

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

GULF SOUTHWEST BANCORP INC

CIK: **717411** | IRS No.: **760045946** | State of Incorporation: **TX** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **000-11033** | Film No.: **95536107**
SIC: **6022** State commercial banks

Mailing Address
4200 WESTHEIMER
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HOUSTON TX 77027

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7136220042

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

April 30, 1995
Date of Report
(Date of earliest event reported)

GULF SOUTHWEST BANCORP, INC.
(Exact name of registrant as specified in charter)

Texas (State or other jurisdiction of incorporation or organization)	0-11033 (Commission File Number)	76-0045946 (IRS Employer Identification No.)
--	--	--

4200 Westheimer, Suite 210 Houston, Texas (Address of principal executive offices)	77027 (Zip Code)
--	---------------------

(713) 622-0042
(Registrant's telephone number, including area code)

not applicable
(Former name or former address, if changed since last report.)

Item 2. Acquisition or Disposition of Assets.

On April 30, 1995, Texas Gulf Coast Bancorp, Inc. ("Texas Gulf Coast") was merged (the "Merger") into Gulf Southwest Nevada Bancorp, Inc. ("Merger Sub"), a wholly-owned subsidiary of Gulf Southwest Bancorp, Inc. (the "Registrant" or "Gulf Southwest"). Pursuant to the terms of the operative agreements, each share of the common stock, \$1.00 par value per share, of Texas Gulf Coast (the "TGC Common Stock") other than shares held by dissenting shareholders was converted into 2.1176 shares of the common stock, \$1.00 par value per share, of the Registrant (the "GSW Common Stock"). The holders of 888 shares of TGC Common Stock have notified the Merger Sub of their intent to dissent from the Merger and demand payment of the fair value of their shares of TGC Common Stock. No fractional shares of GSW Common Stock were issued. In lieu of fractional shares, each holder of TGC Common Stock who would otherwise have been entitled to receive a fractional share of GSW Common Stock received, in lieu thereof, cash based upon each share of GSW Common Stock having a value of \$25.50. The exchange ratio was determined by negotiation between the parties based on the recommendation of Alex Sheshunoff & Co. Investment Banking, an investment banking firm which was jointly retained by Gulf Southwest and Texas Gulf Coast to opine as to the fairness of the exchange ratio. Shares of GSW Common Stock issued in exchange for the TGC Common Stock were authorized but unissued shares of the Registrant. The funds for payment in lieu of fractional shares were obtained from the working capital of the Registrant; the funds necessary to satisfy the demands of dissenting shareholders also will be obtained from such working capital.

Prior to the Merger, Texas Gulf Coast was a bank holding company owning 97.1% of the issued and outstanding capital stock of Texas City Bank, Texas City, Texas, 100% of the issued and outstanding capital stock of First Bank Mainland, LaMarque, Texas, 99.5% of the issued and outstanding capital stock of First Bank Pearland, Pearland, Texas, and 100% of the issued and outstanding capital stock of Central Data Processing, Inc., which performed certain proof and bookkeeping services for Texas Gulf Coast.

Gulf Southwest is a bank holding company which, prior to the Merger, indirectly owned 100% of the issued and outstanding capital stock of Merchants Bank, Houston, Texas. As a result of the Merger, Gulf Southwest also owns 97.1% of the issued and outstanding capital stock of Texas City Bank, 100% of the issued and outstanding capital stock of First Bank Mainland, 99.5% of the issued and outstanding capital stock of First Bank Pearland, and 100% of the issued and outstanding capital stock of Central Data Processing, Inc. G.S.W. Data Processing, Inc., a wholly-owned subsidiary of Merger Sub, provides data

processing services for Merchants Bank, Texas City Bank, First Bank Mainland and First Bank Pearland, and also provided such services to these banks prior to the Merger.

Material Relationships

J. W. Lander, Jr., is Chairman of the Board of Directors and a director of Gulf Southwest and until the consummation of the Merger was President and a director of Texas Gulf Coast. He is also Chairman of the Board and a director of Merchants Bank and is and prior to the Merger was Chairman of the Board of Directors and a director of Texas City Bank, First Bank Mainland and First Bank Pearland. In addition, he is the voting trustee under a voting trust agreement (the

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"GSW Voting Trust Agreement") with certain shareholders of Gulf Southwest and until the consummation of the Merger was the voting trustee under a voting trust agreement (the "TGC Voting Trust Agreement") with certain shareholders of Texas Gulf Coast, pursuant to which agreements he had voting power with respect to over 50% of the shares of each corporation. However, Mr. Lander could not, without the consent of the holders of at least two-thirds of the shares of TGC Common Stock subject to the applicable voting trust agreement, vote such shares of TGC Common Stock in favor of the Merger. Such consent was received with respect to the Merger.

J. W. Lander, III, is a director and an executive officer of Gulf Southwest and until consummation of the Merger was a director and an executive officer of Texas Gulf Coast. He is also Senior Vice President and a director of Merchants Bank and is and prior to the Merger was a director of Texas City Bank, First Bank Mainland and First Bank Pearland. The shares of GSW Common Stock held by J.W. Lander, III, prior to the Merger as well as the shares of GSW Common Stock acquired pursuant to the Merger are subject to the voting trust described previously.

Pursuant to the terms of the operative agreements, subsequent to the Merger Gulf Southwest will appoint A. Harrel Blackshear to its Board of Directors. Prior to the Merger, Mr. Blackshear served as Vice President, Secretary and a director of Texas Gulf Coast. Mr. Blackshear is also a director of First Bank Mainland and First Bank Pearland, and President and a director of Texas City Bank.

Stock Ownership

Certain affiliates of Gulf Southwest both are shareholders of Gulf Southwest and prior to consummation of the Merger were shareholders of Texas Gulf Coast. Information with respect to such holdings is set forth below:

<TABLE>

<CAPTION>

	Beneficial Ownership of TGC Common Stock Prior to Merger		Beneficial Ownership of GSW Common Stock			
			Prior to Merger		After Merger	
	Amount	%	Amount	%	Amount	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
J. W. Lander, Jr.	177,236/(1)/	53.8%	696,658/(3)/	55.2%	924,122/(5)/	47.3%
J. W. Lander, III	128	*	6,772/(4)/	*	7,043/(4)/	*
Vanco Trusts	53,002/(2)/	16.1%	341,758/(4)/	27.1%	453,995/(4)/	23.2%

</TABLE>

*Less than 1%

/(1)/ Shares subject to TGC Voting Trust Agreement, of which 54,286 shares were owned of record and beneficially by J. W. Lander, Jr. Includes 69,948 shares which will not be subject to GSW Voting Trust Agreement upon consummation of the Merger.

/(2)/ Shares subject to TGC Voting Trust Agreement.

/(3)/ Shares subject to GSW Voting Trust Agreement, of which 275,828 shares were owned of record and beneficially by J. W. Lander, Jr.

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/(4)/ Shares subject to GSW Voting Trust Agreement.

/(5)/ Shares subject to GSW Voting Trust Agreement, of which 390,784 shares are owned of record and beneficially by J. W. Lander, Jr. Includes 271 shares converted from 128 shares of TGC Common Stock which were not subject to the TGC Voting Trust Agreement.

Item 7. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

Report of Hidalgo, Banfill, Zlotnik & Kermali, P.C., independent auditors.

Report of Griffin, Iles, Masel & Duvall, P.C., independent auditors.

Consolidated Balance Sheets as of December 31, 1994 and December 31, 1993 and (unaudited) as of March 31, 1995 and March 31, 1994.

Consolidated Statement of Income for the years ended December 31, 1994, 1993 and 1992 and (unaudited) for the three months ended March 31, 1995 and March 31, 1994.

Statement of Stockholders' Equity for the period from January 1, 1992 through December 31, 1994 and (unaudited) for the three months ended March 31, 1995.

Consolidated Statement of Cash Flows for the years ended December 31, 1994, 1993 and 1992 and (unaudited) for the three months ended March 31, 1995 and March 31, 1994.

Balance Sheets (Parent Company Only) as of December 31, 1994 and December 31, 1993 and (unaudited) as of March 31, 1995 and March 31, 1994.

Statement of Income (Parent Company Only) for the years ended December 31, 1994, 1993 and 1992 and (unaudited) for the three months ended March 31, 1995 and March 31, 1994.

Statement of Cash Flows (Parent Company Only) for the years ended December 31, 1994, 1993 and 1992 and (unaudited) for the three months ended March 31, 1995 and March 31, 1994.

Notes to Financial Statements.

(b) Pro Forma Financial Information.

Report of Hidalgo, Banfill, Zlotnick & Kermali, P.C., independent accountants.

Pro Forma Consolidating Financial Statements Objectives.

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Pro Forma Consolidating Balance Sheet as of March 31, 1995 (unaudited).

Pro Forma Consolidating Statement of Income for the year ended December 31, 1994 (unaudited).

Pro Forma Consolidating Statement of Income for the three months ended March 31, 1995 (unaudited).

Notes to Pro Forma Consolidating Financial Statements.

(c) Exhibits.

<TABLE>
<CAPTION>

Exhibit Number and Description	Incorporated by Reference From (if Applicable)			
	Form	Date	File No.	Exhibit
<S>	<C>	<C>	<C>	<C>
(2) Plan of acquisition, reorganization, arrangement, liquidation or succession				
2.1 Agreement and Plan of Reorganization	S-4	11/25/94	33-86750	2.1
2.2 Agreement and Plan of Merger	N/A	N/A	N/A	N/A

</TABLE>

SIGNATURES

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

undersigned thereunto duly authorized.

GULF SOUTHWEST BANCORP, INC.

Date: May 10, 1995

By: /s/ J. W. Lander, III

J. W. Lander, III
President

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TEXAS GULF COAST BANCORP, INC.
AND SUBSIDIARIES

FINANCIAL STATEMENTS

DECEMBER 31, 1994

HIDALGO, BANFILL, ZLOTNIK & KERMALI, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
(Originally Founded in 1949)

Board of Directors and Shareholders
Texas Gulf Coast Bancorp, Inc.
Houston, Texas

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated balance sheet of Texas Gulf Coast Bancorp, Inc. and subsidiaries as of December 31, 1994 and 1993, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, and the balance sheet of Texas Gulf Coast Bancorp, Inc. (parent company only) as of December 31, 1994 and 1993, and the related statements of income, stockholders' equity, and cash flows for the years then ended. 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. The financial statements of Texas Gulf Coast Bancorp, Inc. and subsidiaries and Texas Gulf Coast Bancorp, Inc. (parent company only) as of December 31, 1992, were audited by other auditors, whose report dated March 19, 1993, expressed an unqualified opinion on those statements.

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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Texas Gulf Coast Bancorp, Inc. and subsidiaries and the financial position of Texas Gulf Coast Bancorp, Inc. (parent company only) as of December 31, 1994 and 1993, and the respective results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note 4 to the financial statements, the Company adopted Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities in 1994.

/s/HIDALGO, BANFILL,ZLOTNIK & KERMALI,P.C

Hidalgo, Banfill, Zlotnik & Kermali, P.C.

Houston, Texas
March 3, 1995

3555 TIMMONS LANE, SUITE 460 - HOUSTON, TEXAS 77027 - (713) 963-8008

Board of Directors and Shareholders
Texas Gulf Coast Bancorp, Inc.
Houston, Texas

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated statements of income, stockholders' equity and cash flows of Texas Gulf Coast Bancorp, Inc. and subsidiaries for the year in the period ended December 31, 1992, and the statements of income, stockholders' equity and cash flows of Texas Gulf Coast Bancorp, Inc. (parent company only) for the year in the period ended December 31, 1992. 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, the financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Texas Gulf Coast Bancorp, Inc. and subsidiaries and Texas Gulf Coast Bancorp, Inc. (parent company only) for the year in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

/s/ Griffin, Iles, Masel & Duvall, P.C.

Griffin, Iles, Masel & Duvall, P.C.

Texas City, Texas
March 19, 1993

TEXAS GULF COAST BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS

<TABLE>

<CAPTION>

	December 31,		March 31,	
	1994	1993	1995	1994
			[unaudited]	
<S>	<C>	<C>	<C>	<C>
Cash and due from banks	\$ 13,996,478	\$ 14,887,077	\$ 12,252,259	\$ 10,951,932
Time deposits in financial institutions	-	100,000	-	-
Federal funds sold and deposits with Federal Home Loan Bank	22,154,499	38,301,622	18,219,418	30,469,515
Investment securities:				
Held-to-maturity (market value)				
1994 - \$ 63,809,334				
1993 - \$ 81,905,426	66,626,246	80,156,038	67,910,452	66,949,170
Available-for-sale (market value)				
1994 - \$ 19,670,817	19,670,817	-	19,725,659	16,138,973
Loans:				
Loans, net of unearned income				
of \$ 3,527,938 in 1994 and				
\$ 3,573,790 in 1993	78,452,041	78,136,746	78,238,492	78,135,491
Less allowance for possible loan losses	796,524	1,022,095	734,972	1,046,884
Total loans, net	77,655,517	77,114,651	77,503,520	77,088,607

Bank premises and equipment	3,587,187	3,174,162	3,742,416	3,407,937
Accrued interest receivable	1,580,819	1,589,912	1,632,429	1,495,062
Excess of cost of subsidiaries over equity in net assets acquired, net of amortization of \$ 2,244,023 in 1994 and \$ 2,123,418 in 1993	756,353	876,958	746,337	820,952
Real estate and other loan related assets	831,844	1,477,096	753,651	1,179,403
Other assets	926,686	766,534	995,778	971,195
	-----	-----	-----	-----
Total Assets	\$ 207,786,446	\$ 218,444,050	\$ 203,481,919	\$ 209,472,746
	=====	=====	=====	=====

</TABLE>

See notes to financial statements.

TEXAS GULF COAST BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

LIABILITIES AND STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

	December 31,		March 31,	
	1994	1993	1995	1994
			[unaudited]	
	<C>	<C>	<C>	<C>
Deposits:				
Non-interest bearing	\$ 42,673,987	\$ 44,698,688	\$ 42,236,128	\$ 40,709,616
Interest bearing	143,459,628	150,793,334	138,897,485	147,077,592
	-----	-----	-----	-----
	186,133,615	195,492,022	181,133,613	187,787,208
Accrued interest, taxes and other liabilities	1,188,058	2,367,390	976,263	894,538
Borrowings	2,969,067	1,104,643	3,440,844	1,039,150
Minority interest in subsidiaries	253,660	248,281	259,056	250,699
	-----	-----	-----	-----
Total Liabilities	190,544,400	199,212,336	185,809,776	189,971,595
	-----	-----	-----	-----
Stockholders' Equity:				
Preferred stock, 8% cumulative, \$ 16 par value, authorized 1,000,000 shares, issued 155,050 shares in 1993	-	2,480,800	-	2,480,800
Common stock, \$ 1 par value, authorized 1,000,000 shares, issued 381,939 shares	381,939	381,939	381,939	381,939
Paid-in capital	5,207,041	5,207,041	5,207,041	5,207,041
Retained earnings	15,214,300	14,384,965	15,437,576	14,668,514
Net unrealized gain (loss) on securities available-for-sale (net of income taxes)	(338,203)	-	(131,382)	(14,112)
	-----	-----	-----	-----
	20,465,077	22,454,745	20,895,174	22,724,182
Less cost of stock held in treasury:				
Common 52,201 shares in 1994 and 1993	(3,223,031)	(3,223,031)	(3,223,031)	(3,223,031)
	-----	-----	-----	-----
Total Stockholders' Equity	17,242,046	19,231,714	17,672,143	19,501,151
	-----	-----	-----	-----
Total Liabilities and Stockholders' Equity	\$ 207,786,446	\$ 218,444,050	\$ 203,481,919	\$ 209,472,746
	=====	=====	=====	=====

</TABLE>

See notes to financial statements.

TEXAS GULF COAST BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

	Year Ended December 31,			Three Months Ended March 31,	
	1994	1993	1992	1995	1994
<S>	<C>	<C>	<C>	[unaudited]	
<C>	<C>	<C>	<C>	<C>	<C>
Interest Income:					
Interest and fees on loans	\$ 6,776,407	\$ 7,048,741	\$ 7,790,971	\$1,776,930	\$1,710,556
Investment securities:					
Taxable interest	3,941,439	4,552,132	5,465,942	1,012,929	940,219
Non-taxable interest	776,207	765,176	729,120	212,747	203,809
Time deposits with financial institutions	97	19,849	22,540	-	-
Federal funds sold and deposits with Federal Home Loan Bank	1,133,107	939,815	900,016	382,646	265,852
Total Interest Income	12,627,257	13,325,713	14,908,589	3,385,252	3,120,436
Interest Expense:					
Deposits	4,166,895	4,309,987	5,815,158	1,175,776	1,003,654
Borrowings	78,686	79,263	112,749	71,128	17,670
Total Interest Expense	4,245,581	4,389,250	5,927,907	1,246,904	1,021,324
Net interest income	8,381,676	8,936,463	8,980,682	2,138,348	2,099,112
Provision for possible loan losses	(178,000)	(474,663)	(262,833)	(67,500)	(48,500)
Net interest income after provision for possible loan losses	8,203,676	8,461,800	8,717,849	2,070,848	2,050,612
Non-interest income:					
Service charges on deposit accounts	1,883,049	2,031,129	1,941,650	447,408	552,587
Other service charges and fees	67,552	136,713	109,936	44,794	9,583
Other operating income	1,206,417	1,129,795	858,495	152,942	260,367
Securities transactions	(1,224)	11,422	32,250	-	2,256
Total Non-interest Income	3,155,794	3,309,059	2,942,331	645,144	824,793
Non-interest Expense:					
Salaries and employee benefits	4,415,710	4,702,481	4,354,551	1,126,087	1,040,430
Occupancy expense	631,197	603,718	579,033	176,683	147,665
Furniture and equipment expense	703,275	516,477	457,552	129,895	127,677
Other real estate expense	117,916	243,181	288,248	15,097	17,965
Other operating expense	3,804,130	4,368,788	3,419,366	907,029	1,072,949
Total Non-interest Expense	9,672,228	10,434,645	9,098,750	2,354,791	2,406,686

</TABLE>

See notes to financial statements.

TEXAS GULF COAST BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME (CONTINUED)

<TABLE>
<CAPTION>

	Year Ended December 31,			Three Months Ended March 31,	
	1994	1993	1992	1995	1994
	[unaudited]				
<S>	<C>	<C>	<C>	<C>	<C>
Income before income taxes and cumulative effect of an accounting change	1,687,242	1,336,214	2,561,430	361,201	468,719
Provision for income taxes	461,600	211,000	474,769	88,464	86,094
Income before cumulative effect of an accounting change	1,225,642	1,125,214	2,086,661	272,737	382,625
Cumulative effect of an accounting change	-	158,157	-	-	-
Net Income	\$ 1,225,642	\$ 1,283,371	\$ 2,086,661	\$ 272,737	\$ 382,625
Weighted Average Number of Common Shares Outstanding	329,738	372,759	379,156	329,738	329,738
Net Income per Common Share:					
Income before cumulative effect of an accounting change	\$ 3.12	\$ 2.49	\$ 4.98	\$.83	\$ 1.00
Accounting Change	\$ -	\$.42	\$ -	\$ -	\$ -
Net Income	\$ 3.12	\$ 2.91	\$ 4.98	\$.83	\$ 1.00

</TABLE>

See notes to financial statements.

TEXAS GULF COAST BANCORP, INC. AND SUBSIDIARIES (CONSOLIDATED)

AND

TEXAS GULF COAST BANCORP, INC. (PARENT COMPANY ONLY)

STATEMENT OF STOCKHOLDERS' EQUITY

<S>	Preferred Stock	Common Stock	Paid-In Capital	Retained Earnings	Net Unrealized Gain [loss] on Securities Available-for-Sale	Treasury Stock
<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at January 1, 1992	\$ 2,480,800	\$381,939	\$5,207,041	\$11,867,326	\$ -	\$ (71,944)
Net income	-	-	-	2,086,661	-	-
Treasury stock acquired:						
Preferred, 1,967 shares	-	-	-	-	-	(31,472)
Common, 6,273 shares	-	-	-	-	-	(104,104)
Cash dividends:						
Preferred, \$ 1.28 per share	-	-	-	(198,464)	-	-
Common, \$.60 per share	-	-	-	(227,663)	-	-
Balance at December 31, 1992	2,480,800	381,939	5,207,041	13,527,860	-	(207,520)
Net income	-	-	-	1,283,371	-	-

Treasury stock acquired:						
Common, 50,162 shares	-	-	-	-	-	(3,154,187)
Treasury stock sold:						
Preferred, 1,967 shares	-	-	-	-	-	31,472
Common, 6,734 shares	-	-	-	-	-	107,204
Cash dividends:						
Preferred, \$ 1.28 per share	-	-	-	(198,464)	-	-
Common, \$.60 per share	-	-	-	(227,802)	-	-
	-----	-----	-----	-----	-----	-----
Balance at December 31, 1993	2,480,800	381,939	5,207,041	14,384,965	-	(3,223,031)
Net income	-	-	-	1,225,642	-	-
Cash dividends:						
Preferred, \$ 1.28 per share	-	-	-	(198,464)	-	-
Common, \$.60 per share	-	-	-	(197,843)	-	-
Change in accounting method (Note 4)	-	-	-	-	106,898	-
Net change in unrealized losses on investment securities available-for-sale	-	-	-	-	(445,101)	-
Redemption of preferred stock	(2,480,800)	-	-	-	-	-
	-----	-----	-----	-----	-----	-----
Balance at December 31, 1994	-	381,939	5,207,041	15,214,300	(338,203)	(3,223,031)
Net income	-	-	-	272,737	-	-
Cash dividends:						
Common, \$.15 per share	-	-	-	(49,461)	-	-
Net change in unrealized losses on investment securities available-for-sale	-	-	-	-	206,821	-
	-----	-----	-----	-----	-----	-----
Balance at March 31, 1995	\$ -	\$381,939	\$5,207,041	\$15,437,576	\$ (131,382)	\$ 3,223,031
	=====	=====	=====	=====	=====	=====

(unaudited)

</TABLE>

See notes to financial statements.

TEXAS GULF COAST BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,			Three Months Ended March 31,	
	1994	1993	1992	1995	1994
	[unaudited]				
<S>	<C>	<C>	<C>	<C>	<C>
Cash Flows From Operating Activities:					
Net income	\$ 1,225,642	\$ 1,283,371	\$ 2,086,661	\$ 272,737	\$ 382,625
	-----	-----	-----	-----	-----
Adjustments to Reconcile Net Income to Cash Flows from Operating Activities:					
Provision for possible loan loss	178,000	474,663	262,833	67,500	48,500
Discount (accretion) amortized to income	244,638	240,955	20,677	56,652	24,466
(Gain) loss on sale of investment securities	1,224	(11,422)	(32,250)	-	(2,256)
Origination of mortgage loans for sale	(11,882,086)	(17,176,320)	(13,165,200)	(2,253,778)	(4,027,319)
Proceeds from mortgage loans sold	13,402,720	17,113,859	12,047,020	1,757,100	5,051,164
Depreciation and amortization	526,792	842,336	749,732	104,377	150,782

Loss (gain) on sale and abandonment of premises and equipment	20,443	86,256	(8,861)	(2,667)	(1,997)
Provision for losses on real estate and other loan-related assets	41,410	108,322	-	-	41,410
(Gain) loss on sale of real estate and other loan-related assets	(43,366)	105,534	100,151	-	(35,075)
Charitable contribution of real estate	155,970	-	-	52,000	-
Decrease (increase) in accrued interest receivable	9,093	183,539	337,311	(51,610)	94,850
(Increase) decrease in other assets	20,885	(423,551)	100,883	(180,868)	(204,854)
(Decrease) increase in accrued interest, taxes and other liabilities	(164,061)	36,310	(20,159)	274,401	20,258
	-----	-----	-----	-----	-----
Total Adjustments	2,511,662	1,580,481	392,137	(176,893)	1,159,929
	-----	-----	-----	-----	-----
Net Cash Flows From Operating Activities	3,737,304	2,863,852	2,478,798	95,844	1,542,554
	-----	-----	-----	-----	-----

</TABLE>

See notes to financial statements.

TEXAS GULF COAST BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

<TABLE>
<CAPTION>

	Year Ended December 31,			Three Months Ended March 31,	
	1994	1993	1992	1995	1994
				[unaudited]	
<S>	<C>	<C>	<C>	<C>	<C>
Cash Flows From Investing Activities:					
Net decrease (increase) in time deposits in financial institutions	100,000	20,000	-	-	100,000
Proceeds from sales of held-to-maturity investment securities	-	18,198,009	-	-	-
Proceeds from the maturities of held-to-maturity investment securities	20,334,035	30,606,524	36,055,090	2,351,898	8,043,025
Proceeds from the sales of available-for-sale investment securities	-	-	-	-	-
Proceeds from the maturities of available-for-sale investment securities	6,075,000	-	-	250,000	-
Purchase of held-to-maturity investment securities	(20,932,824)	(52,525,981)	(24,475,076)	(3,679,001)	(11,012,874)
Purchase of available-for-sale investment securities	(12,382,338)	-	-	-	-
Net decrease (increase) in loans	(1,784,587)	6,268,800	(339,217)	589,210	(806,128)
Rebates paid to customers	(626,952)	(862,723)	-	(111,275)	(259,065)
Recoveries of loans charged-off	68,029	56,559	65,706	38,299	4,407
Proceeds from sale of premises and equipment	75,714	-	111,300	9,550	8,500
Capital expenditures	(915,369)	(358,640)	(649,537)	(256,473)	(323,453)
Proceeds from sale of real estate and other loan-related assets	595,248	383,727	357,756	91,134	295,857
	-----	-----	-----	-----	-----
Net Cash Flows From Investing Activities	(9,394,044)	1,786,275	11,126,022	(716,658)	(3,949,731)
	-----	-----	-----	-----	-----
Cash Flows From Financing Activities:					
Net increase (decrease) in deposits	(9,358,407)	1,580,333	7,887,379	(5,000,002)	(7,704,814)
Proceeds from borrowings	2,000,000	110,000	-	480,800	-
Repayment of borrowings	(135,576)	(355,357)	(250,000)	(9,023)	(65,493)
Cash dividends paid	(396,307)	(426,262)	(426,197)	(49,461)	(99,076)
Purchase of treasury stock	(1,490,692)	(1,663,495)	(135,576)	-	(1,490,692)
Proceeds from sale of treasury stock	-	138,676	-	-	-

Redemption of preferred stock	(2,000,000)	-	-	(480,800)	-
Net Cash Flows From Financing activities	(11,380,982)	(616,105)	7,075,606	(5,058,486)	(9,360,075)
Net increase (decrease) in Cash and Cash Equivalents	(17,037,722)	4,034,022	20,680,426	(5,679,300)	(11,767,252)
Cash and Cash Equivalents at Beginning of Period	53,188,699	49,154,677	28,474,251	36,150,977	53,188,699
Cash and Cash Equivalents at End of Period	\$ 36,150,977	\$ 53,188,699	\$ 49,154,677	\$ 30,471,677	\$ 41,421,447
Interest Paid	\$ 4,246,094	\$ 4,475,981	\$ 5,930,920	\$ 1,194,904	\$ 1,037,771
Federal Income Taxes Paid	\$ 294,823	\$ 620,394	\$ 359,202	\$ -	\$ -

</TABLE>

See notes to financial statements.

TEXAS GULF COAST BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

<TABLE>
<CAPTION>

	Year Ended December 31,			Three Months Ended March 31,	
	1994	1993	1992	1995	1994
				[unaudited]	
<S>	<C>	<C>	<C>	<C>	<C>
Non-Cash Transactions:					
Bank loans for real estate and other loan-related assets sold	\$ 243,982	\$ 345,617	\$ -	\$ 51,500	\$ 31,900
Foreclosed properties transferred to real estate and other loan related assets	\$ 347,992	\$ 663,298	\$ 247,421	\$ 130,307	\$ 48,515
Bank-owned land transferred to real estate and other loan-related assets	\$ -	\$ 550,000	\$ -	\$ -	\$ -
Treasury stock acquired and purchase price currently payable	\$ -	\$ 1,490,692	\$ -	\$ -	\$ -
Redemption of preferred stock currently payable	\$ 480,800	\$ -	\$ -	\$ -	\$ -

</TABLE>

See notes to financial statements.

TEXAS GULF COAST BANCORP, INC.

(PARENT COMPANY ONLY)

BALANCE SHEET

ASSETS

<TABLE>

<CAPTION>

	December 31,		March 31,	
	1994	1993	1995	1994
			[unaudited]	
<S>	<C>	<C>	<C>	<C>
Cash	\$ 326,789	\$ 1,496,581	\$ 340,842	\$ 344,680
Due from bank subsidiaries	260,404	325,509	353,634	133,313
Investment in subsidiaries:				
Bank	18,936,177	18,410,520	19,351,680	18,667,981
Non-bank	105,214	224,292	94,964	186,402
Equipment	18,382	25,274	16,659	23,551
Excess of cost of subsidiaries over equity in net assets acquired, net of amortization of \$ 2,244,023 in 1994 and \$ 2,123,418 in 1993	756,353	876,958	746,337	820,952
Other assets	322,927	416,273	252,927	346,272
	-----	-----	-----	-----
Total Assets	\$ 20,726,246	\$ 21,775,407	\$ 21,157,043	\$ 20,523,151
	=====	=====	=====	=====

<CAPTION>

LIABILITIES AND STOCKHOLDERS' EQUITY

<S>	<C>	<C>	<C>	<C>
Accrued expenses and other liabilities	\$ 480,800	\$ 1,500,693	\$ -	\$ 10,000
Due to non-bank subsidiary	103,400	43,000	104,100	62,000
Borrowings	2,900,000	1,000,000	3,380,800	950,000
	-----	-----	-----	-----
Total Liabilities	3,484,200	2,543,693	3,484,900	1,022,000
Commitments and Contingencies	-	-	-	-
Stockholders' Equity:				
Preferred stock, 8% cumulative, \$ 16 par value, authorized 1,000,000 shares, issued 155,050 shares in 1993	-	2,480,800	-	2,480,800
Common stock, \$ 1 par value, authorized 1,000,000 shares, issued 381,939 shares	381,939	381,939	381,939	381,939
Paid-in capital	5,207,041	5,207,041	5,207,041	5,207,041
Retained earnings	15,214,300	14,384,965	15,437,576	14,668,514
Net unrealized gain (loss) on securities available-for-sale (net of income taxes)	(338,203)	-	(131,382)	(14,112)
	-----	-----	-----	-----
	20,465,077	22,454,745	20,895,174	22,724,182
Less cost of stock held in treasury:				
Common, 52,201 shares in 1994 and 1993	(3,223,031)	(3,223,031)	(3,223,031)	(3,223,031)
	-----	-----	-----	-----
Total Stockholders' Equity	17,242,046	19,231,714	17,672,143	19,501,151
	-----	-----	-----	-----
Total Liabilities and Stockholders' Equity	\$ 20,726,246	\$ 21,775,407	\$ 21,157,043	\$ 20,523,151
	=====	=====	=====	=====

</TABLE>

See notes to financial statements.

TEXAS GULF COAST BANCORP, INC.

PARENT COMPANY ONLY)-----
STATEMENT OF INCOME

<TABLE>

<CAPTION>

Year Ended December 31,

Three Months Ended
March 31,

	1994	1993	1992	1995	1994
				[unaudited]	
<S>	<C>	<C>	<C>	<C>	<C>
Income:					
Dividends from bank subsidiaries	\$ 866,765	\$ 3,221,726	\$ 1,044,881	\$ 172,132	\$ 220,698
Interest income	-	16,336	17,005	-	-
	866,765	3,238,062	1,061,886	172,132	220,698
Expenses:					
Interest	70,878	71,979	110,922	70,611	15,371
Amortization	120,605	273,408	212,850	10,016	56,066
Other operating expenses	196,422	236,436	109,377	39,730	44,532
	387,905	581,823	433,149	120,357	115,969
Income before income tax benefit and equity in undistributed income of subsidiaries and cumulative effect of an accounting change	478,860	2,656,239	628,737	51,775	104,729
Income tax benefit	2,000	199,000	192,613	22,530	44,213
Income before equity in undistributed income of subsidiaries and cumulative effect of an accounting change	480,860	2,855,239	821,350	74,305	148,942
Equity in undistributed income of subsidiaries	744,782	(1,800,599)	1,265,311	198,432	233,683
Income before cumulative effect of an accounting change	1,225,642	1,054,640	2,086,661	272,737	382,625
Cumulative effect of an accounting change	-	228,731	-	-	-
Net Income	\$ 1,225,642	\$ 1,283,371	\$ 2,086,661	\$ 272,737	\$ 382,625

</TABLE>

See notes to financial statements.

TEXAS GULF COAST BANCORP, INC.

(PARENT COMPANY ONLY)

STATEMENT OF CASH FLOWS

<TABLE>
<CAPTION>

	Year Ended December 31,			Three Months Ended March 31,	
	1994	1993	1992	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Cash Flows From Operating Activities:				[unaudited]	
Net Income	\$ 1,225,642	\$ 1,283,371	\$ 2,086,661	\$ 272,737	\$ 382,625

Adjustments to Reconcile Net Income to Cash Flows From Operating Activities:					
Equity in undistributed income of subsidiaries	(744,782)	1,800,599	(1,265,311)	(198,432)	(233,683)
Amortization and depreciation (Increase) decrease in due from subsidiaries	127,497	281,523	216,372	11,739	57,730
(Increase) decrease in other assets	125,505	251,258	(391,476)	(92,530)	192,196
Increase (decrease) in accrued expenses and other liabilities	93,345	(402,012)	338,733	70,000	70,000
	(10,001)	(178,892)	(38,636)	-	19,000
	-----	-----	-----	-----	-----
Net Cash Flows From Operating Activities	817,206	3,035,847	946,343	63,514	487,868
	-----	-----	-----	-----	-----
Cash Flows From Investing Activities:					
Addition to Equipment	-	-	(34,458)	-	-
	-----	-----	-----	-----	-----
Net Cash Flow From Investing Activities	-	-	(34,458)	-	-
	-----	-----	-----	-----	-----
Cash Flows From Financing Activities:					
Proceeds from borrowings	2,000,000	-	-	480,800	-
Repayments of borrowings	(100,000)	(350,000)	(250,000)	-	(50,000)
Dividends paid	(396,306)	(426,266)	(426,127)	(49,461)	(99,077)
Purchase of treasury stock	(1,490,692)	(1,663,495)	-	-	(1,490,692)
Proceeds from sale of treasury stock	-	138,676	-	-	-
Redemption of preferred stock	(2,000,000)	-	-	(480,800)	-
	-----	-----	-----	-----	-----
Net Cash Flows From Financing Activities	(1,986,998)	(2,301,085)	(676,127)	(49,461)	(1,639,769)
	-----	-----	-----	-----	-----
Net Increase (Decrease) in Cash and Cash Equivalents	(1,169,792)	734,762	235,758	14,053	(1,151,901)
Cash and Cash Equivalents at Beginning of Year	1,496,581	761,819	526,061	326,789	1,496,581
	-----	-----	-----	-----	-----
Cash and Cash Equivalents at End of Year	\$ 326,789	\$ 1,496,581	\$ 761,819	\$ 340,842	\$ 344,680
	=====	=====	=====	=====	=====
Interest Paid	\$ 80,878	\$ 75,479	\$ 115,922	\$ 70,611	\$ 15,371
	=====	=====	=====	=====	=====
Taxes Paid	\$ 294,823	\$ 620,394	\$ 359,002	\$ -	\$ -
	=====	=====	=====	=====	=====
Non-Cash Transactions:					
Treasury stock acquired and purchase price still payable	\$ -	\$ 1,490,692	\$ -	\$ -	\$ -
	=====	=====	=====	=====	=====
Redemption of preferred stock currently payable	\$ 480,000	\$ -	\$ -	\$ -	\$ -
	=====	=====	=====	=====	=====

</TABLE>

See notes to financial statements.

TEXAS GULF COAST BANCORP, INC. AND SUBSIDIARIES

AND

TEXAS GULF COAST BANCORP, INC. (PARENT COMPANY ONLY)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Texas Gulf Coast Bancorp, Inc. (Company) and its subsidiaries conform to generally accepted accounting principles and practices within the banking industry. The Company and its subsidiaries provide banking services to its customers in the greater Galveston and Harris Counties, Texas metropolitan area. A summary of the more significant accounting policies follows:

FINANCIAL STATEMENT PRESENTATION

The consolidated financial statements include the accounts of the parent company and its wholly-owned subsidiaries, First Bank Mainland and Central Data Processing, Inc. and its majority-owned subsidiaries First Bank Pearland and Texas City Bank. All significant intercompany accounts and transactions have been eliminated in consolidation. Investments in subsidiaries are accounted for on the equity method of accounting in the Parent Company Only financial statements.

INVESTMENT SECURITIES

Effective January 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities: (SFAS 115). Investment securities that may be sold in response to or in anticipation of changes in interest rates or other factors are classified as available-for-sale and carried at fair value. The unrealized gains and losses on these securities are reported net of applicable income taxes as a separate component of stockholders' equity. At December 31, 1993, securities available-for-sale were carried at amortized cost. Securities that the Company has the intent and ability to hold to maturity continue to be carried at amortized cost.

Interest income on investment securities, including amortization of premiums and accretion of discounts, is recognized using the interest method. The specific identification method is used to determine realized gains and losses on sales of securities, which are reported in securities transactions.

LOANS

Loans are stated at the principal amount outstanding, net of unearned income. Interest on commercial and real estate loans is accrued over the term of the loan based on the amount of principal outstanding except where serious doubt exists as to the collectibility of a loan, in which case the accrual of interest is discontinued. Interest income on installment loans is computed primarily on sum-of-the-months-digit method which, in the aggregate, does not differ materially from the interest method. Net loan origination and commitment fees are included in unearned income and are being deferred over the contractual life of the loans as an adjustment of the yield.

ALLOWANCE FOR POSSIBLE LOAN LOSSES

The allowance for possible loan losses is established by a charge to income as a provision for loan losses. Actual losses or recoveries are charged or credited directly to this allowance. The amount of the allowance is determined based upon evaluation of the loan portfolio, a review of past loan loss experience and management's judgment with respect to current and expected economic conditions and their potential impact on the loan portfolio.

TEXAS GULF COAST BANCORP, INC. AND SUBSIDIARIES

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TEXAS GULF COAST BANCORP, INC. (PARENT COMPANY ONLY)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BANK PREMISES AND EQUIPMENT

Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation expense is computed on the straight-line method based upon the estimated useful lives of the assets. Amortization of leasehold improvements is based on the estimated useful lives of the improvements or the term of the respective lease, whichever is shorter. At the time of a retirement or sale, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is recorded in income. Maintenance and repairs are charged to expense as incurred. Renewals and betterments, expenditures which generally increase the value of the property or extend its useful life, are capitalized.

REAL ESTATE AND OTHER LOAN-RELATED ASSETS

Real estate and other loan-related assets are stated at the lower of cost or

estimated fair value, less the estimated costs to sell. Any reduction from cost (loan value) to estimated fair value at the time of foreclosure is charged to the allowance for possible loan losses. Subsequent valuation adjustments are charged to current earnings through the provision for revaluation of real estate and other loan-related assets or are charged directly to expense in the period in which they are identified. Losses on dispositions are recognized in the period of occurrence while gains are not recognized until all criteria for income recognition have been met. Also, any income received or expense incurred during the period the assets are owned is recognized as income or expense during the period in which it is received or incurred and is included in other real estate expense.

EXCESS OF COST OVER EQUITY IN NET ASSETS ACQUIRED

The fair value of the net assets acquired in transactions accounted for as purchases is recorded as an investment by the parent company. The excess of the cash or market value of the consideration given in the transaction over the fair value of the net assets acquired is recorded as the excess of cost over fair value of assets acquired, which is amortized into other operating expenses on a straight-line basis over a period of 10 to 25 years.

INCOME TAXES

The Company and its subsidiaries file a consolidated Federal income tax return. The subsidiaries record income tax expense by applying the statutory tax rate to their income as adjusted for tax exempt interest and other temporary differences and remit the portion of Federal income taxes currently due to the parent company. The parent company records, as a tax benefit, the difference between total taxes reflected by the subsidiaries and the consolidated provision for income taxes. Deferred tax assets and liabilities are recognized for balance sheet basis differences for tax and financial reporting purposes. The deferred taxes represent future tax return consequences of those differences.

EARNINGS PER SHARE

Earnings per share of common stock are computed by dividing earnings, net of dividends on preferred stock for the year, by the weighted average number of shares outstanding during the year.

TEXAS GULF COAST BANCORP, INC. AND SUBSIDIARIES

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TEXAS GULF COAST BANCORP, INC. (PARENT COMPANY ONLY)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, cash and cash equivalents include cash and due from banks, federal funds sold and deposits with the Federal Home Loan Bank. Generally, federal funds are purchased and sold for one-day periods.

RECLASSIFICATIONS

Certain amounts in the 1993 and 1992 financial statements have been reclassified to conform with the 1994 presentation.

NOTE 2 - AGREEMENT AND PLAN MERGER

In November 1994, the Company entered into an agreement and plan of merger with Gulf Southwest Nevada Bancorp, Inc., a wholly owned subsidiary of Gulf Southwest Bancorp, Inc. When the merger becomes effective the Company will merge into Gulf Southwest Nevada Bancorp, Inc. and its separate existence will cease.

The effect date of the merger will be after approval is received from the Federal Reserve Bank and the approval of the shareholders of both Companies.

NOTE 3 - RESERVE REQUIREMENTS

Cash and due from banks of approximately \$1,621,000 at December 31, 1994 was maintained to satisfy regulatory reserve and other requirements.

NOTE 4 - INVESTMENT SECURITIES

On January 1, 1994, the Company adopted SFAS 115, which addresses the accounting for investments in debt and equity securities. Such securities are classified in three categories and accounted for as follows: debt securities that the Company has the intent and ability to hold to maturity are classified as held-to-maturity and are carried at amortized cost; debt and equity securities bought and held principally for the purpose of reselling, of which the Company has none, are classified as trading securities and are carried at fair value, with unrealized gains and losses included in income; debt or equity securities not classified as either held-to-maturity or trading securities are deemed available-for-sale and are carried at fair value, with unrealized gains and losses, net of applicable income taxes, reported as a separate component of stockholders' equity.

Prior to the adoption of SFAS 115, all investment securities were carried at amortized cost.

TEXAS GULF COAST BANCORP, INC. AND SUBSIDIARIES

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TEXAS GULF COAST BANCORP, INC. (PARENT COMPANY ONLY)

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INVESTMENT SECURITIES (CONTINUED)

As a result of the adoption of SFAS 115, debt securities in the amount of \$ 11,650,854 that were previously carried at amortized cost are measured at fair value.

HELD-TO-MATURITY INVESTMENT SECURITIES:

<TABLE>

<CAPTION>

	Amortized	Gross Unrealized		Fair
	Cost	Gains	Losses	Value
<S>	<C>	<C>	<C>	<C>
December 31, 1994:				
U.S. Treasury and other U.S. Government agencies	\$ 49,658,445	\$ 18,525	\$ 2,192,390	\$ 47,484,580
State, county and municipal obligations	16,967,801	52,782	695,829	16,324,754
	\$ 66,626,246	\$ 71,307	\$ 2,888,219	\$ 63,809,334

<CAPTION>

	Amortized	Gross Unrealized		Fair
	Cost	Gains	Losses	Value
December 31, 1993:				
U.S. Treasury and other U.S. Government agencies	\$ 63,383,768	\$ 1,414,734	\$ 133,741	\$ 64,664,761
State, county and municipal obligations	16,551,603	483,326	14,391	17,019,998
Other	220,667	-	-	220,667
	\$ 80,156,038	\$ 1,898,060	\$ 148,132	\$ 81,905,426

</TABLE>

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TEXAS GULF COAST BANCORP, INC. AND SUBSIDIARIES

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TEXAS GULF COAST BANCORP, INC. (PARENT COMPANY ONLY)

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INVESTMENT SECURITIES (CONTINUED)

AVAILABLE-FOR-SALE INVESTMENT SECURITIES:

<TABLE>
<CAPTION>

Table with 4 columns: Amortized Cost, Gross Unrealized Gains, Gross Unrealized Losses, Fair Value. Rows include U.S. Treasury and other U.S. Government agencies and Other.

</TABLE>

Cash proceeds from the maturity and sales of held-to-maturity investment securities during 1994 and 1993 were \$ 20,334,035 and \$ 48,804,533, respectively. Cash proceeds from the maturity and sales of available-for-sale investment securities during 1994 was \$ 6,075,000. Net losses from available-for-sale investment securities sold in 1994 amounted to \$ 1,224 (gross gains of \$ 2,482 and gross losses of \$ 3,706). Net gains for investment securities matured or sold in 1993 amounted to \$ 11,422 (gross gains of \$ 84,224 and gross losses of \$ 72,802).

The amortized cost and estimated fair value of investment securities at December 31, 1994, by contractual maturity were as follows:

<TABLE>
<CAPTION>

Table with 4 columns: Held-to-Maturity (Amortized Cost, Fair Value), Available-for-Sale (Amortized Cost, Fair Value). Rows include Due in one year or less, Due after one year through five years, Due after five years through ten years, Due after ten years, and Total Investment Securities.

</TABLE>

Investment securities with amortized cost of \$ 37,626,054 and \$ 37,178,066 at December 31, 1994 and 1993, were pledged to secure public deposits and for other purposes as required by law.

TEXAS GULF COAST BANCORP, INC. AND SUBSIDIARIES

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TEXAS GULF COAST BANCORP, INC. (PARENT COMPANY ONLY)

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LOANS

The loan portfolio was comprised of the following categories at December 31:

	1994	1993
Commercial and industrial	\$ 16,069,566	\$ 14,362,158
Real estate - construction	2,012,355	1,733,467
Real estate - other	25,771,144	26,204,988
Installment	37,488,769	37,315,945
Mortgage loans held for resale	-	1,520,634
Other loans	638,145	573,344
Total loans	81,979,979	81,710,536
Less:		
Unearned income	(3,527,938)	(3,573,790)
Allowance for possible loan losses	(796,524)	(1,022,095)
Net Loans	\$ 77,655,517	\$ 77,114,651

Loans on which interest was not being accrued amounted to \$686,192 and \$1,150,673 at December 31, 1994 and 1993, respectively. Interest income lost on non-performing loans was \$60,294, \$174,397 and \$309,017 for the years ended December 31, 1994, 1993 and 1992, respectively.

Some of the directors and executive officers of the Company and its subsidiaries and their related parties are loan customers at the Company's subsidiary banks. In management's judgment, such borrowings were only substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others and do not involve other than normal risk of collectibility.

An analysis of loans to these parties is as follows:

	1994	1993
Balance at beginning of year	\$ 3,444,888	\$ 4,588,562
New loans	4,392,126	1,586,657
Amounts collected	(2,646,372)	(2,428,146)
Loans to customers no longer related parties and other	(327,429)	(302,185)
Balance at end of year	\$ 4,863,213	\$ 3,444,888

TEXAS GULF COAST BANCORP, INC. AND SUBSIDIARIES

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TEXAS GULF COAST BANCORP, INC. (PARENT COMPANY ONLY)

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LOANS (CONTINUED)

Transactions in the allowance for possible loan losses were are follows:

<TABLE>
<CAPTION>

	1994	1993	1992
	-----	-----	-----
<S>	<C>	<C>	<C>
Balance at beginning of year	\$ 1,022,095	\$ 1,059,783	\$ 1,152,088
Provision charged to expense	178,000	474,663	262,833
Loan losses:			
Charge-offs	(471,599)	(568,911)	(420,839)
Recoveries	68,028	56,560	65,701
	-----	-----	-----
Net loan losses	(403,571)	(512,351)	(355,138)
	-----	-----	-----
Balance at end of year	\$ 796,524	\$ 1,022,095	\$ 1,059,783
	=====	=====	=====

</TABLE>

In 1994, the Financial Accounting Standards Board issued Financial Accounting Standard No. 114, Accounting by Creditors for Impairment of a Loan and No. 118, Accounting by Creditors for Impairment of a Loan-Income Recognition and Disclosures. The Company will adopt those new standards on January 1, 1995. The adoption of these new standards will have no material effect on the Company's financial position or results of operations.

NOTE 6 - BANK PREMISES AND EQUIPMENT

Bank premises and equipment were comprised of the following at December 31:

<TABLE>
<CAPTION>

	Estimated Useful Lives	1994	1993
	-----	-----	-----
<S>	<C>	<C>	<C>
Land		\$ 902,203	\$ 905,323
Bank premises and leasehold improvements	5 to 40 yrs.	3,723,823	3,231,659
Furniture and equipment	3 to 10 yrs.	2,344,864	2,231,659
Automobiles	3 to 5 yrs.	153,130	192,772
Construction in progress		12,627	45,354
Less-accumulated depreciation and amortization		(3,549,460)	(3,432,605)
		-----	-----
Net balance at end of year		\$ 3,587,187	\$ 3,174,162
		=====	=====

</TABLE>

Depreciation and amortization charged to operating expense was \$406,187, \$568,928 and \$352,973 for the years ended December 31, 1994, 1993 and 1992, respectively.

TEXAS GULF COAST BANCORP, INC. AND SUBSIDIARIES

AND

TEXAS GULF COAST BANCORP, INC. (PARENT COMPANY ONLY)

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - INTEREST BEARING DEPOSITS

Interest-bearing deposits were comprised of the following categories at December 31:

<TABLE>
<CAPTION>

	1994	1993
	-----	-----
<S>	<C>	<C>
Interest-bearing demand	\$ 55,680,221	\$ 49,576,010
Savings	26,269,866	36,012,730
Time	51,160,397	53,302,380

Time over \$ 100,000

	10,349,144	11,902,214
	-----	-----
	\$ 143,459,628	\$ 150,793,334
	=====	=====

NOTE 8 - BORROWINGS

The Company had the following indebtedness at December 31:

	1994	1993
	-----	-----
Texas Gulf Coast Bancorp, Inc.		

Note payable in the amount of \$ 3,400,000 or the aggregate unpaid amount of advances unpaid, whichever is lesser. Principal quarterly beginning June 30, 1995, and quarterly thereafter until maturity at March 31, 1997. Interest is payable quarterly beginning March 31, 1995 at the prime rate (8.5% at December 31, 1994). The rate is collateralized by all the shares of common stock of the subsidiary banks owned by the Company.	\$ 2,900,000	\$ -
Note payable in quarterly installments of \$ 50,000 plus interest at the prime rate (6% at December 31, 1993), through July of 1994. The note is collateralized by 194,264 shares of common stock of Texas City Bank owned by the Company.	-	1,000,000
	-----	-----
	2,900,000	1,000,000
Subsidiaries		

Note payable in monthly installments of \$ 2,441 including interest at 8%. The note is collateralized by computer equipment.	69,067	94,643
Term note payable March 28, 1994 plus interest at 9.5%. The loan is collateralized by computer equipment.	-	10,000
	-----	-----
	\$ 2,969,067	\$ 1,104,643
	=====	=====

</TABLE>

TEXAS GULF COAST BANCORP, INC. AND SUBSIDIARIES

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TEXAS GULF COAST BANCORP, INC. (PARENT COMPANY ONLY)

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - BORROWINGS (CONTINUED)

Maturities of borrowings at December 31, 1994, on a consolidated basis are as follows:

<TABLE>

<S>	<C>
1995	\$ 549,000
1996	725,000
1997	1,695,067

</TABLE>

NOTE 9 - DIVIDENDS FROM SUBSIDIARIES

Substantially all of the retained earnings of the Company represent undistributed net income of subsidiaries. Dividends paid by the Company's subsidiary banks are subject to restrictions by certain regulatory agencies.

NOTE 10 - FEDERAL INCOME TAXES

The Company adopted Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, effective January 1, 1993. The cumulative adjustment resulted in a tax benefit of \$ 158,157.

Deferred income tax provision (benefit) results from differences between amounts of assets and liabilities as measured for income tax and financial reporting purposes. The significant components of Federal deferred tax assets and liabilities as of December 31, are as follows:

<TABLE>
<CAPTION>

	1994	1993
	-----	-----
<S>	<C>	<C>
Deferred Tax Assets:	\$ 176,500	\$ -
Unrealized investment securities losses	72,000	135,500
Allowance for possible loan losses	217,000	242,100
Alternative minimum tax credit	55,800	-
Contribution carryforward	12,400	36,400
Write down of premise and equipment	2,900	52,000
Carrying value of other real estate owned	-----	-----
	536,600	466,000
Deferred Tax Liability:	290,400	298,000
Depreciation	-----	-----
Net Deferred Tax	\$ 246,200	\$ 168,000
	=====	=====

</TABLE>

No valuation allowance was recognized in that the deferred tax assets should be realized in future years.

The consolidated provision (benefit) for income taxes consists of the following:

<TABLE>
<CAPTION>

	1994	1993	1992
	-----	-----	-----
<S>	<C>	<C>	<C>
Current	\$ 363,300	\$ 253,000	\$ 537,421
Deferred	98,300	(42,000)	(62,652)
	-----	-----	-----
	\$ 461,600	\$ 211,000	\$ 474,769
	=====	=====	=====

</TABLE>

NOTE 10 - FEDERAL INCOME TAXES (CONTINUED)

The tax expense applicable to securities gains and losses for 1994, 1993 and 1992 was \$ (419), \$ 3,900 and \$ 11,000, respectively.

The difference between the effective tax rate on consolidated income before income taxes and the statutory rate is attributed to the following:

<TABLE>
<CAPTION>

	1994	1993	1992
	-----	-----	-----
<S>	<C>	<C>	<C>
Federal income tax provision at statutory rate	\$ 573,700	\$ 454,000	\$ 880,762
Tax exempt income	(263,900)	(260,000)	(244,369)
Alternative minimum tax credit	25,100	14,000	(159,708)
Additional tax assessed for 1992	89,600	-	-
Other	37,100	3,000	(1,916)
	-----	-----	-----
	\$ 461,600	\$ 211,000	\$ 474,769
	=====	=====	=====

</TABLE>

Deferred income taxes result from temporary differences between the carrying value of assets and liabilities for financial reporting and tax reporting purposes. The sources and related tax effects of these differences are as follows:

<TABLE>

<CAPTION>

	1994	1993	1992
<S>	<C>	<C>	<C>
Tax effect of temporary differences:			
Alternative minimum tax credit	\$ 25,100	\$ (14,000)	\$ -
Tax over book depreciation	(7,600)	(13,000)	2,063
Other real estate owned charged down for book and not tax	49,100	37,000	(84,123)
Allowance for loan loss in excess of tax	63,500	9,000	110,095
Write-down of bank premise and equipment	24,000	(37,000)	-
Deferred loan fees	-	(39,000)	(62,505)
Contribution carryforward	(55,800)	-	-
Other	-	15,000	(28,182)
	-----	-----	-----
	\$ 98,300	\$ (42,000)	\$ (62,652)
	=====	=====	=====

</TABLE>

At December 31, 1994, the Company has, for tax reporting purposes, alternative minimum tax credit carryforwards of \$ 217,000.

NOTE 11 - EMPLOYEE PENSION PLAN

The Company has a defined benefit pension plan covering substantially all employees. The plan was contributory until August 31, 1994 and then became non-contribution. Benefits are based on an employee's years of service and earnings. The Company makes contributions to the plan annually based upon actuarial valuations. The plan assets are managed and invested by the Trust division of a commercial bank. The plan assets are invested in several equity, bond and cash common trust investment funds managed by the trustee bank.

TEXAS GULF COAST BANCORP, INC. AND SUBSIDIARIES

AND

TEXAS GULF COAST BANCORP, INC. (PARENT COMPANY ONLY)

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - EMPLOYEE PENSION PLAN (CONTINUED)

Total pension expense for 1994, 1993 and 1992 was \$124,581, \$83,019 and \$57,492, respectively. Net periodic pension cost for the Company-sponsored plan was as follows:

<TABLE>
<CAPTION>

	1994	1993	1992
<S>	<C>	<C>	<C>
Service cost-benefit earned during the year	\$ 268,142	\$ 260,327	\$ 255,779
Interest cost on projected benefit obligation	179,993	167,675	150,095
Actual gain on plan assets	348,636	(254,235)	(115,816)
Net amortization and deferrals	(604,454)	33,327	(109,127)
	-----	-----	-----
Net pension expense	\$ 192,317	\$ 207,094	\$ 180,931
	=====	=====	=====

</TABLE>

Significant assumptions used in determining pension cost for the Company are as follows:

Discount rate	6.0%
Expected rate of increase in compensation	4.0%
Expected long-term rate of return on plan assets	8.0%

Funded status of the pension plan is as follows:

<TABLE>
<CAPTION>

1994 1993

	<C>	<C>
<S>		
Projected benefit obligation:		
Vested benefits	\$ (1,481,883)	\$ (2,505,514)
Non-vested benefits	(39,107)	(48,085)
	-----	-----
Accumulated benefit obligation	(1,520,990)	(2,553,599)
Effect of projected future compensation level	(273,431)	(448,617)
	-----	-----
Plan assets at fair value	(1,794,421)	(3,002,216)
	1,625,205	2,727,262
	-----	-----
Plan assets (less) than projected benefit obligation	(169,216)	(274,954)
Unrecognized net (gains) loss	186,718	319,201
Unrecognized net (assets) obligation being amortized over 15 years	(287,446)	(316,191)
	-----	-----
Accrued (prepaid) pension cost	\$ (269,944)	\$ (271,944)
	=====	=====

</TABLE>

TEXAS GULF COAST BANCORP, INC. AND SUBSIDIARIES

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TEXAS GULF COAST BANCORP, INC. (PARENT COMPANY ONLY)

NOTES TO FINANCIAL STATEMENTS

NOTE 12 - COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company's subsidiary banks are a party to financial instruments with off balance sheet risk to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amounts recognized in the Consolidated Balance Sheet.

The Company's subsidiary banks use the same credit policies in making commitments as it does for on-balance sheet instruments. Collateral is required to support the off-balance sheet instruments when it is deemed necessary. Collateral held varies, but may include: deposits held in financial institutions, accounts receivable, inventory and property, plant and equipment.

Financial instruments whose contract amounts represent potential credit risk are as follows at December 31:

	1994	1993
<S>		
Commitments to extend credit	\$ 4,084,142	\$ 8,387,411
Standby and commercial letters of credit	288,514	448,317

The Company and subsidiaries have non-cancelable operating leases covering certain equipment. The following is a schedule of future minimum lease payments as of December 31, 1994:

Year Ending December 31,	Equipment
<S>	
1995	\$ 125,206
1996	92,230
1997	49,033
1998	25,609
1999	3,249
2000 and after	3,249

Rent expense incurred under operating leases amounted to \$ 159,148, \$ 89,535 and

\$ 70,989, for the years ended December 31, 1994, 1993 and 1992, respectively.

Various lawsuits are pending against the Company's subsidiaries. Management, after reviewing these suits with legal counsel, considers that the aggregate liability, if any, would not have a material adverse effect on the Company's financial position.

NOTE 13 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of SFAS No. 107, Disclosure about Fair Value of Financial Instruments. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

TEXAS GULF COAST BANCORP, INC. AND SUBSIDIARIES

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TEXAS GULF COAST BANCORP, INC. (PARENT COMPANY ONLY)

NOTES TO FINANCIAL STATEMENTS

NOTE 13 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Cash and cash equivalents -- For cash and due from banks, time deposits in financial institutions and federal funds sold, the carrying amount is a reasonable estimate of fair value.

Investment securities -- 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 with similar credit ratings and 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-maturity certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities.

Borrowings -- Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate fair value of existing debt.

Commitments to extend credit and standby letters of credit -- The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counter parties. For fixed-rate commitments, fair value also considers the difference between current levels of interest rates and committed rates. The fair value of letters of credit is based on fees currently charged for similar letters of credit.

The estimated fair values of the Company's financial instruments are as follows:

<TABLE>

<CAPTION>

	December 31, 1994		December 31, 1993	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<S>	<C>	<C>	<C>	<C>
Assets:				
Cash and cash equivalents	\$ 36,150,977	\$ 36,150,977	\$ 53,288,699	\$ 53,288,699
Investment securities	86,297,063	83,480,151	80,156,038	81,905,426
Loans, net	77,655,517	75,407,890	77,114,651	77,060,829
Liabilities:				
Deposits	186,189,467	186,039,943	195,492,022	195,812,078
Borrowings	2,969,067	2,969,067	1,104,643	1,104,643

TEXAS GULF COAST BANCORP, INC. AND SUBSIDIARIES

AND

TEXAS GULF COAST BANCORP, INC. (PARENT COMPANY ONLY)

NOTES TO FINANCIAL STATEMENTS

NOTE 14 - OTHER OPERATING EXPENSE

Other operating expense for the years ended December 31, are as follows:

<TABLE>
<CAPTION>

	1994	1993	1992
	-----	-----	-----
<S>	<C>	<C>	<C>
Stationery, supplies and printing	\$ 279,604	\$ 326,750	\$ 403,427
Legal, accounting and professional	380,618	513,730	168,725
Data processing	598,454	929,460	899,164
Advertising	101,197	101,017	123,155
Insurance	522,300	518,934	520,859
Postage and freight	182,128	198,080	145,572
Amortization	120,605	273,408	233,517
Directors' fees	165,225	178,025	192,969
Telephone	179,674	142,803	144,473
Other	1,274,325	1,186,581	587,505
	-----	-----	-----
	\$ 3,804,130	\$ 4,368,788	\$ 3,419,366
	=====	=====	=====

</TABLE>

GULF SOUTHWEST BANCORP, INC.

PRO FORMA FINANCIAL INFORMATION

MARCH 31, 1995

Board of Directors and Shareholders
Gulf Southwest Bancorp, Inc.
Houston, Texas

INDEPENDENT AUDITORS' REPORT

We have reviewed the pro forma adjustments reflecting the transaction described in notes to pro forma consolidating financial statements and the application of those adjustments to the historical amounts in the accompanying pro forma consolidating balance sheet of Gulf Southwest Bancorp, Inc. as of March 31, 1995, and the related pro forma consolidating statements of income for the year ended December 31, 1994 and the three months ended March 31, 1995. The historical financial statements of Gulf Southwest Bancorp, Inc. as of December 31, 1994 and for the year then ended were audited by us, on which we have issued our report dated January 30, 1995. The historical financial statements of Texas Gulf Coast Bancorp, Inc. as of December 31, 1994 and for the year then ended were audited by us, on which we have issued our report dated March 3, 1995. The historical financial statements of Gulf Southwest Bancorp, Inc. and Texas Gulf Coast Bancorp, Inc. as of March 31, 1995, and for the three months then ended were unaudited. Such pro forma adjustments are based on management's assumptions as described in notes to pro forma consolidating financial statements. Our review was conducted in accordance with standards established by the American Institute of Certified Public Accountants.

A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assumptions, the pro forma adjustments and the application of those adjustments to historical financial information. Accordingly, we do not express such an opinion.

The objective of this pro forma financial information is to show what the significant effects on the historical information might have been had the transaction occurred at an earlier date. However, the pro forma consolidating

financial statements are not necessarily indicative of the results of operations or related effects on financial position that would have been attained had the above-mentioned transaction actually occurred earlier.

Based on our review, nothing came to our attention that caused us to believe that management's assumptions do not provide a reasonable basis for presenting the significant effects directly attributable to the above-mentioned transaction described in notes to pro forma consolidating financial statements, that the related pro forma adjustments do not give appropriate effect to those assumptions, or that the pro forma column does not reflect the proper application of those adjustments to the historical financial statement amounts in the pro forma consolidating balance sheet of Gulf Southwest Bancorp, Inc. as of March 31, 1995, and the related pro forma consolidating statements of income for the year ended December 31, 1994 and the three months ended March 31, 1995.

/s/Hidalgo, Banfill, Zlotnik & Kermali, P.C.
Hidalgo, Banfill, Zlotnik & Kermali, P.C.

Houston, Texas
April 25, 1995

GULF SOUTHWEST BANCORP, INC.

PRO FORMA CONSOLIDATING FINANCIAL STATEMENTS OBJECTIVES
(UNAUDITED)

The following pro forma balance sheet as of March 31, 1995 and the related statements of income for the year ended December 31, 1994 and the three months ended March 31, 1995 have been derived from the historical financial statements of Gulf Southwest Bancorp, Inc. and Texas Gulf Coast Bancorp, Inc. and have been adjusted to give effect of the merger of the Companies as if the merger had occurred on March 31, 1995 as to the pro forma consolidating balance sheet and as of January 1, 1994 as to the pro forma consolidating statements of income. The pro forma financial statements are presented for informational purposes only and do not purport to be indicative of the financial condition and results of operations that actually would have resulted if the merger had been consummated at January 1, 1994. The pro forma financial statements should be read in conjunction with the notes thereto and the financial statements and notes thereto of Gulf Southwest Bancorp, Inc. and Texas Gulf Coast Bancorp, Inc.

GULF SOUTHWEST BANCORP, INC.

PRO FORMA CONSOLIDATING BALANCE SHEET

MARCH 31, 1995

(UNAUDITED)

<S>	Gulf Southwest Bancorp, Inc. and Subsidiaries		Texas Gulf Coast Bancorp, Inc. and Subsidiaries		Total		Pro forma Adjustments		Pro forma
	<C>	<C>	<C>	<C>	<C>	<C>	<C>		
Cash and due from banks	\$ 12,896,811	\$ 12,252,259	\$ 25,149,070	\$	\$ 52,231	/(1)/	\$ 25,096,839		
Time deposits in banks	1,744,000	-	1,744,000				1,744,000		
Federal funds sold	17,875,000	18,219,418	36,094,418				36,094,418		
Investment securities:									
Held-to-maturity	52,008,182	67,910,452	119,918,634		1,357,612	/(1)/	118,561,022		
Available-for-sale	6,003,141	19,725,659	25,728,800				25,728,800		
Loans, net of allowance	146,113,561	77,503,520	223,617,081		85,496	/(1)/	223,531,585		
Bank premise and equipment	4,523,934	3,742,416	8,266,350				8,266,350		
Accrued interest receivable	1,980,752	1,632,429	3,613,181				3,613,181		
ORE	1,514,804	753,651	2,268,455				2,268,455		
Other assets	1,466,786	995,778	2,462,564				2,462,564		
Excess of cost over equity in subsidiaries	307,993	746,337	1,054,330	1,636,001	/(1)/		2,690,331		
Total Assets	\$ 246,434,964	\$ 203,481,919	\$ 449,916,883				\$ 450,057,545		
Deposits:									
Non-interest bearing	\$ 68,299,239	\$ 42,236,128	\$ 110,535,367				\$ 110,535,367		

Interest bearing	150,018,673	138,897,485	288,916,158		59,584 / (1) /	288,975,742
Accrued interest, taxes and other	1,542,993	976,263	2,519,256			2,519,256
Borrowings	-	3,440,844	3,440,844			3,440,844
Minority interest	-	259,056	259,056			259,056
	-----	-----	-----			-----
Total Liabilities	219,860,905	185,809,776	405,670,681			405,730,265
	-----	-----	-----			-----
Stockholders' Equity:						
Common stock	1,281,650	381,939	1,663,589	381,939 / (1) /	696,205 / (1) /	1,977,855
Paid in capital	8,630,863	5,207,041	13,837,904		11,981,357 / (1) /	25,819,261
Retained earnings	16,996,095	15,437,576	32,433,671	15,437,576 / (1) /		16,996,095
Unrealized securities gains (losses)	(21,105)	(131,382)	(152,487)			(152,487)
	-----	-----	-----			-----
	26,887,503	20,895,174	47,782,677			44,640,724
Less - cost of treasury stock	(313,444)	(3,223,031)	(3,536,475)		3,223,031 / (1) /	(313,444)
	-----	-----	-----			-----
Total Stockholders' Equity	26,574,059	17,672,143	44,246,202			44,327,280
	-----	-----	-----			-----
Total Liabilities and Stockholders' Equity	\$ 246,434,964	\$ 203,481,919	\$ 449,916,883			\$ 450,057,545
	=====	=====	=====			=====

</TABLE>

See accountants' review report and notes to pro forma consolidating financial statements.

GULF SOUTHWEST BANCORP, INC.

PRO FORMA CONSOLIDATING STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1994

(UNAUDITED)

<TABLE>

<CAPTION>

	Texas Gulf		Total	Pro forma Adjustments		Pro forma
	Gulf Southwest Bancorp, Inc. and Subsidiaries	Coast Bancorp, Inc. and Subsidiaries		Debits	Credits	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest Income:						
Interest and fees on loans	\$ 12,274,698	\$ 6,776,407	\$ 19,051,105			\$ 19,051,105
Investment securities:						
Taxable	3,041,308	3,941,439	6,982,747			6,982,747
Non-taxable	370,726	776,207	1,146,933			1,146,933
Time deposits with banks	62,363	97	62,460			62,460
Federal funds sold	1,216,142	1,133,107	2,349,249			2,349,249
	-----	-----	-----			-----
Total Interest Income	16,965,237	12,627,257	29,592,494			29,592,494
	-----	-----	-----			-----
Interest Expense:						
Deposits	4,796,133	4,166,895	8,963,028			8,963,028
Borrowings	-	78,686	78,686			78,686
	-----	-----	-----			-----
Total Interest expense	4,796,133	4,245,581	9,041,714			9,041,714
	-----	-----	-----			-----
Net interest income	12,169,104	8,381,676	20,550,780			20,550,780
Provision for loan losses	50,000	178,000	228,000			228,000
	-----	-----	-----			-----
Net interest income after provision for loan losses	12,119,104	8,203,676	20,322,780			20,322,780
	-----	-----	-----			-----
Non-interest Income:						
Service charges on deposits	2,353,282	1,883,049	4,236,331			4,236,331
Other service charges and fees	222,001	67,552	289,553			289,553
Other operating income	662,771	1,206,417	1,869,188			1,869,188
Securities transactions	-	(1,224)	(1,224)			(1,224)
	-----	-----	-----			-----
Total Non-interest Income	3,238,054	3,155,794	6,393,848			6,393,848
	-----	-----	-----			-----

Non-interest Expense				
Salaries and employee benefits	4,825,183	4,415,710	9,240,893	9,240,893
Occupancy expense	1,153,620	631,197	1,784,817	1,784,817
Furniture and equipment expense	529,730	703,275	1,233,005	1,233,005
Other operating expense	3,884,307	3,922,046	7,806,353	8,203,003
	-----	-----	-----	-----
Total Non-interest Expense	10,392,840	9,672,228	20,065,068	20,461,718
	-----	-----	-----	-----
Income before income taxes	4,964,318	1,687,242	6,651,560	6,254,910
Income taxes	999,300	461,600	1,460,900	1,326,039
	-----	-----	-----	-----
Net Income	\$ 3,965,018	\$ 1,225,642	\$ 5,190,660	\$ 4,928,871
	=====	=====	=====	=====

</TABLE>

See accountants' review report and notes to pro forma consolidating financial statements.

GULF SOUTHWEST BANCORP, INC.

PRO FORMA CONSOLIDATING STATEMENT OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 1995

(UNAUDITED)

<TABLE>
<CAPTION>

	Gulf Southwest Bancorp, Inc. and Subsidiaries	Texas Gulf Coast Bancorp, Inc. and Subsidiaries	Total	Pro forma Adjustments		Pro forma
				Debits	Credits	
	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest Income:						
Interest and fees on loans	\$ 3,426,825	\$ 1,776,930	\$ 5,203,755			\$ 5,203,755
Investment securities:						
Taxable	789,840	1,012,929	1,802,769			1,802,769
Non-taxable	75,359	212,747	288,106			288,106
Time deposits with banks	24,116	-	24,116			24,116
Federal funds sold	317,133	382,646	699,779			699,779
	-----	-----	-----			-----
Total Interest Income	4,633,273	3,385,252	8,018,525			8,018,525
	-----	-----	-----			-----
Interest Expense:						
Deposits	1,275,864	1,175,776	2,451,640			2,451,640
Borrowings	-	71,128	71,128			71,128
	-----	-----	-----			-----
Total Interest expense	1,275,864	1,246,904	2,522,768			2,522,768
	-----	-----	-----			-----
Net interest income	3,357,409	2,138,348	5,495,757			5,495,757
Provision for loan losses	-	67,500	67,500			67,500
	-----	-----	-----			-----
Net interest income after provision for loan losses	3,357,409	2,070,848	5,428,257			5,428,257
	-----	-----	-----			-----
Non-interest Income:						
Service charges on deposits	583,717	447,408	1,031,125			1,031,125
Other service charges and fees	32,087	44,794	76,881			76,881
Other operating income	202,442	152,942	355,384			355,384
	-----	-----	-----			-----
Total Non-interest Income	818,246	645,144	1,463,390			1,463,390
	-----	-----	-----			-----
Non-interest Expense:						
Salaries and employee benefits	1,232,909	1,126,087	2,358,996			2,358,996
Occupancy expense	254,614	176,683	431,297			431,297
Furniture and equipment expense	128,326	129,895	258,221			258,221
Other operating expense	980,776	922,126	1,902,902	99,162 / (2) /		2,002,064
	-----	-----	-----			-----
Total Non-interest Expense	2,596,625	2,354,791	4,951,416			5,050,578
	-----	-----	-----			-----

Income before income taxes	1,579,030	361,201	1,940,231		1,841,069
Income taxes	485,000	88,464	573,464	33,715 / (2) /	539,749
Net Income	\$ 1,094,030	\$ 272,737	\$ 1,366,767		\$ 1,301,320

</TABLE>

See accountants' review report and notes to pro forma consolidating financial statements.

GULF SOUTHWEST BANCORP, INC.

NOTES TO PROFORMA CONSOLIDATING FINANCIAL STATEMENTS

(UNAUDITED)

Gulf Southwest Bancorp, Inc., through a wholly owned subsidiary, will merge Texas Gulf Coast Bancorp, Inc. into a wholly owned subsidiary of Gulf Southwest Bancorp, Inc. Gulf Southwest Bancorp, Inc. will acquire all of the outstanding common shares of Texas Gulf Coast Bancorp, Inc. The pro forma consolidating balance sheet at March 31, 1995 and the statements of income for the year ended December 31, 1994 and the three months ended March 31, 1995, reflect the financial position and results of operations of the entities as if they were consolidated at March 31, 1995 as to the balance sheet and as of January 1, 1994 as to the statements of income. The acquisition discussed herein will be accounted for as a purchase transaction. Gulf Southwest Bancorp, Inc. will record the assets and liabilities at their fair value. The excess of cost of the acquired enterprise over the sum of the amounts assigned to identifiable assets acquired less liabilities assumed shall be recorded as excess of cost over the net equity in net assets acquired.

Following are explanations of the pro forma adjustments reflected in the financial statements:

- (1) To effect the acquisition, Gulf Southwest Bancorp, Inc. will issue 696,205 shares of its common stock (with a fair value of \$25.50 per share) for 328,770 outstanding shares of Texas Gulf Coast Bancorp, Inc. common stock (with a fair value of \$54.00 per share). Several shareholders of Texas Gulf Coast Bancorp, Inc., owning 888 shares of common stock dissented from the merger and are entitled to demand payment of the fair value of their shares. In lieu of fractional shares, shareholders of Texas Gulf Coast Bancorp, Inc. who otherwise would be entitled to receive fractional shares will be paid in cash based upon \$25.50 per share of the common stock of Gulf Southwest Bancorp, Inc. All common stock of Texas Gulf Coast Bancorp, Inc. held as treasury shares will be cancelled.
- (2) The excess of cost over the net equity in net assets acquired will be amortized over periods ranging from 3 to 15 years.

AGREEMENT AND PLAN OF MERGER

This Agreement and Plan of Merger ("Agreement") dated as of November 9, 1994, between GULF SOUTHWEST NEVADA BANCORP, INC., a Nevada corporation ("GSNB"), and TEXAS GULF COAST BANCORP, INC., a Texas corporation ("Texas Gulf Coast"), such corporations being hereinafter sometimes called "Constituent Corporations," evidences as follows:

ARTICLE I

Section 1.1 In accordance with the provisions of the Texas Business Corporation Act and the Nevada General Corporation Law, Texas Gulf Coast will at the Effective Time (as hereinafter defined) be merged into GSNB, which will be the surviving corporation ("Surviving Corporation"). GSNB will continue to exist under and to be governed by the laws of Nevada. Such transaction is hereinafter referred to as the "Merger." Except as herein specifically set forth, the identity, existence, purposes, powers, objectives, franchises, privileges, rights and immunities of GSNB will continue unaffected and unimpaired by the Merger, and the corporate franchises, existence and rights of Texas Gulf Coast will be merged with and into GSNB and GSNB, as the Surviving Corporation, will be fully vested therewith. The separate existence and corporate organization of Texas Gulf Coast, except insofar as they may be continued by statute, will cease when the Merger becomes effective.

Section 1.2 At the Effective Time, the name of the Surviving Corporation will be Gulf Southwest Nevada Bancorp, Inc.

Section 1.3 The Articles of Incorporation of GSNB as in effect immediately prior to the Effective Time will, until further amended as provided by law, be the Articles of Incorporation of the Surviving Corporation.

Section 1.4 The bylaws of GSNB in effect immediately prior to the Effective Time will be the bylaws of the Surviving Corporation until altered, amended or rescinded.

Section 1.5 At the Effective Time the following persons will be the directors of the Surviving Corporation and will hold office from the Effective Time until their respective successors are elected and qualify:

J.W. Lander, Jr.	Donald R. Harding
J. W. Lander, III	A. Harrel Blackshear
Norman H. Bird	

Section 1.6 At the Effective Time the following persons will be the officers of the Surviving Corporation and will hold the indicated offices from the Effective Time until their respective successors are elected and qualify:

Name	Office
----	-----
J. W. Lander, Jr.	Chairman
J. W. Lander, III	President and Treasurer
Norman H. Bird	Vice President and Secretary
Alice Gay	Assistant Secretary and Assistant Treasurer

ARTICLE II

Section 2.1 The shares of common stock of GSNB, \$1.00 par value per share ("GSNB Common Stock"), outstanding at the Effective Time will continue to be outstanding shares of common stock of the Surviving Corporation.

Section 2.2 Except as set forth in Section 24, at the Effective Time, without any action on the part of the shareholders of Texas Gulf Coast, each outstanding share of Texas Gulf Coast's \$1.00 par value per share common stock ("Texas Gulf Coast Common Stock") will be canceled and exchanged for 2.1176 shares of the common stock, \$1.00 par value per share (the "Gulf Southwest Common Stock") of Gulf Southwest Bancorp, Inc ("Gulf Southwest"), a Texas corporation and the owner of all of the outstanding shares of GSNB Common Stock.

Section 2.3 At and after the Effective Time, each holder of a certificate representing shares of Texas Gulf Coast Common Stock, upon presentation and surrender of such certificate to Gulf Southwest, will be entitled to receive in exchange therefor a certificate or certificates representing the number of fully paid and nonassessable whole shares of Gulf Southwest Common Stock to which he is entitled as provided in Section 2.2 and any cash to which such holder may be entitled on account

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of any fractional share interest (without interest thereon) as provided in Section 2.4. Upon consummation of the Merger, each such certificate which represented issued and outstanding shares of Texas Gulf Coast Common Stock at the Effective Time will be deemed for all purposes other than the payment of dividends or other distributions to evidence ownership of the number of whole shares of Gulf Southwest Common Stock into which such shares of Texas Gulf Coast Common Stock will have been converted pursuant to the Merger. Pending surrender of such certificates in exchange for a certificate or certificates representing Gulf Southwest Common Stock, the holder thereof will not be entitled to receive any dividend or other distribution payable to holders of shares of Gulf Southwest Common Stock, provided that upon surrender of such certificates

representing Texas Gulf Coast Common Stock, there will be paid to the record holder thereof the amount of dividends or other distributions (without interest) which theretofore became payable and were not paid to such holder with respect to the number of whole shares of Gulf Southwest Common Stock issued upon such surrender.

Section 2.4 No fractional shares of Gulf Southwest Common Stock will be issued. Instead, each holder of shares of Texas Gulf Coast Common Stock otherwise entitled to receive a fractional interest arising upon the conversion or exchange of such shares will, at the time of surrender of his certificate or certificates theretofore representing his Texas Gulf Coast Common Stock be paid by Gulf Southwest an amount in cash equal to the value of such fractional interest based upon each share of Gulf Southwest Common Stock having a value of \$25.50.

Section 2.5 To the extent holders of the outstanding shares of Texas Gulf Coast Common Stock exercise appraisal rights with respect to their shares pursuant to Article 5.12 of the Texas Business Corporation Act, such shares will continue to be held subject to the rights of such holders under the foregoing Article 5.12 and will not be deemed to be outstanding or converted into cash. The obligation of GSNB and Gulf Southwest to effect the Merger is subject to the condition that the holders of not more than 10% of the outstanding shares of Texas Gulf Coast Common Stock will perfect any statutory right of dissent and appraisal. Shares of Texas Gulf Coast Common Stock held in Texas Gulf Coast's treasury, if any, will be canceled, and certificates representing any such treasury shares will be canceled.

Section 2.6 All shares of Texas Gulf Coast's Common Stock presented and surrendered will be canceled.

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ARTICLE III

Section 3.1 This Agreement will be submitted to the shareholders of the Constituent Corporations for their approval and adoption. The Constituent Corporations will proceed expeditiously and cooperate fully in the procurement of any consents and approvals, the taking of any other action and the satisfaction of all other requirements prescribed by law or otherwise necessary for the consummation of the Merger.

Section 3.2 The appropriate officers of the Constituent Corporations will execute and verify, and cause to be filed with the Secretary of State of the State of Texas and the Secretary of State of the State of Nevada, Articles of Merger in accordance with Article 5.04 of the Texas Business Corporation Act and Section 78.458 of the Nevada General Corporation Law.

Section 3.3 The Merger will become effective in accordance with

Article 5.05 of the Texas Business Corporation Act at the time Articles of Merger have been executed, verified and filed by the Constituent Corporations and a Certificate of Merger has been issued in accordance with Article 5.04 of the Texas Business Corporation Act, and will become effective in accordance with Section 78.458 of the Nevada General Corporation Law at the time Articles of Merger have been executed and filed by the Surviving Corporation in accordance with such Section 78.458. Such Articles of Merger will not be filed until all necessary orders, consents and approvals have been entered by each regulatory authority having jurisdiction, which will include, but not be limited to, an order by the Board of Governors of the Federal Reserve System granting authorization to consummate the transactions contemplated hereby under applicable provisions of the Bank Holding Company Act of 1956, as amended, and all applicable statutory waiting periods will have expired.

The time when the Merger becomes effective, as defined in this Article III, is hereinafter referred to as the "Effective Time."

ARTICLE IV

Section 4.1 When the Merger becomes effective, the separate existence of Texas Gulf Coast will cease and GSNB as the Surviving Corporation, will possess all the rights, privileges, powers and franchises, of a public as well as of a private nature, and be subject to all the restrictions, disabilities, duties, and obligations of each of the Constituent Corporations. The rights, privileges, powers and franchises of each of the Constituent Corporations, and all property, real, personal and mixed, and all debts due to either of the Constituent Corporations on whatever accounts, as well as for stock subscriptions as all

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other things in action, or belonging to either of such corporations will be vested in the Surviving Corporation. All property, rights, privileges, powers and franchises, and all and every other interest will be thereafter as effectively the property of the Surviving Corporation as they were of the Constituent Corporations, and the title to any real estate vested by deed or otherwise, under the laws of any jurisdiction, in either of the Constituent Corporations, will not revert or be in any way impaired. All rights of creditors and all liens upon any property of either of the Constituent Corporations will be preserved unimpaired, and all debts, liabilities, duties and obligations of the Constituent Corporations will attach to the Surviving Corporation and may be enforced against it to the same extent as if said debts, liabilities and duties had been incurred or contracted by it. No liability or obligation due or to become due at the Effective Time, or any claim or demand for any cause then existing against either of the Constituent Corporations or any shareholder, officer or director thereof, will be released or impaired by the Merger.

Section 4.2 At any time, or from time to time, after the Effective

Time, the last acting officers and directors of Texas Gulf Coast will, as and when requested by the Surviving Corporation or its successors or assigns, execute and deliver all such deeds, assignments and other instruments and take or cause to be taken all such further or other reasonable action as the Surviving Corporation deems reasonably necessary or desirable in order to vest, perfect or confirm in the Surviving Corporation title to and possession of all of Texas Gulf Coast's properties, rights, privileges, powers, franchises, immunities and interests and otherwise to carry out the purpose of this Agreement.

ARTICLE V

Section 5.1 This Agreement will be closed at the time and date as may be mutually agreed upon by the Constituent Corporations.

Section 5.2 This Agreement may be terminated upon termination of the Reorganization Agreement.

Section 5.3 This Agreement may be executed in multiple counterparts, each of which will be deemed on original and all of which together will constitute one agreement.

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In order to evidence the foregoing, GSNB and Texas Gulf Coast have caused this Agreement to be signed by their duly authorized officers as of the date first above written.

GULF SOUTHWEST NEVADA BANCORP, INC.

By:

Name:

Title:

TEXAS GULF COAST BANCORP, INC.

By:

Name:

Title:

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