THOMASVILLE BANCSHARES INC
Form 10QSB
November 09, 2001

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 September 30, 2001.

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 1,395,000 shares issued and outstanding as of November 1, 2001.

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	September 30, 2001 (Unaudited)	December 31, 2000 (Unaudited)
Cash and due from banks	$ 4,159,330	$ 8,493,734
Interest bearing deposits at other banks	500,000	- -
Federal funds sold	5,828,202	8,622,079
Total cash and cash equivalents	$ 10,487,532	$ 17,115,813
Investment securities:		
Securities available-for-sale, at market value	6,325,748	11,636,063
Loans, net	124,574,866	107,118,466
Property & equipment, net	3,466,321	3,434,425
Other real estate owned	- -	137,844
Other assets	1,680,040	1,665,053
Total Assets	$146,534,507	$141,107,664
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits		
Non-interest bearing deposits	$ 15,133,329	$ 15,330,627
Interest bearing deposits	111,102,188	110,563,168
Total deposits	$126,235,517	$125,893,795
Borrowings	6,000,000	2,000,000
Other liabilities	763,139	633,621
Total Liabilities	$132,998,656	$128,527,416
Commitments and contingencies		
Shareholders' Equity:		
Common stock, $1.00 par value, 10 million shares authorized, 1,395,000 shares issued & outstanding	$ 1,395,000	$ 1,395,000
Paid-in-capital	8,156,176	8,112,061
Retained earnings	3,919,097	3,071,334
Accumulated other comprehensive income	65,578	1,853

Total Shareholders' Equity	$ 13,535,851	$ 12,580,248
Total Liabilities and Shareholders' Equity	$146,534,507	$141,107,664

Refer to notes to the financial statements.

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

	Three months ended September 30, 2001	2000
Interest income	$2,615,578	$2,471,105
Interest expense	1,301,883	1,189,113
Net interest income	$1,313,695	$1,281,992
Provision for loan losses	60,000	75,000
Net interest income after provision for loan losses	$1,253,695	$1,206,992
Other income		
Gain on sale of mortgage loans	$ 483	$ 1,673
Service charges	40,953	28,707
Other fees	148,078	164,229
Rental income	- -	6,890
Total other income	$ 189,514	$ 201,499
Salaries and benefits	$ 427,430	$ 371,368
Advertising and public relations	28,743	43,034
Depreciation	77,171	104,994
Legal and professional	33,305	25,030
Repairs and maintenance	39,921	38,326
Regulatory fees and assessments	17,657	15,703
Other operating expenses	170,403	92,686
Total operating expenses	$ 794,630	$ 691,141
Net income before taxes	$ 648,579	$ 717,350
Income taxes	201,420	272,052
Net income after taxes	$ 447,159	$ 445,298
Basic income per share	$ .32	$ .32

Diluted income per share	$ .31	$ .31

Refer to notes to the consolidated financial statements.

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

	Nine months ended September 30,	
	2001	2000
Interest income	$8,048,758	$7,157,848
Interest expense	4,027,688	3,294,258
Net interest income	$4,021,070	$3,863,590
Provision for loan losses	205,000	235,000
Net interest income after provision for loan losses	$3,816,070	$3,628,590
Other income		
Gain on sale of mortgage loans	$ 4,473	$ 3,731
Gain on sale of assets	10,254	- -
Service charges	109,776	85,687
Other fees	426,173	382,266
Rental income	- -	18,390
Total other income	$ 550,676	$ 490,074
Salaries and benefits	$1,232,376	$1,093,682
Advertising and public relations	80,988	117,600
Depreciation	221,015	214,324
Legal and professional	90,523	75,959
Repairs and maintenance	120,783	110,556
Regulatory fees and assessments	53,121	46,544
Other operating expenses	518,507	425,413
Total operating expenses	$2,317,313	$2,084,078
Net income before taxes	$2,049,433	$2,034,586
Income taxes	713,420	756,752
Net income after taxes	$1,336,013	$1,277,834
Basic income per share	$ .96	$ .92
Diluted income per share	$ .93	$ .89

Refer to notes to the consolidated financial statements.

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

	Nine months ended September 30, 2001	Nine months ended September 30, 2000
Cash flows from operating activities:	$ 1,857,942	$ 1,547,304
Cash flows from Investing Activities:		
Decrease in other real estate owned	$ 137,844	$ 239,970
Purchase of fixed assets	(252,911)	(145,444)
Maturities, paydowns on securities AFS	14,400,000	3,600,000
Purchase of securities AFS	(9,007,343)	(1,452,309)
(Increase) in loans	(17,661,400)	(12,718,545)
Net cash used by investing activities	$(12,383,810)	$(10,476,328)
Cash flows from Financing Activities:		
Increase (decrease) in borrowings	$ 4,000,000	$ (314,779)
Payment of cash dividends	(488,250)	(414,000)
Options, restricted stock	44,115	37,000
Exercise of stock options	- -	75,000
Increase in deposits	341,722	10,338,749
Net cash provided by financing activities	$ 3,897,587	$ 9,721,970
Net increase in cash and cash equivalents	$ (6,628,281)	$ 792,946
Cash and cash equivalents, beginning of period	17,115,813	7,583,110
Cash and cash equivalents, end of period	$ 10,487,532	$ 8,376,056

Refer to notes to the financial statements.

THOMASVILLE BANCSHARES, INC.
THOMASVILLE, GEORGIA
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2000 AND 2001

	Common Stock				Accumulated Other	
	Shares	Par Value	Paid in Capital	Retained Earnings	Comprehensive Income	Total
Balance, Dec 31, 1999	1,380,000	$ 1,380,000	$ 8,002,961	$1,966,766	$ (37,979)	$11,311,748

Comprehensive Income:						
Net income, nine-month period ended Sept 30, 2000	- -	- -	- -	1,277,834	- -	1,277,834
Net unrealized (losses) on securities, nine-month period ended Sept 30, 2000	- -	- -	- -	- -	(295)	(295)
Total comprehensive income	- -	- -	- -	1,277,834	(295)	1,277,539
Stock options, restricted stock	- -	- -	37,000	- -	- -	37,000
Exercise of 15,000 stock options	15,000	15,000	60,000	- -	- -	75,000
Dividends paid	- -	- -	- -	(414,000)	- -	(414,000)
Balance, Sept 30, 2000	1,395,000	$ 1,395,000	$ 8,099,961	$2,830,599	$ (38,274)	$12,287,286
Balance, December 31, 2000	1,395,000	$ 1,395,000	$ 8,112,061	$3,071,334	$ 1,853	$12,580,248
Comprehensive Income:						
Net income, Nine-month period ended Sept 30, 2001	- -	- -	- -	1,336,013	- -	1,336,013
Net unrealized gains on securities, nine-month period ended Sept 30, 2001	- -	- -	- -	- -	63,725	63,725
Total comprehensive income	- -	- -	- -	1,336,013	63,725	1,399,738

Stock options, restricted stock	- -	- -	44,115	- -	- -	44,115
Dividends paid	- -	- -	- -	(488,250)	- -	(488,250)
Balance, Sept 30, 2001	1,395,000	$ 1,395,000	$ 8,156,176	$3,919,097	$ 65,578	$13,535,851

Refer to notes to the consolidated financial statements.

THOMASVILLE BANCSHARES, INC.
THOMASVILLE, GEORGIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
SEPTEMBER 30, 2001

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 nine-month periods ended September 30, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. 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, 2000.

NOTE 2 - SUMMARY OF ORGANIZATION

Thomasville Bancshares, Inc., Thomasville, Georgia (the "Company"), was incorporated under the laws of the State of Georgia on March 30, 1995, for the purpose of becoming a bank holding company for a proposed national bank, Thomasville National Bank (the "Bank") to be located in Thomasville, Georgia. In an initial public offering conducted during 1995, the Company sold and issued 600,000 shares of its $1.00 par value common stock. Proceeds from the above offering amounted to $5,972,407, net of selling expenses. The Company commenced banking operations on October 2, 1995. During the first calendar quarter of 1998, the Company declared a two-for-one stock split, effected in the form a 100% stock dividend, thus increasing the then total number of outstanding shares to 1,200,000. During 1998, the Company conducted a secondary public offering and sold 180,000 shares of its $1.00 par value common stock for $2,676,366, net of selling expenses. 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'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.

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 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 operation 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 operation 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 operation 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 operation of the Company.

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

Total consolidated assets increased by $5.4 million to $146.5 million during the nine-month period ended September 30, 2001. The increase was generated through a $.3 million increase in deposits, a $4.0 million increase in borrowings, a $.1 million increase in other liabilities, and a $1.0 million increase in the capital accounts. The Bank utilized the $5.4 million increase in sources of funds to restructure its assets as follows: Loans were increased by $17.4 million to $124.6 million, cash and cash equivalents were reduced by $6.6 million to $10.5 million, securities were reduced by $5.3 million to $6.3 million, and all other assets were reduced by $.1 million to $4.8 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 September 30, 2001 financial statements evidence a satisfactory liquidity position as total cash and cash equivalents amounted to $10.5 million, representing 7.1% of total assets. Investment securities, which amounted to $6.3 million or 4.3% 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. Management 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 established by the Bank's primary regulator, the Office of the Comptroller of the Currency ("OCC").

	Bank's September 30, 2001	Minimum required by regulator
Leverage ratio	9.0%	4.0%
Risk weighted ratio	12.3%	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 September 30, 2001 and 2000, net income amounted to $447,159 and $445,298, respectively. On a per share basis, basic income for both three-month periods ended September 30, 2001 and 2000 amounted to $.32. For both three-month periods ended September 30, 2001 and 2000, diluted income per share amounted to $.31. Below are two key factors to consider when comparing the net income results for the three-month period ended September 30, 2001 with those of the three-month period ended September 30, 2000:

a. Net interest income increased by approximately $32,000, while average earning assets increased by approximately $20.7 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 23.6% during the three-month period ended September 30, 2001 compared to the three-month period ended September 30, 2000, from $489,642 to $605,116, while average earning assets grew by approximately 19% during the same period. This indicates that the increase in net overhead expense is outpacing the growth in assets.

Net income for the nine-month period ended September 30, 2001 amounted to $1,336,013, or $.93 per diluted share. These results compare favorably to the September 30, 2000 net income of $1,277,834, or $.89 per diluted share. The primary reasons for the increase in net income for the nine-month period ended September 30, 2001 as compared to the nine-month period ended September 30, 2000 are as follows:

a. Average total earning assets increased from $107.5 million for the nine-month period ended September 30, 2000 to $128.2 million for the nine-month period ended September 30, 2001. The net increase of $20.7 million represents a 19.2% increase over a twelve-month period. There can be no assurances, however, that this level of growth can be maintained.

b. As a result of the increase in earning assets, interest income, the most significant revenue item, increased by $890,910, or 12.4%, from $7,157,848 for the nine-month period ended September 30, 2000 to $8,048,758 for the nine-month period ended September 30, 2001. The cost of fund declined from 4.89% for the nine-month period ended September 30, 2000 to 4.81% for the nine-month period ended September 30, 2001.

c. Net interest income, the difference between interest received on interest earning assets and interest paid on interest bearing liabilities, increased from $3,863,590 for the nine-month period ended September 30, 2000 to $4,021,070 for the nine-month period ended September 30, 2001, a net increase of $157,480, or 4.1%. Net yield on earning assets decreased from 4.79% for the nine-month period ended September 30, 2000 to 4.18% for the nine-month period ended September 30, 2001. The reason for the decline in the net yield on earning assets is that the yield on earning assets declined by 51 basis points, from 8.88% to 8.37%, while the cost of funds declined 8 basis points, from 4.89% to 4.81%.

The following presents, in a tabular form, the main components of interest earning assets and interest bearing liabilities.

(Dollars in 000's)

Interest Earning Assets/ Bearing Liabilities	Average Balance	Interest Income/ Cost	Yield/ Cost
Federal funds sold	$ 4,815	$ 159	4.40%
Securities	9,606	464	6.44%
Loans	113,753	7,426	8.70%
Total	$ 128,174	$ 8,049	8.37%
Deposits and borrowings	$ 111,686	$ 4,028	4.81%
Net interest income		$ 4,021	
Net yield on earning assets			4.18%

d. Other income increased from $490,074 for the nine-month period ended September 30, 2000 to $550,676 for the nine-month period ended September 30, 2001. As a percentage of average total assets, other income declined from .56% for the nine-month period ended September 30, 2000 to .53% for the nine-month period ended September 30, 2001.

e. Total operating expenses increased from $2,084,078 for the nine-month period ended September 30, 2000 to $2,317,313 for the nine-month period ended September 30, 2001. Total operating expenses as a percentage of average total assets declined from 2.35% for the nine-month period ended September 30, 2000 to 2.23% for the nine-month period ended September 30, 2001. The decline is due to attainment of higher operational efficiencies.

At December 31, 2000, the allowance for loan losses amounted to $1,365,057. At September 30, 2001, the allowance for loan losses amounted to $1,532,236. As a percentage of gross loans, the allowance declined from 1.26% at December 31, 2000 to 1.22% at September 30, 2001. 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.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain statements in this Form 10-QSB contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, which statements generally can be identified by the use of forward-looking terminology, such as "may," "will," "expect," "estimate," "anticipate," "believe," "target," "plan," "project," or "continue" or the negatives thereof or other variations thereon or similar terminology, and are made on the basis of management's plans and current analyses of the Company, its business and the industry as a whole. The forward-looking statements are subject to risks and uncertainties, including, but not limited to, economic conditions, competition, interest rate sensitivity and exposure to regulatory and legislative changes and other risks as detailed from time to time in the Company's filings with the Securities and Exchange Commission. The above factors, in some cases, have affected, and in the future could affect, the Company's financial performance and could cause actual results for fiscal 2001 and beyond to differ materially from those expressed or implied in such forward-looking statements. The Company does not undertake to publicly update or revise its forward-looking statements even if experience or future changes made it clear that any projected results expressed or implied therein will not be realized.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits. None.

(b) Reports on Form 8-K. There were no reports on Form 8-K filed during the quarter ended September 30, 2001.

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: November 7, 2001 BY: /s/ Stephen H. Cheney
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Stephen H. Cheney
President and Chief Executive Officer
(Principal Executive, Financial and
Accounting Officer)