FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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GRENADA SUNBURST SYSTEM CORP

CIK:**789575**| IRS No.: **640723929** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-15003** | Film No.: **94527965**
SIC: **6022** State commercial banks

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the quarterly period ended March 31, 1994

OR

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

Commission File Number 0-15003

GRENADA SUNBURST SYSTEM CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	64-0723929
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2000 Gateway, Grenada, Mississippi	38902-0947
(Address of principal executive offices)	(ZIP Code)

(601) 226-1100
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such 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.

Grenada Sunburst System Corporation has only one class of common stock authorized. At April 30, 1994, there were 15,000,000 shares of $1 par value common stock authorized, and 9,492,975 shares issued and outstanding.

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GRENADA SUNBURST SYSTEM CORPORATION

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PART I. Financial Information

Item 1. Financial Statements

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PART I
FINANCIAL INFORMATION
GRENADA SUNBURST SYSTEM CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands)

<TABLE>
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	Mar. 31, 1994	Dec.31, 1993	Mar. 31, 1993
<S>	<C>	<C>	<C>
Cash and demand balances with banks	$ 138,601	133,889	135,049
Interest bearing deposits with banks	670	28	5,028
Securities available for sale	133,023	120,101	29,700
Investment securities (Market value of approximately $290,512, $301,240, and $389,196)	282,054	287,945	372,674
Mortgage-backed securities (Market value of approximately $168,162, $170,815 and $261,884)	168,408	167,532	257,042
Mortgages held for resale	41,768	73,956	34,605
Federal funds sold and securities purchased under agreements to resell	40,500	25,000	34,626
Loans	1,597,741	1,569,547	1,482,850
Less:			
Unearned income	8,228	9,007	10,626
Allowance for credit losses	33,094	32,749	30,845
Net loans	1,556,419	1,527,791	1,441,379
Premises and equipment, net	49,218	48,738	49,367
Other real estate	4,480	5,185	9,484
Accrued interest receivable	17,847	18,262	19,022
Other assets	30,214	27,771	25,848
Total Assets	$ 2,463,202	2,436,198	2,413,824
LIABILITIES			
Deposits			
Demand:			
Non-interest bearing	$ 410,169	419,641	347,847
Interest bearing	625,661	607,472	629,644
Savings	176,051	165,814	138,441
Time, $100,000 and over	244,008	247,538	239,640
Other time	760,125	759,342	832,720
Total deposits	2,216,014	2,199,807	2,188,292
Federal funds purchased and securities sold under agreements to repurchase	27,585	30,542	30,570
Other borrowed funds	15,704	12,941	13,634
Accrued interest payable	8,900	8,939	9,112
Other liabilities	16,988	9,897	12,402

Total Liabilities	2,285,191	2,262,126	2,254,010
STOCKHOLDERS' EQUITY			
Common stock, $1.00 par value, 15,000,000 authorized, 9,492,975 shares issued at March 31, 1994, December 31, 1993 and March 31, 1993	9,493	9,493	9,493
Paid in capital	31,842	31,842	31,842
Surplus	71,123	71,123	71,123
Undivided profits	65,553	61,614	47,356
Total Stockholders' Equity	178,011	174,072	159,814
Commitments and contingent liabilities			
Total Liabilities and Stockholders' Equity	$ 2,463,202	2,436,198	2,413,824

The accompanying notes are an integral part of the consolidated financial statements.
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GRENADA SUNBURST SYSTEM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands except per share data)

<TABLE>
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	Quarter Ended		
	Mar. 31, 1994	Dec. 31, 1993	Mar. 31, 1993
<S>	<C>	<C>	<C>
INTEREST INCOME			
Loans including fees	$ 31,767	32,142	27,178
Deposits with banks	4	0	104
Mortgages held for resale	944	1,142	1,000
Federal funds sold and securities purchased under agreements to resell	221	73	195
Securities:			
Taxable	5,871	6,354	6,810
Exempt from federal taxes	1,250	1,308	1,412
Dividends	433	376	410
Total Interest Income	40,490	41,395	37,109
INTEREST EXPENSE			
Deposits:			
Demand	3,595	3,620	3,408
Time, $100,000 and over	1,955	2,026	1,815
Other time and savings	8,688	8,958	8,718
Federal funds purchased and securities sold under agreements to repurchase	217	215	230
Other borrowed funds	258	259	114
Total Interest Expense	14,713	15,078	14,285
Net interest income	25,777	26,317	22,824
Provision for credit losses	800	1,315	2,085
Net interest income after provision for credit losses	24,977	25,002	20,739
NON-INTEREST INCOME			
Service charges on deposit accounts	4,261	4,524	3,762
Other service charges, commissions, and fees	2,556	2,810	2,524
Investment securities, net	(86)	(106)	(221)
Fees from fiduciary activities	483	441	477
Other	194	214	588
Total Non-Interest Income	7,408	7,883	7,130
NON-INTEREST EXPENSE			

Salaries	10,636	10,822	9,172
Employee benefits	2,263	1,809	1,801
Net occupancy expense	1,790	1,892	1,529
Furniture and equipment expense	1,874	1,948	1,665
FDIC deposit insurance expense	1,213	1,188	1,076
Other	5,835	5,448	5,360
Total Non-Interest Expense	23,611	23,107	20,603
Income before income taxes and cumulative effect of a change in accounting principle	8,774	9,778	7,266
Income taxes	2,752	3,103	2,136
Income before cumulative effect of a change in accounting principle	6,022	6,675	5,130
Cumulative effect on prior years of a change to a different method of accounting for income taxes	0	0	781
Net Income	$ 6,022	6,675	5,911
EARNINGS PER SHARE:			
Income before cumulative effect of a change in accounting principle	$ 0.63	0.71	0.56
Cumulative effect of a change in accounting principle	$ 0.00	0.00	0.08
Net Income	$ 0.63	0.71	0.64
DIVIDENDS PER SHARE	$ 0.20	0.20	0.15

The accompanying notes are an integral part of the consolidated financial statements.
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GRENADA SUNBURST SYSTEM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 1994 AND 1993
(In thousands)

<TABLE>
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<S>	Common Stock <C>	Paid in Capital <C>	Surplus <C>	Undivided Profits <C>	Total <C>
Balances January 1, 1993	$9,047	22,953	71,123	42,615	145,738
Net income				5,911	5,911
Net unrealized gain on equity securities				219	219
Cash dividend declared				(1,424)	(1,424)
Stock issued in exchange for net assets of Eastover Bank for Savings	439	8,734			9,173
Stock issued under compensation plan	7	155			162
Unearned compensation				35	35
Balances March 31, 1993	$9,493	31,842	71,123	47,356	159,814
Balances January 1, 1994	$9,493	31,842	71,123	61,614	174,072
Net income				6,022	6,022
Net unrealized loss on securities available for sale, net of tax				(191)	(191)
Cash dividend declared				(1,899)	(1,899)
Unearned compensation				7	7
Balances March 31, 1994	$9,493	31,842	71,123	65,553	178,011

The accompanying notes are an integral part of the consolidated financial

statements.
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GRENADA SUNBURST SYSTEM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31,
(In thousands)

<TABLE>
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<CAPTION>

<S>	1994 <C>	1993 <C>
Net cash flows from operating activities:		
Net income	$ 6,022	5,911
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of goodwill and intangible assets	213	215
Depreciation and amortization of premises and equipment	1,240	1,149
Net accretion of investment securities	(276)	(573)
Accretion of loan fees and discounts	(779)	(360)
Provision for possible credit losses	800	2,085
Net (increase) decrease in mortgages held for resale	32,188	28,467
Other real estate provision	133	233
Gains on sales of other real estate	(40)	(70)
Losses from sales of premises and equipment	(135)	(2)
Decrease in interest receivable	415	398
Decrease in interest payable	(39)	(466)
Losses on sales of securities, net	86	221
Other, net	4,445	(2,740)
Net cash provided by operating activities	44,273	34,468
Cash flows from investing activities:		
Net decrease in interest-bearing deposits with banks	(642)	15,002
Net increase in federal funds sold and securities purchased under agreements to resell	(15,500)	(34,626)
Purchases of securities available for sale	(19,880)	0
Principal prepayments on securities available for sale	19,223	0
Purchases of securities held to maturity	(37,707)	(59,206)
Maturities of securities held to maturity	24,664	9,603
Principal prepayments on securities held to maturity	6,933	770
Purchases of mortgage-backed securities held to maturity	(33,689)	(26,309)
Sales of mortgage-backed securities	0	16,749
Principal prepayments of mortgage-backed securities	32,546	22,730
Net increase in loans	(28,840)	(25,393)
Net increase in premises and equipment	(1,764)	(1,172)
Proceeds from sale of premises and equipment	186	2
Proceeds from sales of other real estate	796	1,002
Net cash received from Eastover acquisition	0	35,922
Net cash used by investing activities	(53,674)	(44,926)
Cash flows from financing activities:		
Net increase in demand and savings accounts	18,953	25,031
Net decrease in other deposits	(2,747)	(9,519)
Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase	(2,957)	4,906
Net increase (decrease) in other borrowed money	2,763	(284)
Cash dividends paid	(1,899)	(1,424)
Net cash provided by financing activities	14,113	18,710
Net increase in cash and due from banks	4,712	8,252
Cash and due from banks at the beginning of the period	133,889	126,797
Cash and due from banks at the end of the period	$138,601	135,049
Unrealized gain on equity securities	$ 0	219
Unrealized (loss) on securities available for sale	(192)	0
Securities transferred to the available for sale category from the held to maturity category	12,266	0

The accompanying notes are an integral part of the consolidated financial statements.
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GRENADA SUNBURST SYSTEM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 1994 and 1993

1. The accompanying unaudited consolidated financial statements have been prepared in accordance with the accounting policies in effect as of December 31, 1993, as set forth in the annual consolidated financial statements of Grenada Sunburst System Corporation and subsidiaries ("GSSC", or the "Company"). In the opinion of management, all adjustments necessary for a fair presentation of the condensed consolidated financial statements have been included and are of a normal recurring nature.

2. The results of operations for the three-month period ended March 31, 1994 are not necessarily indicative of the results to be expected for the full year.

3. Per share data is based on weighted average shares of common stock outstanding of 9,492,975 for the quarter ended March 31, 1994 and 9,201,559 for the quarter ended March 31, 1993.

4. Effective March 1, 1993, GSSC, through its wholly owned Mississippi banking subsidiary, Sunburst Bank, acquired selected net assets of Eastover Bank for Savings ("Eastover") in a transaction accounted for as a purchase. Had the acquisition occurred on January 1, 1993, for the three months ended March 31, 1993, net interest income for the Company would have increased by approximately $3,140,000, net income would have increased by approximately $897,000, and earnings per share would have increased by approximately $.08 per share.

5. Effective January 1, 1994, GSSC adopted Financial Accounting Standards Board ("FASB") SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities". This statement requires investments to be classified in three categories and to be accounted for as follows: (i) debt securities which the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity and reported at amortized cost; (ii) debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings; and (iii) debt and equity securities not classified as either held-to-maturity securities or trading securities are classified as available-for-sale securities and reported at fair value, with unrealized gains and losses excluded from earnings and reported as a deduction from stockholders' equity.
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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GSSC reported net income of $6,022,076 for the quarter ended March 31, 1994, an increase of $110,904 from the $5,911,172 reported for the quarter ended March 31, 1993. Earnings per share, before the cumulative effect of a change in accounting principle, for the first three months of 1994 were $.63 compared to $.56 for the first three months of 1993. The effect of the adoption of SFAS No. 109, "Accounting for Income Taxes" in 1993 accounted for $.08 of the first quarter 1993 earnings per share on net income of $.64. During the first quarter of 1993, the Company acquired approximately $400 million in selected assets and liabilities from Eastover in a transaction accounted for as a purchase. Accordingly, the results of operations of this acquisition are included in the consolidated financial statements only from the acquisition date (March 1, 1993), which affects the comparability of the consolidated financial statements. Net interest income before provision for credit losses was up $2,952,672 or 12.94% for the quarter ended March 31, 1994, when compared to the same period in 1993. The provision for credit losses decreased $1,285,000 for the three months ended March 31, 1994, compared to the three months ended March 31, 1993. Non-interest income increased $509,961 for the same period while non-interest expense increased $3,239,163.

The return on average assets (ROA) for the first quarter of 1994 was 1.00% compared to 1.01% for the same time in 1993. The return on average equity (ROE) was 13.82% for the first quarter of 1994 compared to 14.32% for the first quarter of 1993.

The following provides management's discussion of the consolidated financial condition and results of operations of GSSC, focusing on those factors that have had the most significant impact for the first three months of 1994. This commentary should be read in conjunction with the accompanying financial statements.

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RESULTS OF OPERATIONS
Contribution to Earnings Per Share
(Fully Taxable Equivalent)

<TABLE>
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	Quarter ended March 31, 1994	Quarter ended March 31, 1993
<S>	<C>	<C>
Net interest income - FTE	$ 2.80	2.57
Provision for credit losses	0.08	0.23
Net interest income after provision for credit losses - FTE	2.72	2.34
Service charges on deposit accounts	0.45	0.41
Other service charges, commissions and fees	0.27	0.27
Investment securities gains (losses), net	(0.01)	(0.02)
Fees from fiduciary services	0.05	0.05
Other	0.02	0.08
Total non-interest income	0.78	0.79
Adjusted gross income after provision for credit losses - FTE	3.50	3.13
Salaries	1.12	1.00
Employee benefits	0.24	0.20
Occupancy expense, net of rental income	0.19	0.17
Furniture and equipment expense	0.20	0.18
Other	0.74	0.70
Total non-interest expense	2.49	2.25
Income before income taxes (FTE) and cumulative effect of a change in accounting principle	1.01	0.88
Applicable income taxes - FTE	0.38	0.32
Income before cumulative effect of a change in accounting principle	0.63	0.56
Cumulative effect of a change in method of accounting for income taxes	0.00	0.08
Net income	$ 0.63	0.64

Assumed tax rate of 35% for 1994 and 1993.
</TABLE>
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NET INTEREST INCOME

Net interest income (NII) is the largest component of the Company's income and represents the amount by which interest and fee income on earning assets exceeds the cost of deposits and other borrowed funds. The Company's long-term objective is to manage those earning assets and interest-bearing liabilities to provide the largest possible amount of income while balancing interest rate, credit, liquidity and capital risk.

Net interest income was up $3.0 million or 12.94% for the first quarter of 1994 compared to the same period in 1993 due to a 14.99% increase in average earning assets. The acquisition of approximately $374 million in earning assets from Eastover on March 1, 1993, accounted for approximately 84% of the increase in average earning assets for the first three months of 1994. The net interest spread decreased 14 basis points to 4.26% for the quarter ended March 31, 1994, from 4.40% for the quarter ended March 31, 1993. The prime lending rate for bank loans declined periodically to 6.00% early in 1993 from 6.50% early in 1992. The prime lending rate increased in March of 1994 to 6.25%. This prime rate decrease in 1992 and 1993 was the primary factor in the decrease in yield on the loan portfolio to 8.18% for the quarter ended March 31, 1994, from 8.53% for the quarter ended March 31, 1993. Approximately 39% of the Company's loans earn interest that fluctuates with this prime lending rate. At March 31, 1994, $605 million in loans or 37% of the bank subsidiaries' loan portfolios are subject to reprice during the next quarter. This decline in yield on the largest component of earning assets for the banks was more than offset by a decline in the cost of funds.

Average deposits increased by $280.9 million or 12.19% from the first quarter of 1993 to the first quarter of 1994. The acquisition of approximately $396 million in deposits from Eastover on March 1, 1993, caused approximately 92% of the increase in average deposits for the first quarter of 1994. The cost of interest bearing deposits decreased 32 basis points from the first quarter of 1993 to the first quarter of 1994. Average other borrowings were up by $2.2 million to $42.1 million for the quarter ended March 31, 1994, from $39.9 million for the same period in 1993, and the rate paid for this source of funds increased to 4.47% in 1994 from 3.45% in 1993.

The emphasis in management of the investment portfolio for 1994 continues to be to improve the liquidity and quality of the portfolio, provide a relatively stable source of income and balance interest rate and credit risk. As loan demand has improved, funds have been redeployed, and securities as a percentage of earning assets at March 31, 1994, decreased to 25.86% as compared to 29.89% a year earlier.
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Net Interest Income Summary
(dollars in thousands)
<TABLE>
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<S>	Three months ended Mar.31, 1994 <C>	1993 <C>
Interest income	$ 40,490	37,109
Taxable equivalent adjustments:		
State, county and municipal:		
Notes	50	42
Bonds	653	740
Dividends	140	139
Total adjustments	843	921
Interest income - FTE	41,333	38,030
Interest expense	14,713	14,285
Net interest income - FTE	$ 26,620	23,745
Net interest margin - FTE	4.81%	4.93%
Average earning assets (millions)	$ 2,230.7	1,939.9

Assumed tax rate of 35% for 1994 and 1993.
</TABLE>
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The taxable equivalent net interest margin (NIM) is net interest income plus an adjustment for tax exempt income expressed as a percentage of average earning assets. The NIM is affected by the net interest spread, level of interest rates, amount of non-performing assets and the amounts of non-interest bearing funds supporting earning assets. To maximize and maintain consistency of earnings, the Company endeavors to monitor and control interest rate risk. Assuming the current mix and sensitivities of interest bearing assets and liabilities remain constant and historical relationships between rates on different products and investments reoccur, a 1% rise in short term interest rates would cause the Company's NIM to decline 3 basis points for the succeeding 12 months. A 3% rise would result in a 16 basis point decline. Conversely, a 1% decline in short term rates would result in a 3 basis point increase in the Company's NIM. For the quarter ended March 31, 1994, the NIM was 4.81%, down 12 basis points from the 4.93% reported for the same period a year earlier. Average earning assets increased 14.99% or $290.8 million for the first quarter of 1994 when compared to the first quarter of 1993. The tax equivalent yield on average earning assets for the first quarter of 1994 was 7.48%, down 43 basis points from the 7.91% yield for the first quarter of 1993.

PROVISION FOR CREDIT LOSSES

In evaluating the adequacy of the allowance for credit losses, among the issues the Company examines are current economic conditions, results of quantitative analysis of the quality of commercial loans and commercial real estate loans, and the historical rate of charge-offs on all loan types. Various regulatory agencies, as a part of their examination process, periodically review each of the banks' allowances for losses on loans and real estate owned. Such agencies may require the banks to adjust the allowances based on their judgments of information available to them at the time of their examination.

The provision for credit losses is the amount charged against current earnings which management believes is necessary to maintain such allowance at an adequate level at a point in time, after giving consideration to potential problem credits, the collateral adequacy of loans, net charge-offs, asset quality measures, size of the loan portfolio and general economic conditions and trends. The provision for credit losses for the first quarter of 1994 was $800,000, compared to $2,085,000 for the first quarter of 1993. The provision for the first three months of 1994 reflected a decrease of $1,285,000, from the provision for the three months ended March 31, 1993. This provision reflects improvement in the quality of the loan portfolio while still providing for continued growth. Loans increased 21.7% or $280.9 million from March 31, 1993 to March 31, 1994.
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NON-INTEREST INCOME

One of the Company's key long-term strategies has been to seek additional sources of non-interest revenue. The growth in non-interest income has become an increasingly important component of the Company's profitability, given the uncertainty of future loan demand and increased competition from nontraditional sources.

Non-interest income includes fees for trust services, mortgage loan servicing fees, income from broker/dealer services, service charges on deposit accounts, and many other retail products. Non-interest income for the first three months of 1994 increased 7.39% or $510,000 compared to the first three months of 1993.

The rising interest rate environment has slowed the earnings growth in non-interest income through subsidiaries' earnings. The mortgage company is a significant contributor to non-interest income, with an increase in revenue to $1,208,000 for the three months ended March 31, 1994, from $1,057,000 for the three months ended March 31, 1993. The mortgage servicing portfolio increased to $831.7 million at March 31, 1994, from $498.6 million at March 31, 1993. The broker/dealer operations also contributed to non-interest income, with revenue of $508,000 for the three months ended March 31, 1994 compared to $736,000 for the three months ended March 31, 1993. Service charges on deposit accounts was an area of increased earnings. Revenue from deposit accounts increased to $4,261,000 for the three months ended March 31, 1994, compared to $3,762,000 for the three months ended March 31, 1993. The increase in deposit accounts from the Eastover acquisition is a significant contributor to this increase in service charges on deposit accounts.

NON-INTEREST EXPENSE

During recent years, the banking industry has put an increasing emphasis on expense control and improving its efficiency and, ultimately, its profitability. The Company has responded to the need for improved efficiency by emphasizing its commitment to expense control. The Company's efficiency ratio for the quarter ended March 31, 1994 was 69.38%. The efficiency ratio is non-interest expenses divided by tax-equivalent net interest income plus non-interest income. This compares to an efficiency ratio of 66.48% for the quarter ended March 31, 1993. The predominant reason for the decline in effiency is a decrease in net income from the non-bank subsidiaries which is largely a function of the current interest rate environment. Non-interest expense increased 15.9% or $3,239,000 for the first three months of 1994 compared to the first three months of 1993. Salaries and benefits, the single largest component of non-interest expense, increased 17.55% or $1,926,000, compared to the first three months of 1993. Of this increase, $1,463,000 is at Sunburst Bank, Mississippi and is largely attributable to the addition of the Eastover personnel and normal merit increases throughout the Company. The number of full time equivalent employees for the Company has increased to 1,707 at March 31, 1994, from 1,650 at March 31, 1993. Occupancy expense and furniture and equipment expense are up primarily due to the addition of 29 banking facilities acquired with the Eastover acquisition.
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TAXES

Income tax expense consists of provisions for Federal and state income taxes. Applicable income taxes were $2,752,000 for the three months ended March 31, 1994, compared to $2,136,000 for the three months ended March 31, 1993. The statutory Federal income tax rates for 1994 and 1993 were 35%. The Company's income tax expense as a percentage of pretax income is different from these statutory tax rates because of the effect of tax-exempt income, various nondeductible expenses and the impact of alternative minimum taxes, including carry forward credits. The Company's effective tax rate was 31.37% for the three months ended March 31, 1994, and 29.39% for the three months ended March 31, 1993.

The FASB issued SFAS No. 109, "Accounting for Income Taxes," that superseded SFAS No. 96 and changed the criteria for recognition and measurement of deferred taxes. The emphasis in accounting for deferred income taxes changed from an income statement approach to a balance sheet approach, thereby ensuring the proper accrual of the appropriate asset or liability for deferred taxes. The Company adopted SFAS No. 109 on January 1, 1993, and subsequently recorded previously unrecognized tax benefits of $781,000. On August 10, 1993 the 1993 Tax Act was signed into law. This law involves a change in the Corporate income tax rate structure. Management has revised its SFAS No. 109 calculation to incorporate the changes required as a result of the 1993 Tax Act. The effect of these changes is not material to the Company's financial condition.
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FINANCIAL CONDITION

LOANS

The banks' loan portfolio represents the largest single component of the Company's earning asset base. Average loans outstanding increased 21.73% over the March 31, 1993, level. Of the $290.1 million increase in average loans, $158.4 million is attributable to the Eastover acquisition and $131.7 million is attributable to growth. The majority of this growth occurred in the real estate secured and commercial and industrial categories. In addition, modest growth was experienced in the consumer sector. As a general practice, floating rate mortgages are held within the loan portfolio and fixed rate loans are packaged for sale and are hedged to guard against interest rate swings.

CREDIT QUALITY AND CREDIT RISK MANAGEMENT

Inherent in the business of providing financing alternatives to our customers are the risks involved in extending credit. Management believes that strong credit policies and guidelines, good underwriting, and constant supervision and servicing are needed to insure a sound and profitable loan portfolio. These are the primary factors that control risk and thereby insure safety and profitability for our depositors and stockholders. Risk reduction is achieved through diversity in the portfolio as to type, geographic location, industry and borrower. Policies are determined by carefully evaluating current economic, financial, regulatory and market factors based on the objectives and strategies of the Company. The Company has in place a structured policy that quickly identifies problem credits, monitors their performance, and provides reasonable estimates of the possible credit loss, if any, relating to the loans. The Asset Quality Group continuously monitors the entire loan portfolio, classifying problem credits, estimating loss exposure, and determining systematically the level of risks and necessary level of provision for credit losses.

In order to manage the credit risk of the commercial, single family mortgage and installment loan portfolios, loans and blocks of loans are internally assigned a grade ranging from A to F, depending on the financial condition, the status of payments or collateral on the loans. Grades are assigned at the inception of the loans, reviewed regularly by the assigned loan officer and by the Asset Quality personnel. The preponderance of the Banks' loans are rated C, denoting standard and acceptable risk.

The allowance for credit losses reflects management's judgment as to the level considered appropriate to absorb potential losses in the portfolio based on a review of factors that include individual loans, historical loss experience, economic conditions, trends, and other factors. The adequacy of the allowance is reviewed frequently. Since the first quarter 1993, the allowance for credit losses has increased $2.2 million or 7.29% to $33.1 million, including a $4.9 million reserve transferred with the purchase of the Eastover assets. Management believed that it was prudent to continue to increase the allowance, given the uncertainty surrounding national and state economics and its commitment to sound, conservative banking practices. The allowance currently approximates 2.08% of total loans outstanding compared to 2.10% a year earlier. Because the current economic recovery is predicted to produce only modest economic growth at both national and state levels during 1994, management will continue to take a prudent approach to evaluating the adequacy of the allowance for credit losses.
</PAGE>

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Credit Experience Summary
(dollars in thousands)
<TABLE>
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<CAPTION>

	Three months ended March 31, 1994	1993
Allowance for credit losses:		
Beginning balance	$ 32,749	24,412
Reserves of acquired banks	0	4,934
Provision for loan losses	800	2,085
Net charge-offs	455	586
Ending Balance	$ 33,094	30,845
Allowance to loans (net of unearned)	2.082%	2.095%
Net charge-offs to average loans (net of unearned) annualized	0.116%	0.184%

</TABLE>

A measure of asset quality in the financial industry is the level of non-performing assets in the portfolio. Non-performing assets consist of loans or securities on which interest is no longer accruing (non-accrual), certain restructured loans where the interest rate or other terms have been renegotiated, and other real estate that includes in-substance foreclosures. The following table sets forth information concerning the non-performing assets of the Company.
</PAGE>

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Non-Performing Assets
(dollars in thousands)
<TABLE>
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	March 31, 1994	March 31, 1993
<S>	<C>	<C>
Non-accrual loans	$ 4,341	5,897
Past due loans *	3,267	3,373
Restructured loans	487	1,964
Total non-performing loans	8,095	11,234
Foreclosed real estate	4,407	9,400
Other assets	261	101
Total non-performing assets	$ 12,763	20,735
Allowance for credit losses	$ 33,094	30,845
Non-performing loans to total loans (net of unearned)	0.509%	0.763%
Non-performing loans plus foreclosed real estate and other assets to total loans (net of unearned)	0.803%	1.414%
Non-performing loans plus foreclosed real estate and other assets excluding past due loans to total loans (net of unearned)	0.597%	1.185%
Non-performing loans to allowance	24.46%	36.42%

* Loans that are 90 days or more past due as to principal and/or interest and not yet on non-accrual status.
</TABLE>
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INTEREST RATE SENSITIVITY

Interest rate sensitivity is a function of the repricing characteristics of the Company's portfolio of earning assets and liabilities. The Company's Asset Liability Management Committee ("Asset Liability Committee"), manages its interest rate sensitivity to control exposure of net interest income to risks associated with interest rate movements and maturities of interest-earning assets and interest-bearing liabilities and to achieve consistent growth in net interest income. The Company attempts to maximize earnings by managing the one-year "gap," the difference between interest-earning assets and interest-bearing liabilities maturing or repricing in one year or less. As of March 31, 1994, the Company had a one-year liability sensitive gap (i.e., an excess of liabilities over assets maturing or repricing within one year) of $222.8 million or 9.04%. Management believes that this range can be effectively managed against interest rate movements while allowing sufficient flexibility to take advantage of opportunities presented by varying interest rate environments. The following table summarizes the Company's gap position at March 31, 1994.
</PAGE>

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INTEREST RATE SENSITIVITY
(dollars in thousands)
<TABLE>
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<CAPTION>

	3 Months or Less	3 to 12 Months	1 to 5 Years	5 to 10 Years	10 Years and over	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest Earning Assets:						
Deposits with banks	$ 670	0	0	0	0	670
Fed. funds sold	20,500	0	0	0	0	20,500
Sec. purchased under agreement to resell	20,000	0	0	0	0	20,000
Securities:						
Available for sale	133,023	0	0	0	0	133,023

Mortgage-backed	20,130	26,725	109,900	11,653	0	168,408
Investment	21,802	53,501	154,205	24,795	27,751	282,054
Mortgages held for resale	41,768	0	0	0	0	41,768
Loans	563,119	457,548	430,004	85,500	61,570	1,597,741
Total Earning Assets	$ 821,012	537,774	694,109	121,948	89,321	2,264,164
Interest Bearing Liabilities :						
Deposits:						
Demand	$ 62,566	563,095	0	0	0	625,661
Savings	0	176,051	0	0	0	176,051
Time < $100,000	245,204	308,748	204,689	1,484	0	760,125
Time > $100,000	117,080	81,230	45,438	260	0	244,008
Fed. funds purchased	0	0	0	0	0	0
Securities sold under repurchase agreements	27,585	0	0	0	0	27,585
Other borrowed funds	0	0	2,629	13,076	0	15,705
Total Interest Bearing Liabilities	$ 452,435	1,129,124	252,756	14,820	0	1,849,135
Net Repricing Gap	368,577	(591,350)	441,353	107,128	89,321	415,029
Net Repricing Gap/ Total Assets	14.96%	(24.01%)	17.92%	4.35%	3.63%	16.85%
Cumulative Gap	368,577	(222,773)	218,580	325,708	415,029	0
Cumulative Gap/ Total Assets	14.96%	(9.04%)	8.87%	13.22%	16.85%	0.00%

</TABLE>
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LIQUIDITY

Liquidity is the ability to raise cash quickly when funds are needed. The needs for liquidity are best met by a strong customer base, the ability to readily purchase funds from reliable sources, and the ability to liquidate short term marketable securities. GSSC has historically funded its liquidity requirements with funds generated from operations, including new deposits and proceeds from the repayments of loans and investments. The Company also enhances liquidity by the retention of earnings and adequate capital. The Asset Liability Committee sets minimum liquidity requirements and monitors the Company's adherence to these goals on a monthly basis.

Core deposits expressed as a percentage of total assets were 79.90% at March 31, 1994, and 80.73% at March 31, 1993. Volatile liabilities, defined as the sum of time deposits over $100,000, foreign deposits, federal funds purchased and securities sold under agreements to repurchase, interest-bearing demand notes issued to the US Treasury, and other liabilities for borrowed money, as a percentage of total assets were 11.00% at March 31, 1994, compared to 11.19% at March 31, 1993. Temporary investments as a percentage of total assets decreased to 7.15% at March 31, 1994, compared to 8.03% at March 31, 1993. The Company's volatile liability dependence ratio, (which compares volatile liabilities less temporary investments to net loans, plus lease-financing receivable and investment securities with remaining maturities or earliest repricing opportunities of less than one year, including equity securities), was 4.65% at March 31, 1994, compared to 3.85% at March 31, 1993.

SECURITIES

The securities portfolio is the second largest component of the Company's earning asset base. When securities are purchased, primarily debt securities, they are classified as investment securities and are carried at cost adjusted for amortization of premiums and accretion of discounts, if the Company has the intention to hold such securities on a long-term basis or until maturity. If it is the Company's intention at the time of purchase to sell securities prior to maturity, such securities are classified as trading securities and are carried at fair value with unrealized gains or losses included in earnings. At March 31, 1994, the Company held no securities in its trading portfolio. Debt and equity securities not classified as either held-to-maturity or trading securities are classified as available for sale and reported at fair value, with unrealized gains and losses excluded from earnings and reported as a deduction from stockholders' equity. Also, from

time to time, the Company may identify securities that it intends to use as a part of its asset/liability strategy to respond to changes in interest rate and/or prepayment risk or to increase liquidity or regulatory capital. At identification date, these securities are also transferred to available-for-sale and subsequently carried at fair value. At March 31, 1994, the Company had $133 million in the available-for-sale category with an unrealized loss of $191,000, net of taxes which has been deducted from stockholders' equity.
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The Company acquired, in the purchase of selected net assets of Eastover, $121.9 million in investment securities, of which $16.8 million in mortgage-backed US Government agency securities were sold within three weeks after the March 1, 1993, acquisition date. Securities decreased 11.51% or $76 million from March 31, 1993, to March 31, 1994. Management takes a conservative approach in the investment portfolio by changing the mix and maturity as it reinvests maturing securities. This has been done by increasing the percentage of Treasury and agency securities and by decreasing holding of other securities while shortening average maturities. In addition, the average balance of the investment in corporate securities has increased from the first quarter of 1993. These investments consist principally of adjustable rate money market preferred instruments. The following table reflects the mix of the investment portfolio, including securities available for sale, for the quarters ended March 31, 1994, and 1993, in thousands.
<TABLE>
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<CAPTION>

<S>	1994 Average Balance <C>	% <C>	1993 Average Balance <C>	% <C>
US Treasuries	$ 107,262	18.83%	130,248	23.21%
Securities of other US government agencies and corp.	311,854	54.74%	248,417	44.26%
Obligations of states and political subdivisions	73,234	12.86%	83,433	14.87%
Other securities	35,261	6.19%	57,523	10.25%
Corporate securities	42,091	7.38%	41,608	7.41%
Total securities	$ 569,702	100.00%	561,229	100.00%

</TABLE>
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DEPOSITS

Managing the mix and repricing alternatives of invested funds is an important factor affecting the NIM. Strategies for managing the cost and source of funds have to be flexible enough to meet needs in a changing interest rate environment. Management's strategy has been to increase core deposits as a percentage of total funds sources and to reduce the Company's dependence on more volatile short-term borrowings. Average interest-bearing deposit liabilities as a percentage of average funds sources were 80.50% for the three months ended March 31, 1994, compared to 82.12% for the three months ended March 31, 1993. Average non-interest bearing deposits increased $84.9 million or 27.4% for the same period.

Average certificates of deposit increased by $75.7 million for the three months ended March 31, 1994, compared to the same period in 1993. The average rate paid on these certificates of deposit decreased to 3.64% for the three months ended March 31, 1994, from 4.00% for the three months ended March 31, 1993. The total cost of interest-bearing liabilities has averaged 3.22% and 3.51% for the three months ending March 31, 1994, and 1993, respectively. Interest-free funds supported 17.71% of average earning assets for the first three months of 1994 compared to 16.00% for the first three months of 1993.

CAPITAL ADEQUACY

Strong capitalization is fundamental to the successful operation of a banking organization. The Company seeks to maintain a level of capital flexible enough for profitable growth opportunities, consistent with management's goal of building stockholder value, and to provide stability in uncertain economic conditions. Indicators of adequate capital are

represented by average equity to assets, average equity to net loans, risk-based capital ratios and leverage ratios. The Company's equity to asset ratio at March 31, 1994, was 7.25%, up from the 7.08% reported at March 31, 1993, and the equity to loan ratio was 11.23% and 11.69% for March 31, 1994, and 1993, respectively. The Company's total risk-based capital ratio as of March 31, 1994, was 11.87% and the leverage ratio was 7.22%. These capital ratios were in excess of the required 8.00% total risk-based capital ratio and the 3.00% required leverage ratio.
</PAGE>

Selected Capital Information
For the three months ended March 31,
(dollars in thousands)
<TABLE>
XXX BEGIN TABLE HERE XXX
<CAPTION>

<S>	1994 <C>	1993 <C>
Capital:		
Common stock	$ 9,493	9,493
Surplus	102,965	102,965
Undivided profits	65,821	47,356
Allowance for credit losses	33,094	30,845
Market valuation adjustment on securities available for sale	268	241
Total primary capital	211,641	190,900
Total assets	$ 2,463,202	2,413,823
Ratio of primary capital to adjusted assets *	8.464%	7.808%

*Adjusted assets are total assets gross of allowance for credit losses and market valuation of securities.

	1994	1993
Tier I:		
Common stockholders' equity	$ 112,458	112,458
Undivided profits and capital reserves	65,821	47,597
Less:		
Goodwill	(1,853)	(2,169)
Net unrealized loss on securities available for sale	(268)	(241)
Total Tier I capital	176,158	157,645
Tier II:		
Allowance for credit losses	20,905	19,500
Total Tier II capital	20,905	19,500
Total qualifying capital	197,063	177,145
Risk-weighted assets	1,634,525	1,525,476
Risk-weighted off-balance sheet exposure	25,678	23,166
Total risk-weighted assets and off-balance sheet exposure	$ 1,660,203	1,548,642
Ratios:		
Tier I capital ratio	10.61%	10.18%
Minimum Tier I capital ratio	4.00%	4.00%
Total capital ratio	11.87%	11.44%
Minimum total capital ratio	8.00%	8.00%
Leverage ratio	7.22%	7.39%
Minimum leverage ratio	3.00%	3.00%

</TABLE>
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RECENT DEVELOPMENTS

In May of 1993, the FASB issued SFAS No. 114, "Accounting by Creditors for Impairment of a Loan". This statement requires that impaired loans that are within the scope of SFAS No. 114 be measured on the present value of expected future cash flows, discounted at the loan's effective interest rate or at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. This statement amends FASB SFAS No. 5, "Accounting for Contingencies" and FASB SFAS No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings". SFAS No. 114 applies to financial statements for fiscal years beginning after December 15, 1994. The Company has not made a determination as to the effect of the adoption of this statement on the financial condition of the Company.
</PAGE>

GRENADA SUNBURST SYSTEM CORPORATION AND SUBSIDIARIES
DISTRIBUTION OF ASSETS,
LIABILITIES AND STOCKHOLDERS' EQUITY
INTEREST RATES AND INTEREST DIFFERENTIAL
FOR THE THREE MONTHS ENDING MARCH 31, 1994
(dollars in thousands)

<TABLE>
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<CAPTION>

<S>	Average Balance <C>	Interest <C>	Yield/ Rate <C>
ASSETS			
Interest earning assets:			
Loans (1) (2)	$1,573,644	128,724	8.18%
Mortgage loans held for sale	58,892	3,776	6.41
U.S. Treasury securities	107,262	4,955	4.62
Securities of other U.S. Government agencies & corporations	311,854	15,977	5.12
Obligations of state and political subdivisions (3)	73,234	7,825	10.68
Other securities	35,261	2,411	6.84
Corporate securities	42,091	2,383	5.66
Interest-bearing deposits with banks	462	18	3.90
Federal funds sold and securities purchased with resell agreements	27,954	862	3.08
Total interest earning assets/ interest income (3)	2,230,654	166,931	7.48
Cash and due from banks	138,769		
Other assets	100,452		
Allowance for credit losses	(33,159)		
Market value adjustment on securities available for sale	(78)		
Total	$2,436,638		

</TABLE>
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GRENADA SUNBURST SYSTEM CORPORATION AND SUBSIDIARIES
DISTRIBUTION OF ASSETS,
LIABILITIES AND STOCKHOLDERS' EQUITY
INTEREST RATES AND INTEREST DIFFERENTIAL
FOR THE THREE MONTHS ENDING MARCH 31, 1994
(dollars in thousands)

<TABLE>
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<CAPTION>

Average Balance	Interest	Yield/ Rate

LIABILITIES AND STOCKHOLDERS' EQUITY			
Interest bearing liabilities:			
Demand deposits	$ 628,353	14,581	2.32%
Savings	170,012	4,111	2.42
IRA/KEOGH	143,062	7,497	5.24
Certificates of deposit	863,175	31,451	3.64
Federal funds purchased & securities sold under agreements to repurchase	28,425	847	2.98
Other borrowings	13,660	1,033	7.56
Total interest-bearing liabilities /interest expense	1,846,687	59,520	3.22
Non-interest bearing demand	395,136		
Other liabilities	18,118		
Total liabilities	2,259,941		
Stockholders' equity	176,697		
Total	$2,436,638		
Net interest income (3)		107,411	
Net yield on interest earning assets (3)			4.26
Tax equivalent adjustments:			
Loans		202	
Obligations of state & political subdivisions		2,614	
Corporate securities		558	
Total tax equivalent adjustment		3,374	
Net interest income		$104,037	

(1) Non-accruing loans are included in average loans; however, no income is recognized on these loans.
(2) Includes loan fees in both interest income and the calculation of the yield on loans.
(3) Tax equivalent adjustments are calculated assuming a 35% tax rate for 1994 and 1993.
</TABLE>
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GRENADA SUNBURST SYSTEM CORPORATION AND SUBSIDIARIES
DISTRIBUTION OF ASSETS,
LIABILITIES AND STOCKHOLDERS' EQUITY
INTEREST RATES AND INTEREST DIFFERENTIAL
FOR THE THREE MONTHS ENDING MARCH 31, 1993
(dollars in thousands)

<TABLE>
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<CAPTION>

	Average Balance	Interest	Yield/ Rate
ASSETS			
Interest earning assets:			
Loans (1) (2)	$1,290,382	110,100	8.53%
Mortgage loans held for sale	52,046	3,998	7.68
U.S. Treasury securities	130,248	6,940	5.33
Securities of other U.S. Government agencies & corporations	248,417	16,038	6.46
Obligations of state and political subdivisions (3)	83,433	8,924	10.70
Other securities	57,523	4,044	7.03
Corporate securities	41,608	2,259	5.43
Interest-bearing deposits with banks	9,140	413	4.52
Federal funds sold and securities purchased with resell agreements	27,055	779	2.88
Total interest earning assets/			

interest income (3)	1,939,852	153,495	7.91
Cash and due from banks	126,427		
Other assets	89,464		
Allowance for credit losses	(26,829)		
Market value adjustment on securities available for sale	(457)		
Total	$2,128,457		

</TABLE>
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GRENADA SUNBURST SYSTEM CORPORATION AND SUBSIDIARIES
DISTRIBUTION OF ASSETS,
LIABILITIES AND STOCKHOLDERS' EQUITY
INTEREST RATES AND INTEREST DIFFERENTIAL
FOR THE THREE MONTHS ENDING MARCH 31, 1993
(dollars in thousands)

<TABLE>
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<CAPTION>

<S>	Average Balance <C>	Interest <C>	Yield/ Rate <C>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Interest bearing liabilities:			
Demand deposits	$ 561,725	13,820	2.46%
Savings	130,280	3,596	2.76
IRA/KEOGH	129,087	7,487	5.80
Certificates of deposit	787,473	31,531	4.00
Federal funds purchased & securities sold under agreements to repurchase	32,697	920	2.81
Other borrowings	7,249	457	6.30
Total interest-bearing liabilities /interest expense	1,648,511	57,811	3.51
Non-interest bearing demand	310,284		
Other liabilities	18,869		
Total liabilities	1,977,664		
Stockholders' equity	150,793		
Total	$2,128,457		
Net interest income (3)		95,684	
Net yield on interest earning assets (3)			4.40
Tax equivalent adjustments:			
Loans		169	
Obligations of state & political subdivisions		2,958	
Corporate securities		556	
Total tax equivalent adjustment		3,683	
Net interest income		$92,001	

(1) Non-accruing loans are included in average loans; however, no income is recognized on these loans.
(2) Includes loan fees in both interest income and the calculation of the yield on loans.
(3) Tax equivalent adjustments are calculated assuming a 35% tax rate for 1994 and 1993.
</TABLE>
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PART II

OTHER INFORMATION

Item 4. Submission of Matters to Vote of Security Holders

(a) The Annual Meeting of Stockholders of GSSC was held April 18, 1994.

(b) The following three directors were elected at the meeting to hold office for a term of three years:

	Approve	Disapprove	Withhold Authority
J. Russell Flowers	6,967,907	665	9,282
John T. Keeton	6,963,989	665	13,200
Robert E. Kennington, II	6,967,992	665	9,197

No broker non-votes were submitted at the Company's Annual Meeting of Stockholders.

The term of office of the following five directors continued after the meeting:

James T. Boone
E. Hayes Branscome
Milton J. Womack
J. M. Robertson, Jr.
J. H. Tabb

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

See Exhibit Index on page 30 hereof

(b) Reports on Form 8-K

There were no reports filed on Form 8-K during the calendar quarter ended March 31, 1994.
</PAGE>

EXHIBIT INDEX

Item 6. Exhibits and Reports on Form 8-K

(a) 3. Exhibits:

3.1 Certificate of Incorporation (filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1992, and incorporated herein by reference)

3.2 Bylaws, as amended (filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 1992, and incorporated herein by reference)

10.1 Equity Share Bonus Plan and Participation Agreement, as amended (filed as Exhibit 10.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1991, and incorporated herein by reference)

10.2 Deferred Compensation Agreement (filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 1991, and incorporated herein by reference)

10.3 Management Incentive Compensation Plans (filed as Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 1991, and incorporated herein by reference)

10.4 Form of Executive Employment Contracts (filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 1991, and incorporated herein by reference)

10.5 Purchase and Assumption Agreement among Eastover Bank for Savings and Grenada Sunburst System Corporation and Sunburst Bank, Mississippi dated July 22, 1992, (filed as Appendix H of the Company's Registration Statement on Form S-4 (Reg. No. 33-53170) and incorporated herein by reference)

</PAGE>

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GRENADA SUNBURST SYSTEM CORPORATION
(Registrant)

Date May 13, 1994

/s/ D. L. Holland

D. L. Holland, Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer and Officer Duly Authorized to sign on Behalf of Registrant)