FORM 10-Q/A

Quarterly report pursuant to sections 13 or 15(d) [amend]

Filing Date: **1994-12-27** | Period of Report: **1994-09-30**
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FILER

WESTBANK CORP

CIK:**742070**| IRS No.: **042830731** | State of Incorp.:**MA** | Fiscal Year End: **1231**
Type: **10-Q/A** | Act: **34** | File No.: **000-12784** | Film No.: **94566277**
SIC: **6022** State commercial banks

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

FORM 10-Q

(Mark One) [X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

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

For the quarterly period ended September 30, 1994

Commission file number 0 - 12784

WESTBANK CORPORATION
(Exact name of registrant as specified in its charter)

Massachusetts
(State or other jurisdiction of incorporation or organization)

04 - 2830731
(I.R.S. Employer Identification No.)

225 Park Avenue, West Springfield, Massachusetts 01090-0149
(Address of principal executive offices) (Zip Code)

(413) 747-1400
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

Common stock, par value $2 per share: 3,137,211 shares outstanding as of October 31, 1994.

WESTBANK CORPORATION AND SUBSIDIARIES

INDEX

PART I - FINANCIAL INFORMATION

WESTBANK CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 1994 AND DECEMBER 31, 1993

(Dollar amounts in thousands)

		September 30, 1994 (Unaudited)		December 31, 1993
ASSETS				
Cash and due from banks				
Non-interest bearing		$ 11,593		$ 9,621
Interest bearing		369		353
Federal Funds sold		2,800		3,000
Securities available for sale (approximate market value of $14,634 in 1994 and $5,234 in 1993)		14,634		4,945
Securities held to maturity (approximate market value of $21,744 in 1994 and $27,904 in 1993)		22,167		26,633
Mortgage-backed securities (approximate market value of $343 in 1994 and $422 in 1993)		345		401
Loans	$ 183,940		$ 176,090	
Allowance for loan losses	(3,169)		(3,472)	
Net-loans		180,771		172,618
Bank premises and equipment		3,438		3,088
Other Real Estate Owned (OREO)	$ 2,055		$ 3,601	
In-substance foreclosures	795		1,979	
Valuation allowance	(396)		(440)	
Net-O.R.E.O.		2,454		5,140
Accrued interest receivable		1,614		1,560
Deferred income tax receivable		919		369
Prepaid/refundable income tax		64		50
Other assets		1,426		1,085
TOTAL ASSETS		$ 242,594		$ 228,863
LIABILITIES AND EQUITY				
Deposits				
Non-interest bearing		$ 38,822		$ 34,499
Interest bearing		182,309		167,932
Total Deposits		221,131		202,431
Borrowed funds		5,553		12,420
Accrued interest payable		195		541
Other liabilities		365		200
Total Liabilities		227,244		215,592
Stockholders' Equity				
Preferred stock - $5 par value		0		0
Authorized - 100,000 shares				
Issued - none				
Common stock - $2 par value				
Authorized - 9,000,000 shares				
Issued - 3,136,561 in 1994 and 3,125,506 in 1993		6,273		6,251
Additional paid in capital		6,873		6,861
Retained earnings		2,270		159
Net unrealized loss on securities available for sale		(66)		0
Total Stockholders' Equity		15,350		13,271
TOTAL LIABILITIES AND EQUITY		$ 242,594		$ 228,863

See accompanying notes to condensed consolidated financial statements.

WESTBANK CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 1994 AND 1993
(Unaudited)

(Dollar amounts in thousands)

	Quarter Ended		Nine Months Ended	
	09-30-94	09-30-93	09-30-94	09-30-93
Income:				
Interest and fees on loans	$ 3,771	$ 3,649	$ 10,921	$ 11,256
Interest from temporary investments	77	41	138	124
Interest and dividends from securities	474	499	1,370	1,421
Total interest and dividend income	4,322	4,189	12,429	12,801
Interest expense	1,602	1,612	4,504	5,294
Net interest income before provision for loan losses	2,720	2,577	7,925	7,507
Provision for loan losses	219	210	931	515
Interest income after provision for loan losses	2,501	2,367	6,994	6,992
Security gains	1	166	151	339
Other non-interest income	554	589	1,808	1,622
Income before operating expenses	3,056	3,122	8,953	8,953
Operating Expenses:				
Salaries and benefits	1,001	914	2,860	2,742
Other real estate - prov. for losses	266	947	692	2,753
- operating expense	107	171	327	494
Other non-interest expense	877	300	2,517	964
Occupancy - net	202	147	561	497
Total operating expenses	2,453	2,479	6,957	7,450
Income before income taxes	603	643	1,996	1,503
Income taxes (benefit)	(59)	228	(115)	390
Income before cumulative effect of change in accounting principle	662	415	2,111	1,113
Cumulative effect of change in accounting principle - income taxes	0	0	0	400
Net Income	$ 662	$ 415	$ 2,111	$ 1,513
Earnings per share before cumulative effect of change in accounting principle	$ 0.21	$ 0.13	$ 0.66	$ 0.35
Earnings per share after cumulative effect of change in accounting principle - income taxes	$ 0.21	$ 0.13	$ 0.66	$ 0.48
Weighted average of common and common share equivalents	3,208,103	3,193,613	3,201,134	3,181,160

See accompanying notes to condensed consolidated financial statements.

WESTBANK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 1993 AND NINE MONTHS ENDED SEPT. 30, 1994
(1994 Unaudited)

(Dollar amounts in thousands)

	COMMON STOCK NUMBER OF SHARES	PAR VALUE	ADDITIONAL PAID IN CAPITAL	RETAINED EARNINGS (DEFICIT)	NET UNREALIZED LOSS ON SECURITIES AVAILABLE FOR SALE	TOTAL
DECEMBER 31, 1992	3,115,689	$ 6,231	$ 6,849	$(1,788)	$ 0	$ 11,292
Shares issued under stock option plan	5,700	12				12
Shares issued under stock purchase plan	4,117	8	12			20
Net income for the year ended December 31, 1993				1,947		1,947
DECEMBER 31, 1993	3,125,506	6,251	6,861	159	0	13,271
Shares issued under stock option plan	7,364	15				15
Shares issued under stock purchase plan	3,691	7	12			19
Net unrealized loss on securities available for sale					(66)	(66)
Net income for nine months ended September 30, 1994				2,111		2,111
BALANCE - SEPT. 30, 1994	3,136,561	$ 6,273	$ 6,873	$ 2,270	$ (66)	$ 15,350

See accompanying notes to condensed consolidated financial statements.

WESTBANK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1994 AND 1993
(Unaudited)

(Dollar amounts in thousands)

INCREASE/(DECREASE) IN CASH FLOW FROM:	NINE MONTHS ENDED 9-30-94	9-30-93
OPERATING ACTIVITIES:		
Net Income	$ 2,111	$ 1,513
Adjustments to reconcile net income to net cash from operating activities:		
Provision for loan losses	931	515
Provision for depreciation and amortization	442	562
Charge off in carrying value of other real estate owned	692	964
Gain on sale of investment securities	(151)	(339)
Increase/(decrease) In Cash Flow From:		
Accrued interest receivable	(54)	(1)
Accrued interest payable	(346)	(250)
Income tax benefit	(564)	(475)
Other assets	(341)	43
Other liabilities	165	(154)
	2,885	2,378
INVESTING ACTIVITIES:		
Proceeds from maturities of investments and mortgage-backed securities	1,417	17,339
Proceeds from sales of securities available for sale	5,479	10,022
Purchases of investment and mortgage-backed		

securities	(11,978)	(28,622)
Loans - net of non cash transfers to other assets	(8,384)	3,924
Proceeds from sale of other real estate owned and in-substance foreclosures	1,294	1,288
Purchases of bank premises and equipment	(792)	(230)
	(12,964)	3,721
FINANCING ACTIVITIES:		
Increase/(decrease) in deposits	18,700	(5,119)
Increase/(decrease) in short term borrowings	(6,867)	(1,073)
Proceeds from exercise of stock options and stock purchase plan	34	17
	11,867	(6,175)
Increase/(decrease) in cash and cash equivalents	1,788	(76)
Cash and cash equivalents at beginning of period	12,974	17,607
Cash and cash equivalents at end of period	$ 14,762	$ 17,531
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash paid during the nine months:		
Interest on deposits and other borrowings	$ 4,850	$ 5,365
Income taxes	270	455
Non-cash investing activities:		
Transfer of loans to other real estate owned and in-substance foreclosure	$ 211	$ 118

See accompanying notes to condensed consolidated financial statements.

WESTBANK CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE A - GENERAL INFORMATION

Westbank Corporation (hereinafter sometimes referred to as "Westbank") is a registered Bank Holding Company organized to facilitate the expansion and diversification of the business of Park West Bank and Trust Company (hereinafter sometimes referred to as "Park West") into additional financial services related to banking which are permitted by the Federal Bank Holding Company Act of 1956, as amended. Westbank became the owner of all of Park West's outstanding capital stock effective July 2, 1984.

On February 20, 1987, Westbank became the owner of all the outstanding stock of Chicopee Co-operative Bank (hereinafter sometimes referred to as "Chicopee"), a state-chartered stock co-operative bank.

On February 26, 1990, the merger of Chicopee Co-operative Bank into Park West Bank and Trust company was completed with the Chicopee Office becoming a full service office operating under the charter of Park West.

Substantially all operating income and net income of the Corporation are presently accounted for by Park West.

NOTE B - CURRENT OPERATING ENVIRONMENT

In March, 1992, Park West's Board of Directors entered into a Formal Agreement ("Agreement") with the Federal Deposit Insurance Corporation (the "FDIC")and the Commissioner of Banks for the Commonwealth of Massachusetts (the "Commissioner"). The Agreement requires Park West to take certain affirmative actions in response to an examination by the FDIC and the Commissioner. The affirmative actions required by the Agreement included, the development and implementation of a written management plan and a plan to improve Park West's earnings; the development and implementation of a comprehensive policy for determining the adequacy of Park West's allowance for loan and lease losses; the development and implementation of a policy to lessen Park West's risk position with respect to certain borrowers; the development and implementation of a written funds management policy; the increase of Park West's Tier 1 capital to total asset ratio to 6% by June 30, 1994; an agreement not to declare or pay dividends without the prior approval of the FDIC and the Commissioner, as well as an agreement not to make any payments to, or for the benefit of, any affiliated organization without such prior approval. At September 30, 1994, the Bank met the interim Tier 1 capital requirements outlined in the Agreement and has submitted all of the required plans and policies as called for under the Agreement. Park West anticipates that it will continue to be able to comply with the terms of the Agreement. Failure to do so could result in additional administrative actions by the FDIC or the Commissioner, any of which actions could have a substantial negative impact on Park West.

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") was enacted into law on December 19, 1991 and imposes significant new regulatory restrictions and requirements on banking institutions insured by the FDIC and their holding companies.

Effective December 19, 1992, FDICIA established five capital categories into which financial institutions are placed based on capital level. The capital categories established by FDICIA are: well capitalized; adequately capitalized; undercapitalized; significantly undercapitalized; and critically under- capitalized.

Each capital category establishes different degrees of regulatory restrictions which can apply to a financial institution. As of September 30, 1994, Park West's capital was at a level that would place the Bank in the well capitalized category.

FDICIA imposes a variety of other restrictions and requirements on insured banks. These include significant new regulatory reporting requirements for fiscal years commencing after December 31, 1992, a system of risk-based deposit insurance premiums and civil money penalties for inaccurate deposit assessment reports. In addition, a system of regulatory standards for bank and bank holding company operations, detailed new truth in savings disclosure requirements, and restrictions on activities authorized by state law but not authorized for national banks.

The weak economy and real estate market continues to impair the financial results of the Corporation. Despite these weaknesses the Corporation has managed significant improvements in the level of non-performing assets. As a result of the continued aggressive management of problem loans and an on-going expense reduction program, the Board of Directors and management believe the Corporation is positioned to sustain compliance with the Agreement as well as the requirements of FDICIA.

NOTE C - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements for the quarter and nine months ended September 30, 1994 and 1993 have been prepared in accordance with generally accepted accounting principles for interim information and with instructions for Form 10-Q. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine month period ended September 30, 1994, are not necessarily indicative of the results that may be expected for the year ended December 31, 1994.

For further information, please refer to the Consolidated Financial Statements and footnotes thereto included in the Westbank Corporation's Annual Report on Form 10-K for the year ended December 31, 1993.

NOTE D - CHANGES IN ACCOUNTING PRINCIPLES

On January 1, 1994, the Bank adopted Statement on Financial Accounting Standards (SFAS) No. 115 "Accounting for Certain Investments in Debt and Equity Securities". This pronouncement requires that securities classified as available for sale be reported at fair value with unrealized gains and losses excluded from earnings and reported as a separate component of stockholders' equity. The effect of the implementation of this pronouncement was to decrease stockholders' equity by approximately $66,000 (net of tax effect) on September 30, 1994.

The Corporation adopted "SFAS 115" by categorizing all investments with a maturity of less than three years as available for sale. In addition, any mortgage-backed securities created out of the Banks own inventory of residential real estate loans is also considered available for sale. All other investments are considered to be held to maturity.

The securities available for sale as disclosed in the accompanying Consolidated Balance Sheet are stated at cost for 1993 and market value for 1994.

There were no sales out of the investment portfolio during the first three quarters of 1994.

NOTE E - EARNINGS PER SHARE

Earnings per share were computed by dividing net income by the weighted average number of shares of common stock outstanding and common stock equivalent shares arising from unexercised stock options.

NOTE F - COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business, there are outstanding commitments and contingent liabilities, such as, standby letters of credit and commitments to extend credit. As of September 30, 1994 standby letters of credit amounted to $738,000 and loan commitments were $6,005,000 and unused balances available on home equity lines of credit were $8,373,000.

Trust Assets - Property with a book value of $89,474,000 at September 30, 1994 held for customers by a subsidiary in a fiduciary or agency capacity, is not included in the accompanying Balance Sheet since such items are not assets of the Bank.

NOTE G - STOCKHOLDERS' EQUITY

The FDIC imposes leverage capital ratio requirements for state non-member Banks. The Bank's leverage capital ratio as of September 30, 1994 and December 31, 1993 was 6.44% and 5.90%, respectively.

In addition, the FDIC has established risk-based capital requirements for insured institutions of, Tier 1 risk-based capital of 4.00% and total risk-based capital of 8.00%. The Bank's risk-based capital at September 30, 1994, for Tier 1 was 8.79% and total risk-based capital was 10.05%.

As discussed in NOTE B, the Formal Agreement requires Park West to increase its level of Tier 1 leverage capital and to comply with the minimum requirements of risk-based capital. As of September 30, 1994, the Bank was in compliance with all required capital targets.

The Agreement required that Park West's Tier 1 leverage capital ratio be increased to a minimum of 6% by June 30, 1994. As of September 30, 1994 Park West Tier 1 leverage capital ratio was 6.44% exceeding the requirement of the Agreement.

Under the agreement, the Corporation is prohibited from paying dividends without the prior approval of the FDIC and the Massachusetts Commissioner of Banks.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Total consolidated assets amounted to $242,594,000 on September 30, 1994, compared to $228,863,000 on December 31, 1993. As of September 30, 1994 and September 30, 1993 earning assets amounted to, respectively, $224,255,000 or 92% of total assets, and $203,784,000 or 89% of total assets.

Operations reflect net income for the current quarter of $662,000 as compared to a net income of $415,000 for the same quarter during 1993. For the nine months and year-to-date period September 30, 1994, net income totals $2,111,000 compared to net income of $1,513,000 for the same period one year ago.

An overall reduction in interest income and interest expense reflects an increase in loan volume and decreases in deposit volume and interest rates on earning assets. Further analysis is provided in sections on net interest income and supporting schedules. The provision for loan losses was level in the current quarter compared to the 1993 quarter, and an increase of $416,000 is reflected for the nine month period. Decreases are noted in other real estate provisions and operating expenses. Other real estate expense totalled $343,000 for the current quarter compared with $447,000 a year ago, a decrease of $104,000, these comparable expenses reflect a decrease of $442,000 for the nine month period.

Non-performing past due loans/leases at September 30, 1994, aggregated $5,941,000 or 3.23% of total loans/leases compared to $1,902,000 or 1.08% at December 31, 1993. The percentage of non-performing and past due loans compared to total assets on those same dates respectively amounted to 2.45% and 0.83%.

During the second and third quarters of 1994, management moved four loans totaling approximately $4,000,000 to a non-performing status. The four credits identified above are not newly identified loan problems as each loan has been listed on the Banks internal Watch and Classified Loan list for a substantial period of time. The classification to non-performing status is in response to further deterioration of these four borrowers and managements' aggressive action in an attempt to resolve them. Each of the loans is real estate related.

Loans and leases written-off against the allowance for loan losses after recoveries amounted to $1,004,000 in the current quarter compared to net charge offs of $105,000 during the quarter ended September 30, 1993.

After giving effect to the actions described above, the allowance for loan losses at September 30, 1994, totalled $3,169,000 or 1.72% of total loans as compared to $3,472,000 or 1.97% at December 31, 1993.

Other-real-estate-owned and in-substance foreclosures-net amounted to $2,454,000 at September 30, 1994 compared to $5,140,000 at December 31, 1993. The percentage as compared to total assets on those same dates respectively amounted to 1.01% and 2.25%.

Total non-performing assets amounted to $8,395,000 at September 30, 1994 compared to $7,042,000 at December 31, 1993. The percentage of non-performing assets to total assets on those same dates amounted to 3.47% versus 3.08%

Management has made every effort to recognize all circumstances known at this time which could affect the collectibility of loans and has reflected such circumstances in deciding as to the provision for loan losses, the writing down of other real estate owned and in-substance foreclosures to fair value less estimated selling costs, the charge-off of loans and the balance in the allowance for losses. Management deems, that the provision for the quarter, and the balance in the allowance for loan losses, are adequate based on results provided by the loan grading system and circumstances known at this time.

NET INTEREST INCOME

The Corporation's earning assets include a diverse portfolio of earning instruments ranging from the Corporation's core business of loan extensions to interest-bearing securities issued by federal, state and municipal authorities. These earning assets are financed through a combination of interest-bearing and interest-free sources.

Net interest income, the most significant component of earnings, is the amount by which the interest generated by assets exceeds the interest expense on liabilities. For analytical purposes, the interest earned on tax exempt assets is adjusted to a "tax equivalent" basis to recognize the income tax savings which facilitates comparison between taxable and tax exempt assets.

The Corporation analyzes its performance by utilizing the concepts of interest rate spread and net yield on earning assets. The interest rate spread represents the difference between the yield on earning assets and interest paid on interest-bearing liabilities. The net yield on earning assets is the difference between the rate of interest on earning assets and the effective rate paid on all funds - interest-bearing liabilities, as well as, interest-free sources (primarily demand deposits and shareholders' equity).

The balances and rates derived for the analysis of net interest revenue presented on the following pages reflect the consolidated assets and liabilities of the Corporation's principal earning subsidiary, Park West Bank and Trust Company.

(Dollar amounts in thousands)

	Quarter Ended		Nine Months Ended	
	9-30-94	9-30-93	9-30-94	9-30-93
Interest revenue	$ 4,322	$ 4,189	$12,429	$12,801
Interest expense	1,602	1,612	4,504	5,294
Net interest income	2,720	2,577	7,925	7,507
Tax equivalent adjustment	8	5	19	18
Net interest income (taxable equivalent)	$ 2,728	$ 2,582	$ 7,944	$ 7,525

INTEREST RATE SPREAD AND NET YIELD ON EARNING ASSETS

(Dollar amounts in thousands)

	Quarter Ended September 30,			
	1994		1993	
(Taxable Equivalent)	Average Balance	Rate	Average Balance	Rate
Earning Assets	$221,395	7.81%	$208,261	8.05%
Interest-bearing liabilities	185,977	3.45	183,354	3.52
Interest rate spread		4.36		4.53
Interest-free resources used to fund earning assets	35,418		24,907	
Total Sources of Funds	$221,395	2.89	$208,261	3.10

Net Yield on Earning Assets		4.92%		4.95%

	Nine Months Ended September 30, 1994		1993	
(Taxable Equivalent)	Average Balance	Rate	Average Balance	Rate
Earning Assets	$214,253	7.75%	$208,378	8.19%
Interest-bearing liabilities	180,838	3.32	187,106	3.77
Interest rate spread		4.43		4.42
Interest-free resources used to fund earning assets	33,415		21,272	
Total Sources of Funds	$214,253	2.80	$208,378	3.38
Net Yield on Earning Assets		4.95%		4.81%

CHANGES IN NET INTEREST EARNED
(Dollar amounts in thousands)

(Taxable Equivalent)	QUARTER ENDED SEPT. 30, 1994 O V E R QUARTER ENDED SEPT. 30, 1993			NINE MONTHS ENDED SEPT. 30, 1994 O V E R NINE MONTHS ENDED SEPT. 30, 1993		
	CHANGE DUE TO			CHANGE DUE TO		
	VOLUME	RATE	TOTAL	VOLUME	RATE	TOTAL
Interest Earned:						
Loans/Leases	$ 285	$ (160)	$ 125	$ 553	$ (887)	$ (334)
Securities	(37)	12	(25)	(86)	35	(51)
Federal funds	18	18	36	(12)	26	14
Total Interest Earned	266	(130)	136	455	(826)	(371)
Interest Expense:						
Interest bearing deposits	47	(35)	12	(141)	(596)	(737)
Other Borrowed Funds	(19)	(3)	(22)	(33)	(20)	(53)
Total Interest Expense	$ 28	$ (38)	$ (10)	$ (174)	$ (616)	$ (790)
Net Interest Income	$ 238	$ (92)	$ 146	$ 629	$ (210)	$ 419

Net interest earned on a taxable equivalent basis increased to $2,728,000 in the third quarter of 1994, up $146,000 as compared with the same period of 1993. Average earning assets increased during the third quarter of 1994. The average earning base was $221,395,000 compared to $208,261,000 in the same period last year, a increase of $13,134,000. For the nine month period ended September 30, 1994, net interest earned on a tax equivalent basis increased to $7,944,000 up by $419,000 as compared with the comparable period of 1993 or 5.6%. Average earning assets increased by $5,875,000 or 2.8% and the net yield on earning assets increased to 4.94% from 4.81% for the nine month period ending September 30, 1994 compared to September 30, 1993.

OPERATING EXPENSES

The components of total operating expenses for the periods and their percentage of gross income are as follows:

(Dollar amounts in thousands)	QUARTER ENDED 9-30-94		9-30-93	
	Amount	Percent	Amount	Percent
Salaries and benefits	$1,001	20.52%	$ 914	18.49%
Other real estate -				
charge-off expense	266	5.46	300	6.07
operating expense	107	2.19	147	2.97
Other non-interest expense	877	17.98	947	19.15
Occupancy - net	202	4.15	171	3.46
Total Operating Expenses	$2,453	50.30%	$2,479	50.14%

	NINE MONTHS ENDED			
	9-30-94		9-30-93	
	Amount	Percent	Amount	Percent
Salaries and benefits	$2,860	19.88%	$2,742	18.57%
Other real estate -				
charge-off expense	692	4.81	964	6.53
operating expense	327	2.27	497	3.37
Other non-interest expense	2,517	17.49	2,753	18.65
Occupancy - net	561	3.90	494	3.35
Total Operating Expense	$6,957	48.35%	$7,450	50.47%

INCOME TAXES

In February, 1992, the Financial Accounting Standards Board issued a statement of financial accounting standard No. 109, "Accounting for Income Taxes" ("SFAS 109"). The statement requires the recognition of deferred tax assets, net of applicable reserves, related to net operating loss carryforwards and certain temporary differences. Effective January 1, 1993, the Corporation prospectively adopted SFAS 109, resulting in a $400,000 benefit which has been reported as a cumulative effect of change in accounting principle.

During the first nine months of 1994 Westbank recorded a tax benefit of $115,000 which is primarily the result of a decrease in the valuation reserve of $550,000 pertaining to deferred tax assets offset by the provision for current taxes. The decrease in such valuation reserve is due to the continued profitable performance of the Bank and the resultant consideration of the realizability of deferred tax assets and is in accordance with the guidance in Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes".

COMPONENTS OF CAPITAL

(Dollar amounts in thousands)	September 30, 1994	December 30, 1993
Stockholders' Equity:		
Common stock	$ 6,273	$ 6,251
Additional paid-in capital	6,873	6,861
Retained earnings	2,270	159
Net unrealized gain/(loss)		
on securities available for sale	(66)	0
Total Stockholders' Equity	$15,350	$13,271
Ratio of "Tier 1" leverage capital		
to total assets at end of period	6.33%	5.80%

Regulatory risk-based capital requirements, which became effective on December 31, 1990, take into account the different risk categories of banking organizations by assigning risk weights to assets and the credit equivalent amounts of off-balance sheet exposures.

In addition, capital is divided into two tiers. For this Corporation, Tier 1 includes the common stockholders' equity; Tier 2, or supplementary capital, includes not only the equity, but also, a portion of the allowance for loan losses, net unrealized gain/(losses) on securities available for sale are not permitted to be included for regulatory capital purposes.

The following are the Corporation's risk-based capital ratios at September 30, 1994:

Tier 1 Capital (minimum required 4.00%)	8.79%
Tier 2 Capital (minimum required 8.00%)	10.05%

The Agreement requires that Park West's Tier 1 leverage capital ratio be increased to a minimum of 6% by June 30, 1994. Under the Agreement capital ratio targets have been set in six month intervals. At September 30, 1994 the Agreement required Park West's Tier 1 leverage capital to be at a minimum of 6.00%. For Park West, Tier 1 leverage capital is calculated using quarterly average assets. At September 30, 1994 Park West's Tier 1 leverage capital to average assets was 6.44%, which is above the interim target established by the Agreement.

Under the Agreement, the Corporation is prohibited from paying dividends without the prior approval of the FDIC and the Massachusetts Commissioner of Banks.

INTEREST RATE SENSITIVITY

The following table sets forth the distribution of the repricing of the Corporation's earning assets and interest bearing liabilities as of September 30, 1994.

(Dollar amounts in thousands)

	Three Months or Less	Over Three Months to One Year	Over One Year to Five Years	Over Five Years	Total
Earning Assets	$ 73,374	$ 48,064	$ 65,332	$ 37,485	$ 224,255
Interest Bearing Liabilities	111,909	14,107	61,836	7	187,859
Interest Rate Sensitivity Gap	$ (38,535)	$ 33,957	$ 3,496	$ 37,478	$ 36,396
Cumulative Interest Rate Sensitivity Gap	$ (38,535)	$ (4,578)	$ (1,082)	$ 36,396	
Interest Rate Sensitivity Gap Ratio	(17.18)%	15.14%	1.56%	16.71%	
Cumulative Interest Rate Sensitivity Gap Ratio	(17.18)%	(2.04)%	(.48)%	16.23%	

LIQUIDITY

Cash and due from banks, federal funds sold, investment securities, mortgage backed securities and loans available for sale, as compared to deposits and short term liabilities, are used by the Corporation to compute its liquidity on a daily basis. At September 30, 1994, the Corporation's ratio of such assets to total deposits and borrowed funds was 29.33%.

PROVISION AND ALLOWANCE FOR LOAN/LEASE LOSSES

(Dollar amounts in thousands)

	QUARTER ENDED		NINE MONTHS ENDED	
	9-30-94	9-30-93	9-30-94	9-30-93
Balance at beginning of period	$ 3,954	$ 3,339	$ 3,472	$ 3,442
Provision charged to expense	219	210	931	515
	$ 4,173	$ 3,549	$ 4,403	$ 3,957
Less Charge-offs:				
Loans secured by real estate	657	0	924	45
Construction/land developing	0	0	0	230
Commercial and industrial loans	345	324	473	468
Consumer loans	10	36	33	75
Lease financing receivables	0	0	7	55
	$ 1,012	$ 360	$ 1,437	$ 873
Add-Recoveries:				
Loans secured by real estate	2	189	9	248
Commercial and industrial loans	0	15	178	33
Consumer loans	3	23	12	34
Lease financing receivables	3	28	4	45
	8	255	203	360
Net charge-offs	1,004	105	1,234	513
Balance at end of period	$ 3,169	$ 3,444	$ 3,169	$ 3,444
Net Charge-offs to:				
Average loans/leases	.55%	.06%	.68%	.30%
Loans/leases at end of period	.55%	.06%	.67%	.30%
Allowance for loan/lease losses	31.68%	3.05%	38.94%	14.90%
Allowance for loan/lease losses as a percentage of:				
Average loans/leases	1.73%	2.03%	1.76%	2.01%
Loans/leases at end of period	1.72%	2.02%	1.72%	2.02%

During the second and third quarters of 1994, non-accrual loans increased by $4,290,000, the result of further deterioration of four previously identified problem loans.

In response to the increase in non-accrual loans, the Corporation increased the balance of the allowance for loans/leases loss by more than $600,000 during the second quarter of 1994. The loan charge offs reflected in the current quarter are primarily a direct result of these four loans. Further discussion is located in the Management Discussion and Analysis of Financial Condition section of this report.

The approach the Corporation uses in determining the adequacy of the Allowance for Loan/Lease Losses is the combination of a target reserve and a general reserve allocation. Quarterly, based on an internal review of the Loan Portfolio, the Corporation identifies required reserve allocations targeted to recognized problem loans that, in the opinion of management, have potential loss exposure or questions relative to the depth of the collateral on these same loans. In addition, the Corporation allocates a general reserve against the remainder of the Loan Portfolio.

NON-ACCRUAL, PAST DUE
AND RESTRUCTURED LOANS

(Dollar amounts in thousands)

	9-30-94	6-30-94	3-31-94	12-31-93	9-30-93
Non-Accrual Loans:					
Loans secured by real estate	$ 4,182	$ 3,898	$ 513	$ 524	$ 585
Construction/Land development	0	84	91	91	99
Commercial and Industrial Loans	1,132	483	466	445	392
Consumer Loans	53	19	7	18	24
	5,367	4,484	1,077	1,078	1,100
Loans Contractually past due 90 days or more still accruing:					
Loans secured by real estate	81	229	921	285	92
Construction/Land development	0	0	22	0	0
Commercial and Industrial Loans	5	49	16	5	26
Consumer Loans	36	23	18	31	15
Lease financing receivables	0	0	7	9	0
	122	301	984	330	133
Restructured Loans *	452	456	617	494	955
Total non-accrual, past due and restructured loans	$ 5,941	$ 5,241	$ 2,678	$ 1,902	$ 2,188
Non-accrual, past due and restructured loans as a percentage of total loans	3.23%	2.87%	1.50%	1.08%	1.29%
Allowance for Loan/Lease losses as a percentage of non accrual, past due and restructured Loans	53.34%	75.44%	129.31%	182.54%	157.40%

OTHER REAL ESTATE

Other real estate owned - net	$ 1,659	$ 2,107	$ 2,360	$ 3,161	$ 3,036
In substance foreclosure	795	1,302	1,791	1,979	2,886
Total Other Real Estate	$ 2,454	$ 3,409	$ 4,151	$ 5,140	$ 5,922

* As of September 30, 1994, 100% of restructured loans are performing in compliance with modified terms of their restructuring.

WESTBANK CORPORATION AND SUBSIDIARIES
QUARTERLY AVERAGE BALANCES
INTEREST EARNED - INTEREST EXPENSE

(RATES ON A TAX EQUIVALENT BASIS)

(Dollar amounts in thousands)

	FOR THE QUARTER ENDED SEPTEMBER 30, 1994			FOR THE QUARTER ENDED SEPTEMBER 30, 1993		
ASSETS	Balance	Interest	Rate	Balance	Interest	Rate
Federal funds sold and temporary investments	$ 7,376	$ 77	4.18%	$ 5,397	$ 41	3.04%
Securities	30,370	474	6.24	32,840	499	6.08
Loans/Leases	183,649	3,779	8.23	170,024	3,654	8.60
Total earning assets	$221,395	$ 4,330	7.81	$208,261	$ 4,194	8.05
Loan/Lease loss allowance	(3,917)			(3,447)		
All other assets	19,963			22,484		
TOTAL ASSETS	$237,441			$227,298		
LIABILITIES AND EQUITY						
Interest bearing deposits	$180,574	$ 1,563	3.46	$175,366	$ 1,551	3.54
Borrowed funds	5,403	39	2.89	7,988	61	3.05
Total interest bearing liabilities	185,977	$ 1,602	3.45	183,354	$ 1,612	3.52
Interest rate spread			4.36%			4.53%
Demand deposits	35,808			30,735		
Other liabilities	728			607		
Shareholders' equity	14,928			12,602		
TOTAL LIABILITIES AND EQUITY	$237,441			$227,298		
Net interest income		$ 2,728			$ 2,582	
Interest Earned/Earning Assets			7.81%			8.05%
Interest Expense/Earning Assets			2.89			3.10
Net Yield on Earning Assets			4.92%			4.95%
Deduct - Tax Equivalent Adjustment		8			5	
NET INTEREST INCOME		$ 2,720			$ 2,577	

WESTBANK CORPORATION AND SUBSIDIARIES
YEAR TO DATE AVERAGE BALANCES
INTEREST EARNED - INTEREST EXPENSE

(RATES ON A TAX EQUIVALENT BASIS)

(Dollar amounts in thousands)

	NINE MONTHS ENDED SEPTEMBER 30, 1994			NINE MONTHS ENDED SEPTEMBER 30, 1993		
ASSETS	Balance	Interest	Rate	Balance	Interest	Rate
Federal Funds sold and temporary investments	$ 4,738	$ 138	3.88%	$ 5,568	$ 124	2.97%
Securities	29,313	1,370	6.23	31,207	1,421	6.07
Loans/Leases	180,202	10,940	8.09	171,603	11,274	8.76
Total earning assets	214,253	$12,448	7.75	208,378	$12,819	8.19
Loan/Lease loss allowance	(3,637)			(3,492)		
All other assets	19,780			23,779		
TOTAL ASSETS	$230,396			$228,665		

LIABILITIES AND EQUITY

Interest bearing deposits	$173,683	$ 4,361	3.35	$178,498	$ 5,098	3.81
Borrowed funds	7,155	143	2.66	8,608	196	3.04
Total interest bearing liabilities	180,838	$ 4,504	3.32	187,106	$ 5,294	3.77
Interest rate spread			4.43%			4.42%
Demand deposits	34,488			28,798		
Other liabilities	637			663		
Shareholders' equity	14,433			12,098		
TOTAL LIABILITIES AND EQUITY	$230,396			$228,665		
Net Interest Income		$ 7,944			$ 7,525	
Interest Earned/Earning Assets			7.75%			8.19%
Interest Expense/Earning Assets			2.80			3.38
Net Yield on Earning Assets			4.95%			4.81%
Deduct - Tax Equivalent Adjustment		19			18	
NET INTEREST INCOME		$ 7,925			$ 7,507	

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings

None

ITEM 2. Changes in Rights of Security Holders

None

ITEM 3. Defaults by Company on its Senior Securities

None

ITEM 4. Results of Votes on Matters Submitted to a Vote of Security Holders

None

ITEM 5. Other Information

None

ITEM 6. Exhibits and Reports on Form 8-K

None

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

WESTBANK CORPORATION

Date: November 8, 1994

Donald R. Chase
President and Chief Executive Officer

Date: November 8, 1994

John M. Lilly
Treasurer and Chief Financial Officer

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