FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

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FILER

TECHE HOLDING CO

CIK:**934538**| IRS No.: **721287456** | State of Incorp.:**LA** | Fiscal Year End: **0930**
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SIC: **6035** Savings institution, federally chartered

Mailing Address
211 WILLOW ST
FRANKLIN LA 70538

Business Address
211 WILLOW ST
FRANKLIN LO 70538
3188283212

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended September 30, 1996

- or -

| | TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from ______________________ to ______________________

Commission Number: 0-25538

TECHE HOLDING COMPANY
(Exact name of Registrant as specified in its Charter)

Louisiana	72-128746
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
211 Willow Street	70538
Address of principal executive offices)	Zip Code

Registrant's telephone number, including area code: (318) 828-3212

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on which Registered
Common Stock, par value $.01 per share	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (ss.229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based on the closing price of the Registrant's Common Stock as quoted on the American Stock Exchange, Inc., on December 18, 1996, was $37.5 million (2,778,310 shares at $13.50 per share).

As of December 18, 1996 there were issued and outstanding 3,437,530 shares of the Registrant's Common Stock. DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of the Annual Report to Stockholders for the Fiscal Year Ended September 30, 1996. (Parts I, II and IV)
2. Portions of the Proxy Statement for the 1996 Annual Meeting of Stockholders. (Part III)

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PART I

Item 1. Business

General

Teche Holding Company (the "Company" or the "Registrant") is a Louisiana corporation organized in December 1994 at the direction of Teche Federal Savings Bank (the "Bank" or "Teche Federal") to acquire all of the capital stock that the Bank issued in its conversion from the mutual to stock form of ownership (the "Conversion"). On April 17, 1995, the Registrant sold 4,232,000 shares of its common stock, par value $.01 per share (the "Common Stock") in a subscription offering as part of the Conversion. The Company is a unitary savings and loan holding company which, under existing laws, generally is not restricted in the types of business activities in which it may engage provided that the Bank retains a specified amount of its assets in housing-related investments. References to the "Bank" or "Teche Federal" herein, unless the context requires otherwise, refer to the Company on a consolidated basis. The net conversion proceeds, including the ESOP, totalled $41.3 million of which $20.6 million was invested in the Bank. At September 30, 1996, the Company had total consolidated assets of $379.6 million and stockholders' equity of $52.3 million.

Teche Federal is a federally chartered stock savings bank headquartered in Franklin, Louisiana. The Bank was founded in 1934 under the name "Teche Federal Savings and Loan Association" and became a federally chartered mutual savings bank in 1989 operating under its current name. The Bank's deposits have been federally insured by the Savings Association Insurance Fund ("SAIF") and its predecessor, the Federal Savings and Loan Insurance Corporation, since 1934, and the Bank is a member of the FHLB System.

The Company and the Bank are subject to regulation by the Office of

Thrift Supervision ("OTS"), the Federal Deposit Insurance Corporation ("FDIC") and the Securities and Exchange Commission ("SEC").

The Bank is a community-oriented savings institution offering a variety of financial services to meet the local banking needs of St. Mary, Lafayette, Iberia, St. Martin and Terrebonne Parishes, Louisiana (the "Primary Market Area"). Teche Federal conducts its business from its main office in Franklin, Louisiana and eight full service branch offices located in Morgan City, Bayou Vista, New Iberia (two offices), Lafayette (two offices), Breaux Bridge and Houma, Louisiana. The Bank also maintains a loan production office in Lafayette.

The Bank attracts deposits from the general public and uses such deposits primarily to originate loans secured by first mortgages on one- to four-family residences in its market area. To a lesser extent, the Bank purchases loans and originates residential construction, multi-family and commercial real estate loans and consumer loans, and invests in mortgage-backed and investment securities. At September 30, 1996, mortgage loans secured by one- to four-family residences totaled $288.1 million or 87.0% of the Bank's total loan portfolio. At that same date the Bank had approximately $32.1 million or 8.5% of total assets invested in mortgage-backed securities (including those available for sale) and $11.5 million or 3.0% of total assets in investment securities (including those available for sale).

The principal sources of funds for the Bank's lending activities are deposits and the amortization, repayment and maturity of loans, investment securities and mortgage-backed securities. Principal sources of income are interest on loans, mortgage-backed securities, investment securities and deposits held in other financial institutions. The Bank's principal expense is interest paid on deposits.

Market Area/Competition

Teche Federal's home office is located in Franklin, St. Mary Parish, Louisiana, which is approximately 50 miles southeast of Lafayette, 90 miles south of Baton Rouge and 120 miles west of New Orleans. The limited population of Franklin and St. Mary Parish (approximately 9,000 and 64,000, respectively) has, over the years, caused the Bank to expand through the establishment of branch offices in the contiguous Parishes of Iberia, St. Martin, Lafayette and Terrebonne. In a June 1991 transaction with the RTC, the Bank purchased approximately $4.7 million of loans and assumed approximately $17.9 million of deposits of First Federal Savings and Loan Association of Breaux Bridge, Breaux Bridge, Louisiana. The transaction was accounted for as a "purchase." Furthermore, in December 1992, Community Homestead Association of Houma, Houma, Louisiana, merged with and into Teche Federal, adding approximately $18.9 million in loans and $20.8 million in savings deposits to the Bank. The transaction was accounted for as a "pooling of interests."

The local economy is dependent to a certain extent on the oil and gas, seafood and agricultural (primarily sugar cane) industries. These industries are cyclical in nature and have a direct impact on the level and performance of the Bank's loan portfolio. Economic downturns in the past have caused a decrease in loan originations and an increase in nonperforming assets. However, the metropolitan Lafayette area, which is the fourth largest city in Louisiana, has experienced sustained growth and is the home to the University of Southwestern Louisiana, several hospitals and various small-to medium-size businesses, and has provided the Bank with increased lending opportunities.

The Bank encounters strong competition both in the attraction of deposits and origination of real estate and other loans. Competition comes primarily from other financial institutions in its Primary Market Area, including savings banks, commercial banks and savings associations, credit unions and investment and mortgage brokers in serving its Primary Market Area. The Bank also originates mortgage loans through its branch offices, one origination office and affiliations with mortgage originators, secured by properties throughout its Primary Market Area and other locations in Louisiana.

Lending Activities

General. Teche Federal's loan portfolio predominantly consists of adjustable-rate and fixed-rate mortgage loans secured by one- to four-family residences and, to a lesser extent, residential construction and land loans. Virtually all of the Bank's mortgage loans are secured by properties located in Louisiana. Teche Federal also makes multi-family and non-residential mortgage loans consisting primarily of commercial real estate loans and consumer loans, which include home equity, savings account, automobile, personal, mobile home and consumer credit card loans.

As of September 30, 1996 approximately $185 million of the loan portfolio was fixed-rate (including consumer loans) and approximately $146 million was adjustable rate (including 3-10 year adjustable loans).

Analysis of Loan Portfolio. Set forth below is selected data relating to the composition of the Bank's loan portfolio at the dates indicated.

<TABLE>
<CAPTION>

	At September 30,							
	1996		1995		1994		1993	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
					(Dollars in Thousands)			
Residential real estate mortgage loans:								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
One- to four-family............	$288,109	87.03%	$234,329	87.49%	$213,325	86.27%	$187,185	85.47%
Construction/permanent loans....	13,740	4.15	8,097	3.02	11,676	4.72	10,976	5.01
Multi-family...................	3,006	.91	2,871	1.07	2,144	.87	2,126	.97
Commercial real estate loans......	7,346	2.22	7,540	2.82	7,152	2.89	7,627	3.48
Land loans........................	2,844	.86	2,288	.85	1,858	.75	1,778	.81
Consumer loans:								
Loans on savings accounts.......	5,657	1.71	6,260	2.34	5,312	2.15	4,912	2.24
Other..........................	10,343	3.12	6,441	2.41	5,796	2.35	4,403	2.02
	331,045	100.00%	267,826	100.00%	247,263	100.00%	219,007	100.00%
Less:								
Allowance for loan losses.......	3,182		2,966		2,778		2,193	
Deferred loan fees..............	1,122		1,266		1,308		1,120	
Undisbursed portion of loans-in-process	10,525		5,725		9,633		8,310	
	$316,216		$257,869		$233,544		$207,384	

</TABLE>

Origination, Purchase and Repayment of Loans. The following table sets forth the Bank's loan originations and loan purchases and principal repayments for the periods indicated. The Bank originates loans for retention in its portfolio and did not sell loans during the periods indicated.

<TABLE>
<CAPTION>

	Year Ended September 30,			
	1996	1995	1994	1993
		(In Thousands)		
<S>	<C>	<C>	<C>	<C>
Total gross loans receivable at beginning of year..................................	$267,826	$247,263	$219,007	$198,488
Loans originated:				
One- to four-family residential........	10,730	33,010	$ 36,702	$ 27,434
Residential construction/permanent(1)..	23,049	15,110	22,933	18,379
Multi-family residential..............	--	--	268	982
Land and non-residential real estate...	3,579	1,970	1,601	1,149
Consumer loans........................	11,402	11,280	8,108	4,393
Total loans originated............	108,760	61,370	69,612	52,337

Reductions in principal - primarily due to loan repayments and prepayments	(45,541)	(40,807)	(41,356)	(31,818)
Net loan activity.......................	$ 63,219	$ 20,563	$ 28,256	$ 20,519
Total gross loans receivable at end of year	$331,045	$267,826	$247,263	$219,007

</TABLE>

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(1) Construction/permanent loans are primarily originated for permanent financing to individuals. See "-- Residential Construction/Permanent Loans." These loans generally do not pay off at completion, but are automatically transferred to the one- to four-family residential loan portfolio.

Loan Purchases. While the Bank primarily focuses on the origination of one- to four-family residential mortgages, in 1992 the Bank purchased $4.7 million of performing adjustable and fixed-rate mortgage loans from the RTC at a $200,000 discount. The Bank has not purchased any loans since 1992.

Loan Maturity Tables. The following table sets forth the maturity of the Bank's loan portfolio at September 30, 1996. The table does not include prepayments or scheduled principal repayments. Adjustable-rate mortgage loans are shown as maturing based on contractual maturities.

<TABLE>
<CAPTION>

	One- to Four-Family	Residential Construction/ Permanent	Multi-Family	Commercial Real Estate	Land	All Other Loans	Total
			(In Thousands)				
Amounts due:							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1 year or less.................	$ 316	$ --	$ --	$ --	$ 6	$ 4,570	$ 4,892
After 1 year:							
More than 1 year to 3 years..	1,652	--	124	59	159	4,848	6,842
More than 3 years to 5 years.	3,713	--	--	894	264	5,603	10,474
More than 5 years to 10 years	31,654	--	640	2,177	1,365	666	36,502
More than 10 years to 20 years	125,450	3,184	1,063	3,928	1,050	77	134,752
More than 20 years...........	125,324	10,556	1,179	288	--	236	137,583
Total due after September 30, 1997...................	287,793	13,740	3,006	7,346	2,838	11,430	326,153
Total amount due...........	$288,109	$13,740	$3,006	$7,346	$2,844	$16,000	$331,045

</TABLE>

The following table sets forth the dollar amount of all loans due after September 30, 1997, which have pre-determined interest rates and which have floating or adjustable interest rates.

<TABLE>
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	Fixed Rates	Floating or Adjustable Rates (1)	Total
		(In Thousands)	
<S>	<C>	<C>	<C>
One- to four-family......................	$ 155,526	$132,583	$288,109
Residential construction/permanent........	7,573	6,167	13,740
Other....................................	21,878	7,318	29,196
Total..............................	$ 184,977	$146,068	$331,045

</TABLE>

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(1) Many of these adjustable-rate loans have initial fixed terms of three to ten years, with rates adjusting annually thereafter. See "-- One- to Four-Family Residential Loans."

One- to Four-Family Residential Loans. The primary lending activity of Teche Federal is the origination of one- to four-family owner-occupied, residential mortgage loans, secured by property located in the Bank's Primary Market Area.

Teche Federal generally originates single-family owner occupied residential mortgage loans in amounts up to 80% of the lower of the appraised value or selling price of the property securing the loan. The Bank also originates such loans in amounts up to 95% of the lower of the appraised value or selling price of the mortgaged property, provided that private mortgage insurance is provided on the amount in excess of 80% of the lesser of the appraised value or selling price.

The Bank currently offers ARMs with terms of up to 30 years that initially adjust on the first, third, fifth or tenth year after origination and annually thereafter. The Bank began offering ARMs in 1981. The Bank originated $49.2 million of ARMs during the year ended September 30, 1996, of which $8.0 million will first adjust annually after five years. The initial rate is determined by the Bank in accordance with market and competitive factors. Historically, the predominant index was based on the monthly median cost of funds at all SAIF insured financial institutions. For ARMs originated after December 31, 1994, the Bank uses an index based on the one-year U.S. Treasury Bill rate adjusted to constant maturity. The terms and conditions of the ARM loans held by the Bank are varied, partially due to changing market conditions and partially due to the acquisition by the Bank of loans of First Federal in Breaux Bridge from the RTC, Community Homestead in Houma and other loan purchases. The Bank's current ARM originations adjust by a maximum of 2.0% per adjustment, with a current lifetime cap of 11.875%. At September 30, 1996, the Bank's ARM loan and mortgage-backed securities portfolio had a weighted average term to repricing of approximately 37 months.

The Bank offers fixed-rate mortgages with terms of up to 30 years, which amortize monthly. Interest rates charged on fixed-rate mortgage loans are competitively priced based on market conditions and the Bank's cost of funds. The Bank originates and holds its fixed-rate mortgage loans as long term investments. Most loans are originated in conformance with the Federal Home Loan Mortgage Corporation ("FHLMC") and the Federal National Mortgage Association ("FNMA") guidelines and can therefore be sold in the secondary market should management deem it necessary. The Bank originated $48.2 million of fixed-rate mortgage loans during the year ended September 30, 1996. Of these loans, 78.2% had maturities of 15 years or less.

The Bank offers home equity loans on single family owner-occupied residences. At September 30, 1996, home equity mortgage loans totaled $3.2 million. Home equity loans are offered as fixed-rate loans for a term not to exceed 15 years or ARMs for terms up to 30 years. The underwriting standards for second mortgage loans are the same as the Bank's standards applicable to one- to four-family residences.

Residential Construction/Permanent Loans. The Bank's construction loans have primarily been made to finance the construction of owner-occupied single-family owner occupied residential properties and, to a limited extent, single family housing for sale by contractors. Construction/permanent loans generally are made to customers of the Bank in its Primary Market Area. The Bank offers construction/permanent loans in amounts up to 80% of the appraised value of the property securing the loan. Loan proceeds are disbursed in increments as construction progresses and as inspections warrant. Construction/permanent loans to individuals generally do not pay off at completion of the construction phase, but are automatically transferred to the Bank's one- to four-family residential portfolio. These single-family residential loans are structured to allow the borrower to pay interest only on the funds advanced for the construction for a period of up to six months at the end of which time the loan converts to a permanent mortgage. While construction lending is generally considered to involve a higher degree of risk than financing of existing residential properties, at September 30, 1996, no construction/permanent loans were delinquent.

Multi-Family and Commercial Real Estate Loans. The Bank has historically originated a limited amount of loans secured by multi-family and commercial real estate, including non-owner occupied residential multi-family dwelling units (more than four units), as well as professional office buildings and apartment complexes.

The Bank generally originates multi-family and commercial real estate loans up to 70% of the appraised value of the property securing the loan. The Bank's philosophy to originate commercial real estate and multi-family loans only to borrowers known to the Bank and on properties in its market area. The multi-family and commercial real estate loans in the Bank's portfolio generally consist of fixed-rate and ARMs which were originated at prevailing market rates for terms up to 15 years.

Loans secured by multi-family and commercial real estate are generally larger and involve a greater degree of risk than one- to four-family residential mortgage loans. Of primary concern in multi-family and commercial real estate lending is the borrower's creditworthiness, the feasibility and cash flow potential of the project, and the outlook for successful operation or management of the properties. As a result, repayment of such loans may be subject to a greater extent than residential real estate loans to adverse conditions in the real estate market or the economy. In accordance with the Bank's classification of assets policy and procedure, the Bank requests annual financial statements on major loans secured by multi-family and commercial real estate. At September 30, 1996 the aggregate balance of the five largest multi-family and commercial real estate loans totaled $2.5 million with no single loan larger than $752,000.

Land Loans. At September 30, 1996, the Bank had $2.8 million invested in residential lot loans to individuals.

Consumer Loans. The Bank also offers loans in the form of loans secured by deposits, home equity loans, automobile loans, mobile home loans, credit card loans and unsecured personal consumer loans. Federal regulations allow the Bank to make secured and unsecured consumer loans of up to 35% of the Bank's assets.

The Bank originates consumer loans in order to provide a wide range of financial services to its customers and because the shorter terms and normally higher interest rates on such loans help maintain a profitable spread between its average loan yield and its cost of funds. In connection with consumer loan applications, the Bank verifies the borrower's income and reviews a credit bureau report. In addition, the relationship of the loan to the value of the collateral is considered.

Loans secured by deposits at the Bank are typically made for no more than 90% of the deposit and at an interest rate 2% above the rate paid on the deposit. At September 30, 1996, the Bank had $5.7 million of loans secured by deposits.

Teche Federal also originates automobile and mobile home loans. At September 30, 1996, $5.5 million and $.8 million consisted of automobile and mobile home loans, respectively.

The Bank has recently instituted a credit card program whereby customers are offered revolving credit through Teche Federal credit cards which are serviced by a third-party vender. At September 30, 1996, such credit cards had a balance of $1.5 million.

Consumer loans tend to be originated at higher interest rates than conventional residential mortgage loans and for shorter terms which benefits the Bank's interest rate risk management. However, consumer loans generally involve more risk than first mortgage one- to four-family residential real estate loans. Repossessed collateral for a defaulted loan may not provide an adequate source of repayment of the outstanding loan balance as a result of damage, loss or depreciation, and the remaining deficiency often does not warrant further substantial collection efforts against the borrower. In addition, loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy. Further, the application of

various state and federal laws, including federal and state bankruptcy and insolvency law, may limit the amount which may be recovered. These loans may also give rise to defenses by the borrower against the Bank and a borrower may be able to assert against the Bank claims and defenses which it has against the seller of the underlying collateral. In underwriting consumer loans, the Bank considers the borrower's credit history, an analysis of the borrower's income and ability to repay the loan, and the value of the collateral. The Bank's risks associated with consumer loans have been further limited by the modest amount of consumer loans made by the Bank. At September 30, 1996, the Bank had approximately $10.6 in consumer loans delinquent more than 90 days.

Loan Approval Authority and Underwriting. All loans of $100,000 or more, including second mortgage loans where the total of both the first and second mortgages exceeds $100,000, assumptions and loans to facilitate the sale of REO, must be approved by a minimum of two members of the senior loan committee and a loan officer for the geographic area where the collateral for the loan is located.

All loans of $30,000 to $100,000, including second mortgage loans where the total of both the first and second mortgages exceed this amount, assumptions and loan to facilitate the sale of REO, must be approved by a minimum of three members of the loan committee or by two members of the loan committee, one of which is a member of the senior loan committee. All loans of under $30,000 must be approved by two loan committee members.

Certain officers approved by the Board are authorized to approve consumer loans. The amounts which any one officer may approve for a secured consumer loan range from $25,000 to $15,000. The maximum amounts for unsecured consumer loans are $5,000 to $3,000. Any two loan officers may combine authority for consumer loans up to their combined limits.

One- to four-family residential mortgage loans are generally underwritten according to FHLMC and FNMA guidelines, generally utilizing their approved mortgage documents. For all loans originated by the Bank, upon receipt of a completed loan application from a prospective borrower, a credit report is ordered, income and certain other information is verified and, if necessary, additional financial information is requested. An appraisal of the real estate intended to secure the proposed loan is required which typically is performed by an independent appraiser designated and approved by the Board of Directors of the Bank. The Bank makes construction/permanent loans on individual properties. Funds advanced during the construction phase are held in a loan-in-process account and disbursed based upon various stages of completion. The independent appraiser or loan officer determines the stage of completion based upon its physical inspection of the construction.

The Bank generally requires title insurance for its one- to four-family residential loans, (except in St. Mary Parish, where an attorney's title opinion is customarily considered sufficient). The Bank requires that fire and extended coverage casualty insurance (and, if appropriate, flood insurance) be maintained in an amount at least equal to the outstanding loan balance.

It is the Bank's policy to require borrowers to advance funds on a monthly basis together with each payment of principal and interest to an escrow account from which the Bank makes disbursements for items such as real estate taxes and hazard insurance premiums.

Mortgage loans originated by the Bank generally include due-on-sale clauses which provide the Bank with the contractual right to deem the loan immediately due and payable in the event that the borrower transfers ownership of the property without the Bank's consent.

Loan Commitments. Teche Federal issues written, formal commitments to prospective borrowers on all real estate approved loans. The commitment requires acceptance within 30 days of the date of issuance. Commitments for consumer loans, which are not given in writing, expire 30 days after issuance. At September 30, 1996, the Bank had $18.3 million of commitments to originate mortgage loans, including $10.6 million of the undisbursed portion of loans-in-process.

Loans-to-One Borrower. Savings associations cannot make any loans to one borrower in an amount that exceeds in the aggregate 15% of unimpaired capital and retained income on an unsecured basis and an additional amount equal to 10% of unimpaired capital and retained income if the loan is secured by readily marketable collateral (generally, financial instruments, not real estate) or $500,000, whichever is higher. The Bank's maximum loan-to-one borrower limit was approximately $6.5 million as of September 30, 1996.

At September 30, 1996, the Bank's largest lending relationship consisted of a $752,000 construction/permanent loan to a non-profit corporation for the construction of a 60-apartment complex for the elderly and low income families in Alexandria, Louisiana. This project was funded with a $1.2 million grant from the Affordable Housing Program of the FHLB of Dallas and a $755,000 loan from the Bank which is fully guaranteed by the U.S. Department of Housing and Urban

Development ("HUD"). The project is currently in use. The next five largest lending relationships at September 30, 1996 ranged from $364,000 to $511,000 and were secured primarily by apartment complexes and commercial properties located in the Bank's Primary Market Area. Of these loans, $1.3 million are classified as substandard. See "-- Non-performing and Problem Assets --Classified Assets."

Non-Performing and Problem Assets

General. Teche Federal's Primary Market Area is dependent, to a certain extent, on the oil and gas, seafood and agricultural (primarily sugar cane) industries. These industries are cyclical in nature and have a direct impact on the level and performance of the Bank's loan portfolio. In the mid-1980s, after sharp increases in interest rates, oil prices fell, causing severe economic problems in Louisiana and the Bank's Primary Market Area. During this time, the Bank experienced a sharp increase in non-performing assets and real estate owned ("REO"). The Bank's Primary Market Area has, to a certain extent, diversified somewhat since the mid-1980's, however, management continues to monitor its loan portfolio and has instituted various underwriting standards to address any future economic downturns.

Non-Performing Assets and Delinquencies. When a borrower fails to make a required payment on a loan and does not cure the delinquency promptly, the loan is classified as delinquent. In this event, the normal procedure followed by the Bank is to make contact with the borrower at prescribed intervals in an effort to bring the loan to a current status. In most cases, delinquencies are cured promptly. If a delinquency is not cured, the Bank normally, subject to any required prior notice to the borrower, commences foreclosure proceedings, in which the property may be sold. In foreclosure sale, the Bank may acquire title to the property through foreclosure, in which case the property so acquired is offered for sale and may be financed by a loan involving terms more favorable to the borrower than those normally offered. Any property acquired as a result of foreclosure or by deed in lieu of foreclosure is classified as real estate owned until such time as it is sold or otherwise disposed of by the Bank to recover its investment. As of September 30, 1996, the Bank held real estate owned in the amount of $46,000 net of a $108,000 reserve. Any real estate acquired in settlement of loans is initially recorded at the lower of the loan balance plus unpaid accrued interest or the estimated fair value at the time of acquisition and is subsequently reduced by additional allowances which are charged to earnings if the estimated fair value of the property declines below its initial value. Subsequent costs directly relating to development and improvement of property are capitalized (not to exceed fair value), whereas costs related to holding property are expensed.

The Bank's general policy is to place a loan on nonaccrual status when the loan becomes 90 days delinquent or otherwise demonstrates other risks of collectibility. Interest on loans that are contractually 90 days or more past due is reserved through an allowance account. The allowance is established by a charge to interest income equal to all interest previously accrued, and interest is subsequently recognized only to the extent cash payments are received until, in management's judgment, the borrower's ability to make periodic interest and principal payments is back to normal, in which case the loan is returned to accrual status.

The following table sets forth information regarding non-accrual loans, real estate owned ("REO"), and loans that are 90 days or more delinquent but on which the Bank was accruing interest at the dates indicated and restructured loans. There are no restructured loans other than those included in the table.
<TABLE>
<CAPTION>

	At September 30,			
	1996	1995	1994	1993
	(Dollars in thousands)			
<S>	<C>	<C>	<C>	<C>
Loans accounted for on a non-accrual basis:				
Mortgage loans:				
Permanent loans secured by one- to four-family residences....................................	$544	$584	$ 578	$ 189
All other mortgage loans.........................	--	59	198	139
Consumer..	15	19	50	14

Total	$559	$662	$ 826	$ 342
Accruing loans which are contractually past due 90 days or more:				
Mortgage loans:				
Permanent loans secured by one- to four-family residences	--	--	--	--
All other mortgage loans	--	--	--	--
Consumer	--	--	--	--
Total	$ --	$ --	$ --	$ --
Total non-performing loans	$559	$662	$ 826	$ 342
Real estate owned	$ 46	$253	$ 99	$ 267
Total non-performing assets	$605	$915	$ 925	$ 609
Total non-performing loans to total loans outstanding before allowance	.17%	.25%	.35%	.16%
Total non-performing loans to total assets	.15%	.20%	.29%	.14%
Total non-performing assets to total assets	.16%	.28%	.33%	.25%

</TABLE>

Interest income that would have been recorded on loans accounted for on a non-accrual basis under the original terms of such loans was not significant for the year ended September 30, 1996.

The following table sets forth the types and dollar amounts of the Bank's loans which were more than 60 days delinquent as of September 30, 1996:

	At September 30, 1996 (In Thousands)
Residential mortgage loans	$649
Non-residential real estate loans	--
Land loans	--
Consumer loans	39

Real Estate Owned. Real estate acquired by the Bank as the result of foreclosure or by deed in lieu of foreclosure is classified as real estate owned until it is sold. When property is acquired it is recorded at the fair value at the date of foreclosure. At September 30, 1996, the Bank had REO with a net balance of $46,000.

Allowances for Loan Losses and Real Estate Owned. It is management's policy to provide for losses on loans in its loan portfolio and foreclosed REO. A provision for loan losses is charged to operations based on management's evaluation of the losses that may be incurred in the Bank's loan portfolio. Such evaluation, which includes a review of all loans of which full collectibility of interest and principal may not be reasonably assured, considers, among other matters, the estimated net realizable value of the underlying collateral.

While the Bank's provision for loan losses has fluctuated, the amount of provisions recorded in future periods may be significantly greater or lesser than the provisions taken in the past. This allowance, as a ratio of total loans, before the allowance, was 1.00% at September 30, 1996.

Management will continue to review the entire loan portfolio to determine the extent, if any, to which further additional loss provisions may be deemed necessary. There can be no assurance that the allowance for losses will be adequate to cover losses which may in fact be realized in the future and that additional provisions for losses will not be required.

Allocation of Allowance for Loan Losses. The following table sets forth the allocation of the Bank's allowance for loan losses by loan category and the percent of loans in each category to total loans receivable, net, at the dates indicated. The portion of the loan loss allowance allocated to each loan category does not represent the total available for losses which may occur within the loan category since the total loan loss allowance is a valuation reserve applicable to the entire loan portfolio.

<TABLE>
<CAPTION>

	At September 30,(1)									
	1996		1995		1994		1993		1992	
	Amount	Percent of Loans to Total Loans	Amount	Percent of Loans to Total Loans	Amount	Percent of Loans to Total Loans	Amount	Percent of Loans to Total Loans	Amount	Percent of Loans to Total Loans
	(Dollars in Thousands)									
At end of year allocated to:										
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
One- to four-family.........	$3,426	87.03%	$2,201	87.49%	$2,050	86.27%	$1,448	85.47%	$1,520	86.81%
Multi-family and commercial real estate...............	414	3.13	510	3.89	494	3.76	552	4.45	435	5.02
Construction................	25	4.15	25	3.02	25	4.72	25	5.01	15	2.97
Consumer and other loans....	317	5.69	230	5.60	209	5.25	168	5.07	72	5.20
Total allowance(1)..........	$3,182	100.00%	$2,966	100.00%	$2,778	100.00%	$2,193	100.00%	$2,042	100.00%

</TABLE>

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(1) Includes specific reserves for assets classified as loss.

Analysis of the Allowance for Loan Losses. The following table sets forth information with respect to the Bank's allowance for loan losses for the periods indicated:

<TABLE>
<CAPTION>

	At September 30,				
	1996	1995	1994	1993	1992
	(Dollars in Thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Total loans outstanding, net..........	$316,216	$257,869	$233,554	$207,384	$189,876
Average loans outstanding............	$283,962	$245,567	$219,393	$196,547	$190,479
Allowance balances (at beginning of year)	$ 2,966	$ 2,778	$ 2,193	$ 2,042	$ 1,509
Provision...........................	300	360	577	183	521
Effect of pooling....................		--	--	--	45
Charge offs:					
Residential real estate mortgage loans:					
One- to four-family units.........	(28)	(81)	(63)	(125)	(16)
Construction loans..................	--	--	--	--	--
Multi-family and commercial real estate loans............................	--	(72)	--	--	--
Land loans.........................	--	--	--	--	--
Other..............................	(59)	(32)	(34)	--	(77)
Total charge-offs..............	(87)	(185)	(97)	(125)	(93)

Recoveries					
Residential real estate mortgage loans	3	--	--	--	--
One- to four-family units.........	--	12	105	93	23
Construction loans.................	--	--	--	--	37
Multi-family and commercial real estate loans............................	--	--	--	--	--
Land loans.........................	--	--	--	--	--
Other..............................	--	1	--	--	--
Total recoveries................	3	13	105	93	60
Net (charge-offs) recoveries........	(84)	(172)	8	(32)	(33)
Allowance balance (at end of year)....	$ 3,182	$ 2,966	$ 2,778	$ 2,193	$ 2,042
Allowance for loan losses to total loans outstanding before allowance........	1.00%	1.14%	1.18%	1.05%	1.09%
Net loans charged off as a percent of average loans outstanding before allowance..	.03%	.07%	--%	.02%	.02%

</TABLE>

Analysis of the Allowance for Losses on Real Estate Owned. The following table sets forth information with respect to the Bank's allowance for losses on real estate owned at the dates indicated.

<TABLE>
<CAPTION>

	At September 30,				
	1996	1995	1994	1993	1992
			(Dollars in Thousands)		
<S>	<C>	<C>	<C>	<C>	<C>
Total real estate owned, net.....	$ 46	$253	$ 99	$ 267	$1,499
Allowance - beginning...........	131	$163	$186	$ 905	$1,511
Provision.......................	--	--	--	44	140
Charge-offs.....................	(23)	(32)	(23)	(763)	(746)
Allowance - ending..............	$ 108	$ 131	$ 163	$ 186	$ 905
Allowance for losses on real estate owned to real estate owned before allowance..	70%	34%	62%	41%	38%

</TABLE>

Investment Activities

General. To supplement lending activities, Teche Federal invests in residential mortgage-backed securities, investment securities and interest-bearing deposits. These investments have historically consisted of investment securities issued by U.S. Government agencies. Such securities can serve as collateral for borrowings and, through repayments and maturities, as a source of liquidity. Teche Federal anticipates having the ability to fund all of its investing activities from funds held on deposit at FHLB of Dallas, maturities, loan repayments and the Bank's borrowing capacity.

Federally chartered savings institutions have the authority to invest in various types of assets, including U.S. Treasury obligations, securities of various federal agencies and of state and municipal governments, deposits at the FHLB of Dallas, certificates of deposit of federally insured institutions, certain bankers' acceptances and federal funds. Subject to various restrictions, such institutions also have the authority to invest a portion of its assets in commercial paper, corporate debt securities and ARM funds, the assets of which conform to the investments that federally chartered savings institutions are otherwise authorized to make directly. Savings institutions are also required to maintain minimum levels of liquid assets which vary from time to time. The Bank may decide to increase its liquidity above the required levels depending upon the availability of funds and comparative yields on investments in relation to return on loans.

The Bank is required under federal regulations to maintain a minimum amount of liquid assets and is also permitted to make certain other securities investments. At September 30, 1996 the Bank's regulatory liquidity was 6.03%, which is in excess of 5% required by OTS regulations. See "Regulation -- Regulation of the Bank -- Federal Home Loan Bank System" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

The Boards of Directors of the Bank and the Company maintain Investment Committees which are authorized to establish and implement investment policies and to supervise the Bank's or the Company's investment activities. Pursuant to its delegated authority, the Investment Committees have established permissible types of investments, quality criteria, portfolio limits, procedures, controls and committee and individual investment authorities. The investment policies consider the Bank's and the Company's business plan, growth plans, current economic environments, range of reasonably foreseeable economic environments, the types of securities to be held and other safety and soundness considerations.

Before being purchased, each investment is analyzed as to investment intent. The Bank distinguishes between investment activities undertaken for investment, for sale or for trading. Such activities are differentiated based upon the Bank's desire to earn an interest yield (held to maturity), to realize a holding gain from assets held for indefinite periods of time (available for sale) or to earn a dealer's spread between the bid and asked prices (held for trading). The Bank attempts to earn an acceptable spread between the cost of funds used to purchase an investment and the return on that investment. Under circumstances when credit risk, interest rate risk or prepayment risk is significantly reduced, a lesser return may be considered acceptable.

Securities which are classified as "held to maturity" are accounted for based on historical cost adjusted for amortization of premiums or discounts using the level yield method. The "held to maturity" portfolio consists primarily of U.S. Government obligations and securities of various federal agencies, municipal debt securities and mortgage-backed and related securities. Securities that are classified as "available for sale" are accounted for at their market value, with unrealized gains and losses reported as a separate component of capital. Securities that are classified as "held for trading" are accounted for at their fair market value, with unrealized gains and losses included in earnings.

The following table sets forth the carrying value of the Company's investment portfolio, short-term investments and FHLB stock at the dates indicated.
<TABLE>
<CAPTION>

	At September 30,		
	1996	1995	1994
	(In Thousands)		
Investment securities issued by U.S. Government agencies and corporations (1)	$ 11,462	$20,927	$26,425
FHLB Stock	3,703	2,671	2,112
Mortgage-backed securities (1)	32,099	28,123	9,651
Common stock and municipal obligations	935	572	--
Total investment and mortgage-backed securities	48,199	52,293	38,188
Interest-bearing deposits	6,064	5,293	6,350
Total investments	$ 54,263	$57,586	$44,538

</TABLE>

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(1) Investment and mortgage-backed securities "available for sale" are carried at fair market value, while investment and mortgage-backed securities "held to maturity" are carried at cost.

Mortgage-backed and Investment Securities. Mortgage-backed securities represent a participation interest in a pool of single-family or multi-family mortgages, the principal and interest payments on which are passed from the mortgage originators, through intermediaries (generally quasi-governmental agencies) that pool and repackage the participation interests in the form of securities, to investors such as the Bank. Such quasi-governmental agencies, which guarantee the payment of principal and interest to investors, primarily include FHLMC, FNMA and Government National Mortgage Association ("GNMA").

Mortgage-backed securities typically are issued with stated principal amounts, and the securities are backed by pools of mortgages that have loans with interest rates that are within a range and have varying maturities. The underlying pool of mortgages can be composed of either fixed-rate mortgages or adjustable-rate mortgage loans. Mortgage-backed securities are generally referred to as mortgage participation certificates or pass-through certificates. As a result, the interest rate risk characteristics of the underlying pool of mortgages, i.e., fixed rate or adjustable rate, as well as prepayment risk, are passed on to the certificate holder. The life of a mortgage-backed pass-through security is equal to the life of the underlying mortgages. Mortgage-backed securities issued by FHLMC, FNMA, and GNMA make up a majority of the pass-through certificates market. At September 30, 1996, the Bank had mortgage-backed securities available for sale with an amortized cost of $31.9 million and an estimated market value of $32.1 million.

At September 30, 1996, Teche Federal had an investment securities portfolio with an amortized cost of approximately $11.3 million, consisting primarily of obligations of U.S. government corporations and agencies, as permitted by the OTS regulations. The market value of investment securities at September 30, 1996 (excluding FHLB stock and interest-bearing accounts), was $11.5 million. Teche Federal will continue to seek high quality investments with short to intermediate maturities.

In accordance with SFAS 115, the Bank designated as "available for sale" certain investment and mortgage-backed securities that could be sold prior to their contractual maturity in the event of an unforeseen liquidity need. These securities are reported at fair value on the consolidated balance sheets of the Bank with any unrealized gains or losses reflected as an separate component of equity capital, net of deferred taxes. Equity capital was increased $354,000 at September 30, 1996 as the result of the designation of all of the Bank's securities being designated as "available for sale."

Interest-Bearing Accounts Held at Other Financial Institutions. At September 30, 1996, the Bank held $6.1 million in the FHLB and interest-bearing deposits in other financial institutions. The Bank maintains these accounts in order to maintain liquidity.

Investment Portfolio Maturities. The following table sets forth certain information regarding the amortized cost, carrying value, market value, weighted average yields and maturities of the Bank's investment and mortgage-backed securities portfolio at September 30, 1996.

<TABLE>
<CAPTION>

	As of September 30, 1996							
	One Year or Less		One to Five Years		Five to Ten Years		More than Ten Years	
	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Amortized Cost	Average Yield
	(Dollars in Thousands)							
Investment Securities								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
available for sale......	$ 7,522	7.70%	$3,744	7.26%	$ --	N/A	$ --	N/A
Mortgage-backed Securities								
available for sale(1)..	--	N/A	--	N/A	--	N/A	31,862	6.56
FHLB Stock..............	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Common Stock............	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Municipal Obligations....	2.64	6.00	--	N/A	--	N/A	--	N/A
Total.............	$7,786	7.64%	$3,744	7.26%	$ --	N/A	$ 31,862	6.56%

</TABLE>

<TABLE>
<CAPTION>

	As of September 30, 1996			
	Total Investments			
	Amortized Cost	Average Yield	Carrying Value	Market Value
Investment Securities available for sale......	$11,266	7.55%	$11,462	$11,462
Mortgage-backed Securities available for sale(1)..	31,862	6.56	32,099	32,099
FHLB Stock..............	3,703	6.05	3,703	3,703
Common Stock............	568	--	669	669
Municipal Obligations....	264	6.00	266	266
Total.............	$47,663	6.67%	$48,199	$48,199

</TABLE>

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(1) Does not assume prepayments.

Sources of Funds

General. Deposits are the major source of the Bank's funds for lending and other investment purposes. Teche Federal also derives funds from amortization and prepayment of loans and mortgage-backed securities, maturities of investment securities and operations. Scheduled loan principal and interest payments are a relatively stable source of funds, while deposit inflows and outflows and loan prepayments are significantly influenced by general interest rates and market conditions. Teche Federal also utilizes advances from the FHLB of Dallas.

Deposits. Consumer and commercial deposits are attracted principally from within the Bank's Primary Market Area through the offering of a broad selection of deposit instruments including regular savings, demand and NOW accounts and certificates of deposit. Deposit account terms vary according to the minimum balance required, the time period the funds must remain on deposit and the interest rate, among other factors.

The interest rates paid by the Bank on deposits can be set daily at the direction of senior management. Senior management determines the interest rate to offer the public on new and maturing accounts. Senior management obtains the interest rates being offered by other financial institutions within its market area. This data along with a report showing the dollar value of certificates of deposit maturing is reviewed and interest rates are determined.

Regular savings accounts, money market accounts and NOW accounts constituted $59.3 million, or 23.3% of the Bank's deposit portfolio at September 30, 1996. Certificates of deposit constituted $195.4 million or 76.7% of the deposit portfolio, including $46.6 million of which had balances of $100,000 and over. As of September 30, 1996, the Bank had no brokered deposits.

Time Deposits by Rate. The following table presents, by various rate categories, the amount of certificate accounts outstanding at the dates indicated and the periods to maturity of the certificate accounts outstanding at September 30, 1996.

<TABLE>
<CAPTION>

	Period to Maturity from September 30, 1996			
	Less than	One to	Two to	Over Three

	One Year	Two Years	Three Years	Years
	(In Thousands)			
Certificate accounts:				
3.00 to 3.99%.......	$2,000	$ --	$ --	$ 2
4.00 to 4.99%.......	31,291	62	--	40
5.00 to 5.99%.......	44,765	39,018	8,649	2,513
6.00 to 6.99%.......	22,892	17,606	5,741	15,731
7.00 to 7.99%.......	516	1,818	--	2,805
Total...........	$101,464	$58,504	$14,390	$21,091

</TABLE>

Certificate Accounts of $100,000 and Above. Teche Federal maintains a policy of offering higher interest rates on certificates with larger balances. For example, for certificates with terms of 12 months which were purchased on September 30, 1996, those with balances of $500 would yield 5.00%, those with balances of $40,000 would yield 5.30%, those with balances of $75,000 would yield 5.40% and those with balances of $99,000 would yield 5.50%. As a result, to some extent, Teche Federal customers tend to consolidate accounts to earn the highest possible interest. This enables the Bank to effectively compete in the marketplace, reduce the number of accounts and associated costs, and increase, to some extent the number of accounts with balances of $100,000. The following table indicates the amount of the Bank's certificates of deposit of $100,000 or more by time remaining until maturity as of September 30, 1996.

<TABLE>
<CAPTION>

	Certificates of Deposit	Weighted Interest Rate
	(In Thousands)	
Maturity Period:		
3 months or less.......................................	$ 7,977	5.58%
Over 3 through 6 months................................	7,376	5.24
Over 6 through 12 months...............................	12,292	5.65
Over 12 months...	18,921	6.13
Totals...	46,566	5.77

</TABLE>

Savings Deposit Activity. The following table sets forth the savings activities of the Bank for the periods indicated:

<TABLE>
<CAPTION>

	At September 30,		
	1996	1995	1994
	(In Thousands)		
Beginning balance.........................	$233,805	$236,736	$212,996
Net deposits (withdrawals)................	9,259	(13,896)	14,695
Interest credited on deposits.............	11,659	10,965	9,045
Ending balance............................	$254,723	$233,805	$236,736
Total increase (decrease) in deposits.....	$ 20,918	$ (2,931)	$ 23,740
Percentage increase (decrease)............	8.95%	(1.24)%	11.15%

</TABLE>

Borrowings

Deposits are the primary source of funds of the Bank's lending and investment activities and for its general business purposes. The Bank may obtain advances from the FHLB of Dallas to supplement its supply of lendable funds. Advances from the FHLB of Dallas are typically secured by a pledge of the Bank's stock in the FHLB of Dallas and a portion of the Bank's first mortgage loans and certain other assets. The Bank, if the need arises, may also access the Federal Reserve Bank discount window to supplement its supply of lendable funds and to meet deposit withdrawal requirements. At September 30, 1996, Teche Federal had $66.9 million in advances outstanding from the FHLB of Dallas.

The following table sets forth certain information regarding the Bank's borrowed funds at or for the years ended on the dates indicated:

	At or For the Year Ended September 30,		
	1996	1995	1994
	(Dollars in Thousands)		
FHLB advances:			
Average balance outstanding..................	$42,405	$18,842	$ 17,900
Maximum amount outstanding at any month-end during the year.....................	72,500	34,300	24,000
Balance outstanding at end of year...........	66,900	24,200	23,800
Weighted average interest rate during the year	5.53%	5.77%	3.70%
Weighted average interest rate at end of year	5.39%	5.71%	5.37%

Subsidiary Activity

The only subsidiary of the Company is Teche Federal.

As of September 30, 1996, the Bank had one subsidiary: Appraisal Services, Inc. ("ASI") and the net book value of the Bank's investment in stock, unsecured loans and conforming loans in its service corporation was $166,970. ASI was inactive at September 30, 1996 as a result of the sale of its 11.1% interest in General Financial Life Insurance Company, which sold credit and mortgage life insurance through an insured institution.

Teche Federal is permitted to invest up to 2% of its assets in the capital stock of, or secured or unsecured loans to, subsidiary corporations, with an additional investment of 1% of assets when such additional investment is utilized primarily for community development purposes. Under such limitations, as of September 30, 1996, Teche Federal was authorized to invest up to approximately $7.6 million in the stock of, or loans to, service corporations (based upon the 2% limitation).

Personnel

As of September 30, 1996 the Bank had 115 full-time and 51 part-time employees. None of the Bank's employees is represented by a collective bargaining group. The Bank believes that its relationship with its employees is good.

Regulation

Set forth below is a brief description of all materials laws and regulations which relate to the regulation of the Bank and the Company. The description does not purport to be complete and is qualified in its entirety by reference to applicable laws and regulations.

Holding Company Regulation

General. The Company is a unitary savings and loan holding company subject to regulatory oversight by the OTS. As such, the Company is required to register and file reports with the OTS and is subject to regulation and examination by the OTS. In addition, the OTS has enforcement authority over the Company and its non-savings association subsidiaries, should such subsidiaries be formed, which also permits the OTS to restrict or prohibit activities that are determined to be a serious risk to the subsidiary savings association. This regulation and oversight is intended primarily for the protection of the depositors of the Bank and not for the benefit of stockholders of the Company. The Company is also required to file certain reports with, and otherwise comply with, the rules and regulations of the OTS and the SEC.

Qualified Thrift Lender Test. As a unitary savings and loan holding company, the Company generally is not subject to activity restrictions, provided the Bank satisfies the Qualified Thrift Lender ("QTL") test. If the Company acquires control of another savings association as a separate subsidiary, it would become a multiple savings and loan holding company, and the activities of the Company and any of its subsidiaries (other than the Bank or any other SAIF-insured savings association) would become subject to restrictions applicable to bank holding companies unless such other associations each also qualify as a QTL and were acquired in a supervisory acquisition. See "Regulation of the Bank -- Qualified Thrift Lender Test."

Restrictions on Acquisitions. The Company must obtain approval from the OTS before acquiring control of any other SAIF-insured association. Such acquisitions are generally prohibited if they result in a multiple savings and loan holding company controlling savings associations in more than one state. However, such interstate acquisitions are permitted based on specific state authorization or in a supervisory acquisition of a failing savings association.

Federal law generally provides that no "person," acting directly or indirectly or through or in concert with one or more other persons, may acquire "control," as that term is defined in OTS regulations, of a federally insured savings institution without giving at least 60 days' written notice to the OTS and providing the OTS an opportunity to disapprove the proposed acquisition. In addition, no company may acquire control of such an institution without prior OTS approval.

Federal Securities Law. The Company is subject to filing and reporting requirements by virtue of having its common stock registered under the Securities Exchange Act of 1934. Furthermore, Holding Company stock held by persons who are affiliates (generally officers, directors and principal stockholders) of the Company may not be resold without registration or unless sold in accordance with certain resale restrictions. If the Company meets specified current public information requirements, each affiliate of the Company is able to sell in the public market, without registration, a limited number of shares in any three-month period.

Regulation of the Bank

General. As a federally chartered, SAIF-insured savings association, the Bank is subject to extensive regulation by the OTS and the FDIC. Lending activities and other investments must comply with various federal statutory and regulatory requirements. The Bank is also subject to certain reserve requirements promulgated by the Federal Reserve Board.

The OTS, in conjunction with the FDIC, regularly examines the Bank and prepares reports for the consideration of the Bank's Board of Directors on any deficiencies that they find in the Bank's operations. The Bank's relationship with its depositors and borrowers is also regulated to a great extent by federal law, especially in such matters as the ownership of savings accounts and the form and content of the Bank's mortgage documents.

The Bank must file reports with the OTS and the FDIC concerning its activities and financial condition, in addition to obtaining regulatory approvals prior to entering into certain transactions such as mergers with or acquisitions of other savings institutions. This regulation and supervision establishes a comprehensive framework of activities in which an institution can engage and is intended primarily for the protection of the SAIF and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Any change in such regulations, whether by the OTS, the FDIC or the Congress could have a material adverse impact on the Company, the Bank and their operations.

Insurance of Deposit Accounts. The Bank's deposit accounts are insured by the SAIF to a maximum of $100,000 for each insured member (as defined by law and regulation). The FDIC has the authority, should it initiate proceedings to terminate an institution's deposit insurance, to suspend the insurance of any such institution without tangible capital. However, if a savings association has positive capital when it includes qualifying intangible assets, the FDIC cannot suspend deposit insurance unless capital declines materially, the institution fails to enter into and remain in compliance with an approved capital plan or the institution is operating in an unsafe or unsound manner.

Regardless of an institution's capital level, insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC or the institution's primary regulator.

The FDIC charges an annual assessment for the insurance of deposits based on the risk a particular institution poses to its deposit insurance fund. Under this system, a bank or thrift pays within a range of 23 cents to 31 cents per $100 of domestic deposits, depending upon the institution's risk classification. This risk classification is based on an institution's capital group and supervisory subgroup assignment. In addition, the FDIC is authorized to increase such deposit insurance rates, on a semi-

annual basis, if it determines that such action is necessary to cause the balance in the SAIF to reach the designated reserve ratio of 1.25% of SAIF-insured deposits within a reasonable period of time. The FDIC also may impose special assessments on SAIF members to repay amounts borrowed from the U.S. Treasury or for any other reason deemed necessary by the FDIC. The Bank's federal deposit insurance premium expense for the fiscal year ended September 30, 1996, amounted to approximately $543,000.

The Bank recorded what they believe is a one-time assessment of approximately 65.7 basis points on every $100 of deposits based on the Bank's deposits at March 31, 1995 for a cost of approximately $1.2 million (net of taxes). Future deposit insurance premiums are expected to be reduced from 0.23% to approximately 0.06%. Based upon the Bank's deposits as of September 30, 1996, the Bank's deposit insurance expense would decrease by approximately $276,000 per year after taxes. Management of the Bank is unable to predict whether ongoing SAIF premiums will be reduced to a level comparable to that of BIF premiums.

Examination Fees. In addition to federal deposit insurance premiums, savings institutions like the Bank are required by OTS regulations to pay assessments to the OTS to fund the operations of the OTS. The general assessment is paid on a semi-annual basis and is computed based on total assets of the institution, including subsidiaries. The Bank's OTS assessment expense for the fiscal year ended September 30, 1996 totalled approximately $84,000.

Regulatory Capital Requirements. OTS capital regulations require savings institutions to meet three capital standards: (1) tangible capital equal to 1.5% of total adjusted assets, (2) a leverage ratio (core capital) equal to at least 3% of total adjusted assets, and (3) a risk-based capital requirement equal to 8.0% of total risk-weighted assets.

Savings associations with a greater than "normal" level of interest rate exposure will, in the future, be subject to a deduction for an interest rate risk ("IRR") component may be from capital for purposes of calculating their risk-based capital requirement. See "-- Net Portfolio Value Analysis."

As shown below, the Bank's regulatory capital exceeded all minimum regulatory capital requirements applicable to it as of September 30, 1996:

	Amount	Percent of Adjusted Assets
	(Dollars in Thousands)	
Tangible Capital:		
Actual capital..................	$42,816	11.3%
Regulatory requirement..........	5,680	1.5
Excess..........................	$37,136	9.8%
Core Capital:		
Actual capital..................	$42,816	11.3%
Regulatory requirement..........	11,360	3.0
Excess..........................	$31,456	8.3%
Risk-Based Capital:		
Actual capital..................	$45,186	21.9%

Regulatory requirement..........	16,498	8.0
Excess..........................	$28,688	13.9%

The Bank is not under any agreement with regulatory authorities nor is it aware of any current recommendations by the regulatory authorities which, if they were to be implemented, would have a material effect on liquidity, capital resources or operations of the Bank or the Company.

Net Portfolio Value Analysis. In order to encourage associations to reduce their interest rate risk, the OTS adopted a rule incorporating an interest rate risk ("IRR") component into the risk-based capital rules. The IRR component is a dollar amount that will be deducted from total capital for the purpose of calculating an institution's risk-based capital requirement and is measured in terms of the sensitivity of its Net Portfolio Value ("NPV") to changes in interest rates. NPV is the difference between incoming and outgoing discounted cash flows from assets, liabilities, and off-balance sheet contracts. An institution's IRR is measured as the change to its NPV as a result of a hypothetical 200 basis point ("bp") change in market interest rates. A resulting change in NPV of more than 2% of the estimated market value of its assets will require the institution to deduct from its capital 50% of that excess change. The rules provide that the OTS will calculate the IRR component quarterly for each institution.

The OTS uses, as a critical point, a change of plus or minus 200 basis points in order to set its "normal" institutional results and peer comparisons. The greater the change, positive or negative, in NPV, the more interest rate risk is assumed to exist with the institution. The following table lists the Bank's latest percentage change in NPV assuming an immediate change of plus or minus 100, 200, 300 and 400 basis points from the level of interest rates at September 30, 1996.

<TABLE>
<CAPTION>

	Net Portfolio Value			NPV as % of PV of Assets	
Change in Rates	$ Amount	$Change(1)	%Change(2)	NPV Ratio(3)	Change(4)
	(Dollars in Thousands)				
<S> <C>	<C>	<C>	<C>	<C>	<C>
+400 bp	16,106	-32,798	-67%	4.69%	-802bp
+300 bp	24,486	-24,418	-50%	6.92%	-579bp
+200 bp	32,943	-15,962	-33%	9.04%	-367bp
+100 bp	41,253	-7,651	-16%	11.01%	-171bp
0 bp	48,904			12.71%	
-100 bp	55,057	+6,153	+13%	14.00%	+129bp
-200 bp	58,516	+9,612	+20%	14.66%	+195bp
-300 bp	60,389	11,485	+23%	14.95%	+274bp
- 400 bp	62,788	+13,884	+28%	15.35%	+264bp

</TABLE>

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(1) Represents the excess (deficiency) of the estimated NPV assuming the indicated change in interest rates minus the estimated NPV assuming no change in interest rates.
(2) Calculated as the amount of change in the estimated NPV divided by the estimated NPV assuming no change in interest rates.
(3) Calculated as the estimated NPV divided by average total assets.
(4) Calculated as the excess (deficiency) of the NPV ratio assuming the indicated change in interest rates over the estimated NPV ratio assuming no change in interest rates.

<TABLE>
<CAPTION>

<S>	September 30, 1996 <C>	September 30, 1995 <C>
*** RISK MEASURES: 200 BP RATE SHOCK ***		
Pre-Shock NPV Ratio: NPV as % of PV of Assets............	12.71%	14.85%
Exposure Measure: Post-Shock NPV Ratio....................	9.04%	12.66%
Sensitivity Measure: Change in NPV Ratio..................	367 bp	-220 bp
*** CALCULATION OF CAPITAL COMPONENT ***		
Change in NPV as % of PV of Assets........................	4.15%	-2.73%
Interest Rate Risk Capital Component ($000)..............	$ 4,135	$ 1,218

</TABLE>

As the table shows, increases in interest rates would result in net decreases in the Bank's NPV, while decreases in interest rates will result in smaller net increases in the Bank's NPV. Based on these specific OTS regulations, the Bank would be required to deduct $4.1 million from total capital for purposes of calculating the Bank's risk-based capital requirement. (The Bank's NPV decreases by 3.7% if interest rates increase by 200 basis points.) Certain shortcomings are inherent in the methodology used in the above table. Modeling changes in NPV requires the making of certain assumptions that may tend to oversimplify the manner in which actual yields and costs respond to changes in market interest rates. First, the models assume that the composition of the Bank's interest sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured. Second, the models assume that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration to maturity or repricing of specific assets and liabilities. Accordingly, although the NPV measurements do provide an indication of the Bank's interest rate risk exposure at a particular point in time, such measurements are not intended to provide a precise forecast of the effect of changes in market interest rates on the Bank's net interest income.

In times of decreasing interest rates, the value of fixed-rate assets could increase in value and the lag in repricing of interest rate sensitive assets could be expected to have a positive effect on the Bank.

Prompt Corrective Action. The FDICIA also established a system of prompt corrective action to resolve the problems of undercapitalized institutions. Under this system, which became effective December 19, 1992, the banking regulators are required to take certain supervisory actions against undercapitalized institutions, the severity of which depends upon the institution's degree of capitalization. Under the OTS final rule implementing the prompt corrective action provisions, an institution shall be deemed to be (i) "well capitalized" if it has total risk-based capital of 10.0% or more, has a Tier I risk- based capital ratio (core or leverage capital to risk-weighted assets) of 6.0% or more, has a leverage capital of 5.0% or more and is not subject to any order or final capital directive to meet and maintain a specific capital level for any capital measure, (ii) "adequately capitalized" if it has a total risk-based capital ratio of 8.0% or more, a Tier I risked-based ratio of 4.0% or more and a leverage capital ratio of 4.0% or more (3.0% under certain circumstances) and does not meet the definition of "well capitalized," (iii) "undercapitalized" if it has a total risk-based capital ratio that is less than 6.0%, a Tier I risk-based capital ratio that is less than 4.0% or a leverage capital ratio that is less than 4.0% (3.0% in certain circumstances), (iv) "significantly undercapitalized" if it has a total risk-based capital ratio that is less than 6.0%, a Tier I risk-based capital ratio that is less than 3.0% or a leverage capital ratio that is less than 3.0% and (v) "critically undercapitalized" if it has a ratio of tangible equity to total assets that is equal to or less than 2.0%. In addition, under certain circumstances, a federal banking agency may reclassify a well capitalized institution as adequately capitalized and may require an adequately capitalized institution or an undercapitalized institution to comply with supervisory actions as if it were in the next lower category (except that the FDIC may not reclassify a significantly undercapitalized institution as critically undercapitalized). Immediately upon becoming undercapitalized, an institution shall become subject to various restrictions and could be subject to additional supervisory actions.

The Bank is currently a "well capitalized institution" as defined in the prompt corrective action regulations and as such is not subject to any prompt corrective action measures.

Dividend and Other Capital Distribution Limitations. OTS regulations require the Bank to give the OTS 30 days' advance notice of any proposed declaration of dividends to the Company, and the OTS has the authority under its supervisory powers to prohibit the payment of dividends to the Company. In addition, the Bank may not declare or pay a cash dividend on its capital stock if the effect thereof would be to reduce the regulatory capital of the Bank below the amount required for the liquidation account to be established in connection with the Conversion.

OTS regulations impose limitations upon all capital distributions by savings institutions, such as cash dividends, payments to repurchase or otherwise acquire its shares, payments to shareholders of another institution in a cash-out merger and other distributions charged against capital. The rule establishes three tiers of institutions, based primarily on an institution's capital level. An institution that exceeds all fully phased-in capital requirements before and after a proposed capital distribution ("Tier 1 institution") and has not been advised by the OTS that it is in need of more than the normal supervision can, after prior notice but without the approval of the OTS, make capital distributions during a calendar year equal to the greater of (i) 100% of its net income to date during the calendar year plus the amount that would reduce by one-half its "surplus capital ratio" (the excess capital over its fully phased-in capital requirements) at the beginning of the calendar year, or (ii) 75% of its net income over the most recent four quarter period. Any additional capital distributions require prior regulatory approval. As of June 30, 1993, the Bank was a Tier 1 institution. In the event the Bank's capital fell below its fully phased-in requirement or the OTS notified it that it was in need of more than normal supervision, the Bank's ability to make capital distributions could be restricted. In addition, the OTS could prohibit a proposed capital distribution by any institution, which would otherwise be permitted by the regulation, if the OTS determines that such distribution would constitute an unsafe or unsound practice.

Finally, under the FDICIA, a savings association is prohibited from making a capital distribution if, after making the distribution, the savings association would be "undercapitalized" (not meet any one of its minimum regulatory capital requirements).

Qualified Thrift Lender Test. The Home Owners' Loan Act ("HOLA"), as amended, requires savings institutions to meet a QTL test. If the Bank maintains an appropriate level of Qualified Thrift Investments (primarily residential mortgages and related investments, including certain mortgage-backed securities) ("QTIs") and otherwise qualifies as a QTL, it will continue to enjoy full borrowing privileges from the FHLB of Dallas. The required percentage of QTIs is 65% of portfolio assets (defined as all assets minus intangible assets, property used by the institution in conducting its business and liquid assets equal to 10% of total assets). Certain assets are subject to a percentage limitation of 20% of portfolio assets. In addition, savings associations may include shares of stock of the FHLBs, FNMA and FHLMC as qualifying QTIs. The FDICIA also amended the method for measuring compliance with the QTL test to be on a monthly basis in nine out of every 12 months, as opposed to on a daily or weekly average of

QTIs. As of September 30, 1996, the Bank was in compliance with its QTL requirement with 93.07% of its assets invested in QTIs.

A savings association that does not meet a QTL test must either convert to a bank charter or comply with the following restrictions on its operations: (i) the savings association may not engage in any new activity or make any new investment, directly or indirectly, unless such activity or investment is permissible for a national bank; (ii) the branching powers of the savings association shall be restricted to those of a national bank; (iii) the savings association shall not be eligible to obtain any advances from its FHLB; and (iv) payment of dividends by the savings association shall be subject to the rules regarding payment of dividends by a national bank. Upon the expiration of three years from the date the savings association ceases to be a QTL, it must cease any activity and not retain any investment not permissible for a national bank and immediately repay any outstanding FHLB advances (subject to safety and soundness considerations).

Loans-to-One Borrower. See "Business -- Lending Activities -- Loans-to-One Borrower."

Community Reinvestment. Under the Community Reinvestment Act ("CRA"), as implemented by OTS regulations, a savings association has a continuing and affirmative obligation consistent with its safe and sound operation to help meet the credit needs of its entire community, including low and moderate income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. The CRA requires the OTS, in connection with its examination of a savings institution, to assess the institution's record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by such institution. Current law requires public disclosure of an institution's CRA rating and requires the OTS to provide a written evaluation of an institution's CRA performance utilizing a four-tiered descriptive rating system in lieu of the existing five-tiered numerical rating system. The OTS reported that Teche Federal had an "outstanding record of meeting community credit needs," in its last examination dated November 1995. The OTS further stated that "an institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities."

Transactions With Affiliates. Generally, restrictions on transactions with affiliates require that transactions between a savings association or its subsidiaries and its affiliates be on terms as favorable to the Bank as comparable transactions with non-affiliates. In addition, certain of these transactions are restricted to an aggregate percentage of the Bank's capital; collateral in specified amounts must usually be provided by affiliates to receive loans from the Bank. Affiliates of the Bank include the Company and any company which would be under common control with the Bank. In addition, a savings association may not lend to any affiliate engaged in activities not permissible for a bank holding company or acquire the securities of any affiliate which is not a subsidiary. The OTS has the discretion to treat subsidiaries of savings associations as affiliates on a case-by-case basis.

The Bank's authority to extend credit to its officers, directors and 10% shareholders, as well as to entities that such persons control is currently governed by Sections 22(g) and 22(h) of the Federal Reserve Act and Regulation O promulgated by the Federal Reserve Board. Among other things, these regulations require such loans to be made on terms substantially similar to those offered to unaffiliated individuals, place limits on the amount of loans the Bank may make to such persons based, in part, on the Bank's capital position, and require certain approval procedures to be followed. OTS regulations, with minor variation, apply Regulation O to savings associations.

Branching by Federal Savings Banks. Effective May 11, 1992, the OTS amended its Policy Statement on Branching by Federal Savings Associations to permit interstate branching to the full extent permitted by statute (which is essentially unlimited). This permits savings associations with interstate networks to diversify their loan portfolios and lines of business. The OTS authority preempts any state law purporting to regulate branching by federal associations. However, the OTS will evaluate a branching applicant's record of compliance with the CRA. A poor CRA record may be the basis for denial of a branching application.

Liquidity Requirements. All savings associations are required to maintain an average daily balance of liquid assets equal to a certain percentage of the sum of its average daily balance of net withdrawable deposit accounts and borrowings payable in one year or less. The liquidity requirement may vary from time to time (between 4% and 10%) depending upon economic conditions and savings flows of all savings associations. At the present time, the required liquid asset ratio is 5%. At September 30, 1996, the Bank's liquidity ratio was 6.01%.

Liquid assets for purposes of this ratio include specified short-term assets (e.g., cash, certain time deposits, certain banker's acceptances and short-term U.S. Government obligations), and long-term assets (e.g., U.S. Government obligations of more than one and less than five years and state agency obligations with a minimum term of 18 months). The regulations governing liquidity requirements include as liquid assets debt securities hedged with forward commitments obtained from, or debt securities subject to repurchase agreements with, members of the Bank of Primary Dealers in United States Government Securities or banks whose accounts are insured by the FDIC, debt securities directly hedged with a short financial future position, and debt securities that provide the holder with a right to redeem the security at par value, regardless of the stated maturities of the securities. FIRREA also authorized the OTS to designate as liquid assets certain mortgage-related securities with less than one year to maturity. Short- term liquid assets currently must constitute at least 1% of an association's average daily balance of net withdrawable deposit accounts and current borrowings. Monetary penalties may be imposed upon associations for violations of liquidity requirements.

Federal Home Loan Bank System. The Bank is a member of the FHLB of Dallas, which is one of 12 regional FHLBs that administer the home financing credit function of savings associations. Each FHLB serves as a reserve or central bank for its members within its assigned region. It is funded primarily from proceeds derived from the sale of consolidated obligations of the FHLB System. It makes loans to members (i.e., advances) in accordance with policies and procedures established by the Board of Directors of the FHLB. As of September 30, 1996, the Bank had $66.9 million borrowed from the FHLB of Dallas to fund operations; however, there can be no assurances that borrowings will not be made in the future.

As a member, the Bank is required to purchase and maintain stock in the FHLB of Dallas in an amount equal to at least 1% of its aggregate unpaid residential mortgage loans, home purchase contracts, or similar obligations at the beginning of each year. As of September 30, 1996, the Bank had $3.7 million in FHLB stock, which was in compliance with this requirement.

The FHLBs are required to provide funds for the resolution of troubled savings associations and to contribute to affordable housing programs through direct loans or interest subsidies on advances targeted for community investment and low- and moderate-income housing projects. These contributions have adversely affected the level of FHLB dividends paid and could continue to do so in the future. For the fiscal year ended September 30, 1996, dividends paid by the FHLB of Dallas to the Bank totalled $178,310.

Federal Reserve System. The Federal Reserve Board requires all depository institutions to maintain non-interest bearing reserves at specified levels against their transaction accounts (primarily checking, NOW and Super NOW checking accounts) and non-personal time deposits. The balances maintained to meet the reserve requirements imposed by the Federal Reserve Board may be used to satisfy the liquidity requirements that are imposed by the OTS. At September 30, 1996, the Bank's total transaction accounts were in compliance with the Federal Reserve Board requirements.

Savings associations have authority to borrow from the Federal Reserve Bank "discount window," but Federal Reserve policy generally requires savings associations to exhaust all OTS sources before borrowing from the Federal Reserve System. The Bank had no such borrowings at September 30, 1996.

Recapture of Post-1987 Bad-Debt Reserves. Prior to the enactment of the Small Business Jobs Protection Act (the "Small Business Act"), which was signed into law on August 21, 1996, certain thrift institutions such as the Bank were allowed income tax deductions for bad debts under methods more favorable than those granted to other taxpayers. The Small Business Act repealed the Code Section 593 reserve method of accounting for bad debts by thrift institutions, effective for tax years beginning after 1995. Thrift institutions that are treated as small banks are allowed to utilize the experience method applicable to such institutions, while thrift institutions that are treated as large banks (banks with assets of more than $500 million) are required to use only the specific charge off method.

The amount of a thrift institution's applicable excess reserves will be included in taxable income ratably over a six taxable year period, beginning with the first taxable year beginning after 1995. However, because the Company meets certain residential loan requirements it will defer the beginning of such six year period for two years.

For the Bank, a small bank, the amount of the institution's applicable excess reserves generally is the excess of (i) the balances of its reserve for losses on qualifying real property loans and its reserve for losses on nonqualifying loans as of the close of its last taxable year beginning before January 1, 1996, over (ii) the greater of the balance of (a) its pre-1988 reserves or (b) what the Bank's reserves would have been at the close of its last tax year beginning before January 1, 1996, had the Bank always used the experience method. At September 30, 1996, the Bank's applicable excesss reserves were approximately $2.8 million. Since the percentage of taxable income method for tax bad debt deduction and the corresponding increase in the tax bad debt reserve in excess of the base year have been recorded as temporary differences pursuant to SFAS No. 109, this change in the tax law will not have a material effect on the Company's financial statements.

Federal Taxation

The Bank files its tax return on a September 30 year basis. Savings associations are subject to the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), in the same general manner as other corporations. However, for tax years beginning before 1996, savings associations such as the Bank, which met certain definitional tests and other conditions prescribed by the Code benefitted from certain favorable provisions regarding their deductions from taxable income for annual additions to their bad debt reserve. For purposes of the bad debt reserve deduction, loans are separated into "qualifying real property loans," which generally are loans secured by interests in real property, and nonqualifying loans, which are all other loans. The bad debt reserve deduction with respect to nonqualifying loans must be based on actual loss experience. The amount of the bad debt reserve deduction with respect to qualifying real property loans may be based upon actual loss experience (the "experience method") or a percentage of taxable income determined without regard to such actual experience (the "percentage of taxable income method"). The Bank will review the most favorable way

to calculate the deduction attributable to an addition to its bad debt reserve on an annual basis. See Note 10 of Notes to Consolidated Financial Statements.

Under the experience method, the bad debt deduction may be based on the greater of (i) a six-year moving average of actual losses on qualifying and non-qualifying loans, or (ii) the amount required in order for the current year's ending bad debt reserve to equal the institution's base year reserve amount. The base year amount is equal to the tax bad debt reserve determined as of December 31, 1987. Subsequently, the Bank switched its tax year from a calendar year to a fiscal year ending September 30.

The percentage of specially computed taxable income that is used to compute a savings association's bad debt reserve deduction under the percentage of taxable income method (the "percentage bad debt deduction") is 8%. The percentage of bad debt deduction thus computed is reduced by the amount permitted as a deduction for non-qualifying loans under the experience method. The availability of the percentage of taxable income method permits qualifying savings associations to be taxed at a lower effective federal income tax rate than that applicable to corporations generally (approximately 31.3% assuming the maximum percentage bad debt deduction).

If an association's qualifying assets (generally, loans secured by residential real estate or deposits, educational loans, cash, and certain government obligations) constitute less than 60% of its total assets, the association may not deduct any addition to a bad debt reserve and generally must include existing reserves in income over a four year period. As of September 30, 1996, at least 60% of the Bank's assets were qualifying assets as defined in the Code. No assurance can be given that the Bank will meet the 60% test for subsequent taxable years.

Earnings appropriated to the Bank's bad debt reserve and claimed as a tax deduction will not be available for the payment of cash dividends or for distribution to shareholders (including distributions made on dissolution or liquidation), unless the Bank includes the amount in income, along with the amount deemed necessary to pay the resulting federal income tax. As of September 30, 1996, the Bank had approximately $4.2 million of accumulated earnings for which federal income taxes have not been provided. If such amount is used for any purpose other than bad debt losses, including a dividend distribution or a distribution in liquidation, it will be subject to federal income tax at the then current rate.

As discussed in more detail in "Regulation of the Bank - Recapture of Post-1987 Bad-Debt Reserves," the Small Business Act modified the method used by the Bank in calculating its annual addition to the bad debt reserve for tax years beginning after 1995.

The Company files a separate U.S. corporate income tax return on a calendar year basis.

State Taxation

The Louisiana Corporation Income Tax Act provides for an exemption from the Louisiana Corporation Income Tax for mutual savings banks and for banking corporations, which includes stock associations (e.g., the Bank). However, this exemption does not extend to non-banking entities such as the Company. The non-banking subsidiaries of the Bank (as well as the Company) are subject to the Louisiana Corporate Income Tax based on their Louisiana taxable income, as well as franchise taxes. The Louisiana Corporation Income Tax applies at graduated rates from 4% upon the first $25,000 of Louisiana taxable income to 8% on all Louisiana taxable income in excess of $200,000. For these purposes, "Louisiana taxable income" means net income which is earned within or derived from sources within the State of Louisiana, after adjustments permitted under Louisiana law including a federal income tax deduction and an allowance for net operating losses, if any. Beginning January 1, 1996, the Company became subject to the Louisiana Shares Tax and the Louisiana Franchise Tax. The Louisiana

Shares Tax is imposed on the assessed value of the Bank's stock. The formula for deriving the assessed value is to calculate 15% of the sum of (i) 20% of a corporation's capitalized earnings, plus (ii) 80% of a corporation's taxable stockholders' equity, and to subtract from that amount 50% of a corporation's real and personal property assessment. Other various items may also be subtracted in calculating a corporation's capitalized earnings. The Louisiana Shares Tax and the Louisiana Franchise Tax increased expense by approximately $300,000 (net of taxes) for the nine months ended September 30, 1996 which is approximately $400,000 (net of taxes) on an annualized basis.

Item 2. Description of Properties

Properties

The Bank operates from its main office located at 211 Willow Street, Franklin, Louisiana and eight branch offices. The Bank's total investment in office property and equipment is $7.4 million with a net book value of $4.5 million at September 30, 1996. The Bank currently operates automated teller machines at most of its branch offices.

Item 3. Legal Proceedings

Neither the Company nor its subsidiaries are involved in any pending legal proceedings, other than routine legal matters occurring in the ordinary course of business, which in the aggregate involve amounts which are believed by management to be immaterial to the consolidated financial condition or results of operations of the Company.

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

None.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters

Information relating to the market for Registrant's common equity and related stockholder matters appears under "Market and Dividend Information" in the Registrant's Annual Report to Stockholders for the fiscal year ended September 30, 1996 ("Annual Report") on page 3, and is incorporated herein by reference.

Item 6. Selected Financial Data

The above-captioned information appears under "Selected Financial and Other Data" in the Annual Report on page 2, and is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operations

The above-captioned information appears under Management's Discussion and Analysis of Financial Condition and Results of Operations in the Annual Report on pages 4 through 9 and is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

The Consolidated Financial Statements of Teche Holding and its subsidiaries, together with the report thereon by Deloitte & Touche, LLP appears in the Annual Report on pages 11 through 31 and are incorporated herein by reference.

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information contained under the section captioned "Information with Respect to Nominees for Director, Directors Continuing in Office and Executive Officers" at pages 3 to 8 of the Registrant's definitive proxy statement for the Registrant's Annual Meeting of Stockholders to be held on January 22, 1997 (the "Proxy Statement"), which was filed with the Commission on December 23, 1996 and incorporated herein by reference. See also "Item 1. Business of the Bank -- Personnel" included herein.

Item 11. Executive Compensation

The information relating to executive compensation is incorporated herein by reference to the Registrant's Proxy Statement at pages 8 through 12.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information relating to security ownership of certain beneficial owners and management is incorporated herein by reference to the Registrant's Proxy Statement at pages 1 through 3.

Item 13. Certain Relationships and Related Transactions

The information relating to certain relationships and related transactions is incorporated herein by reference to the Registrant's Proxy Statement at pages 13 and 14.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) The following documents are filed as a part of this report:

(1) Financial Statements of the Company are incorporated by reference to the following indicated pages of the Annual Report.

The remaining information appearing in the Annual Report is not deemed to be filed as part of this report, except as expressly provided herein.

(2) All schedules are omitted because they are not required or applicable, or the required information is shown in the consolidated financial statements or the notes thereto.

(3) Exhibits

(a) The following exhibits are filed as part of this report.

3.1	Articles of Incorporation of Teche Holding Company*
3.2	Bylaws of Teche Holding Company*
4.0	Stock Certificate of Teche Holding Company*
10.1	Form of Teche Federal Savings Bank Management Stock Plan**
10.2	Form of Teche Holding Company 1995 Stock Option Plan**
11.0	Statement regarding computation of earnings per share (see Note 1 to the Notes to Consolidated Financial Statements in the Annual Report)
13.0	Annual Report to Stockholders for the fiscal year ended September 30, 1996
21.0	Subsidiary of the Registrant (see "Item 1 Business - Subsidiary Activity" herein)
23.0	Consent of Accountants
27.0	Financial Data Schedule***

(b) Reports on Form 8-K.

None

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* Incorporated herein by reference into this document from the Exhibits to Form S-1, Registration Statement, initially filed with the Commission on December 16, 1994, Registration No. 33- 87486.

** Incorporated herein by reference into this document from the Exhibits to the Registrant's Form 10-K for the fiscal year ended September 30, 1995, filed with the Commission.

*** Only in electronic filing.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

TECHE HOLDING COMPANY

Dated: December 30, 1996

By: /s/Patrick O. Little

Patrick O. Little
President, Chief Executive
Officer and Director
(Duly Authorized Representative)

Pursuant to the requirement of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

<S>	<C>	<C>	<C>
By:	/s/Patrick O. Little Patrick O. Little President, Chief Executive Officer and Director (Principal Executive Officer)	By:	/s/J.L. Chauvin J. L. Chauvin Vice President and Treasurer (Principal Financial Officer)
Date:	December 30, 1996	Date:	December 30, 1996
By:	___________________________ W. Ross Little Chairman of the Board and Secretary	By:	/s/Robert Earl Mouton Robert Earl Mouton Director
Date:	December __, 1996	Date:	December 30, 1996
By:	/s/Mary Coon Biggs Mary Coon Biggs	By:	_______________________ Christian L. Olivier

	Director		Director
Date:	December 30, 1996	Date:	December __, 1996
By:	____________________________ Virginia Kyle Hine Director	By:	/s/H. Ross Little, Jr. H. Ross Little, Jr. Director
Date:	December __, 1996	Date:	December 30, 1996
By:	/s/Henry L. Friedman Henry L. Friedman Director	By:	/s/Thomas F. Kramer, M.D. Thomas F. Kramer, M.D. Director
Date:	December 30, 1996	Date:	December 30, 1996

</TABLE>

EXHIBIT 13

1996

ANNUAL

REPORT

TECHE HOLDING COMPANY
FRANKLIN, LOUISIANA

Teche Holding Company
211 Willow Street
Franklin, LA 70538

Teche Federal Savings Bank
211 Willow Street
Franklin, LA 70538
Telephone: (318) 828-3212
LA WATS (800) 256-1500
FAX (318) 828-0110

Morgan City
1001 7th St.
Morgan City, LA 70380
(504) 384-0653

Bayou Vista
1003 Southeast Boulevard
Bayou Vista, LA 70380
(504) 395-5244

New Iberia
529 N. Lewis
New Iberia, LA 70560
(318) 367-2516

New Iberia
142 W. St. Peter St.
New Iberia, LA 70560
(318) 364-5145

Layayette
1001 Johnston
Lafayette, LA 70501
(318) 232-6463

Lafayette
2306 W. Pinhook
Lafayette, LA 70508
(318) 232-3419

Breaux Bridge
601 E. Bridge St.
Breaux Bridge, LA 70517
(318) 332-2149

Houma
706 Barrow
Houma, LA 70360
(504) 868-8766

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[LOGO]

President's Message

On behalf of our dedicated and hardworking staff, we are pleased to present our second annual report to our shareholders.

This report covers the first full year of operations since the successful completion of the conversion of Teche Federal Savings Bank from a federally chartered mutual savings association to a federally chartered stock savings bank on April 17, 1995 and the acquisition of all of the issued and outstanding capital stock of the Bank by Teche Holding Company.

On September 30, 1996, legislation was enacted to recapitalize the Savings Association Insurance Fund which requires The Bank to pay a one time special assessment of $1,824,000 ($1.2 million net of income taxes.) Due to the SAIF special assessment the Company reported diminished earnings for fiscal 1996. Net income for the year end would have been $3,725,000 had the special assessment not occurred. In spite of the short term effect on earnings, the one time special assessment should ultimately be beneficial to Teche Holding Company's stockholders and depositors. Beginning January 1, 1997, the Bank's annual deposit insurance costs should be significantly reduced, and the financial integrity of the federal deposit insurance fund should be maintained.

The year proved to be a bittersweet one for Teche Holding Company. While the Company made a record $97 million in loans, we lost our friend and Board member, Dr. Lee J. Sonnier, who died suddenly on October 10, 1996. We will all greatly miss his valuable insights and his charming personality.

Your Board of Directors recognizes the challenge of effectively managing capital in a manner designed to both maximize value and provide an optimal return to the shareholders. This year we completed stock repurchases of 691,000 shares of the Company's common stock and we instituted a dividend reinvestment plan. In each of these programs, we purchased shares of the Company's common stock in open market transactions. This, combined with earnings, resulted in an increase in book value per common share to $14.76 at fiscal year end, up from $14.63 a year ago. The $.50 dividend to shareholders offered a consistent cash return for investors.

As part of our continuing effort to increase customer convenience, in October 1995 we opened our second New Iberia full service office at 142 West St. Peter. We now have nine full service locations serving five parishes. We will continue to explore other areas for expansion. In August 1996 we offered 24 hour telephone banking and in November 1996 we offered the ATM Check Card and the response has been overwhelming. Furthermore, Teche Federal now has 17 Automated Teller Machines and is on line with Cirrus, Pulse, and other co-operating networks, allowing our customers to receive cash from over 11,000 locations world-wide.

In 1996, we were again honored to receive the prestigious Five Star Bauer rating, which has been awarded to the Bank for 14 consecutive quarters.

Our goals for the coming year will focus on increased lending, particularly in the residential mortgage and consumer loan area, increased savings and improved efficiency of operations.

As we move further into the 1990's, we remain focused on satisfying the financial needs of our customers and communities, plus growing the earnings of the Company. To accomplish this we will employ the following strategies:

o Continue our tradition as a leader in financing the home lending needs of our communities

o Help local families prepare for the future by offering and exploring competitive products and services

On behalf of the Board of Directors, Officers and Staff of Teche Holding Company and Teche Federal Savings Bank, please allow me to wish you a happy holiday season and a prosperous and fulfilling New Year.

Sincerely,

/s/Patrick Little
Patrick Little

SELECTED FINANCIAL AND OTHER DATA (dollars in thousands)
<TABLE>
<CAPTION>

	At or for the Year Ended September 30,				
	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
Assets	$379,590	$323,852	$284,570	$245,737	$226,893
Loans Receivable, Net	316,216	257,869	233,554	207,384	189,876
Securities-Available for Sale	44,496	5,413	19,866	--	--
Securities-Held to Maturity	--	44,209	16,210	25,942	20,921
Cash and cash equivalents	7,072	6,400	6,604	5,337	7,780
Savings Deposits	254,723	233,805	236,736	212,996	211,407
FHLB Advances	66,900	24,200	23,800	12,200	--

Shareholders' Equity	52,282	61,908	20,963	17,448	12,827
Number of:					
Real Estate Loans Outstanding	6,355	5,762	5,530	5,190	4,927
Deposit Accounts	30,440	25,466	20,435	17,928	17,987
Full Service Offices	9	8	8	7	7
SUMMARY OF OPERATIONS					
Interest Income	$26,591	$ 23,380	$20,770	$19,985	$20,540
Interest Expense	14,003	12,053	9,708	9,171	11,336
Net Interest Income	12,588	11,327	11,062	10,814	9,204
Provision for Loan Losses	300	360	577	183	521
Net Interest Income after provision for Loan Losses	12,288	10,967	10,485	10,63	18,683
Non-Interest Income	1,852	1,029	844	992	830
SAIF Special Assessment	1,824				
Other Non-Interest Expenses	8,616	6,405	5,414	4,812	4,583
Income Before Losses on Sales of Securities and Income Taxes	3,700	5,591	5,915	6,811	4,930
Gain (Loss)on Sale of Securities	91	(819)	--	--	--
Income Tax Expense	1,270	1,635	1,970	2,190	1,600
Net Income					
Actual	$ 2,521	$ 3,137	$ 3,945	$ 4,621	$ 3,330
Before Special Assessment	$ 3,725				

</TABLE>
<TABLE>
<CAPTION>

SELECTED FINANCIAL RATIOS

<S>	<C>	<C>	<C>	<C>	<C>
Ratio of Equity to Assets	13.8%	19.1%	7.4%	7.1%	5.7%
Book Value/Common Share	$ 14.76	$ 14.63	N/A(1)	N/A(1)	N/A(1)
Dividends declared per Share	$ .50	$ 0.25	N/A(1)	N/A(1)	N/A(1)
Earnings per Common Share					
Actual	$ 0.68	$ 0.46	N/A(1)	N/A(1)	N/A(1)
Before SAIF Special Assessment	$ 1.00				
Annualized Return on Average Assets					
Actual	0.72%	1.04%	1.51%	1.96%	1.49%
Before SAIF Special Assessment	1.07%				
Annualized Return on Average Equity					
Actual	4.29%	7.87%	20.19%	31.13%	30.02%
Before SAIF Special Assessment	6.33%				
Net Interest Margin	3.68%	3.84%	4.35%	4.76%	4.28%
Other Non-Interest Expenses/Avg Assets					
Actual	3.00%	2.12%	2.07%	2.04%	2.05%
Before SAIF Special Assessment	2.48%				
Other Non-Interest Income/Avg Assets	0.53%	0.34%	0.32%	0.42%	0.87%
Non-Performing loans/Loans (2)	0.17%	0.26%	.35%	.16%	.50%
Allowance for Loan Losses/Loans (2)	1.00%	1.14%	1.18%	1.05%	1.09%
Dividend Payout Ratio					
Actual	73.52%	54.35%			
Before SAIF Special Assessment	50.00%				

</TABLE>

(1) There were no shares outstanding prior to April 17, 1995
(2) Total loans before allowance for loan losses

Business of the Bank

Teche Federal Savings Bank (the "Bank") attracts savings deposits from the general public and uses such deposits primarily to originate loans secured by first mortgages on owner-occupied, one- to four-family residences in its primary market area. To a lesser extent, the Bank purchases loans and originates residential construction, multi-family and commercial real estate loans and consumer loans, and invests in mortgage-backed and investment securities.

It is the Bank's intention, subject to the Board of Directors' fiduciary duties, to remain an independent community savings bank serving the local banking needs of its primary market area, which presently includes nine full service offices in the Louisiana Parishes of St. Mary, Iberia, Lafayette, St. Martin and Terrebonne. Deposits at Teche Federal are insured up to the maximum legal amount by the FDIC.

Business of the Company

Teche Holding Company (the "Company") is a Louisiana corporation organized in

December 1994 at the direction of the Board of Directors of the Bank to acquire all of the capital stock that the Bank issued upon its conversion from the mutual to stock form of organization (the "Conversion"). On April 17, 1995, the Company completed the sale of 4,232,000 shares of common stock, $.10 par value at $10.00 per share. Net proceeds of the Conversion, after recognizing Conversion expenses and underwriting costs of $1.0 million were $38.0 million. The Company used $20.6 million to purchase all of the capital stock of the savings bank and $3.3 million to fund a loan for the purchase of 332,337 shares of the Company's stock by the Employees Stock Ownership Plan.

During fiscal 1996 the Company completed two stock purchase programs in which the company purchased 413,000 shares at an average price per share of $13.38 per share. On August 7, 1996, the Company received the necessary approvals to repurchase 382,000 shares, or 10% of the Company's Common Stock, of which 278,000 were purchased by September 30, 1996 at an average price of $13.00 per share.

Summary of Quarterly Operating Results
<TABLE>
<CAPTION>

	1996				1995			
	First	Second	Third	Fourth	First	Second	Third	Fourth
	(Amounts in thousands, except for per share data)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net interest Income	2,975	$3,192	$3,198	$3,223	$2,630	$2,582	$3,052	$3,063
Provision for Loan Losses	75	75	75	75	90	90	90	90
Earnings(loss) before Income Taxes	1,388	1,332	1,515	(444)	490	1,253	1,643	1,386
Net Earnings(loss)	910	879	990	(258)	343	827	1,066	901
Net earnings(loss) per share								
Actual	0.23	0.23	0.27	(0.08)	N/A	N/A	.23	.23
Before Special Assessment				0.28				

</TABLE>

Market and Dividend Information

Teche Holding Company's common stock trades on the American Stock Exchange under the symbol "TSH". The following sets forth the high and low sale prices based on reports from the American Stock Exchange, for the common stock from April 19, 1995 (the date the common stock began trading) through September 30, 1996:
<TABLE>
<CAPTION>

Quarter ended	Sales Price High	Low	Period End Close	Date Declared	Cash Dividend Declared
<S>	<C>	<C>	<C>	<C>	<C>
June 30, 1995	$12.250	$11.375	$12.125	June 21, 1995	$0.125
September 30, 1995	$14.000	$11.750	$13.875	September 21, 1995	$0.125
December 31, 1995	$14.625	$13.250	$13.500	December 20, 1995	$0.125
March 31, 1996	$14.250	$13.000	$13.625	February 22, 1996	$0.125
June 30, 1996	$13.625	$12.625	$13.125	May 15, 1996	$0.125
September 30, 1996	$13.625	$12.000	$13.500	August 28, 1996	$0.125

</TABLE>

According to the records of the Company's transfer agent, there were 731 registered stockholders of record at November 25, 1996. This number does not include any persons or entities who hold their stock in nominee or "street" name through various brokerage firms.

The Company's ability to pay dividends is substantially dependent upon the dividends it receives from the Bank. Under current regulations, the Bank is not permitted to pay dividends if its regulatory capital would thereby be reduced below (1) the amount then required for the liquidation account established in connection with the Bank's conversion from mutual to stock form, or (2) the regulatory capital requirements imposed by the Office of Thrift Supervision ("OTS"). Capital distributions are also subject to certain limitations based on the Bank's net income. See Notes 2 and 17 of notes to consolidated financial statements. The Bank's total capital at September 30, 1996, exceeded the amounts of its liquidation account and regulatory capital requirements.

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

General

The Company's consolidated results of operations are primarily dependent on the

Bank's net interest income, or the difference between the interest income earned on its loan, mortgage-backed securities and investment securities portfolios, and the interest expense paid on its savings deposits and other borrowings. Net interest income is affected not only by the difference between the yields earned on interest-earning assets and the costs incurred on interest-bearing liabilities, but also by the relative amounts of such interest-earning assets and interest-bearing liabilities.

Other components of net income include: provisions for losses on loans and other assets; noninterest income (primarily, service charges on deposit accounts and other fees; and gains and losses on investments activities); noninterest expenses (primarily, compensation and employee benefits; deposit insurance premiums; office occupancy expense; marketing expense; professional fees and expenses associated with foreclosed real estate); and income taxes.

Earnings of the Company are significantly affected by economic, competitive, and regulatory conditions, particularly changes in interest rates, and government policies and regulations.

References to the "Bank" herein, unless the context requires otherwise, refer to the Company on a consolidated basis.

Management Strategy

Management's strategy has been to maximize earnings and profitability through steady growth while maintaining asset quality. The Bank's lending strategy has historically focused on the origination of traditional one- to four-family mortgage loans with the primary emphasis on single family residences in the Bank's primary market area. This focus, because home mortgage lending is typically considered to be one of the safer forms of lending, is designed to reduce the risk of loss on the Bank's loan portfolio. However, the relative lack of diversification in its loan portfolio structure does increase the Bank's portfolio concentration and interest rate risk by making the value of the portfolio relatively more susceptible to changing market rates of interest and declines in real estate values in its market area. The Bank supplements its lending operations with the purchase of loans, investments and mortgage-backed securities.

Interest Rate Sensitivity Analysis

Net interest income, the primary component of the Bank's net income, is derived from the difference between the yield on interest-earning assets and the cost of interest-bearing liabilities. The Bank has sought to manage its exposure to changes in interest rates by monitoring the effective maturities or repricing characteristics of its interest-earning assets and interest-bearing liabilities. The matching of the Bank's assets and liabilities may be analyzed by examining the extent to which its assets and liabilities are interest rate sensitive and by monitoring the expected effects of interest rate changes on its net interest income and net portfolio value.

The ability to maximize net interest income is largely dependent upon achieving a positive interest rate spread that can be sustained during fluctuations in prevailing interest rates. The Bank is exposed to interest rate risk as a result of the difference in the maturity of interest-bearing liabilities and interest-earning assets and the volatility of interest rates. Since most deposit accounts react more quickly to market interest rate movements than do traditional mortgage loans because of their shorter terms to maturity, increases in interest rates may have an adverse effect on the Bank's earnings. Conversely, this same mismatch will generally benefit the Bank's earnings during periods of declining or stable interest rates.

Teche Federal attempts to manage its interest rate exposure by shortening the maturities of its interest-earning assets by emphasizing adjustable rate mortgages ("ARMs"), originating shorter term loans such as residential construction and consumer loans and the investment of excess liquidity in purchased loans, adjustable rate mortgage-backed securities and other securities with relatively short terms to maturity. Furthermore, Teche Federal works to manage the interest rates it pays on deposits while maintaining a stable deposit base and providing quality services to its customers. In recent years, the Bank has increased its short-term borrowings while continuing to rely primarily upon deposits as its source of funds. As of September 30, 1996 approximately $185.0 million of the Bank's gross loan portfolio consisted of fixed rate loans and approximately $146.0 million had adjustable rates. Many of Teche Federal's ARM loans have initial fixed terms of 3-10 years with annual adjustments after the expiration of the initial period. At September 30, 1996, the weighted average term to repricing of Teche Federal's ARM loan and mortgage-backed securities portfolio was approximately 30 months. In contrast, $101.5 million of the Bank's certificate accounts and $59.3 million of the Bank's regular deposit accounts (e.g. NOW, money market, savings) out of $254.7 million of total deposits mature or reprice within one year or less. Based on past experience, however, management believes that much of the Bank's deposits will remain at the Bank. Furthermore, the Bank has approximately $66.9 million in short-term borrowings and $26.5 million in adjustable rate mortgage-backed securities and $8.6 million in short-term investment securities.

Management believes that it has adequate capital to accept a certain degree of interest rate risk. In accepting some interest rate risk, the Bank was able to increase its net interest income in the low interest rate environment that existed during earlier years. Should interest rates rise, management believes the Bank's capital position will enable it to withstand such a negative impact on earnings while the Bank adds higher yielding assets.

Analysis of Net Interest Income

Rate/Volume Analysis. The table below sets forth certain information regarding changes in interest income and interest expense of the Bank for the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in volume (changes in average volume multiplied by old rate); (ii) changes in rates (changes in rate multiplied by old average volume); and (iii) the net change. The changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

<TABLE>
<CAPTION>

	Year Ended September 30, 1996 vs 1995			Year Ended September 30, 1995 vs 1994		
	Increase (Decrease) Due to Volume	Rate	Net	Increase (Decrease) Due to Volume	Rate	Net
	(Dollars in Thousands)					
Interest-earning assets:						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Securities(1)	$ 519	$ 75	$ 594	$ 931	$ 1	$ 932
Loans receivable, net	3,089	(474)	2,615	2,150	(562)	1,588
Other interest-earning assets(2)	21	(19)	2	(2)	92	90
Total Interest Earning Assets	3,629	(418)	3,211	3,079	(469)	2,610
Interest-bearing liabilities						
Deposits	(57)	751	694	880	1,040	1,920
FHLB advances	1,303	(47)	1,256	37	388	425
Total interest-bearing liabilities	1,246	704	1,950	917	1,428	2,345
Net change in net interest in come	$2,383	$(1,122)	$1,261	$2,162	$(1,897)	$ 265

</TABLE>

(1) Includes investment and mortgage-backed securities held to maturity and available for sale
(2) Includes certificates of deposit and other interest-bearing accounts.

Average Balance Sheet. The following table sets forth certain information relating to the Company's average balance sheet and reflects the average yield on assets and average cost of liabilities for the periods indicated. Such yields and costs are derived by dividing income or expenses by the average balance of assets or liabilities, respectively, for the periods presented. Average balances are derived from month-end balances. Management does not believe that the use of month-end balances instead of daily average balances has caused any material differences in the information presented.

<TABLE>
<CAPTION>

	Year Ended September 30, 1996			1995			1994		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
	(Dollars in Thousands)								
Assets									
Interest Earning Assets									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Securities, Net (1)	$53,072	$3,743	7.05%	$45,702	$3,149	6.89%	$30,822	$2,217	7.19%
Loans receivable (3)(6)	283,962	22,702	7.99	245,567	20,087	8.18	219,393	18,499	8.43
Other Interest-earning assets (2)	4,724	146	3.09	4,072	144	3.54	4,213	54	1.28
Total interest-earning assets	341,758	$26,591	7.78%	295,341	$23,380	7.92%	254,428	$20,770	8.16%
Non-interest earning assets	6,543			7,385			6,830		
Total assets	$348,301			$302,726			$261,258		

Liabilities and Equity									
Interest-bearing Liabilities									
NOW accounts	$20,347	$320	1.57%	$19,235	$202	1.05%	$10,096	$148	1.47%
Statement & regular savings account	25,815	708	2.74	32,901	900	2.74	36,771	1,046	2.84
Money funds accounts	10,615	391	3.68	12,847	479	3.73	15,963	491	3.08
Certificates of Deposit	182,518	10,240	5.61	175,571	9,384	5.34	157,276	7,360	4.68
Total Deposits	239,295	11,659	4.87	240,554	10,965	4.56	220,106	9,045	4.11
FHLB advances	42,405	2,344	5.53	18,842	1,088	5.77	17,900	663	3.70
Total interest-bearing liabilities	281,700	$14,003	4.97	259,396	$12,053	4.65	238,006	$9,708	4.08
Non-interest-bearing liabilities	7,801			3,493			3,715		
Total liabilities	289,501			262,889			241,721		
Equity	58,800			39,837			19,537		
Total liabilities and Equity	$348,301			$302,726			$261,258		
Net interest income/interest rate spread (4)		$12,588	2.81%		$11,327	3.27%		$11,062	4.08%
Net interest margin (5)			3.68%			3.84%			4.35%
Interest-earning assets/ Interest bearing liabilities			121.32%			113.86%			106.90%

</TABLE>

(1) Includes securities held to maturity and securities availa ble for sale and unamortized discounts and premiums and FHLB stock
(2) Amount includes certificates of deposit and other interest-bearing deposits
(3) Amount is net of deferred loan fees, loan discounts and premiums, loans-in-process and includes non-accruing loans.
(4) Interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest bearing liabilities.
(5) Net interest margin represents net interest income divided by average interest-earning assets.
(6) Interest income includes loan fees of approximately $87,000 in 1996, $180,000 in 1995, and $295,000 in 1994.

Changes in Financial Condition From September 30, 1995 to September 30, 1996

General. Total assets increased $55.7 million, or 17.2% to $379.6 million at September 30, 1996 from $323.9 million at September 30, 1995, reflecting increases in loans, deposits, and advances.

Investment Securities. Investment securities, including those available for sale decreased $5.1 million in fiscal 1996 as compared to fiscal 1995. The decrease was primarily due to maturities during the year and management's decision to invest the proceeds in its loan portfolio. Furthermore, in fiscal 1996, securities available for sale increased $39.1 million while securities held to maturity decreased $44.2 million. These changes were primarily due to a reclassification of securities in accordance with changes in accounting policies. See Note 4 of Notes to the Consolidated Financial Statements.

Mortgage-backed Securities. The Bank's investment in mortgage-backed securities, including those available for sale, increased $4.0 million $28.1 million at September 30, 1995 to $32.1 million at September 30, 1996, due to purchases of $12.1 million offset somewhat by repayments of $8.4 million.

Loans Receivable, Net. The Bank's net loans receivable increased $58.3 million or 22.6% to $316.2 million from $257.9 million at September 30, 1995 due primarily to originations of $97.3 million in fiscal 1996 caused by increased demand for mortgage loans in Teche Federal's primary market.

Deposits. The Bank's deposits, after interest credited, increased $20.9 million or 8.9%, to $254.7 million at September 30, 1996 from $233.8 million at September 30, 1995 primarily due to increases in certificates and checking account balances offset somewhat by decreases in savings and money market account balances.

Advances From FHLB. Advances from the Federal Home Loan Bank of Dallas increased $42.7 million to $66.9 from $24.2 million at September 30, 1995, in order to fund loan demand.

Stockholders' Equity. Stockholders' equity decreased $9.6 million, from $61.9 million at September 30, 1995 to $52.3 million at September 30, 1996, due primarily to stock repurchases of approximately 691,000 shares of the Company's Common Stock.

Comparison of Operating Results for Years Ended September 30, 1994, 1995 and 1996

Analysis of Net Income

General. The Bank reported net income of $2.5 million, $3.1 million and $3.9 million for fiscal 1996, 1995 and 1994, respectively. The $616,000 or 19.6% decrease in fiscal 1996 was primarily due to the one time special assessment of $1.8 million ($1.2 million net of income taxes) as a result of legislation enacted on September 30,1996 to recapitalize the Savings Association Insurance Fund ("SAIF"). The decrease of $808,000 or 20.5% during fiscal 1995 compared to fiscal 1994 was caused primarily by the loss on the sale of securities of $819,000 in December 1994.

Interest Income. Interest income amounted to $26.6 million, $23.4 million and $20.8 million for the years ended 1996, 1995 and 1994, respectively. The $3.2 million or 13.7% increase in fiscal 1996 was primarily due to increased loans. The $2.6 million, or 12.6% increase in 1995 as compared to 1994 was primarily due to a $40.9 million increase in the average balance of interest earning assets primarily caused by the receipt of net proceeds from common stock in the Conversion despite a 24 basis point decrease in the average yield due to the net proceeds being initially invested in short term, lower yielding investments.

Interest Expense. Interest expense totalled $14.0 million, $12.1 million and $9.7 million for the years ended September 1996, 1995 and 1994, respectively. Interest expense increased $2 million or 16.2% in fiscal 1996 due primarily to increased balances and rates paid on deposits coupled with a significant increase in the average balance of advances. Interest expense increased $2.3 million or 24.2% in fiscal 1995 primarily due to an increase in market rates of interest and a $20.4 million increase in the average balance of deposits, particularly higher costing certificate accounts.

Net Interest Income. Net interest income amounted to $12.6 million, $11.3 million and $11.1 million for the years ended September 30, 1996, 1995 and 1994, respectively. The increase of $1.3 million or 11.1% in fiscal 1996 was primarily due to increased loan balances during the year. The increase of $265,000, or 2.4%, from fiscal 1994 to fiscal 1995 was primarily due to the increase in interest income compared to the lesser increase in interest expense. The increase in interest income was attributable to an increase in interest-earning assets resulting primarily from the increase in loans and the investment of the net proceeds of $38.0 million from the Company's stock offering in fiscal 1995, along with advances from the Federal Home Loan Bank.

Provision for Loan Losses. The Bank provided $300,000, $360,000, and $577,000 for the years ended September 30, 1996, 1995 and 1994, respectively. The allowance for loan losses was $2,966,000 at 1995 fiscal year end and $3,182,000 at 1996 fiscal year end. The decrease in the provision for loan losses in both fiscal 1996 and fiscal 1995 resulted from management's evaluation of the adequacy of the allowance for loan losses.

While the Bank maintains its allowance for losses at a level which it considers to be adequate to provide for potential losses, there can be no assurance that further additions will not be made to the loss allowances and that such losses will not exceed the estimated amounts. See Note 1 of Notes to Consolidated Financial Statements.

Non-Interest Income. Non-interest income during the years ended September 30, 1996, 1995 and 1994 amounted to $1.85 million, $1.03 million and $844,000. The increase in fiscal 1996 was due to, increased fee income and the sale of an unused branch site. The increase in fiscal 1995 was primarily due to new products offered by the Bank.

Non-Interest Expense. Absent the one-time SAIF special assessment in fiscal 1996, non-interest expense increased steadily over the three periods, totalling $8.6 million, $6.4 million, $5.4 million, during the years ended September 30, 1996, 1995 and 1994. The increases in both fiscal 1996 and 1995 were due to continued expansion of office facilities, increased marketing expenses, increased investment in new technology and increased costs due to being a public company and higher compensation expense, including the cost of stock benefit plans adopted in connection which the Bank's mutual to stock conversion and company growth. It is expected that the ESOP will be expensed over 10 years. The principal component of non-interest expense, compensation and employee benefits, remained relatively stable between fiscal 1994 and 1993. Other operating expenses increased from $1.1 million to $1.4 million for the years ended September 30, 1995 and 1996, respectively.

The Bank's deposits are insured up to the legal maximum by the SAIF as administered by the FDIC. In the past, SAIF members have paid an annual insurance premium of between .23% and .31% of total deposits held. On the other hand, a vast majority of the members of the Bank Insurance Fund ("BIF"), primarily commercial banks, paid insurance premiums at or near the legal minimum of $2,000 per year. Recently passed legislation required the FDIC to impose a one-time assessment on all members of the SAIF in order to recapitalize the SAIF to its federally mandated level of 1.25%. The assessment equalled approximately .65% of an institution's domestic deposits as of March 31, 1995 and was approximately $1.2 million net of taxes for the Bank. It is anticipated that future SAIF premiums will be lowered, which will reduce somewhat the competitive advantage commercial banks have had regarding deposit insurance premiums.

Gain on Sale of Securities. In the year ended September 30, 1996, gain on the sale of securities amounted to $91,000. In fiscal 1995, the Bank sold $14.7 million of securities available for sale as part of management's effort to restructure its balance sheet to help control the Bank's interest rate risk, which sale resulted in a loss of $819,000.

Income Tax Expense. For the years ended September 30, 1996, 1995 and 1994, the Bank incurred income tax expense of $1.3 million, $1.6 million, and $2.0 million, respectively. The varying amounts were caused primarily by the varied pre-tax income of the Bank.

Liquidity and Capital Resources

The Bank is required to maintain minimum levels of "liquid assets," as defined by the OTS regulations. This requirement, which may be varied from time to time depending upon economic conditions and deposit flows, is based upon a percentage of deposits and short-term borrowings. The required minimum ratio is currently 5 percent. The Bank's average liquidity ratio was approximately 6 percent during the month of September 1996. The Bank manages its average liquidity ratio to meet its funding needs, including: deposit outflows; disbursement of payments collected from borrowers for taxes and insurance; repayment of Federal Home Loan Bank advances and other borrowings; and loan principal disbursements. The Bank also monitors its liquidity position in accordance with its asset/liability management objectives.

In addition to funds provided from operations, the Bank's primary sources of funds are: savings deposits; principal repayments on loans and mortgage-backed securities; and matured or called investment securities. The Bank also borrows funds from time to time from the Federal Home Loan Bank of Dallas (the "FHLB").

Scheduled loan repayments and maturing investment securities are a relatively predictable source of funds. However, saving deposit flows and prepayments on loans and mortgage-backed securities are significantly influenced by changes in market interest rates, economic conditions and competition. The Bank strives to manage the pricing of its deposits to maintain a balanced stream of cash flows commensurate with its loan commitments and other predictable funding needs.

The Bank usually maintains a portion of its cash on hand in interest-bearing demand deposits with the FHLB to meet immediate loan commitment and savings withdrawal funding requirements. When applicable, cash in excess of immediate funding needs is invested into longer-term investment and mortgage-backed securities, some of which may also qualify as liquid investments under current OTS regulations.

The Bank has other sources of liquidity if a need for additional funds arises, such as FHLB of Dallas advances and the ability to borrow against mortgage-backed and other securities. On September 30, 1996, the Bank had total FHLB borrowings of $66.9 million, or 17.6% of the Bank's assets.

Management believes the Bank has sufficient resources available to meet its foreseeable funding requirements. At September 30, 1996, the Bank had outstanding loan commitments of $18.7 million, and certificates of deposit scheduled to mature within one year of $101.5 million, substantially all of which management expects, based on past experience, will remain with the Bank.

Regulations of the OTS require the Bank to meet or exceed three separate standards of capital adequacy. These regulations require savings institutions to have minimum tangible capital equal to 1.50 percent of total adjusted assets; minimum core capital equal to 3.00 percent of total adjusted assets; and risk-based capital equal to 8.00 percent of total risk-weighted assets. At September 30, 1996, Teche Federal exceeded all regulatory capital requirements. See Note 17 of Notes to Consolidated Financial Statements.

Impact of Inflation and Changing Prices

The consolidated financial statements of the Company and notes thereto, presented elsewhere herein, have been prepared in accordance with Generally Accepted Accounting Principles, 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 and due to inflation. The impact of inflation is reflected in the increased cost of the Bank's operations. Unlike most industrial companies, nearly all the assets and liabilities of the Bank are financial. As a result, interest rates have a greater impact on the Bank'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.

Deloite &
Touche LLP

[LOGO]

Suite 3700
One Shell Square
701 Polydras Street
New Orleans, Louisiana 70139-3700

Telephone:(504)581-2727
Facsimile:(504)561-7293

INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders
Teche Holding Company
Franklin, Louisiana

We have audited the accompanying consolidated balance sheets of Teche Holding Company and subsidiary as of September 30, 1996 and 1995, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended September 30, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Teche Holding Company and subsidiary as of September 30, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1996 in conformity with generally accepted accounting principles.

/s/Deloitte & Touche LLP
DELOITTE & TOUCHE LLP

New Orleans, Louisiana
October 31, 1996

TECHE HOLDING COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 1996 AND 1995
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNT)

<TABLE>
<CAPTION>

ASSETS	1996	1995
Cash and cash equivalents	$ 7,072	$ 6,400
Certificates of deposit	914	590
Securities available-for-sale, at estimated market value (amortized cost of $43,960 in 1996 and $5,310 in 1995)	44,496	5,413
Securities held-to-maturity (estimated market value of $45,312 in 1995)	--	44,209
Loans receivable, net of allowance for loan losses of		

$3,182 in 1996 and $2,966 in 1995	316,216	257,869
Accrued interest receivable	1,868	1,752
Investment in Federal Home Loan Bank stock, at cost	3,703	2,671
Real estate owned, net	46	253
Prepaid expenses and other assets	783	560
Premises and equipment, at cost less accumulated depreciation	4,492	4,135
TOTAL ASSETS	$ 379,590	$ 323,852
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	$ 254,723	$ 233,805
Advances from Federal Home Loan Bank	66,900	24,200
Advance payments by borrowers for taxes and insurance	1,923	1,935
Accrued interest payable	283	327
Accounts payable and other liabilities	1,595	736
SAIF special assessment	1,824	--
Deferred income taxes	60	454
Dividends payable	--	487
Total liabilities	327,308	261,944
COMMITMENTS AND CONTINGENCIES	--	--
STOCKHOLDERS' EQUITY:		
Common stock, $.01 par value, 10,000,000 shares authorized; 4,232,000 shares issued	42	42
Preferred stock, 5,000,000 shares authorized, none issued	--	--
Additional paid-in capital	41,436	41,324
Retained earnings	24,250	23,555
Unearned ESOP shares	(2,751)	(3,083)
Unearned Compensation (MSP)	(1,900)	--
Treasury stock - 691,000 shares, at cost	(9,149)	--
Unrealized gain on securities available-for-sale, net of deferred income taxes	354	70
Total stockholders' equity	52,282	61,908
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 379,590	$ 323,852

</TABLE>

See notes to consolidated financial statements.

TECHE HOLDING COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED SEPTEMBER 30, 1996, 1995 AND 1994
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

	1996	1995	1994
INTEREST INCOME:			
<S>	<C>	<C>	<C>
Interest and fees on loans	$ 22,702	$ 20,087	$ 18,499
Interest and dividends on investment securities	1,699	1,814	1,746
Interest on mortgage backed securities	2,044	1,335	471
Other interest income	146	144	54
	26,591	23,380	20,770
INTEREST EXPENSE:			
Deposits	11,659	10,965	9,045
Advances from Federal Home Loan Bank	2,344	1,088	663
	14,003	12,053	9,708
NET INTEREST INCOME	12,588	11,327	11,062
PROVISION FOR LOAN LOSSES	300	360	577
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	12,288	10,967	10,485
NON-INTEREST INCOME:			

Service charges	1,477	895	535
Gain on sale of real estate owned	19	37	158
Other income	356	97	151
Total non-interest income	1,852	1,029	844
GAIN (LOSS) ON SALE OF SECURITIES	91	(819)	--
NON-INTEREST EXPENSE:			
Compensation and employee benefits	4,272	3,261	2,501
Occupancy, equipment and data processing expense	1,477	1,141	978
Marketing	580	403	344
SAIF deposit insurance premiums	543	532	494
SAIF special assessment	1,824	--	--
Louisiana shares tax	387	--	--
Other operating expenses	1,357	1,068	1,097
Total non-interest expense	10,440	6,405	5,414
INCOME BEFORE INCOME TAXES	3,791	4,772	5,915
INCOME TAXES	1,270	1,635	1,970
NET INCOME	$ 2,521	$ 3,137	$ 3,945
EARNINGS PER COMMON SHARE SINCE CONVERSION	$ .68	$ .46	N/A
AVERAGE COMMON SHARES OUTSTANDING SINCE CONVERSION	3,730,000	3,910,000	N/A

</TABLE>

See notes to consolidated financial statements.

TECHE HOLDING COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED SEPTEMBER 30, 1996, 1995 AND 1994 (DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

<S>	Common Stock <C>	Additional Paid-In Capital <C>	Retained Earnings <C>
BALANCE, October 1, 1993	$ -	$ -	$ 17,448
Net income			3,945
Unrealized loss on securities available-for-sale, net			
BALANCE, September 30, 1994			21,393
Issuance of common stock	42	41,258	
Contribution to ESOP		66	
Dividends declared - $.25 per share			(975)
Net income			3,137
Unrealized gain on securities available-for-sale, net			
BALANCE, September 30, 1995	42	41,324	23,555
Contribution to ESOP		112	
Purchase of stock for Management Stock Plan ("MSP")			
Amortization of MSP			
Purchase of common stock for treasury			
Dividends declared - $.50 per share			(1,826)

Net income			2,521
Unrealized gain on securities available-for-sale, net			
BALANCE, September 30, 1996	$ 42	$ 41,436	$ 24,250

</TABLE>

<TABLE>
<CAPTION>

<S>	Unearned ESOP hares <C>	Unearned Compensation (MSP) <C>	Treasury Stock <C>	Unrealized Gain (Loss) on Securities Available-for-Sale, net <C>	Total <C>
BALANCE, October 1, 1993	$ -	$ -	$ -	$ -	17,448
Net income					3,945
Unrealized loss on securities available-for-sale, net				(430)	(430)
BALANCE, September 30, 1994				(430)	20,963
Issuance of common stock	(3,323)				37,977
Contribution to ESOP	240				306
Dividends declared - $.25 per share					(975)
Net income					3,137
Unrealized gain on securities available-for-sale, net				500	500
BALANCE, September 30, 1995	(3,083)			70	61,908
Contribution to ESOP	332				444
Purchase of stock for Management Stock Plan ("MSP")		(2,320)			(2,320)
Amortization of MSP		420			420
Purchase of common stock for treasury			(9,149)		(9,149)
Dividends declared - $.50 per share					(1,826)
Net income					2,521
Unrealized gain on securities available-for-sale, net				284	284
BALANCE, September 30, 1996	$ (2,751)	$ (1,900)	$ (9,149)	$ 354	$ 52,282

</TABLE>

See notes to consolidated financial statements.

TECHE HOLDING COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 1996, 1995 AND 1994 (DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	1996	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES:			
<S>	<C>	<C>	<C>
Net income	$ 2,521	$ 3,137	$ 3,945
Adjustments to reconcile net income			
to net cash provided by operating activities:			
Accretion of discount and amortization of premium			
on investments and mortgage-backed securities	(657)	(667)	(574)
Provision for loan losses	300	360	577
ESOP expense	432	306	-
MSP expense	420	-	-
Write-down of land	-	-	282
Deferred income taxes	(394)	628	(200)

(Gain) loss on sale of securities	(91)	819	-
Gain on sale of real estate owned	(19)	(37)	(158)
Gain on sale of other real estate	(149)	-	-
Depreciation	404	280	204
Accretion of deferred loan fees and other	(87)	(179)	(295)
Accretion of discount on loans	(194)	(319)	(450)
Change in accrued interest receivable	(116)	(100)	(319)
Change in prepaid expenses and other assets	(264)	35	71
Change in accrued interest payable	(44)	80	83
Change in accounts payable and other liabilities	859	(255)	(196)
SAIF special assessment payable	1,824	-	-
Other - net	(137)	-	-
Net cash provided by operating activities	4,608	4,088	2,970
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from maturities of investment securities available-for-sale	10,300	-	-
Proceeds from maturities of investment securities held-to-maturity	-	1,000	-
Proceeds from sale of investment securities available-for-sale	1,100	12,458	-
Proceeds from sale of mortgage-backed securities available-for-sale	-	1,406	-
Purchase of investment securities available-for-sale	(1,377)	(200)	-
Purchase of mortgage-backed securities available-for-sale	(12,075)	-	-
Purchase of investment securities held-to-maturity	-	(7,865)	(5,800)
Purchase of mortgage-backed securities held-to-maturity	-	(22,028)	(6,015)
Principal repayments on mortgaged-backed securities available-for-sale	6,385	923	-
Principal repayments on mortgage backed securities held-to-maturity	1,966	1,364	1,603
Net increase in certificates of deposit	(324)	-	(590)
Loans originated, net of repayments	(58,366)	(24,350)	(25,808)
Investment in FHLB stock	(1,032)	(559)	(169)
Proceeds from sale of real estate	424	56	27
Purchase of premises and equipment	(761)	(1,557)	(487)
Net cash used in investing activities	(53,760)	(39,352)	(37,239)

</TABLE>

(Continued)

TECHE HOLDING COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 1996, 1995 AND 1994 (DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

<S>	1996 <C>	1995 <C>	1994 <C>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from public offering	--	37,977	--
Dividends paid	(2,313)	(488)	--
Net increase (decrease) in deposits	20,918	(2,931)	23,740
Net increase in FHLB advances	42,700	400	11,600
Purchase of common stock for MSP	(2,320)	--	--
Purchase of common stock for treasury	(9,149)	--	--
(Decrease) increase in advance payments by borrowers for taxes and insurance	(12)	102	196
Net cash provided by financing activities	49,824	35,060	35,536
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	672	(204)	1,267
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,400	6,604	5,337
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 7,072	$ 6,400	$ 6,604

SUPPLEMENTAL DISCLOSURE OF CASH
FLOW INFORMATION:

Cash paid for interest	$ 14,047	$ 11,973	$ 9,625
Income taxes paid	$ 1,690	$ 1,135	$ 1,919
Investing activities not requiring the outflow of cash:			
Additions to real estate owned	$ 51	$ 233	$ 46
Reclassification of securities from held-to-maturity to available-for-sale	$ 42,000	$ --	$ 20,519

</TABLE>

See notes to consolidated financial statements.

(Concluded)

TECHE HOLDING COMPANY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1996, 1995 AND 1994

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Company are described below.

Principles of Consolidation - The consolidated financial statements include the accounts of Teche Holding Company and its wholly-owned subsidiary, Teche Federal Savings Bank (collectively "the Company"). All significant intercompany balances and transactions have been eliminated in consolidation. The Company is a retail savings bank which attracts deposits from the general public and uses such deposits primarily to originate loans secured by first mortgages on owner-occupied, family residences.

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

Cash and Cash Equivalents - Cash and cash equivalents comprise cash and non-interest bearing demand deposits with other financial institutions (approximating $1,922,000 and $1,697,000 at September 30, 1996 and 1995, respectively), and interest bearing demand deposits with other financial institutions (approximating $5,150,000 and $4,703,000 at September 30, 1996 and 1995, respectively).

Securities - Securities designated as held-to-maturity are stated at cost adjusted for amortization of the related premiums and accretion of discounts, computed using the level yield method. The Company has the positive intent and ability to hold these securities to maturity.

Securities designated as available-for-sale are stated at estimated market value. Unrealized gains and losses are aggregated and reported as a separate component of stockholders' equity, net of deferred income taxes. These securities are acquired with the intent to hold them to maturity, but they are available for disposal in the event of unforeseen liquidity needs.

Gains and losses on security transactions are determined on the specific identification method. The related income tax expense (benefit) on securities gains (losses) was $7,000 and ($280,000) in the years ended September 30, 1996 and 1995, respectively.

Loans Receivable - Loans receivable are stated at the unpaid principal balances, less the allowance for loan losses and net deferred loan fees, and unearned discount. Unearned discount relates principally to installment loans. Interest on loans is credited to operations based on the principal amount outstanding using the interest method.

When the payment of principal or interest on a loan is delinquent for 90 days, or earlier in some cases, the loan is placed on non-accrual status. When a loan is placed on non-accrual status, interest accrued during the current year prior to the judgment of uncollectibility is charged to operations. Interest accrued during prior periods is charged to the allowance for loan losses. Loans are returned to an accruing status only as payments are received and if collection of all principal and interest is not in doubt. If doubt exists, any payments received on such non-accrual loans are applied first to outstanding loan amounts and next to the recovery of charged-off loan amounts. Any excess is treated as recovery of lost interest.

Allowance for Loan Losses - The allowance for loan losses is a valuation allowance available for losses incurred on loans. Any losses are charged to the allowance for loan losses when the loss actually occurs or when a determination is made that a loss is likely to occur. Recoveries are credited to the allowance at the time of recovery.

Periodically during the year management estimates the likely level of losses to determine whether the allowance for loan losses is adequate to absorb possible losses in the existing portfolio. Based on these estimates, an amount is charged to the provision for loan losses and credited to the allowance for loan losses in order to adjust the allowance to a level determined to be adequate to absorb such losses.

Management's judgment as to the level of losses on existing loans involves the consideration of current and anticipated economic conditions and their potential effects on specific borrowers; an evaluation of the existing relationships among loans, known and inherent risks in the loan portfolio, and the present level of the allowance; results of examination of the loan portfolio by regulatory agencies; and management's internal review of the loan portfolio. In determining the collectibility of certain loans, management also considers the fair value of any underlying collateral.

It should be understood that estimates of loan losses involve an exercise of judgment. While it is possible that in particular periods the Company may sustain losses which are substantial relative to the allowance for loan losses, it is the judgment of management that the allowance for loan losses reflected in the consolidated balance sheets is adequate to absorb possible losses in the existing loan portfolio.

Loan Fees, Loan Costs, Discounts and Premiums - Loan origination and commitment fees, and certain direct loan origination costs are deferred and amortized as an adjustment to the related loan's yield using the interest method over the contractual life of the loan.

Discounts received in connection with mortgage loans purchased are amortized to income over the contractual term of the loan using the interest method. These discounts have been deducted from the related loan balances.

Premises and Equipment - The Company computes depreciation generally on the straight-line method for both financial reporting and federal income tax purposes. The estimated useful lives used to compute depreciation are: buildings and improvements, twenty to forty years; and furniture, fixtures and equipment, three to ten years.

Real Estate Owned - Real estate acquired through, or in lieu of, foreclosure is initially recorded at the fair value at the time of foreclosure, less estimated cost to dispose, and any related writedown is charged to the allowance for loan losses. The fair values have not exceeded the balances of the related loans. Valuations are periodically performed by management and provisions for estimated losses on real estate owned are charged to operations when any significant and permanent decline reduces the fair value, less sales costs, to less than the carrying value. The ability of the Company to recover the carrying value of real estate is based upon future sales of the real estate owned. The ability to effect such sales is subject to market conditions and other factors, many of which are beyond the Company's control. Operating income of such properties, net of related expenses, and gains and losses on their disposition are included in the accompanying consolidated statements of income.

Income Taxes - Income taxes were accounted for using the liability method in 1996 and 1995. In prior years, income taxes were accounted for using the deferred method.

Earnings Per Share - Earnings per share for the year ended September 30, 1996 was calculated by dividing net earnings for the year by the average shares outstanding during the year net of treasury shares. Earnings per share for the year ended September 30, 1995 was calculated by dividing the net earnings for the period from April 17, 1995 (date of conversion) to September 30, 1995 of $1,791,000 by the average shares outstanding during that same period of 3,910,000 shares. The Company accounts for the shares acquired by the ESOP in accordance with Statement of Position 93-6 and, therefore, shares controlled by the ESOP are not considered in the weighted average shares outstanding until the shares are committed for allocation to an employee's individual account. The effect of the assumed exercise of stock options was not significant.

Reclassifications - Certain reclassifications have been made to the prior years finanical statements in order to conform to the classifications adopted for reporting in 1996.

2. CONVERSION FROM MUTUAL SAVINGS BANK TO STOCK SAVINGS BANK AND FORMATION OF TECHE HOLDING COMPANY

On April 17, 1995, the Teche Federal Savings Bank converted from a federally chartered mutual savings bank to a stock savings bank pursuant to a Plan of Conversion (the "Conversion") via the issuance of common stock. In connection with the Conversion, Teche Holding Company sold 4,232,000 shares of common stock which, after giving effect to offering expenses of $1.0 million and 332,337 shares issued to the Employee Stock Ownership Plan ("ESOP"), resulted in net proceeds of $38.0 million. Pursuant to the Conversion, Teche Federal Savings Bank transferred all of its outstanding shares to Teche Holding Company, in exchange for 50% of the net proceeds.

This business combination has been accounted for at historical cost in a manner similar to the accounting method known as the "pooling of interests" method.

At the time of Conversion, Teche Federal Savings Bank segregated and restricted approximately $23,000,000 of retained earnings, in a liquidation account for the benefit of eligible account holders who continue to maintain their deposit accounts in Teche Federal Savings Bank after conversion. In the event of a complete liquidation of Teche Federal Savings Bank (and only in such an event), eligible depositors who continue to maintain accounts shall be entitled to receive a distribution from the liquidation account in an amount proportionate to the current adjusted balances of all qualifying deposits then held. The liquidation account will be reduced annually to the extent that eligible account holders have reduced their qualifying deposits.

Subsequent to the Conversion, the Company or Teche Federal Savings Bank may not declare or pay a cash dividend on any of its shares of common stock if the effect would reduce stockholders' equity below either the amount required for the liquidation account discussed above or the applicable regulatory capital requirements, or if such declaration and payment would otherwise violate regulatory requirements.

3. INTEREST RATE RISK

The Company is engaged principally in providing first mortgage loans to individuals. At September 30, 1996 the Company had interest earning assets of approximately $370,000,000, most of which will not mature or be repriced until after five years. Interest bearing liabilities totaled approximately $322,000,000, most of which will mature or can be repriced within one year. The shorter duration of interest-sensitive liabilities indicates that in a rising rate environment the Company is exposed to interest rate risk because liabilities may be repricing faster at higher interest rates, thereby reducing the market value of long-term assets and net interest income. In a falling rate environment the market value of long-term assets and net interest income may be increased.

4. SECURITIES

Beginning September 30, 1994, in accordance with Statement of Financial Accounting Standard No. 115 ("FAS No. 115"), the Company began designating as available-for-sale certain securities that might be sold prior to their contractual maturity. These securities are reported at fair value in the consolidated balance sheets with unrealized gains and losses listed as a separate component of stockholders' equity, net of deferred income taxes. At September 30, 1994, the Company reclassified securities with an unamortized cost of approximately $20,519,000 and an unrealized loss of approximately $653,000 ($430,000 net of income taxes) from securities held-to-maturity to securities available-for-sale.

The amortized cost and estimated market values of securities available-for-sale are as follows (in thousands):

<TABLE>
<CAPTION>

	September 30, 1996			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Investment securities:				
<S>	<C>	<C>	<C>	<C>
Common stock	$ 568	$ 101	$ --	$ 669
Obligations of U.S. government corporations and obligations	11,266	196	--	11,462
Municipal obligations	264	2	--	266
	12,098	299	--	12,397
Mortgage-backed securities:				
Government National Mortgage Corporation	1,389	80	--	1,469
Federal Home Loan Mortgage Corporation	9,891	111	50	9,952
Federal National Mortgage Association	20,582	259	163	20,678
	31,862	450	213	32,099
	$43,960	$ 749	$ 213	$44,496

</TABLE>

<TABLE>
<CAPTION>

	September 30, 1995			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Investment securities:				
<S>	<C>	<C>	<C>	<C>
Common stock	$ 200	$ --	$ --	$ 200
Mortgage-backed securities:				
Federal Home Loan Mortgage Corporation	5,110	103	--	5,213
	$5,310	$ 103	$ --	$5,413

</TABLE>

The amortized cost and estimated market values of securities available-for-sale are as follows (in thousands):

	Amortized Cost	Estimated Market Value
Investment securities:		
Due in one year or less	$ 8,354	$ 8,570
Due after one year through five years	3,744	3,827
Mortgage-backed securities	31,862	32,099
	$43,960	$44,496

The amortized cost and estimated market values of securities held-to-maturity are as follows (in thousands):

<TABLE>
<CAPTION>

	September 30, 1995			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
<S>	<C>	<C>	<C>	<C>
Investment securities:				
Obligations of U.S. government corporations and agencies	$20,927	$ 1,204	$ 683	$21,448
Municipal obligations	372	--	--	372
	21,299	1,204	683	21,820

Mortgage-backed securities:				
Government National Mortgage Corporation	1,740	104	--	1,844
Federal Home Loan Mortgage Corporation	2,435	13	3	2,445
Federal National Mortgage Association	18,735	518	50	19,203
	22,910	635	53	23,492
	$44,209	$ 1,839	$ 736	$45,312

</TABLE>

Gross gains of $91,000 were realized on sales of securities in the year ended September 30, 1996.

Gross gains of $25,000 and gross losses of $844,000 were realized on sales of securities in the year ended September 30, 1995.

At September 30, 1996 securities with a cost of approximately $40,000,000 were pledged to secure deposits and advances from the Federal Home Loan Bank as required or permitted by law.

On November 15, 1995, the Financial Accounting Standards Board issued implementation guidance with respect to FAS No. 115. This guidance allowed a company to reassess its designation of securities as held-to-maturity and, if deemed appropriate, make a one time reclassification of held-to-maturity securities between November 15, 1995 and December 31, 1995. During this period the Company reclassified securities with an amortized cost of approximately $42,000,000 and an unrealized gain of approximately $1,018,000 ($672,000 net of income taxes) from securities held-to-maturity to securities available-for-sale.

5. LOANS RECEIVABLE

Loans receivable are summarized as follows (in thousands):

	September 30, 1996	September 30, 1995
Residential real estate mortgage loans:		
One-to-four family units	$288,109	$234,329
Multi-family	3,006	2,871
Land loans	2,844	2,288
Construction loans	13,740	8,097
Non-residential real estate loans	7,346	7,540
Loans on savings accounts	5,657	6,260
Other	10,343	6,441
	331,045	267,826
Less:		
Allowance for loan losses	3,182	2,966
Deferred loan fees	1,122	1,266
Undisbursed portion of loans in process	10,525	5,725
	$316,216	$257,869

Changes in the allowance for loan losses are as follows (in thousands):

	Year Ended September 30,		
	1996	1995	1994
Beginning balance, October 1	$ 2,966	$ 2,778	$ 2,193
Provision charged to operating expense	300	360	577
Recoveries	3	13	105
Loans charged off	(87)	(185)	(97)
Ending balance, September 30	$ 3,182	$ 2,966	$ 2,778

Substantially all of the Company's loans receivable are with customers in southern Louisiana.

At September 30, 1996 and 1995 there were unamortized discounts on loans purchased of approximately $1,400,000 and $1,590,000, respectively. These unamortized discounts have been deducted from the related loan balances in the table above.

The amount of nonaccrual loans at September 30, 1996 and 1995 was not significant. The amount of interest not accrued on these loans did not have a significant effect on net income in 1996, 1995 or 1994.

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of Certain Loans, which requires that the present value of expected future cash flows of impaired loans be discounted at the loan's effective interest rate. The Financial Accounting Standards Board has also issued Statement of Financial Accounting Standards No. 118, Accounting by Creditors for Impairment of a Loan-Income Recognition and Disclosures, which allows a creditor to use existing methods for recognizing interest income on impaired loans. The adoption of these Statements in 1996 did not have a significant effect on the Company's financial condition or results of operations.

6. REAL ESTATE OWNED

Real estate owned consisted of the following (in thousands):

	September 30, 1996	September 30, 1995
Real estate acquired through foreclosure	$ 154	$ 384
Less allowance for losses	(108)	(131)
Real estate owned, net	$ 46	$ 253

Changes in the allowance for losses on real estate owned are as follows (in thousands):

	Year Ended September 30, 1996	1995	1994
Beginning balance, October 1	$ 131	$ 163	$ 186
Provision charged to operating expense	--	--	--
Allowance related to real estate sold	(23)	(32)	(23)
Ending balance, September 30	$ 108	$ 131	$ 163

7. PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows (in thousands):

	September 30, 1996	September 30, 1995
Land	$ 1,119	$ 1,003
Buildings and improvements	3,124	3,046
Furniture, fixtures and equipment	3,142	2,615
	7,385	6,664
Less accumulated depreciation	(2,893)	(2,529)
	$ 4,492	$ 4,135

8. DEPOSITS

Deposits are summarized as follows (in thousands):

	September 30, 1996	September 30, 1995
NOW accounts	$ 24,222	$ 18,374
Passbook and regular savings	25,306	26,723
Money funds accounts	9,746	10,483
Certificates of deposit	195,449	178,225

	$254,723	$233,805

Certificates of deposit of $100,000 and over amounted to $46,600,000 and $41,000,000 at September 30, 1996 and 1995, respectively.

Certificates of deposits at September 30, 1996, mature as follows (in thousands):

Less than one year	$101,464
1-2 years	58,504
2-3 years	14,390
3-4 years	11,271
4-5 years	7,828
over 5 years	1,992
TOTAL	$195,449

9. ADVANCES FROM FEDERAL HOME LOAN BANK AND CASH RESERVE REQUIREMENTS

At September 30, 1996 the Company was indebted to the Federal Home Loan Bank (FHLB) for $64,510,000 of advances bearing interest at an average rate of 5.39% which were due October 4, 1996 and $2,390,000 of advances bearing interest at an average rate of 5.36% which were due between October 1, 1996 and October 8, 1996. These advances were renewed upon maturity.

At September 30, 1995, the Company was indebted to the FHLB for $7,200,000 and $500,000 advances due October 2, 1995 bearing interest rates of 5.57% and 5.83%, respectively, and $15,000,000 and $1,500,000 advances due October 3, 1995 bearing interest rates of 5.7% and 5.76%, respectively. These advances were renewed upon maturity.

The Company is required to maintain certain cash reserves relating to its deposit liabilities. This requirement is ordinarily satisfied by cash on hand.

10. INCOME TAXES

The Company is permitted under the Internal Revenue Code to deduct an annual addition to an allowance for bad debts in determining taxable income, subject to certain limitations. The Company has generally used the percentage of taxable income method to calculate this addition. This addition differs from the bad debt experience used for financial accounting purposes. Bad debt deductions for income tax purposes are included in taxable income of later years only if the bad debt reserve is used subsequently for purposes other than to absorb bad debt losses. Because the Company does not intend to use the reserve for purposes other than to absorb bad debt losses, no deferred income taxes have been provided on that portion which existed as of September 30, 1988. At September 30, 1996, retained earnings included approximately $4,200,000 representing such bad debt deductions for which no deferred income taxes have been provided.

During the year ended September 30, 1996 legislation was enacted which eliminates the use of the percentage of taxable income method to calculate the addition to the allowance for bad debts for income tax purposes. This is effective October 1, 1996 with respect to the Company. In addition the legislation requires that the Company include in taxable income the allowance established subsequent to September 30, 1988. This allowance amounted to approximately $2,800,000 at September 30, 1996 and will be included in taxable income in annual installments of approximately $470,000 beginning October 1, 1998. As the taxes with respect to this allowance are paid they will be added to deferred tax assets and, therefore, the payment of these taxes should have no significant effect upon the Company's results of operations.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of September 30, 1996 and 1995 are as follows (in thousands):

	1996	1995
Deferred tax assets:		
SAIF special assessment-deductible in 1997	$ 620	$--
MSP expense-deductible in 1997	143	--

Allowance for loan losses	--	23
Deferred loan fees and costs, net	--	36
Other	65	90
Total deferred tax assets	828	149
Deferred tax liabilities:		
Deferred loan fees and costs, net	136	--
Allowance for loan losses	6	--
Tax over book depreciation	114	74
Dividends on FHLB stock	281	220
Unrealized gain on securities available-for-sale	182	35
Other	169	274
Total deferred tax liabilities	888	603
Net deferred tax liabilities	$ (60)	$(454)

The components of income taxes are as follows (in thousands):

	Year Ended September 30,		
	1996	1995	1994
Currently payable	$ 1,664	$ 1,044	$ 2,170
Deferred	(394)	591	(200)
	$ 1,270	$ 1,635	$ 1,970

Income taxes differ from the amounts computed by applying the U.S. Federal income tax rate of 34% to earnings before income taxes. The reasons for these differences are as follows (in thousands):

	Year Ended September 30,		
	1996	1995	1994
Taxes computed at statutory rates	$ 1,289	$ 1,622	$ 2,011
Increase (decrease) in taxes due to miscellaneous items	(19)	13	(41)
	$ 1,270	$ 1,635	$ 1,970
Actual tax rate	34 %	34 %	33 %

11. NON-INTEREST EXPENSE

Occupancy, equipment and data processing expenses consisted of the following:

	Year Ended September 30,		
	1996	1995	1994
Occupancy, including depreciation, insurance, rent, utilities, etc	$ 571	$ 425	$ 368
Equipment, including depreciation, telephone, etc	523	396	358
Data processing	383	320	252
	$1,477	$1,141	$ 978

Other operating expenses consisted of the following (in thousands):

	Year Ended September 30,		
	1996	1995	1994
Stationary, printing and postage	$ 392	$ 331	$ 223
Write-down of land	--	--	282

Other	965	737	592
	$1,357	$1,068	$1,097

12. RETIREMENT PLAN

The Company participates in a defined benefit multi-employer retirement plan which covers substantially all employees. The plan is administered by the Financial Institutions Retirement Fund. Charges to operations under the plan include normal cost. There were no required payments in the years ended September 30, 1996, 1995 and 1994. The market value of the net assets of the retirement fund exceeds the liability of the present value of accrued benefits. No separate information regarding the Company's share of the assets and liabilities of this plan is available.

13. EMPLOYEE STOCK PLANS

The Company maintains an ESOP for the benefit of Teche Federal Savings Bank's employees who meet certain eligibility requirements. The ESOP Trust acquired 332,337 shares of common stock in the Company's initial public offering with proceeds from a loan from the Company. Teche Federal Savings Bank makes cash contributions to the ESOP on a basis sufficient to enable the ESOP to make the required loan payments to the Company.

The note payable referred to above bears interest at the prime rate adjusted quarterly with interest payable quarterly and principal payable in annual installments of at least $332,337. The loan is secured by the shares of the stock purchased.

As the debt is repaid, shares are released from collateral and allocated to qualified employees based on the proportion of principal paid in the year. The Company accounts for its ESOP in accordance with Statement of Position 93-6. Accordingly, the shares pledged as collateral are reported as a reduction of stockholders' equity in the consolidated balance sheets. As shares are released from collateral, the Company reports compensation expense equal to the current market price of the shares, and the shares become outstanding for earnings per share computations. Dividends on allocated ESOP shares are recorded as a reduction of retained earnings and dividends on unallocated ESOP shares are recorded as a reduction of debt.

Compensation expense related to the ESOP was $432,000 and $306,000 for the years ended September 30, 1996 and 1995, respectively. Following is a summary of shares held in the ESOP Trust as of September 30, 1996:

Shares released for allocation or committed to be released	57,234
Unreleased shares	275,103
Total ESOP shares	332,337
Market value of unreleased shares at September 30, 1996	$4,487,000

On October 25, 1995, the stockholders of the Company approved the Teche Holding Company 1995 Stock Option Plan (the "Plan") under which options to purchase 423,200 common shares were granted to executive employees and directors of Teche Federal Savings Bank. The exercise price is equal to the market price ($13.875 per share) on the date of grant and 20% of the options are exercisable on the first anniversary date after the date of grant and 20% annually thereafter. All unexercised options expire ten years from the date of grant. All such options are outstanding at September 30, 1996.

On October 25, 1995, the stockholders of the Company approved the Management Stock Plan ("MSP") under which restricted grants of 169,280 shares were made to executive employees and directors of Teche Federal Savings Bank. Teche Federal Savings Bank acquired the Company's stock on the open market for the benefit of the recipients. The recipients vest 20% annually beginning October 25, 1995 as long as

they remain as Teche Federal Savings Bank directors or employees. The Board of Directors could terminate the MSP at anytime, and if it did so, any nonvested shares would revert to the Company. The Company recognizes compensation expense ratably over the vesting period and the cost of unvested shares is reported as unearned compensation as a reduction of stockholders' equity. All such grants are outstanding at September 30, 1996.

14. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

In the normal course of business the Company is a party to financial instruments with off-balance sheet risk to meet the financing needs of its customers. The financial instruments include commitments to extend credit and commitments to sell loans. Those instruments involve, to varying degrees, elements of credit risk in excess of the amounts recognized in the consolidated balance sheets. The contract amounts of those instruments reflect the extent of the involvement the Company has in particular classes of financial instruments.

As of September 30, 1996, the Company had made various commitments to extend credit totalling approximately $18,700,000 including $10,525,000 of the undisbursed portion of loans in process. Most of these commitments are at fixed rates. The rates on fixed rate loan commitments range from 6.50% to 9.25% at September 30, 1996. The rates on variable rate loan commitments range from 5.875% to 8.625% at September 30, 1996. As of September 30, 1995, such commitments totaled approximately $8,800,000 including $5,725,000 of the undisbursed portion of loans in process. The Company's management does not anticipate any material losses or gains as a result of these transactions.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being fully drawn upon, the total commitment amount disclosed above does not necessarily represent future cash requirements. The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if considered necessary by the Company upon extension of credit, is based on management's credit evaluation of the customer.

15. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash - For those short-term instruments, the carrying amount is a reasonable estimate of fair value.

Investment and Mortgage-Backed Securities - For investment securities, fair value equals quoted market price, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Loans - The fair value of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers for the same remaining maturities.

Deposits - The fair value of demand deposits, savings accounts, and certain money market deposits is the amount payable on demand at the reporting date. The fair value of fixed-maturities certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities.

Advances from Federal Home Loan Bank - The face value of these advances is a reasonable estimate of fair value.

Commitments - The fair value of commitments to extend credit was not significant.

The estimated fair values of the Company's financial instruments are as follows at September 30, 1996 and 1995 (in thousands):

	1996		1995	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash and certificates of deposit	$ 7,986	$ 7,986	$ 6,990	$ 6,990
Investment and mortgaged-backed securities	44,496	44,496	49,622	50,725
Loans	319,398	316,000	260,835	265,500
Less: allowance for loan losses	3,182	3,182	2,966	2,966
Loans, net of allowance	316,216	312,818	257,869	262,534

Financial liabilities:				
Deposits	254,723	254,900	233,805	234,900
Advances from Federal Home Loan Bank	66,900	66,900	24,200	24,200

16. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company has granted loans to executive officers and directors. These loans were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons. The amounts of these loans were not significant at September 30, 1996 or 1995.

The Company has an employment agreement with an executive officer under which the Company has agreed to pay the executive officer annual compensation of $130,000 through December 31, 1997.

The Company has severance agreements with the executive officer referred to above and certain other executive officers under which the Company has agreed to aggregate payments of approximately $870,000 in the event services of the executives are terminated following a "change in control" of the Company.

17. SAIF SPECIAL ASSESSMENT AND REGULATORY CAPITAL

On September 30, 1996 legislation was enacted which requires that the Company pay a SAIF special assessment based upon its deposits as of March 31, 1995. The $1,824,000 cost of this special assessment was recorded as of September 30, 1996. It is expected that the assessment rate on future regular SAIF insurance premiums will be reduced.

Teche Federal Savings Bank ("Bank") is required by law to maintain (i) core capital equal to 3% of adjusted total assets, (ii) tangible capital equal to 1.5% of adjusted total assets, and (iii) total capital equal to 8.0% of risk-weighted assets.

At September 30, 1996, the Bank's actual capital and its statutorily required capital levels was as follows (in thousands):

	Actual		Required		Excess	
	Amount	%	Amount	%	Amount	%
Core capital	$42,816	11.3	$11,360	3.0	$31,456	8.3
Tangible capital	$42,816	11.3	$ 5,680	1.5	$37,136	9.8
Risk based capital	$45,186	21.9	$16,498	8.0	$28,688	13.9

The Bank's core and tangible capital equal the amount of its stockholders' equity ($43,103,000) less unrealized gains on securities available-for-sale ($287,000). The Bank's risk-based capital equals the amount of its stockholder's equity ($43,103,000) plus a portion of its allowance for loan losses ($2,578,000) and less unrealized gains on securities available-for-sale ($287,000) and certain assets ($208,000).

The Company's management believes that, under the current regulations, the Bank will continue to meet its minimum capital requirements in the foreseeable future. However, events beyond the control of the Company, such as increased interest rates or a downturn in the economy in the Company's area could adversely affect future earnings and, consequently, the ability of the Bank to continue to exceed its future minimum capital requirements.

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") required each federal banking agency to implement prompt corrective actions for institutions that it regulates. In response to this requirement, OTS adopted final rules, based upon FDICIA's five capital tiers. The rules provide that a savings bank is "well capitalized" if its total risk-based capital ratio is 10% or greater, its Tier 1 risk-based capital ratio is 6% or greater, its leverage is 5% or greater and the institution is not subject to a capital directive. Under this regulation, the Bank is deemed to be "well capitalized" as of September 30, 1996.

18. SUMMARIZED FINANCIAL INFORMATION OF TECHE HOLDING COMPANY (PARENT COMPANY ONLY)

Balance Sheets

	1996	1995

Assets:		
Investment in subsidiary	$43,103*	$41,948*
Due from subsidiary	5,250*	15,597*
Due from ESOP	2,750*	3,128*
Other	1,242	1,775
	$52,345	$62,448
Liabilities and stockholders' equity:		
Accrued expenses	$ 63	$ 540
Stockholders' equity	52,282	61,908
	$52,345	$62,448

Statements of Earnings

	Year Ended September 30 1996	1995
Equity in earnings of subsidiary	$2,194 *	$ 2,817*
Interest income from subsidiary	937 *	499*
Management fee to subsidiary	(373)*	--
Other income	(62)	7*
Income tax expense	(175)	(186)
Net earnings	$ 2,521	$ 3,137

Statements of Cash Flows

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Cash Flows from Operating Activities	$ 200	$ 239
Cash Flows from Investing Activities:		
Investment in subsidiary	--	(20,733)*
Loan to subsidiary	--	(15,500)*
Repayment of loan by subsidiary	10,250*	--
Net cash provided by (used in) investing activities	10,250	(36,233)
Cash Flows from Financing Activities:		
Sale of common stock	--	37,977
Dividends paid	(2,313)	(488)
Purchase of common stock for treasury	(9,149)	--
Net cash provided by (used in) financing activities	(11,462)	37,489
Net increase (decrease) in cash and cash equivalents	(1,012)	1,495
Cash and cash equivalents, beginning of year	1,495	--
Cash and cash equivalents, end of year	$ 483	$ 1,495

</TABLE>

*Eliminated in consolidation

* * * * * *

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Directors of Teche Holding Company
and/or Teche Federal Savings Bank

W. Ross Little, Chairman
Patrick O. Little, President
Mrs. Mary Coon Biggs
Donelson T. Caffery, Jr.
Henry L. Friedman
Mrs. Virginia Kyle Hine
Dr. Thomas F. Kramer
W. Ross Little, Jr.
Robert E. Mouton
Christian L. Olivier, Jr.

Advisory Directors of
Teche Federal Savings Bank

Michel H. Claudet
Charles H. Davidson
Nelson D. Henry
H. Chris Ibert
Robert Judice, Jr.
W. Ross Little, Jr.
Maunette B. Risher

<C>

INDEPENDENT AUDITORS

Deloitte and Touche LLP
One Shell Square
701 Poydras Street
New Orleans, LA 70139

LEGAL COUNSEL

Biggs Trowbridge, Supple and Cremaldi
Lawless Building
Willow Street
Franklin, LA 70538

SPECIAL COUNSEL

Malizia, Spidi, Sloane & Fisch, P.C.
One Franklin Square
1301 K. Street, N.W., Suite 700 East
Washington, D.C. 20005

REGISTRAR AND STOCK
TRANSFER AGENT

Registrar and Transfer Company
10 Commerce Drive
Cranford, NJ 07016-3572
(800) 525-7686
Fax (908) 272-1006

</TABLE>

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Officers of Teche Federal Savings Bank

<S>	<C>
W. Ross Little	Chairman
Patrick O. Little	President/CEO
Robert E. Mouton	Executive Vice President, Lafayette area Manager
Faye L. Ibert	Senior Vice-President
J.L. Chauvin	Vice-President, Chief Financial Officer
Stanley Plessela	Vice-President, St Mary-Terrebonne Area Manager
Van E. Clements, III	Vice President, Morgan City Manager
D. Ross Landry	Vice-President, New Iberia Manager
Darryl Broussard	Vice-President, Lending
James P. Hamilton	Assistant Vice-President, Breaux Bridge Manager
Eddie LeBlanc	Internal Auditor
Angela Badeaux	Assistant Vice-President
Elaine G. Cockerham	Assistant Vice-President
Lydia B. Hebert	Assistant Vice-President
Brenda Henson	Assistant Vice-President
Carol Nini	Assistant Vice-President
Nancy Terrell	Assistant Vice-President
Karen G. Verret	Assistant Vice-President
W. Ross Little, Jr.	Marketing Director, Secretary

</TABLE>

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 333-2342 of Teche Holding Company on Form S-8 of our report dated October 31, 1996 incorporated by reference in this Annual Report on Form 10-K for the year ended September 30, 1996.

/s/Deloitte & Touche LLP
Deloitte & Touche LLP
New Orleans, Louisiana
December 26, 1996

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