

Edgar Filing: THOMASVILLE BANCSHARES INC - Form 10QSB

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

THOMASVILLE BANCSHARES, INC.
THOMASVILLE, GEORGIA
CONSOLIDATED BALANCE SHEETS

	June 30, 2002 (Unaudited)	December 31, 2001 (Unaudited)
ASSETS		
-----	-----	-----
Cash and due from banks	\$ 7,025,435	\$ 6,223,676
Federal funds sold	1,463,780	356,202
	-----	-----
Total cash and cash equivalents	\$ 8,489,215	\$ 6,579,878
Investment securities:		
Securities available-for-sale, at market value	8,040,384	7,135,162
Loans, net	148,922,609	134,335,739
Property & equipment, net	4,091,585	3,694,814
Other assets	1,699,440	1,522,783
	-----	-----
Total Assets	\$171,243,233 =====	\$153,268,376 =====

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:

Deposits		
Non-interest bearing deposits	\$ 17,954,524	\$ 16,562,792
Interest bearing deposits	126,373,782	116,150,265
	-----	-----
Total deposits	\$144,328,306	\$132,713,057
Borrowings	12,000,000	6,000,000
Other liabilities	576,999	666,206
	-----	-----
Total Liabilities	\$156,905,305 -----	\$139,379,263 -----

Commitments and contingencies

Shareholders' Equity:

Common stock, \$1.00 par value, 10 million shares authorized, 1,425,000 and 1,395,000 shares issued and outstanding at June 30, 2002 and December 31, 2001, respectively	\$ 1,425,000	\$ 1,395,000
Paid-in-capital	8,359,608	8,200,908
Retained earnings	4,526,351	4,265,111
Accumulated other comprehensive income	26,969	28,094
	-----	-----
Total Shareholders' Equity	\$ 14,337,928 -----	\$ 13,889,113 -----

Total Liabilities and

Edgar Filing: THOMASVILLE BANCSHARES INC - Form 10QSB

Shareholders' Equity	\$171,243,233	\$153,268,376
	=====	=====

Refer to notes to the consolidated financial statements.

THOMASVILLE BANCSHARES, INC.
THOMASVILLE, GEORGIA
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	For the three months ended June 30,	
	2002	2001
Interest income	\$2,491,797	\$2,699,075
Interest expense	1,039,776	1,356,271
	-----	-----
Net interest income	\$1,452,021	\$1,342,804
Provision for possible loan losses	55,000	70,000
	-----	-----
Net interest income after provision for possible loan losses	\$1,397,021	\$1,272,804
	-----	-----
Other income		
Gain on sale of mortgage loans	\$ 3,524	\$ 951
Gain on sale of assets	1,279	10,254
Service charges	38,869	36,015
Other fees	144,914	128,729
	-----	-----
Total other income	\$ 188,586	\$ 175,949
	-----	-----
Salaries and benefits	\$ 459,662	\$ 412,506
Advertising and public relations	34,180	15,903
Depreciation	78,527	75,858
Legal & professional	26,609	25,424
Repairs & maintenance	43,316	39,337
Regulatory fees and assessments	30,225	18,066
Other operating expenses	292,361	185,095
	-----	-----
Total operating expenses	\$ 964,880	\$ 772,189
	-----	-----
Net income before taxes	\$ 620,727	\$ 676,564
Income taxes	221,000	254,500
	-----	-----
Net income	\$ 399,727	\$ 422,064
	=====	=====
Basic income per share	\$.28	\$.30
	=====	=====
Diluted income per share	\$.27	\$.29
	=====	=====

Edgar Filing: THOMASVILLE BANCSHARES INC - Form 10QSB

Refer to notes to the consolidated financial statements.

THOMASVILLE BANCSHARES, INC.
THOMASVILLE, GEORGIA
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	For the six months ended June 30,	
	2002	2001
Interest income	\$4,857,621	\$5,433,180
Interest expense	2,064,705	2,725,805
	-----	-----
Net interest income	\$2,792,916	\$2,707,375
Provision for possible loan losses	110,000	145,000
	-----	-----
Net interest income after provision for possible loan losses	\$2,682,916	\$2,562,375
	-----	-----
Other income		
Gain on sale of mortgage loans	\$ 4,412	\$ 3,990
Gain on sale of assets	1,279	10,254
Service charges	78,171	68,823
Other fees	284,347	278,095
	-----	-----
Total other income	\$ 368,209	\$ 361,162
	-----	-----
Salaries and benefits	\$ 904,970	\$ 804,946
Advertising and public relations	70,365	52,245
Depreciation	155,190	143,844
Legal & professional	65,524	57,218
Repairs & maintenance	80,542	80,862
Regulatory fees and assessments	39,805	35,464
Other operating expenses	475,489	348,104
	-----	-----
Total operating expenses	\$1,791,885	\$1,522,683
	-----	-----
Net income before taxes	\$1,259,240	\$1,400,854
Income taxes	428,000	512,000
	-----	-----
Net income	\$ 831,240	\$ 888,854
	=====	=====
Basic income per share	\$.59	\$.64
	=====	=====
Diluted income per share	\$.57	\$.62
	=====	=====

Refer to notes to the consolidated financial statements.

Edgar Filing: THOMASVILLE BANCSHARES INC - Form 10QSB

THOMASVILLE BANCSHARES, INC.
 THOMASVILLE, GEORGIA
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 (UNAUDITED)

	For the six-month period Ended June 30,	
	2002	2001
	-----	-----
Cash flows from operating activities:	\$ 858,219	\$ 1,406,611
	-----	-----
Cash flows from investing activities:		
Decrease in OREO	\$ -	\$ 137,844
Purchase of fixed assets	(551,961)	(211,366)
Maturities, calls, paydowns, securities, AFS	500,000	10,300,000
Purchase of securities, AFS	(1,434,000)	(7,407,343)
(Increase) in loans	(14,696,870)	(12,329,555)
	-----	-----
Net cash used by investing activities	\$ (16,182,831)	\$ (9,510,420)
	-----	-----
Cash flows from financing activities:		
Issuance of stock	\$ 150,000	\$ -
Options, restricted stock	38,700	31,025
Increase in borrowings	6,000,000	1,124,798
Increase (decrease) in deposits	11,615,249	(4,424,458)
Payment of cash dividend	(570,000)	(488,250)
	-----	-----
Net cash provided from (used by) financing activities	\$ 17,233,949	\$ (3,756,885)
	-----	-----
Net (decrease) in cash and cash equivalents	\$ 1,909,337	\$ (11,860,694)
Cash and cash equivalents, beginning of period	6,579,878	17,115,813
	-----	-----
Cash and cash equivalents, end of period	\$ 8,489,215	\$ 5,255,119
	=====	=====

Refer to notes to the consolidated financial statements.

THOMASVILLE BANCSHARES, INC.
 THOMASVILLE, GEORGIA
 CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
 FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2001 AND 2002

	Common Stock		Accumulated Other			
	-----	-----	Paid in	Retained	Comprehensive	Total
	Shares	Par Value	Capital	Earnings	Income	-----
	-----	-----	-----	-----	-----	-----
Balance, December 31, 2000	1,395,000	\$ 1,395,000	\$ 8,112,061	\$ 3,071,334	\$ 1,853	\$ 12,580,248
	-----	-----	-----	-----	-----	-----

Edgar Filing: THOMASVILLE BANCSHARES INC - Form 10QSB

Comprehensive Income:

Net income, six-month period ended June 30, 2001	- -	- -	- -	888,854	- -	888,854
Net unrealized gains on securities, six- month period ended June 30, 2001	- -	- -	- -	- -	41,005	41,005

Total comprehensive income	- -	- -	- -	888,854	41,005	929,859
Stock options, restricted stock	- -	- -	31,025	- -	- -	31,025
Dividends paid	- -	- -	- -	(488,250)	- -	(488,250)

Balance, June 30, 2001	1,395,000	\$ 1,395,000	\$ 8,143,086	\$ 3,471,938	\$ 42,858	\$ 13,052,882
=====						

Balance, Dec 31, 2001	1,395,000	\$ 1,395,000	\$ 8,200,908	\$ 4,265,111	\$ 28,094	\$ 13,889,113

Comprehensive Income:

Net income, six-month period ended June 30, 2002	- -	- -	- -	831,240	- -	831,240
Net unrealized gains on securities, six-month period ended June 30, 2002	- -	- -	- -	- -	(1,125)	(1,125)

Total comprehensive income	- -	- -	- -	831,240	(1,125)	830,115
Exercise of options	30,000	30,000	120,000	- -	- -	150,000
Stock options, restricted						

Edgar Filing: THOMASVILLE BANCSHARES INC - Form 10QSB

stock	- -	- -	38,700	- -	- -	38,700
Dividends paid	- -	- -	- -	(570,000)	- -	(570,000)
	-----	-----	-----	-----	-----	-----
Balance, June 30, 2002	1,425,000	\$ 1,425,000	\$ 8,359,608	\$ 4,526,351	\$ 26,969	\$14,337,928
	=====	=====	=====	=====	=====	=====

Refer to notes to the consolidated financial statements.

THOMASVILLE BANCSHARES, INC.
 THOMASVILLE, GEORGIA
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
 JUNE 30, 2002

NOTE 1 - 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 and six-month periods ended June 30, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. These statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in Form 10-KSB for the year ended December 31, 2001.

NOTE 2 - SUMMARY OF ORGANIZATION

Thomasville Bancshares, Inc., Thomasville, Georgia (the "Company"), was organized in January, 1995 for a then proposed de novo bank, Thomasville National Bank, Thomasville, Georgia (the "Bank"). The Bank commenced operations on October 2, 1995. The Bank is primarily engaged in the business of obtaining deposits and providing commercial, consumer and real estate loans to the general public. The Bank operates from two banking offices, both in Thomasville, Georgia. The Bank's depositors are each insured up to \$100,000 by the Federal Deposit Insurance Corporation (the "FDIC"), subject to certain limitations imposed by the FDIC. Beginning in calendar year 2002, the Bank offers trust and brokerage services to its customers through a newly established subsidiary, TNB Financial Services, Inc. ("TNBFS"). On July 1, 2002, the Company acquired all of the outstanding stock of Joseph Parker & Company, Inc. ("JPC"), a firm which provides investment advisory services and presently has over \$200 million under management.

NOTE 3 - RECENT ACCOUNTING PRONOUNCEMENTS

Statement of Financial Accounting Standards No. 141, "Business Combinations" ("FASB 141") addresses financial accounting and reporting for business combinations and supersedes both APB Opinion No. 16, "Business Combinations" and FASB Statement No. 38, "Accounting for Preacquisition Contingencies of Purchased Enterprises." All business combinations in the

Edgar Filing: THOMASVILLE BANCSHARES INC - Form 10QSB

scope of FASB 141 are to be accounted for using one method - the purchase method. The provisions of FASB 141 apply to all business combinations initiated after June 30, 2001. The adoption of FASB 141 is not expected to have a material impact on the financial position or results of operations of the Company.

Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("FASB 142") addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17, "Intangible Assets." FASB 142 addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. FASB 142 also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. FASB 142 is effective for fiscal years beginning after December 15, 2001. The adoption of FASB 142 is not expected to have a material impact on the financial position or results of operations of the Company.

Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("FASB 143") addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. FASB 143 applies to all entities. FASB 143 also applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) the normal operation of a long-lived asset, except for certain obligations of leases. FASB 143 amends FASB Statement No. 19, "Financial Accounting and Reporting by Oil and Gas Producing Companies". FASB 143 is effective for fiscal years beginning after December 15, 2002. The adoption of FASB 143 is not expected to have a material impact on the financial position or results of operations of the Company.

Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("FASB 144") addresses financial accounting and reporting for the impairment or disposal of long-lived assets. FASB 144 supersedes both FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operation - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for the disposal of a Segment of a business (as previously defined in that opinion). FASB 144 also amends ARB No. 51, "Consolidated Financial Statements" to eliminate the exception to consolidation for a subsidiary for which control is likely temporary. The provisions of FASB 144 are required to be applied with fiscal years beginning after December 15, 2001. Adoption of FASB 144 is not expected to have a material impact on the financial position or results of operations of the Company.

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

Results of Operations

Total consolidated assets increased by \$18.0 million to \$171.2 million during the six-month period ended June 30, 2002. Cash and cash equivalents increased by \$1.9 million to \$8.5 million, investment securities increased by \$.9 million to \$8.0 million, loans increased by \$14.6 million to \$148.9 million, and all other assets increased by \$.6 million to \$5.8 million. For

Edgar Filing: THOMASVILLE BANCSHARES INC - Form 10QSB

the six-month period ended June 30, 2002, total deposits increased by \$11.6 million to \$144.3 million, borrowings increased by \$6.0 million to \$12.0 million, and all other liabilities decreased by \$.1 million to \$.6 million; the capital accounts increased by \$.5 million to \$14.3 million.

Liquidity and Sources of Capital

Liquidity is the Company's ability to meet all deposit withdrawals immediately, while also providing for the credit needs of customers. The June 30, 2002 financial statements evidence a satisfactory liquidity position as total cash and cash equivalents amounted to \$8.5 million, representing 5.0% of total assets. Investment securities, which amounted to \$8.0 million, or 4.7% of total assets, provide a secondary source of liquidity because they can be converted into cash in a timely manner. The Company's management closely monitors and maintains appropriate levels of interest earning assets and interest bearing liabilities so that maturities of assets are such that adequate funds are provided to meet customer withdrawals and loan demand. The Company is not aware of any trends, demands, commitments, events or uncertainties that will result in or are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way.

The Bank maintains an adequate level of capitalization as measured by the following capital ratios and the respective minimum capital requirements by the Bank's primary regulator, the Office of the Comptroller of the Currency ("OCC").

	Bank's June 30, 2002	Minimum required by regulator
	-----	-----
Leverage ratio	8.1%	4.0%
Risk weighted ratio	10.8%	8.0%

As evidenced above, the Bank's capital ratios are well above the OCC's required minimums.

Results of Operations

For the three-month periods ended June 30, 2002 and 2001, net income amounted to \$399,727 and \$422,064, respectively. On a per share basis, basic and diluted income for the three-month period ended June 30, 2002 amounted to \$.28 and \$.27, respectively. For the three-month period ended June 30, 2001, basic and diluted income per share amounted to \$.30 and \$.29, respectively. Below are two key facts to consider when comparing the results of the three-month period ended June 30, 2002 with the three-month period ended June 30, 2001:

- a. Net interest income increased by approximately \$110,000, while average earning assets increased by approximately \$19.0 million. The relatively small increase in net interest income as compared to the increase in average earning assets is due to narrowing interest margins, which are a result of a slowing economy and monetary policy actions undertaken by the Federal Reserve Board.
- b. Net overhead expense, defined as non-interest expense less non-interest income, increased 30.2% during the three-month period ended June 30, 2002 compared to the three-month period ended June 30, 2001, from \$596,240 to \$776,294. This was due primarily to the increase in non-interest expense. The increase in non-interest expense was primarily due to the

Edgar Filing: THOMASVILLE BANCSHARES INC - Form 10QSB

establishment of a new subsidiary of the Bank, TNBFS. TNBFS engages in managing trust accounts and in providing discount brokerage services.

Net income for the six-month period ended June 30, 2002 amounted to \$831,240, or \$.57 per diluted share. For the six-month period ended June 30, 2001, net income amounted to \$888,854, or \$.62 per diluted share. Below are several pertinent facts to consider when comparing the results obtained during the six-month period ended June 30, 2002 with the six-month period ended June 30, 2001:

- a. Average total earning assets increased from \$129.2 million at June 30, 2001 to \$147.9 million at June 30, 2002. The net increase of \$18.7 million represents a 14.5% increase over a twelve-month period.
- b. The yield on earning assets declined from 8.41% for the six-month period ended June 30, 2001 to 6.57% for the six-month period ended June 30, 2002. This decline is mainly in response to the Federal Reserve Board's monetary policy actions reducing short-term rates. Despite the increase in average earning assets described immediately above, the decline in the yield on average earning assets caused interest income to decline from \$5,433,180 for the six-month period ended June 30, 2001 to \$4,857,621 for the six-month period ended June 30, 2002.
- c. Net interest income represents the difference between interest received on interest earning assets and interest paid on interest bearing liabilities. The following table presents the main components of interest earning assets and interest bearing liabilities for the six-month period ended June 30, 2002.

(Dollars in 000's)			
Interest Earning Assets/ Bearing Liabilities	Average Balance	Interest Income/ Cost	Yield/ Cost
Federal funds sold	\$ 2,083	\$ 28	2.64%
Securities	7,502	180	4.79%
Loans	138,338	4,650	6.72%
	-----	-----	-----
Total	\$ 147,923	\$ 4,858	6.57%
	-----	-----	-----
Deposits and borrowings	\$ 127,953	\$ 2,065	3.23%
	-----	-----	-----
Net interest income		\$ 2,793	
		=====	
Net yield on earning assets			3.78%
			=====

Net interest income increased from \$2,707,375 for the six-month period ended June 30, 2001 to \$2,792,916 for the six-month period ended June 30, 2002, a net increase of \$85,541, or 3.2%. Net yield on earning assets decreased from 4.19% for the six-month period ended June 30, 2001 to 3.78% for the six-month period ended June 30, 2002; the decrease is attributable to two factors:

- (i) The average cost of funds decreased by 174 basis points to 3.23%; and,
- (ii) the average yield on earning assets decreased by 184 basis points to 6.57%. The net yield on earning assets decreased because the decline in the average yield on earning assets outpaced the decline in the average cost of funds.

Edgar Filing: THOMASVILLE BANCSHARES INC - Form 10QSB

- d. Other income increased from \$361,162 for the six-month period ended June 30, 2001 to \$368,209 for the six-month period ended June 30, 2002. Other income as a percent of average total assets decreased from .52% for the six-month period ended June 30, 2001 to .46% for the six-month period ended June 30, 2002. The recent weakness in the general economy, coupled with the significant losses in equity markets, has contributed to customers' increased sensitivity toward fees and service charges charged by the Bank.
- e. Total operating expenses increased from \$1,552,683 for the six-month period ended June 30, 2001 to \$1,791,885 for the six-month period ended June 30, 2002. As a percentage of average total assets, total operating expenses increased from 2.20% for the six-month period ended June 30, 2001 to 2.25% for the six-month period ended June 30, 2002. As discussed earlier, the increase is due primarily to costs and expenses incurred with respect to the establishment of TNBFS, a new subsidiary of the Bank.

At December 31, 2001, the allowance for loan losses amounted to \$1,564,769. At June 30, 2002, the allowance amounted to \$1,608,310. As a percentage of gross loans, the allowance decreased from 1.15% to 1.07% during the six-month period ended June 30, 2002. Management considers the allowance for loan losses to be adequate and sufficient to absorb estimated future losses; however, there can be no assurance that charge-offs in future periods will not exceed the allowance for loan losses or that additional provisions to the allowance will not be required.

The Company is not aware of any current recommendation by the regulatory authorities which, if implemented, would have a material effect on the Company's liquidity, capital resources, or results of operations.

Recent Developments

On July 1, 2002, the Company acquired all of the outstanding stock of Joseph Parker & Company, Inc. ("JPC"), a firm which provides investment advisory services and presently has over \$200 million under management. The Company established a \$4.0 million line of credit with an unrelated financial institution and utilized \$2.0 million of the line of credit as partial payment for the JPC acquisition.

PART II. OTHER INFORMATION

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

The 2002 Annual Meeting of Shareholders of the Company was held on May 21, 2002. At the meeting, the following persons were elected as Class I directors to serve for a term of three years and until their successors are elected as qualified: Stephen H. Cheney, Charles A. Balfour, David O. Lewis, and Richard L. Singletary, Jr.

The number of votes cast for and withheld with respect to the election of each nominee for director was as follows:

Votes	Votes
For	Withheld
---	-----

Edgar Filing: THOMASVILLE BANCSHARES INC - Form 10QSB

Stephen H. Cheney	961,058	1,700
Charles A. Balfour	961,058	1,700
David O. Lewis	961,458	1,300
Richard L. Singletary, Jr.	961,058	1,700

In addition, the shareholders of the Company ratified the appointment of Francis and Company, CPAs as auditors for the Company and its subsidiary for the year ending December 31, 2002. The number of votes for, against and withheld with respect to the ratification of Francis and Company, CPAs was as follows:

Votes For	Votes Against	Votes Withheld
---	-----	-----
957,558	400	4,800

No other matters were presented or voted on at the Annual Meeting.

The following persons did not stand for reelection at the 2002 Annual Meeting of Shareholders as their term of office continued after the Annual Meeting: David A. Cone, Charles W. McKinnon, Jr., Randall L. Moore, Cochran A Scott, Jr., Charles E. Hancock, Charles H. Hodges, III, Harold L. Jackson, and Diane W. Parker.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits: The following exhibit is filed with this report.

Exhibit Number	Description
99.1	Certification Pursuant to 18 U.S.C. Section 1350 As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act Of 2002.

(b) Reports on Form 8-K. There were no reports on Form 8-K filed during the quarter ended June 30, 2002.

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.

THOMASVILLE BANCSHARES, INC.

(Registrant)

Date: August 9, 2002 BY: /s/ Stephen H. Cheney

Stephen H. Cheney
President and Chief Executive Officer
(principal executive and financial officer