THOMASVILLE BANCSHARES INC
Form 10QSB
August 13, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

X QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2004.

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____________ to ____________________

Commission File No. 0-25929

THOMASVILLE BANCSHARES, INC.
(Exact name of small business issuer as specified in its charter)

Georgia	58-2175800
(State of Incorporation)	(I.R.S. Employer Identification No.)

301 North Broad Street, Thomasville, Georgia 31792
(Address of Principal Executive Offices)

(229) 226-3300
(Issuer's Telephone Number, Including Area Code)

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 Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the issuer 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: Indicate the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date.

Common stock, $1.00 par value per share 1,468,181 shares issued and outstanding as of August __, 2004.

Transitional small business disclosure format (check one):

Yes ________ No X ___________

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THOMASVILLE BANCSHARES, INC.
THOMASVILLE, GEORGIA
CONSOLIDATED BALANCE SHEETS

ASSETS	June 30, 2004 (Unaudited)	December 31, 2003 (Unaudited)
Cash and due from banks	$ 4,871,693	$ 6,142,076
Federal funds sold	2,290,334	389,703
Total cash and cash equivalents	$ 7,162,027	$ 6,531,779
Investment securities:		
Securities available-for-sale, at market value	$ 12,763,260	$ 9,410,892
Loans, net	187,919,379	179,749,910
Property & equipment, net	4,216,587	4,281,826
Goodwill	3,402,259	3,417,259
Other assets	2,639,272	2,098,506
Total Assets	$218,102,784	$205,490,172
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits		
Non-interest bearing deposits	$ 24,500,692	$ 21,993,126
Interest bearing deposits	149,728,314	143,506,633
Total deposits	$174,229,006	$165,499,759
Federal funds purchased	- -	2,264,000
Borrowings	24,640,507	19,893,654
Other liabilities	709,336	531,253
Total Liabilities	$199,578,849	$188,188,666
Commitments and contingencies		
Shareholders' Equity:		
Common stock, $1.00 par value, 10 million shares authorized, 1,468,181 (2004) and 1,467,038 (2003) shares issued & outstanding	$ 1,468,181	$ 1,467,038
Paid-in-capital	9,172,663	9,082,318
Retained earnings	8,036,358	6,759,183
Accumulated other comprehensive (loss)	(153,267)	(7,033)

Total Shareholders' Equity	$ 18,523,935	$ 17,301,506
Total Liabilities and Shareholders' Equity	$218,102,784	$205,490,172

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,	
	2004	2003
Interest income	$2,805,492	$2,592,689
Interest expense	858,418	923,051
Net interest income	$1,947,074	$1,669,638
Provision for possible loan losses	105,000	90,000
Net interest income after provision for possible loan losses	$1,842,074	$1,579,638
Other income		
Gain on sale of mortgage loans	$ 6,175	$ 14,446
Gain on sale of assets	834	- -
Service charges	43,457	44,100
Other fees	584,719	462,783
Total other income	$ 635,185	$ 521,329
Salaries and benefits	$ 824,589	$ 748,671
Advertising and public relations	50,050	43,789
Depreciation	104,039	106,406
Regulatory fees and assessments	22,909	20,498
Other operating expenses	465,146	440,975
Total operating expenses	$1,466,733	$1,360,339
Net income before taxes	$1,010,526	$ 740,628
Income taxes	380,200	267,760
Net income	$ 630,326	$ 472,868
Basic income per share	$ .43	$ .33

Diluted income per share	$ .43	$ .32

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,	
	2004	2003
Interest income	$5,536,239	$5,136,756
Interest expense	1,694,504	1,829,734
Net interest income	$3,841,735	$3,307,022
Provision for possible loan losses	210,000	170,000
Net interest income after provision for possible loan losses	$3,631,735	$3,137,022
Other income		
Gain on sale of mortgage loans	$ 6,175	$ 14,446
Gain on sale of assets	834	1,098
Service charges	86,939	88,415
Other fees	1,150,350	926,297
Total other income	$1,244,298	$1,030,256
Salaries and benefits	$1,598,014	$1,437,260
Advertising and public relations	114,675	86,019
Depreciation	209,624	207,042
Regulatory fees and assessments	47,458	43,930
Other operating expenses	897,521	815,800
Total operating expenses	$2,867,292	$2,590,051
Net income before taxes	$2,008,741	$1,577,227
Income taxes	731,566	558,634
Net income	$1,277,175	$1,018,593
Basic income per share	$ .87	$ .71
Diluted income per share	$ .87	$ .68

Refer to notes to the consolidated financial statements.

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

	For the six-month period Ended June 30, 2004	2003
Cash flows provided by operating activities	$ 1,264,955	$ 2,193,270
Cash flows from investing activities:		
Purchase of fixed assets	$ (144,385)	$ (232,476)
Maturities, calls, paydowns, securities, AFS	1,300,000	2,402,500
Purchase of securities, AFS	(4,714,441)	(3,173,729)
(Increase) in loans	(8,379,469)	(10,854,989)
Net cash used by investing activities	$(11,938,295)	$(11,858,694)
Cash flows from financing activities:		
Issuance of stock to 401(k)	$ 25,497	$ - -
Options, restricted stock	65,991	46,651
Increase in borrowings	2,482,853	909,223
Increase in deposits	8,729,247	10,674,541
Payment of cash dividend	- -	(649,602)
Net cash provided from financing activities	$ 11,303,588	$ 10,980,813
Net increase in cash and cash equivalents	$ 630,248	$ 1,315,389
Cash and cash equivalents, beginning of period	6,531,779	13,541,634
Cash and cash equivalents, end of period	$ 7,162,027	$ 14,857,023

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, 2003 AND 2004

	Common Stock Shares	Common Stock Par Value	Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2002	1,443,558	$ 1,443,558	$ 8,761,714	$5,452,079	$ 51,389	$15,708,740

Comprehensive Income:						
Net income, six-month period ended June 30, 2003	- -	- -	- -	1,018,593	- -	1,018,593
Net unrealized (loss) on securities, six-month period ended June 30, 2003	- -	- -	- -	- -	(8,211)	(8,211)
Total comprehensive income	- -	- -	- -	1,018,593	(8,211)	1,010,382
Stock options, restricted stock	- -	- -	46,651	- -	- -	46,651
Dividends paid	- -	- -	- -	(649,602)	- -	(649,602)
Balance, June 30, 2003	1,443,558	$ 1,443,558	$ 8,808,365	$5,821,070	$ 43,178	$16,116,171

Balance, December 31, 2003	1,467,038	$ 1,467,038	$ 9,082,318	$6,759,183	$ (7,033)	$17,301,506
Comprehensive Income:						
Net income, six-month period ended June 30, 2004	- -	- -	- -	1,277,175	- -	1,277,175
Net unrealized (loss) on securities, six-month period ended June 30, 2004	- -	- -	- -	- -	(146,234)	(146,234)
Total comprehensive income	- -	- -	- -	1,277,175	(146,234)	1,130,941
Sale of 1,143 shares to employee						

401(k) plan	1,143	1,143	24,354	- -	- -	25,497
Stock options, restricted stock (2,707 options)	- -	- -	65,991	- -	- -	65,991
Balance, June 30, 2004	1,468,181	$ 1,468,181	$ 9,172,663	$8,036,358	$(153,267)	$18,523,935

Refer to notes to the consolidated financial statements.

THOMASVILLE BANCSHARES, INC.
THOMASVILLE, GEORGIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
JUNE 30, 2004

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 and six-month periods ended June 30, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004. 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, 2003.

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 in October 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 also offers trust services. The Bank operates from two banking offices in Thomasville, Georgia. The Bank's depositors are each insured up to $100,000 by the Federal Deposit Insurance Corporation, subject to certain limitations imposed by the FDIC. In addition to the Bank, the Company has one other subsidiary, TNB Financial Services, Inc. through which the Company offers brokerage and money management services.

NOTE 3 - RECENT ACCOUNTING PRONOUNCEMENTS

In January 2003, the Financial Accounting Standards Board ("FASB") issued Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51 (the Interpretation), FASB Interpretation No. 46 ("FIN 46"). The purpose of this interpretation is to provide guidance on how to identify a variable interest entity (VIE) and determine when the assets, liabilities, non-controlling interests, and results of operations of a VIE need to be included in a company's consolidated financial statements. A company that holds variable interest in an entity will need to consolidate that entity if the company's interest in the VIE is such that the company will absorb a majority of the VIE's expected losses and or receive a majority of the VIE's expected residual returns, if they occur. As of June 30, 2004, management believes that the Company does not have any VIE's which would be consolidated under the provisions of FIN 46.

In December 2003, the FASB issued a revision of FIN 46. The Revised Interpretation codifies both the proposed modifications and other decisions previously issued through certain FASB Staff Positions (FSPs) and supersedes the original Interpretation to include: (1) deferring the effective date of the Interpretation's provisions for certain variable interests, (2) providing additional scope exceptions for certain other variable interests, (3) clarifying the impact of troubled debt restructurings on the requirement to reconsider (a) whether an entity is a VIE or (b) which party is the primary beneficiary of a VIE, and (4) revising Appendix B of the Interpretation to provide additional guidance on what constitutes a variable interest. The revised Interpretation is effective for financial statements of periods ending after March 15, 2004. Adoption of the revised FIN 46 did not have an adverse effect on the Company's financial position, results of operations, or liquidity.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," which amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," resulting in more consistent reporting of contracts as either derivatives or hybrid instruments. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, and should be applied prospectively. Adoption of SFAS No. 149 did not have a material impact on the Company's financial position, results of operations or liquidity.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity," which establishes standards for how certain financial instruments with characteristics of both liabilities and equity should be measured and classified. Certain financial instruments with characteristics of both liabilities and equity will be required to be classified as a liability. This statement is effective for financial instruments entered into or modified after May 31, 2003, and July 1, 2003 for all other financial instruments with the exception of existing mandatorily redeemable financial instruments issued by limited life subsidiaries that have been indefinitely deferred from the scope of the statements. Adoption of SFAS 150 did not have a material impact on the Company's financial position, results of operations or liquidity.

In December 2003, the American Institute of Certified Public Accountants ("AICPA") issued SOP 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer," which requires loans acquired through a transfer, such as a business combination, where there are differences in expected cash flows and contractual cash flows due in part to credit quality be recognized at their fair value. The excess of contractual cash flows over expected cash flows is not to be recognized as an adjustment of yield, loss accrual, or valuation allowance. Valuation allowances cannot be created nor "carried over" in the initial accounting for loans acquired in a transfer on loans subject to SFAS 114, "Accounting by Creditors for Impairment of a Loan." This SOP is effective for loans acquired after December 31, 2004, with early adoption encouraged. The Company does not believe the adoption of SOP 03-3 will have a material impact on the Company's financial position, results of operations or liquidity.

In December 2003, the FASB issued a revision of SFAS No. 132, "Employer's

Disclosures about Pensions and Other Postretirement Benefits." Most of the provisions of the revised statements are effective for fiscal years ending after December 15, 2003. The Statement requires more detailed disclosures about plan assets, investment strategies, benefit obligations, cash flows, and the assumptions used in accounting for the plans. Adoption of the revision to SFAS No. 132 will not have a material impact on the Company's financial position, results of operations or liquidity.

On December 11, 2003, the SEC Staff announced its intention to release a Staff Accounting Bulletin in order to clarify existing accounting practices relating to the valuation of issued loan commitments, including interest rate lock commitments, subject to Derivative Implementation Group Issue C-13, When a Loan Commitment is included in Scope of Statement 133. The new guidance is expected to require all registrants to begin accounting for these commitments subject to SFAS No. 133 as written options that would be reported as liabilities until they are exercised or expire. The provisions of this guidance are expected to be effective for loan commitments entered into after March 31, 2004.

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

OVERVIEW

Thomasville Bancshares, Inc., a Georgia corporation (the "Company"), was formed in March 1995 to act as the holding company for Thomasville National Bank (the "Bank"). The Bank opened for business in October 1995, and presently operates two branches in Thomasville, Georgia. The Bank is a full service commercial bank, with trust powers, and offers a full range of interest-bearing and non-interest-bearing accounts, including commercial and retail checking accounts, money market accounts, individual retirement and Keogh accounts, regular interest-bearing statement savings accounts, certificates of deposit, commercial loans, real estate loans, home equity loans and consumer/ installment loans. In addition, the Bank provides such consumer services as U.S. Savings Bonds, travelers checks, cashiers checks, safe deposit boxes, bank by mail services, direct deposit and automatic teller services.

In September 2001, the Bank formed an operating subsidiary, TNB Financial Services, Inc., Georgia corporation with trust powers. TNB Financial Services provides asset management services to clients located primarily in the Bank's market area. On March 31, 2004, TNB Financial Services was liquidated, with all of its operations being transferred to the Bank.

In July 2002, the Company acquired all of the issued and outstanding capital stock of Joseph Parker & Company, Inc. ("JPC"), a Georgia corporation and federally registered investment advisory firm located in Thomasville, Georgia.

At June 30, 2004, the Bank and JPC together managed approximately $313.0 million in trust, agency and custody accounts.

The Company's results of operations are largely dependent on interest income, which is the difference between the interest earned on loans and securities and interest paid on deposits and borrowings. The results of operations are also affected by the level of income/fees from loans, deposits, borrowings, as well as operating expenses, the provision for loan losses, the impact of federal and state income taxes, and the relative levels of interest rates and economic activity.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and could potentially result in materially different financial results under different assumptions and conditions. The Company believes that the most critical accounting policies upon which its financial condition depends, and which involve the most complex or subjective decisions or assessments, are as follows:

Allowance for Loan Losses

Arriving at an appropriate level of allowance for loan losses involves a high degree of judgment. The Company's allowance for loan losses provides for probable losses based upon evaluations of known and inherent risks in the loan portfolio. Management uses historical information to assess the adequacy of the allowance for loan losses as well as the prevailing business environment. The allowance is increased by provisions for loan losses and by recoveries of loans previously charged-off and reduced by loans charged-off.

Income Taxes

The Company estimates income tax expense based on the amount it expects to owe various tax authorities. Accrued taxes represent the net estimated amount due to or to be received from taxing authorities. In estimating accrued taxes, management assesses the relative merits and risks of the appropriate tax treatment of transactions taking into account statutory, judicial and regulatory guidance in the context of its tax position. Although the Company uses available information to record accrued income taxes, underlying estimates and assumptions can change over time as a result of unanticipated events or circumstances such as changes in tax laws influencing the Company's overall tax position.

Valuation of Goodwill/Intangible Assets and Analysis for Impairment

The Company utilized the purchase method to reflect its acquisition of JPC. Accordingly, the Company was required to record assets acquired and liabilities assumed at their fair value which is an estimate determined by the use of internal or other valuation techniques. These valuation estimates result in goodwill and other intangible assets. Goodwill is subject to ongoing periodic impairment tests and is evaluated using various fair value techniques including multiples of price/equity and price/earnings ratios.

Additional information regarding these critical accounting policies is set forth in the notes to the Company's financial statements included in the Company's Form 10-KSB for the year ended December 31, 2003.

FINANCIAL CONDITION

Total consolidated assets increased by $12.6 million to $218.1 million during the six-month period ended June 30, 2004. Cash and cash equivalents increased by $0.6 million to $7.2 million; investment securities increased by

$3.4 million to $12.8 million; loans increased by $8.2 million to $187.9 million; and all other assets increased by $0.4 million to $10.2 million. For the six-month period ended June 30, 2004, total deposits increased by $8.7 million to $174.2 million; borrowings increased by $2.5 million to $24.6 million; and all other liabilities increased by $0.2 million to $0.7 million; and the capital accounts increased by $1.2 million to $18.5 million.

Liquidity and Capital Resources

Liquidity is the Company's ability to meet all deposit withdrawals immediately, while also providing for the credit needs of customers. The June 30, 2004 financial statements evidence a satisfactory liquidity position as total cash and cash equivalents amounted to $7.2 million, representing 3.3% of total assets. Investment securities, which amounted to $12.8 million, or 5.9% 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, 2004	Regulatory Minimum
Leverage ratio	8.3%	4.0%
Risk weighted ratio	11.3%	8.0%

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

Allowance for Loan Losses

December 31, 2003, the allowance for loan losses amounted to $1,960,822. At June 30, 2004, the allowance amounted to $2,035,594. As a percent of gross loans, the allowance decreased from 1.08% to 1.07% during the six-month period ended June 30, 2004. 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.

Off-Balance Sheet Arrangements

In the ordinary course of business, the Bank may enter into off-balance sheet financial instruments which are not reflected in the financial statements.

These instruments include commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the financial statements when funds are disbursed or the instruments become payable.

Following is an analysis of significant off-balance sheet financial instruments at June 30, 2004 and December 31, 2003:

	At June 30, 2004	At December 31, 2003
	(In thousands)	
Commitments to extend credit	$27,626	$21,200
Standby letters of credit	3,071	2,732
	$30,697	$23,932

RESULTS OF OPERATIONS

For the three-month periods ended June 30, 2004 and 2003, net income amounted to $630,326 and $472,868, respectively. On a per share basis, basic and diluted income for the three-month period ended June 30, 2004 were each $0.43. For the three-month period ended June 30, 2003, basic and diluted income per share, were $0.33 and $0.32, respectively. Management believes that the following facts are important to consider when comparing the results of the three-month period ended June 30, 2004 with the three-month period ended June 30, 2003:

a. Net interest income increased by approximately $277,000, while average earning assets increased by approximately $26.3 million, resulting in a 4.21% net yield on the increase in earning assets.

b. Although total assets increased by 15.5% during the one-year period ended June 30, 2004, net overhead expense, defined as non-interest expense less non-interest income, decreased from June 30, 2003 to June 30, 2004, from $839,010 to $831,548. This reflects a measured success in the Company's strategy of increasing non-interest income and holding the increase on non-interest expense to a minimum.

Net income for the six-month period ended June 30, 2004 amounted to $1,277,175, or $0.87 per diluted share. For the six-month period ended June 30, 2003, net income amounted to $1,018,593, or $.68 per diluted share. Management believes that the following facts are important to consider when comparing the results of operations for the six-month period ended June 30, 2004 with the six-month period ended June 30, 2003:

a. Average total earning assets increased from $172.4 million for the six months ended June 30, 2003 to $198.7 million for the six months ended June 30, 2004. The net increase of $26.3 million represents a 15.3% increase in average earning assets over a twelve-month period.

b. The yield on earning assets declined from 5.96% for the six-month period ended June 30, 2003 to 5.57% for the six-month period ended June 30, 2004. This decline is mainly due to economic policies undertaken by the Federal Reserve Board. However, despite the decline in the yield on average earning assets, interest income increased from $5,136,756 for the six-month period ended June 30, 2003 to $5,536,239 for the six-month period ended June 30, 2004 as a results of the growth in average earning assets.

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, 2004.

(Dollars in 000's)

Interest Earning Assets/ Bearing Liabilities	Average Balance	Interest Income/ Cost	Yield/ Cost
Federal funds sold	$ 2,049	$ 9	.88%
Securities	11,045	201	3.64%
Loans	185,653	5,326	5.74%
Total	$ 198,747	$ 5,536	5.57%
Deposits and borrowings	$ 171,186	$ 1,694	1.98%
Net interest income		$ 3,842	
Net yield on earning assets			3.87%

Net interest income increased from $3,307,022 for the six-month period ended June 30, 2003 to $3,841,735 for the six-month period ended June 30, 2004, an increase of $534,713, or 16.2%. Net yield on earning assets increased from 3.84% for the six-month period ended June 30, 2003 to 3.87% for the six-month period ended June 30, 2004; the increase is attributable to two factors:

(i) The average cost of funds decreased by 44 basis points to 1.98%; and,

(ii) the average yield on earning assets decreased by 39 basis points to 5.57%. The net yield on earning assets increased because the decline in the cost of funds outpaced the decline in the average yield on earning assets.

d. Other income increased from $1,030,256 for the six-month period ended June 30, 2003 to $1,244,298 for the six-month period ended June 30, 2004. As a percent of average total assets, other income increased from 1.14% for the six-month period ended June 30, 2003 to 1.19% for the six-month period ended June 30, 2004. The increase is primarily due to the growth in fee income in trust services as well as in money management services.

e. Total operating expenses increased from $2,590,051 for the six-month period ended June 30, 2003 to $2,867,292 for the six-month period ended June 30, 2004. As a percent of average total assets, total operating expenses declined from 2.87% for the six-month period ended June 30, 2003 to 2.74% for the six-month period ended June 30, 2004.

ITEM 3. CONTROLS AND PROCEDURES

Management has developed and implemented a policy and procedures for reviewing disclosure controls and procedures and internal controls over financial reporting on a quarterly basis. Management, including the Chief

Executive Officer (the Company's principal executive and financial officer), evaluated the effectiveness of the design and operation of disclosure controls and procedures as of June 30, 2004 and, based on their evaluation, the Company's Chief Executive Officer concluded that these controls and procedures are operating effectively. Disclosure controls and procedures are the Company's controls and other procedures that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by Company in the reports that it files under the Securities Exchange Act is accumulated and communicated to management, including the principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

There were no significant changes in the Company's internal control over financial reporting during the Company's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Management noted no significant deficiencies in the design or operation of the Company's internal control over financial reporting and the Company's auditors were so advised.

PART II. OTHER INFORMATION

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

The 2004 Annual Meeting of Shareholders of the Company was held on May 18, 2004. At the meeting, the following persons were elected as Class III directors to serve for a term of three years and until their successors are elected as qualified: David A. Cone, Charles W. McKinnon, Jr., Randall L. Moore, Cochran A. Scott, Jr., and J. Mark Parker.

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

	Votes For	Votes Withheld
David A. Cone	1,007,726	0
Charles W. McKinnon, Jr.	1,007,726	0
Randall L. Moore	1,007,726	0
Cochran A. Scott, Jr.	1,007,726	0
J. Mark Parker	1,007,726	0

In addition, the shareholders of the Company ratified the appointment of Francis and Company, CPAs as auditors for the Company and its subsidiaries for the year ending December 31, 2004. 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
1,006,526	--	1,200

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

The following persons did not stand for reelection at the 2004 Annual Meeting of Shareholders as their term of office continued after the Annual Meeting: Charles E. Hancock, Charles H. Hodges, III, Harold L. Jackson, Diane W. Parker, Stephen H. Cheney, Charles A. Balfour, David O. Lewis, and Richard L. Singletary, Jr.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits: The following exhibits are filed with this report.

Exhibit Number	Description
3.1	Articles of Incorporation of the Company (incorporated herein by referenced to the Company's Registration Statement on Form SB-2 under the Securities Act of 1933, Registration Number 33-91536)
3.2	Bylaws of the Company (incorporated herein by referenced to the Company's Registration Statement on Form SB-2 under the Securities Act of 1933, Registration Number 33-91536)
31.1	Certification Pursuant to Rule 13a-14(a), As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	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, 2004.

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 13, 2004 By: /s/Stephen H. Cheney

Stephen H. Cheney
President and Chief Executive Officer
(Principal Executive, Financial and Accounting Officer)