

BankGuam Holding Co
Form 10-Q
August 08, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2016

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission file number: 000-54483

BankGuam Holding Company

(Exact name of registrant as specified in its charter)

Guam 66-0770448
(State or other jurisdiction of (IRS Employer

incorporation or organization) Identification No.)

P.O. Box BW

Hagåtña, Guam 96932

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(671) 472-5300

(Address, including Zip Code, and telephone number, including area code, of the registrant's principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registration was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of June 30, 2016, the registrant had outstanding 9,252,311 shares of common stock.

BANKGUAM HOLDING COMPANY

FORM 10-Q

QUARTERLY REPORT

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Exhibit 31.01 Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002	
Exhibit 31.02 Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002	

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Exhibit 32.01 Certification of Chief Executive Officer and Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 101.INS XBRL Instance Document.

Exhibit 101.SCH XBRL Taxonomy Extension Schema Document.

Exhibit 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.

Exhibit 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.

Exhibit 101.LAB XBRL Taxonomy Extension Labels Linkbase Document.

Exhibit 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.

* Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment with the Securities and Exchange Commission.

Cautionary Note Regarding Forward-Looking Statements

For purposes of this Quarterly Report, the terms the “Company,” “we,” “us” and “our” refer to BankGuam Holding Company and its subsidiaries. This Quarterly Report on Form 10-Q contains statements that are not historical in nature, are predictive in nature, or that depend upon or refer to future events or conditions or contain forward-looking statements within the meaning of Section 21 of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. These include, among other things, statements regarding:

- Competition for loans and deposits and failure to attract or retain deposits and loans;
- Local, regional, national and global economic conditions and events, and the impact they may have on us and our customers, and our assessment of that impact on our estimates, including the allowance for loan losses;
- Risks associated with concentrations in real estate related loans;
- Changes in the level of nonperforming assets and charge-offs and other credit quality measures, and their impact on the adequacy of our allowance for loan losses and our provision for loan losses;
- The effects of and changes in trade, monetary and fiscal policies and laws, including the interest rate policies of the Federal Open Market Committee of the Federal Reserve Board;
- Stability of funding sources and continued availability of borrowings;
- The effect of changes in laws and regulations with which the Company, Bank of Guam and BankGuam Investment and Insurance Services must comply, including any increase in Federal Deposit Insurance Corporation insurance premiums;
- Our ability to raise capital or incur debt on reasonable terms;
- Regulatory limits on Bank of Guam’s ability to pay dividends to the Company;
- The impact of the Dodd Frank Wall Street Reform and Consumer Protection Act and its implementing regulations;
- The effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies as well as the Financial Accounting Standards Board and other accounting standard setting bodies;
- Changes in the deferred tax asset valuation allowance in future quarters;
- The costs and effects of legal and regulatory developments, including resolution of legal proceedings or regulatory or other governmental inquiries, and the results of regulatory examinations or reviews;
- The ability to increase market share and control expenses; and,
- Our success in managing the risks involved in the foregoing items,

as well as other statements regarding our future operations, financial condition and prospects, and business strategies. Forward-looking statements may be preceded by, followed by or include the words “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “will,” “is designed to” and similar expressions. We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties and assumptions about our businesses and the environment in which they operate that could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in “Risk Factors” included in filings we make from time to time with the U.S. Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K for our fiscal year ended December 31, 2015, and our other Quarterly Reports on Form 10-Q filed by us in fiscal 2016. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or risks, except to the extent

required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements. New information, future events or risks could cause the forward-looking statements we discuss in this Quarterly Report not to occur. You should not place undue reliance on these forward-looking statements, which reflect our opinions only as of the date of this Quarterly Report.

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

The financial statements and the notes thereto begin on the next page.

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BankGuam Holding Company

Unaudited Condensed Consolidated Statements of Condition

(in Thousands, Except Par Value)

	June 30, 2016	December 31, 2015
ASSETS		
Cash and due from banks	\$24,386	\$28,536
Interest bearing deposits in banks	109,364	72,263
Total cash and cash equivalents	133,750	100,799
Restricted cash	400	400
Investment securities available-for-sale, at fair value	287,508	227,535
Investment securities held-to-maturity, at amortized cost	96,493	100,519
Federal Home Loan Bank stock, at cost	1,855	1,762
Loans, net of allowance for loan losses (\$15,949 and \$14,159, respectively)	1,142,389	1,054,250
Accrued interest receivable	4,656	4,098
Premises and equipment, net	17,904	17,876
Goodwill	783	783
Other assets	36,167	36,262
Total assets	\$1,721,905	\$1,544,284
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Non-interest bearing	\$456,788	\$413,662
Interest bearing	1,131,630	1,009,009
Total deposits	1,588,418	1,422,671
Accrued interest payable	136	113
Subordinated debt (net)	3,449	-
Other liabilities	10,399	9,358
Total liabilities	1,602,402	1,432,142
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Common stock \$0.2083 par value; 48,000 shares authorized; 9,284 and 9,273 shares issued and 9,252 and 9,241 shares outstanding at 6/30/16 and 12/31/15, respectively	1,935	1,933
Additional paid-in capital	19,765	19,659
Retained earnings	99,298	94,823
Accumulated other comprehensive loss	(1,206)	(3,983)
Common stock in treasury, at cost (32 shares)	(289)	(290)
Total stockholders' equity	119,503	112,142
Total liabilities and stockholders' equity	\$1,721,905	\$1,544,284

The accompanying notes are an integral part of the condensed consolidated financial statements.

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BankGuam Holding Company

Unaudited Condensed Consolidated Statements of Income

(Dollar and Share Amounts in Thousands, Except Per Share Data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Interest income:				
Loans	\$18,116	\$16,267	\$34,748	\$32,007
Investment securities	1,249	1,147	2,451	2,224
Deposits with banks	104	51	206	87
Federal Funds sold	-	-	-	2
Total interest income	19,469	17,465	37,405	34,320
Interest expense:				
Savings deposits	445	411	868	885
Time deposits	34	45	72	88
Other borrowed funds	32	-	35	-
Total interest expense	511	456	975	973
Net interest income	18,958	17,009	36,430	33,347
Provision for loan losses	1,185	1,125	2,330	2,250
Net interest income, after provision for loan losses	17,773	15,884	34,100	31,097
Non-interest income:				
Service charges and fees	1,531	1,137	2,964	2,155
Investment securities gains (losses), net (reclassified from other comprehensive income)	120	5	130	(29)
Income from merchant services	511	77	767	145
Cardholders income	430	340	695	723
Trustee fees	221	162	359	232
Other income	707	689	1,466	1,321
Total non-interest income	3,520	2,410	6,381	4,547
Non-interest expenses:				
Salaries and employee benefits	8,082	7,010	15,496	13,807
Occupancy	1,576	1,654	3,118	3,300
Equipment and depreciation	1,800			