UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 1995

OR

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

For the transition period from ___________ to __________

Commission File Number 1-7850

SOUTHWEST GAS CORPORATION
(Exact name of registrant as specified in its charter)

California (State or other jurisdiction of incorporation or organization)	88-0085720 (I.R.S. Employer Identification No.)
5241 Spring Mountain Road Post Office Box 98510 Las Vegas, Nevada (Address of principal executive offices)	89193-8510 (Zip Code)

Registrant's telephone number, including area code: (702) 876-7237

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

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

Common Stock, $1 Par Value 24,011,892 shares as of August 4, 1995

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The condensed consolidated financial statements included herein have been prepared by Southwest Gas Corporation (the Company), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, all adjustments, consisting of normal recurring items necessary for a fair presentation of the results for the interim periods, have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's 1994 Annual Report on Form 10-K, and 1995 first quarter report on Form 10-Q.

SOUTHWEST GAS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Thousands of dollars)
(Unaudited)

	JUNE 30, 1995	DECEMBER 31, 1994
ASSETS		
Cash and cash equivalents	$ 130,125	$ 129,998
Debt securities available for sale	496,134	529,400
Debt securities held to maturity (fair value of $89,082 and $99,403)	89,823	101,880
Loans receivable, net of allowance for estimated losses of $15,474 and $17,659	1,017,523	936,037
Loans receivable held for sale (fair value of $5,576 and $2,135)	5,483	2,114
Receivables, less reserves for uncollectibles	45,184	105,438
Gas utility property, net of accumulated depreciation	1,077,495	1,035,916
Other property, net of accumulated depreciation	36,671	35,605
Excess of cost over net assets acquired	63,709	65,640
Other assets	115,792	147,965
	$3,077,939	$3,089,993
LIABILITIES & STOCKHOLDERS' EQUITY		
Deposits	$1,253,276	$1,239,949
Securities sold under agreements to repurchase	182,184	281,935
Deferred income taxes and tax credits, net	119,330	133,531
Accounts payable and other accrued liabilities	221,037	208,691
Short-term debt	16,000	92,000
Long-term debt, including current maturities	901,688	790,798
	2,693,515	2,746,904
Preferred stock, including current maturities	4,000	4,000
Common stock		
Authorized--30,000,000 shares		
Issued and outstanding--23,898,709 shares and 21,281,717 shares	25,529	22,912
Additional paid-in capital	306,280	273,217
Unrealized gain (loss), net of tax, on debt securities available for sale	858	(9,467)
Retained earnings	47,757	52,427
	380,424	339,089
	$3,077,939	$3,089,993

The accompanying notes are an integral part of these statements.

SOUTHWEST GAS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)
(Unaudited)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,		TWELVE MONTHS ENDED JUNE 30,	
	1995	1994	1995	1994	1995	1994
Operating revenues:						
Gas operating revenues	$ 122,189	$ 108,407	$ 325,710	$ 315,776	$ 609,345	$ 572,126
Financial services interest income	32,801	29,124	66,012	57,169	127,277	118,521
Other	3,513	2,646	5,669	6,387	9,464	19,994
	158,503	140,177	397,391	379,332	746,086	710,641
Operating expenses:						
Net cost of gas purchased	54,760	48,439	153,666	145,435	258,154	231,288
Financial services interest expense, net	18,347	14,200	36,776	28,249	68,317	60,179
Operating expense	45,333	41,751	88,901	82,982	175,727	166,274
Maintenance expense	8,269	7,324	16,161	14,063	32,295	28,393
Provision for estimated credit losses	2,057	1,908	3,767	3,756	7,404	8,220
Depreciation, depletion and amortization	17,674	16,340	34,738	32,402	67,377	64,241
Taxes other than income taxes	6,800	6,246	13,687	12,741	26,686	25,078
Other	4,367	4,296	8,858	8,577	17,687	18,799
	157,607	140,504	356,554	328,205	653,647	602,472
Operating income (loss)	896	(327)	40,837	51,127	92,439	108,169
Other income and (expenses):						
Net interest deductions	(15,447)	(13,795)	(31,178)	(27,410)	(61,103)	(52,897)
Other income (deductions), net	(278)	(1,162)	(131)	(1,380)	(121)	(15,735)
	(15,725)	(14,957)	(31,309)	(28,790)	(61,224)	(68,632)
Income (loss) before income taxes	(14,829)	(15,284)	9,528	22,337	31,215	39,537
Income tax expense (benefit)	(5,488)	(5,503)	4,224	9,408	12,538	15,257
Net income (loss)	(9,341)	(9,781)	5,304	12,929	18,677	24,280
Preferred/preference stock dividend requirements	95	138	190	277	423	608
Net income (loss) applicable to common stock	$ (9,436)	$ (9,919)	$ 5,114	$ 12,652	$ 18,254	$ 23,672
Earnings (loss) per share of common stock	$ (0.41)	$ (0.47)	$ 0.23	$ 0.60	$ 0.84	$ 1.13
Dividends paid per share of common stock	$ 0.205	$ 0.195	$ 0.41	$ 0.39	$ 0.82	$ 0.78
Average number of common shares outstanding	22,816	21,028	22,110	21,026	21,615	20,933

The accompanying notes are an integral part of these statements.

SOUTHWEST GAS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Thousands of dollars)
(Unaudited)

	SIX MONTHS ENDED JUNE 30, 1995	SIX MONTHS ENDED JUNE 30, 1994	TWELVE MONTHS ENDED JUNE 30, 1995	TWELVE MONTHS ENDED JUNE 30, 1994
CASH FLOW FROM OPERATING ACTIVITIES:				
Net income	$ 5,304	$ 12,929	$ 18,677	$ 24,280
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation, depletion and amortization	34,738	32,402	67,377	64,241
Provision for estimated losses	3,767	3,756	7,404	8,220
Change in unrecovered purchased gas costs	45,363	8,085	46,292	(20,523)
Change in deferred income taxes	(20,226)	(9,547)	(18,891)	(1,101)
Change in deferred charges and credits	3,672	(5,408)	8,108	(3,226)
Change in noncash working capital	47,888	45,022	16,018	14,338
Other	(2,107)	2,611	(3,504)	8,471
Net cash provided by operating activities	118,399	89,850	141,481	94,700
CASH FLOW FROM INVESTING ACTIVITIES:				
Construction expenditures	(75,921)	(63,780)	(156,692)	(128,448)
Loan originations, net of repayments	(92,681)	(87,274)	(160,431)	(183,345)
Sales of loans and loan servicing rights	10,042	31,308	24,824	72,290
Purchases of debt securities	--	(75,929)	(220,420)	(121,817)
Proceeds from sale of debt securities	7,538	3,559	9,053	344,575
Maturities and repayment of debt securities	50,711	120,512	221,946	286,437
Proceeds from sales of real estate acquired through foreclosure	3,585	2,048	5,585	19,718
Proceeds from sale of Arizona assets and services	--	--	--	6,718
Other	4,589	(540)	8,425	(6,861)
Net cash provided by (used in) investing activities	(92,137)	(70,096)	(267,710)	289,267
CASH FLOW FROM FINANCING ACTIVITIES:				
Issuance of common stock	35,680	511	39,941	5,451
Dividends paid	(9,436)	(8,444)	(18,403)	(16,960)
Issuance of long-term debt	114,800	17,000	202,700	98,909
Retirement of long-term debt	(3,910)	(1,666)	(9,211)	(31,765)
Issuance (repayment) of short-term debt	(76,000)	(30,000)	(40,000)	41,000
Change in deposit accounts	13,327	19,382	26,042	(42,842)
Sale and assumption of Arizona deposit liabilities	--	--	--	(320,902)
Proceeds from repos/other borrowings	477,555	309,041	449,847	911,979
Repayment of repos/other borrowings	(577,306)	(334,131)	(501,614)	(977,661)
Other	(845)	(548)	(5,189)	(7,503)
Net cash provided by (used in) financing activities	(26,135)	(28,855)	144,113	(340,294)
Net change in cash and cash equivalents	127	(9,101)	17,884	43,673
Balance at beginning of period	129,998	121,342	112,241	68,568
Balance at end of period	$ 130,125	$ 112,241	$ 130,125	$ 112,241
Supplemental disclosures of cash flow information				
Cash paid during the year for:				
Interest, net of amounts capitalized	$ 44,364	$ 34,672	$ 79,380	$ 67,270
Income taxes, net of refunds	17,419	2,425	17,126	(2,713)

The accompanying notes are an integral part of these statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Summarized Consolidated Financial Statement Data

Summarized consolidated financial statement data for PriMerit Bank is presented below:

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Thousands of dollars)
(Unaudited)

	JUNE 30, 1995	DECEMBER 31, 1994
ASSETS		
Cash and due from banks	$ 35,478	$ 35,262
Cash equivalents	86,653	88,660
Debt securities available for sale	496,134	529,400
Debt securities held to maturity, net of allowance for estimated losses of $1,000 at June 30, 1995 (fair value of $89,082 and $99,403)	89,823	101,880
Loans receivable, net of allowance for estimated credit losses of $15,474 and $17,659	1,017,523	936,037
Loans receivable held for sale (fair value of $5,576 and $2,135)	5,483	2,114
Real estate acquired through foreclosure, net of allowance for estimated losses of $473 at June 30, 1995	3,557	7,631
Real estate held for sale or development, net of allowance for estimated losses of $736 and $476	409	771
FHLB stock, at cost	10,764	17,277
Excess of cost over net assets acquired	63,709	65,640
Other assets	27,785	31,649
	$ 1,837,318	$ 1,816,321
LIABILITIES AND STOCKHOLDER'S EQUITY		
Deposits	$ 1,253,276	$ 1,239,949
Securities sold under agreements to repurchase	182,184	281,935
Advances from FHLB	189,400	99,400
Notes payable	8,065	8,135
Other liabilities	24,150	20,514
	1,657,075	1,649,933
Stockholder's equity		
Common stock	57	57
Additional paid-in capital	160,442	160,442
Unrealized gain (loss), net of tax, on debt securities available for sale	858	(9,467)
Retained earnings	18,886	15,356
	180,243	166,388
	$ 1,837,318	$ 1,816,321

Note 1 - Summarized Consolidated Financial Statement Data (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Thousands of dollars)
(Unaudited)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,		TWELVE MONTHS ENDED JUNE 30,	
	1995	1994	1995	1994	1995	1994
Interest income	$ 32,801	$ 29,124	$ 66,012	$ 57,169	$ 127,277	$ 118,521
Interest expense	18,347	14,200	36,776	28,249	68,317	60,179
Net interest income	14,454	14,924	29,236	28,920	58,960	58,342
Provision for estimated credit losses	(2,035)	(2,275)	(3,399)	(3,709)	(6,920)	(7,618)
Net interest income after provision for credit losses	12,419	12,649	25,837	25,211	52,040	50,724
Net income (loss) from real estate operations	116	595	(317)	110	(1,039)	(431)
Gain on sale of loans	231	116	303	364	537	1,216
Loss on sale of loans	(1)	(113)	(1)	(269)	(83)	(308)
Net gain on sale of debt securities	970	--	970	33	971	7,634
Gain (loss) on secondary marketing hedging activity	(26)	191	(30)	322	37	108
Loan-related fees	234	429	551	666	1,050	1,056
Deposit-related fees	1,880	1,736	3,730	3,231	7,287	6,614
Gain (loss) on sale of credit cards	--	--	--	1,690	(1)	1,690
Loss on sale - Arizona branches	--	--	--	--	--	(102)
Other income	87	59	95	193	221	1,813
Total noninterest income	3,375	2,418	5,618	6,230	10,019	19,721
General and administrative expenses	11,175	10,773	22,326	21,761	44,073	45,882
Amortization of cost in excess of net assets acquired	966	965	1,931	1,931	3,861	3,862
Total noninterest expense	12,141	11,738	24,257	23,692	47,934	49,744
Income before income taxes	3,769	3,924	6,881	7,859	13,086	20,270
Income tax expense	1,667	1,748	3,101	3,494	5,998	8,246
Net income	$ 2,102	$ 2,176	$ 3,780	$ 4,365	$ 7,088	$ 12,024
Contribution to consolidated net income (loss) (a)	$ 610	$ 954	$ 806	$ 1,930	$ 1,653	$ 7,117

(a) Includes after-tax allocation of costs from parent.

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

The Company is comprised of two business segments: natural gas operations and financial services. The gas segment purchases, transports and distributes natural gas to residential, commercial and industrial customers in geographically diverse portions of Arizona, Nevada and California. The financial services segment consists of PriMerit Bank (the Bank), a wholly owned subsidiary, which is engaged in retail and commercial banking. The Bank's principal business is to attract deposits from the general public and make consumer and commercial loans secured by real estate and other collateral. For the twelve months ended June 30, 1995, the natural gas operations segment contributed $17 million and the financial services segment contributed $1.7 million, resulting in consolidated net income of $18.7 million.

CONSOLIDATED CAPITAL RESOURCES AND LIQUIDITY

The capital requirements and resources of the Company generally are determined independently for the natural gas operations and financial services segments. Each segment is generally responsible for securing its own financing sources.

The Company's unsecured debt is rated Baa3 by Moody's Investors Service, BBB- by Standard and Poor's Ratings Group and BB+ by Duff and Phelps Credit Rating Company.

See separate discussions of the capital resources and liquidity for each segment.

RESULTS OF CONSOLIDATED OPERATIONS

Quarterly Analysis

	Contribution to Consolidated Net Income Three Months Ended June 30, (Thousands of dollars) 1995	1994
Natural gas operations segment	$ (9,951)	$(10,735)
Financial services segment	610	954
Consolidated net loss	$ (9,341)	$ (9,781)

See separate discussions of each business segment for an analysis of these changes.

Six-Month Analysis

	Contribution to Consolidated Net Income Six Months Ended June 30, (Thousands of dollars) 1995	1994
Natural gas operations segment	$ 4,498	$ 10,999
Financial services segment	806	1,930
Consolidated net income	$ 5,304	$ 12,929

See separate discussions of each business segment for an analysis of these changes.

Twelve-Month Analysis

	Contribution to Consolidated Net Income Twelve Months Ended June 30, (Thousands of dollars)	
	1995	1994
Natural gas operations segment	$ 17,024	$ 17,163
Financial services segment	1,653	7,117
Consolidated net income	$ 18,677	$ 24,280

See separate discussions of each business segment for an analysis of these changes.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In March 1995, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This statement requires that long-lived assets and certain intangible assets to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. This statement is effective for financial statements for fiscal years beginning after December 15, 1995. The Company does not anticipate any material effect on its financial position or results of operations upon implementation of this statement.

NATURAL GAS OPERATIONS SEGMENT

The Company is engaged in the business of purchasing, transporting, and distributing natural gas in portions of Arizona, Nevada and California. Its service areas are geographically as well as economically diverse. The Company is the largest distributor in Arizona, selling and transporting natural gas in most of southern, central, and northwestern Arizona, including the Phoenix and Tucson metropolitan areas. The Company is also the largest distributor and transporter of natural gas in Nevada, and serves the Las Vegas metropolitan area and northern Nevada. In addition, the Company distributes and transports gas in portions of California, including the Lake Tahoe area in northern California and high desert and mountain areas in San Bernardino County.

The Company purchases, transports and distributes natural gas to approximately 993,000 residential, commercial and industrial customers within its three-state service territory, of which 59 percent are in Arizona, 30 percent are in Nevada, and 11 percent are in California. During the twelve months ended June 30, 1995, the Company earned 60 percent of its operating margin from residential customers, 24 percent from commercial customers, and 16 percent from industrial and other customers. During this same period, 58 percent of operating margin was earned in Arizona, 31 percent in Nevada and 11 percent in California. This pattern is consistent with prior years and is expected to continue.

For the twelve months ended June 30, 1995, the Company's natural gas construction expenditures totaled $153 million, a 21 percent increase when compared to $126 million of construction expenditures for the same period ended a year ago. The increase is attributed to the investment in new transmission and distribution plant in Arizona, Nevada, and California to meet the demand from the Company's growing customer base.

CAPITAL RESOURCES AND LIQUIDITY

The Company currently estimates that the total financing requirements for the gas segment for the three-year period ending December 31, 1997 will be approximately $425 million. Of this amount, construction expenditures will approximate $410 million and debt maturities and repayments and other cash requirements will approximate $15 million. It is currently estimated that

cash flow from operating activities (net of dividends) will generate approximately one-half of the gas segment's total financing requirements during the three-year period ending December 31, 1997. A portion of the remaining financing requirements will be provided by $83 million of funds held in trust at December 31, 1994, from the issuance of 1993 Clark County, Nevada, Series A and 1993 City of Big Bear Lake, California, Series A industrial development revenue bonds (IDRB).

In May 1995, the Company completed an offering of 2.1 million primary shares of common stock. The net proceeds from this offering were $28.5 million after deducting underwriting discounts, commissions, and expenses. The proceeds were used to repay a portion of short-term borrowings incurred to finance utility construction, and to finance construction, completion, extension or improvement of the Company's facilities located in and around the communities it serves.

The remaining cash requirements are expected to be provided by external financing sources. The timing, types, and amounts of these additional external financings will be dependent on a number of factors, including conditions in the capital markets, timing and amounts of rate relief, and growth factors in the Company's service areas. These external financings may include the issuance of both debt and equity securities, bank and other short-term borrowings, and other forms of financing.

RESULTS OF NATURAL GAS OPERATIONS

Quarterly Analysis

	Three Months Ended June 30, (Thousands of dollars)	
	1995	1994
Gas operating revenues	$ 122,189	$ 108,407
Net cost of gas	54,760	48,439
Operating margin	67,429	59,968
Operations and maintenance expense	47,855	43,673
Depreciation and amortization	15,741	14,381
Taxes other than income taxes	6,706	6,165
Operating loss	(2,873)	(4,251)
Other income (expense), net	(278)	(1,162)
Loss before interest and income taxes	(3,151)	(5,413)
Net interest deductions	15,447	13,795
Income tax expense (benefit)	(7,155)	(7,251)
Net loss before allocation to the Bank	(11,443)	(11,957)
Carrying costs allocated to the Bank, net of tax	1,492	1,222
Contribution to consolidated net loss	$ (9,951)	$ (10,735)

Contribution to consolidated net loss improved $784,000 compared to the second quarter of 1994. The improvement was principally the result of higher operating margin attributed to cooler weather throughout the Company's service territories when compared to the same period in 1994. The increase in margin was partially offset by higher operating costs and net interest deductions resulting from the continued expansion and upgrading of the gas system to accommodate customer growth.

Operating margin increased 12 percent when compared to the same period ended a year ago. Cooler weather during the current quarter resulted in a $4.9 million increase in margin from weather-sensitive customers. Also contributing to the higher margin was customer growth in all of the Company's service territories and authorized rate relief in the Company's California and southern Arizona rate jurisdictions.

Operations and maintenance expenses increased $4.2 million, or ten percent, reflecting increases in labor and maintenance costs, including the incremental operating expenses associated with meeting the needs of the Company's growing customer base.

Depreciation expense and general taxes increased $1.9 million, or nine percent, as a result of additional plant in service. Average gas plant in service increased $124 million, or nine percent, as compared to the second quarter of 1994. This increase reflects ongoing capital expenditures for the upgrade of existing operating facilities and the expansion of the system to accommodate continued customer growth.

Net interest deductions increased $1.7 million, or 12 percent, over the second quarter of 1994. Average debt outstanding during the current quarter increased nine percent, and consisted of an $81 million increase in average long-term debt, partially offset by a $20 million decrease in average short-term debt, outstanding during the period. The increase in debt is attributed primarily to borrowings for construction expenditures, including the drawdown of a portion of IDRB funds previously held in trust. Higher interest rates on variable-rate debt also contributed to the increase in net interest deductions.

Six-Month Analysis

	Six Months Ended June 30, (Thousands of dollars)	
	1995	1994
Gas operating revenues	$ 325,710	$ 315,776
Net cost of gas	153,666	145,435
Operating margin	172,044	170,341
Operations and maintenance expense	93,722	86,108
Depreciation and amortization	30,878	28,429
Taxes other than income taxes	13,488	12,536
Operating income	33,956	43,268
Other income (expense), net	(131)	(1,380)
Income before interest and income taxes	33,825	41,888
Net interest deductions	31,178	27,410
Income tax expense	1,123	5,914
Net income before allocation to the Bank	1,524	8,564
Carrying costs allocated to the Bank, net of tax	2,974	2,435
Contribution to consolidated net income	$ 4,498	$ 10,999

Contribution to consolidated net income decreased $6.5 million as compared to the six months ended June 1994. This was the result of increased operating costs and net interest deductions incurred as a result of the continued expansion and upgrading of the gas system to accommodate the Company's growth.

Operating margin increased only one percent during the six months ended June 1995 compared to the same period in 1994. Margin increases from continued customer growth and authorized rate relief in California and southern Arizona were virtually offset by the effects of unseasonably warm weather during the first quarter of 1995 in the Company's three largest operating areas: Phoenix, Las Vegas, and Tucson.

Operations and maintenance expenses increased $7.6 million, or nine percent, reflecting increases in labor and maintenance costs along with incremental operating expenses associated with meeting the needs of the Company's growing customer base.

Depreciation expense and general taxes increased $3.4 million, or eight percent, resulting from an increase in average gas plant in service of $117 million, or nine percent. This increase reflects capital expenditures for the upgrade of existing operating facilities and the expansion of the system to accommodate continued customer growth within the Company's service area.

Net interest deductions increased $3.8 million, or 14 percent, over the prior period. Average debt outstanding during the period increased 12 percent compared to the same period in 1994, and consisted of a $75 million increase in average long-term debt, net of funds held in trust, and a $2 million increase in average short-term debt. The increase in debt is attributed primarily to borrowings for construction expenditures and operating activities as well as the drawdown of IDRB funds previously held in trust. Higher interest rates on variable-rate debt also contributed to the increase in net interest deductions.

Twelve-Month Analysis

	Twelve Months Ended June 30, (Thousands of dollars) 1995	1994
Gas operating revenues	$ 609,345	$ 572,126
Net cost of gas	258,154	231,288
Operating margin	351,191	340,838
Operations and maintenance expense	185,839	172,174
Depreciation and amortization	59,711	56,203
Taxes other than income taxes	26,288	24,562
Operating income	79,353	87,899
Other income (expense), net	(121)	(15,735)
Income before interest and income taxes	79,232	72,164
Net interest deductions	61,103	52,897
Income tax expense	6,540	7,011
Net income before allocation to the Bank	11,589	12,256
Carrying costs allocated to the Bank, net of tax	5,435	4,907
Contribution to consolidated net income	$ 17,024	$ 17,163

Contribution to consolidated net income decreased $139,000 as compared to the twelve months ended June 1994. Increases in operating expenses and net interest deductions offset an increase in operating margin during the current twelve-month period. However, the recognition of the Arizona pipe replacement program disallowances had a significant negative impact on net income for the twelve months ended June 1994 (see discussion below).

Operating margin increased $10.4 million, or three percent, during the twelve months ended June 1995. This increase was due to continued customer growth in the Company's service areas, combined with rate relief in the Company's Arizona and California rate jurisdictions.

Operations and maintenance expenses increased $13.7 million, or eight percent, resulting primarily from increases in labor and materials over the same period ended a year ago. These increases reflect the incremental cost of providing service to the Company's growing customer base.

Depreciation expense and general taxes increased $5.2 million, or six percent, as a result of additional plant in service. Average gas plant in service for the current twelve-month period increased $98 million, or seven percent, compared to the corresponding period a year ago. This was attributable to the upgrade of existing operating facilities and the expansion of the system to accommodate the number of new customers being added to the system.

Other expenses for the twelve months ended June 1994 include a cumulative $19.1 million write-off in gross plant related to the central and southern Arizona pipe replacement programs, the result of a regulatory mandate. The

impact of these disallowances, net of accumulated depreciation, tax benefits and other related items, was a noncash reduction to net income of $9.6 million.

Net interest deductions increased $8.2 million, or 16 percent during the twelve months ended June 1995 over the comparative period of the prior year. Average total debt outstanding during the period increased 12 percent compared to the corresponding period of the prior year, and consisted of a $58 million increase in average long-term debt and an $18 million increase in average short-term debt outstanding during the period. This increase is primarily attributed to borrowings for construction expenditures and operating activities as well as the drawdown of IDRB funds previously held in trust. Higher interest rates on variable-rate debt also contributed to the increase in net interest deductions.

FINANCIAL SERVICES SEGMENT

PriMerit Bank (the Bank) is a federally chartered stock savings bank conducting business through branch offices in Nevada. The Bank's deposit accounts are insured to the maximum extent permitted by law by the Federal Deposit Insurance Corporation (FDIC) through the Savings Association Insurance Fund (SAIF). The Bank is regulated by the Office of Thrift Supervision (OTS) and the FDIC, and is a member of the Federal Home Loan Bank (FHLB) system.

The Bank's principal business is to attract deposits from the general public and make loans secured by real estate and other collateral to enable borrowers to purchase, refinance, construct or improve such property. Revenues are derived from interest on real estate loans and debt securities and, to a lesser extent, from interest on nonmortgage loans, gains on sales of loans and debt securities, and fees received in connection with loans and deposits. The Bank's major expense is the interest paid on deposits and borrowings.

CAPITAL RESOURCES AND LIQUIDITY

In accordance with OTS regulations, the Bank is required to maintain an average daily balance of liquid assets equal to at least five percent of its liquidity base (as defined in the OTS regulations) during the preceding calendar month. The liquidity ratio was 13 percent for the month of June 1995. The Bank maintains a ratio substantially higher than the requirement due to its increased level of transaction accounts relative to a traditional thrift. Management considers the Bank's liquidity position to be adequate. At June 30, 1995, the Bank maintained in excess of $348 million of unencumbered assets which could be borrowed against or sold to increase liquidity levels.

The Bank's deposits decreased $2.7 million during the quarter while increasing $13.3 million year to date. The decrease in the second quarter of 1995 is principally due to a $5.8 million decrease in longer term certificate of deposit accounts, partially offset by a $3.1 million increase in transaction and other accounts. The Bank offered a new money market product at the beginning of the year which was the primary cause of the increase in transaction accounts. The net increase for the first half of 1995 is due primarily to an $18.4 million increase in transaction and other retail accounts partially offset by a $5.1 million decrease in certificates of deposit.

FINANCIAL AND REGULATORY CAPITAL

At June 30, 1995, the Bank exceeded all three capital ratios for a "well capitalized" institution as defined by the FDIC Improvement Act of 1991 (FDICIA), and all three fully phased-in FDICIA capital requirements which will be applicable at July 1, 1996 under current FDICIA capital standards. As required by the OTS, effective January 1995, all supervisory goodwill was excluded from regulatory capital, resulting in a decline in all three of the Bank's regulatory capital ratios. Growth in the asset base used in the capital computations also caused a reduction in the three regulatory capital ratios from year end. This reduction was offset partially by the Bank's year-to-date net income and goodwill amortization. The Bank continues to be classified as "well capitalized" under FDICIA.

A reconciliation of stockholder's equity to the three FDICIA regulatory capital standards and the Bank's resulting ratios are set forth in the table below (thousands of dollars):

	June 30, 1995			December 31, 1994		
	Total Risk-Based	Tier 1 Risk-Based	Tier 1 Leverage	Total Risk-Based	Tier 1 Risk-Based	Tier 1 Leverage
Stockholder's equity	$ 180,243	$ 180,243	$ 180,243	$ 166,388	$ 166,388	$ 166,388
Nonsupervisory goodwill	(39,331)	(39,331)	(39,331)	(40,376)	(40,376)	(40,376)
Supervisory goodwill	(24,378)	(24,378)	(24,378)	(18,661)	(18,661)	(18,661)
Real estate investments	(581)	--	--	(1,325)	(194)	(194)
Unrealized loss (gain), net of tax, on debt securities available for sale	(858)	(858)	(858)	9,467	9,467	9,467
Mortgage servicing rights adjustment	(12)	(12)	(12)	--	--	--
General loan loss reserves	12,201	--	--	11,512	--	--
Regulatory capital	$ 127,284	$ 115,664	$ 115,664	$ 127,005	$ 116,624	$ 116,624
Regulatory capital ratio	13.08%	11.89%	6.52%	13.88%	12.75%	6.62%
Adequately capitalized ratio	8.00	4.00	4.00	8.00	4.00	4.00
Excess	5.08%	7.89%	2.52%	5.88%	8.75%	2.62%
Asset base	$ 972,825	$ 972,825	$1,773,152	$ 914,812	$ 914,812	$1,760,801

At June 30, 1995, under fully phased-in FDICIA capital rules applicable at July 1, 1996, the Bank would have exceeded its fully phased-in adequately capitalized total risk-based, tier 1 risk-based, and tier 1 leverage capital requirements by $49.1 million, $76.8 million and $44.7 million, respectively.

The Company, at the time that it acquired the Bank, stipulated in an agreement with the Federal Home Loan Bank Board (predecessor to the OTS) that it would assist the Bank in maintaining levels of regulatory capital required by the regulations in effect at the time or as they were amended thereafter, so long as it controlled the Bank. The Company also stipulated in connection with the acquisition, that dividends paid by the Bank to the Company would not exceed 50 percent of the Bank's cumulative net income after the date of acquisition, without prior approval by the regulators. In addition, the Company agreed that the Bank would not at any time declare a dividend that would reduce the Bank's regulatory capital below minimum regulatory requirements in effect at the time of the acquisition or thereafter. In June 1995, the Company and the Bank requested that the OTS lift these stipulations since laws and regulations have been enacted since the Company's acquisition of the Bank in conjunction with FIRREA and FDICIA, which govern capital distributions and prompt corrective action measures when the capitalization of a thrift is deficient. In July 1995, the OTS terminated these stipulations, such that capital distributions by the Bank and capitalization of the Bank are now governed by the laws and regulations governing all other thrifts.

In June 1995, the Bank declared a $250,000 cash dividend payable to the Company during the third quarter of 1995, subject to notification of the OTS. The Bank has notified the OTS of its proposed dividend.

The Bank enters into various interest rate swaps in managing its interest rate risk (IRR). In these swaps, the Bank agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated on an agreed-upon notional principal amount. Because the Bank's interest-earning assets tend to be long-term fixed-rate instruments while the Bank's interest-bearing liabilities tend to be shorter term or floating-rate obligations, interest rate swaps reduce the impact of market fluctuations on the Bank's net interest income.

The Bank only enters into interest rate swaps to hedge specific assets or liabilities, and not for speculative or trading purposes. Therefore, the Bank accounts for the swaps by accruing for the cash flows which are contractually receivable and payable under the agreements. These net costs are included as cost of hedging activities in the consolidated statements of income.

The Bank mitigates the credit risk associated with interest rate swaps by limiting itself to transactions with counterparties who are U.S. Government Securities dealers registered with the Securities and Exchange Commission (SEC) and are in full compliance with the SEC's Net Capital Rule for Brokers and Dealers. Additionally, the Bank's policy limits the maximum notional amount outstanding per dealer and in total.

The following table summarizes the terms of the Bank's outstanding interest rate swaps as of the dates indicated (thousands of dollars):

	June 30, 1995	December 31, 1994
Notional principal	$ 82,650	$ 72,450
Weighted average remaining term (months)	60	59
Weighted average fixed-rate payable	6.98%	6.95%
Weighted average variable-rate receivable	6.45%	5.66%
Unrealized gains	$ 328	$ 2,991
Unrealized losses	$ (2,474)	$ (5)

The increase in unrealized losses affiliated with the interest rate swaps is due entirely to the general decline in interest rates since year end. The assets hedged by these interest rate swaps have experienced corresponding increases in their fair values during the same time period.

RESULTS OF FINANCIAL SERVICES OPERATIONS

Adoption of SFAS No. 122

In May 1995, the FASB issued SFAS No. 122, "Accounting for Mortgage Servicing Rights." The statement eliminates the previous distinction between purchased and originated mortgage servicing rights. The statement requires an allocation of the cost basis of a mortgage loan between the mortgage servicing rights and the loan when mortgage loans are sold or securitized and the servicing is retained. The Bank adopted SFAS No. 122 effective April 1, 1995. As a result of the implementation, earnings before taxes and net income for the second quarter increased $114,000 and $74,000, respectively.

Quarterly Analysis

The Bank recorded net income of $2.1 million for the three months ended June 30, 1995, compared to net income of $2.2 million for the same period in 1994. After-tax components of the Bank's 1995 second quarter net income were comprised of $3 million from core banking operations and $76,000 of real estate income, offset partially by $966,000 in goodwill amortization. After-tax components of the Bank's 1994 second quarter net income were comprised of $3 million from core banking operations and $391,000 of real estate income, offset partially by $965,000 in goodwill amortization expense and $187,000 from credit card charge-offs.

The following table sets forth information with respect to interest rate spread for the periods shown (thousands of dollars):

	Three Months Ended June 30,					
	1995			1994		
	Average Balance	Interest	Average Yield	Average Balance	Interest	Average Yield
Interest-earning assets:						
Cash equivalents	$ 27,659	$ 426	6.16%	$ 50,587	$ 512	4.05%
Debt securities held to maturity	97,016	1,847	7.62	66,553	1,061	6.38
Debt securities available for sale	501,623	8,450	6.74	560,282	8,380	5.98
Loans receivable	1,000,469	21,945	8.77	883,494	18,982	8.59
FHLB stock	12,487	133	4.26	16,795	189	4.50
Total interest-earning assets	$1,639,254	32,801	8.00	$1,577,711	29,124	7.38
Interest-bearing liabilities:						
Deposits	$1,249,142	13,183	4.22	$1,227,626	10,690	3.49
Securities sold under agreements to repurchase	149,946	2,411	6.43	213,925	2,466	4.62
Advances from FHLB	160,511	2,491	6.21	71,000	832	4.70
Notes payable	8,067	162	8.03	8,200	160	7.83
Total interest-bearing liabilities	$1,567,666	18,247	4.66	$1,520,751	14,148	3.73
Cost of hedging activities		100	0.02		56	0.01
Cost of funds		18,347	4.68		14,204	3.74
Capitalized and transferred interest		--	--		(4)	--
Net interest income		$ 14,454	3.32%		$ 14,924	3.64%
Net yield on interest-earning assets			3.53%			3.78%

Despite a flattening of the yield curve between periods, with increased short-term rates and decreased long-term rates, the Bank's net interest margin remained strong. Increases in the costs of interest-bearing liabilities have largely been offset by increases in loan and security yields as a result of the adjustable-rate features of a large portion of the asset portfolios and by new originations.

The Bank redeemed $6.9 million of FHLB stock during the quarter in order to reinvest the proceeds at higher yields. The yield on interest-earning assets was also maintained by an increase in construction and consumer loans which have shorter terms and higher rates. In order to take advantage of the relatively attractive long-term rates and to improve the Bank's IRR posture, the Bank paid off $32 million of borrowings on securities under agreements to repurchase and increased the amount of its advances from the FHLB by $40 million.

Noninterest income increased $957,000 in the second quarter of 1995 compared to 1994, principally due to a one-time $970,000 pretax gain on the sale of CMO residuals from its available for sale portfolio. The sale was executed in order to take advantage of favorable market conditions, eliminate an area of possible regulatory concern due to the volatile aspects of the securities, and enhance the credit quality of the investment portfolio.

The $144,000 increase in deposit-related fees during 1995 was due primarily to increases in the fees charged on these accounts. The $227,000 increase in net gains on sale of loans from secondary marketing activities resulted from declining interest rates as the value of such loans increased during the period between origination and sale.

General and administrative expenses were higher during the second quarter of 1995 compared to the same period in 1994, due primarily to increased expenses associated with the opening of a new branch and normal incremental increases in salaries.

Six-Month Analysis

Net income of $3.8 million was recorded for the first half of 1995 compared to net income of $4.4 million for the six months ended June 30, 1994. After-tax components of net income for the first half of 1995 were comprised of

$6 million from core banking operations, partially offset by $64,000 of credit card charge-offs, a $205,000 loss from real estate operations, and $1.9 million of goodwill amortization. After-tax components of the Bank's 1994 first half net income were comprised of $5.3 million from core banking operations, a gain of $912,000 from the Bank's credit card portfolio sale, net of charge-offs, and a $72,000 gain from real estate operations. Income was partially offset by $1.9 million of goodwill amortization.

The following table sets forth information with respect to interest rate spread for the periods shown (thousands of dollars):

	Six Months Ended June 30,					
	1995			1994		
	Average Balance	Interest	Average Yield	Average Balance	Interest	Average Yield
Interest-earning assets:						
Cash equivalents	$ 55,401	$ 1,684	6.08%	$ 60,122	$ 1,065	3.54%
Debt securities held to maturity	98,818	3,670	7.43	67,165	2,162	6.44
Debt securities available for sale	508,812	17,108	6.72	574,133	16,804	5.85
Loans receivable	978,711	43,192	8.83	869,339	36,797	8.47
FHLB stock	14,973	358	4.78	16,708	341	4.08
Total interest-earning assets	$1,656,715	66,012	7.97	$1,587,467	57,169	7.20
Interest-bearing liabilities:						
Deposits	$1,244,085	25,587	4.15	$1,217,325	21,023	3.48
Securities sold under agreements to repurchase	205,594	6,444	6.32	235,236	5,176	4.44
Advances from FHLB	136,422	4,115	6.08	71,000	1,654	4.70
Notes payable	8,101	332	8.26	8,233	314	7.69
Total interest-bearing liabilities	$1,594,202	36,478	4.62	$1,531,794	28,167	3.71
Cost of hedging activities		298	0.04		93	0.01
Cost of funds		36,776	4.66		28,260	3.72
Capitalized and transferred interest		--	--		(11)	--
Net interest income		$ 29,236	3.31%		$ 28,920	3.48%
Net yield on interest-earning assets			3.53%			3.64%

During the first half of 1995, average interest-earning assets increased by $69 million compared to the first half of 1994. The increase was primarily due to increased loan originations and a decrease in payoffs. The loan originations were funded by paydowns on and sales of investment securities and borrowings from the FHLB. The borrowings caused average interest-bearing liabilities to increase by $62 million. The Bank's net interest margin remained strong despite the increased interest rate environment, as the Bank was able to lag somewhat the increased rates paid on deposits.

General and administrative expenses were $565,000 higher during the first six months of 1995 than for the same period in 1994 primarily due to normal incremental salary increases, increased marketing expenses, and the opening of a new branch.

Twelve-Month Analysis

The Bank recorded net income of $7.1 million for the twelve months ended June 30, 1995, compared to net income of $12 million for the twelve months ended June 30, 1994. After-tax components of the Bank's net income for the twelve months ended June 30, 1995 were comprised of $12 million from core banking operations, offset partially by a loss of $149,000 from real estate operations, $347,000 from adjustments and charge-offs related to the sale of the credit card portfolio, $527,000 of real estate litigation costs, and $3.9 million of goodwill amortization. After-tax components of the Bank's net income for the twelve months ended June 30, 1994 were comprised of $9.3 million from core banking operations, a $400,000 benefit from a 1993 change in federal income tax rates, a gain of $912,000 on the sale of the Bank's credit card portfolio, a $780,000 gain from a legal settlement, and a gain of $4.8 million from the sale of debt securities used to fund the sale of Arizona-based deposit liabilities. Income for this period was partially offset by a $281,000 loss from real estate operations and $3.9 million of goodwill amortization.

The following table sets forth information with respect to interest rate spread for the periods shown (thousands of dollars):

	Twelve Months Ended June 30,					
	1995			1994		
	Average Balance	Interest	Average Yield	Average Balance	Interest	Average Yield
Interest-earning assets:						
Cash equivalents	$ 54,019	$ 3,051	5.65%	$ 57,376	$ 1,859	3.24%
Debt securities held to maturity	89,347	6,427	7.19	74,457	5,012	6.73
Debt securities available for sale	524,120	34,469	6.58	633,680	37,404	5.90
Loans receivable	941,388	82,475	8.76	843,449	73,565	8.72
FHLB stock	16,049	855	5.33	16,564	681	4.11
Total interest-earning assets	$1,624,923	127,277	7.83	$1,625,526	118,521	7.29
Interest-bearing liabilities:						
Deposits	$1,242,895	48,680	3.92	$1,250,614	44,900	3.59
Securities sold under agreements to repurchase	207,799	12,292	5.92	259,713	11,272	4.34
Advances from FHLB	106,221	6,003	5.65	66,842	3,137	4.69
Notes payable	8,137	654	8.04	9,058	707	7.81
Unsecured senior notes	--	--	--	1,277	81	6.34
Total interest-bearing liabilities	$1,565,052	67,629	4.31	$1,587,504	60,097	3.78
Cost of hedging activities		690	0.04		117	0.01
Cost of funds		68,319	4.35		60,214	3.79
Capitalized and transferred interest		(2)	--		(35)	--
Net interest income		$ 58,960	3.48%		$ 58,342	3.50%
Net yield on interest-earning assets			3.63%			3.59%

The net decrease in total debt securities was due primarily to $334 million of MBS sold during August of 1993 to fund the sale of the Arizona-based deposit liabilities. Average deposits also declined as a result of the sale.

Net loss from real estate operations of $1 million for the twelve months ended June 30, 1995 was primarily due to legal expenses related to an apartment complex which the Bank built and sold in 1989. The net loss from real estate operations of $431,000 for the comparable period ended June 30, 1994 included $602,000 in provisions for estimated losses on the Bank's real estate investments, partially offset by gains on the sale of a real estate development project in Nevada and a former branch facility in Arizona.
The decrease in net gains on sale of loans resulted from lower levels of 30-year fixed-rate loan originations due to a higher interest rate environment during the twelve-month period ended June 30, 1995, compared to the prior twelve-month period.

Deposit-related fees increased by $673,000 due to a higher deposit fee structure and an increased level of transaction accounts subject to fee assessment. Other income for the twelve months ended June 30, 1994 included the receipt of a legal settlement of $1.2 million ($780,000 net of tax).

General and administrative expenses declined $1.8 million for the twelve months ended June 30, 1995 compared to the same period in 1994 due principally to the Arizona sale.

ASSET QUALITY

LOAN IMPAIRMENT. On January 1, 1995, the Bank adopted SFAS No. 114, "Accounting by Creditors for Impairment of a Loan" and SFAS No. 118, "Accounting by Creditors for Impairment of a Loan--Income Recognition and Disclosures." SFAS No. 114 requires the measurement of loan impairment to be based on the present value of expected future cash flows discounted at the loan's original effective interest rate or the fair value of the underlying collateral on collateral-dependent loans. SFAS No. 118 allows a creditor to use existing methods for recognizing interest income on nonimpaired loans.

Upon adoption of SFAS No. 114 in the first quarter of 1995, $2.9 million of in-substance foreclosed assets were reclassified on the Bank's consolidated statement of financial condition from real estate acquired through foreclosure (REO-F) to loans receivable as SFAS No. 114 eliminated the in-substance designation. No other financial statement impact resulted from the Bank's adoption of SFAS No. 114.

In general, under SFAS No. 114, interest income on impaired loans will continue to be recognized by the Bank on the accrual basis of accounting unless the loan is greater than 90 days delinquent with respect to principal or interest, or the loan has been partially or fully charged-off. Interest on loans greater than 90 days delinquent is generally recognized on a cash basis. Interest income on loans which have been fully or partially charged-off is generally recognized on a cost-recovery basis; that is, all proceeds from the loan payments are first applied as a reduction to principal before any income is recorded.

Interest payments received on impaired loans are recorded as interest income unless collection of the remaining recorded investment is doubtful, at which time payments received are recorded as reductions of principal. Interest income recognized and balances of impaired loans are as follows (thousands of dollars):

	Three Months Ended June 30, 1995	Six Months Ended June 30, 1995
Interest income recognized:		
Accrual basis	$ 477	$ 1,075
Cash basis	$ 6	$ 8
Average balance outstanding on impaired loans*	$ 21,200	$ 22,500

*The outstanding balance of impaired loans at June 30, 1995 was $20,900.

NONPERFORMING ASSETS. Nonperforming assets are comprised of nonaccrual assets, restructured loans and REO-F. Nonaccrual assets are those on which management believes the timely collection of interest or principal is doubtful. Assets are transferred to nonaccrual status when payments of interest or principal are 90 days past due, or if, in management's opinion, the accrual of interest should be ceased sooner. There were no loans on accrual status which were over 90 days delinquent or past maturity as of June 30, 1995.

The following table summarizes nonperforming assets as of the dates indicated (thousands of dollars):

	June 30, 1995	December 31, 1994
Nonaccrual loans past due 90 days or more:		
Mortgage loans:		
Construction and land	$ 471	$ 576
Permanent single-family residences	4,267	5,517
Other mortgage loans	5,053	5,696
	9,791	11,789
Nonmortgage loans	850	904
Restructured loans	10,297	16,768
Total nonperforming loans	20,938	29,461
Real estate acquired through foreclosure	4,030	7,631
Total nonperforming assets	$ 24,968	$ 37,092
Allowance for estimated credit losses	$ 15,947	$ 17,659
Allowance for estimated credit losses as a percentage of nonperforming loans	76.16%	59.94%
Allowance for estimated credit losses as a percentage of nonperforming assets	63.87%	47.61%

Restructured loans include $5.7 million of single-family residential loan modifications made to borrowers with earthquake-related damage in California. Federal agencies encouraged financial institutions to modify loan terms for certain borrowers who were affected by the earthquake which occurred in January 1994. The terms of these modifications were generally three- to six-month payment extensions with no negative credit reporting regarding the borrower. The reduction of $6.5 million in restructured loans was primarily due to a recent change in OTS regulations allowing for the removal of loans that have been performing for the prior twelve months and were not modified below a normal market rate.

CLASSIFIED ASSETS. OTS regulations require the Bank to classify certain assets and establish prudent valuation allowances. Classified assets are categorized as "substandard," "doubtful" and "loss." In addition, the Bank can designate an asset as "special mention." Impaired loans, as defined by SFAS No. 114, are included in substandard assets.

The following table sets forth the amounts of the Bank's classified assets and ratio of classified assets to total assets, net of allowances and charge-offs, as of the dates indicated (thousands of dollars):

	June 30, 1995		December 31, 1994	
	Balance	% of Total Assets	Balance	% of Total Assets
Substandard assets:				
Loans:				
Single family residential	$ 5,722	0.31%	$ 6,882	0.38%
Consumer	1,103	0.06	1,297	0.07
Commercial and multi-family mortgage	19,194	1.04	20,797	1.14
Construction and land	315	0.02	615	0.03
REO-F (net)	4,030	0.22	7,631	0.42
Real estate held for investment	1,146	0.06	1,191	0.07
Investment	--	--	21,972	1.21
Total	$ 31,510	1.71%	$ 60,385	3.32%

Classified assets decreased $28.9 million from December 31, 1994 to June 30, 1995 primarily as a result of $1.8 million of repayments in the investment security, an upgrade of the remaining $20.2 million investment security, $3.4 million in payoffs and paydowns of commercial real estate, a $1.9 million decrease in foreclosed real estate due to sales, and $818,000 of paydowns on residential loans.

The upgrade of the privately issued $20.2 million investment security from "substandard" to "special mention" is the result of the stabilization of delinquencies of the underlying loans and the market values of collateral supporting such loans, and management's analysis of the credit enhancement of the security versus loss estimates on the underlying loans. The Bank continues to receive scheduled monthly payments of principal and interest on this security.

Special mention assets increased from $32.2 million at December 31, 1994 to $47 million at June 30, 1995, primarily due to the upgrade of the investment security from substandard and the addition of a $1.5 million secured corporate loan, partially offset by paydowns of California residential loans, commercial real estate loans and commercial loans.

The largest substandard loan at June 30, 1995 was an $8.2 million apartment complex loan in Nevada. The Bank had three additional substandard loans at June 30, 1995 in excess of $1 million: two hotel loans and an apartment complex loan all located in Nevada. The largest foreclosed real estate asset held by the Bank at June 30, 1995 was a $1.4 million residential construction loan in California.

The Bank's largest investment in real estate classified as substandard at June 30, 1995, was a former bank branch in Arizona with a current book value of $816,000. The Bank's remaining real estate development projects classified as substandard have current book values of $195,000 and $135,000.

The geographic concentration of the Bank's classified assets at June 30, 1995 was 73 percent in Nevada, 21 percent in California, and 6 percent in Arizona.

It is the Bank's practice to charge-off all assets or portions the REO-F which it considers to be "loss." As a result, none of the Bank's assets, net of charge-offs, were classified as "loss" at June 30, 1995 and December 31, 1994. Also, none were classified as "doubtful" at either date.

The following tables set forth the Bank's charge-off experience for loans receivable and REO-F as well as real estate held for investment and debt securities by loan type (thousands of dollars):

	Charge-Offs	Recoveries	Net Charge-Offs
Six Months Ended June 30, 1995:			
Loans and REO-F:			
Single-family residential	$ 501	$ (235)	$ 266
Commercial and multi-family mortgage	126	--	126
Construction/land	252	(35)	217
Nonmortgage	1,863	(438)	1,425
Real estate held for investment	108	--	108
Debt securities	2,077	--	2,077
Total net charge-offs	$ 4,927	$ (708)	$ 4,219
Six Months Ended June 30, 1994:			
Loans and REO-F:			
Single-family residential	$ 913	$ (368)	$ 545
Commercial and multi-family mortgage	602	(99)	503
Construction/land	903	(11)	892
Nonmortgage	1,934	(357)	1,577
Real estate held for investment	811	(314)	497
Total net charge-offs	$ 5,163	$ (1,149)	$ 4,014

PROVISIONS AND ALLOWANCES FOR LOAN AND REAL ESTATE LOSSES. On a regular basis, management evaluates the adequacy of the allowances for estimated losses on loans, debt securities, and real estate and establishes additions to the allowances through provisions to expense. The Bank utilizes a comprehensive internal asset review system and general valuation allowance methodology. General valuation allowances are established for unforeseen losses for each of the loan, debt securities, and real estate portfolios. Factors taken into account in determining the adequacy of allowances include review of existing risks in the portfolios, prevailing and anticipated economic conditions, actual loss experience and delinquencies. Reviews of the quality of the Bank's loan, debt securities, and real estate portfolios by the Risk Management Committee, and examinations by regulatory authorities, are performed periodically.

Charge-offs are recorded on particular assets when it is determined that the present value of expected cash flows or fair value of the underlying collateral of an asset is below its carrying value. When a loan is foreclosed, the asset is written down to fair value based on a current appraisal of the subject property.

Activity in the allowances for losses on loans, debt securities, investments in real estate, and foreclosed real estate is summarized as follows (thousands of dollars):

	Debt Securities	Impaired Loans	Foreclosed Real Estate and Nonimpaired Loans	Investments In Real Estate	Total
Balance at December 31, 1994*	$ --	$ 3,038	$ 14,621	$ 476	$ 18,135
Transfer	3,077	--	(3,077)	--	--
Provisions for estimated losses	--	(691)	4,090	368	3,767
Charge-offs, net of recoveries	(2,077)	(80)	(1,954)	(108)	(4,219)
Balance at June 30, 1995	$ 1,000	$ 2,267	$ 13,680	$ 736	$ 17,683
Balance at March 31, 1995	$ --	$ 2,754	$ 15,351	$ 799	$ 18,904
Transfer	3,077	--	(3,077)	--	--
Provisions for estimated losses	--	(452)	2,487	22	2,057
Charge-offs, net of recoveries	(2,077)	(35)	(1,081)	(85)	(3,278)
Balance at June 30, 1995	$ 1,000	$ 2,267	$ 13,680	$ 736	$ 17,683

	Debt Securities	Impaired Loans	Total Loans and Foreclosed Real Estate	Investments In Real Estate	Total
Balance at December 31, 1993	$ --	$ n/a	$ 16,251	$ 935	$ 17,186
Provisions for estimated losses	--	n/a	3,709	47	3,756
Charge-offs, net of recoveries	--	n/a	(3,517)	(497)	(4,014)
Balance at June 30, 1994	$ --	$ n/a	$ 16,443	$ 485	$ 16,928
Balance at March 31, 1994	$ --	$ n/a	$ 15,563	$ 541	$ 16,104
Provisions for estimated losses	--	n/a	2,275	(367)	1,908
Charge-offs, net of recoveries	--	n/a	(1,395)	311	(1,084)
Balance at June 30, 1994	$ --	$ n/a	$ 16,443	$ 485	$ 16,928

* Balances for impaired loans and foreclosed real estate and nonimpaired loans at December 31, 1994, have been reclassified to reflect adoption of SFAS No. 114.

During the second quarter of 1995, the Bank transferred $4.4 million of its allowance for estimated credit losses affiliated with loans to separate allowances for credit losses affiliated with REO-F and debt securities. Of this amount, $1.3 million was transferred to the REO-F allowance for losses and $3.1 million was transferred to the allowance for losses on debt securities. Prior to the second quarter, the evaluation of the adequacy of the Bank's allowance for estimated credit losses affiliated with loans receivable incorporated estimates for losses in the foreclosed real estate and debt security portfolios, but were not deemed material enough to be segregated as separate allowances. Additionally, prior to the second quarter, no credit losses had been experienced in the debt security portfolio. Losses in the foreclosed real estate portfolio subsequent to foreclosure had been accounted for as loan losses.

In 1991, the Bank purchased $10 million of adjustable-rate mortgage-backed securities (MBS) issued by the Resolution Trust Corporation (RTC). The securities were rated AA by Standard & Poor's (S&P) and Aa2 by Moody's on the date of issuance and purchase. When the Bank implemented SFAS No. 115 on December 31, 1993, these securities were designated as held to maturity. The securities still were rated AA and Aa2 at that time. At December 31, 1994 and March 31, 1995, the securities were performing according to their contractual terms, and all realized losses from the disposition of REO-F were being absorbed by a credit enhancement feature. In April 1995, Moody's and S&P lowered their ratings on the securities to below investment grade ratings of Ba3 and BB, respectively. As a result of this deterioration, the Bank determined that the securities should be considered "other than temporarily" impaired under the provisions of SFAS No. 115. A pretax loss of $1.9 million was recorded as a credit-related charge-off through the general valuation allowance for debt securities. In June 1995, the Bank sold these securities. No additional loss was recorded at the time of the sale.

Also during the quarter, the Bank sold a $1.5 million security from its available for sale portfolio at a loss of $181,000. The security was a privately issued mortgage-backed security whose credit rating was downgraded to Baa3 during April 1995. As a result of the downgrade, the Bank sold the security and recorded the loss as a credit related charge-off to the general valuation allowance for debt securities.

The loan and foreclosed real estate charge-offs were primarily attributable to consumer loan charge-offs of $1.4 million and $267,000 in single family residential loan charge-offs. The Bank's quarterly analysis required no significant change in the allowance for estimated credit losses at June 30, 1995 from December 31, 1994.

Regulatory Matters

The deposit accounts of savings associations, including those of PriMerit, are insured to the maximum extent permitted by law by the FDIC through the SAIF. The deposit accounts of commercial banks are separately insured by the FDIC through the bank insurance fund (BIF). Commercial banks and savings associations are separately assessed annual deposit insurance premiums ranging from 23 to 31 cents per $100 of deposits until each separate fund is capitalized at 1.25 percent of insured deposits. The BIF has reached this required level of capitalization, while the SAIF is not expected to reach this level of capitalization for several years.

In August 1995, the FDIC reduced the deposit insurance premiums paid by most commercial banks insured by BIF to four cents per $100 of deposits. This regulatory change will give commercial banks a competitive advantage over savings associations and place additional pressure on the SAIF.

A number of plans have been proposed in Congress to deal with the undercapitalization of the SAIF. Several proposals provide for a one-time special assessment on SAIF-insured deposits to fully capitalize the SAIF to 1.25 percent of insured deposits. These proposals would subsequently reduce annual premiums to levels similar to those of BIF-insured commercial banks and eventually merge the BIF and SAIF insurance funds. The Bank is unable to predict if these proposals, or other proposals, will ultimately be approved by Congress.

Assuming a one-time special assessment was approved by Congress and became law in 1995 and was immediately charged against results of operations, the one-time assessment would, most likely, have a material impact on the Bank's 1995 results of operations. However, management believes the Bank would continue to be classified as "well-capitalized" under fully phased-in FDICIA capital rules. In addition, the Bank would not face any liquidity issues as a result of a one-time assessment.

PART II - OTHER INFORMATION

ITEMS 1-3 None

ITEM 4 Submission of Matters to a Vote of Security Holders

The Company's Annual Meeting of Shareholders was held on May 11, 1995. Matters voted upon and the results of the voting were as follows:

(1) The eleven directors nominated were reelected by shareholders.

(2) The selection of Arthur Andersen LLP to audit the financial statements of the Company and its subsidiaries for 1995 was approved. Shareholders voted 18,134,696 shares in favor, 224,765 opposed, and 272,510 abstentions.

ITEM 5 None

ITEM 6 Exhibits and Reports on Form 8-K

(a) The following document is filed as part of this report on Form 10-Q:

Exhibit 27 - Financial Data Schedule (filed electronically only)

Exhibit 99 - Financial Analyst Report - Second Quarter 1995

(b) Reports on Form 8-K - None

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.

Southwest Gas Corporation

(Registrant)

Date: August 11, 1995

/s/ Edward A. Janov

Edward A. Janov
Controller and Chief Accounting Officer

9
1,000

6-MOS
DEC-31-1995
JUN-30-1995
35,478
86,653
0
0
496,134
89,823
89,082
1,038,480
15,947
3,077,939
1,253,276
182,184
340,367
901,688
25,529
4,000
0
354,895
3,077,939
43,192
20,778
2,042
66,012
25,587
36,776
29,236
3,399
302
24,574
9,528
5,304
0
0
5,304
0.23
0.23
3.53
10,641
0
10,297
47,000
17,659
2,742
708
15,947
15,947
0
0

Balance specific to financial services segment
Consolidated financial statement balance
Includes gas plant in service, net: $1,077,495
Balance includes consolidated deferred income taxes, accounts payable and other accrued liabilities
Bank specific items including general and administrative expense, goodwill amortization and loss from real estate operations
Bank transferred $3.1 million of its allowance for estimated losses to a separate allowance for credit losses affiliated with debt securities
Includes allowance for credit losses affiliated with real estate acquired through foreclosure

SOUTHWEST GAS CORPORATION
SUMMARY STATEMENTS OF INCOME
(In thousands, except per share amounts)
(Unaudited)

	SIX MONTHS ENDED JUNE 30,		TWELVE MONTHS ENDED JUNE 30,	
	1995	1994	1995	1994
GAS OPERATIONS SEGMENT:				
Operating revenues	$ 325,710	$ 315,634	$ 609,345	$ 571,170
Net cost of gas purchased	153,666	145,435	258,154	231,288
Operating margin	172,044	170,199	351,191	339,882
Operations and maintenance expenses	93,722	86,068	185,839	172,061
Depreciation, amortization, and general taxes	44,366	40,936	85,999	80,694
Operating income	33,956	43,195	79,353	87,127
Net interest deductions	26,361	23,478	52,348	45,108
Pre-tax utility income	7,595	19,717	27,005	42,019
Utility income tax expense	2,905	7,925	9,805	15,099
Net utility income	4,690	11,792	17,200	26,920
Other income (expense), net	(192)	(510)	(176)	(210)
Arizona pipe replacement disallowance, net	---	(283)	---	(9,547)
Contribution to net income - gas operations segment	4,498	10,999	17,024	17,163
FINANCIAL SERVICES SEGMENT:				
Net interest income after loan loss provision	25,837	25,211	52,040	50,724
Net income (loss) from real estate operations	(317)	110	(1,039)	(431)
Other income, net	5,618	6,230	10,019	19,721
General and administrative expenses	24,257	23,692	47,934	49,744
Pre-tax income	6,881	7,859	13,086	20,270
Income tax expense	3,101	3,494	5,998	8,246
Net income before carrying cost allocation	3,780	4,365	7,088	12,024
Acquisition carrying costs, net of tax - NOTE 5	(2,974)	(2,435)	(5,435)	(4,907)
Contribution to net income - financial services segment	806	1,930	1,653	7,117
Net income	5,304	12,929	18,677	24,280
Preferred & preference dividends	190	277	423	608
Net income applicable to common stock	$ 5,114	$ 12,652	$ 18,254	$ 23,672
Earnings per share	$ 0.23	$ 0.60	$ 0.84	$ 1.13
Earnings per share excluding disallowances	---	$ 0.61	---	$ 1.58
Average outstanding common shares	22,110	21,026	21,615	20,933

See Notes to Summary Financial Statements.

SOUTHWEST GAS CORPORATION
BALANCE SHEET
AT JUNE 30, 1995
(In thousands)
(Unaudited)

ASSETS		
UTILITY PLANT		
Gas plant, net of accumulated depreciation	$ 1,055,866	
Construction work in progress	21,629	
Net utility plant	1,077,495	
OTHER PROPERTY AND INVESTMENTS		
PriMerit Bank - NOTE 2	179,385	
Other	34,951	
Total other property and investments	214,336	
CURRENT AND ACCRUED ASSETS		
Cash, working funds and temporary cash investments	7,760	
Receivables - less reserve of $1,236 for uncollectibles	25,873	
Accrued utility revenue	18,624	
Other	37,718	
Total current and accrued assets	89,975	
DEFERRED DEBITS		
Unamortized debt expense	13,849	
Other deferred debits	39,323	
Total deferred debits	53,172	
TOTAL ASSETS	$ 1,434,978	
CAPITALIZATION, LIABILITIES AND DEFERRED CREDITS		
CAPITALIZATION		
Common stockholders' equity		
Common stock equity, $1 par, 23,899 shares outstanding	$ 331,808	
Retained earnings	47,757	
Total common stockholders' equity - NOTE 6	379,565	34.9%
Preferred stock equity - NOTE 3	4,000	0.4
Long term debt - NOTE 4	704,223	64.7
Total capitalization	1,087,788	100.0%
CURRENT AND ACCRUED LIABILITIES		
Notes payable	16,000	
Accounts payable	23,862	
Customer deposits	21,840	
Taxes accrued (including income taxes)	47,899	
Deferred purchased gas costs	30,144	
Other	48,719	
Total current and accrued liabilities	188,464	
DEFERRED CREDITS		
Deferred investment tax credits	20,307	
Deferred income taxes	111,776	
Other	26,643	
Total deferred credits	158,726	
TOTAL CAPITALIZATION, LIABILITIES AND DEFERRED CREDITS	$ 1,434,978	

See Notes to Summary Financial Statements.

SOUTHWEST GAS CORPORATION
STATEMENT OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 1995
(In thousands)
(Unaudited)

CASH FLOWS FROM OPERATIONS:	
Net income	$ 5,304
Adjustments to reconcile net income to net cash provided by operating activity:	
Depreciation and amortization	30,878
Change in receivables and payables	33,870
Change in accrued taxes	(16,911)
Undistributed earnings from subsidiaries	(3,696)
Change in gas cost related balancing items	50,832
Allowance for funds used during construction	(692)
Change in deferred taxes	1,707
Other	6,364
Net cash provided from operating activities	107,656
CASH FLOWS FROM FINANCING ACTIVITIES:	
Change in notes payable	(76,000)
Dividends paid	(9,436)
Net change in long-term debt	20,653
Proceeds from stock issuance	35,680
Other	(538)
Net cash used in financing activities	(29,641)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Construction expenditures	(74,029)
Other	(2,095)
Net cash used in investing activities	(76,124)
Change in cash and temporary cash investments	1,891
Cash at beginning of period	5,869
Cash at end of period	$ 7,760
SUPPLEMENTAL INFORMATION:	
Interest paid, net of amount capitalized	$ 31,019
Income taxes, net of refunds	$ 17,419

See Notes to Summary Financial Statements.

SOUTHWEST GAS CORPORATION
NOTES TO SUMMARY FINANCIAL STATEMENTS
(In thousands, except par values)
(Unaudited)

NOTE 1 - BASIS OF PRESENTATION:

The financial statements have been prepared by Southwest Gas Corporation (the Company) using the equity method of accounting for PriMerit Bank (PriMerit). Segmented information is presented within the income statement. The Financial Services segment includes the net income of PriMerit and its subsidiaries on a stand-alone basis, reduced by allocated carrying costs associated with the Company's investment in PriMerit (principally interest) net of taxes. This presentation is not in accordance with generally accepted accounting principles (GAAP), and certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted. The financial statement presentation in this report produces the same net income as the consolidated financial statements and, in management's opinion, is a fair representation of the operations and contributions to net income of the Company's two segments.

NOTE 2 - INVESTMENT IN PRIMERIT BANK:

The capital structure supports both the investment in PriMerit and the investment in the gas segment. Financing costs allocable to PriMerit are determined based on the investment in PriMerit under the equity method.

NOTE 3 - PREFERRED STOCK:

Cumulative preferred stock, $100 par value, 9.5% series, 40 shares outstanding	$ 4,000
CURRENT REDEMPTION REQUIREMENTS	$ 800

NOTE 4 - LONG-TERM DEBT:

Commercial paper facility	$ 200,000
Debentures:	
Debentures, 9% series A, due 2011	26,900
Debentures, 9% series B, due 2011	31,213
Debentures, 8.75% series C, due 2011	18,373
Debentures, 9.375% series D, due 2017	120,000
Debentures, 10% series E, due 2013	23,069
Debentures, 9.75% series F, due 2002	100,000
Industrial revenue bonds - net of funds held in trust	194,950
Unamortized discount on long-term debt	(10,282)
TOTAL LONG-TERM DEBT	$ 704,223
CURRENT MATURITIES	$ 5,000

NOTE 5 - ACQUISITION CARRYING COSTS, NET:

	SIX MONTHS ENDED JUNE 30,		TWELVE MONTHS ENDED JUNE 30,	
	1995	1994	1995	1994
Interest expense	$ (4,818)	$ (3,937)	$ (8,755)	$ (7,873)
Other intercompany expenses	(139)	(122)	(303)	(305)
Income taxes	1,983	1,624	3,623	3,271
ACQUISITION CARRYING COSTS, NET	$ (2,974)	$ (2,435)	$ (5,435)	$ (4,907)

NOTE 6 - COMMON STOCKHOLDERS' EQUITY:

For purposes of this report, common stockholders' equity excludes PriMerit's unrealized gain on debt securities available for sale since PriMerit is presented on the equity method of accounting.

SOUTHWEST GAS CORPORATION
SELECTED STATISTICAL DATA
JUNE 30, 1995

FINANCIAL STATISTICS

Book value per share at quarter end - NOTE 6	$ 15.88
Market value to book value per share at quarter end	90%
Twelve months to date return on equity -- total company	5.2%
-- gas segment	5.9%
Common stock dividend yield at quarter end	5.8%

GAS OPERATIONS SEGMENT

Rate Jurisdiction	Authorized Rate Base (In thousands)	Authorized Rate of Return	Authorized Return on Common Equity
Central Arizona	$ 267,348	9.13%	10.75%
Southern Arizona	157,620	9.12	11.00
Southern Nevada	184,673	8.89	11.55
Northern Nevada	47,695	9.16	11.55
Southern California	69,486	9.94	11.35
Northern California	8,357	10.02	11.35
Paiute Pipeline Company	61,057	10.09	12.50

SYSTEM THROUGHPUT BY CUSTOMER CLASS	SIX MONTHS ENDED JUNE 30,		TWELVE MONTHS ENDED JUNE 30,	
(In dekatherms)	1995	1994	1995	1994
Residential	28,889,283	29,019,180	45,836,876	44,548,144
Small commercial	13,919,969	13,752,100	23,740,156	22,844,113
Large commercial	4,570,048	5,671,288	9,204,993	10,954,100
Industrial / Other	4,092,423	3,834,650	8,599,301	7,879,319
Transportation	46,964,610	39,815,200	98,628,474	77,971,811
Total system throughput	98,436,333	92,092,418	186,009,800	164,197,487

HEATING DEGREE DAY COMPARISON				
Actual	1,538	1,560	2,418	2,361
Ten year average	1,598	1,636	2,350	2,392