SCALZO JOSEPH
Form 4
June 03, 2009

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
SCALZO JOSEPH

(Last) (First) (Middle)

408 EAST SECOND STREET

(Street)

MUSCATINE, IA 52761

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
HNI CORP [HNI]

3. Date of Earliest Transaction (Month/Day/Year)
06/01/2009

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	06/01/2009		A		179.8123	A	$ 0 (1)	18,139.8437	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SCALZO JOSEPH 408 EAST SECOND STREET MUSCATINE, IA 52761	X			

Signatures

Tamara S. Feldman, By Power of Attorney	06/03/2009
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) These shares are reinvested dividends and were acquired under the Corporation's Directors Deferred Compensation Plan.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. same period in 2012. Service charges on deposits decreased $553 thousand or 7.8% due to declines in fees charged on overdrawn and insufficient funds accounts (down $272 thousand) and lower deficit fees charged on analyzed accounts (down $211 thousand). ATM processing fees decreased $228 thousand mainly because the Bank customers had fewer transactions at non-Westamerica ATMs and other cash dispenser terminals. Debit card fees increased $195 thousand or 16.8% primarily due to increased transactions.

In the first quarter of 2013, noninterest income increased $84 thousand compared with the fourth quarter of 2012. Service charges on deposits decreased $180 thousand or 2.7% due to declines in fees charged on overdrawn and insufficient funds accounts (down $209 thousand) and lower deficit fees charged on analyzed accounts (down $48 thousand), partially offset by fee increases on savings accounts (up $77 thousand).

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Noninterest Expense

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

	For the Three Months Ended		
	March 31,		December 31,
	2013	2012	2012
	(In thousands)		
Salaries and related benefits	$14,403	$15,046	$ 13,555
Occupancy	3,886	3,934	3,851
Outsourced data processing services	2,157	2,083	2,213
Amortization of identifiable intangibles	1,219	1,402	1,292
Equipment	880	851	892
Courier service	741	785	768
Professional fees	635	767	761
Telephone	448	376	511
Loan expense	417	627	467
Other real estate owned	334	230	322
Postage	300	372	301
Stationery and supplies	281	243	275
Advertising/public relations	145	151	223
Operational losses	128	173	113
Other noninterest expense	2,703	2,994	2,689
Total	$28,677	$30,034	$ 28,233

Noninterest expense decreased $1.4 million or 4.5% in the first quarter 2013 compared with the same period in 2012 primarily due to lower personnel costs, loan administration expenses, intangible amortization and professional fees. Salaries and related benefits declined $643 thousand or 4.3% due to lower incentives and employee attrition. Loan expense decreased $210 thousand due to lower fees waived on charged off loans and lower appraisal fees. Amortization of identifiable intangibles decreased $183 thousand as assets are amortized on a declining balance method. Professional fees decreased $132 thousand due to lower legal fees relating to nonperforming assets.

In the first quarter of 2013, noninterest expense increased $444 thousand compared with the fourth quarter of 2012. Salaries and related benefits increased $848 thousand primarily due to higher payroll taxes and other employee benefits. Professional fees declined $126 thousand due to lower legal fees associated with nonperforming assets.

Provision for Income Tax

During the first quarter of 2013, the Company recorded income tax provision (FTE) of $9.4 million, compared with $12.5 million and $10.3 million for the first and fourth quarters of 2012, respectively. The current quarter provision represents an effective tax rate (FTE) of 35.2%, compared with 37.4% and 35.0% for the first and fourth quarters of 2012, respectively. The decline in the effective tax rate from the first quarter 2012 to both the fourth quarter 2012 and first quarter 2013 is attributable to tax-exempt income elements representing a greater proportion of pre-tax book income. The Company earns interest on municipal loans and investment securities which are federally tax-exempt and recognizes life insurance policy benefits which are exempt from federal and state taxes; on a combined basis, these tax-exempt items equaled 34%, 38% and 42% of pre-tax book income for the first quarter 2012, fourth quarter 2012, and first quarter 2013, respectively.

Loan Portfolio Credit Risk

The risk that loan customers do not repay loans extended by the Bank is a significant risk to the Company. 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 Board of Directors. The Loan Review Department performs independent evaluations of loans and assigns credit risk grades to evaluated loans 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 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 charged against interest income, net of estimated FDIC reimbursements under loss-sharing agreements. 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 or covered by FDIC loss-sharing agreements. “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 Assets

	At March 31,		At December 31,
	2013	2012	2012
	(In thousands)		
Originated:			
Nonperforming nonaccrual loans	$7,005	$9,976	$ 10,016
Performing nonaccrual loans	1,154	6,374	1,759
Total nonaccrual loans	8,159	16,350	11,775
Accruing loans 90 or more days past due	305	359	455
Total nonperforming loans	8,464	16,709	12,230
Other real estate owned	7,691	13,624	9,295
Total nonperforming assets	$16,155	$30,333	$ 21,525
Purchased covered:			
Nonperforming nonaccrual loans	$9,578	$4,510	$ 11,698
Performing nonaccrual loans	2,299	2,165	1,323
Total nonaccrual loans	11,877	6,675	13,021
Accruing loans 90 or more days past due	88	520	155
Total nonperforming loans	11,965	7,195	13,176
Other real estate owned	13,713	15,810	13,691
Total nonperforming assets	$25,678	$23,005	$ 26,867
Purchased non-covered:			
Nonperforming nonaccrual loans	$6,052	$13,948	$ 7,038
Performing nonaccrual loans	3,060	7,056	461
Total nonaccrual loans	9,112	21,004	7,499
Accruing loans 90 or more days past due	-	-	4
Total nonperforming loans	9,112	21,004	7,503
Other real estate owned	1,980	6,543	3,366
Total nonperforming assets	$11,092	$27,547	$ 10,869

The Bank’s commercial loan customers are primarily small businesses and professionals. As a result, average loan balances are relatively small, providing risk diversification within the overall loan portfolio. At March 31, 2013, the Bank’s nonaccrual loans reflected this diversification: nonaccrual originated loans with a carrying value totaling $8 million comprised twenty borrowers, nonaccrual purchased covered loans with a carrying value totaling $12 million comprised fifteen borrowers, and nonaccrual purchased non-covered loans with a carrying value totaling $9 million comprised fourteen borrowers.

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, 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.

The former County Bank loans and repossessed loan collateral were purchased from the FDIC with indemnifying loss-sharing agreements. The loss-sharing agreements significantly reduce the credit risk of these purchased assets during the term of the agreements. Under the terms of the loss-sharing agreements, the FDIC absorbs 80 percent of losses and shares in 80 percent of loss recoveries on the first $269 million in losses on purchased covered assets ("First Tier"), and absorbs 95 percent of losses and shares in 95 percent of loss recoveries if losses on purchased covered assets exceed $269 million ("Second Tier"). The loss-sharing agreement on covered residential real estate assets expires February 6, 2019 and the loss-sharing agreement on covered non-residential assets expires February 6, 2014 as to losses and February 6, 2017 as to loss recoveries.

The purchased covered assets are primarily located in the California Central Valley, including Merced County. This geographic area currently has some of the weakest economic conditions within California and has experienced significant declines in real estate values. Management expects higher loss rates on purchased covered assets than on originated assets.

The Bank recorded purchased covered assets at estimated fair value on the February 6, 2009 acquisition date. The credit risk discount ascribed to the $1.3 billion acquired loan and repossessed loan collateral portfolio was $161 million representing estimated losses inherent in the assets at the acquisition date.

Purchased Covered Assets

	At March 31, 2013	At March 31, 2012	At December 31, 2012	February 6, 2009
	(In thousands)			
Non-residential assets	$ 363,940	$ 511,536	$ 384,285	$ 1,298,526
Residential assets	23,534	30,909	25,570	40,955
Total indemnified assets	387,474	542,445	409,855	1,339,481
Credit risk discount	(22,660)	(37,503)	(26,128)	(161,203)
Other adjustments	1,933	1,971	2,247	5,407
Carrying value of covered assets	$ 366,747	$ 506,913	$ 385,974	$ 1,183,685
Comprised of:				
Purchased covered loans	$ 353,034	$ 491,103	$ 372,283	$ 1,174,353
Covered other real estate owned	13,713	15,810	13,691	9,332
Carrying value of covered assets	$ 366,747	$ 506,913	$ 385,974	$ 1,183,685

Aggregate indemnified losses from February 6, 2009 through March 31, 2013 have been $135 million, which includes principal losses, loss in value of other real estate owned, loss on sale of other real estate owned, and reimbursement of incurred collection and asset management expenses such as legal fees, property taxes, appraisals and other customary expenses. Purchased covered asset principal losses have been primarily offset against the estimated credit risk discount, although some losses exceeding the purchase date estimated credit risk discount have been provided for and charged-off against the allowance for credit losses.

Purchased covered assets are evaluated for risk classification without regard to FDIC indemnification such that Management can identify purchased covered assets with potential payment problems and devote appropriate credit administration practices to maximize collections. Classified purchased covered assets without regard to FDIC indemnification totaled $123 million, $139 million and $122 million at March 31, 2013, March 31, 2012 and December 31, 2012, respectively.

As noted above, FDIC loss indemnification of covered non-residential assets expires February 6, 2014; loss exposure on such assets after February 6, 2014 will be represented by such assets' carrying values at such time. Loss exposure for loans is mitigated by the borrowers' financial condition and ability to repay their loans, loan collateral values, the amount of credit risk discount remaining at such time, any existing borrower guarantees which are perfected and have economic value, and the allowance for credit losses. Loss exposure for other real estate owned is mitigated by the value of the repossessed loan collateral, less disposition costs.

Allowance for Credit Losses

The Company's allowance for credit losses represents Management's estimate of credit losses inherent in the loan portfolio. In evaluating credit risk for loans, Management measures 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. Further, the carrying value of purchased loans includes fair value discounts assigned at the time of purchase under the provisions of FASB ASC 805, Business Combinations, and FASB ASC 310-30, Loans or Debt Securities Acquired with Deteriorated Credit Quality. The allowance for credit losses represents Management's estimate of credit losses in excess of these reductions to the carrying value of loans within the loan portfolio.

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The following table summarizes the allowance for credit losses, chargeoffs and recoveries of the Company for the periods indicated:

	For the Three Months Ended		
	March 31,		December 31,
	2013	2012	2012
	(In thousands)		
Analysis of the Allowance for Credit Losses			
Balance, beginning of period	$32,927	$35,290	$ 33,659
Provision for loan losses	2,800	2,800	2,800
Provision for unfunded commitments	-	-	-
Loans charged off			
Commercial	(1,902)	(862)	(3,228)
Commercial real estate	(113)	(948)	(86)
Real estate construction	-	-	(126)
Real estate residential	(87)	(870)	-
Consumer	(1,308)	(1,653)	(1,382)
Purchased covered loans	(359)	(365)	(230)
Purchased non-covered loans	-	-	450
Total chargeoffs	(3,769)	(4,698)	(4,602)
Recoveries of loans previously charged off			
Commercial	462	389	200
Commercial real estate	21	-	25
Real estate construction	-	2	-
Consumer	601	779	755
Purchased covered loans	5	14	90
Total recoveries	1,089	1,184	1,070
Net loan (losses)	(2,680)	(3,514)	(3,532)
Balance, end of period	$33,047	$34,576	$ 32,927
Components:			
Allowance for loan losses	$30,354	$31,883	$ 30,234
Liability for off-balance sheet credit exposure	2,693	2,693	2,693
Allowance for credit losses	$33,047	$34,576	$ 32,927
Net loan (losses) recoveries:			
Originated loans	$(2,326)	$(3,163)	$ (3,842)
Purchased covered loans	(354)	(351)	(140)
Purchased non-covered loans	-	-	450
Net loan losses (recoveries) as a percentage of average loans:			
Originated loans	0.57 %	0.69 %	0.91 %
Purchased covered loans	0.39 %	0.28 %	0.14 %
Purchased non-covered loans	- %	- %	(2.31 %)

The Company's allowance for credit losses is maintained at a level considered appropriate to provide for losses that can be estimated based upon specific and general conditions. These include conditions unique to individual borrowers, as well as overall credit loss experience, the amount of past due, nonperforming and classified loans, FDIC loss-sharing indemnification, recommendations of regulatory authorities, prevailing economic conditions and other factors. A portion of the allowance is specifically allocated to impaired loans whose full collectability of principal is uncertain. Such allocations are determined by Management based on loan-by-loan analyses. The Company evaluates all classified loans and nonaccrual loans with outstanding principal balances in excess of $500 thousand, and all “troubled debt restructured” loans for impairment. A second allocation is based in part on quantitative analyses of historical credit loss experience, in which historical originated classified credit balances are analyzed using a statistical model to determine standard loss rates for originated loans. The results of this analysis are applied to originated classified loan balances to allocate the allowance to the respective segments of the loan portfolio. In addition, originated loans with similar characteristics not usually criticized using regulatory guidelines are analyzed based on the historical loss rates and delinquency trends, grouped by the number of days the payments on these loans are delinquent. Given currently weak economic conditions, Management is applying further analysis to originated consumer installment loans. Current levels of originated consumer installment loan losses are compared to initial allowance allocations and, based on Management’s judgment, additional allocations are applied, if needed, to estimate losses. For originated residential real estate loans, Management is comparing ultimate loss rates on foreclosed residential real estate properties and applying such loss rates to nonaccrual originated residential real estate loans. Based on this analysis, Management exercises judgment in allocating additional allowance if deemed appropriate to estimate losses on originated residential real estate loans. Last, allocations are made to originated non-classified commercial and commercial real estate loans based on historical loss rates and other statistical data.

Purchased loans were not underwritten using the Company's credit policies and practices. Thus, the historical loss rates for originated loans are not applied to estimate credit losses for purchased loans. Purchased loans were recorded on the date of purchase at estimated fair value; fair value discounts include a component for estimated credit losses. The Company evaluates all nonaccrual purchased loans with outstanding principal balances in excess of $500 thousand for impairment; the impaired loan value is compared to the recorded investment in the loan, which has been reduced by the credit default discount estimated on the date of purchase. If Management's impairment analysis determines the impaired loan value is less than the recorded investment in the purchased loan, an allocation of the allowance for credit losses is established, net of estimated FDIC indemnification. For all other purchased loans, Management evaluates post-acquisition historical credit losses on purchased loans, credit default discounts on purchased loans, and other data to evaluate the likelihood of realizing the recorded investment of purchased loans. Management establishes allocations of the allowance for credit losses for any estimated deficiency.

The remainder of the allowance is considered to be unallocated. The unallocated allowance is established to provide for probable losses that have been incurred as of the reporting date but not reflected in the allocated allowance. The unallocated allowance addresses additional qualitative factors consistent with Management's analysis of the level of risks inherent in the loan portfolio, which are related to the risks of the Company's general lending activity. Included in the unallocated allowance is the risk of losses that are attributable to national or local economic or industry trends which have occurred but have not yet been recognized in loan chargeoff history (external factors). The external factors evaluated by the Company and the judgmental amount of unallocated reserve assigned by Management as of March 31, 2013 are: economic and business conditions $1.1 million, external competitive issues $800 thousand, and other factors. Also included in the unallocated allowance is the risk of losses attributable to general attributes of the Company's loan portfolio and credit administration (internal factors). The internal factors evaluated by the Company and the judgmental amount of unallocated reserve assigned by Management are: loan review system $800 thousand, adequacy of lending Management and staff $800 thousand, loan policies and procedures $800 thousand, purchased loans $568 thousand, concentrations of credit $800 thousand, and other factors. By their nature, these risks are not readily allocable to any specific loan category in a statistically meaningful manner and are difficult to quantify with a specific number. Management assigns a range of estimated risk to the qualitative risk factors described above based on Management's judgment as to the level of risk, and assigns a quantitative risk factor from the range of loss estimates to determine the appropriate level of the unallocated portion of the allowance.

Allowance for Credit Losses
For the Three Months Ended March 31, 2013
(In thousands)

	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer Installment and Other	Purchased Non-covered Loans	Purchased Covered Loans	Unallocated	Total
Allowance for loan losses:									
Balance at beginning of period	$6,445	$10,063	$484	$380	$3,194	$-	$1,005	$8,663	$30,234
Additions:									
Provision	531	994	(4)	246	281	-	87	665	2,800
Deductions:									
Chargeoffs	(1,902)	(113)	-	(87)	(1,308)	-	(359)	-	(3,769)
Recoveries	462	21	-	-	601	-	5	-	1,089
Net loan losses	(1,440)	(92)	-	(87)	(707)	-	(354)	-	(2,680)
Balance at end of period	5,536	10,965	480	539	2,768	-	738	9,328	30,354
Liability for off-balance sheet credit exposure	1,663	3	-	-	453	-	-	574	2,693
Total allowance for credit losses	$7,199	$10,968	$480	$539	$3,221	$-	$738	$9,902	$33,047

Recorded Investment in Loans Evaluated for Impai

	At March 31, 2013						
	Commercial	Commercial Real Estate	Construction	Residential Real Estate	Consumer Installment and Other	Purchased Non-covered Loans	Purcha Cove Loa
	(In thousands)						
Allowance for credit losses:							
Individually evaluated for impairment	$886	$584	$-	$-	$100	$-	$723
Collectively evaluated for impairment	6,313	10,384	480	539	3,121	-	15
Purchased loans with evidence of credit deterioration	-	-	-	-	-	-	-
Total	$7,199	$10,968	$480	$539	$3,221	$-	$738
Carrying value of loans:							
Individually evaluated for impairment	$2,171	$3,319	$-	$-	$-	$5,196	$16,0
Collectively evaluated for impairment	316,331	621,866	7,920	213,919	447,870	59,348	329,
Purchased loans with evidence of credit deterioration	-	-	-	-	-	5,960	7,58
Total	$318,502	$625,185	$7,920	$213,919	$447,870	$70,504	$353,

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Management considers the $33.0 million allowance for credit losses to be adequate as a reserve against credit losses inherent in the loan portfolio as of March 31, 2013.

See Note 4 to the unaudited consolidated financial statements for additional information related to the loan portfolio, loan portfolio credit risk, and allowance for credit losses.

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. Interest rate risk results from many factors. Assets and liabilities may mature or re-price at different times. Assets and liabilities 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 assets or liabilities may shorten or lengthen as interest rates change. In addition, interest rates may have an impact on loan demand, demand for various deposit products, credit losses, and other sources of earnings such as account analysis fees on commercial deposit accounts and correspondent bank service charges.

The Federal Open Market Committee’s March 20, 2013 press release stated ”the Committee decided to keep the target range for the federal funds rate at 0 to 1/4 percent and currently anticipates that this exceptionally low range for the federal funds rate will be appropriate at least as long as the unemployment rate remains above 6-1/2 percent, inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee’s 2 percent longer-run goal, and longer-term inflation expectations continue to be well anchored. In determining how long to maintain a highly accommodative stance of monetary policy, the Committee will also consider other information, including additional measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial developments. When the Committee decides to begin to remove policy accommodation, it will take a balanced approach consistent with its longer-run goals of maximum employment and inflation of 2 percent”. In this context, Management’s most likely earnings forecast for the twelve months ending March 31, 2014 assumes market interest rates remain relatively stable and yields on newly originated or refinanced loans and on purchased investment securities will reflect current interest rates, which are lower than yields on the Company’s older dated loans and investment securities.

In adjusting the Company's asset/liability position, 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 general 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 in order to manage its net interest margin and net interest income. 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 and short term interest rates.

The Company’s asset and liability position ranged from “neutral” to slightly “liability sensitive” at March 31, 2013, depending on the interest rate assumptions applied to the simulation model employed by Management to measure interest rate risk. A “neutral” position results in similar amounts of change in interest income and interest expense resulting from application of assumed interest rate changes. A slightly “liability sensitive” position results in a slightly larger change in interest expense than in interest income resulting from application of assumed interest rate changes. Simulation estimates depend on, and will change with, the size and mix of the actual and projected balance sheet at the time of each simulation. Management’s interest rate risk management is currently biased toward stable interest rates in the near-term, and ultimately, rising interest rates. Management continues to monitor the interest rate environment as well as economic conditions and other factors it deems relevant in managing the Company's exposure to interest rate 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.

Market Risk - Equity Markets

Equity price risk can affect the Company. As an example, any preferred or common stock holdings, as permitted by banking regulations, can fluctuate in value. Management regularly assesses the extent and duration of any declines in market value, the causes of such declines, the likelihood of a recovery in market value, and its intent to hold securities until a recovery in value occurs. Declines in value of preferred or common stock holdings that are deemed “other than temporary” could result in loss recognition in the Company's income statement.

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Fluctuations in the Company's common stock price can impact the Company's financial results in several ways. First, the Company has regularly repurchased and retired its common stock; the market price paid to retire the Company's common stock can affect 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. Finally, the amount of compensation expense 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 charge-offs and the provision for loan 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 portfolio requiring the Company to recognize other than temporary impairment charges. 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.

Liquidity and Funding

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

In recent years, the Company's deposit base has provided the majority of the Company's funding requirements. This relatively stable and low-cost source of funds, along with shareholders' equity, provided 97 percent and 96 percent of funding for average total assets in the first quarter 2013 and the year 2012, respectively. The stability of the Company’s funding from customer deposits is reliant on the confidence clients have in the Company. The Company places a very high priority in maintaining this confidence through conservative credit and capital management practices and by maintaining an appropriate level of liquidity reserves.

Effective December 31, 2010, the Dodd-Frank Act required unlimited FDIC deposit insurance on all non-interest bearing transaction accounts and mandated participation by all member banks. This requirement and mandate expired on December 31, 2012, at which time unlimited FDIC insurance on non-interest bearing transaction accounts came to an end. Upon expiration, the standard maximum FDIC insurance coverage returned to $250,000 for non-interest bearing transaction accounts. The change in deposit insurance did not have a significant impact to the Company's deposit levels.

During 2012 and the first quarter of 2013, non-deposit funding has been obtained through short-term borrowings, a term repurchase agreement, Federal Home Loan Bank advances, and long-term debt financing. These non-deposit sources of funds comprise a modest portion of total funding.

Liquidity is further provided by assets such as balances held at the Federal Reserve Bank, investment securities, and amortizing loans. The Company's investment securities portfolio provides a substantial secondary liquidity reserve. The Company held $2.1 billion in total investment securities at March 31, 2013. Under certain deposit, borrowing and other arrangements, the Company must hold and pledge investment securities as collateral. At March 31, 2013, such collateral requirements totaled approximately $872 million.

Westamerica Bancorporation ("Parent Company") is a separate entity apart from Westamerica Bank (“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 outstanding debt. The $15 million note issued by the Parent Company, as described in Note 8 to the unaudited consolidated financial statements, matures October 31, 2013. 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 provided adequate cash flow for the Parent Company in the first quarter 2013 and first quarter 2012 to pay shareholder dividends of $10 million in each respective period, and retire common stock in the amount of $15 million and $11 million, respectively. Payment of dividends to the Parent Company by the Bank is limited under California and Federal laws. The Company believes that regulatory dividend restrictions will not have an impact on the Parent Company's ability to meet its ongoing cash obligations.

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Liquidity risk can result from the mismatching of asset and liability cash flows, or from disruptions in the financial markets. The Company performs liquidity stress tests on a periodic basis to evaluate the sustainability of its liquidity. Under the stress testing, the Company assumes outflows of funds increase beyond expected levels. Measurement of such heightened outflows considers the composition of the Company's deposit base, including any concentration of deposits, non-deposit funding such as short-term borrowings and Federal Home Loan Bank advances, and unfunded lending commitments. The Company 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 and the Company. However, no assurance can be given the Bank or Company will not experience a period of reduced liquidity.

Capital Resources

The Company has historically generated relatively high levels of earnings, which provides a means of raising capital. The Company's net income as a percentage of average shareholders' equity ("return on equity" or "ROE") has been 12.9% (annualized) in the first quarter of 2013, 14.9% in 2012 and 16.1% in 2011. The Company also raises capital as employees exercise stock options. Capital raised through the exercise of stock options totaled $6.2 million in the first quarter of 2013, $7.6 million in 2012 and $14.4 million in 2011.

The Company paid common dividends totaling $10.1 million in the first quarter of 2013, $41.0 million in 2012 and $41.7 million in 2011, which represent dividends per common share of $0.37, $1.48 and $1.45, respectively. The Company's earnings have historically exceeded dividends paid to shareholders. The amount of earnings in excess of dividends gives the Company resources to finance growth and maintain appropriate levels of shareholders' equity. In the absence of profitable growth opportunities, the Company has repurchased and retired its common stock as another means to provide returns to shareholders. The Company repurchased and retired 347 thousand shares valued at $15.4 million in the first quarter of 2013, 1.1 million shares valued at $51.5 million in 2012 and 1.3 million shares valued at $60.5 million in 2011.

The Company's ratio of equity to total assets was 11.44% at March 31, 2013 compared to 11.31% at December 31, 2012.

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, unanticipated asset devaluations, and significant operational lapses. 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.

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Capital to Risk-Adjusted Assets

The following summarizes the ratios of regulatory capital to risk-adjusted assets for the Company on the dates indicated:

	At March 31, 2013		At March 31, 2012		At December 31, 2012		Minimum Regulatory Requirement		Well-capitalized by Regulatory Definition	
Tier I Capital	14.71	%	14.83	%	15.06	%	4.00	%	6.00	%
Total Capital	15.99	%	16.09	%	16.33	%	8.00	%	10.00	%
Leverage ratio	8.56	%	8.36	%	8.56	%	4.00	%	5.00	%

The following summarizes the ratios of capital to risk-adjusted assets for the Bank on the dates indicated:

	At March 31, 2013		At March 31, 2012		At December 31, 2012		Minimum Regulatory Requirement		Well-capitalized by Regulatory Definition	
Tier I Capital	13.57	%	14.13	%	14.14	%	4.00	%	6.00	%
Total Capital	15.07	%	15.62	%	15.62	%	8.00	%	10.00	%
Leverage ratio	7.85	%	7.92	%	7.99	%	4.00	%	5.00	%

FDIC-covered assets are generally included in the 20% risk-weighted category due to loss-sharing agreements, under which loss reimbursement expires on February 6, 2019 as to the residential real estate covered assets and on February 6, 2014 as to non-residential real estate covered assets. Subsequent to such dates, previously FDIC-indemnified assets will generally be included in the 100% risk-weight category.

On June 7, 2012, the Federal Reserve Board invited comment on three proposed rules intended to improve the quality and increase the quantity of capital in the banking industry. The proposals' provisions which would most affect the regulatory capital requirements of the Company and the Bank:

- Redefine the type of capital which qualifies as regulatory capital in a manner which is more restrictive than current rules,
- Introduce a new "Common Equity Tier 1" capital measurement,
- Establish higher minimum levels of capital,
- Introduce a "capital conservation buffer,"
- Increase the risk-weighting of certain assets and commitments, in particular construction loans, loans on nonaccrual status, loans 90 days or more past due, short-term credit commitments, and deferred tax assets, and
- Alter the risk-weightings on residential real estate loans based on loan quality (underwriting standards and terms) and the loan-to-value ratio determined at time of origination or subsequent restructuring or modification.

Under the proposals, any bank subject to the rules which is unable to maintain its "capital conservation buffer" will be restricted in the payment of discretionary executive compensation and shareholder distributions, as an example dividends and share repurchases. The proposals have phase-in schedules for the various provisions; the higher minimum capital requirements are fully phased-in by January 1, 2015 and the "capital conservation buffer" and changed risk-weightings are fully phased-in by January 1, 2019. The proposals have not been amended or finalized as of March 31, 2013.

These proposals do not supersede the Federal Deposit Insurance Corporation Improvement Act (FDICIA) requiring federal banking agencies to take prompt corrective action (PCA) to resolve problems of insured depository institutions. The proposals would revise the PCA thresholds to incorporate the proposed regulatory capital minimums, including the newly proposed “common equity tier 1” ratios.

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Management has evaluated the capital structure and assets for the Company and the Bank as of March 31, 2013 assuming (1) the Federal Reserve's proposed rules were currently fully phased-in and (2) the FDIC indemnification of the Bank's purchased covered assets had expired, causing an increase in risk-weightings on such assets. Based on this evaluation, the Company and the Bank currently maintain capital in excess of all the proposed regulatory ratios, as follows:

	Proposed Minimum Capital Requirement	"Well-capitalized" Under PCA Proposal	Proposed Minimum Plus "Capital Conservation Buffer"	Proforma Measurements as of March 31, 2013 Assuming New Proposals Fully Phased-in and Covered Asset Indemnification Expired	
				Company	Bank
Capital Measurement:					
Leverage	4.00 %	5.00 %	4.00 %	8.84 %	8.12 %
Common Equity Tier 1	4.50 %	6.50 %	7.00 %	13.77 %	12.71 %
Tier I Capital	6.00 %	8.00 %	8.50 %	13.77 %	12.71 %
Total Capital	8.00 %	10.00 %	10.50 %	14.84 %	13.79 %

The Company and the Bank intend to maintain regulatory capital in excess of the highest regulatory standard. The Company and the Bank routinely project capital levels by analyzing forecasted earnings, credit quality, securities valuations, shareholder dividends, asset volumes, share repurchase activity, stock option exercise proceeds, and other factors. Based on current capital projections, the Company and the Bank expect to maintain regulatory capital levels exceeding the highest effective regulatory standard and pay 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) of the Securities Exchange Act of 1934, as amended, as of March 31, 2013.

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, 2013 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 resulting from loan collection efforts, transaction processing for deposit accounts including the order of posting transactions and the assessment of overdraft fees, and employment practices. The Company establishes a liability for contingent litigation losses for any legal matter when payments associated with the claims become probable and the costs can be reasonably estimated. Legal costs related to covered assets are eighty percent indemnified under loss-sharing agreements with the FDIC if certain conditions are met.

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Item 1A. Risk Factors

The Company's Form 10-K as of December 31, 2012 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) Previously reported on Form 8-K.
(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 the Company or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of common stock during the quarter ended March 31, 2013.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total 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 per share data)			
January 1 through January 31	124	$44.19	124	1,364
February 1 through February 28	129	44.36	129	1,235
March 1 through March 31	94	45.00	94	1,141
Total	347	$44.47	347	1,141

* Includes 5 thousand, 8 thousand and 6 thousand shares purchased in January, February and March, respectively, by the Company in private transactions with the independent administrator of the Company's Tax Deferred Savings/Retirement Plan (ESOP). The Company includes the shares purchased in such transactions within the total number of shares authorized for purchase pursuant to the currently existing publicly announced program.

The Company repurchases shares of its common stock in the open market 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 to meet stock performance, option plans, and other ongoing requirements.

Shares were repurchased during the first quarter of 2013 pursuant to a program approved by the Board of Directors on July 26, 2012, authorizing the purchase of up to 2 million shares of the Company's common stock from time to time prior to September 1, 2013.

Item 3. Defaults upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable.

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Item 5. Other Information

(a) Submission of Matters to a Vote of Security Holders

Proxies for the Annual Meeting of shareholders held on April 25, 2013, were solicited pursuant Regulation 14A of the Securities Exchange Act of 1934. The Report of Inspector of election indicates that 23,442,021 shares of the Common Stock of the Company, out of 27,159,429 shares outstanding on the February 25, 2013 record date, were present, in person or by proxy, at the meeting. The following matters were submitted to a vote of the shareholders:

1. Election of Directors:

Nominee	For	Withheld	Non-Votes	Uncast
Etta Allen	19,569,357	122,910	3,749,754	0
Louis E. Bartolini	19,493,679	198,588	3,749,754	0
E. Joseph Bowler	19,611,586	80,681	3,749,754	0
Arthur C. Latno, Jr.	16,932,960	2,759,307	3,749,754	0
Patrick D. Lynch	19,493,387	198,880	3,749,754	0
Catherine C. MacMillan	19,577,750	114,517	3,749,754	0
Ronald A. Nelson	19,578,103	114,164	3,749,754	0
David L. Payne	19,418,539	273,728	3,749,754	0
Edward B. Sylvester	19,536,893	155,374	3,749,754	0

2. Approval of a Non-Binding Advisory Vote on Executive Compensation

For	Against	Abstain	Non-Votes	Uncast
19,254,408	167,020	270,839	3,749,754	0

3. Approval of Selection of KPMG as Company's Independent Auditors for Fiscal Year 2013

For	Against	Abstain	Non-Votes	Uncast
23,216,067	61,547	164,407	0	0

Item 6. Exhibits

The exhibit list required by this item is incorporated by reference to the Exhibit Index filed with this report.

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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 hereunto duly authorized.

WESTAMERICA BANCORPORATION
(Registrant)

/s/ JOHN "ROBERT" THORSON
John "Robert" Thorson
Senior Vice President and Chief Financial Officer
(Chief Financial and Accounting Officer)

Date: May 1, 2013

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EXHIBIT INDEX

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: Pursuant to Rule 405 of Regulation S-T, the following financial information from the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2013, is formatted in XBRL interactive data files: (i) Consolidated Statements of Income for the three months ended March 31, 2013 and 2012; (ii) Consolidated Balance Sheets at March 31, 2013, and December 31, 2012; (iii) Consolidated Statements of Comprehensive Income for the three months ended March 31, 2013 and 2012, (iv) Consolidated Statements of Changes in Shareholders' Equity for the three months ended March 31, 2013 and 2012; (v) Consolidated Statements of Cash Flows for the three months ended March 31, 2013 and 2012 and (vi) Notes to the unaudited Consolidated Financial Statements.