FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1999-07-27** | Period of Report: **1999-06-30**
SEC Accession No. 0001016843-99-000791

(HTML Version on secdatabase.com)

FILER

GULF WEST BANKS INC
CIK:**932773**| IRS No.: **593276590** | State of Incorp.:**FL** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-23713** | Film No.: **99670710**
SIC: **6022** State commercial banks

Mailing Address
425 22ND AVE NORTH
ST PETERSBURG FL 33704

Business Address
425 22ND AVE N
ST PETERSBURG FL 33704
8138945696

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

FORM 10-Q

(Mark One)

[X] Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the quarterly period ended June 30, 1999

or

[ ] Transition report under Section 13 or 15(d) of the Exchange Act

For the transition period from __________________ to _____________________

Commission file number 000-23713

GULF WEST BANKS, INC.

(Exact Name of Registrant as Specified in its Charter)

FLORIDA	59-3276590
(STATE OR OTHER JURISDICTION OF INCORPORATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

425 22ND AVENUE, NORTH
ST. PETERSBURG, FLORIDA 33704

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(727) 894-5696

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE

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

YES [X] NO [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

COMMON STOCK, PAR VALUE $1 PER SHARE	6,668,160 SHARES
(CLASS)	OUTSTANDING AT JUNE 30, 1999

GULF WEST BANKS, INC. AND SUBSIDIARIES

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GULF WEST BANKS, INC. AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	AT	
ASSETS	JUNE 30, 1999	DECEMBER 31, 1998
	(UNAUDITED)	
<S>	<C>	<C>
Cash and due from banks	$ 13,280	16,045
Federal funds sold and securities purchased under agreements to resell	19,701	11,654
Total cash and cash equivalents	32,981	27,699
Securities available for sale	86,384	69,087
Loans receivable, net of allowance for losses of $2,613 and $2,436	259,254	208,608
Premises and equipment, net	10,528	9,978
Cash surrender value of bank owned life insurance	12,322	12,020
Accrued interest receivable	1,979	1,646
Deferred tax asset	659	118
Goodwill, net	1,595	1,643
Foreclosed real estate, net	236	309
Other assets	1,031	1,066
Total	$ 406,969	332,174
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Noninterest-bearing deposits	52,329	45,943
Savings, NOW and money-market deposits	121,696	112,515
Time deposits	169,293	127,914
Total deposits	343,318	286,372
Other borrowings	32,917	15,438
Other liabilities	1,376	1,400

Total liabilities	377,611	303,210
Stockholders' equity:		
Class A preferred stock, $5 par value, authorized 1,000,000 shares, none issued or outstanding	--	--
Common stock, $1 par value; 25,000,000 shares authorized, 6,668,160 and 6,643,717 issued and outstanding	6,668	6,644
Additional paid-in capital	21,495	21,397
Retained earnings	1,958	537
Accumulated other comprehensive (loss) income	(763)	386
Total stockholders' equity	29,358	28,964
Total	$ 406,969	332,174

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements.

<TABLE>
<CAPTION>

GULF WEST BANKS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1999	1998	1999	1998
	(UNAUDITED)		(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>
Interest income:				
Loans receivable	$ 5,485	3,767	10,400	7,498
Interest on securities	1,053	1,199	1,965	2,495
Other interest-earning assets	87	242	263	410
Total interest income	6,625	5,208	12,628	10,403
Interest expense:				
Deposits	2,798	2,118	5,438	4,136
Other borrowings	200	155	375	411
Total interest expense	2,998	2,273	5,813	4,547
Net interest income	3,627	2,935	6,815	5,856
Provision for loan losses	98	110	354	260
Net interest income after provision for loan losses	3,529	2,825	6,461	5,596
Noninterest income:				
Service charges on deposit accounts	350	274	661	533
Leasing fees and commissions	228	162	392	296
Income from fiduciary activities	--	39	--	105
Income earned on bank owned life insurance	152	22	302	100
Other	180	141	299	317
Total noninterest income	910	638	1,654	1,351
Noninterest expense:				
Salaries and employee benefits	1,710	1,360	3,264	2,742

Occupancy expense	613	519	1,156	1,003
Data processing	207	136	406	286
Advertising	89	71	171	143
Stationery and supplies	113	119	198	202
Other	447	361	898	715
Total noninterest expense	3,179	2,566	6,093	5,091
Earnings before income taxes	1,260	897	2,022	1,856
Income taxes	392	311	601	655
Net earnings	$ 868	586	1,421	1,201
Basic earnings per share	$ .13	.09	.21	.18
Weighted-average number of shares outstanding for basic	6,662,928	6,609,598	6,659,588	6,577,618
Diluted earnings per share	$ .13	.09	.21	.18
Weighted-average number of shares outstanding for diluted	6,827,533	6,839,523	6,829,438	6,757,292
Dividends per share	$ --	--	--	--

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements.

GULF WEST BANKS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

SIX MONTHS ENDED JUNE 30, 1999
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	COMMON STOCK					
	NUMBER OF SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPRE-HENSIVE (LOSS) INCOME	TOTAL STOCKHOLDERS' EQUITY
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1998	6,643,717	$ 6,644	21,397	537	386	28,964
Comprehensive income:						
Net earnings (unaudited)	--	--	--	1,421	--	1,421
Net change in unrealized gain on securities available for sale, net of tax of $690 (unaudited)	--	--	--	--	(1,149)	(1,149)
Comprehensive income (unaudited)	--	--	--	1,421	(1,149)	272
Shares issued under stock option plan (unaudited)	13,613	13	56	--	--	69
Shares sold to employees						

(unaudited)	10,830	11	42	--	--	53
	---------	---------	---------	---------	---------	---------
Balance at June 30, 1999 (unaudited)	6,668,160	$ 6,668	21,495	1,958	(763)	29,358
	=========	=========	=========	=========	=========	=========

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements.

GULF WEST BANKS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JUNE 30, 1999	1998
	(UNAUDITED)	
<S>	<C>	<C>
Cash flows from operating activities:		
Net earnings	$ 1,421	1,201
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	517	442
Provision for loan losses	354	260
Net amortization of fees, premiums and discounts	144	41
Deferred income tax credit	149	(33)
Income from mortgage banking activity	(4)	(32)
Proceeds from sales of loans held for sale	304	2,903
Originations of loans held for sale	(300)	(2,156)
Stock issued for compensation	--	50
(Increase) decrease in accrued interest receivable	(333)	128
Increase in goodwill and other assets	(219)	(792)
Decrease in other liabilities	(24)	(180)
	--------	--------
Net cash provided by operating activities	2,009	1,832
	--------	--------
Cash flows from investing activities:		
Purchase of securities available for sale	(23,401)	(23,133)
Proceeds from maturity of securities available for sale	14,782	12,306
Principal repayments on securities available for sale	7,330	7,762
Proceeds from sale of FRB stock	--	180
Proceeds from sale of FHLB stock	--	228
Purchase of premises and equipment, net	(1,067)	(485)
Net increase in loans	(68,918)	(8,133)
Purchase of Citizens National Bank & Trust, net cash acquired	--	9,323
	--------	--------
Net cash used in investing activities	(71,274)	(1,952)
	--------	--------
Cash flows from financing activities:		
Net increase in time deposits	41,379	3,335
Net increase in noninterest-bearing, savings, NOW and money-market deposit accounts	15,567	15,197
Net increase (decrease) of other borrowings	17,479	(8,268)
Issuance of common stock	122	793
	--------	--------
Net cash provided by financing activities	74,547	11,057
	--------	--------
Net increase in cash and cash equivalents	5,282	10,937
Cash and cash equivalents at beginning of period	27,699	17,949
	--------	--------
Cash and cash equivalents at end of period	$ 32,981	28,886
	========	========

Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 5,696	4,372
Income taxes	$ 628	918
Noncash transactions:		
Acquisition of Citizens National Bank and Trust:		
Fair value of assets acquired	$ --	77,744
Liabilities assumed	$ --	67,019
Common stock issued	$ --	10,725
Loans transferred to available for sale securities	$ 18,032	--
Accumulated other comprehensive income, net change in unrealized gain on securities available for sale, net of tax	$ (1,149)	26

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements.

GULF WEST BANKS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. GENERAL. In the opinion of the management, the accompanying condensed consolidated financial statements of Gulf West Banks, Inc. and Subsidiaries (the "Company") contain all adjustments (consisting principally of normal recurring accruals) necessary to present fairly the financial position at June 30, 1999, and the results of operations for the three-month and six-month periods ended June 30, 1999 and 1998 and the cash flows for the six-month periods ended June 30, 1999 and 1998. The results of operations for the three and six months ended June 30, 1999 are not necessarily indicative of the results to be expected for the full year.

2. LOAN IMPAIRMENT AND LOSSES. The Company had no impaired loans at June 30, 1999 or at June 30, 1998.

The activity in the allowance for loan losses is as follows:

<TABLE>
<CAPTION>

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1999	1998	1999	1998
	(IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>
Balance at beginning of period	$ 2,522	2,206	2,436	1,564
Provision for loan losses	98	110	354	260
Charge-offs, net of recoveries	(7)	(55)	(177)	(91)
Purchased via acquisition of Citizens	--	--	--	528
Balance at end of period	$ 2,613	2,261	2,613	2,261

</TABLE>

(continued)

3. EARNINGS PER SHARE ("EPS"). The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations. For the three and six months ended June 30, 1999 options to purchase 2,200 shares of common stock at $11.82 a share issued in 1998, and for the three months ended June 30, 1999, options to purchase 186,000 shares of common stock of $8.38 a share issued in 1999 were not included in the computation of diluted Earnings Per Share because the options exercise price was not less than the average market price of the common shares. These options expire on June 17, 2008 and April 15, 2009, respectively (dollars in thousands, except per share amounts). All per share amounts reflect the 10% stock dividend declared January 15, 1998 and the 10% stock dividend declared on November 19, 1998.

<TABLE>
<CAPTION>

	THREE MONTHS ENDED JUNE 30,					
	1999			1998		
	EARNINGS	WEIGHTED-AVERAGE SHARES	PER SHARE AMOUNT	EARNINGS	WEIGHTED-AVERAGE SHARES	PER SHARE AMOUNT
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Basic EPS:						
Net earnings available to common stockholders	$ 868	6,662,928	$.13	$ 586	6,609,598	$.09
Effect of dilutive securities- Incremental shares from assumed exercise of options	--	164,605		--	229,925	
Diluted EPS:						
Net earnings available to common stockholders and assumed conversions	$ 868	6,827,533	$.13	$ 586	6,839,523	$.09

	SIX MONTHS ENDED JUNE 30,					
	1999			1998		
	EARNINGS	WEIGHTED-AVERAGE SHARES	PER SHARE AMOUNT	EARNINGS	WEIGHTED-AVERAGE SHARES	PER SHARE AMOUNT
Basic EPS:						
Net earnings available to common stockholders	$ 1,421	6,659,588	$.21	$ 1,201	6,577,618	$.18
Effect of dilutive securities- Incremental shares from assumed exercise of options	--	169,850		--	179,674	
Diluted EPS:						
Net earnings available to common stockholders and assumed conversions	$ 1,421	6,829,438	$.21	$ 1,201	6,757,292	$.18

</TABLE>

GULF WEST BANKS, INC. AND SUBSIDIARIES

REVIEW BY INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Hacker, Johnson, Cohen & Grieb PA, the Company's independent certified public accountants, have made a limited review of the financial data as of June 30, 1999, and for the three-month and six-month periods ended June 30, 1999 and 1998 presented in this document, in accordance with standards established by the American Institute of Certified Public Accountants.

Their report furnished pursuant to Article 10 of Regulation S-X is included herein.

REPORT ON REVIEW BY INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
Gulf West Banks, Inc.
St. Petersburg, Florida:

We have reviewed the condensed consolidated balance sheet of Gulf West Banks, Inc. and Subsidiaries (the "Company") as of June 30, 1999, and the related condensed consolidated statements of earnings for the three-month and six-month periods ended June 30, 1999 and 1998, the condensed consolidated statements of cash flows for the six-month periods ended June 30, 1999 and 1998 and the condensed consolidated statement of stockholders' equity for the six-month period ended June 30, 1999. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet as of December 31, 1998, and the related consolidated statements of earnings, stockholders' equity and cash flows for the year then ended (not presented herein); and in our report dated January 15, 1999 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 1998, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ HACKER, JOHNSON, COHEN & GRIEB PA

Hacker, Johnson, Cohen & Grieb PA

Tampa, Florida
July 13, 1999

GULF WEST BANKS, INC. AND SUBSIDIARIES

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

GENERAL

Gulf West Banks, Inc. ("Gulf West" or the "Company") is a one-bank holding company registered under the Bank Holding Company Act of 1956, as amended, and was incorporated under the laws of the State of Florida effective October 24, 1994. Gulf West's principal assets are all of the issued and outstanding shares of capital stock of Mercantile Bank, a Florida state banking corporation which is located in St. Petersburg, Florida ("Mercantile"), and all of the issued and outstanding shares of Mercantile Bank Leasing, Inc. ("MBL"), a Florida corporation located in Tampa, Florida, which is engaged in equipment leasing.

Through its subsidiaries, Mercantile and MBL, the Company provides a wide range of personal and commercial banking services to customers located in the Florida counties of Pinellas, Hillsborough, and Pasco. The Company targets niche markets that are underserved by the larger regional banks. These markets include small to mid-size businesses and professional offices as well as individuals who expect a higher level of personalized attention.

The Company has local directorship and management actively involved in its market areas and committed to the economic growth and development of those markets. Local management allows the Company to provide faster, more responsive and flexible decision making which management believes is important to its targeted customer base.

During the first half of 1999 the Company was presented with a unique opportunity to purchase participation interests in approximately $50 million of seasoned commercial real estate mortgage loans from another financial institution. These loan participations were funded primarily through the generation of new deposit accounts. This transaction contributed significantly to the extraordinary asset growth for the period. Management does not anticipate a comparable growth rate for the last half of 1999.

ACQUISITION

On January 16, 1998, Gulf West acquired Citizens National Bank and Trust Company, Port Richey, Florida ("Citizens"). The Company exchanged 1.95 million shares of its common stock for all the outstanding shares of Citizens. Citizens operated one banking office in Pasco County, Florida. The Company accounted for this transaction using the purchase method of accounting. The results for the first quarter of 1998 include the results of Citizens for that period. The excess purchase price over fair market value of the underlying net assets of $1.9 million was allocated to goodwill.

LIQUIDITY AND CAPITAL RESOURCES

During the six months ended June 30, 1999, the Company's primary sources of funds consisted of deposit inflows, loan principal repayments, and proceeds from the maturity and principal repayment of securities available for sale. The Company used its capital resources principally to fund existing and continuing loan commitments, to purchase loan participations and to purchase securities. At June 30, 1999, the Company had commitments to originate loans totaling $12.1 million. Management believes the Company has adequate resources to fund all its commitments and that substantially all of its existing commitments will be funded in 1999. Management also believes that, if so desired, it can adjust the rates on time deposits to retain deposits in a changing interest-rate environment.

As a Florida-chartered commercial bank, Mercantile is required to maintain a liquidity reserve of at least 15% of its total transaction accounts and 8% of its total nontransaction accounts less those deposits of certain public funds. The liquidity reserve may consist of cash on hand, cash on demand with other correspondent banks and other investments and short-term marketable securities as defined, such as federal funds sold and United States securities or securities guaranteed by the United States. As of June 30, 1999, Mercantile had liquidity of approximately $91 million, or approximately 27% of total deposits.

Management believes Mercantile was in compliance with all minimum capital requirements which it was subject to at June 30, 1999.

The following ratios and rates are presented for the dates and periods indicated:

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JUNE 30, 1999	YEAR ENDED DECEMBER 31, 1998	SIX MONTHS ENDED JUNE 30, 1998
<S>	<C>	<C>	<C>
Average equity as a percentage of average assets	7.81%	9.15%	9.45%
Equity to total assets at end of period	7.21%	8.72%	9.27%
Return on average assets (1)	0.76%	0.84%	0.86%
Return on average equity (1)	9.67%	9.22%	9.05%
Noninterest expenses to average assets (1)	3.24%	3.39%	3.62%
Nonperforming loans and foreclosed real estate as a percentage of total assets at end of period	0.35%	0.43%	0.17%

</TABLE>

----

(1) Annualized for the six months ended June 30, 1999 and 1998.

(continued)

The following table sets forth, for the periods indicated, information regarding (i) the total dollar amount of interest and dividend income of the Company from interest-earning assets and the resultant average yields; (ii) the total dollar amount of interest expense on interest-bearing liabilities and the resultant average cost; (iii) net interest income; (iv) interest-rate spread; (v) net interest margin.

<TABLE>
<CAPTION>

	THREE MONTHS ENDED JUNE 30,					
	1999			1998		
	AVERAGE BALANCE	INTEREST AND DIVIDENDS	AVERAGE YIELD/ RATE	AVERAGE BALANCE	INTEREST AND DIVIDENDS	AVERAGE YIELD/ RATE
	(DOLLARS IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest-earning assets:						
Loans (1)	$267,689	5,485	8.20%	$166,027	3,767	9.08%
Securities	71,265	1,053	5.91	77,602	1,199	6.18
Other interest-earning assets (2)	7,296	87	4.77	17,745	242	5.46
Total interest-earning assets	346,250	6,625	7.65	261,374	5,208	7.97
Noninterest-earning assets	47,295			22,990		
Total assets	$393,545			$284,364		
Interest-bearing liabilities:						
Savings, NOW accounts and money-market deposits	122,224	691	2.26	90,543	649	2.87
Time deposits	166,775	2,107	5.05	108,145	1,469	5.43
Borrowings	18,042	200	4.43	11,476	155	5.40
Total interest-bearing liabilities	307,041	2,998	3.91	210,164	2,273	4.33
Noninterest-bearing liabilities	56,957			47,240		
Stockholders' equity	29,547			26,960		

Total liabilities and stockholders' equity	$393,545			$284,364		
Net interest income		$ 3,627			$ 2,935	
Interest-rate spread (3)			3.74%			3.64%
Net interest margin (4)			4.19%			4.49%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.13			1.24		

<FN>

----

(1) Includes loans on nonaccrual status.
(2) Includes federal funds sold and securities purchased under agreements to resell.
(3) Interest-rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
(4) Net interest margin is net interest income divided by average interest-earning assets.

</FN>
</TABLE>

The following table sets forth, for the periods indicated, information regarding (i) the total dollar amount of interest and dividend income of the Company from interest-earning assets and the resultant average yields; (ii) the total dollar amount of interest expense on interest-bearing liabilities and the resultant average cost; (iii) net interest income; (iv) interest-rate spread; (v) net interest margin.

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JUNE 30,					
	1999			1998		
	AVERAGE BALANCE	INTEREST AND DIVIDENDS	AVERAGE YIELD/ RATE	AVERAGE BALANCE	INTEREST AND DIVIDENDS	AVERAGE YIELD/ RATE
	(DOLLARS IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest-earning assets:						
Loans (1)	$ 253,729	10,400	8.20%	$ 163,537	7,498	9.17%
Securities	67,504	1,965	5.82	79,492	2,495	6.28
Other interest-earning assets (2)	11,233	263	4.68	15,149	410	5.41
Total interest-earning assets	332,466	12,628	7.60	258,178	10,403	8.06
Noninterest-earning assets	43,668			22,736		
Total assets	$ 376,134			$ 280,914		
Interest-bearing liabilities:						
Savings, NOW accounts and money-market deposits	118,504	1,343	2.27	88,114	1,262	2.86
Time deposits	160,729	4,095	5.10	106,613	2,874	5.39
Borrowings	17,338	375	4.33	14,954	411	5.50

Total interest-bearing liabilities	296,571	5,813	3.92	209,681	4,547	4.34
Noninterest-bearing liabilities	50,179			44,696		
Stockholders' equity	29,384			26,537		
Total liabilities and stockholders' equity	$ 376,134			$ 280,914		
Net interest income		$ 6,815			$ 5,856	
Interest-rate spread (3)			3.68%			3.72%
Net interest margin (4)			4.10%			4.54%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.12			1.23		

<FN>

----

(1) Includes loans on nonaccrual status.
(2) Includes federal funds sold and securities purchased under agreements to resell.
(3) Interest-rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
(4) Net interest margin is net interest income divided by average interest-earning assets.

</FN>
</TABLE>

COMPARISON OF THREE-MONTH PERIODS ENDED JUNE 30, 1999 AND 1998

GENERAL. Net earnings for the three-months ended June 30, 1999 were $868,000 or $.13 per basic and diluted share compared to $586,000 or $.09 per basic and diluted share for 1998. The increase in earnings was primarily due to increases in net interest income and noninterest income partially offset by an increase in noninterest expenses.

INTEREST INCOME AND EXPENSE. Interest income increased by $1.4 million to $6.6 million for the three-month period ended June 30, 1999 from $5.2 million for the three months ended June 30, 1998. Interest on loans increased $1.7 million to $5.5 million due to an increase in the average loan portfolio balance in 1999 partially offset by a decrease in the weighted-average yield earned in 1999. Interest on securities decreased $.1 to $1.1 million for the three months ended June 30, 1999 due to a decrease in the average securities portfolio in 1999 and a decrease in the average yield earned in 1999. Interest on other interest-earning assets decreased from $242,000 for the three months ended June 30, 1998 to $87,000 for the three months ended June 30, 1999 due to a decrease in the average balance of other interest-earning assets in 1999 and a decrease in the weighted-average yield earned in 1999.

Interest expense on deposits increased $.7 million to $2.8 million for the three months ended June 30, 1999 from $2.1 million in 1998. The increase is due to an increase in the average deposits in 1999 partially offset by a decrease in the weighted-average rate paid on deposits in 1999.

PROVISION FOR LOAN LOSSES. The provision for loan losses is charged against earnings to bring the total allowance to a level deemed appropriate by management and is based upon historical experience, the volume and type of lending conducted by the Company, industry standards, the amount of nonperforming loans, general economic conditions, particularly as they relate to the Company's market areas, and other factors related to the collectibility of the Company's loan portfolio. The provision for loan losses was $98,000 for the three-month period ended June 30, 1999 compared to $110,000 for the same period in 1998. The allowance for loan losses is $2.6 million at June 30, 1999. While management believes that its allowance for loan losses is adequate as of June 30, 1999, future adjustments to the Company's allowance for loan losses may be necessary if economic conditions differ substantially from the assumptions used in making the initial determination.

NONINTEREST INCOME. Noninterest income increased to $910,000 in 1999 from $638,000 for the three months ended June 30, 1998. Service charges on deposits increased in 1999 due to the growth in deposit accounts. Income from bank owned life insurance policies increased in 1999 primarily because of an additional investment in life insurance.

NONINTEREST EXPENSE. Total noninterest expense increased to $3.2 million for the three months ended June 30, 1999 from $2.6 million for the comparable period ended June 30, 1998. Increases resulted primarily from increases in employee compensation, occupancy expense and data processing expense due to the addition of new banking offices and the expansion of the operations center.

INCOME TAXES. The income tax provision for the three months ended June 30, 1999 was $392,000 or 31.1% of earnings before income taxes compared to $311,000 or 34.7% for the three months ended June 30, 1998.

COMPARISON OF SIX-MONTH PERIODS ENDED JUNE 30, 1999 AND 1998

GENERAL. Net earnings for the six-months ended June 30, 1999 were $1.4 million or $.21 per basic and diluted share compared to $1.2 million or $.18 per basic and diluted share for 1998. The increase in earnings was primarily due to an increase in net interest income and noninterest income partially offset by an increase in noninterest expenses.

INTEREST INCOME AND EXPENSE. Interest income increased by $2.2 million to $12.6 million for the six-month period ended June 30, 1999 from $10.4 million for the six months ended June 30, 1998. Interest on loans increased $2.9 million to $10.4 million due to an increase in the average loan portfolio balance in 1999 partly offset by a decrease in the weighted-average yield earned in 1999. Interest on securities decreased $.5 million to $2.0 million for the six months ended June 30, 1999 due to a decrease in the average securities portfolio in 1999 and a decrease in the average yield earned in 1999. Interest on other interest-earning assets decreased from $410,000 for the six months ended June 30, 1998 to $263,000 for the six months ended June 30, 1999 due to a decrease in the average balance of other interest-earning assets in 1999 and a decrease in the weighted-average yield earned in 1999.

Interest expense on deposits increased $1.3 million to $5.4 million for the six months ended June 30, 1999 from $4.1 million in 1998. The increase is due to an increase in the average deposits in 1999 partially offset by a decrease in the weighted-average rate paid on deposits in 1999.

PROVISION FOR LOAN LOSSES. The provision for loan losses is charged against earnings to bring the total allowance to a level deemed appropriate by management and is based upon historical experience, the volume and type of lending conducted by the Company, industry standards, the amount of nonperforming loans, general economic conditions, particularly as they relate to the Company's market areas, and other factors related to the collectibility of the Company's loan portfolio. The provision for loan losses was $354,000 for the six-month period ended June 30, 1999 compared to $260,000 for the same period in 1998. The allowance for loan losses is $2.6 million at June 30, 1999. While management believes that its allowance for loan losses is adequate as of June 30, 1999, future adjustments to the Company's allowance for loan losses may be necessary if economic conditions differ substantially from the assumptions used in making the initial determination.

NONINTEREST INCOME. Noninterest income increased to $1.7 million in 1999 from $1.4 million for the six months ended June 30, 1998. Service charges on deposits increased in 1999 due to the growth in deposit accounts. Income from bank owned life insurance policies increased in 1999 primarily because of an additional investment in life insurance.

NONINTEREST EXPENSE. Total noninterest expense increased to $6.1 million for the six months ended June 30, 1999 from $5.1 million for the comparable period ended June 30, 1998. Increases resulted primarily from increases in employee compensation, occupancy expense and data processing expense due to the addition of new banking offices and the expansion of the operations center.

INCOME TAXES. The income tax provision for the six months ended June 30, 1999 was $601,000 or 29.7% of earnings before income taxes compared to $655,000 or 35.3% for the period ended June 30, 1998.

YEAR 2000 ISSUES

The Company is acutely aware of the many areas affected by the Year 2000 computer issue, as addressed by the Federal Financial Institutions Examination Council ("FFIEC") in its interagency statement which provided an outline for institutions to effectively manage the Year 2000 challenges. A Year 2000 plan has been approved by the Board of Directors which includes multiple phases, tasks to be completed, and target dates for completion. Issues addressed therein include awareness, assessment, renovation, validation, implementation, testing, and contingency planning. In addition, the Board of Directors has engaged a consulting firm to provide an independent review and evaluation of the Company's Year 2000 readiness.

The Company formed a Year 2000 committee that is charged with the oversight of completing the Year 2000 project on a timely basis. The Company has completed its awareness, assessment, renovation, validation, implementation, and testing phases; the results of which reflect the Company's internal systems to be Year 2000 ready. Its customer relations training having been achieved, the Company is actively involved in its contingency planning training program. Since it routinely upgrades and purchases technologically advanced software and hardware on a continual basis, the Company has determined that the cost of making modifications to correct any Year 2000 issues will not materially affect reported operating results.

The Company's vendors and suppliers have been contacted for written confirmation of their product readiness for Year 2000 compliance. Negative or deficient responses are analyzed and periodically reviewed to prescribe timely actions within the Company's contingency planning. The Company's main service provider has completed testing of its mission critical application software and interconnected systems. Test results, which have been documented and validated, are deemed to be Year 2000 compliant. FFIEC guidance on testing Year 2000 compliance of service providers states that proxy tests are acceptable compliance tests. In proxy testing, the service provider tests with a representative sample of financial institutions that use a particular service, with the results of such testing shared with all similarly situated clients of the service provider. The Company has authorized the acceptance of proxy testing since the proxy tests have been conducted with financial institutions that are similar in type and complexity to its own, using the same version of the Year 2000 ready software and the same hardware and operating systems.

The Company also recognizes the importance of determining that its borrowers are facing the Year 2000 problem in a timely manner to avoid deterioration of the loan portfolio solely due to this issue. All material relationships have been identified and questionnaires have been completed to assess the inherent risks. Deposit customers have received statement stuffers, informational material, and direct mail in this regard. The Company is working on a one-on-one basis with any borrower who has been identified as having high Year 2000 risk exposure.

Accordingly, management does not believe that the Company will incur material costs associated with the Year 2000 issue. Yet, there can be no assurances that all hardware and software that the Company will use will be Year 2000 compliant. Management cannot predict the amount of financial difficulties it may incur due to customers and vendors inability to perform according to their agreements with the Company or the effects that other third parties may cause as a result of this issue. Therefore, there can be no assurance that the failure or delay of others to address the issue or that the costs involved in such process will not have a material adverse effect on the Company=s business, financial condition, and results of operations.

The Company's contingency plans relative to Year 2000 issues have been finalized; this plan covers actions considering a "worst case scenario," although such dire predictions are not anticipated. Based on testing results (as noted above), the Company's mission critical systems have been deemed to be Year 2000 compliant; therefore a contingency plan has not been developed with respect to those systems. With regard to nonmission critical internal systems, the Company has replaced those systems that tested as being noncompliant. Alternatively, some systems could be handled manually on an interim basis. The Company is evaluating termination of those relationships with outside service providers that have been deemed to provide noncompliant systems. It is anticipated that the Company's deposit customers will have increased demands for cash in the latter part of 1999 and correspondingly the Company will maintain higher liquidity levels.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss from adverse changes in market prices and rates. The Company's market risk arises primarily from interest rate risk inherent in its lending and deposit taking activities. The Company has little or no risk related to trading accounts, commodities or foreign exchange.

Management actively monitors and manages its interest rate risk exposure. The primary objective in managing interest-rate risk is to limit, within established guidelines, the adverse impact of changes in interest rates on the Company's net interest income and capital, while adjusting the Company's asset-liability structure to obtain the maximum yield-cost spread on that structure. Management relies primarily on its asset-liability structure to control interest rate risk. However, a sudden and substantial increase in interest rates could adversely impact the Company's earnings, to the extent that the interest rates borne by assets and liabilities do not change at the same speed, to the same extent, or on the same basis. There have been no significant changes in the Company's market risk exposure since December 31, 1998.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Gulf West and Mercantile are parties to various legal proceedings in the ordinary course of business. Management does not believe that there is any pending or threatened proceeding against Gulf West or Mercantile which, if determined adversely, would have a material adverse effect on the business, results of operations, or financial position of Gulf West or Mercantile.

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

The Annual Meeting of Shareholders (the "Annual Meeting") of Gulf West Banks, Inc., was held on April 15, 1999, to consider the election of three directors with terms expiring at the 2002 Annual Meeting. The shareholders also voted upon the adoption of an Employee Stock Purchase Plan and an amendment to the Company's Articles of Incorporation to increase the maximum authorized shares of its common stock from 10,000,000 shares to 25,000,000 shares.

At the Annual Meeting, 5,813,221 shares were present in person or by proxy. Listed below are the directors that were elected at the Annual Meeting with a summary of the votes cast for each nominee:

	FOR	AGAINST	ABSTAIN
Algis Koncius	5,797,820	15,401	--
Louis P. Ortiz, CPA	5,798,040	15,181	--
P.N. Risser III	5,797,820	15,401	--

In addition to the foregoing, the following individuals are directors of Gulf West whose terms continued after the Annual Meeting:

Gordon W. Campbell
John Wm. Galbraith (Director Emeritus)
Henry W. Hanff, MD
Thomas M. Harris
Pandurang V. Kamat, MD
John Cooper Petagna
Ross E. Roeder

GULF WEST BANKS, INC. AND SUBSIDIARIES

PART II. OTHER INFORMATION, CONTINUED

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

The shareholder vote on the two other matters considered at the meeting was as follows:

	FOR	AGAINST	ABSTAIN
Adoption of Employee Stock Purchase Plan	5,710,928	79,116	23,167
Amendment to Articles of Incorporation	5,775,485	20,977	16,759

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
2*	Amended and Restated Agreement and Plan of Merger by and among Citizens National Bank and Trust Company, Inc., Gulf West Banks, Inc. and Mercantile Bank
3.1*	Articles of Incorporation of Gulf West Banks, Inc.
3.2	Articles of Amendment to Articles of Incorporation of Gulf West Banks, Inc.
3.3*	Bylaws of Gulf West Banks, Inc.
10.1*	Form of Registration Rights Agreement with Gordon W. Campbell and John Wm. Galbraith
10.2*	Salary Continuation Agreements with Gordon W. Campbell, Barry K. Miller, and Robert A. Blakley
10.3*	Employment Contract with Gordon W. Campbell
10.4*	Stock Option Plan
10.5***	Agreement to transfer fiduciary accounts to SunTrust Bank, Nature Coast
11**	Statement regarding computation of per share earnings
27	Financial Data Schedule (for SEC use only)

* incorporated by reference to the exhibits included in Amendment No. 2 to Gulf West's Form S-4 Registration Statement, as filed with the Securities and Exchange Commission on December 4, 1997 (Registration No. 333-373307).

** contained in Note 3 to the condensed consolidated financial statements set forth in this Form 10-Q.

*** incorporated by reference to the exhibits included in Gulf West's Form 10-Q for the quarter ended March 31, 1998, as filed with the Securities and Exchange Commission on May 8, 1998.

(b) No reports on Form 8-K were filed by the Company during the quarter ended June 30, 1999.

GULF WEST BANKS, INC. AND SUBSIDIARIES

SIGNATURES

Under 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 WEST BANKS, INC.
(Registrant)

Date: JULY 23, 1999

By: /s/ GORDON W. CAMPBELL
Gordon W. Campbell, Chairman of the Board and President (Chief

Executive Officer)

Date: JULY 23, 1999 By: /s/ BARRY K. MILLER

Barry K. Miller, Secretary
(Chief Financial Officer)

GULF WEST BANKS, INC. AND SUBSIDIARIES

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
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* incorporated by reference to the exhibits included in Amendment No. 2 to Gulf West's Form S-4 Registration Statement, as filed with the Securities and Exchange Commission on December 4, 1997 (Registration No. 333-37307).

** contained in Note 3 to the condensed consolidated financial statements set forth in this Form 10-Q.

*** incorporated by reference to the exhibits included in Gulf West's Form 10-Q for the quarter ended March 31, 1998, as filed with the Securities and Exchange Commission in May 8, 1998.

Exhibit 3.2

ARTICLES OF AMENDMENT
TO
ARTICLES OF INCORPORATION
OF
GULF WEST BANKS, INC.

WHEREAS, the Articles of Incorporation of GULF WEST BANKS, INC. were filed with and approved by the Secretary of State of Florida on the 24th day of October, 1994; and as amended on the 29th day of March, 1995; and

WHEREAS, it is the intention of all of the directors of GULF WEST BANKS, INC. that the Articles of Incorporation be amended in accordance with the amendment set forth herein; and

WHEREAS, the proposed Amendment to the Articles of Incorporation of GULF WEST BANKS, INC. hereinafter set forth was approved by all of the directors of GULF WEST BANKS, INC. on the 18th day of February, 1999; and

WHEREAS, the proposed amendment was approved by the shareholders on April 15, 1999 and the number of votes cast for the amendment was sufficient for approval;and

WHEREAS, the approval of the Secretary of State of Florida of the proposed Amendment hereinafter set forth is hereby requested.

NOW, THEREFORE, the Articles of Incorporation of GULF WEST BANKS, INC. are hereby amended by deleting in its entirety the present Article I and by substituting therefor the following, to-wit:

"ARTICLE V
CAPITAL STOCK

1. COMMON STOCK. The total number of shares of capital stock which the Corporation has authority to issue is 25,000,000 shares of common stock at $1.00 par value per share. The shares may be issued by the Corporation without the approval of stockholders except as otherwise provided in these Articles or the rules of a national securities exchange, if applicable. The consideration for the issuance of the shares shall be paid to or received by the Corporation in full before their issuance and shall not be less than the par value per share. Before the Corporation issues shares, the Board of Directors must determine that the consideration received or to be received for the shares is adequate. The consideration for the issuance of the shares may consist of tangible or intangible property or benefit to the Corporation including but not limited to cash, promissory notes, services performed, promises to perform services

evidenced by a written contract or other securities or contract rights or obligations of the Corporation or any combination of the foregoing. In the absence of actual fraud in the transaction, the judgment of the Board of Directors as to the value of such consideration shall be conclusive. Upon receipt of such consideration such shares shall be deemed to be fully paid and nonassessable. Each holder of shares of common stock shall be entitled to one vote for each share held by such holders.

Exhibit 3.2

Each share of common stock shall have the same relative powers, preferences and rights as, and shall be identical in all respects with, all the other shares of common stock of the Corporation."

IN WITNESS WHEREOF, this Amendment to the Articles of Incorporation is hereby executed on behalf of GULF WEST BANKS, INC. this 19th day of April, 1999.

GULF WEST BANKS, INC.

By:/s/ GORDON W. CAMPBELL

Gordon W. Campbell, President

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FORM 10-Q FOR THE PERIOD ENDED JUNE 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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<F1>Other expense includes: salaries and employee benefits of $3,264, occupancy of
$1,156, data processing of $406, advertising of $171, stationary and supplies
of $198 and other expenses which totaled $898.
<F2>Items are only disclosed on an annual basis in the Company's Form 10-K, and
are, therefore, not included in this Financial Data Schedule.
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