FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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FILER

WORTHEN BANKING CORP

CIK:**350572**| IRS No.: **716066857** | State of Incorp.:**AR** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-08525** | Film No.: **94528153**
SIC: **6021** National commercial banks

Business Address
200 W CAPITOL AVE
WORTHEN BANK BLDG
LITTLE ROCK AR 72201
5013781521

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Mark one

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

For the period ended: March 31, 1994

OR

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

For the transition period from ________ to _________

Commission File No. 1-8525

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

ARKANSAS	71-6066857
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Worthen National Bank Building, 200 West Capitol, Little Rock, Arkansas	72201
(Address of principal executive offices)	(Zip Code)

(501) 378-1521
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed 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 _______

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of April 30, 1994, 17,011,562 shares of the registrant's common stock, $1.00 par value, were issued and outstanding (excluding 12,606 treasury shares).

QUARTERLY REPORT ON
FORM 10-Q
WORTHEN BANKING CORPORATION
MARCH 31, 1994

INDEX

PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

WORTHEN BANKING CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share data)

<TABLE>
<CAPTION>

<S>	MARCH 31 1994 <C>	DECEMBER 31 1993 <C>	MARCH 31 1993 <C>
Cash and due from banks	$ 169,392	$ 187,314	$ 166,466
Interest bearing deposits with other banks	637	1,232	245
Federal funds sold and securities purchased under agreements to resell	129,313	82,063	158,527
Trading account assets	43,345	65,324	41,002
Investment securities available for sale	171,965	--	--
Investment securities held to maturity (market value - $1,230,808, $1,459,764 and $1,397,709, respectively)	1,228,881	1,446,259	1,375,427
Loans, net of unearned interest of $805, $986 and $1,508, respectively	1,674,151	1,647,019	1,529,574
Less: Allowance for loan losses	(33,590)	(33,300)	(31,270)
Total Loans, Net	1,640,561	1,613,719	1,498,304
Premises and equipment	101,685	101,347	98,712
Other assets	82,031	81,824	80,975
Total Assets	$3,567,810	$3,579,082	$3,419,658
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Non-interest bearing	$ 566,346	$ 596,514	$ 533,692
Interest bearing	2,467,902	2,446,105	2,450,590
Total Deposits	3,034,248	3,042,619	2,984,282
Federal funds purchased and securities sold under agreement to repurchase	125,521	127,980	98,949
Short-term borrowings	50,044	57,838	16,886
Other liabilities	28,662	28,438	32,500
Capital lease obligations	1,902	1,951	2,100
Long-term debt	43,469	43,608	24,987
Capital notes	--	--	9,561

Total Liabilities	3,283,846	3,302,434	3,169,265
Commitments and contingencies			
Stockholders' Equity:			
Preferred stock, par value $25 per share - authorized 400,000 shares; none issued	--	--	--
Common stock , par value $1 per share - authorized 40,000,000 shares; issued 17,019,436, 17,011,783 and 16,726,350, respectively.	17,019	17,012	16,726
Additional paid-in capital.	164,509	164,438	158,106
Retained earnings	103,037	95,426	75,626
Less cost of 11,106, 8,106 and 2,267 shares of common stock in treasury, respectively.	(301)	(228)	(65)
Unrealized valuation on available for sale securities	(300)	--	--
Total Stockholders' Equity. . . .	283,964	276,648	250,393
Total Liabilities and Stockholders' Equity.	$3,567,810	$3,579,082	$3,419,658

</TABLE>

See notes to consolidated financial statements.

WORTHEN BANKING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(Dollars in thousands, except share data)

<TABLE>
<CAPTION>

	(UNAUDITED) THREE MONTHS ENDED MARCH 31 1994	1993
<S>	<C>	<C>
Interest Income:		
Loans, including fees	$34,209	$ 31,990
Investment securities:		
Available for sale.	1,636	--
Taxable	14,847	18,622
Tax-exempt.	976	619
Total	17,459	19,241

Other interest income	853	1,255
Total Interest Income	52,521	52,486
Interest Expense:		
Deposits	16,046	18,577
Short-term borrowings	918	774
Long-term borrowings	950	813
Total Interest Expense . . .	17,914	20,164
Net Interest Income	34,607	32,322
Provision for Loan Losses	385	773
Net Interest Income after Provision for Loan Losses	34,222	31,549
Other Income:		
Service charges on deposit accounts	5,598	5,514
Trust fees	2,507	2,841
Full service and discount brokerage commissions	1,379	1,605
Investment security gains	--	9
Repurchase agreement recovery, net	--	190
Other	5,237	5,525
Total Other Income.	14,721	15,684
Other Expense:		
Salaries and employee benefits. . .	15,455	16,949
Net occupancy expense	3,075	3,456
Other	14,548	14,473
Total Other Expense	33,078	34,878
Net income before taxes and cumulative effect of a change in accounting principle.	15,865	12,355
Income taxes	5,704	3,300
Income before cumulative effect of a change in accounting principle. . .	10,161	9,055
Cumulative effect of a change in accounting principle.	--	868
Net Income	$10,161	$ 9,923

Income per share:
Income before cumulative effect of a

change in accounting principle. . .	$ 0.60	$ 0.54
Net Income	0.60	0.59
Weighted average number of shares outstanding	17,008,130	16,709,704

</TABLE>

See notes to consolidated financial statements.

WORTHEN BANKING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

<TABLE>
<CAPTION>

	(UNAUDITED) THREE MONTHS ENDED MARCH 31	
	1994	1993
<S>	<C>	<C>
Operating Activities:		
Net Income	$ 10,161	$ 9,923
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,603	5,635
Provision for loan losses	385	773
Writedowns on properties acquired in settlement of loans	10	55
Loans for resale (trading assets) funded	(88,195)	(58,069)
Loans for resale (trading assets) sold	110,174	54,529
Loss (gain) on sale of investment securities	--	(4)
Decrease (increase) in other assets	(1,661)	(13,964)
Increase in other liabilities	224	1,122
Net Cash Provided (Used) by Operating Activities	37,701	--
Investing Activities:		
Maturities of held to maturity ("HTM") securities	168,421	160,862
Proceeds from sale of HTM securities	--	4,995
Purchase of HTM securities	(163,460)	(198,821)
Maturities of available for sale ("AFS") securities	38,839	--
Proceeds from sale of AFS securities	9	--
Purchase of AFS securities	(2,166)	--

Net (increase) decrease in short-term investments	(46,655)	33,429
Net (increase) decrease in loans	(27,227)	31,913
Purchases of premises and equipment	(2,354)	(2,242)
Proceeds from sale of properties acquired in settlement of loans	332	2,585
Net Cash Provided (Used) by Investing Activities	(34,261)	32,721
Financing Activities:		
Net increase (decrease) in non-interest bearing deposits	(30,168)	(12,970)
Net increase (decrease) in interest bearing deposits	21,797	(41,134)
Principal payments on long-term borrowings	(144)	(687)
Principal payments on capital leases	(49)	(46)
Dividends paid	(2,550)	(608)
Acquisition of treasury shares	(73)	--
Proceeds from issuance of common stock	78	227
Net decrease in short-term borrowings	(7,794)	(3,681)
Net decrease in federal funds purchased	(2,459)	(2,175)
Net Cash Provided (Used) by Financing Activities	(21,362)	(61,074)
Increase (Decrease) in Cash and Cash Equivalents	(17,922)	(28,353)
Cash and Cash Equivalents at beginning of period	187,314	194,819
Cash and Cash Equivalents at end of period	$169,392	$166,466

</TABLE>

WORTHEN BANKING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
(Dollars in thousands)

<TABLE>
<CAPTION>

	(UNAUDITED) THREE MONTHS ENDED MARCH 31	
	1994	1993
<S>	<C>	<C>
Supplemental disclosures of cash flow information:		

Cash paid during the year for:		
Interest	$17,290	$20,198
Income taxes	700	2,125

</TABLE>

See notes to consolidated financial statements.

WORTHEN BANKING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
MARCH 31, 1994

NOTE 1 - FINANCIAL INFORMATION

The accompanying unaudited consolidated financial statements of Worthen Banking Corporation and subsidiaries ("WBC", the "Company" or "Worthen") have been prepared in accordance with generally accepted accounting principles and with the instructions to the Quarterly Report of Form 10-Q and Rules 10-01 of Regulation S-X. 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 considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 1994 are not necessarily indicative of the results that may be expected for the year ended December 31, 1994. For further information, refer to the Consolidated Financial Statements and notes thereto included as part of Exhibit 13 to the Company's Annual Report on Form 10-K for the year ended December 31, 1993, Commission File No. 1-8525 ("1993 Form 10-K"). The Company's March 31, 1993 financial statements have been restated to reflect the 1993 acquisition of The Union of Arkansas Corporation using the pooling-of-interests method of accounting.

NOTE 2 - LOAN PORTFOLIO BY TYPE

A summary of loan portfolio by type is as follows:
(Dollars in thousands)

<TABLE>
<CAPTION>

<S>	MARCH 31 1994 <C>	DECEMBER 31 1993 <C>	MARCH 31 1993 <C>
Commercial, financial and agricultural	$ 435,198	$ 437,072	$ 400,414
Bankers' acceptances and commercial paper	--	--	47,722
Real estate mortgage.	716,276	710,955	635,951
Real estate construction.	84,231	73,241	60,921
Installment and other	437,923	425,304	384,240

Direct lease financing.	1,257	1,383	1,734
Foreign	71	50	50
Unearned interest	(805)	(986)	(1,508)
Total.	$1,674,151	$1,647,019	$1,529,574

</TABLE>

NOTE 3 - OTHER EXPENSE

In addition to Salaries and Employee Benefits and Net Occupancy Expense, other expense includes the following components, with no item except as specified exceeding one percent (1%) of total income:

<TABLE>
<CAPTION>
(Dollars in thousands)

	THREE MONTHS ENDED MARCH 31	
	1994	1993
<S>	<C>	<C>
Equipment expense	$ 1,662	$ 1,697
Professional fees	1,446	1,716
Data processing fees.	1,957	1,571
Amortization.	1,112	916
Advertising	710	638
Business development.	588	872
Office expense.	2,526	2,508
FDIC insurance.	1,750	1,851
Other	2,797	2,704
Total.	$14,548	$14,473

</TABLE>

NOTE 4 - REPURCHASE AGREEMENT LOSS/RECOVERY

In accordance with the bankruptcy plan of distribution of Bevill, Bresler and Schulman, Inc. and Bevill, Bresler and Schulman Asset Management Corporation, Worthen National Bank of Arkansas received gross distributions of approximately $482,000 during the first quarter of 1993. Payments of approximately $292,000 were made to insurance carriers in accordance with various agreements, resulting in net recoveries of $190,000 as shown in the accompanying consolidated financial statements. The final distribution in connection with the BBS bankruptcy was received by the Company in the third quarter of 1993.

NOTE 5 - ACQUISITIONS

On May 7, 1993, the Company issued 4,550,000 shares of its common stock to acquire all the outstanding common stock of The Union of Arkansas Corporation ("Union"), an Arkansas bank-holding company. The business combination has been accounted for as a pooling-of-interests combination and, accordingly, the Company's historical consolidated financial statements presented in this report have been restated to include the accounts and results of operations of Union as if the companies had always been combined. On December 31, 1992, Union reported total assets of $713,474,000.

The results of operations previously reported by the separate enterprises and the combined amounts presented in the accompanying consolidated financial statements are summarized below:

<TABLE>
<CAPTION>

	(UNAUDITED) THREE MONTHS ENDED MARCH 31, 1993
<S>	<C>
Interest Income:	
WBC	$42,835
Union	9,651
	$52,486
Interest Expense:	
WBC	$16,913
Union	3,251
	$20,164
Net Income:	
WBC	$ 8,958
Union	965
	$ 9,923

</TABLE>

On September 10, 1993, the Company acquired 100% of First Bentonville

Bancshares, Inc., the parent corporation of First Bank of Bentonville, Arkansas ("FirstBank"). WBC paid approximately $3.9 million in cash, $4.1 million in debt repayment and 250,000 newly-issued shares of WBC's common stock. For the year ended December 31, 1992, FirstBank reported total assets of $88,546,000, net interest income of $2,826,000 and net income of $805,000. FirstBank was merged into Worthen National Bank of Northwest Arkansas on October 31, 1993. This acquisition was accounted for as a purchase and the results of operations of FirstBank are included in the Company's consolidated financial statements from the date of purchase.

NOTE 6 - CHANGE IN ACCOUNTING PRINCIPLE - INCOME TAXES

During the first quarter of 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Under the asset and liability method of Statement 109, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates which apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under Statement 109, the effect on deferred tax assets and liabilities of a change in tax rate is recognized as income or expense in the period that includes the enactment date. The Company previously used the asset and liability method prescribed by Statement of Financial Accounting Standards No. 96. In adopting Statement 109 the Company recorded income and a deferred tax asset equal to the cumulative effect of a change in accounting principle of $868,000.

NOTE 7 - CHANGE IN ACCOUNTING PRINCIPLE - INVESTMENT SECURITIES

Effective January 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("Statement 115"). Statement 115 prescribes classifying investments into three categories: held to maturity securities, trading securities, and available for sale securities. Held to maturity securities are debt securities that the Company has the positive intent and ability to hold to maturity and are reported at amortized cost. Trading securities are debt and equity securities that are bought and held for the purpose of selling in the near term and are reported at fair value, with unrealized gains and losses included in earnings. Available for sale securities are those securities neither classified as held to maturity or trading and are reported at fair value, with unrealized gains and losses reported as a separate component of stockholders' equity (net of tax effects).

Adoption of Statement 115 resulted in an increase of $544,000 to the Company's stockholders' equity as of January 1, 1994, representing the unrealized appreciation, net of taxes, for those securities having a fair value of approximately $197,000,000 classified by the Company as available for sale, previously carried at amortized cost. The unrealized valuation on these available for sale securities decreased during the first quarter of 1994 to a net unrealized loss of $300,000 as of March 31, 1994. The Company has no securities deemed to be trading securities.

NOTE 8 - TRADING ACCOUNT ASSETS

Trading account assets consist solely of real estate loans held for resale by the Company's mortgage banking subsidiary. Trading account assets are valued at the lower of cost or market on an aggregate basis.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

HIGHLIGHTS

The Company's net income for the first quarter of 1994 of $10.2 million was 12.2% higher than the $9.1 of income before a change in accounting principle recorded in the same quarter of last year and 9.2% higher than in 1993's fourth quarter. The improvement in 1994's first quarter as compared to the first quarter of 1993 was primarily the result of a higher net interest margin and lower noninterest expenses resulting from savings realized in the Union merger. The net interest margin increase was the result of an increase in net earning assets, growth of higher yielding loans and close monitoring of rates paid on deposits. Net earning assets increased as a result of the retention of earnings, the acquisition of FirstBank, lower levels of nonperforming assets and higher levels of demand deposits. Despite additional operating expenses incurred as a result of the acquisition of FirstBank in September 1993, expense levels declined by $1.8 million from the first quarter of 1993. Approximately $1.5 million of these savings were from salaries and benefits resulting from staffing efficiencies of the Union merger.

Income taxes increased from $3.3 million or an effective tax rate of 26.7% in the first quarter of 1993 to $5.7 million or an effective tax rate of 36.0% in the first quarter of 1994. Pretax income before this change in accounting principle increased from $12.4 million to $15.9 million, an increase of $3.5 million or approximately 28%.

OPERATIONS SUMMARY
(Dollars in thousands)
<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31	
	1994	1993

<S>	<C>	<C>
Net interest income	$ 34,607	$32,322
Provision for loan losses	385	773
Net interest income after provision for loan losses	34,222	31,549
Other income.	14,721	15,684
Other expense	33,078	34,878
Income before taxes and cumulative effect of a change in accounting principle . . .	15,865	12,355
Income taxes.	5,704	3,300
Income before cumulative effect of a change in accounting principle	10,161	9,055
Cumulative effect of a change in accounting principle	--	868
Net income.	$10,161	$ 9,923
PERFORMANCE RATIOS		
Net income to:		
Average assets.	1.17%	1.17%
Average stockholders' equity.	14.63	16.42
Net overhead to average assets.	2.11	2.27

</TABLE>

CONTRIBUTIONS TO EARNINGS PER SHARE

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31 1994	1993	EPS INCREASE (DECREASE) 1993 TO 1994
<S>	<C>	<C>	<C>
Net interest income	$ 2.03	$ 1.93	$0.10
Provision for loan losses	(0.02)	(0.05)	0.03
Service charges on deposit accounts .	0.33	0.33	--
Trust fees.	0.15	0.17	(0.02)
Full service and discount brokerage commissions	0.08	0.10	(0.02)

Investment security gains	--	--	--
Repurchase agreement recoveries, net.	--	0.01	(0.01)
Other income.	0.31	0.33	(0.02)
Salaries and employee benefits. . . .	(0.91)	(1.01)	0.10
Net occupancy expense	(0.18)	(0.21)	0.03
Other expense	(0.85)	(0.86)	0.01
Applicable income tax	(0.34)	(0.20)	(0.14)
Cumulative effect of a change in accounting principle.	--	0.05	(0.05)
Net income	$ 0.60	$ 0.59	$0.01
Change in net income calculated using previous year's average shares outstanding			$0.01
Change in average shares outstanding.			--
Change in net income.			$0.01

</TABLE>

LOAN PORTFOLIO BY TYPE

The composition of the Company's loan portfolio is presented in the following table:
(Dollars in thousands)

<TABLE>
<CAPTION>

<S>	MARCH 31 1994 <C>	DECEMBER 31 1993 <C>	MARCH 31 1993 <C>
Commercial, financial and agricultural.	$ 435,198	$ 437,072	$ 400,414
Bankers' acceptances and commercial paper	--	--	47,722
Real estate mortgage.	716,276	710,955	635,951
Real estate construction.	84,231	73,241	60,921
Installment and other	437,923	425,304	384,240
Direct lease financing.	1,257	1,383	1,734
Foreign	71	50	50
Unearned interest	(805)	(986)	(1,508)
Total.	$1,674,151	$1,647,019	$1,529,574

</TABLE>

During the first quarter of 1994, the loan portfolio increased by approximately

$27 million, representing controlled annualized growth of 6.68%. The bulk of the growth occurred in the real estate and consumer loan portfolios, while commercial loans were relatively unchanged during the period. The increase in real estate lending reflects the economic activity that the Company's Central and Northwest Arkansas markets, in particular, are experiencing. The consumer loan portfolio growth is in response to a concerted marketing effort in the retail sector, with emphasis on the establishment of indirect lending relationships with dealers and the utilization of the Company's extensive branch network around the state.

The Company monitors concentrations in the portfolio constantly and is cognizant of such concentrations in the evaluation of the adequacy of the allowance for loan losses. The real estate mortgage and construction portfolios totalled approximately $800.5 million at March 31, 1994, representing 47.8% of the loan portfolio. While this is a significant concentration, the real estate portfolio contains $250 million of loans secured by first mortgage single-family dwellings that management considers to contain little risk. Additionally, internal lending policies discourage lending to speculative properties and other types of high-risk loan types such as hotels and restaurants. As a result, management considers the real estate loan portfolio to be well-diversified with a manageable risk profile.

The consumer loan portfolio grew to $438 million at March 31, 1994, an increase of $12.6 million during the first quarter. Within the portfolio, approximately $255 million of loans are secured by new and used automobiles. A significant portion of this business is generated through a large dealer network, an area that several of the Company's subsidiary banks have developed considerable expertise in over many years. The past due and net charge-off performance of the consumer loan portfolio has been excellent and the Company considers the retail segment critical from marketing and competitive standpoints.

ASSET QUALITY AND ALLOWANCE FOR LOAN LOSSES

The following table presents total nonperforming assets at March 31, 1994 and 1993, and December 31, 1993:

NONPERFORMING ASSETS
(Dollars in thousands)
<TABLE>
<CAPTION>

	MARCH 31 1994	DECEMBER 31 1993	MARCH 31 1993
<S>	<C>	<C>	<C>
Nonaccrual loans.	$16,528	$16,668	$17,086
Loans 90+ days past due (less			

nonaccruals).	1,207	1,363	1,905
Renegotiated loans.	--	--	--
Other real estate owned and other nonperforming assets.	4,928	5,127	6,736
Total.	$22,663	$23,158	$25,727
% of total loans plus other nonperforming assets.	1.35%	1.40%	1.67%
Nonperforming as a % of equity. . . .	7.98	8.37	10.27

</TABLE>

Nonperforming assets declined slightly in the first quarter of 1994 to $22.7 million, representing 1.35% of total loans plus other nonperforming assets. More significant improvement was prevented due to placing a $1.4 million loan on nonaccrual during the quarter. Management anticipates that nonperforming assets will improve further in the second quarter of 1994, based on offers that have been accepted to sell certain foreclosed properties. The Company's largest nonperforming asset, with a book value of $2.4 million, is scheduled to sell during the second quarter, along with other smaller properties. The known sales will reduce nonperforming assets by more than 10%, which is considered very positive for the asset quality indicators of the Company. The improved local economic conditions in Arkansas and the Southwest region have assisted in the disposition of foreclosed properties and/or the improvement in financial condition of credit relationships that are on nonaccrual status.

Presented in the table on the following page is the summary of activity in the allowance for loan losses for the three months ended March 31, 1994 and 1993, as well as the year ended December 31, 1993:

SUMMARY OF LOAN LOSS EXPERIENCE
(Dollars in thousands)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31		YEAR ENDED DECEMBER 31
	1994	1993	1993
<S>	<C>	<C>	<C>
Beginning allowance for loan losses .	$33,300	$30,145	$30,145
Allowance of purchased banks.	--	--	892
Provision for loan losses	385	773	4,628
Net recoveries (charge-offs):			

Charge-offs.	(1,503)	(943)	(6,004)
Recoveries	1,408	1,295	3,639
Net recoveries (charge-offs) .	(95)	352	(2,365)
Ending allowance for loan losses. . .	$33,590	$31,270	$33,300
Allowance as of % of:			
Gross loans.	2.01%	2.04%	2.02%
Gross loans (less bankers' acceptances and commercial paper)	2.01	2.11	2.02
Nonperforming assets	148.22	121.55	143.79
Nonperforming loans.	189.40	164.66	184.68

</TABLE>

Concurrent with the continued improvement in asset quality of the Company, loan loss provisions have been reduced accordingly. In addition to the improvements in asset quality, loan loss recoveries continue to keep pace with the levels of loan charge-offs which have further negated the need for current period loan loss provisions. During the first quarter of 1994, loan loss provisions of $385,000 were made which, when reduced by the nominal $95,000 of net loan losses, caused the allowance for loan losses to increase by $290,000 to $33.6 million as of March 31, 1994. The reduction in nonperforming assets referred to previously elevated the ratio of the allowance to nonperforming assets to 148% at March 31, and the ratio of the allowance to nonperforming loans to 189% at quarter-end. Management desires to maintain at least 100% coverage of the Company's nonperforming loans at all times, and maintains the overall allowance for loan losses at levels sufficient to absorb temporary fluctuations in asset quality and/or loan growth without requiring periodic extraordinary loan loss provisions. The internal methodologies utilized to assess the adequacy of the allowance have determined that the allowance is adequate to absorb the loss potential in the loan portfolio as of March 31, 1994.

LIQUIDITY AND INTEREST RATE SENSITIVITY

The Company's negative gap increased by $60 million compared to year end 1993. Most of the change took place in rate sensitive assets, which declined by $84 million. All of that decline ($135 million total) occurred in loans. During the same period, rate sensitive liabilities declined by $24 million.

The Federal Reserve Bank began to raise the interest rates on short term money market instruments, particularly federal funds, early in 1994. There have been two reactions to this movement. One has been taken by Company management through the increase in balances of federal funds sold ($47 million since year end 1993). This will permit interest earnings to increase along with rates. The second change has been a stronger preference by loan customers to lock in longer term rates and move away from floating rate and short term credits. This phenomenon accounts for the decrease in loans repriceable in under one year. As rates increase, management expects the pattern of lengthening loan maturities to continue.

Management believes that certain types of deposit accounts have a high degree of stability and less than complete sensitivity to rate changes. This determination is based on a review of historical activity in these accounts over a broad range of interest rate cycles. This assessment has been supported through the most recent increases in short term rates. The rates on transaction accounts have remained stable without a decline in the balances in the accounts. Therefore, a large part of the rate sensitivity risk implied by the negative gap at the thirty day interval is mitigated because it is a result of stable transaction accounts.

The Company's liquidity position is closely monitored and considered to be adequate. The aggregate of federal funds sold and securities purchased under agreement to resell, and securities with maturities of three months or less represent 8.2% of total liabilities.

INTEREST RATE SENSITIVITY ANALYSIS
(Dollars in thousands)
<TABLE>
<CAPTION>

	MARCH 31, 1994				DECEMBER 31, 1993
	0-30 DAYS	31-90 DAYS	91-365 DAYS	TOTAL IN ONE YEAR	TOTAL IN ONE YEAR
<S>	<C>	<C>	<C>	<C>	<C>
Securities.	$ 140,019	$ 66,926	$ 188,163	$ 395,108	$ 391,508
Total loans	458,131	121,669	257,166	836,966	972,066
Fed funds and repos	129,313	--	--	129,313	82,063
Total assets .	727,463	188,595	445,329	1,361,387	1,445,637
Transaction accounts	1,308,955	--	--	1,308,955	1,294,579
Time accounts . . .	260,482	213,236	467,827	941,545	969,337
Short-term borrowing	175,565	--	--	175,565	185,818
Long-term debt. . .	4	136	339	479	991
Total rate-sensitive liabilities. .	1,745,006	213,372	468,166	2,426,544	2,450,725
GAP	$(1,017,543)	$(24,777)	$(22,837)	$(1,065,157)	$(1,005,088)

</TABLE>

CAPITAL RESOURCES

As shown in the following table, the capital ratios of the Company continued to improve during the first quarter of 1994 compared to December 31, 1993 and March 31, 1993. All of the Company's subsidiary banks maintain leverage and risk-based capital ratios that exceed regulatory minimums. Worthen announced in January 1994 that the Board of Directors increased the regular quarterly dividend to $0.15 per share from $0.05 per share. The dividend increase reflects the improved capital position of the Company's largest bank resulting from the merger with Union and management's confidence in the Company's current operations. The dividend payout ratio reflecting the increased dividend rate for the first quarter of 1994 is approximately 25.1% compared to a ratio of 9.7% for the year ended 1993.

RISK-BASED CAPITAL
(Dollars in thousands)
<TABLE>
<CAPTION>

<S>	MARCH 31 1994 <C>	DECEMBER 31 1993 <C>	MARCH 31 1993 <C>
Stockholders' equity.	$ 283,964	$ 276,648	$ 250,393
Unrealized valuation on available for sale securities	300	--	--
Goodwill.	(22,634)	(23,080)	(15,191)
Total Tier I capital	261,630	253,568	235,202
Allowance for loan losses*.	24,670	24,644	23,379
Capital notes	--	--	9,561
Total Tier II capital.	24,670	24,644	32,940
Total qualifying capital. .	$ 286,300	$ 278,212	$ 268,142
Risk adjusted assets (including off-balance sheet exposure)	$1,973,619	$1,971,522	$1,870,352
Ratios:			
Equity to assets.	7.96%	7.73%	7.32%
Leverage.	7.37	7.13	6.91
Total capital to adjusted assets. . .	8.24	7.99	7.76
Tier I RBC ratio.	13.26	12.86	12.58

Total RBC ratio (8.00% required). . .	14.51	14.11	14.34

<FN>
* Limited to 1.25 percent of risk adjusted assets
</TABLE>

CONSOLIDATED DAILY AVERAGE BALANCE, REVENUE AND EXPENSE, AVERAGE YIELDS AND RATES
(Dollars in thousands, except share data)

<TABLE>
<CAPTION>
For the quarter ended March 31

	1994 TAX EQUIVALENT AVERAGE BALANCE	1994 INTEREST REVENUE/ EXPENSE	1994 YIELD/ RATE	1993 TAX EQUIVALENT AVERAGE BALANCE	1993 INTEREST REVENUE/ EXPENSE	1993 YIELD/ RATE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS						
Interest-earning assets:						
Loans (including nonaccrual loans)	$1,645,585	$33,481	8.25%	$1,543,357	$31,493	8.28%
Trading assets. . . .	51,418	870	6.86	42,727	772	7.33
Investment securities:						
Available for sale .	130,619	1,636	5.08	--	--	--
Taxable.	1,189,409	14,847	5.06	1,315,571	18,743	5.78
Tax-exempt	80,403	1,446	7.29	46,655	707	6.15
Federal funds sold. . .	90,873	848	3.78	164,695	1,253	3.09
Interest-bearing deposits with other banks.	600	5	3.38	198	2	4.10
Total interest-earning assets . . .	$3,188,907	$53,133	6.76%	$3,113,203	$52,970	6.90%
Non-interest-earning assets:						
Cash and due from banks.	181,406			177,085		
Premises and equipment, net	101,918			98,804		
Other assets.	92,992			71,154		
Less allowance for loan losses.	(33,601)			(31,216)		
Total assets.	$3,531,622			$3,429,030		
LIABILITIES AND STOCKHOLDERS'						

EQUITY						
Interest-bearing liabilities:						
Transaction deposits	$1,047,858	$ 4,860	1.88%	$ 980,569	$ 5,745	2.38%
Savings deposits	257,911	1,225	1.93	233,765	1,405	2.44
Time deposits	1,141,980	9,961	3.54	1,250,055	11,427	3.71
Federal funds purchased	109,994	614	2.26	103,400	598	2.35
Short-term borrowings	37,939	304	3.25	18,817	176	3.79
Long-term borrowings	45,538	950	8.46	36,889	813	8.94
Total interest-bearing liabilities	$2,641,220	$17,914	2.75%	$2,623,495	$20,164	3.12%
Non-interest bearing liabilities:						
Demand deposits	580,121			519,704		
Other	28,580			40,678		
Stockholders' equity:	281,701			245,153		
Total non-interest-bearing liabilities	890,402			805,535		
Total liabilities and stockholders' equity	$3,531,622			$3,429,030		
Net interest income and interest rate spread		$35,219	4.01%		$32,806	3.78%
Net yield on interest-earning assets			4.48%			4.27%

<FN>
Note: Interest income on tax-exempt securities, loans and leases is calculated on a tax-equivalent basis, using a federal marginal income tax rate of 35% and is reduced for non-deductible carrying interest.
</TABLE>

NET INTEREST INCOME

Net interest income in the first quarter of 1994 was $2.4 million higher than the same period in 1993 for a number of reasons. A higher volume of earning assets had the largest effect. This was evident mainly in loans, which increased by $102 million over the period. Since this category of assets had the highest yield, this contributed positively to earnings. This shift of assets over the past four quarters was funded, in part, by a decline in federal funds sold, which declined by $74 million. Interest-bearing liabilities increased over the period, but by only $18 million. Non-interest-bearing liabilities also grew by $85 million, which more than offset a $27 million increase in non-interest-earning assets. The difference in this growth supported the increase in earning assets, with no associated interest expense. The combination of these factors helped to create a favorable effect to earnings due to volume changes.

There were also favorable effects to earnings due to changes in balance sheet mix. Loans increased as a percentage of earning assets, from 49.6% in 1993 to 51.6% in 1994. On the liability side of the balance sheet, time accounts declined as a percentage of interest-bearing liabilities from 47.6% to 43.2%. There were corresponding increases in other deposit accounts with lower interest rates, particularly transaction and savings accounts.

The Company has been able to deal effectively with the decline of interest rates that occurred between the first quarter of 1993 and 1994. While asset yields fell from 6.90% to 6.76%, the cost of interest-bearing liabilities declined more rapidly from 3.12% to 2.75%. The most significant adjustments were realized in transaction and savings accounts, where the average cost declined by half of one percent in the period.

ANALYSIS OF NET INTEREST INCOME
(FTE = Fully Taxable Equivalent)

(Dollars in thousands)
<TABLE>
<CAPTION>

	FOR THE THREE MONTHS ENDED MARCH 31		THREE MONTHS ENDED DECEMBER 31
	1994	1993	1993
<S>	<C>	<C>	<C>
Interest income	$52,521	$52,486	$53,790
Fully taxable equivalent adjustment.	612	484	543
Interest income - FTE	53,133	52,970	54,333
Interest expense.	17,914	20,164	19,208
Net interest income - FTE. .	$35,219	$32,806	$35,125
Yield on earning assets - FTE . .	6.76%	6.90%	6.63%
Cost of interest bearing liabilities.	2.75	3.12	2.83
Net interest spread - FTE	4.01	3.78	3.80
Net interest margin - FTE	4.48	4.27	4.28

</TABLE>

CHANGES IN FULLY TAXABLE EQUIVALENT NET INTEREST INCOME
(Dollars in thousands)

	$ CHANGE 1994/1993 THREE MONTHS ENDED MARCH 31
Increase due to increase in earning assets. . . .	$ 1,261
Decrease due to lower earning asset yield	(1,098)
Increase due to lower interest rates paid on interest-bearing liabilities	2,386
Decrease due to increase in interest-bearing liabilities.	(136)
Increase in net interest income - FTE	$ 2,413

OTHER INCOME

The Company continues to emphasize the importance of growth in noninterest related sources of income. Other income includes fees for deposit services, trust services provided by Worthen Trust Company, full service and discount brokerage commissions provided by Worthen Investments, Inc. ("WII"), mortgage loan servicing fees and many other corporate and retail products.

During the first quarter of 1994, other income was $14.7 million or approximately $1.0 million below the $15.7 million recorded in the first quarter of 1993. Trust fees were down by approximately $.3 million primarily as a result of adjusting from the cash to accrual basis of recording income at one of the Company's affiliate trust locations in January 1993. Brokerage commissions were down by approximately $.2 million. The overall decline in stock market activity in the first quarter of 1994 as compared to the first quarter of 1993 resulted in lower commission sales. The Company continues to emphasize this business and believes that the results of WII will follow the stock market activity. Additionally, first quarter 1993 results included $.2 million of nonrecurring income related to net repurchase agreement recoveries.

A summary of other income is as follows:
(Dollars in thousands)

THREE
MONTHS ENDED

	MARCH 31 1994	1993
<S>	<C>	<C>
Service charges on deposit accounts	$ 5,598	$ 5,514
Trust fees and commissions.	2,507	2,841
Full service and discount brokerage commissions . . .	1,379	1,605
Investment security gains	--	9
Repurchase agreement recoveries, net.	--	190
Other	5,237	5,525
Total.	$14,721	$15,684

</TABLE>

OTHER EXPENSE

During the first quarter of 1994, other expense decreased 5.2% compared to the first quarter of 1993 and 6.7% from the fourth quarter of 1994. Reductions in salaries and employee benefits, net occupancy, professional fees and business development are direct results of savings realized in the Union merger. The 24.6% increase in data processing fees reflects the installation of an automated computer network at each branch location to increase employee efficiency and provide much better customer service. The company intends to continue focusing attention on the level of noninterest expenses in order to achieve better operating efficiencies.

A summary of other expense is as follows:
(Dollars in thousands)
<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31 1994	1993	% CHANGE
<S>	<C>	<C>	<C>
Salaries and employee benefits.	$15,455	$16,949	(8.8)%
Net occupancy expense	3,075	3,456	(11.0)
Equipment expense	1,662	1,697	(2.1)
Professional fees	1,446	1,716	(15.7)
Data processing	1,957	1,571	24.6
Amortization.	1,112	916	21.4
Advertising	710	638	11.3
Business development.	588	872	(32.6)
Office expense.	2,526	2,508	0.7
FDIC insurance.	1,750	1,851	(5.5)
Other	2,797	2,704	3.4
Total.	$33,078	$34,878	(5.2)%

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</TABLE>

REGULATORY MATTERS

On March 31, 1993, the Board of Governors of the Federal Reserve System ("FED") advised WBC that the Company's application to merge The Union of Arkansas Corporation with a subsidiary of WBC had been approved. The FED approved the merger, in part, in reliance upon representations and commitments made to the FED by the Company, by Stephens Group, Inc. and by certain Stephens family members. These included a representation that Stephens Group, Inc. does not and will not exert control over the management and policies of WBC and that Stephens Group, Inc. and its subsidiaries will comply with the restrictions imposed by Sections 23A and 23B of the Federal Reserve Act. Management believes that such representations and commitments will not materially affect the Company's general business policies, financial condition, or results of operations. The Company has also been advised that the FED has made a determination that Stephens Group, Inc. and its affiliates, are affiliates of the Company, as that term is defined in Sections 23A and 23B of the Federal Reserve Act.

The Board of Governors also notified the Company on March 31, 1993 that the Board of Governors had ordered an investigation to review the ownership and control of the Company for compliance with the Bank Holding Company Act and the Change in Bank Control Act, including the nature and extent of the relationships between the Company and Stephens Group, Inc. and its subsidiaries. The Company is not aware of any assertion by the Board of Governors that the Company is not in compliance with the Bank Holding Company Act or the Change in Bank Control Act. In the event the Board of Governors determines that there has been a violation of the Bank Holding Company Act, it is authorized to initiate certain administrative enforcement actions against the Company and its institution-affiliated parties. These actions could include, among other things, the issuance of an order to cease and desist or the assessment of monetary penalties against the Company or its institution-affiliated parties. The amount of such monetary penalties, if any, would be determined by the Board of Governors on the basis of the facts and circumstances surrounding the alleged violations and might or might not have a material adverse effect upon the Company's financial condition or results of operations. In addition, under regulations promulgated by the Board of Governors, in the event it determines that an impermissible control relationship exists, it would have discretion to order either termination of the impermissible control relationship, or the filing of an application seeking the approval of such control relationship, or to pursue other remedial actions. However, the Company cannot now predict the results or the final outcome of the investigation. The Company intends to continue to cooperate with the Board of Governors in this investigation.

INCOME TAXES

The provision for income taxes was $5,704,000 for the first quarter of 1994 compared to $4,074,000 for the fourth quarter of 1993 and $3,300,000 for the first quarter of 1993. The effective tax rates for the respective quarters were 36.0%, 30.0% and 26.7%. The Company expects to be taxable at an approximate effective rate of 36% during the remainder of 1994.

A complete discussion of the $868,000 gain recorded in the first quarter of 1993 related to the adoption of the Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," can be found at Note 6 (Change in Accounting Principle - Income Taxes) to the financial statements.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of business, there are various legal proceedings pending against WBC, its subsidiaries and affiliates, most of which are considered litigation incidental to the conduct of business, including, among other matters, defense of routine corporate, employment, banking, lender liability and securities related litigation. Management, after consultation with legal counsel and based upon available facts and proceedings to date which are preliminary in certain instances, is of the opinion that the ultimate resolution of these proceedings will not have a material adverse effect on the consolidated financial position or results of operations of WBC. However, certain matters disclosed in this Form 10-Q may be considered to be material in amount or nature.

In January of 1993, the Company, its directors, and certain of its officers and shareholders were sued in the United States District Court for the Southern District of New York, in WINICKI V. WORTHEN BANKING CORPORATION, ET AL. 93-CIV-0135. The complaint alleged that the defendants violated Section 14(a) of the Securities Exchange Act of 1934 ("Exchange Act"), Rule 14a-9 of the Securities and Exchange Commission ("SEC" or "Commission"), and certain state law provisions relating to fiduciary duties in connection with the matters disclosed in the Company's proxy statement distributed in December of 1992. The complaint was filed as a class action and sought an injunction to prevent the Company from holding a special meeting or from consummating certain transactions which were the subject of the proxy statement, and unspecified monetary damages. The Company has denied all material allegations in the complaint and in January 1993, the parties entered into a Memorandum of Understanding ("MOU") under which the Company agreed to distribute revised disclosure material to its shareholders and not to oppose an application by plaintiff's counsel for fees in an agreed amount. On April 5, 1994, the Court held a fairness hearing on the proposed settlement. On the basis of that hearing, the Court approved the settlement, and the matter has been settled pursuant to the approval of the Court, on terms believed by WBC's management to be favorable to WBC.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The annual meeting of stockholders of WBC was held April 26, 1994. At the annual meeting, the following persons were re-elected as directors of WBC for the upcoming year:

<TABLE>
<CAPTION>

DIRECTORS ELECTED	VOTES FOR	AUTHORITY WITHHELD
<S>	<C>	<C>
James H. Atkins	14,943,470	13,679
Gus M. Blass, II	14,898,048	59,101
Curtis F. Bradbury, Jr.	14,943,458	13,691
Fred I. Brown, Jr.	14,942,370	14,779
Alex Dillard	14,939,170	17,979
Mike Flynn	14,943,270	13,879
Kaneaster Hodges, Jr.	14,931,809	25,340
T. Milton Honea	14,897,055	60,094
George C. Kell	14,942,216	14,933
Herbert H. McAdams, II	14,937,796	19,353

</TABLE>

<TABLE>
<CAPTION>

DIRECTORS ELECTED	VOTES FOR	AUTHORITY WITHHELD
<S>	<C>	<C>
Raymond P. Miller, Sr., M.D.	14,943,270	13,879

A. Dan Phillips	14,943,470	13,679
Winthrop Paul Rockefeller	14,939,591	17,558
David Solomon	14,888,855	68,294
Leland E. Tollett	14,899,555	57,594

</TABLE>

In addition to the election of Directors, the stockholders of WBC voted on the following items:

1) The stockholders elected to amend the Worthen Banking Corporation 1991 Stock Option Plan. The number of shares voted in favor of this resolution was 13,520,405; the number of shares voted against this resolution was 1,361,698 and 75,046 abstained.

2) The stockholders ratified the appointment of KPMG Peat Marwick as independent auditors of the Company for the fiscal year ending December 31, 1994. The number of shares voted in favor of this resolution was 14,891,527; the number of shares voted against this resolution was 15,258 and 50,344 abstained.

The stockholders also approved the actions taken by the directors and officers of the Company during the preceding year and voted to give discretionary authority to the proxies to vote for other business properly coming before the Annual Meeting, but no other business was presented at the meeting.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit Index.

EXHIBIT NUMBER	DESCRIPTION	PAGE
11	Statement re: Computation of per share earnings (see Consolidated Statement of Earnings).	4

(b) Current Reports on Form 8-K.

No current reports of Form 8-K were filed by the Company during the three months ended March 31, 1994.

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.

WORTHEN BANKING CORPORATION
(Registrant)

Date: May 16, 1994

/s/ Andrew T. Melton

Andrew T. Melton
Executive Vice President and
Chief Financial Officer

Date: May 16, 1994

/s/ Alan C. King

Alan C. King
Senior Vice President and
Controller
(Chief Accounting Officer)