields, Rates & Interest Margin

	For the Three Months Ended December 31, 2021		
	Average Balance	Interest Income/ Expense	Yields/ Rates
		($ in thousands)	
Assets			
Investment securities:			
Taxable	$4,603,761	$27,765	2.41%
Tax-exempt [1]	262,715	2,267	3.45%
Total investments [1]	4,866,476	30,032	2.47%
Loans:			
Taxable			
PPP loans	68,870	1,208	6.96%
Other taxable	980,198	11,543	4.67%
Total taxable	1,049,068	12,751	4.82%
Tax-exempt [1]	48,630	472	3.85%
Total loans [1]	1,097,698	13,223	4.78%
Total interest-bearing cash	955,354	366	0.15%
Total Interest-earning assets [1]	6,919,528	43,621	2.52%
Other assets	415,449		
Total assets	$7,334,977		
Liabilities and shareholders' equity			
Noninterest-bearing demand	$3,022,787	$-	- %
Savings and interest-bearing transaction	3,179,605	377	0.05%
Time less than $100,000	80,825	41	0.20%
Time $100,000 or more	65,920	61	0.37%
Total interest-bearing deposits	3,326,350	479	0.06%
Short-term borrowed funds	141,761	25	0.07%
Total interest-bearing liabilities	3,468,111	504	0.06%
Other liabilities	77,721		
Shareholders' equity	766,358		
Total liabilities and shareholders' equity	$7,334,977		
Net interest spread [1] [2]			2.46%
Net interest and fee income and interest margin [1] [3]		$43,117	2.49%

[1] Amounts calculated on an FTE basis using the current statutory federal tax rate.

[2] Net interest spread represents the average yield earned on interest-earning assets less the average rate incurred on interest-bearing liabilities.

[3] Net interest margin is computed by calculating the difference between interest income and expense, divided by the average balance of interest-earning assets. The net interest margin is greater than the net interest spread due to the benefit of noninterest-bearing demand deposits.

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Summary of Changes in Interest Income and Expense due to Changes in Average Asset & Liability Balances and Yields Earned & Rates Paid

The following tables set forth a summary of the changes in interest income and interest expense due to changes in average assets and liability balances (volume) and changes in average interest yields/rates for the periods indicated. Changes not solely attributable to volume or yields/rates have been allocated in proportion to the respective volume and yield/rate components.

Summary of Changes in Interest Income and Expense

	For the Three Months Ended March 31, 2022 Compared with For the Three Months Ended March 31, 2021		
	Volume	Yield/Rate	Total
		(In thousands)	
Increase (decrease) in interest and loan fee income:			
Investment securities:			
Taxable	$3,898	($363)	$3,535
Tax-exempt [1]	(1,042)	41	(1,001)
Total investments [1]	2,856	(322)	2,534
Loans:			
Taxable:			
PPP loans	(3,624)	2,620	(1,004)
Other	(795)	189	(606)
Total taxable	(4,419)	2,809	(1,610)
Tax-exempt [1]	(33)	(3)	(36)
Total loans [1]	(4,452)	2,806	(1,646)
Total interest-bearing cash	117	224	341
Total (decrease) increase in interest and loan fee income [1]	(1,479)	2,708	1,229
Increase (decrease) in interest expense:			
Deposits:			
Savings and interest-bearing transaction	43	(11)	32
Time less than $100,000	(3)	1	(2)
Time $100,000 or more	(8)	(29)	(37)
Total interest-bearing deposits	32	(39)	(7)
Short-term borrowed funds	10	2	12
Total increase (decrease) in interest expense	42	(37)	5
(Decrease) increase in net interest and loan fee income [1]	($1,521)	$2,745	$1,224

[1] Amounts calculated on an FTE basis using the current statutory federal tax rate.

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Summary of Changes in Interest Income and Expense

	For the Three Months Ended March 31, 2022 Compared with For the Three Months Ended December 31, 2021		
	Volume	Yield/Rate	Total
	(In thousands)		
Increase (decrease) in interest and loan fee income:			
Investment securities:			
Taxable	$644	$324	$968
Tax-exempt [1]	(219)	(11)	(230)
Total investments [1]	425	313	738
Loans:			
Taxable:			
PPP loans	(806)	447	(359)
Other	(476)	666	190
Total taxable	(1,282)	1,113	(169)
Tax-exempt [1]	(21)	5	(16)
Total loans [1]	(1,303)	1,118	(185)
Total interest-bearing cash	25	88	113
Total (decrease) increase in interest and loan fee income [1]	(853)	1,519	666
Increase (decrease) in interest expense:			
Deposits:			
Savings and interest-bearing transaction	3	(9)	(6)
Time less than $100,000	(1)	-	(1)
Time $100,000 or more	(2)	(18)	(20)
Total interest-bearing deposits	-	(27)	(27)
Short-term borrowed funds	2	1	3
Total increase (decrease) in interest expense	2	(26)	(24)
(Decrease) increase in net interest and loan fee income [1]	($855)	$1,545	$690

[1] Amounts calculated on an FTE basis using the current statutory federal tax rate.

Provision for Credit Losses

The Company manages credit risk by enforcing conservative underwriting and administration procedures and aggressively pursuing collection efforts with debtors experiencing financial difficulties. The provision for credit losses reflects Management's assessment of credit risk in the loan portfolio and debt securities held to maturity during each of the periods presented.

The Company provided no provision for credit losses in the first quarter 2022 and the first quarter 2021, based on Management’s estimate of reserves needed over the remaining life of its loans and investments. For further information regarding credit risk, net credit losses, and the allowance for credit losses, see the “Loan Portfolio Credit Risk” and “Allowance for Credit Losses” sections of this Report.

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Noninterest Income

The following table summarizes the components of noninterest income for the periods indicated.

	For the Three Months Ended		
	March 31,		December 31,
	2022	2021	2021
	(In thousands)		
Service charges on deposit accounts	$3,582	$3,304	$3,580
Merchant processing services	2,623	2,560	3,000
Debit card fees	2,872	1,601	1,727
Trust fees	843	801	844
ATM processing fees	451	601	488
Other service fees	449	469	449
Financial services commissions	117	70	96
Other noninterest income	639	783	658
Total	$11,576	$10,189	$10,842

First quarter 2022 noninterest income increased $1.4 million compared with first quarter 2021 primarily due to a $1.2 million reconciling payment from a payments network in the first quarter 2022. Service charges on deposit accounts increased $278 thousand due to increased fee income on overdrawn accounts and fee income on analyzed deposit accounts.

First quarter 2022 noninterest income increased $734 thousand compared with fourth quarter 2021 primarily due to a $1.2 million reconciling payment from a payments network in the first quarter 2022.

Noninterest Expense

The following table summarizes the components of noninterest expense for the periods indicated.

	For the Three Months Ended		
	March 31,		December 31,
	2022	2021	2021
	(In thousands)		
Salaries and related benefits	$11,920	$12,665	$11,436
Occupancy and equipment	4,746	4,880	4,692
Outsourced data processing services	2,437	2,390	2,357
Professional fees	736	942	757
Courier service	582	504	572
Amortization of identifiable intangibles	64	69	65
Other noninterest expense	4,390	3,456	4,033
Total	$24,875	$24,906	$23,912

Noninterest expense decreased $31 thousand in the first quarter 2022 compared with the first quarter 2021. Salaries and related benefits decreased $745 thousand due to attrition. Other noninterest expense increased $934 thousand due to higher estimated operating losses on limited partnership investments in low-income housing.

Noninterest expense increased $963 thousand in the first quarter 2022 compared with the fourth quarter 2021. Salaries and related benefits increased $484 thousand due to the seasonal increase in payroll taxes, wage and salary adjustments to comply with California minimum wage laws. Other noninterest expense increased $357 thousand due to higher estimated operating losses on limited partnership investments in low-income housing.

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Provision for Income Tax

The Company's income tax provision (FTE) was $7.9 million for the first quarter 2022 compared with $7.7 million for the first quarter 2021 and $8.3 million for the fourth quarter 2021, representing effective tax rates (FTE) of 25.9%, 27.7% and 27.7%, respectively. The lower first quarter 2022 tax rate was primarily attributable to higher estimated tax credits from limited partnership investments in low-income housing.

Investment Securities Portfolio

The Company maintains an investment securities portfolio consisting of securities issued by state and political subdivisions and corporations, collateralized loan obligations, agency and non-agency issued mortgage backed securities, and other securities.

Management manages the investment securities portfolio in response to changes in deposit and loan volumes. The carrying value of the Company's investment securities portfolio was $4.9 billion at March 31, 2022 and December 31, 2021. The following table lists debt securities in the Company's portfolio by type as of the indicated dates. Debt securities held to maturity are listed at amortized cost before related reserve for expected credit losses of $7 thousand. Debt securities available for sale are listed at fair value.

	At March 31, 2022		At December 31, 2021	
	Carrying Value	As a percent of total investment securities	Carrying Value	As a percent of total investment securities
	($ in thousands)			
Agency mortgage-backed securities	$496,935	10%	$559,358	11%
Obligations of states and political subdivisions	236,368	5%	251,933	5%
Corporate securities	2,547,118	52%	2,746,735	56%
Collateralized loan obligations	1,616,584	33%	1,386,355	28%
Other	110	- %	877	- %
Total	$4,897,115	100%	$4,945,258	100%
Debt securities available for sale	$4,616,588		$4,638,855	
Debt securities held to maturity	280,527		306,403	
Total	$4,897,115		$4,945,258	

Management continually evaluates the Company's investment securities portfolio in response to established asset/liability management objectives, changing market conditions that could affect profitability, liquidity, and the level of interest rate risk to which the Company is exposed. These evaluations may cause Management to change the level of funds the Company deploys into investment securities and change the composition of the Company's investment securities portfolio.

At March 31, 2022, substantially all of the Company's investment securities were investment grade as rated by one or more major rating agencies. In addition to monitoring credit rating agency evaluations, Management performs its own evaluations regarding the credit worthiness of the issuer or the securitized assets underlying asset-backed securities. The Company's procedures for evaluating investments in securities are in accordance with guidance issued by the Board of Governors of the Federal Reserve System, "Investing in Securities without Reliance on Nationally Recognized Statistical Rating Agencies" (SR 12-15) and other regulatory guidance. There were no significant differences in the Company's internal analyses compared with the ratings assigned by the third party credit rating agencies with respect to the reported periods.

The Company had no marketable equity securities at March 31, 2022 and December 31, 2021.

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The following table summarizes total corporate securities by credit rating:

	At March 31, 2022		At December 31, 2021	
	Market value	As a percent of total corporate securities	Market value	As a percent of total corporate securities
	($ in thousands)			
AAA	$21,074	1%	$21,400	1%
AA+	20,114	1%	20,479	1%
AA	19,472	1%	19,781	1%
AA-	101,651	4%	105,373	4%
A+	112,424	5%	128,325	5%
A	490,549	19%	539,062	19%
A-	593,749	23%	628,089	23%
BBB+	765,321	29%	797,860	29%
BBB	422,764	17%	474,648	17%
BBB-	-	-%	11,718	-%
Total Corporate securities	$2,547,118	100%	$2,746,735	100%

The following table summarizes total corporate securities by the industry sector in which the issuing companies operate:

	At March 31, 2022		At December 31, 2021	
	Market value	As a percent of total corporate securities	Market value	As a percent of total corporate securities
	($ in thousands)			
Financial	$1,330,497	52%	$1,421,317	52%
Consumer, Non-cyclical	264,366	11%	271,069	10%
Industrial	205,897	8%	217,065	8%
Utilities	161,904	6%	208,522	7%
Communications	152,703	6%	161,537	6%
Technology	121,979	5%	127,853	5%
Consumer, Cyclical	109,387	4%	125,686	4%
Basic Materials	107,367	4%	114,964	4%
Energy	93,018	4%	98,722	4%
Total Corporate securities	$2,547,118	100%	$2,746,735	100%

The following table summarizes total corporate securities by the location of the issuers' headquarters; all the bonds are denominated in United States dollars:

	At March 31, 2022	
	Market value	As a percent of total corporate securities
	($ in thousands)	
United States of America	$1,784,820	70%
United Kingdom	216,905	9%
Japan	182,562	7%
Switzerland	97,906	4%
France	96,218	4%
Netherlands	52,852	2%
Canada	33,922	1%
Germany	33,742	1%
Australia	26,006	1%
Belgium	22,185	1%
Total Corporate securities	$2,547,118	100%

The Company's $1.6 billion (fair value) in collateralized loan obligations at March 31, 2022, consist of investments in 170 issues that are within the senior tranches of their respective fund securitization structures. The following table summarizes total collateralized loan obligations by credit rating:

	At March 31, 2022	
	Amortized Cost	Fair Value
	(In thousands)	
AAA	$550,394	$550,397
AA	1,066,724	1,066,187
Total	$1,617,118	$1,616,584

The following tables summarize the total general obligation and revenue bonds issued by states and political subdivisions held in the Company's investment securities portfolios as of the dates indicated, identifying the state in which the issuing government municipality or agency operates.

At March 31, 2022, the Company's investment securities portfolios included securities issued by 187 state and local government municipalities and agencies located within 33 states. The largest exposure to any one municipality or agency was $7.2 million (fair value) represented by five general obligation bonds.

	At March 31, 2022	
	Amortized Cost	Fair Value
	(In thousands)	
Obligations of states and political subdivisions:		
General obligation bonds:		
California	$48,156	$48,341
Washington	13,427	13,484
Texas	11,619	11,621
Arizona	9,220	9,288
Other (24 states)	90,254	90,344
Total general obligation bonds	$172,676	$173,078
Revenue bonds:		
California	$14,903	$14,824
Kentucky	8,842	8,888
Virginia	7,570	7,641
Colorado	6,157	6,191
Indiana	5,743	5,767
Other (10 states)	20,701	20,790
Total revenue bonds	63,916	64,101
Total obligations of states and political subdivisions	$236,592	$237,179

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At December 31, 2021, the Company’s investment securities portfolios included securities issued by 197 state and local government municipalities and agencies located within 33 states. The largest exposure to any one municipality or agency was $7.4 million (fair value) represented by five general obligation bonds.

	At December 31, 2021	
	Amortized Cost	Fair Value
	(In thousands)	
Obligations of states and political subdivisions:		
General obligation bonds:		
California	$48,332	$49,829
Washington	13,460	13,924
Texas	11,653	12,024
Other (27 states)	110,722	114,132
Total general obligation bonds	$184,167	$189,909
Revenue bonds:		
California	$14,912	$15,208
Kentucky	8,846	9,093
Virginia	7,576	7,809
Colorado	6,158	6,241
Indiana	5,747	5,821
Other (12 states)	20,714	20,934
Total revenue bonds	63,953	65,106
Total obligations of states and political subdivisions	$248,120	$255,015

At March 31, 2022 and December 31, 2021, the revenue bonds in the Company’s investment securities portfolios were issued by state and local government municipalities and agencies to fund public services such as water utility, sewer utility, recreational and school facilities, and general public and economic improvements. The revenue bonds were payable from 14 revenue sources at March 31, 2022 and December 31, 2021. The revenue sources that represent 5% or more individually of the total revenue bonds are summarized in the following tables.

	At March 31, 2022	
	Amortized Cost	Fair Value
	(In thousands)	
Revenue bonds by revenue source:		
Water	$10,123	$10,174
Sewer	8,507	8,568
Sales tax	8,196	8,237
Lease (renewal)	6,966	6,994
Lease (abatement)	6,912	6,934
Lease (appropriation)	4,562	4,572
Special Assessment	4,080	3,957
Intergovernmental Agreement	3,861	3,895
Other (6 sources)	10,709	10,770
Total revenue bonds by revenue source	$63,916	$64,101

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	At December 31, 2021	
	Amortized Cost	Fair Value
	(In thousands)	
Revenue bonds by revenue source:		
Water	$10,123	$10,222
Sewer	8,525	8,828
Sales tax	8,203	8,304
Lease (renewal)	6,969	7,175
Lease (abatement)	6,922	7,010
Lease (appropriation)	4,564	4,618
Special Assessment	4,080	4,197
Intergovernmental Agreement	3,860	3,926
Other (6 sources)	10,707	10,826
Total revenue bonds by revenue source	$63,953	$65,106

See Note 3 to the unaudited consolidated financial statements for additional information related to the investment securities.

Loan Portfolio Credit Risk

The Company extends loans to commercial and consumer customers which expose the Company to the risk that the borrowers will default, causing loss. The Company's lending activities are exposed to various qualitative risks. All loan segments are exposed to risks inherent in the economy and market conditions. Significant risk characteristics related to the commercial loan segment include the borrowers' business performance and financial condition, and the value of collateral for secured loans. Significant risk characteristics related to the commercial real estate segment include the borrowers' business performance and the value of properties collateralizing the loans. Significant risk characteristics related to the construction loan segment include the borrowers' performance in successfully developing the real estate into the intended purpose and the value of the property collateralizing the loans. Significant risk characteristics related to the residential real estate segment include the borrowers' financial wherewithal to service the mortgages and the value of the property collateralizing the loans. Significant risk characteristics related to the consumer loan segment include the financial condition of the borrowers and the value of collateral securing the loans.

During 2020 and the first six months of 2021, the Bank processed customer PPP loan applications pursuant to the CARES Act. The United States Small Business Administration guarantees PPP loans; given this guarantee, the PPP loans are not considered to have default risk and do not carry an allowance for credit losses. The outstanding balances of PPP loans, net of deferred fees and costs, were $27 million at March 31, 2022.

The preparation of the financial statements requires Management to estimate the amount of expected losses in the loan portfolio and establish an allowance for credit losses. The allowance for credit losses is maintained by assessing or reversing a provision for credit losses through the Company's earnings. In estimating credit losses, Management must exercise judgment in evaluating information deemed relevant, such as financial information regarding individual borrowers, overall loss experience, the amount of past due, nonperforming and classified loans, recommendations of regulatory authorities, prevailing economic conditions and other information. The amount of ultimate losses on the loan portfolio can vary from the estimated amounts. Management follows a systematic methodology to estimate loss potential in an effort to reduce the differences between estimated and actual losses.

The Company closely monitors the markets in which it conducts its lending operations and follows a strategy to control exposure to loans with high credit risk. The Bank's organization structure separates the functions of business development and loan underwriting; Management believes this segregation of duties avoids inherent conflicts of combining business development and loan approval functions. In measuring and managing credit risk, the Company adheres to the following practices:

- The Bank maintains a Loan Review Department which reports directly to the audit committee of the Board of Directors. The Loan Review Department performs independent evaluations of loans to challenge the credit risk grades assigned by Management, using grading standards employed by bank regulatory agencies. Those loans judged to carry higher risk attributes are referred to as "classified loans." Classified loans receive elevated Management attention in order to maximize collection.

- The Bank maintains two loan administration offices whose sole responsibility is to manage and collect classified loans.

Classified loans with higher levels of credit risk are further designated as "nonaccrual loans." Management places classified loans on nonaccrual status when full collection of contractual interest and principal payments is in doubt. Uncollected interest previously accrued on loans placed on nonaccrual status is reversed as a charge against interest income. The Company does not accrue interest income on loans following placement on nonaccrual status. Interest payments received on nonaccrual loans are applied to reduce the carrying amount of the loan unless the carrying amount is well secured by loan collateral. "Nonperforming assets" include nonaccrual loans, loans 90 or more days past due and still accruing, and repossessed loan collateral (commonly referred to as "Other Real Estate Owned").

Nonperforming Loans

	At March 31,		At December 31,
	2022	2021	2021
	(In thousands)		
Nonperforming nonaccrual loans	$63	$402	$265
Performing nonaccrual loans	421	3,569	427
Total nonaccrual loans	484	3,971	692
Accruing loans 90 or more days past due	431	132	339
Total nonperforming loans	$915	$4,103	$1,031

At March 31, 2022, nonaccrual loans consisted of three loans with an average carrying value of $161 thousand.

Management believes the overall credit quality of the loan portfolio is reasonably stable; however, classified and nonperforming assets could fluctuate from period to period. The performance of any individual loan can be affected by external factors such as the interest rate environment, economic conditions, pandemics, and collateral values or factors particular to the borrower. No assurance can be given that additional increases in nonaccrual and delinquent loans will not occur in the future.

Allowance for Credit Losses

The following table summarizes allowance for credit losses at the dates indicated:

	At March 31, 2022	At December 31, 2021
	(In thousands)	
Allowance for Credit Losses on Loans	$22,925	$23,514
Allowance for Credit Losses on Held to Maturity Debt Securities	7	7
Total Allowance for Credit Losses	$22,932	$23,521
Allowance for unfunded credit commitments	201	201

Allowance for Credit Losses on Debt Securities Held to Maturity

Management segmented debt securities held to maturity, selected methods to estimate losses for each segment, and measured a loss estimate. Agency mortgage-backed securities were assigned no credit loss allowance due to the perceived backing of government sponsored entities. Municipal securities were evaluated for risk of default based on credit rating and remaining term to maturity using Moody's risk of default factors; Moody's loss upon default factors were applied to the assumed defaulted principal amounts to estimate the amount for credit loss allowance. Allowance for credit losses related to debt securities held to maturity was $7 thousand at March 30, 2022 and at December 31, 2021, reflecting the expected credit losses on debt securities held to maturity.

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Allowance for Credit Losses on Loans

The Company's allowance for credit losses on loans represents Management's estimate of forecasted credit losses in the loan portfolio based on the CECL model. In evaluating credit risk for loans, Management measures the loss potential of the carrying value of loans. As described above, payments received on nonaccrual loans may be applied against the principal balance of the loans until such time as full collection of the remaining recorded balance is expected.

The following table summarizes the allowance for credit losses, chargeoffs and recoveries for the periods indicated.

	For the Three Months Ended		
	March 31,		December 31,
	2022	2021	2021
	(In thousands)		
Analysis of the Allowance for Credit Losses on Loans			
Balance, beginning of period	$23,514	$23,854	$23,882
Provision for credit losses	-	-	-
Loans charged off:			
Consumer installment and other	(1,212)	(929)	(1,016)
Total chargeoffs	(1,212)	(929)	(1,016)
Recoveries of loans previously charged off:			
Commercial	224	13	60
Commercial real estate	15	12	14
Consumer installment and other	384	533	574
Total recoveries	623	558	648
Net chargeoffs	(589)	(371)	(368)
Balance, end of period	$22,925	$23,483	$23,514
Net chargeoffs as a percentage of average total loans (annualized)	0.23%	0.12%	0.13%
Allowance for unfunded credit commitments	201	101	201

The Company's allowance for credit losses on loans is maintained at a level considered adequate to provide for expected losses based on historical loss rates adjusted for current and expected conditions over a forecast period. These include conditions unique to individual borrowers, as well as overall loan loss experience, the amount of past due, nonperforming and classified loans, recommendations of regulatory authorities, prevailing and forecasted economic conditions, or credit protection agreements and other factors. Loans that share common risk characteristics are segregated into pools based on common characteristics, which is primarily determined by loan, borrower, or collateral type. Historical loss rates are determined for each pool. Loans that do not share risk characteristics with other loans in the pools are evaluated individually. See Note 2 to the unaudited consolidated financial statements for additional information.

	Allowance for Credit Losses For the Three Months Ended March 31, 2022					
	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer Installment and Other	Total
	(In thousands)					
Allowance for credit losses:						
Balance at beginning of period	$6,966	$6,529	$2	$45	$9,972	$23,514
(Reversal) provision	(875)	(69)	(2)	3	943	-
Chargeoffs	-	-	-	-	(1,212)	(1,212)
Recoveries	224	15	-	-	384	623
Total allowance for credit losses	$6,315	$6,475	$ -	$48	$10,087	$22,925

Management considers the $22.9 million allowance for credit losses on loans to be adequate as a reserve against current expected credit losses in the loan portfolio as of March 31, 2022.

See Note 4 to the unaudited consolidated financial statements for additional information related to the loan portfolio, loan portfolio credit risk, allowance for credit losses on loans, and other real estate owned.

Asset/Liability and Market Risk Management

Asset/liability management involves the evaluation, monitoring and management of interest rate risk, market risk, liquidity and funding. The fundamental objective of the Company's management of assets and liabilities is to maximize its economic value while maintaining adequate liquidity and a conservative level of interest rate risk.

Interest Rate Risk

Interest rate risk is a significant market risk affecting the Company. Many factors affect the Company’s exposure to interest rates, such as general economic and financial conditions, customer preferences, historical pricing relationships, and re-pricing characteristics of financial instruments. Financial instruments may mature or re-price at different times. Financial instruments may re-price at the same time but by different amounts. Short-term and long-term market interest rates may change by different amounts. The timing and amount of cash flows of various financial instruments may change as interest rates change. In addition, the changing levels of interest rates may have an impact on loan demand and demand for various deposit products.

The Company’s earnings are affected not only by general economic conditions, but also by the monetary and fiscal policies of the United States government and its agencies, particularly the FOMC. The monetary policies of the FOMC can influence the overall growth of loans, investment securities, and deposits and the level of interest rates earned on loans and investment securities and paid for deposits and other borrowings. The nature and impact of future changes in monetary policies are generally not predictable.

Management attempts to manage interest rate risk while enhancing the net interest margin and net interest income. At times, depending on expected increases or decreases in market interest rates, the relationship between long and short-term interest rates, market conditions and competitive factors, Management may adjust the Company's interest rate risk position. The Company's results of operations and net portfolio values remain subject to changes in interest rates and to fluctuations in the difference between long, intermediate, and short-term interest rates.

Management monitors the Company’s interest rate risk using a purchased simulation model, which is periodically assessed using supervisory guidance issued by the Board of Governors of the Federal Reserve System, SR 11-7 “Guidance on Model Risk Management.” Management measures its exposure to interest rate risk using a dynamic composition of financial instruments. Within the dynamic composition simulation, Management makes assumptions regarding the expected change in the volume of financial instruments given the assumed change in market interest rates. The simulation is used to measure expected changes in net interest income assuming various levels of change in market interest rates.

The Company’s asset and liability position was “asset sensitive” at March 31, 2022, depending on the interest rate assumptions applied to the simulation model. An “asset sensitive” position results in a larger change in interest income than in interest expense resulting from application of assumed interest rate changes.
At March 31, 2022, Management’s most recent measurements of estimated changes in net interest income were:

Dynamic Simulation (balance sheet composition changes):		
Assumed Change in Interest Rates Over 1 Year	+1.00%	+2.00%
First Year Change in Net Interest Income	+6.8%	+12.9%

Simulation estimates depend on, and will change with, the size and mix of the actual and projected composition of financial instruments at the time of each simulation. Assumptions made in the simulation may not materialize and unanticipated events and circumstances may occur. In addition, the simulation does not take into account any future actions. Management may undertake to mitigate the impact of interest rate changes, loan prepayment estimates and spread relationships, which may change regularly.

The Company does not currently engage in trading activities or use derivative instruments to manage interest rate risk, even though such activities may be permitted with the approval of the Company's Board of Directors.

Market Risk - Equity Markets

Equity price risk can affect the Company. Preferred or common stock holdings, as permitted by banking regulations, can fluctuate in value. Changes in value of preferred or common stock holdings are recognized in the Company's income statement.

Fluctuations in the Company's common stock price can impact the Company's financial results in several ways. First, the Company has at times repurchased and retired its common stock; the market price paid to retire the Company's common stock affects the level of the Company's shareholders' equity, cash flows and shares outstanding. Second, the Company's common stock price impacts the number of dilutive equivalent shares used to compute diluted earnings per share. Third, fluctuations in the Company's common stock price can motivate holders of options to purchase Company common stock through the exercise of such options thereby increasing the number of shares outstanding and potentially adding volatility to the book tax provision. Finally, the amount of compensation expense and tax deductions associated with share based compensation fluctuates with changes in and the volatility of the Company's common stock price.

Market Risk - Other

Market values of loan collateral can directly impact the level of loan chargeoffs and the provision for credit losses. The financial condition and liquidity of debtors issuing bonds and debtors whose mortgages or other obligations are securitized can directly impact the credit quality of the Company's investment securities portfolio requiring the Company to establish or increase reserves for credit losses. Other types of market risk, such as foreign currency exchange risk, are not significant in the normal course of the Company's business activities.

Liquidity and Funding

The objective of liquidity management is to manage cash flow and liquidity reserves so that they are adequate to fund the Bank's operations and meet obligations and other commitments on a timely basis and at a reasonable cost. The Bank achieves this objective through the selection of asset and liability maturity mixes that it believes best meet its needs. The Bank's liquidity position is enhanced by its ability to raise additional funds as needed by selling debt securities available-for-sale or borrowing in the wholesale markets.

In recent years, the Bank's deposit base has provided the majority of the Bank's funding requirements. This relatively stable and low-cost source of funds, along with shareholders' equity, provided 97% of funding for average total assets in the first quarter ended March 31, 2022 and in the year ended December 31, 2021. The stability of the Bank's funding from customer deposits is in part reliant on the confidence clients have in the Bank. The Bank places a very high priority in maintaining this confidence through conservative credit and capital management practices and by maintaining an appropriate level of liquidity.

Liquidity is further provided by assets such as balances held at the Federal Reserve Bank, investment securities, and amortizing loans. The Bank's investment securities portfolio provides a substantial secondary source of liquidity. The Bank held $4.9 billion in total investment securities at March 31, 2022. Under certain deposit, borrowing and other arrangements, the Bank must hold and pledge investment securities as collateral. At March 31, 2022, such collateral requirements totaled approximately $1.0 billion.

Liquidity risk can result from the mismatching of asset and liability cash flows, or from disruptions in the financial markets. The Bank performs liquidity stress tests on a periodic basis to evaluate the sustainability of its liquidity. Under the stress testing, the Bank assumes outflows of funds increase beyond expected levels. Measurement of such heightened outflows considers the composition of the Bank's deposit base, including any concentration of deposits, non-deposit funding such as short-term borrowings, and unfunded lending commitments. The Bank evaluates its stock of highly liquid assets to meet the assumed higher levels of outflows. Highly liquid assets include cash and amounts due from other banks from daily transaction settlements, reduced by branch cash needs and Federal Reserve Bank reserve requirements, and investment securities based on regulatory risk-weighting guidelines. Based on the results of the most recent liquidity stress test, Management is satisfied with the liquidity condition of the Bank. However, no assurance can be given the Bank will not experience a period of reduced liquidity.

Management continually monitors the Bank's cash levels. Loan demand from credit worthy borrowers will be dictated by economic and competitive conditions. The Bank aggressively solicits non-interest bearing demand deposits and money market checking deposits, which are the least sensitive to changes in interest rates. The growth of these deposit balances is subject to heightened competition, the success of the Bank's sales efforts, delivery of superior customer service, new regulations and market conditions. The Bank does not aggressively solicit higher-costing time deposits. Changes in interest rates, most notably rising interest rates or increased consumer spending, could impact deposit volumes. Depending on economic conditions, interest rate levels, liquidity management and a variety of other conditions, deposit growth may be used to fund loans or purchase investment securities. However, due to possible volatility in economic conditions, competition and political uncertainty, loan demand and levels of customer deposits are not certain. Shareholder dividends are expected to continue subject to the Board's discretion and continuing evaluation of capital levels, earnings, asset quality and other factors.

Westamerica Bancorporation ("Parent Company") is a separate entity apart from the Bank and must provide for its own liquidity. In addition to its operating expenses, the Parent Company is responsible for the payment of dividends declared for its shareholders, and interest and principal on any outstanding debt. The Parent Company currently has no debt. Substantially all of the Parent Company's revenues are obtained from subsidiary dividends and service fees.

The Bank's dividends paid to the Parent Company, proceeds from the exercise of stock options, and Parent Company cash balances provided adequate cash for the Parent Company to pay shareholder dividends of $11 million in the quarter ended March 31, 2022 and $44 million in the year ended December 31, 2021 and retire common stock in the amounts of $218 thousand and $232 thousand, respectively. Payment of dividends to the Parent Company by the Bank is limited under California and Federal laws. The Company believes these regulatory dividend restrictions will not have an impact on the Parent Company's ability to meet its ongoing cash obligations.

Capital Resources

The Company has historically generated high levels of earnings, which provide a means of accumulating capital. The Company's net income as a percentage of average shareholders' equity ("return on equity" or "ROE") has been 11.8% for the quarter ended March 31, 2022 and 11.5% for the year ended December 31, 2021. The Company also raises capital as employees exercise stock options. Capital raised through the exercise of stock options was $624 thousand in the quarter ended March 31, 2022 and $3.0 million in the year ended December 31, 2021.

The Company paid common dividends totaling $11 million in the quarter ended March 31, 2022 and $44 million in the year ended December 31, 2021, which represent dividends per common share of $0.42 and $1.65, respectively. The Company's earnings have historically exceeded dividends paid to shareholders. The amount of earnings in excess of dividends provides the Company resources to finance growth and maintain appropriate levels of shareholders' equity. In the absence of profitable growth opportunities, the Company has at times repurchased and retired its common stock as another means to return capital to shareholders. The Company repurchased and retired 3 thousand shares valued at $218 thousand in the quarter ended March 31, 2022 and 4 thousand shares valued at $232 thousand in the year ended December 31, 2021.

The Company's primary capital resource is shareholders' equity, which was $702 million at March 31, 2022 compared with $827 million at December 31, 2021. The Company's ratio of equity to total assets was 9.6% at March 31, 2022 and 11.1% at December 31, 2021.

The Company performs capital stress tests on a periodic basis to evaluate the sustainability of its capital. Under the stress testing, the Company assumes various scenarios such as deteriorating economic and operating conditions, and unanticipated asset devaluations. The Company measures the impact of these scenarios on its earnings and capital. Based on the results of the most recent stress tests, Management is satisfied with the capital condition of the Bank and the Company. However, no assurance can be given the Bank or Company will not experience a period of reduced earnings or a reduction in capital from unanticipated events and circumstances.

Capital to Risk-Adjusted Assets

The capital ratios for the Company and the Bank under current regulatory capital standards are presented in the tables below, on the dates indicated. For Common Equity Tier I Capital, Tier 1 Capital and Total Capital, the minimum percentage required for regulatory capital adequacy purposes include a 2.5% "capital conservation buffer."

	At March 31, 2022		Required for Capital Adequacy Purposes	To Be Well-capitalized Under Prompt Corrective Action Regulations (Bank)
	Company	Bank		
Common Equity Tier I Capital	15.08%	12.48%	7.00%	6.50%
Tier I Capital	15.08%	12.48%	8.50%	8.00%
Total Capital	15.60%	13.15%	10.50%	10.00%
Leverage Ratio	9.14%	7.53%	4.00%	5.00%

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	At December 31, 2021		Required for Capital Adequacy Purposes	To Be Well-capitalized Under Prompt Corrective Action Regulations (Bank)
	Company	Bank		
Common Equity Tier I Capital	14.93%	12.48%	7.00%	6.50%
Tier I Capital	14.93%	12.48%	8.50%	8.00%
Total Capital	15.47%	13.17%	10.50%	10.00%
Leverage Ratio	9.06%	7.55%	4.00%	5.00%

The Company and the Bank routinely project capital levels by analyzing forecasted earnings, credit quality, shareholder dividends, asset volumes, share repurchase activity, stock option exercise proceeds, and other factors. Based on current capital projections, the Bank expects to maintain regulatory capital levels in excess of the minimum required to be considered well-capitalized under the prompt corrective action framework; The Company and the Bank expect to continue paying quarterly dividends to shareholders. No assurance can be given that changes in capital management plans will not occur.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company does not currently engage in trading activities or use derivative instruments to control interest rate risk, even though such activities may be permitted with the approval of the Company's Board of Directors.

Credit risk and interest rate risk are the most significant market risks affecting the Company, and equity price risk can also affect the Company's financial results. These risks are described in the preceding sections regarding "Loan Portfolio Credit Risk," and "Asset/Liability and Market Risk Management." Other types of market risk, such as foreign currency exchange risk and commodity price risk, are not significant in the normal course of the Company's business activities.

Item 4. Controls and Procedures

The Company's principal executive officer and principal financial officer have evaluated the effectiveness of the Company's "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended, as of March 31, 2022.

Based upon their evaluation, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective to ensure that material information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported as and when required and that such information is communicated to the Company's management, including the principal executive officer and the principal financial officer, to allow for timely decisions regarding required disclosures. The evaluation did not identify any change in the Company's internal control over financial reporting that occurred during the quarter ended March 31, 2022 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Due to the nature of its business, the Company is subject to various threatened or filed legal cases. Neither the Company nor any of its subsidiaries is a party to any material pending legal proceeding, nor is their property the subject of any material pending legal proceeding, other than ordinary routine legal proceedings arising in the ordinary course of the Company's business. Based on the advice of legal counsel, the Company does not expect such cases will have a material, adverse effect on its business, financial position or results of operations. Legal liabilities are accrued when obligations become probable and the amount can be reasonably estimated.

Item 1A. Risk Factors

The Company's Annual Report on Form 10-K for the year ended December 31, 2021 includes detailed disclosure about the risks faced by the Company's business; such risks have not materially changed since the Form 10-K was filed.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) None
(b) None
(c) Issuer Purchases of Equity Securities

The table below sets forth the information with respect to purchases made by or on behalf of Westamerica Bancorporation or any "affiliated purchaser", as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), of common stock during the quarter ended March 31, 2022.

	2022			
Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
	(In thousands, except price paid)			
January 1 through January 31	-	$ -	-	1,750
February 1 through February 28	-	-	-	1,750
March 1 through March 31	3	58.66	3	1,747
Total	3	$58.66	3	1,747

The Company repurchases shares of its common stock in the open market on a discretionary basis from time to time to optimize the Company's use of equity capital and enhance shareholder value and with the intention of lessening the dilutive impact of issuing new shares under equity incentive plans, and other ongoing requirements.

Shares repurchased during the period from January 1, 2021 through March 31, 2021 were pursuant to a program approved by the Board of Directors on July 22, 2021 authorizing the purchase of up to 1,750 thousand shares of the Company's common stock from time to time prior to September 1, 2022.

Item 3. Defaults upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None

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Item 6. Exhibits

Exhibit No.	Description of Exhibit
Exhibit 31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a)
Exhibit 31.2	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a)
Exhibit 32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 101.INS	XBRL Instance Document – The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
Exhibit 101.SCH	Inline XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
Exhibit 101.DEF	Inline XBRL Taxonomy Extension Definitions Linkbase Document
Exhibit 101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
Exhibit 101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
Exhibit 104.	The Cover page of Westamerica Bancorporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, formatted in Inline XBRL (contained in Exhibit 101)

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WESTAMERICA BANCORPORATION
(Registrant)

/s/ Jesse Leavitt
Jesse Leavitt
Senior Vice President and Chief Financial Officer
(Principal Financial and Chief Accounting Officer)

Date: May 9, 2022

EXHIBIT 31.1

CERTIFICATION UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David L. Payne certify that:

1. I have reviewed this report on Form 10-Q of Westamerica Bancorporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ David L. Payne
David L. Payne
Chairman, President and Chief Executive Officer
Date: May 9, 2022

EXHIBIT 31.2

CERTIFICATION UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jesse Leavitt certify that:

1. I have reviewed this report on Form 10-Q of Westamerica Bancorporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Jesse Leavitt
Jesse Leavitt
Senior Vice President and Chief Financial Officer
Date: May 9, 2022

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Westamerica Bancorporation (the Company) on Form 10-Q for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David L. Payne, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David L. Payne
David L. Payne
Chairman, President and Chief Executive Officer
Date: May 9, 2022

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Westamerica Bancorporation (the Company) on Form 10-Q for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jesse Leavitt, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jesse Leavitt
Jesse Leavitt
Senior Vice President and Chief Financial Officer
Date: May 9, 2022