WESTERN BANCORP

FORM 8-K
(Current report filing)

Filed 12/02/96 for the Period Ending 12/02/96

Address	4100 NEWPORT PLACE SUITE 900
	NEWPORT BEACH, CA, 92660
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CIK	0000721670
SIC Code	6022 - State Commercial Banks
Industry	Banks
Sector	Financials
Fiscal Year	12/31

WESTERN BANCORP

FORM 8-K
(Unscheduled Material Events)

Filed 12/2/1996 For Period Ending 12/2/1996

Address	4100 NEWPORT PLACE SUITE 900
	NEWPORT BEACH, California 92660
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CIK	0000721670
Fiscal Year	12/31

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of report (Date of earliest event reported) -- December 2, 1996

MONARCH BANCORP
(Exact name of registrant as specified in its charter)

CALIFORNIA	0-13551	95-3863296
(Name or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

30000 TOWN CENTER DRIVE, LAGUNA NIGUEL, CA	92667
(Address of principal executive officer)	(Zip Code)

(Registrants' telephone number, including area code) -- (714) 495-3300

NA

(Former name or former address, if changed since last report.)

On September 30, 1996, Monarch Bancorp (the "Company") completed the acquisition of Western Bank ("Western"), Los Angeles, California in which Western became a wholly-owned subsidiary of the Company.

The 8-K filed on October 3, 1996 did not include the required financial schedules for Item 7, FINANCIAL STATEMENTS AND EXHIBITS. This filing completes Item 7 and should be read in conjunction with the 8-K referenced above.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits

23.1 Consent of Ernst & Young, LLP

99.1 Pro Forma Combined Financial Statements (unaudited)

99.2 Consolidated Financial Statements, Western Bank, December 31, 1995 and 1994 with Report of Independent Auditors

99.3 Consolidated Financial Statements, Western Bank, December 31, 1994 and 1993 with Report of Independent Auditors

99.4 Consolidated Financial Statements, Western Bank, June 30, 1996 and 1995 (unaudited)

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

MONARCH BANCORP

Dated: December 2, 1996

By: /s/ Arnold C. Hahn

Arnold C. Hahn
Executive Vice President and

Chief Financial Officer

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTS

We consent to the use of our report dated January 22, 1996, in the Form 8K of Monarch Bancorp dated October 3, 1996, and as amended on December 2, 1996.

/s/ ERNST & YOUNG

Los Angeles, California
December 2, 1996

Exhibit 99.1

Monarch Bancorp and Western Bank
Pro Forma Combined Financial Information

(Unaudited)

On September 30, 1996, Monarch Bancorp (the "Company") acquired Western Bank ("Western"). The purchase price of Western was approximately $66.6 million and was paid entirely in cash.

The following unaudited pro forma combined statements of income were prepared in connection with the acquisition of Western and give effect to the adjustments described in the accompanying notes. The acquisition was accounted for as a purchase.

The unaudited pro forma combined statement of income for the nine month period ended September 30, 1996 is based on the consolidated statement of income for the Company for the nine month period ended September 30, 1996 and the consolidated statement of income for Western for the nine month period ended September 30, 1996. The pro forma adjustments to income and expense are the net result of pro forma amounts that assume a January 1, 1996 acquisition date.

The unaudited pro forma combined statement of income for the twelve month period ended December 31, 1995 is based on the consolidated statement of income for the Company for the twelve month period ended December 31, 1995 and the consolidated statement of income for Western for the twelve month period ended December 31, 1995. The pro forma adjustments to income and expense are the net result of pro forma amounts that assume a January 1, 1995 acquisition date.

The unaudited pro forma combined statements of income do not reflect the anticipated cost savings or revenue enhancements.

These unaudited pro forma combined statements of income and the accompanying notes should be read in conjunction with and are qualified in their entirety by the consolidated financial statements, including the accompanying notes, of the Company in its Annual Report on Form 10-K for the year ended December 31, 1995, and in its quarterly report on Form 10-Q for the quarter ended September 30, 1996. These unaudited pro forma combined statements of income and the accompanying notes should also be read in conjunction with and are qualified in their entirety by the consolidated financial statements, including the accompanying notes, of Western in its Annual Reports for the years ended December 31, 1995, 1994 and 1993 (see Exhibits 99.2 and 99.3 to this 8-K) and by the Western financial statements for the six month period ended June 30, 1996 (unaudited) attached to this 8-K as exhibit 99.4.

The pro forma data are presented for comparative purposes only and are not necessarily indicative of the combined results of operations in the future. The pro forma data are also not necessarily indicative of the combined results of operations which would have been realized had the acquisition been in effect during the periods for which the pro forma financial statements are presented. In addition, this Form 8-K includes forward-looking statements that involve inherent risks and uncertainties. The Company cautions readers that a number of important factors could cause actual results to differ materially from those in the forward- looking statements. Those factors include fluctuations in interest rates, inflation, government regulations, the progress of integrating Western and economic conditions and competition in the geographic and business areas in which the Company conducts its operations.

MONARCH BANCORP AND WESTERN BANK
PRO FORMA COMBINED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1995 (A)
(UNAUDITED)

(000's omitted, except per share data)

	HISTORICAL				
	MONARCH	WESTERN	PRO FORMA ADJUSTMENTS		PRO FORMA COMBINED
INTEREST AND LOAN FEE INCOME:					
Investment securities	$ 3,054	$ 7,292	$ (344)	(B)	$ 10,002
Federal funds sold	376	671			1,047
Loans and leases	1,061	18,553	2	(C)	19,616
TOTAL INTEREST INCOME	4,491	26,516	(342)		30,665
INTEREST EXPENSE:					
Deposits	1,285	6,529	8	(D)	7,822
Borrowings	1		825	(E)	826
TOTAL INTEREST EXPENSE	1,286	6,529	833		8,648
NET INTEREST INCOME	3,205	19,987	(1,175)		22,017
Less: provision for loan losses	425	710			1,135
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	2,780	19,277	(1,175)		20,882
NON-INTEREST INCOME					
Service charges on deposits accounts	213	785			998
Temporary overdraft charges & NSF fees	293	434			727
Data processing income	70				70
Other service charge and fee income	20	423			443
Gain on sale of mortgage loans		303			303
Loan servicing fees		387			387
Other income	337	1,173			1,510
TOTAL NON-INTEREST INCOME	933	3,505	-		4,438
NON-INTEREST EXPENSE					
Salaries and benefits	1,657	7,308			8,965
Premises and furniture, fixtures and equipment	1,423	1,537			2,960
Advertising, marketing and business development	116	513			629
Data processing		829			829
Other real estate owned	62	825			887
Professional services	260	1,202			1,462
Amortization of goodwill			1,944	(F)	1,944
Other	7	3,161			3,168
TOTAL NON-INTEREST EXPENSE	3,525	15,375	1,944		20,844
Income before provision for taxes	188	7,407	(3,119)		4,476
Provision for taxes	(496)	3,114	(474)		2,144
NET INCOME AFTER PROVISION FOR TAXES	$ 684	$ 4,293	$ (2,645)		$ 2,332
PER SHARE INFORMATION					
Number of shares (weighted average)					34,374,821
Income per share (dollars)					$ 0.07

MONARCH BANCORP AND WESTERN BANK
PRO FORMA COMBINED STATEMENT OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996 (A)
(UNAUDITED)

(000's omitted, except per share data)

	HISTORICAL		PRO FORMA		PRO FORMA
	MONARCH	WESTERN	ADJUSTMENTS		COMBINED
INTEREST AND LOAN FEE INCOME:					
Investment securities	$ 1,359	$ 6,078	$ (266)	(B)	$ 7,171
Federal funds sold	333	266			599
Loans and leases	2,521	14,851	2	(C)	17,374
TOTAL INTEREST INCOME	4,213	21,195	(264)		25,144
INTEREST EXPENSE:					
Deposits	1,297	6,203	6	(D)	7,506
Borrowings	-	319	619	(E)	938
TOTAL INTEREST EXPENSE	1,297	6,522	625		8,444
NET INTEREST INCOME	2,916	14,673	(889)		16,700
Less: provision for loan losses	165	-			165
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	2,751	14,673	(889)		16,535
NON-INTEREST INCOME					
Service charges on deposits accounts	169	239			408
Temporary overdraft charges & NSF fees	204	281			485
Data processing income	63				63
Other service charge and fee income	56	408			464
Other income	14	196			210
TOTAL NON-INTEREST INCOME	506	1,124	-		1,630
NON-INTEREST EXPENSE					
Salaries and benefits	1,159	5,186			6,345
Premises and furniture, fixtures and equipment	882	1,167			2,049
Advertising, marketing and business development	102	319			421
Data processing		626			626
Other real estate owned	9	541			550
Professional services	406	745			1,151
Amortization of goodwill			1,458	(F)	1,458
Other	195	1,237			1,432
TOTAL NON-INTEREST EXPENSE	2,753	9,821	1,458		14,032
Income before provision for taxes	504	5,976	(2,347)		4,133
Provision for taxes	199	2,480	(356)		2,323
NET INCOME AFTER PROVISION FOR TAXES	$ 305	$ 3,496	$(1,991)		$ 1,810
PER SHARE INFORMATION					
Number of shares (weighted average)					34,374,821
Income per share (dollars)					$ 0.05

(Unaudited)

NOTE A: BASIS OF PRESENTATION

The unaudited pro forma combined statements of income for the twelve months ended December 31, 1995 are presented as if the acquisition had become effective on January 1, 1995. The unaudited pro forma combined statements of income for the nine months ended September 30, 1996 are presented as if the acquisition had become effective January 1, 1996.

The pro forma combined statement of income for the nine months ended September 30, 1996 combines the individual historical results of operations of the Company and Western for the nine months ended September 30, 1996 after giving effect to the amortization of purchase accounting adjustments and nine month's interest expense on the acquisition debt. The pro forma purchase accounting adjustments for the nine months ended September 30, 1996 represent the amortization that would have taken place from the beginning of the period.

The pro forma combined statement of income for the year ended December 31, 1995 combines the individual historical results of operations of the Company and Western for the year ended December 31, 1995 after giving effect to the amortization of purchase accounting adjustments and one year's interest expense on the acquisition debt. The pro forma purchase accounting adjustments for the twelve months ended December 31, 1996 represent the amortization that would have taken place from the beginning of the period.

The acquisition was accounted for as a purchase. Under this method of accounting, assets and liabilities of Western are adjusted to their estimated fair value and combined with the recorded book values of the assets and liabilities of the Company. Applicable income tax effects of such adjustments are included as a component of the Company's net deferred tax asset with a corresponding offset to goodwill. Such asset and liability values are reflected in the Company's September 30, 1996 unaudited consolidated balance sheet included in the financial information for the quarter ended September 30, 1996, filed on Form 10-Q.

NOTE B: INTEREST INCOME - INVESTMENT SECURITIES

Western's investment securities were recorded at their estimated fair values on September 30, 1996. The resulting fair value premium, which was primarily due to changes in interest rates, has been amortized using an accelerated method to reduce interest income based on the estimated remaining maturities of the related investment securities which range from one month to seven years.

NOTE C: INTEREST INCOME - LOANS

Western's loans were recorded at their estimated fair values on September 30, 1996. The resulting fair value discount, which was primarily due to changes in interest rates, has been amortized to increase interest income based on the estimated remaining maturities of the related loans which range from one month to ten years.

NOTE D: INTEREST EXPENSE - DEPOSITS

Western's deposits were recorded at their estimated fair values on September 30, 1996. The resulting fair value premium, which was primarily due to changes in interest rates, has been amortized to increase interest expense based on the estimated remaining maturities of the related deposits which range from one month to ten years.

NOTE E: INTEREST EXPENSE - BORROWINGS

As part of the acquisition, the Company borrowed a net amount of $11 million. This amounts represents the interest expense to be paid by the Company for either the nine month or twelve month period at a rate of 7.5%.

NOTE F: NON-INTEREST EXPENSE - AMORTIZATION OF GOODWILL

Goodwill of $29.2 million resulted from the acquisition. Goodwill is being amortized on a straight line basis over fifteen years.

Consolidated Financial Statements

Western Bank

DECEMBER 31, 1995 AND 1994
WITH REPORT OF INDEPENDENT AUDITORS

Western Bank

Consolidated Financial Statements

December 31, 1995 and 1994

CONTENTS

[LETTERHEAD]

Report of Independent Auditors

The Board of Directors and Shareholders
Western Bank

We have audited the accompanying consolidated balance sheet of Western Bank as of December 31, 1995, and the related consolidated statement of operations, shareholders' equity and cash flows for the year then ended.

These financial statements are the responsiblity of the Company's management.
Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Western Bank for the year ended December 31, 1994, were audited by other auditors whose report dated February 3, 1995, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 1995 financial statements referred to above present fairly in all material respects, the consolidated financial position of Western Bank at December 31, 1995, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

January 22, 1996

Western Bank

Consolidated Balance Sheets

DECEMBER 31

	1995	1994
ASSETS		
Current Assets:		
Securities available for sale (NOTE 1 AND 2)	$ 140,133,000	$ 99,827,000
Securities held to maturity (NOTE 1 AND 2)	3,612,000	1,979,000
Federal funds sold	-	25,000,000
Loans (net of allowance for loan losses of $4,149,000 and $3,471,000 for 1995 and 1994, respectively) (NOTES 1 AND 3)	210,506,000	145,085,000
Total earning assets	354,251,000	271,891,000
Cash and noninterest earning deposits	25,437,000	30,423,000
Other real estate owned: (net of allowance for other real estate owned of $2,370,282 and $1,795,948 for 1995 and 1994, respectively) (NOTE 1)	4,828,000	8,418,000
Premises and equipment (net of accumulated depreciation of $4,098,000 and $3,500,000 at December 31, 1995 and 1994, respectively) (NOTES 1 AND 5)	5,324,000	4,063,000
Accrued interest receivable	2,942,000	2,118,000
Other assets	4,216,000	7,911,000
Total assets	$ 396,998,000	$ 324,824,000

Western Bank

Consolidated Balance Sheets

DECEMBER 31

	1995	1994
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Deposits (NOTES 1 AND 6)	$ 340,639,000	$ 290,727,000
FHLB advances and other borrowings	17,000,000	-
Other liabilities (NOTE 4)	1,814,000	3,541,000
Total liabilities	359,453,000	294,268,000
Commitments and contingencies (NOTE 8)	-	-
Stockholders' equity:		
Common stock - 10,000,000 shares authorized, no par value; issued and outstanding, 3,543,156 and 3,219,152 shares in 1995 and 1994, respectively	20,511,000	17,443,000
Retained earnings	17,088,000	15,853,000
Net unrealized loss on securities available for sale	(54,000)	(2,740,000)
Total stockholders' equity	37,545,000	30,556,000
Total liabilities and stockholders' equity	$ 396,998,000	$ 324,824,000

SEE ACCOMPANYING NOTES.

Western Bank

Consolidated Statements of Income

YEAR ENDED DECEMBER 31

	1995	1994
Interest income:		
Loans and fees on loans	$ 18,553,000	$ 16,400,000
Securities available for sale	7,139,000	4,101,000
Securities held to maturity	153,000	157,000
Certificates of deposit	-	1,000
Federal funds sold	671,000	832,000
	26,516,000	21,491,000
Interest expense:		
Time deposits in denominations of $100,000 or more	1,400,000	620,000
All other deposits	5,129,000	3,237,000
	6,529,000	3,857,000
Net interest income before provision for loan losses	19,987,000	17,634,000
Provision for loan losses	710,000	1,052,000
Net interest income after provision for loan losses	19,277,000	16,582,000
Other income:		
Service charges on deposit accounts	785,000	707,000
Gain on sale of mortgage loans	303,000	-
Loan servicing fees	387,000	941,000
Other	2,030,000	1,329,000
	3,505,000	2,977,000
Other expenses:		
Salaries, wages and employee benefits	7,308,000	6,280,000
Net occupancy	1,126,000	1,363,000
Furniture and equipment	411,000	370,000
Other (NOTE 11)	6,530,000	7,505,000
	15,375,000	15,518,000
Income from continuing operations before income taxes	7,407,000	4,041,000
Provision (benefit) for income taxes (NOTE 7):		
Current	3,082,000	1,892,000
Deferred	32,000	(297,000)
	3,114,000	1,595,000
Net income	$ 4,293,000	$ 2,446,000
Earnings per share	$ 1.12	$ .66

SEE ACCOMPANYING NOTES.

Western Bank

Consolidated Statement of Stockholders' Equity

For the Years Ended December 31, 1995 and 1994

	SHARES OUTSTANDING	COMMON STOCK	NET UNREALIZED LOSS ON SECURITIES AVAILABLE FOR SALE	RETAINED EARNINGS
Balance at January 1, 1994	3,219,152	$ 17,443,000	$ (69,000)	$ 13,409,000
Net change in unrealized loss on securities available for sale (net of taxes of $1,948,000)	-	-	(2,671,000)	-
Cash paid in lieu of fractional shares	-	-	-	(2,000)
Net income	-	-	-	2,446,000
Balance at December 31, 1994	3,219,152	17,443,000	(2,740,000)	15,853,000
Net change in unrealized loss on securities available for sale (net of taxes of $38,000)	-	-	2,686,000	-
Stock options exercised	2,214	11,000	-	-
Stock dividend	321,790	3,057,000	-	(3,057,000)
Cash paid in lieu of fractional shares	-	-	-	(1,000)
Net income	-	-	-	4,293,000
Balance at December 31, 1995	3,543,156	$ 20,511,000	$ (54,000)	$ 17,088,000

SEE ACCOMPANYING NOTES.

	YEAR ENDED DECEMBER 31 1995	1994
OPERATING ACTIVITIES		
Net income	$ 4,293,000	$ 2,446,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	687,000	965,000
Provision for loan losses	710,000	1,052,000
Provision for losses on real estate owned	615,000	1,074,000
(Increase) decrease in deferred income tax benefit	33,000	(297,000)
(Gain) loss on sale of real estate owned	(328,000)	88,000
Net amortization of investment premiums and discounts	(391,000)	-
Decrease in unearned discount	(1,323,000)	-
Decrease in deferred loan fees	(23,000)	(8,000)
Increase in accrued interest receivable	(824,000)	(945,000)
(Increase) decrease in other assets	5,822,000	(689,000)
Increase (decrease) in other liabilities	(2,256,000)	363,000
Gain on sale of fixed assets	(11,000)	-
Net cash provided by operating activities	7,004,000	4,049,000
INVESTING ACTIVITIES		
Purchases of securities available for sale	(55,854,000)	(59,505,000)
Proceeds from maturities of securities available for sale	18,548,000	32,345,000
Proceeds from maturities of securities held to maturity	22,182,000	2,000,000
Net decrease (increase) in loans	(30,989,000)	11,414,000
Net assets from acquisition of the Bank of Encino	(4,073,000)	-
Proceeds from sales of other real estate owned	6,182,000	1,834,000
Acquisition of bank premises and equipment	(1,502,000)	(1,041,000)
Net cash used in investing activities	(45,506,000)	(12,953,000)

Western Bank

Consolidated Statements of Cash Flows (continued)

	YEAR ENDED DECEMBER 31 1995	1994
FINANCING ACTIVITIES		
Net increase (decrease) in deposits	(8,494,000)	9,197,000
Proceeds from FHLB advances and other borrowings	17,000,000	-
Proceeds from exercise of stock options	11,000	-
Cash paid in lieu of fractional shares	(1,000)	(2,000)
Net cash provided by financing activities	8,516,000	9,195,000
Net increase (decrease) in cash and cash equivalents	(29,986,000)	291,000
Cash and cash equivalents at beginning of year	55,423,000	55,132,000
Cash and cash equivalents at end of year	$ 25,437,000	$ 55,423,000
NONCASH INVESTING ACTIVITIES		
Loans transferred to other real estate owned because of foreclosure or deed in lieu of foreclosure of the collateral during the year	$ 3,354,000	$ 7,343,000
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 5,937,000	$ 4,000,000
Cash paid during the year for taxes	$ 3,195,000	$ 1,030,000

SEE ACCOMPANYING NOTES.

Western Bank

Notes to Consolidated Financial Statements

December 31, 1995 and 1994

1. ORGANIZATIONAL STRUCTURE AND ACCOUNTING POLICIES

Western Bank (the Bank) was established in 1973 by the current chairman of the board. The Bank has maintained a record of profitability since their inception and continues to grow in capital strength. The Bank has a five-branch network, including the newly acquired Bank of Encino branch, all servicing the western region of Los Angeles County.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Bank and its wholly owned subsidiary, WBC Management Co., Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

INVESTMENT SECURITIES

The Bank classifies its investment securities in two categories: securities available for sale and securities held to maturity. Securities available for sale are measured at fair value, with net unrealized gains and losses reported as a separate component of stockholders' equity, net of tax. Securities held to maturity are carried at amortized cost. The amortized cost or carrying value of the specific security sold is used to compute the gain or loss on the sale of investment securities.

Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities" issued in May 1993, requires classifying investments in marketable equity securities and debt securities as trading securities, securities available for sale, or securities held to maturity. The Statement requires trading securities and securities available for sale to be carried at fair value, with unrealized holding gains and losses of trading securities included in the determination of net earnings and unrealized holding gains and losses of securities available for sale included in stockholders' equity. Securities held to maturity are to be carried at amortized cost.

1. ACCOUNTING POLICIES (CONTINUED)

INVESTMENT SECURITIES (CONTINUED)

Securities held to maturity are classified as such because the Bank has the ability and management has the intent to hold them to maturity. These securities are stated at cost and adjusted for amortization of premiums and accretion of discounts, which are recognized as adjustment to income using a method that approximates the interest method.

LOANS

Loans are carried at amounts advanced less payments collected. Interest income is accrued as earned on all loans. Interest income is not recognized on loans if collection of the interest is deemed by management to be unlikely.

Nonrefundable loan fees received and certain costs incurred during the process of originating loans are deferred and recognized over the life of the loan as an adjustment to the loan's yield using a method that approximates the interest method.

The determination of the balance in the allowance for loan losses is based on an evaluation of the loan portfolio and reflects an amount that in management's judgment is adequate to provide for potential loan losses after giving consideration to the character of the loan portfolio, appraisals of assets and securing loans, current economic conditions, past loan loss experience and other factors that require current recognition in estimating loan losses. Such estimates, appraisals and evaluations may require changes because of changing economic conditions and the economic prospects of borrowers. The provision for loan losses is charged to expense.

The Bank adopted SFAS No. 114, "Accounting by Creditors for Impairment of a Loan", effective January 1, 1995, as amended by SFAS No. 118, "Accounting for Impairment of a Loan - Income Recognition and Disclosure". SFAS 114 does not apply to large groups of smaller balance homogeneous loans that are collectively evaluated for impairment. The Bank's impaired loans within the scope of SFAS No. 114 include non-accrual loans, trouble debt restructurings (TDRs), and major loans which the Bank believes will be collected in full, but not in accordance with the contractual terms of the loan.

1. ACCOUNTING POLICIES (CONTINUED)

LOANS (CONTINUED)

Interest income on loans, including the recognition of discounts and loan fees, is accrued on the outstanding principal amount of loans using the interest method. A loan is generally placed on nonaccrual status when the Bank becomes aware that the borrower has entered into bankruptcy proceedings and the loan is delinquent, or when the loan is past due 90 days as to either principal or interest. When a loan is placed on nonaccrual status, interest accrued but not received is reversed against interest income. Cash receipts on nonaccrual loans are used to reduce principal balances rather than being included in interest income. A nonaccrual loan may be restored to accrual basis when delinquent loan payments are collected, and the loan is expected to perform according to the contractual terms of the loan agreement. The Bank continues to accrue interest on TDRs and other impaired loans since full payment of principal and interest is expected, and such loans are performing or less than 90 days delinquent and, therefore, do not meet the criteria for nonaccrual status.

The Bank bases the measurement of loan impairment on the fair value of the loans' collateral properties in accordance with SFAS No. 114. Impairment losses are included in the allowance for loan losses through a charge to the provision for loan losses. Adjustments to impairment losses due to changes in the fair value of impaired loans' collateral properties are included in the provision for loan losses. Upon disposition of an impaired loan, any related valuation allowance is charged off from the allowance for loan losses.

PREMISES AND EQUIPMENT

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Leasehold improvements are amortized over the term of the lease or the service life of the improvements, whichever is shorter. The straight-line method of depreciation is followed for financial reporting purposes.

1. ACCOUNTING POLICIES (CONTINUED)

STOCK DIVIDEND

On December 16, 1993, the Bank declared a stock split affected in the form of a 25% stock dividend that was paid on February 15, 1994 to stockholders of record as of January 18, 1994. On February 15, 1995, the Bank declared a 10% stock dividend that was paid on March 31, 1995 to shareholders of record as of February 28, 1995. Fractional shares were paid in cash for both transactions.

EARNINGS PER SHARE

Earnings per common and common equivalent share are based on the weighted average number of shares outstanding during each year, adjusted retroactively for stock dividends. The weighted average number of shares used in the computation of earnings per common and common equivalent share for 1995 and 1994 were 3,826,697 and 3,700,309, respectively. The change in the December 31, 1994 weighted average number of shares is a direct result of the retroactive effect of the ten percent (10%) stock dividend at March 31, 1995.

Equivalent shares are those issuable upon the assumed exercise of stock options reflected under the treasury stock method using the average market price of the Bank's shares during each year.

OTHER REAL ESTATE OWNED

Other real estate owned, which represents properties acquired by foreclosure or by a deed in lieu of foreclosure, is recorded at the lower of the unpaid balance of the loan or the fair value of the property at the date of acquisition. Any valuation reductions required at the date of acquisition are charged to the allowance for loan losses. Subsequent to acquisition, other real estate owned is carried at the lower of recorded cost or net realizable value. Subsequent operating expenses or income, reduction in estimated values, and gains or losses on disposition of such properties are recognized in current operations.

1. ACCOUNTING POLICIES (CONTINUED)

FAIR VALUES OF FINANCIAL INSTRUMENTS

The consolidated financial statements include various estimated fair value information as of December 31, 1995 and 1994, as required by SFAS No. 107. Such information, which pertains to the Bank's financial instruments, is based on the requirements set forth in SFAS No. 107 and does not purport to represent the aggregate net fair value of the Bank. Many of such instruments lack an available trading market, as characterized by a willing buyer and seller engaging in an exchange transaction.

Also, it is the Bank's general practice and intent to hold its financial instruments, except for certain investment securities which are accounted for in accordance with Notes 1 and 2, to maturity and not to engage in trading or sales activities. Therefore, the Bank had to use significant estimations and present value calculations to prepare these fair value disclosures. Further, the fair value estimates are based on various assumptions, methodologies and subjective considerations, which vary widely among financial institutions and which are subject to change.

Changes in the assumptions or methodologies used to estimate fair values may materially affect the estimated amounts. This lack of uniformity gives rise to a high degree of subjectivity in estimating financial instrument fair values.

CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, the Bank considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

The balance sheet carrying amounts for cash and short-term instruments approximate the estimated fair values of such assets.

INVESTMENT SECURITIES

Fair values for investment securities are based on quoted market prices, if available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

1. ACCOUNTING POLICIES (CONTINUED)

LOANS RECEIVABLE

For variable rate loans that reprice frequently and entail no significant change in credit risk, fair values are based on the carrying values. The estimated fair values of fixed rate loans are estimated based on discounted cash flow analyses using interest rates currently offered for loans with similar terms to borrowers of similar credit quality. The carrying amount of accrued interest approximates its fair value.

Estimated fair values for the Bank's off-balance sheet instruments (standby letters of credit and construction lending commitments) are based on fees currently charged to enter into similar agreements, considering the remaining terms of the agreements and the counterparties' credit standing; or quoted market prices (financial forward contracts). Lending commitments other than the construction lending commitments do not have fees charged on them to enter into the agreements.

DEPOSIT LIABILITIES

The fair values estimated for demand deposits (e.g., interest and non-interest bearing checking accounts, passbook savings, and certain types of money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). The carrying amounts of variable rate, fixed-term money market accounts and certificates of deposit approximate their fair values at the reporting date. Fair values of fixed rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered to a schedule of aggregated expected monthly time deposit maturities. The carrying amount of accrued interest payable approximates its fair value.

RECLASSIFICATION

Certain items in the 1994 financial statements have been reclassified to conform with the 1995 presentation.

2. INVESTMENT SECURITIES

Debt and equity securities have been classified in the consolidated statement of financial condition according to management's intent. The carrying amounts of securities and their approximate fair values at December 31, 1995 and 1994 were as follows:

	1995			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
Securities available for sale:				
U.S. Treasury and agency securities	$ 111,778,000	$ 968,000	$ -	$ 112,746,000
Other debt securities	4,456,000	-	120,000	4,336,000
	116,234,000	968,000	120,000	117,082,000
Mortgage-backed securities	21,470,000	-	729,000	20,741,000
Equity securities	2,521,000	-	211,000	2,310,000
	$ 140,225,000	$ 968,000	$ 1,060,000	$ 140,133,000

	1995			
	CARRYING VALUE	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
Securities held to maturity:				
Obligations of states and political subdivisions	$ 3,612,000	$ 44,000	$ -	$ 3,656,000

2. INVESTMENT SECURITIES (CONTINUED)

	1994			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
Securities available for sale:				
U.S. Treasury and agency securities	$ 70,623,000	$ -	$ 1,877,000	$ 68,746,000
Other debt securities	5,000	-	-	5,000
	70,628,000	-	1,877,000	68,751,000
Mortgage-backed securities	27,169,000	-	2,395,000	24,774,000
Equity securities	6,716,000	2,000	416,000	6,302,000
	$ 104,513,000	$ 2,000	$ 4,688,000	$ 99,827,000

	1994			
	CARRYING VALUE	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
Securities held to maturity:				
Obligations of states and political subdivisions	$ 1,979,000	$ 114,000	$ -	$ 2,093,000

The carrying and estimated fair values of securities pledged to secure public funds and for other purposes as required or permitted by law amounted to approximately $20,972,000 and $21,139,000, respectively, at December 31, 1995 and approximately $990,000 and $980,000, respectively, at December 31, 1994.

The amortized cost, carrying value and estimated fair value of debt securities at December 31, 1995, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

2. INVESTMENT SECURITIES (CONTINUED)

	AMORTIZED COST	ESTIMATED FAIR VALUE
Securities available for sale:		
Due in one year or less	$ 50,021,000	$ 50,212,000
Due after one year through five years	65,771,000	66,466,000
Due after five years through ten years	2,977,000	2,953,000
Due after ten years	14,479,000	13,856,000
Mutual funds	4,456,000	4,336,000
Equity securities	2,521,000	2,310,000
	$ 140,225,000	$ 140,133,000

	CARRYING VALUE	ESTIMATED FAIR VALUE
Securities held to maturity:		
Due in one year or less	$ 1,093,000	$ 1,095,000
Due after one year through five years	1,523,000	1,522,000
Due after five years through ten years	996,000	1,039,000
	$ 3,612,000	$ 3,656,000

3. LOANS

The composition of the Bank's loan portfolio at December 31 is as follows:

	1995	1994
Commercial	$ 85,264,000	$ 59,747,000
Installment	2,407,000	1,373,000
Construction	15,478,000	9,388,000
Real estate	116,732,000	84,259,000
Participations purchased	2,157,000	1,865,000
	222,038,000	156,632,000
Less:		
Participations sold	7,541,000	4,776,000
Unearned discounts on purchased loans	1,288,000	2,917,000
Deferred loan fees and deferred interest income	417,000	383,000
	212,792,000	148,556,000
Unamortized premium on purchased loans	1,863,000	-
	214,655,000	148,556,000
Less allowance for loan losses	(4,149,000)	(3,471,000)
	$ 210,506,000	$145,085,000

The estimated fair value of loans receivable at December 31, 1995 is $214,810,000.

The loan portfolio is substantially concentrated in Southern California.

Loans placed on non-accrual status at December 31, 1995 were $2,734,000. In addition, the interest income that would have been recorded had the nonaccrual loans performed in accordance with their original terms would have been $208,000.

3. LOANS (CONTINUED)

Transactions in the allowance for loan losses are summarized as follows:

	1995	1994
Balance at beginning of year	$ 3,471,000	$ 3,569,000
Bank of Encino purchase	534,000	-
Provision charged to expense	710,000	1,052,000
Loans charged off	(695,000)	(1,161,000)
Recoveries credited to allowance	129,000	11,000
Balance at end of year	$ 4,149,000	$ 3,471,000

4. RELATED PARTY TRANSACTIONS

The Bank had an agreement with Lawrence Koppelman and Company, as discussed in Note 1, whereby profit (and loss) of the Mortgage Banking Division was shared equally by Lawrence Koppelman and Company and the Bank. As of December 31, 1995 the Bank has a net payable due to Lawrence Koppelman and Company.

In the ordinary course of business the Bank has granted loans to certain directors and the businesses with which they are associated. A summary of this loan activity for 1995 and 1994 follows:

	1995	1994
Beginning balance	$ 318,000	$ 947,000
New loans made	96,000	639,000
Principal reductions and payoffs	(309,000)	(1,268,000)
Ending balance	$ 105,000	$ 318,000

5. BANK PREMISES AND EQUIPMENT

A summary of Bank premises and equipment as of December 31, is as follows:

	1995	1994
Land	$ 1,951,000	$ 1,660,000
Building and improvements	4,385,000	2,290,000
Leasehold improvements	1,918,000	1,698,000
Furniture, fixtures and equipment	1,168,000	1,915,000
	9,422,000	7,563,000
Less accumulated depreciation and amortization	(4,098,000)	(3,500,000)
	$ 5,324,000	$ 4,063,000

6. DEPOSITS

The composition of the Bank's deposits at December 31, is as follows:

	1995	1994
Demand deposits	$ 121,502,000	$ 106,412,000
Savings and NOW accounts	45,266,000	52,761,000
Money market accounts	120,222,000	91,038,000
Certificates of deposit of $100,000 or more	31,208,000	26,026,000
Other time deposits	22,441,000	14,490,000
	$ 340,639,000	$ 290,727,000

6. DEPOSITS (CONTINUED)

The estimated fair values of deposits consisted of the following at December 31, 1995:

Demand deposits	$ 121,502,000
Savings and NOW accounts	45,266,000
Money market accounts	120,222,000
Certificates of deposit of $100,000 or more and other time deposits	55,454,000
	$ 342,444,000

As discussed in Note 1, SFAS No. 107 defines the fair value of demand deposits as the amount payable, and prohibits adjustment for any value derived from the expected retention of such deposits for a period of time. That value, commonly referred to as the deposit base intangible, has not been estimated and is neither included in the above fair value amounts nor recorded as an intangible asset in the balance sheet.

7. INCOME TAXES

Under the liability method specified by SFAS No. 109, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates which will be in effect when these differences reverse. Deferred tax expense is the result of changes in deferred tax assets and liabilities. The principal types of differences between assets and liabilities for financial statement and tax return purposes are accelerated depreciation, allowance for loan losses, allowance for losses on other real estate owned, interest on non-accrual loans, franchise taxes and FHLB stock dividends.

	1995	1994
Current:		
Federal	$ 2,267,000	$ 1,327,000
State	815,000	565,000
	3,082,000	1,892,000
Deferred:		
Federal	25,000	(204,000)
State	7,000	(93,000)
	32,000	(297,000)
	$ 3,114,000	$ 1,595,000

7. INCOME TAXES (CONTINUED)

As a result of the following items, the total tax expense for 1995 and 1994 was different from the amount computed by applying the statutory U.S. federal income tax rate to earnings from continuing operations before income taxes:

	1995		1994	
	AMOUNT	PERCENT	AMOUNT	PERCENT
Federal income tax at statutory rate	$ 2,518,000	34.0%	$ 1,374,000	34.0%
Changes due to:				
Exempt interest on securities	(47,000)	(0.6)	(61,000)	(1.5)
State franchise tax, net of federal income tax benefit	566,000	7.6	305,000	7.6
Dividends subject to exclusion	(23,000)	(0.3)	(13,000)	(.3)
Other	100,000	1.3	(10,000)	(.2)
	$ 3,114,000	42.0%	$ 1,595,000	39.6%

Deferred tax assets and liabilities at December 31, consist of the following:

	1995	1994
Deferred tax assets:		
Net unrealized holding loss on securities available for sale	$ 92,000	$ 1,948,000
Accelerated depreciation	213,000	256,000
Franchise tax	86,000	15,000
Allowance for loan losses	945,000	1,214,000
Allowance for losses on other real estate owned	633,000	817,000
Interest on non-accrual loans	82,000	9,000
Other	35,000	156,000
Total deferred tax assets	2,086,000	4,415,000
Deferred tax liabilities:		
FHLB Stock dividends	(85,000)	(92,000)
Other	(110,000)	(158,000)
Total deferred tax liabilities	(195,000)	(250,000)
Net deferred tax assets	$ 1,891,000	$ 4,165,000

8. COMMITMENTS AND CONTINGENCIES

The Bank leases the land on which its Westwood facility is located from an unrelated party. The lease expires in 2003. Rent expense under this lease was approximately $108,000 and $106,000 for 1995 and 1994, respectively. The Bank also leases, from unrelated parties, the facilities for its branch locations. These leases expire at various times through the year 2003. Rent expense under these leases was approximately $420,000 and $621,000 for 1995 and 1994, respectively. All leases are accounted for as operating leases. Minimum future rental payments required under all leases as of December 31, 1995, which exclude any increases in direct operating costs such as property taxes, utilities, fees, insurance and other service and maintenance expenses under the respective lease, are approximately as follows:

	1995
1996	$ 529,000
1997	529,000
1998	529,000
1999	529,000
2000	529,000
Thereafter	1,460,000
	$4,105,000

The Bank leases portions of the Westwood building it owns and the facilities it leases to outside businesses. These noncancelable operating leases expire at various periods through January 31, 2000. Rental income in 1995 and 1994 was approximately $53,000 and $26,000, respectively.

At December 31, 1995 and 1994, the Bank had unfunded loan commitments of $50,016,000 and $44,195,000, respectively, and outstanding commitments of approximately $2,724,000 and $1,988,000, respectively, which were related to standby letters of credit. The amount of the unfunded loan commitments and the outstanding standby letters of credit approximate the respective fair values.

8. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Loan commitments are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payments of a fee. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank on extensions of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include residential real estate, accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

In connection with certain mortgage loans sold by the Bank, the Bank remains liable only to the extent that such loans are fraudulent and/or misrepresentations are detected.

The Bank has established federal fund lines from various banks totaling $31,600,000.

The Bank is involved in various kinds of litigation. In the opinion of management, based on advice from the Bank's legal counsel, the disposition of all pending litigation will not have a material effect on the Bank's consolidated financial position.

A real estate loan originated by the Bank was sold to an unaffiliated savings institution, transferred upon the failure of the institution to the Resolution Trust Corporation and sold by the RTC to its present holder, which, following foreclosure upon the underlying real estate, is seeking a deficiency judgment against the borrower. The borrower has filed a third-party action, seeking recovery from the Bank and another defendant of any deficiency for which he is liable, in which all proceedings, including discovery, have been stayed pending resolution of the earlier litigation. In light of the stay, counsel for the Bank are unable to form an opinion as to the ultimate outcome of the latter action, but have indicated that the exposure of the Bank, if any, should be less than any deficiency indicated by the face account.

9. EMPLOYEE STOCK OWNERSHIP PLAN

In December 1974, the Bank adopted a qualified employee stock ownership plan for the benefit of its employees. Contributions to the plan are determined by the Board of Directors except that the contribution cannot exceed 15% of the compensation of eligible participants. The Bank contributed $510,000 in 1995 and $260,000 in 1994.

10. STOCK OPTION PLANS

The Bank has a stock option plan that authorizes the Board of Directors to grant shares of common stock to all eligible full-time salaried officers and employees of the Bank. The Plan authorizes the issuance of common stock, not to exceed thirty percent (30%) of the total shares outstanding at one time. Such options had original terms of five years which were extended an additional five years in 1993. The options vest twenty percent (20%) on the anniversary of the date of the grant and are Nonqualified Options as defined in the plan. The options are exercisable at the fair market value of the options on the date of the grant, with adjustments to the exercise price and the shares for subsequent stock splits and stock dividends.

At December 31, 1995, the Bank had 425,725 options outstanding, of which 379,111 options were vested and exercisable. Of those options vested and exercisable 224,290 were issued to two executive officers. The remaining 154,821 options were issued to other officers and full-time salaried employees. The options have exercise prices ranging from $3.25 to $6.36 per share, which represents the fair market value on the date of the grant. During 1996, 137,496 options expire at options prices ranging from $4.97 to $6.09 per share.

11. OTHER EXPENSE

The following is a summary of other expenses for the years ended December 31:

	1995	1994
Data processing	$ 829,000	$ 774,000
Professional services	1,202,000	1,351,000
Business development	513,000	515,000
Provision for losses on other real estate owned	825,000	1,074,000
Office supplies	403,000	410,000
Telephone	141,000	145,000
Other	2,617,000	3,236,000
	$ 6,530,000	$ 7,505,000

12. PURCHASE AND ASSUMPTION AGREEMENT

On July 14, 1995 the Bank acquired the Bank of Encino, a community bank located in Los Angeles, California. The acquisition was accounted for as a purchase, and, accordingly, the assets and liabilities were recorded at the estimated fair market values as of the date of acquisition. The total cost to acquire the Bank of Encino was approximately $8.0 million, which exceeded the fair value of the net assets of the Bank of Encino by approximately $700,000. The acquisition was an all-cash transaction. Goodwill resulting from the acquisition is being amortized over fifteen years. The results of operations of the Bank of Encino have been included in the accompanying financial statements since the date of acquisition.

12. PURCHASE AND ASSUMPTION AGREEMENT (CONTINUED)

The summarized assets and liabilities of the purchased company on July 14, 1995, the date of acquisition, were as follows:

Cash and cash equivalents	$ 3,280,000
Loans receivable, net	36,703,000
Investments	23,738,000
Property, plant, and equipment	346,000
Other assets	2,146,000
	66,213,000
Deposit liabilities	58,364,000
Other liabilities	496,000
	$ 58,860,000

The following summarized pro forma (unaudited) information assumes the acquisition had occurred on January 1, 1994:

	1995	1994
Net interest income	$ 20,938,000	$19,262,000
Net income after purchase accounting	$ 4,617,000	$ 2,719,000

13. REGULATORY MATTERS

The regulations require the Bank to meet specific capital adequacy guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting principles. The Bank's capital classification is also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

13. REGULATORY MATTERS (CONTINUED)

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain a minimum leverage-capital ratio of Tier I capital (as defined) to average total assets based on the Bank's ratings under the regulatory rating system. The minimum leverage-capital ratio is in a range of 3 to 5% dependent upon the Bank's rating. In addition, the Bank must maintain a ratio of total capital (as defined) to risk-weighted assets of 8% and a ratio of Tier I capital to risk-weighted assets of 4%. The Bank's unaudited leverage- capital ratio, ratio of total capital (as defined) to risk-weighted assets and ratio of Tier I capital to risk-weighted assets (unaudited) were 9.72%, 17.79% and 16.54%, respectively, at December 31, 1995. Management believes, as of December 31, 1995, that the Bank meets all capital requirements to which it is subject.

Exhibit 99.3

CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

WESTERN BANK

DECEMBER 31, 1994 AND 1993

CONTENTS

[LETTERHEAD]

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Western Bank

We have audited the accompanying consolidated balance sheets of Western Bank as of December 31, 1994 and 1993 and the related consolidated statements of earnings, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Western Bank as of December 31, 1994 and 1993, and the consolidated results of their operations and their consolidated cash flows for the years then ended, in conformity with generally accepted accounting principles.

/s/ Grant Thornton LLP

Los Angeles, California
February 3, 1995

Western Bank

CONSOLIDATED BALANCE SHEETS

Year Ended December 31,

ASSETS

	1994	1993
Certificates of deposit	$ -	$ 100,000
Securities available for sale	99,827,000	75,750,000
Securities held to maturity	1,979,000	3,972,000
Federal funds sold	25,000,000	40,000,000
Loans	146,912,000	166,600,000
Less allowance for loan losses	3,377,000	3,465,000
Net loans	143,535,000	163,135,000
Total earning assets	270,341,000	282,957,000
Cash and noninterest earning deposits - minimum Federal Reserve balance at December 31, 1994 and 1993 was approximately $6,602,000 and $7,854,000, respectively	30,423,000	15,032,000
Net assets related to discontinued operations	1,550,000	2,556,000
Other real estate owned	8,418,000	3,266,000
Premises and equipment	4,063,000	3,582,000
Accrued interest	2,118,000	1,173,000
Other assets	7,911,000	7,222,000
	$324,824,000	$315,788,000

LIABILITIES AND STOCKHOLDERS' EQUITY

	1994	1993
Deposits	$290,727,000	$281,530,000
Other liabilities	3,541,000	3,475,000
Total liabilities	294,268,000	285,005,000
Commitments and contingencies	-	
Stockholders' equity		
Common stock - authorized, 10,000,000 shares without par value; issued and outstanding, 3,219,152 shares in 1994 and 1993	17,443,000	17,443,000
Retained earnings	15,853,000	13,409,000
Net unrealized holding loss on securities available for sale	(2,740,000)	(69,000)
	30,556,000	30,783,000

$324,824,000	$315,788,000

Western Bank

CONSOLIDATED STATEMENTS OF EARNINGS

Year Ended December 31,

	1994	1993
Interest income		
Loans and fees on loans	$16,400,000	$15,931,000
Securities available for sale	4,101,000	931,000
Securities held to maturity	157,000	182,000
Certificates of deposit	1,000	7,000
Federal funds sold	832,000	814,000
	21,491,000	17,865,000
Interest expense		
Time deposits in denominations of $100,000 or more	620,000	702,000
All other deposits	3,237,000	3,158,000
	3,857,000	3,860,000
Net interest income before provision for loan losses	17,634,000	14,005,000
Provision for loan losses	1,052,000	2,213,000
Net interest income after provision for loan losses	16,582,000	11,792,000
Other income		
Service charges on deposit accounts	707,000	750,000
Gain on sale of mortgage loans	-	637,000
Loan servicing fees	941,000	688,000
Other	1,329,000	501,000
	2,977,000	2,576,000

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF EARNINGS - CONTINUED

	Year ended December 31,	
	1994	1993
Other expenses		
Salaries, wages and employee benefits	$ 6,280,000	$ 7,624,000
Net occupancy	1,363,000	1,249,000
Furniture and equipment	370,000	394,000
Other	7,505,000	6,567,000
	15,518,000	15,834,000
Earnings (loss) from continuing operations before income taxes	4,041,000	(1,466,000)
Provision (benefit) for income taxes		
Current	1,892,000	448,000
Deferred	(297,000)	(1,048,000)
	1,595,000	(600,000)
Net earnings (loss) from continuing operations	2,446,000	(866,000)
Discontinued operations		
Income from operations of discontinued Mortgage Banking Division (less applicable income taxes of $226,000)	-	329,000
Gain on disposal of Mortgage Banking Division (less applicable income taxes of $4,560,000)	-	6,592,000
	-	6,921,000
NET EARNINGS	$ 2,446,000	$ 6,055,000
Earnings (loss) per share		
Continuing operations	$.72	$(.26)
Discontinued operations	-	2.05
NET EARNINGS PER SHARE	$.72	$1.79

The accompanying notes are an integral part of these statements.

Western Bank

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Two years ended December 31, 1994

	Shares outstanding	Common stock	Net unrealized holding loss on securities available for sale	Retained earnings
Balance at January 1, 1993	2,341,430	$15,337,000	$ -	$ 9,460,000
Net changes in unrealized loss on securities available for sale, net of taxes of $-0-	-	-	(69,000)	-
Stock dividend	233,992	2,106,000	-	(2,106,000)
Stock split	643,730	-	-	-
Net earnings	-	-	-	6,055,000
Balance at December 31, 1993	3,219,152	17,443,000	(69,000)	13,409,000
Net changes in unrealized loss on securities available for sale, net of taxes of $1,948,000	-	-	(2,671,000)	-
Cash paid in lieu of fractional shares	-	-	-	(2,000)
Net earnings	-	-	-	2,446,000
Balance at December 31, 1994	3,219,152	$17,443,000	$(2,740,000)	$15,853,000

The accompanying notes are an integral part of this statement.

Western Bank

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31,

	1994	1993
Increase (decrease) in cash and cash equivalents		
Cash flows from operating activities:		
Net earnings	$ 2,446,000	$ 6,055,000
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities		
Loss on sale of other real estate owned	88,000	287,000
Gain on sale of bank premises and equipment	-	(12,000)
(Decrease) increase in deferred loan fees	(8,000)	105,000
Provision for loan losses	1,052,000	2,213,000
Provision for losses on other real estate owned	1,074,000	890,000
Depreciation and amortization	965,000	765,000
Net decrease in mortgage loans held for sale	-	80,881,000
(Increase) decrease in accrued interest receivable	(945,000)	558,000
(Increase) decrease in other assets	(689,000)	650,000
Increase in other liabilities	363,000	865,000
Deferred income tax benefit	(297,000)	(1,048,000)
Gain on discontinued operations	-	(11,152,000)
Net cash provided by operating activities	4,049,000	81,057,000
Cash flows from investing activities		
Purchases of securities available for sale	(59,505,000)	(89,565,000)
Proceeds from maturities of securities available for sale	32,345,000	-
Proceeds from maturities of securities held to maturity	2,000,000	21,808,000
Net decrease (increase) in loans	11,414,000	(31,133,000)
Proceeds from sales of other real estate owned	1,834,000	6,186,000
Acquisition of bank premises and equipment	(1,041,000)	(863,000)
Decrease in investment in real estate venture	-	37,000
Net proceeds from sale of discontinued operations	-	8,596,000
Net cash used in investing activities	(12,953,000)	(84,934,000)
Cash flows from financing activities		
Net increase in deposits	9,197,000	35,859,000
Cash paid for fractional shares	(2,000)	-
Net cash provided by financing activities	9,195,000	35,859,000
Net increase in cash and cash equivalents	291,000	31,982,000
Cash and cash equivalents at beginning of year	55,132,000	23,150,000
Cash and cash equivalents at end of year	$55,423,000	$55,132,000

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

Years ended December 31, 1994 and 1993

Supplemental disclosures:

- The Bank considers all highly liquid investments with maturities of three months or less to be "cash equivalents." Cash and cash equivalents include "cash and noninterest earning deposits", "certificates of deposit" and "federal funds sold." Generally, federal funds are sold for one-day periods.

- Total loans transferred to other real estate owned because of foreclosure or deed in lieu of foreclosure of the collateral during 1994 and 1993 totaled approximately $7,343,000 and $5,964,000, respectively.

- Interest paid during 1994 and 1993 was $4,000,000 and $3,895,000, respectively.

- Income taxes paid during 1994 and 1993 were $1,030,000 and $4,805,000, respectively.

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1994 and 1993

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Western Bank (the "Bank") are in accordance with generally accepted accounting principles and conform to practices within the banking industry. A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows:

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Bank and its wholly-owned subsidiary WBC Management Co., Inc. All significant intercompany balances and transactions have been eliminated.

2. INVESTMENT SECURITIES

The Bank classifies its investment securities in two categories: securities available for sale and securities held to maturity. Securities available for sale are measured at fair value, with net unrealized gains and losses reported as a separate component of stockholders' equity, net of tax. Securities held to maturity are carried at amortized cost. The amortized cost or carrying value of the specific security sold is used to compute the gain or loss on the sale of investment securities.

The Bank adopted, effective December 31, 1993, Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities" issued in May 1993, which requires the classification of investments in marketable equity securities and in all debt securities as trading securities, securities available for sale, or securities held to maturity. The Statement requires trading securities and securities available for sale to be carried at fair value, with unrealized holding gains and losses of trading securities included in the determination of net earnings and unrealized holding gains and losses of securities available for sale included in stockholders' equity. Securities held to maturity are to be carried at amortized cost. The effect of this accounting change did not have a material effect on the Bank's consolidated financial statements.

Securities held to maturity are classified as such because the Bank has the ability and management has the intent to hold them to maturity. These securities are stated at cost and adjusted for amortization of premiums and accretion of discounts, which are recognized as adjustments to income using a method that approximates the interest method.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. LOANS

Loans are carried at amounts advanced less payments collected. Interest income is accrued as earned on all loans. Interest income is not recognized on loans if collection of the interest is deemed by management to be unlikely.

Nonrefundable loan fees received and certain costs incurred during the process of originating loans are deferred and recognized over the life of the loan as an adjustment to the loan's yield using a method that approximates the interest method.

The determination of the balance in the allowance for loan losses is based on an evaluation of the loan portfolio and reflects an amount that in management's judgment is adequate to provide for potential loan losses after giving consideration to the character of the loan portfolio, appraisals of assets securing loans, current economic conditions, past loan loss experience and other factors that require current recognition in estimating loan losses. Such estimates, appraisals and evaluations may require changes because of changing economic conditions and the economic prospects of borrowers. The provision for loan losses is charged to expense.

In May 1993, the Financial Accounting Standards Board issued SFAS No. 114, "Accounting by Creditors for Impairment of a Loan." This statement amends SFAS No. 5, "Accounting for Contingencies," and SFAS No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructuring." This statement prescribes that a loan is impaired when it is probable that a creditor will be unable to collect all amounts due (principal and interest) according to the contractual terms of the loan agreement. Measurement of the impairment can be based on either the discounted future cash flows of the impaired loan or the fair market value of the collateral for a collateral-dependent loan. Creditors may select the measurement method on a loan-by-loan basis, except that collateral-dependent loans for which foreclosure is probable must be measured at the fair value of the collateral. Additionally, the statement prescribes measuring impairment of a restructured loan by discounting the total expected future cash flows using the loan's effective rate of interest in the original loan agreement. Finally, the impact of initially applying the statement is reported as a part of the provision for credit losses in the income statement. The Bank adopted this statement as of January 1, 1995 and has not yet determined the impact of the adoption of this statement.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. PREMISES AND EQUIPMENT

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Leasehold improvements are amortized over the term of the lease or the service lives of the improvements, whichever is shorter. The straight-line method of depreciation is followed for financial reporting purposes.

5. STOCK DIVIDEND

The Bank declared a 10% stock dividend that was distributed on May 15, 1993 to stockholders of record on April 15, 1993. On December 16, 1993, the Bank declared a stock split affected in the form of a 25% stock dividend that was paid on February 15, 1994 to stockholders of record as of January 18, 1994. Fractional shares were paid in cash.

6. EARNINGS PER SHARE

Earnings per common and common equivalent share are based on the weighted average number of shares outstanding during each year, adjusted retroactively for stock dividends and a stock split effected in the form of a dividend for 1993. The weighted average number of shares used in the computation of earnings per common and common equivalent share for 1994 and 1993 were 3,378,519 and 3,374,235, respectively.

Equivalent shares are those issuable upon the assumed exercise of stock options reflected under the treasury stock method using the average quarterly market price of the Bank's shares during each year.

7. MORTGAGE BANKING OPERATIONS

The Bank had a 50% interest in its mortgage banking division ("division") that originated and serviced mortgage loans. Lawrence Koppelman and Company had the other 50% interest in the division. The division was sold as of August 31, 1993 (see Note C). The net earnings of the division attributable to outside ownership are presented in the condensed summary of discontinued operations (Note C) as mortgage banking profit participation and commissions expense.

8. OTHER REAL ESTATE OWNED

Other real estate owned, which represents properties acquired by foreclosure or by a deed in lieu of foreclosure, is recorded at the lower of the unpaid balance of the loan or the fair value of the property at the date of acquisition. Any valuation reductions required at the date of acquisition are charged to the allowance for loan losses. Subsequent to acquisition, other real estate owned is carried at the lower of recorded cost or net realizable value. Subsequent operating expenses or income, reduction in estimated values, and gains or losses on disposition of such properties are recognized in current operations.

9. FAIR VALUES OF FINANCIAL INSTRUMENTS

The consolidated financial statements include various estimated fair value information as at December 31, 1994 and 1993, as required by SFAS No. 107. Such information, which pertains to the Bank's financial instruments, is based on the requirements set forth in SFAS No. 107 and does not purport to represent the aggregate net fair value of the Bank. Many of such instruments lack an available trading market, as characterized by a willing buyer and seller engaging in an exchange transaction.

Also, it is the Bank's general practice and intent to hold its financial instruments, except for certain investment securities which are accounted for in accordance with Notes A and B, to maturity and not to engage in trading or sales activities. Therefore, the Bank had to use significant estimations and present value calculations to prepare these fair value disclosures. Further, the fair value estimates are based on various assumptions, methodologies and subjective considerations, which vary widely among financial institutions and which are subject to change.

Changes in the assumptions or methodologies used to estimate fair values may materially affect the estimated amounts. This lack of uniformity gives rise to a high degree of subjectivity in estimating financial instrument fair values.

CASH AND CASH EQUIVALENTS: The balance sheet carrying amounts for cash and short-term instruments approximate the estimated fair values of such assets.

INVESTMENT SECURITIES: Fair values for investment securities are based on quoted market prices, if available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

9. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

LOANS RECEIVABLE: For variable rate loans that reprice frequently and which entail no significant change in credit risk, fair values are based on the carrying values. The estimated fair values of fixed rate loans are estimated based on discounted cash flow analyses using interest rates currently offered for loans with similar terms to borrowers of similar credit quality. The carrying amount of accrued interest approximates its fair value.

Estimated fair values for the Bank's off-balance-sheet instruments (standby letters of credit and construction lending commitments) are based on fees currently charged to enter into similar agreements, considering the remaining terms of the agreements and the counterparties' credit standing; or quoted market prices (financial forward contracts). Lending commitments other than the construction lending commitments do not have fees charged on them to enter into the agreements.

DEPOSIT LIABILITIES: The fair values estimated for demand deposits (e.g., interest and noninterest bearing checking accounts, passbook savings, and certain types of money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). The carrying amounts of variable rate, fixed-term money market accounts and certificates of deposit approximate their fair values at the reporting date. Fair values of fixed rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered to a schedule of aggregated expected monthly time deposit maturities. The carrying amount of accrued interest payable approximates its fair value.

10. RECLASSIFICATION

Certain items in the 1993 financial statements have been reclassified to conform with the 1994 presentation.

NOTE B - INVESTMENT SECURITIES

Effective December 31, 1993, the Bank changed its method of accounting for investment securities (Note A). The amortized cost, carrying value and estimated fair values of investment securities as of December 31 are as follows:

	1994			
	Amortized cost	Gross unrealized Gains	Gross unrealized Losses	Estimated fair value
Securities available for sale				
U.S. Treasury and agency securities	$ 70,623,000	$ -	$1,877,000	$68,746,000
Other debt securities	5,000	-	-	5,000
	70,628,000		1,877,000	68,751,000
Mortgage-backed securities	27,169,000	-	2,395,000	24,774,000
Equity securities	6,716,000	2,000	416,000	6,302,000
	$104,513,000	$2,000	$4,688,000	$99,827,000

	1994			
	Carrying value	Gross unrealized Gains	Gross unrealized Losses	Estimated fair value
Securities held to maturity				
Obligations of states and political subdivisions	$1,979,000	$114,000	$ -	$2,093,000

NOTE B - INVESTMENT SECURITIES - Continued

	1993			
	Amortized	Gross unrealized		Estimated
	cost	Gains	Losses	fair value
Securities available for sale				
U.S. Treasury and agency securities	$38,238,000	$33,000	$ 63,000	$38,208,000
Other debt securities	5,000	-	-	5,000
	38,243,000	33,000	63,000	38,213,000
Mortgage-backed securities	31,925,000	11,000	28,000	31,908,000
Equity securities	5,651,000	6,000	28,000	5,629,000
	$75,819,000	$50,000	$119,000	$75,750,000

	1993			
	Carrying	Gross unrealized		Estimated
	value	Gains	Losses	fair value
Securities held to maturity				
Obligations of states and political subdivisions	$1,972,000	$149,000	$ -	$2,121,000
Commercial paper	2,000,000	-	-	2,000,000
	$3,972,000	$149,000	$ -	$4,121,000

The carrying and estimated fair values of securities pledged to secure public funds and for other purposes as required or permitted by law amounted to approximately $990,000 and $980,000, respectively, at December 31, 1994 and approximately $11,544,000 and $11,519,000, respectively, at December 31, 1993.

The amortized cost, carrying value and estimated fair value of debt securities at December 31, 1994, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

NOTE B - INVESTMENT SECURITIES - Continued

	Amortized cost	Estimated fair value
Securities available for sale		
Due in one year or less	$ 21,693,000	$21,078,000
Due after one year through five years	55,651,000	53,976,000
Mortgage-backed securities	27,169,000	24,773,000
	$104,513,000	$99,827,000

	Carrying value	Estimated fair value
Securities held to maturity		
Due after one year through five years	$ 503,000	$ 527,000
Due after five years through ten years	1,476,000	1,566,000
	$1,979,000	$2,093,000

NOTE C - DISCONTINUED OPERATIONS

During 1993, the Bank sold its interest in the single family mortgage banking division. On August 30, 1993, the Bank and Lawrence Koppleman and Company ("LK & Co.") entered into an agreement whereby the Bank purchased LK & Co.'s 50% interest in the mortgage division, with the intention of selling the resulting 100% interest to Victoria Mortgage Corp. ("Victoria"), of San Antonio, Texas.

The Bank and LK & Co. entered into a purchase and sale agreement (the "Agreement") effective August 31, 1993 whereby the Bank sold all, but a minor portion, of the servicing rights and assets of its mortgage banking division to Victoria Mortgage for a base price of $30,000,000, subject to adjustments as defined in the Agreement.

The net adjusted price and proceeds amounted to approximately $25,329,000.

The net after-tax gain on the sale of the Division amounted to $6,592,000, or $1.95 per share.

NOTE C - DISCONTINUED OPERATIONS - Continued

The results of the Mortgage Banking Division ("Division") operations have been reported separately as a component of discontinued operations in the consolidated statements of earnings. The Division's operating results for the eight months ended August 31, 1993 follow:

	1993
Condensed summaries of discontinued operations	
Operating revenues	$12,967,000
Interest income	3,695,000
Gain on sale of servicing rights	3,136,000
	19,798,000
Operating expenses	16,104,000
Interest expense	2,584,000
	18,688,000
Operating income before profit participation	1,110,000
Mortgage banking profit participation and commissions	555,000
	$ 555,000

LK & Co. purchased a 50% interest in the remaining net assets of the Division which is represented as Due to LK & Co. in the net assets related to discontinued operations.

The Division leased the facilities for its loan production offices. Rent expense under these leases was approximately $940,000 for 1993. These leases expired during 1994. All leases were accounted for as operating leases.

NOTE C - DISCONTINUED OPERATIONS - Continued

As of August 31, 1993, the mortgage division lease for its corporate offices was assumed by Victoria; however, because of the lessor's refusal to release the Bank from its obligations under the lease, the Bank may be required to make future rental payments if this lease is defaulted upon. The total amount of future minimum lease payments for the duration of this lease amounts to $2,717,000 at December 31, 1994.

NOTE D - LOANS

The composition of the Bank's loan portfolio at December 31 is as follows:

	1994	1993
Commercial	$ 59,588,000	$ 86,170,000
Installment	1,373,000	1,789,000
Construction	9,388,000	21,298,000
Real estate	82,616,000	66,187,000
Participations purchased	1,865,000	644,000
	154,830,000	176,088,000
Less:		
Participations sold	4,776,000	5,689,000
Unearned discounts on purchased loans	2,917,000	3,566,000
Deferred loan fees	225,000	233,000
	$146,912,000	$166,600,000

The estimated fair value of loans receivable at December 31, 1994 is $147,246,000.

The loan portfolio is substantially concentrated in Southern California.

Loans where the accrual of interest income has been discontinued and placed on nonaccrual status at December 31, 1994 were $605,000. In addition, the interest income that would have been recorded had the nonaccrual loans performed in accordance with their original terms would have been $49,000. There was no interest receivable on nonaccrual loans at December 31, 1994.

NOTE D - LOANS - Continued

Transactions in the allowance for loan losses are summarized as follows:

	1994	1993
Balance at beginning of year	$3,465,000	$2,660,000
Provision charged to expense	1,052,000	2,213,000
Loans charged off	(1,151,000)	(1,451,000)
Recoveries credited to allowance	11,000	43,000
Balance at end of year	$3,377,000	$3,465,000

At December 31, 1994 and 1993, management has charged off all known loan losses.

NOTE E - RELATED PARTY TRANSACTIONS

The Bank had an agreement with Lawrence Koppelman and Company as discussed in notes A7 and C whereby profit (and loss) of the mortgage banking division was shared equally by Lawrence Koppelman and Company and the Bank. After the completion of the sale of the mortgage banking division, the remaining assets were shared 50% by Lawrence Koppelman and Company and the Bank.

In the ordinary course of business the Bank has granted loans to certain directors and the businesses with which they are associated. A summary of this loan activity for 1994 and 1993 follows:

	1994	1993
Beginning balance	$ 947,000	$1,085,000
New loans made	639,000	988,000
Principal reductions and payoffs	(1,268,000)	(1,126,000)
Ending balance	$ 318,000	$ 947,000

NOTE F - BANK PREMISES AND EQUIPMENT

A summary of Bank premises and equipment as of December 31 is as follows:

	1994	1993
Leasehold improvements	$1,698,000	$1,678,000
Building and improvements	2,290,000	1,341,000
Furniture, fixtures and equipment	1,915,000	1,843,000
	5,903,000	4,862,000
Less accumulated depreciation and amortization	3,500,000	2,940,000
	2,403,000	1,922,000
Land	1,660,000	1,660,000
	$4,063,000	$3,582,000

NOTE G - DEPOSITS

The composition of the Bank's deposits at December 31 is as follows:

	1994	1993
Demand deposits	$106,412,000	$123,966,000
Savings and NOW accounts	52,761,000	40,072,000
Money market accounts	91,038,000	83,685,000
Certificates of deposit of $100,000 or more	26,026,000	15,113,000
Other time deposits	14,490,000	18,694,000
	$290,727,000	$281,530,000

The estimated fair values of deposits consisted of the following at December 31, 1994:

Demand deposits	$106,412,000
Savings and NOW accounts	52,761,000
Money market accounts	91,038,000
Certificates of deposit of $100,000 or more and other time deposits	40,404,000
	$290,615,000

NOTE G - DEPOSITS - Continued

As discussed in Note A, SFAS No. 107 defines the fair value of demand deposits as the amount payable, and prohibits adjustment for any value derived from the expected retention of such deposits for a period of time. That value, commonly referred to as the deposit base intangible, has not been estimated and is neither included in the above fair value amounts nor recorded as an intangible asset in the balance sheet.

The Bank has five unrelated customers with aggregate deposit balances of approximately $35,624,000 at December 31, 1994 which represents approximately 12% of total deposits.

NOTE H - INCOME TAXES

The Bank adopted, effective January 1, 1993, SFAS No. 109, "Accounting for Income Taxes," issued in February 1992. Under the liability method specified by SFAS No. 109, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates which will be in effect when these differences reverse. Deferred tax expense is the result of changes in deferred tax assets and liabilities. The principal types of differences between assets and liabilities for financial statement and tax return purposes are accelerated depreciation, allowance for loan losses, allowance for losses on other real estate owned, interest on nonaccrual loans, franchise taxes and FHLB stock dividends.

	1994	1993
Current		
Federal	$1,327,000	$ 327,000
State	565,000	121,000
	1,892,000	448,000
Deferred		
Federal	(204,000)	(876,000)
State	(93,000)	(172,000)
	(297,000)	(1,048,000)
	$1,595,000	$ (600,000)

NOTE H - INCOME TAXES - Continued

As a result of the following items, the total tax expense for 1994 and 1993 was different from the amount computed by applying the statutory U.S. federal income tax rate to earnings from continuing operations before income taxes:

	1994		1993	
	Amount	Percent	Amount	Percent
Federal income tax at statutory rate	$1,374,000	34.0%	$(498,000)	34.0%
Changes due to				
Exempt interest on securities	(61,000)	(1.5)	(49,000)	3.3
State franchise tax, net of federal income tax benefit	305,000	7.6	(107,000)	7.3
Dividends subject to exclusion	(13,000)	(.3)	(8,000)	.5
Other	(10,000)	(.2)	62,000	(4.2)
	$1,595,000	39.6%	$(600,000)	40.9%

Deferred tax assets and liabilities at December 31, consist of the following:

	1994	1993
Deferred tax assets		
Net unrealized holding loss on securities available for sale	$1,948,000	$ -
Accelerated depreciation	256,000	231,000
Franchise tax	15,000	267,000
Allowance for loan losses	1,214,000	1,156,000
Allowance for losses on other real estate owned	817,000	578,000
Interest on non accrual loans	9,000	344,000
Other	156,000	137,000
	2,467,000	2,713,000
	4,415,000	2,713,000
Deferred tax liabilities		
FHLB Stock dividends	(92,000)	(68,000)
Other	(158,000)	(23,000)
	(250,000)	(91,000)
	$4,165,000	$2,622,000

NOTE I - COMMITMENTS AND CONTINGENCIES

The Bank leases the land on which its Westwood facility is located from an unrelated party. The lease expires in 2003. Rent expense under this lease was approximately $106,000 and $132,000 for 1994 and 1993, respectively. The Bank also leases, from unrelated parties, the facilities for its branch locations. These leases expire at various times through the year 2002. Rent expense under these leases was approximately $621,000 and $733,000 for 1994 and 1993, respectively. All leases are accounted for as operating leases. Minimum future rental payments required under all leases as of December 31, 1994, which exclude any increases in direct operating costs such as property taxes, utilities, fees, insurance and other service and maintenance expenses under the respective lease, are approximately as follows:

1995	$ 494,000
1996	302,000
1997	302,000
1998	302,000
1999	302,000
Thereafter	976,000
	$2,678,000

The Bank leases portions of the Westwood building it owns and the facilities it leases to outside businesses. These noncancelable operating leases expire at various periods through May 31, 1995. Rental income in 1994 and 1993 was approximately $26,000 and $22,000, respectively.

At December 31, 1994 and 1993 the Bank had unfunded loan commitments of $44,195,000 and $57,257,000, respectively, and outstanding commitments of approximately $1,988,000 and $2,615,000, respectively, which were related to standby letters of credit.

Loan commitments are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payments of a fee. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Bank on extension of credit is based on management's credit evaluation of the counterparty. Collateral held varies but may include residential real estate, accounts receivable, inventory, property, plant and equipment, and income producing commercial properties.

NOTE I - COMMITMENTS AND CONTINGENCIES - Continued

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

The estimated fair values of the Bank's off-balance-sheet financial instruments at December 31, 1994 are summarized below:

	Estimated fair value of off-balance-sheet financial instruments
Commitments to extend credit	$970,000
Standby letters of credit	40,000

In connection with certain mortgage loans sold by the Bank, the Bank has agreed to repurchase those loans on which the borrower defaults. However, the Bank remains liable only to the extent that such loans are not insured by the federal government.

The Bank has established federal fund lines from various banks totaling $24,600,000.

The Bank is involved in various litigation. In the opinion of management, based on advice from the Bank's legal counsel, the disposition of all pending litigation will not have a material effect on the Bank's consolidated financial position.

NOTE J - EMPLOYEE STOCK OWNERSHIP PLAN

In December 1974, the Bank adopted a qualified employee stock ownership plan for the benefit of its employees. Contributions to the plan are determined by the Board of Directors except that the contribution cannot exceed 15% of the compensation of eligible participants. The Bank contributed $260,000 in 1994 and $660,000 in 1993.

NOTE K - STOCK OPTION PLANS

The Board of Directors has approved a stock option plan under which options for 203,900 shares of the Bank's common stock were issued to two executive officers. Such options had original terms of five years which were extended an additional five years during 1993, vest 20% per year on each anniversary of the date of grant, and are Incentive Options as defined in the plan. One-half of the options are exercisable at $3.58 per share and the other half at $3.93 per share. Such shares and option prices represent the original shares and fair market values at date of grant, adjusted for subsequent stock splits and stock dividends.

As of December 31, 1994 the Board of Directors has granted options to 16 senior officers of the Bank to purchase 185,136 shares of common stock. Such shares represent the original options available, pursuant to the plan, adjusted for stock dividends made subsequent to the grant. The options are exercisable at the fair market value of the Bank's common stock on the date of the grant and expire five years from that date. During 1994, options representing 127,011 shares were extended for an additional two years. At December 31, 1994, 142,758 shares are exercisable at option prices ranging from $5.46 to $7.00 per share. During 1995, 11,625 shares become exercisable at option prices ranging from $5.46 to $7.00 per share.

Stock option activity under both plans for the years ended December 31, 1994 and 1993 is as follows:

	Options available	Price per share	Options outstanding
Balance at January 1, 1993	69,770	$4.92-$11.82	300,922
Stock dividend	6,977		30,092
Options granted	(33,300)	$8.00-$8.75	33,300
Options cancelled	33,814	$8.64-$10.74	(33,814)
Stock split	19,315		82,625
Balance at December 31, 1993	96,576	$3.58-$7.81	413,125
Options cancelled	24,090	$6.18-$7.81	(24,090)
Balance at December 31, 1994	120,666	$3.58-$7.00	389,035

NOTE L - OTHER EXPENSE

The following is a summary of other expenses for the years ended December 31:

	1994	1993
Data processing	$ 774,000	$ 759,000
Professional services	1,351,000	1,464,000
Business development	515,000	546,000
Provision for losses on other real estate owned	1,074,000	890,000
Office supplies	410,000	437,000
Telephone	145,000	152,000
Other	3,236,000	2,319,000
	$7,505,000	$6,567,000

NOTE M - PURCHASE AND ASSUMPTION AGREEMENTS

During 1993, the Bank entered into three Purchase and Assumption Agreements (the "Agreements") with the Federal Deposit Insurance Corporation (FDIC) to assume approximately $149,000,000 of insured deposit liabilities of three banks that were closed by bank regulators and placed into receivership with the FDIC. The Bank also purchased approximately $33,000,000 of selected assets of the failed banks. The Bank received cash for the difference between the assets purchased and the liabilities that were assumed. The Agreements provided funds to the Bank for the payoff of the depositors who were not insured after obtaining certified releases from the FDIC.

NOTE N - REGULATORY MATTERS

The regulations require the Bank to meet specific capital adequacy guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting principles. The Bank's capital classification is also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

NOTE N - REGULATORY MATTERS - Continued

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain a minimum leverage-capital ratio of Tier I capital (as defined) to total assets based on the Bank's ratings under the regulatory rating system. The minimum leverage-capital ratio is in a range of 3 to 5 percent dependent upon the Bank's rating. In addition, the Bank must maintain a ratio of total capital (as defined) to risk-weighted assets of 8 percent and a ratio of Tier I capital to risk-weighted assets of 4 percent. The Bank's leverage-capital ratio, ratio of total capital (as defined) to risk-weighted assets and ratio of Tier I capital to risk-weighted assets (unaudited) were 10.58%, 18.72%, and 17.47%, respectively at December 31, 1994. Management believes, as of December 31, 1994, that the Bank meets all capital requirements to which it is subject.

NOTE O - SUBSEQUENT EVENT

On January 24, 1995, the Bank entered into a definitive agreement providing for the merger of the Bank of Encino ("Encino") into Western Bank. The Bank has agreed to pay $8 million in cash for all the shares of Encino common stock. As of December 31, 1994, Encino had approximately $70 million in assets. Completion of the transaction is subject to approvals from state and federal agencies as well as the shareholders of Encino. It is expected that the transaction will be completed during the second quarter of 1995.

Exhibit 94.4

Western Bank

Consolidated Financial Statements June 30, 1996

(Unaudited)

WESTERN BANK
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(000's omitted, except share data)

ASSETS	30-JUN-96	31-DEC-95
Cash and due from banks	$ 28,964	$ 25,437
Federal funds sold	10,000	--
Interest bearing deposits and investment securities		
Held to maturity (Fair value of $1,498 and $3,656 at 6/30/96 and 12/31/95 respectively)	1,509	3,612
Available for sale, at fair value	129,394	140,133
Loans and leases (net)	196,012	210,506
Premises and equipment	5,144	5,324
Other real estate owned	6,099	4,828
Other assets	7,253	7,158
TOTAL ASSETS	$ 384,375	$ 396,998
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	$ 343,364	$ 340,639
FHLB advances and other borrowings		17,000
Accrued interest payable and other liabilities	2,114	1,814
TOTAL LIABILITIES	345,478	359,453
Common stock, no par value, authorized 10,000,000 shares and 3,543,156 outstanding at 6/30/96 and 12/31/95	20,511	20,511
Retained earnings	19,432	17,088
Unrealized gain on investment securities available for sale, net of taxes	(1,046)	(54)
TOTAL SHAREHOLDERS' EQUITY	38,897	37,545
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 384,375	$ 396,998

WESTERN BANK
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(000's omitted, except per share data)

	FOR SIX MONTH PERIOD ENDED	
	30-JUN-96	30-JUN-95
INTEREST AND LOAN FEE INCOME:		
Investment securities	$ 4,046	$ 3,322
Federal funds sold	35	238
Loans and leases	10,036	8,293
TOTAL INTEREST INCOME	14,117	11,853
INTEREST EXPENSE:		
Deposits	3,980	2,428
Borrowings	319	9
TOTAL INTEREST EXPENSE	4,299	2,437
NET INTEREST INCOME	9,818	9,416
Less: provision for loan losses	-	100
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	9,818	9,316
NON-INTEREST INCOME		
Service charges on deposits accounts	165	151
Temporary overdraft charges & NSF fees	198	213
Other service charge and fee income	133	180
Gain on sale of mortgage loans	-	212
Loan servicing fees	128	293
Other income	152	787
TOTAL NON-INTEREST INCOME	776	1,836
NON-INTEREST EXPENSE		
Salaries and benefits	3,422	3,291
Premises and furniture, fixtures and equipment	788	745
Advertising, marketing and business development	206	242
Data processing	431	362
Other real estate owned	427	356
Professional services	393	393
Other	907	1,778
TOTAL NON-INTEREST EXPENSE	6,574	7,167
Income before provision for taxes	4,020	3,985
Provision for taxes	1,676	1,623
NET INCOME AFTER PROVISION FOR TAXES	$ 2,344	$ 2,362

WESTERN BANK
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(000's omitted)

	FOR SIX MONTH PERIOD ENDED	
	30-JUN-96	30-JUN-95
Cash flow from operating activities		
Net income	$ 2,344	$ 2,362
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	-	100
Depreciation and amortization	296	225
Net increase (decrease) in accrued interest payable and other liabilities	300	(2,280)
Net decrease (increase) in accrued interest receivable and other assets	(95)	3,674
CASH PROVIDED BY OPERATING ACTIVITIES	2,845	4,081
Cash flow from investing activities:		
Principal payments received on investment securities available for sale	35,747	10,609
Purchase of investment securities available for sale	(26,000)	(11,000)
Principal payments received on investment securities held to maturity	2,103	(4)
(Increase) decrease in net loans	14,494	(1,542)
(Increase) decrease in OREO	(1,271)	2,100
Additions to premises and equipment	(116)	(652)
NET CASH PROVIDED BY INVESTING ACTIVITIES	24,957	(489)
Cash flow from financing activities:		
Net increase (decrease) in deposits	2,725	(29,305)
Repayment of debt	(17,000)	-
Common stock dividend	-	11
NET CASH PROVIDED BY FINANCING ACTIVITIES	(14,275)	(29,294)
Net increase in cash and cash equivalents	13,527	(25,702)
Cash and cash equivalents at the beginning of the period	25,437	55,423
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 38,964	$ 29,721
Supplemental disclosure of cash flow information		
Property acquired through foreclosure	$ 2,298	$ 1,263
Increase (decrease) of unrealized gain on investment securities available for sale, net of tax	$ (992)	$ 2,218
Cash taxes paid	$ 1,650	$ 1,665
Cash interest paid	$ 4,361	$ 2,308