

SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

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FILER

WESTWOOD FINANCIAL CORP

CIK: **1005187** | IRS No.: **223413572** | State of Incorp.: **NJ** | Fiscal Year End: **0331**
Type: **10QSB** | Act: **34** | File No.: **000-28200** | Film No.: **96664011**
SIC: **6036** Savings institutions, not federally chartered

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U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OF 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarter period ended September 30, 1996

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT

For the transition period from _____ to _____

Commission File No. 0-28200

Westwood Financial Corporation

(Exact name of registrant as specified in its charter)

New Jersey 22-3413572

(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

700-88 Broadway, Westwood, New Jersey 07675

(Address of principal executive offices)

201-666-5002

(Registrant's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by Sections 13 or 15(d) of the Exchange Act during the past 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
--- ---

State the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date.

Class: Common Stock, par value \$0.10 per share
Outstanding shares at October 21, 1996: 646,672

WESTWOOD FINANCIAL CORPORATION

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SIGNATURES

WESTWOOD FINANCIAL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Dollars in Thousands)

<TABLE>
<CAPTION>

	WESTWOOD FINANCIAL CORPORATION CONSOLIDATED SEPTEMBER 30, 1996 -----	WESTWOOD SAVINGS BANK (1) MARCH 31, 1996 -----
	(UNAUDITED)	
ASSETS -----		
<S>	<C>	<C>
Cash and cash equivalents	\$ 5,080	\$ 5,208
Loans receivable, net	38,486	34,497
Interest receivable on loans	244	218
FHLB stock, at cost	440	440
Mortgage-backed securities held-to-maturity, (market value of \$19,504 and \$13,266, respectively)	19,587	13,281
Investment securities held-to-maturity, (market value of \$25,028 and \$25,586, respectively)	26,156	25,742
Investment securities available-for-sale, (at market value)	937	4,422
Interest receivable on investments	584	488
Property and equipment, net	758	750
Goodwill	1,179	1,238
Prepaid expenses and other assets	197	280
	-----	-----
TOTAL ASSETS	\$ 93,648	\$ 86,564
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY -----		
Liabilities:		
Demand deposits	\$ 13,539	\$ 12,618
Savings deposits	69,886	67,622
Interest payable on deposits	117	116
Other liabilities	528	81
Dividends payable	32	0
	-----	-----

Total Liabilities	84,102	80,437
	-----	-----
Commitments and Contingencies	--	--
Shareholders' equity:		
Common stock	65	760
Paid in capital	3,264	4,414
Retained earnings	6,402	1,174
Unearned stock bonus plan shares	(104)	(128)
Unrealized gain/(loss) on securities available-for-sale	(81)	(93)
Total Shareholders' Equity	9,546	6,127
	-----	-----
TOTAL LIABILITIES AND		
SHAREHOLDERS' EQUITY	\$ 93,648	\$ 86,564
	=====	=====

</TABLE>

- (1) On June 6, 1996, Westwood Savings Bank became a wholly-owned subsidiary of Westwood Financial Corporation. The consolidated balance sheet at March 31, 1996 has been taken from the audited balance sheet at that date.

See notes to consolidated financial statements.

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WESTWOOD FINANCIAL CORPORATION AND SUBSIDIARY
 UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
 (Dollars in Thousands)

<TABLE>
 <CAPTION>

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,		FOR THE SIX MONTHS ENDED SEPTEMBER 30,	
	1996	1995	1996	1995
	-----	-----	-----	-----
	WESTWOOD FINANCIAL CORPORATION CONSOLIDATED	WESTWOOD SAVINGS BANK	WESTWOOD FINANCIAL CORPORATION CONSOLIDATED	WESTWOOD SAVINGS BANK
	-----	----	-----	----
INTEREST INCOME				
<S>	<C>	<C>	<C>	<C>
Loans receivable	\$ 729	\$ 657	\$ 1,440	\$ 1,298
Mortgage-backed securities	225	215	449	427
Investment securities, including O/N deposits	591	507	1,158	964
Dividends on FHLB stock	7	9	14	17
	-----	-----	-----	-----
Total interest income	1,552	1,388	3,061	
INTEREST EXPENSE ON DEPOSITS	872	827	1,716	1,600
	-----	-----	-----	-----
Net interest income	680	561	1,345	1,106
Provision for loan losses	5	12	40	27
	-----	-----	-----	-----
Net interest income after provision for loan losses	675	549	1,305	1,079
NONINTEREST INCOME				
Miscellaneous charges and fees	34	26	62	50

	1	2	3	4
Late charges	-----	-----	-----	-----
Total noninterest income	35	28	65	54
NONINTEREST EXPENSE				
Compensation and employee benefits	164	150	330	307
FDIC insurance and regulatory expenses	54	41	100	78
SAIF Special Assessment	454	0	454	0
Depreciation and amortization	41	38	81	76
Data Processing	35	29	69	57
Occupancy	29	31	57	57
Loss on sale of securities	17	0	17	0
Other	124	76	212	146
	-----	-----	-----	-----
Total noninterest expense	918	365	1,320	721
	-----	-----	-----	-----
INCOME (LOSS) BEFORE INCOME TAXES	(208)	212	50	412
INCOME TAX EXPENSE	(58)	77	31	150
	-----	-----	-----	-----
NET INCOME (LOSS)	\$ (150)	\$ 135	\$ 19	\$ 262
	=====	=====	=====	=====
Weighted Average Earnings Per Share	\$ (0.23)	\$ NM	\$ 0.03	\$ NM
	=====	=====	=====	=====
Weighted Average Shares Outstanding	646,700	NM	549,038	NM

NM - Not meaningful due to conversion and reorganization effective June 6, 1996.

See notes to consolidated financial statements.

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WESTWOOD FINANCIAL CORPORATION AND SUBSIDIARY
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

<TABLE>
<CAPTION>

	WESTWOOD FINANCIAL CORPORATION CONSOLIDATED		WESTWOOD SAVINGS BANK	
	THREE MONTHS ENDED		SIX MONTHS ENDED	
	September 30,		September 30,	
	1996	1995	1996	1995
	----	----	----	----

INTEREST OPERATING ACTIVITIES

<S>	<C>	<C>	<C>	<C>
NET INCOME	\$ (150)	\$ 135	\$ 19	\$ 262
	=====	=====	=====	=====
ADJUSTMENTS TO RECONCILE NET INCOME TO				
NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Depreciation	18	14	34	29
Amortization of good will	23	23	47	47
Amortization of stock bonus plan	12	12	24	24
Provision for loan losses	5	12	40	27
Loss on sale of securities	17	--	17	--
(INCREASE) DECREASE IN ASSETS:				
Interest receivable	(51)	(89)	(122)	(88)
Prepaid income taxes	(104)	(20)	(81)	11
Prepaid expenses	(6)	6	187	(15)
INCREASE (DECREASE) IN LIABILITIES:				
Interest payable	(11)	(2)	1	25
Accrued expenses	338	13	447	(48)
Taxes payable	(88)	(31)	(23)	11

TOTAL ADJUSTMENTS	153	(62)	571	23
NET CASH PROVIDED BY OPERATING ACTIVITIES	3	73	590	285
INVESTING ACTIVITIES:				
Loans made of net repayments	(1,628)	(26)	(4,029)	(523)
Purchase of investments - net of sales	(1,771)	(2,330)	(3,240)	(4,298)
Purchase of office property and equipment	(11)	(8)	12	--
Reduction of goodwill	12	--	(42)	(23)
NET CASH USED BY INVESTING ACTIVITIES	(3,398)	(2,364)	(7,299)	(4,844)
FINANCING ACTIVITIES:				
Net increase in deposit accounts	2,098	3,577	3,185	6,194
Proceeds from sale of stock and reorganization, net of conversion costs	--	--	3,428	--
Dividends paid	(32)	(16)	(32)	(32)
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,066	3,561	6,581	6,162
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,329)	1,270	(128)	1,603
CASH AND CASH EQUIVALENTS - Beginning of period	6,409	5,388	5,208	5,055
CASH AND CASH EQUIVALENTS - End of period	\$ 5,080	\$ 6,658	\$ 5,080	\$ 6,658
CASH PAID DURING THE PERIOD FOR:				
Interest on deposits	\$ 883	\$ 833	\$ 1,715	\$ 1,575
Income taxes	\$ 135	\$ 128	\$ 135	\$ 128

</TABLE>

See notes to consolidated financial statements.

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Notes to Unaudited Interim Consolidated Financial Statements

September 30, 1996

NOTE 1: BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

The accompanying consolidated financial statements include the accounts of Westwood Financial Corporation (the "Corporation") and Westwood Savings Bank, a wholly-owned subsidiary of the Corporation. All significant intercompany balances and transactions have been eliminated in consolidation.

The Corporation is a New Jersey stock corporation organized in December 1995 to facilitate the conversion of the Bank's holding company (formerly Bergen North Financial, M.H.C.) from the mutual to stock form of ownership and to acquire and hold all of the capital stock of the Bank. In connection with the conversion, Bergen North Financial, M.H.C., which had owned 58% of the Bank's common stock, was merged with and into the Bank, and its shares of the Bank were canceled. On June 6, 1996, the Corporation issued 261,488 shares of its common stock for all of the remaining outstanding shares of the Bank, and issued and sold 385,255 shares of its common stock at a price of \$10.00 per share. At September 30, 1996, the Corporation had 646,672 shares of Common Stock issued and outstanding.

Since June 6, 1996, the Corporation engaged in no significant business activity other than its ownership of the Bank's common stock.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentations have been included. The results of operations for the interim periods ended September 30, 1995 and September 30, 1996 are not necessarily indicative of the results which may be expected for an entire year or any other period. For further information, refer to the consolidated financial statements and footnotes thereto included in the Corporation's Special Report on Form 10-KSB for the year ended March 31, 1996 filed pursuant to Rule 15d-2.

NOTE 2: EARNINGS PER SHARE

Earnings per share for the three and six months ended September 30, 1996 was calculated based on the number of fully diluted shares at period end. Stock options are regarded as common stock equivalents computed using the Treasury Stock method.

Earnings per share for the three months ended September 30, 1995 was not meaningful due to the conversion and reorganization effective June 6, 1996.

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NOTE 3: RECENT ACCOUNTING PRONOUNCEMENTS

Effective January 1, 1995, the Bank adopted FASB Statement Nos. 114, "Accounting by Creditors for Impairment of a Loan" and 118, "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures." The provision of these statements are applicable to all loans, uncollateralized as well as collateralized, except for large groups of smaller-balance homogeneous loans that are collectively evaluated for impairment and loans that are measured at fair value or at the lower of cost or fair value. Additionally, such provisions apply to all loans that are renegotiated in trouble debt restructurings involving a modification of terms.

Statement No. 114 requires that impaired loans be measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent, except that loans renegotiated as part of a troubled debt restructuring subsequent to the adoption of Statement Nos. 114 and 118 must be measured for impairment by discounting the total expected cash flow under the renegotiated terms at each loan's original effective interest rate.

A loan evaluated for impairment pursuant to Statement No. 114 is deemed to be impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. An insignificant payment delay, which is defined by the Bank as up to ninety days, will not cause a loan to be classified as impaired. A loan is not impaired during the period of delay in payment if the Bank expects to collect all amounts due, including interest accrued at the contractual interest rate for the period of delay. Thus, a demand loan or other loan with no stated maturity is not impaired if the Bank expects to collect all amounts due, including interest accrued at the contractual interest rate, during the period the loan is outstanding. All loans identified as impaired are evaluated independently. The Bank does not aggregate such loans for evaluation purposes.

The adoption of Statement Nos. 114 and 118 did not have a material adverse impact on financial condition or operations.

Payments received on impaired loans are applied first to interest receivable and then to principal.

NOTE 4: SAIF SPECIAL ASSESSMENT

The FDIC has imposed a special assessment on the Savings Association Insurance Fund members based on the Bank's deposits as of March 31, 1995. The Bank will pay an assessment of \$454,000 on November 27, 1996 which was required to be accrued and expensed for the quarter ended September 30, 1996.

The Small Business Job Protection Act of 1996 (1996 Act) repealed the "percentage of income method" for accounting for the provision for bad debts. The Bank has used this method consistently in developing their bad debt provision and reserve for income tax purposes through March 31, 1996. The 1996 Act requires the Bank to recapture any addition to this reserve subsequent to 1987. As a result, the Bank has a deferred tax liability of \$145,000 which will be expensed in six annual installments beginning in tax year 1999.

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MANAGEMENT DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Comparison of Financial Condition at September 30 and March 31, 1996

Total assets at September 30, 1996 amounted to \$93.6 million, an increase of \$7.0 million, or 8.18% over total assets of March 31, 1996. This increase was due primarily to a \$3.2 million increase in deposits as well as net proceeds of \$3.3 million from the June, 1996 initial public offering of the company's stock ("Stock Offering").

The increase in assets includes a \$4.0 million, or 11.56%, increase in loans receivable due to increased loan originations, and a \$3.2 million, or 7.45%, increase in investment securities.

Total liabilities and shareholders' equity amounted to \$93.6 million at September 30, 1996, an increase of \$7.0 million, or 8.18%, over total liabilities and shareholders' equity at March 31, 1996. The increase in liabilities is due primarily to a \$3.2 million net increase in deposits, as well as the \$454,000 payable to the Federal Deposit Insurance Corporation ("FDIC") in settlement of the one-time special Savings Association Insurance Funds ("SAIF") assessment discussed in more detail below. The net increase in shareholder's equity of \$3.4 million is the result of the proceeds of the Stock Offering, as well as a \$19,000 net income for the six months ended September 30, 1996.

The Bank had no non-performing loans at September 30, 1996 or at March 31, 1996.

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Comparison of Operating Results For the Three Months Ended September 30, 1996

and 1995

General. Net loss for the three month period ended September 30, 1996 was \$150,000 compared to a net income of \$135,000 for the three month period ended September 30, 1995. This decrease reflects a \$291,000 net charge for a special assessment by the FDIC for the SAIF. A loss of \$17,000 on the sale of a mutual fund also contributed to the decrease in net income. The mutual fund sale proceeds were reinvested in higher yielding mortgage-backed securities, which should have a favorable effect on current as well as future earnings.

Interest Income. Interest income increased \$164,000, or 11.82%, from \$1.4 million for the three month period ended September 30, 1995 to \$1.6 million for the three months ended September 30, 1996. Interest income from mortgage loans increased \$72,000 due to increased lending. Interest on security investments and mortgaged-backed securities increased \$94,000 due to higher yields and increased average balances of such investments funded by increased deposits as well as proceeds from the Stock Offering.

Interest Expense. Total interest expense increased from \$827,000 for the three month period ended September 30, 1995 to \$872,000 for the three month period ended September 30, 1996. This increase was due primarily to an increase in the

average balance of deposits from \$75.9 million at September 30, 1995 to \$83.4 million at September 30, 1996.

Net Interest Income. Net interest income increased \$119,000, or 21.21%, for the three months ended September 30, 1996 as compared to the same period ended September 30, 1995. This was primarily due to increased revenue from the additional interest-earning assets acquired through the investment of the Stock Offering proceeds and the increase in deposits. In addition, net interest margin (net yield) increased from 2.88% for the quarter ended September 30, 1995 to 3.05% for the similar 1996 period.

Provision for Loan Losses. Provisions for the loan losses decreased from \$12,000, for the period ended September 30, 1995, to \$5,000 for the period ended September 30, 1996. The decrease was due to management's assessment of the current loan portfolio, account delinquencies, and market conditions.

There was no basic change in actual delinquencies at either date.

Non-Interest Income. Non-interest income increased \$7,000, or 25.00%, during the period ended September 30, 1996, as compared to the same period ended September 30, 1995. This increase was primarily due to increased fee income from additional checking accounts.

Non-Interest Expense. Non-interest expense increased \$553,000 from \$365,000 for the three months ended September 30, 1995 to \$918,000 for the three months ended September 30, 1996. This increase reflects a \$454,000 net charge for a special assessment by the Savings Association Insurance Fund. Non-interest expense also increased due to a \$17,000 loss on a mutual fund investment which was sold during the quarter. The mutual fund sale proceeds were reinvested in mortgage-backed securities with higher yields, with an immediate favorable effect on current as well as future earnings. Advertising and promotional expenses also increased \$3,000 due to management's decision to promote short term home equity loans, checking accounts and its new remote ATM facility. Management also decided to participate in several local activities to increase its exposure in the community. Operating costs incurred as a public company including legal and consulting fees and auditing expenses increased \$28,000 during the period.

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Income Tax Expense. Income tax expenses decreased \$135,000 from \$77,000 for the three months period ended September 30, 1995 to a credit of \$58,000 for the three month period ended September 30, 1996 due to decreased earnings.

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Results of Operations - Comparison of Six Months Ended September 30, 1996 and

September 30, 1995

General. Net income for the six month period ended September 30, 1996 was \$19,000 compared to \$262,000 for the six month period ended September 30, 1995. This decrease reflects a \$291,000 net charge for a special assessment by the FDIC for the SAIF. A loss of \$17,000 on the sale of a mutual fund also contributed to the decrease in net income. The mutual fund sale proceeds were reinvested in higher yielding mortgage-backed securities, which should have a favorable effect on current as well as future earnings.

Interest Income. Total interest income increased to \$3.6 million for the six months ended September 30, 1996 from \$2.7 million for the six months ended September 30, 1995. This increase of \$355,000, or 13.12%, was due primarily to an increase of \$142,000 in interest earned on loans receivable due to increased lending, and increase of \$213,000 in interest earned on security investments and mortgage-backed securities due to higher yields and increased average balances of such investments funded by increased deposits as well as the

receipts from the Stock Offering.

Interest Expense. Total interest expense increased from \$1.6 million for the six months ended September 30, 1995 to \$1.7 million for the six months ended September 30, 1996. This increase was due primarily to an increase in the average balance of deposits from \$75.9 million at September 30, 1995 to \$83.4 million at September 30, 1996.

Net Interest Income. Net interest income increased \$239,000, or 21.61%, for the six months ended September 30, 1996 as compared to the same period ended September 30, 1995. This was due to the increased revenue from interest earned on the additional interest earning assets acquired through the investment of the proceeds of the Stock Offering and the increase in deposits.

Provision for Loan Losses. The Bank maintains a provision for losses on loans based upon management's periodic evaluation of known and inherent risks in the loan portfolio, the Bank's past loss experience, adverse situations that may affect the borrower's ability to repay loans, estimated value of the underlying collateral and current and expected market conditions. The provision for losses on loans was increased to \$40,000 for the six months ended September 30, 1996, compared to \$27,000 for the six months ended September 30, 1995, due to management's decision to increase the provision due to the increased volume of loan activity. There was no basic change in actual delinquencies at either date.

Non-Interest Income. Non-interest income increased \$11,000 from \$54,000 for the six months ended September 30, 1995 to \$65,000 for the six months ended September 30, 1996, primarily due to an increase in personal and business checking accounts which resulted in increased fee income.

Non-Interest Expense. Non-interest expense increased \$599,000 from \$721,000 to \$1.3 million during the comparable periods ending September 30, 1995 and 1996, respectively. This increase was primarily due to the one-time SAIF special assessment of \$454,000. Non-interest expense also increased due to a \$17,000 loss on the sale of a mutual fund. Increased loan processing costs attributed to higher loan volume, additional compensation due to additional staff, additional costs of an added ATM facility and increased advertising and promotional costs caused other operating expenses to increase. Other non-interest expenses including legal, consulting and registrar fees, and auditing expenses increased \$32,000, due to the added costs of being a public company.

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Income Tax Expense. Income tax expense decreased \$119,000 from \$150,000 for the six month period ended September 30, 1995 to \$31,000 for the six month period ended September 30, 1996 due to decreased earnings.

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Liquidity Resources

The Bank's liquidity is a measure of its ability to fund loans, pay withdrawals of deposits, and other cash outflows in an efficient, cost effective manner. The Bank's primary sources of funds are deposits and scheduled amortization and prepayment of loans and mortgage-backed securities. During the past several years, the Bank has used such funds primarily to fund maturing time deposits, pay savings withdrawals, fund lending commitments, purchase new investments, and increase liquidity. The Bank is currently able to fund its operations internally. Additionally, sources of funds include the ability to utilize Federal Home Loan Bank of New York advances and the ability to borrow against mortgage-backed and investment securities. As of September 30, 1996, the Bank had no such borrowed funds. Loan payments, maturing investments and mortgage-backed security prepayments are greatly influenced by general interest rates, economic conditions and competition.

The Bank anticipates that it will have sufficient funds available to meet its

current commitments. As of September 30, 1996, the Bank had mortgage commitments to fund loans of \$2.8 million. Also, at September 30, 1996, there were commitments on unused lines of credit relating to home equity loans of \$1.8 million. Certificates of deposit scheduled to mature in one year or less at September 30, 1996 totaled \$44.4 million. Based on historical deposit withdrawals and outflows, and on internal monthly deposit reports monitored by management, management believes that a majority of such deposits will remain with the Bank. As a result, no adverse liquidity effects are expected.

At September 30, 1996, the Bank's total liquidity was 60.99%.

Capital Compliance

The following table sets forth the institution's capital position at September 30, 1996 as compared to the minimum regulatory capital requirements imposed on the institution by the FDIC at that date. The Bank also met the capital requirements of the New Jersey Department of Banking.

	At September 30, 1996	
	Amount	of Assets
	-----	-----
GAAP Capital:	\$ 9,546	10.19%
	=====	=====
Leverage Capital: (1) (2)		
Actual Leverage Capital	\$ 6,645	7.35%
Leverage Capital Requirement	2,711	3.00%
	-----	-----
Excess	\$ 3,934	4.35%
	=====	=====
Tier 1 Capital: (1) (3)		
Actual Tier 1 Capital	\$ 6,645	18.04%
Tier 1 Capital Requirement	1,473	4.00%
	-----	-----
Excess	\$ 5,172	14.04%
	=====	=====
Total Risk-Based Capital: (1) (3)		
Actual Risk-Based Capital	\$ 6,854	18.61%
Risk-Based Capital Requirement	2,946	8.00%
	-----	-----
Excess	\$ 3,908	10.61%
	=====	=====

- (1) Regulatory capital reflects modifications from GAAP capital due to identifiable intangible assets and constraints on allowance for loan and lease losses.
- (2) Leverage Capital is computed as a percentage of Average Total Assets of \$90,366.
- (3) Tier 1 Capital and Total Risk-Based Capital are computed as a percentage of Total Risk-Weighted Assets of \$36,831.

Impact of Inflation and Changing Prices

The consolidated financial statements of the Corporation and notes thereto, presented elsewhere herein, have been prepared in accordance with GAAP, which require the measurement of financial position and operating results in terms of historical dollars without considering the change in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of the Corporation's operations. Unlike most industrial companies, nearly all of the assets and liabilities of the Corporation are financial. As a result, interest rates have a greater impact on the Corporation's performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

Pursuant to the Economic Growth and Paperwork Reduction Act of 1996 (the "Act"), the FDIC imposed a special assessment on SAIF members to capitalize the SAIF at the designated reserve level of 1.25% as of October 1, 1996. Based on the Bank's deposits as of March 31, 1995, the date for measuring the amount of the special assessment pursuant to the Act, the Bank will pay a special assessment of \$454,000 on November 27, 1996 to recapitalize the SAIF. This experience was recognized during the second quarter of fiscal 1996. The FDIC is expected to lower the premium for deposit insurance to a level necessary to maintain the SAIF at its required reserve level, however, the range of premiums has not been determined at September 30, 1996.

Pursuant to the Act, the Bank will pay, in addition to its normal deposit insurance premium as a member of the SAIF, an amount equal to approximately 6.4 basis points toward the retirement of the Financing Corporation bonds ("Fico Bonds") issued in the 1980's to assist in the recovery of the savings and loan industry. Member of the Bank Insurance Fund ("BIF"). by contrast, will pay, in addition to their normal deposit insurance premium, approximately 1.3 basis points. Based on total deposits as of September 30, 1996, had the Act been in effect, the Bank's Fico annual premium would have been approximately \$53,000 in addition to its normal deposit insurance premium. Beginning no later than January 1, 2000, the rate paid to retire the Fico Bonds will be equal for members of the BIF and the SAIF. The Act also provides for the merging of the BIF and the SAIF by January 1, 1999 provided there are no financial institutions still chartered as savings associations at that time. Should the insurance funds be merged before January 1, 2000, the rate paid by all members of this new fund to retire the Fico Bonds would be equal.

Recapture of Bad Debt Reserves

The Small Business Job Protection Act of 1996 (1996 Act) repealed the "percentage of income method" for accounting for the provision for bad debts. The Bank has used this method consistently in developing their bad debt provision and reserve for income tax purposes through March 31, 1996. The 1996 Act requires the Bank to recapture any addition to this reserve subsequent to 1987. As a result, the Bank has a deferred tax liability of \$145,000 which will be expensed in six annual installments beginning in tax year 1999.

Key Operating Ratios

THE TABLE BELOW SETS FORTH CERTAIN PERFORMANCE RATIOS OF THE BANK FOR THE PERIODS INDICATED.

<TABLE>
<CAPTION>

	FOR THE THREE MONTHS		FOR THE SIX MONTHS	
	ENDED SEPTEMBER 30,		ENDED SEPTEMBER 30,	
	1996	1995	1996	1995
	----	----	----	----
RETURN ON AVERAGE ASSETS (net income <S> divided by average total assets) (1)	<C> (0.65%)	<C> 0.67%	<C> 0.04%	<C> 0.66%
RETURN ON AVERAGE EQUITY (net income divided by average equity) (1)	(6.19%)	9.37%	0.44%	9.19%
AVERAGE EQUITY TO AVERAGE ASSETS (average equity divided by average total assets)	10.52%	7.13%	9.40%	7.21%
EQUITY TO ASSETS AT PERIOD END	10.19%	7.10%	10.19%	7.10%

INTEREST RATE SPREAD (1) (2)	2.69%	2.69%	2.78%	2.71%
NET INTEREST MARGIN (net yield on average interest-earning assets)	3.05%	2.88%	3.07%	2.89%
NON-PERFORMING ASSETS TO TOTAL ASSETS	N/A	N/A	N/A	N/A
AVERAGE INTEREST-EARNING ASSETS TO AVERAGE INTEREST-BEARING LIABILITIES	109.20%	104.33%	107.50%	104.38%
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES TO NON-INTEREST EXPENSE	79.20%	124.53%	97.47%	124.03%
NON-INTEREST EXPENSE TO AVERAGE ASSETS (1)	3.62%	2.24%	3.00%	2.26%

</TABLE>

(1) ANNUALIZED.

(2) INTEREST RATE SPREAD REPRESENTS THE DIFFERENCE BETWEEN THE WEIGHTED AVERAGE YIELD ON INTEREST-EARNING ASSETS AND THE WEIGHTED AVERAGE RATE ON INTEREST-BEARING LIABILITIES. COMPUTED ON THE BASIS OF AVERAGE MONTHLY VALUES.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Corporation was not involved in any material legal proceedings at September 30, 1996. The Bank, from time to time, is a party to litigation, which arises in the ordinary course of business, such as claims to enforce liens, claims involving the making and servicing of loans, claims relating to the hiring or termination of employees, and other issues incident to the business of the Bank. In the opinion of management, the resolution of these lawsuits would not have a material adverse effect on the financial condition or results of operations of the Bank or the Corporation.

Item 2. Changes in Securities

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 11: Statement regarding computation of earnings per share.

WESTWOOD FINANCIAL CORPORATION

SIGNATURES

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

Westwood Financial Corporation

Date: November 14, 1996

By: /s/William J. Woods

William J. Woods
Chief Executive Officer
(Principal Executive Officer)

Date: November 14, 1996

By: /s/George E. Niemczyk

George E. Niemczyk
Controller
(Principal Accounting and Financial Officer)

EXHIBIT 11

WESTWOOD FINANCIAL CORPORATION

STATEMENT REGARDING COMPUTATION OF EARNINGS PER SHARE

<TABLE>
<CAPTION>

	Three Months Ended September 30, 1995 -----	Six Months Ended September 30, 1996 -----
<S>	<C>	<C>
Net Loss	(\$150,000) =====	\$ 19,000 =====
Primary and fully diluted		
Average shares outstanding....	646,700 =====	549,038 =====
Per share amount.....	(\$0.23) =====	\$ 0.03 =====

</TABLE>

Earnings per share of common stock for the three and six months ended September 30, 1996 have been determined by dividing net income for the six month period by the weighted average number of shares of common stock outstanding.

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9

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<COMMON>	65
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