GREENVILLE FIRST BANCSHARES INC
Form 10QSB
May 14, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

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

For the Quarterly Period Ended March 31, 2001

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 333-83851

Greenville First Bancshares, Inc.
(Exact name of registrant as specified in its charter)

South Carolina	58-2459561
(State of Incorporation)	(I.R.S. Employer Identification No.)

112 Haywood Road Greenville, S.C.	29607
(Address of principal executive offices)	(Zip Code)

864-679-9000
(Telephone Number)

Not Applicable
(Former name, former address
and former fiscal year,
if changed since last report)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

APPLICABLE ONLY TO CORPORATE ISSUERS

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

1,150,000 shares of common stock, $.01 par value per share, issued and outstanding as of May 4, 2001

Transitional Small Business Disclosure Format (check one): YES __ NO X

GREENVILLE FIRST BANCSHARES, INC.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

The financial statements of Greenville First Bancshares, Inc. and Subsidiary are set forth in the following pages.

GREENVILLE FIRST BANCSHARES, INC & SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	March 31, 2001 (Unaudited)
Assets	
Cash and due from bank	$ 1,268,489
Federal funds sold	7,642,830
Investments securities available for sale	13,342,734
Other investments, at cost	395,000
Loans	53,440,645
Less reserve for loan losses	(722,000)
	52,718,645
Accrued interest receivable	583,112
Property and equipment	992,563
Other assets	69,492
Total assets	$ 77,012,865
Liabilities and Stockholders' Equity	
Liabilities:	
Deposits	$ 66,199,212
Checks outstanding	515,939
Accounts payable	1,262
Accrued expense	208,039
Accrued interest payable	625,230
Total liabilities	67,549,682
Commitments and Contingencies	

Stockholders' Equity		
Preferred stock, par value $.01 per share 10,000,000 shares authorized, no shares issued		-
Common Stock, par value $.01 per share 10,000,000 shares authorized 1,150,000 issued		11,500
Additional paid-in capital		10,635,200
Unrealized gain on securities available for sale		90,601
Retained deficit		(1,274,118)
Total stockholders' equity		9,463,183
Total liabilities and stockholders' equity	$	77,012,865

See Notes to Consolidated Financial Statements that are an integral part of these statements.

GREENVILLE FIRST BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

		For the Three Months ended March 31, 2001	For
Interest income			
Investments	$	281,559	$
Loans		1,130,976	
Total interest income		1,412,535	
Interest expense		800,497	
Net interest income		612,038	
Provision for loan loss		122,000	
Other income		44,853	
General & administrative expenses			
Salaries and benefits		326,734	
Professional fees		34,087	
Marketing		21,804	
Outside services		34,783	
Occupancy		125,194	
Telephone		5,462	
Other		65,063	
Total general & administrative expenses		613,127	

Net loss before taxes		78,236
Provision for income tax benefits		-
Net loss	$	78,236
Basic loss per share	$	.07
Weighted average shares outstanding		1,150,000

See Notes to Consolidated Financial Statements that are in integral part of these statements.

GREENVILLE FIRST BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
For the Three Months ended March 31, 2001
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Deficit
Balance at December 31, 2000	1,150,000	$11,500	$10,635,200	$ (1,195,882)
Net loss				(78,236)
Comprehensive gain (loss), net of tax: Unrealized gain on investments held for sale				
Comprehensive gain (loss)				(78,236)
Balance at March 31, 2001	1,150,000	$11,500	$10,635,200	$(1,274,118)

See Notes to Consolidated Financial Statements that are an integral part of these statements.

GREENVILLE FIRST BANCSHARES, INC. AND SUBSIDIARY
STATEMENTS OF CASH FLOWS

	For the three months ended March 31, 2001
Operating activities	
Net loss	$ (78,2
Adjustments to reconcile net loss to cash provided by (used for) operating activities:	
Provision for loan losses	122,0
Depreciation and other amortization	48,2
Accretion and amortization of securities discounts and premium, net	(21,4
Decrease (increase) in other assets, net	(61,9
Increase (decrease) in other liabilities, net	(642,5
Net cash provided by (used for) operating activities	(633,
Investing activities	
Increase (decrease) in cash realized from:	
Origination of loans, net	(6,815,6
Purchase of property and equipment	(424,2
Purchase of securities	(8,109,2
Payments and maturity of securities available for sale	3,838,1
Net cash used for investing activities	(11,510,8
Financing activities	
Increase in deposits, net	16,204,7
Net cash provided by financing activities	16,204,7
Net increase in cash	4,059,9
Cash and cash equivalents, beginning of period	4,851,3
Cash and cash equivalents, end of period	$ 8,911,3
Supplemental information	
Cash paid for	
Interest paid	$ 733,4
Income taxes paid	

Supplemental schedule of non-cash transaction	
Unrealized gain (loss) on securities, net of income taxes	$ 66,4

See Notes to Consolidated Financial Statements that are an integral part of these statements.

GREENVILLE FIRST BANCSHARES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Nature of Business and Basis of Presentation

Business activity and organization

Greenville First Bancshares, Inc. (the "Company") is a South Carolina corporation organized for the purpose of owning and controlling all of the capital stock of Greenville First Bank (the "Bank"). The Bank is a national bank organized under the laws of the United States located in Greenville County, South Carolina. The Bank began operations on January 10, 2000.

Until January 10, 2000, the Company engaged in organizational and pre-opening activities necessary to obtain regulatory approvals and to prepare its subsidiary, the Bank, to commence business as a financial institution. The Bank is primarily engaged in the business of accepting demand deposits and savings insured by the Federal Deposit Insurance Corporation, and providing commercial, consumer and mortgage loans to the general public.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Form 10-KSB (Registration Number 333-83851) as filed with and declared effective by the Securities and Exchange Commission.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation.

GENERAL

The following is a discussion of Greenville First Bancshares, Inc.'s financial condition as of March 31, 2001 and the results of operations for the three-month periods ended March 31, 2001 and 2000. These comments should be read in conjunction with our condensed consolidated financial statements and accompanying footnotes appearing in this report.

The following discussion contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, such as statements relating to financial results and plans for future business development activities. Such forward-looking statements are subject to risks, uncertainties, and other factors, which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. These statements appear in a number of places in this report and include all statements that are not statements of historical fact regarding our intent, belief, or expectations. These forward-looking statements are not guarantees of future performance and actual results may differ materially from those projected in the forward-looking statements. Potential risks and uncertainties include, but are not limited to, our brief operating history, our ability to manage rapid growth, general economic conditions, competition, interest rate sensitivity, and exposure to regulatory and legislative changes. Additional risks are discussed in detail in our filings with the Securities and Exchange Commission, including the "Risk Factors" section in our Registration Statement on Form SB-2 (Registration Number 333-83851) as filed with and declared effective by the Securities and Exchange Commission.

Until January 10, 2000, our principal activities related to its organization, the conducting of its initial public offering, the pursuit of approvals from the OCC for its application to charter the bank, the pursuit of approvals from the FDIC for its application for insurance of the deposits of the bank, hiring the appropriate personnel and implementing operating procedures. We received approval from both the FDIC and the OCC on January 7, 2000. The bank opened for business on January 10, 2000.

We completed our stock offering on November 30, 1999, upon the issuance of 1,150,000 shares for a total of $11.5 million. We initially capitalized the Bank with $8.5 million of the proceeds from the stock offering. On April 18, 2000, we increased our investment in the bank by $1.0 million utilizing proceeds from the initial offering. We do not currently anticipate raising additional capital.

FINANCIAL CONDITION

At March 31, 2001, we had total assets of $77.0 million, consisting principally of $52.7 million in loans, $21.4 million in investments and $1.3 million in cash and due from banks. Liabilities at March 31, 2001 totaled $67.5 million, consisting principally of $66.2 million in deposits. At March 31, 2001, shareholders' equity was $9.5 million.

At March 31, 2001, our loan portfolio consisted primarily of $25.0 million of commercial real estate loans, $11.7 million of commercial business loans, and $16.7 million of consumer and home equity loans. At March 31, 2001, there were no non-performing loans. At March 31, 2001,

our allowance for loan losses was $722 thousand. Management believes that the reserve for loan losses is adequate to absorb possible loan losses in the portfolio. Management bases its belief on its consideration of a number of factors, including internal credit ratings and assumptions about future events, which assumptions may or may not be accurate. There can be no assurance that loan losses in future periods will not exceed the allowance for loan losses or that additional allocations will not be required. At March 31, 2001, we had $66.2 million in deposits. The $66.2 million in deposits consisted primarily of $5.9 million in personal checking, $5.9 million in business checking, $38.5 million in certificates of deposit and $15.9 million of money market accounts of which 57% are business accounts.

LIQUIDITY

Our primary sources of liquidity are a stable base of deposits, scheduled repayments on our loans, and interest and maturities investments. All of our securities have been classified as available-for-sale. If necessary, we may choose to sell a portion of the investment securities in connection with the management of interest sensitivity gap or to manage liquidity. Management may also utilize cash and due from banks and federal funds sold to meet liquidity needs. Additionally, we have a federal funds purchased line of credit with a correspondent bank in the amount of $2.8 million, on which no borrowings have been drawn, that can be utilized if needed. We also have collateral that supports in excess of $4.0 million of advances from the Federal Home Loan Bank. Management believes that our liquidity and ability to manage assets will be sufficient to meet our cash requirements over the near future.

One measure of liquidity is our loan-to-total borrowed funds ratio, which was at 79.6% at March 31, 2001. We had commitments to fund approximately $18.0 million in loans at March 31, 2001.

CAPITAL

We currently maintains a level of capitalization substantially in excess of the minimum capital requirements set by the regulatory agencies. Despite anticipated asset growth, management expects its capital ratios to continue to be adequate for the next two to three years. However, no assurances can be given in this regard, as rapid growth, deterioration in loan quality, and continued losses, or a combination of these factors, could change our capital position in a relatively short period of time.

As of March 31, 2001, there were no significant firm commitments outstanding for capital expenditures. Beginning in January 2001, we began to lease its main office building. The lease is a twenty-year lease with the monthly rent for the first year of $24 thousand. The lease provides for annual lease rate escalations based on cost of living adjustments.

RESULTS OF OPERATIONS

Our net loss for the three months ended March 31, 2001 was $78 thousand compared to a net loss of $274 thousand for the three-month periods ended March 31, 2000. Included in the net losses are non-cash expenses for provision for loan losses. The provision for loan losses for the 2001 period was $122 thousand compared to $100 thousand for the first quarter of 2000. Net interest income for the three months ended March 31, 2001 was $612 thousand compared to only $219 thousand for the same period in 2000. Net interest income continues to increase each quarter. This increase resulted primarily from growth in both earning assets and interest bearing deposits. Interest income for the first three months ended March 31, 2001 was $1.4 million compared to $336 thousand for the first quarter of 2000. Interest expense for the first three months ended March 31, 2001 was $800 thousand compared to only $117 thousand for the three months ended March 31, 2000. During the first quarter of 2000, much of the loan and investment activity was funded with our capital.

Average loans and investments for the first quarter of 2001 were $50.9 million and $6.2 million, respectively. The average loans and investments for the three months ended March 31, 2001 compared to the first quarter of 2000 increased $44.7 million and $4.3 million, respectively. The average yields on loans and investments for the three months ended March 31, 2001 were 9.01% and 6.59%, respectively. The average yields on loans and investments for the three months ended March 31, 2000 were 9.35% and 5.92%.

The average balance of deposits for the first three months ended March 31, 2001 was $59.7 million, while the average balance for the first quarter of 2000 was $9.5 million. This represents a $50.2 million increase compared to the same period in the year 2000. The weighted rate on deposits for the three months ended March 31, 2001 was 5.44% and 4.94% for the first quarter of the year 2000.

Our earning assets to deposit spread for the three months ended March 31, 2001 was 3.04% and 2.08% for the three months ended March 31, 2000. The lower yield on earning assets to deposits spread in the first quarter of 2000 resulted from 67.7% of the earning assets being in investments, which yield lower rates than loans. Our net yield on earning assets was 3.67% for the three months ended March 31, 2001 compared to 4.59% for the three months ended March 31, 2000. The decrease relates primarily to the fact that interest-bearing liabilities were 88.3% of earning assets in the 2001 period compared to only 49.3% in the same period of 2000. The higher percentage in 2001 represents our ability to leverage its capital.

As a result of growth in interest earning assets and interest bearing deposits, net interest income in the first quarter of 2001 increased $392 thousand compared to the same period in 2000. During this same period other income increased $43 thousand and general and administrative expenses increased only $217 thousand. The increase in other income relates primarily to higher deposit fees and mortgage loan referral fees as a result of our larger customer base.

Our provision for loan loss increased $22 thousand in the first quarter of 2001 compared to the same period in 2000. This increase relates primarily to management's decision to increase the allowance for loan loss as a percentage of loans from 1.29% at December 31, 2000 to 1.35% at March 31, 2001. At March 31, 2001, the allowance for loan losses was $722 thousand. We have

not charged off any loans since commencing operations. There were no non-accrual or non-performing loans at March 31, 2001. The provisions for loan losses were made primarily as a result of management's assessment of general loan loss risk as we recorded loans.

We incurred general and administrative expenses of $613 thousand for the three months ended March 31, 2001 compared to $396 thousand for the same period in 2000. The $217 thousand additional general and administrative expenses resulted primarily from the move into our new main office building and the additional staff hired to handle the current and future growth in both loans and deposits. Salaries and benefits for the three months ended March 31, 2001 were $327 thousand and represented 53.3% of the total expense. Salaries and benefits were $245 thousand first three months of 2000. The other significant expense in 2001 was $125 thousand for occupancy cost. This expense increased $54 thousand when comparing the two quarters. The increase relates primarily to the additional costs associated with our permanent main office building compared to the lower cost of the temporary modular facility. All other expense increased only $81 thousand dollars. This increase relates primarily to additional marketing expenses and non-capitalizable costs in 2001 associated with the move into the new main office building.

No provision or benefit for income taxes was recorded in either the first quarter of 2001 or 2000.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There are no material pending legal proceedings to which we are a party or of which any of our property is the subject.

Item 2. Changes in Securities

Not applicable

Item 3. Defaults Upon Senior Securities

Not applicable

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

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GREENVILLE FIRST BANCSHARES, INC.

Date: May 10, 2001

/s/ R. Arthur Seaver, Jr.

R. Arthur Seaver, Jr.
Chief Executive Officer

/s/ James M. Austin, III

James M. Austin, III
Chief Financial Officer